

**City of Santa Fe, NM
Regular Committee
Tuesday, October 01, 2019
5:00 PM – Finance Committee
Council Chambers**

AGENDA

1. CALL TO ORDER

2. ROLL CALL

3. APPROVAL OF AGENDA

4. APPROVAL OF CONSENT AGENDA

5. APPROVAL OF MINUTES

Regular Finance Committee - September 3, 2019

Item a.pdf

6. PRESENTATION

- a. Internal Audit Procurement and Accounts Payable (John Olenberger, CPA, Colorado Independents Network LLC)

Item b- FINAL.pdf

7. CONSENT AGENDA

- a. Request for the Approval of Agreement with Santa Fe Fiesta, Inc. in the Total Amount of \$200,000 (over four years) For the Promotion of Santa Fe Fiestas (Randy Randall, TSF Executive Director, rrandall@santafenm.gov, 955-6209)

item a.pdf

- b. Request Approval of Award of RFP# '19/59/P to SWCA Environmental Consultants for the National Environmental Policy Act Planner in the Amount of \$129,965.65 inclusive of NMGR. (Porfirio Chavarria, Wildland Urban Interface Specialist, pnchavarria@santafenm.gov, 955.3119)

Item b.2

Action Sheet

- c. Request for Approval of Children and Youth Commission (CYC) and Human Services Committee (HSC) Grant PSA Amendments Administration. (Julie Sanchez, Youth and Family Services, jjsanchez@santafenm.gov, 955-6678)

- Aspen Solutions (HSC) Increase \$29,000
- Aspen Solutions (CYC) Increase \$50,000
- Adelante (CYC) Budget Adjustment, No Fiscal Changes
- SITE Santa Fe (CYC) Budget Adjustment, Scope of Services, No Fiscal Changes
- United Way (CYC) Budget Adjustment, Scope of Services, No Fiscal Changes
- SFCF Math Amigos (CYC) Budget Adjustment, Scope of Services, No Fiscal Changes

Item c

- d. Request for the Approval of Contract, and Attendant BAR, with B & D Industries, Inc. for Preventative Maintenance and Water Treatment System Repairs at the Midtown Property. Total Cost of this Project is

\$278,760.71 inclusive of NMGRT and Bond. Munis Contract #3200902 (Sam Burnett, Public Works Property Manager, jsburnett@santafenm.gov, 955-5933)

- 1) Request for Budget Amendment Resolution

Item d

e. Request for the Approval of Award of Contract for Parking Access and Revenue Control System (PARCS) to Mountain Parking Equipment in an amount not to exceed \$1,500,000 plus applicable gross receipts taxes, to fund the PARCS project initiated by the Parking Division with an investment valuation of \$1.5 million. The Parking Division has a commitment from New Mexico Finance Authority (NMFA) to finance this PARCS project. The funding from NMFA has been approved and released as of June 30, 2019. (Noel Correia, Parking Division Director, npcorreia@santafenm.gov , 955-6611).

- 1) Request for Approval of Budget Amendment Resolution

Item e

EXECUTIVE SESSION (IF NECESSARY) - In Accordance with the New Mexico Open Meetings Act, NMSA 1978, Section 10-15-1 (H)(6), Discussion in which the contents of competitive sealed proposals solicited pursuant to Procurement Code and discussed during the contract negotiation process

MATTERS FROM STAFF

MATTERS FROM THE COMMITTEE

ADJOURN

RECEIVED AT THE CITY CLERK'S OFFICE

DATE: September 27, 2019

TIME: 1:15 PM

**SUMMARY OF ACTION
FINANCE COMMITTEE
CITY COUNCIL CHAMBERS
TUESDAY, OCTOBER 1, 2019, 5:00 PM**

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**FINANCE COMMITTEE
CITY COUNCIL CHAMBERS
TUESDAY, OCTOBER 1, 2019, 5:00 PM**

1. CALL TO ORDER

The meeting of the Finance Committee, was called to order by Councilor Roman Abeyta, Chair, at 5:02 pm on Monday, October 1, 2019 at City Hall in the City Council Chambers, Santa Fe, New Mexico.

2. ROLL CALL

MEMBERS PRESENT

Councilor Roman Abeyta, Chair
Councilor Signe Lindell
Councilor Michael Harris
Councilor Carol Romero-Wirth

MEMBERS ABSENT

Councilor Christopher Rivera, Excused

OTHERS PRESENT

Mary McCoy, City of Santa Fe Finance Department Director
Christina Keyes, City fo Santa Fe Finance Department
Fran Dunaway, City of Santa Fe, Chief Purchasing Officer
John Olengenber, Telephonically
Elizabeth Martin, Stenographer

3. APPROVAL OF AGENDA

MOTION A motion was made by Councilor Lindell, seconded by Councilor Romero-Wirth, to approve the agenda as presented.

VOTE The motion passed unanimously by voice vote.

4. APPROVAL OF CONSENT AGENDA

Councilor Lindell pulled items A, D and E for discussion.

Councilor Romero-Wirth pulled item B for discussion.

MOTION A motion was made by Councilor Lindell, seconded by Councilor Harris, to approve the consent agenda as amended.

VOTE The motion passed unanimously by voice vote.

5. APPROVAL OF MINUTES

MOTION A motion was made by Councilor Lindell, seconded by Councilor Romero-Wirth, to approve the minutes as presented.

VOTE The motion passed unanimously by voice vote.

6. PRESENTATION

Ms. McCoy introduced Clayton Pelletier, the new City Finance Department Controller. Debra has been promoted to Accounting Officer.

Chair Abeyta said welcome Mr. Pelletier and congratulations Debra.

Ms. McCoy introduced John Olengerber who had joined the meeting telephonically. He will review the internal audit that was done of the Purchasing Department and Accounts Payable. The report and plan are in the meeting packet.

Mr. Olengerber reviewed the report.

Councilor Harris said he would like to talk a bit about the change order recommendations and management's response. To what degree does your firm look at the depth of potential infractions. We see language about P card infractions and about frustration with the process and that there are work arounds for change orders. Does your firm offer an opinion about how deep those infractions and work arounds go.

Mr. Olengerber said on the infractions we take a look at the design of the control first and determine if it is appropriately designed or not. If not, we recommend fixes for the control. We test the control to see if it operates correctly. We primarily focused on initial procurement and approval mechanisms. We did not have actual instances when auditing involved change orders. We did not think the change order process was a very good process. We were told by staff that people are looking for ways around the process. It was word of mouth. We did not see any. Our solution was to reexamine the process. When processes are over controlled it causes people to look for ways around them.

Councilor Harris said that leads to a broader question. What you call control design deficiencies. He realizes that you delivered this report in April. A lot has gone on

since then. He is wondering how many of these defined deficiencies are we dealing with in the new systems. He knows from his experience that people across the board are very frustrated with procurement issues and the slowness.

Ms. McCoy said the reason we selected procurement as the first internal audit is because we also heard those frustrations. We wanted to know where we could work out those issues.

Mr. Olengerber said his definition of design control deficiency is we look at the controls to see if they are appropriately designed and if it operates effectively. We look at how it is operating and is that how we would design the control. A design deficiency for change orders is that every change order has to go through a certain process that is cumbersome and time consuming. We heard that if someone needs something quick they go ahead and do it. It leads us to believe the control is not designed effectively. This is something where we do not think the control is operating as designed. We think it is over controlled.

Ms. McCoy said there are two examples of P card issues mentioned in the McCard report. Our controls now are pretty stringent. Christina is the P card administrator. She will give an overview to you of how they operate.

Ms. Keyes said in regards to the P card program, it was initiated a year and a half ago. It is new to the City. We did this with Wells Fargo working as our right hand for implementation. We rolled out the program in phases. We have had five training sessions at the Convention Center. We issued cards in groups of 20 to 30 at a time over a course of eight months to monitor usage behavior and to phase in with the Accounts Payable group. Then we rolled it out across Departments. Now over 200 cards have been issued. It is a promising method for purchasing day to day essentials for operations and emergency purchases that may occur. It has been a successful program. The Accounts Payable staff does look at every transaction. Mr. Olengerber deemed that to be excessively thorough. Until we have the ERP program fully implemented and the Accounts Payable group fully confident in the process with the new system we plan to keep that process. In six months to a year we will reassess that.

Ms. Dunaway said in answer to change orders he said there could be thresholds and some could be Department approval. Per 13-1-952 only the Chief Procurement Officer can approve all procurements. There are no thresholds. From here on out only your Chief Procurement Officer can approve all procurements and that is per law. For change orders that involves a change to a PO that changes the amounts. We cannot let Departments do that themselves.

Councilor Harris said this also talks about infractions for P cards. To what degree this is serious we don't know. He heard Mr. Olengerber say that they tested some 30 transactions and did not find anything alarming. He is curious to hear what management's response is to this.

Ms. McCoy said to management's response, as per John's reference, they first determine if a control is appropriately designed. If they deem the control is not appropriately designed they do not test for it. These statements were revealed to him during interviews of Department staff. They are a violation of the Procurement Code. We need to look at if staff is circumventing the Procurement Code.

Councilor Harris said now we have reached the level of control design deficiencies. He thought he said they tested 30 instances.

Ms. McCoy said he referring to something else, not change orders.

Mr. Olengerber said the sample set of 30 was made up of purchases and P card transactions. It was a wide variety of purchases. Most were high dollar amounts. There were maybe 12 P card transactions and the rest were procurement.

Councilor Harris said to number 8, on page 31, the issue is defined, but as he read the last sentence it talks about commercial vendors and employee vendors. 14 indicate the need for further review. Is that phrased correctly.

Mr. Olengerber said you could say appropriate or inappropriate. We have seen legitimate employee transactions. Employees with side jobs as an example. We will look into it further. Did it go out to competitive bid. We provide a list of employees who are vendors by matched addresses as part of the audit. We are just saying the need to be looked at further.

Councilor Harris said the way it is phrased it implies that they are inappropriate. What is management's response to this statement.

Ms. McCoy said management is investigating further and has received the data he flagged for us for these 19 matches and are looking into them.

Councilor Romero-Wirth said you don't test if it is not properly designed. Is that because if is not designed properly there will be problems.

Mr. Olengerber said an example if it is not appropriately designed is we would say it is not appropriately designed and stop there. It is a grey area and a fine line. We thought the design not effective. It comes down to the audit budget and appropriate use of resources.

Councilor Romero-Wirth asked are your recommendations based on best practices and how other municipalities do the work.

Mr. Olengerber said yes best practices, what other municipalities do as well as our own experience.

Councilor Romero-Wirth said so specifically this possible approval matrix based on dollar amounts, where does that come from.

Mr. Olengerber said part of it is a judgement call, it is not an exact science. It is something we have seen generally in other municipalities and with what their risk tolerance is. It is a possible approval matrix.

Councilor Romero-Wirth said she would like to have more conversation with staff about that as to the pros and cons.

Ms. McCoy said she agrees with that. That is one of the follow ups we plan to do. Three of the five items on the agenda tonight if we implemented this would come to you for approval, two would not in John's matrix.

Councilor Romero-Wirth said that is part of her concern. Things would be going on outside of our being aware of them. How do we get information to City Council about what is happening internally in the City. Approving the money gives us that knowledge. We may need to have a conversation about what level that is.

Chair Harris said we were told in the past that 75% of procurements go through a third part entity. In your experience is there a number or percentage that is appropriate for local public bodies to use third party procurements as opposed to going out to bid.

Mr. Olengerber said we don't have that information, but he will say with best practices we recommend going through State procurement where a government organization can make a bid and other municipalities can latch on to it. It saves a whole lot of time and effort.

Ms. McCoy said thank you John for your time.

Chair Abeyta said he would like an update at mid year on this.

Councilor Romero-Wirth said she is delighted to see this and read it and see that it is interfacing with the McCard report. It is fantastic and she appreciates the seriousness with which you bring this to us and that your team is here to answer questions.

Councilor Harris said he agrees.

Chair Abeyta asked Fran to follow up about third party procurements. In your opinion, based on your experience, what is the appropriate amount. He would like to get a follow up, even an email.

7. CONSENT AGENDA

- A. REQUEST FOR THE APPROVAL OF AGREEMENT WITH SANTA FE FIESTA, INC. IN THE TOTAL AMOUNT OF \$200,000.(OVER FOUR YEARS) FOR THE PROMOTION OF SANTA FE FIESTAS.
Randy Randall**

Councilor Lindell asked how is this disbursed.

Mr. Randall said this is done on a reimbursement basis for marketing. We receive a marketing plan from Fiesta Council before they make any expenditures. The plan is approved then they can invoice for reimbursements.

Councilor Lindell asked is this OTAB money.

Mr. Randall said this is OTAB money from tourism. All our money is lodgers tax.

MOTION A motion was made by Councilor Lindell, seconded by Chair Abeyta, to approve the request.

Councilor Romero-Wirth asked is this the only marketing that happens for Fiestas

Mr. Randall said we don't get a copy of their budget so he is not sure. He thinks it represents a substantial amount of it. The contract specifies that the majority of the marketing should be beyond 60 miles. The plan is specific as to where they do marketing. The invoices tell us as well.

Councilor Romero-Wirth asked so you do know it is beyond 60 miles.

Mr. Randall said the majority of it. They do some marketing in the New Mexican, but a lot of the focus in that is Santa Fe. Generally the marketing plan is 80% beyond 60 miles.

Councilor Romero-Wirth said so the purpose is to give them money because we see a tourism benefit so we support their event.

Mr. Randall said the purpose is to market Santa Fe to bring visitors into Santa Fe to enjoy the Fiestas. It is also set up by Resolution that we do this.

Councilor Romero-Wirth asked do we look at if that is the best way to do that. Should your shop be doing the marketing for Fiestas or contract with a marketing firm.

Mr. Randall said the amount of \$50,000 is not sufficient to bring in a marketing firm. We support their efforts though our office and our agency. We don't specifically market any events in Santa Fe. We market all the events in Santa Fe. Allowing them to do it provided they bring in a plan that we can review is best way to do it. We could do it either way.

VOTE The motion passed unanimously by voice vote.

B. REQUEST FOR APPROVAL OF AWARD OF RFP # '19/59/P TO SWCA ENVIRONMENTAL CONSULTANTS FOR THE NATIONAL ENVIRONMENTAL POLICY ACT PLANNER IN THE AMOUNT OF \$129,965.65 INCLUSIVE OF NMGR. Porfirio Chavarria

Councilor Romero-Wirth asked is this the money to do the study or to support the study.

Mr. Chavarria said to perform the requirements listed in the Act. This is for the Santa Fe Mountains Resiliency Project.

Councilor Romero-Wirth asked are we doing the NEPA plan.

Mr. Chavarria said yes, contracting to do it.

Councilor Romero-Wirth asked is this for a planner.

Mr. Chavarria said yes, and we will issue a draft environmental assessment that will be out for public comment and we are working on a decision memo and impacts to the project so we can go forward for implementation.

Councilor Romero-Wirth said she was surprised by this. She thought the Federal government does the NEPA.

Mr. Chavarria said they are required to do the NEPA, but he received a directive to find ways for the City to have a more prominent role in what happens in the forest around Santa Fe. This is a unique solution for that ask. We asked the Forest Service if there was a way for us to manage that contract.

Councilor Romero-Wirth said so typically it would be the Feds.

Mr. Chavarria said typically the Federal government would contract out for that.

MOTION A motion was made by Councilor Lindell, seconded by Councilor Harris, to approve the request.

VOTE The motion passed unanimously by voice vote.

**C. REQUEST FOR APPROVAL OF CHILDREN AND YOUTH
COMMISSION (CYC) AND HUMAN SERVICES COMMITTEE (HSC)
GRANT PSA AMENDMENTS ADMINISTRATION. Julie Sanchez**

1) REQUEST FOR BUDGET AMENDMENT RESOLUTION

Approved on consent.

**D. REQUEST FOR THE APPROVAL OF CONTRACT, AND ATTENDANT
BAR, WITH B & D INDUSTRIES, INC. FOR PREVENTATIVE
MAINTENANCE AND WATER TREATMENT SYSTEM REPAIRS AT
THE MIDTOWN PROPERTY. TOTAL COST OF THIS PROJECT IS
\$278,760.71 INCLUSIVE OF NMGR AND BOND. MUNIS CONTRACT
#3200902. Sam Burnett**

**1) REQUEST FOR APPROVAL OF BUDGET AMENDMENT
RESOLUTION**

Councilor Lindell asked what is the water treatment on the Campus.

Mr. Burnett said the water treatment is specific to the HVAC and other plumbing equipment for each building. The standard procedure in larger scale complexes is to go through boilers to extend the life span. This is specific to that.

Councilor Lindell asked does it exist and is being repaired, or is it being installed.

Mr. Burnett said it currently exists and is largely non-functional. It is being repaired and expanded upon to make it functional.

Councilor Lindell asked can we reasonably assume this contract would do maintenance in such a way that we would not have a pipe break like last year.

Mr. Burnett said that is one of the intended purposes of this contract. It also includes inspections of equipment and assets and making sure they are functioning properly.

Councilor Lindell asked when you do maintenance like this and have catastrophic failure like we did last year do these companies have any liability on things like that.

Mr. Burnett said it is dependent on the situation. That is hard for him to answer

specifically. The way, for example, the HVAC was installed in one of the buildings makes it prone to having issues. We work diligently to prevent a failure. There is a responsibility for City staff to be regularly checking on the equipment there. It is hard to put all the responsibility on the contractor. Some situations clearly fall on the City staff. B & D will be doing four preventive maintenance visits throughout the year. It is hard to make the responsibility for all the time when they not present.

Councilor Lindell asked is this group out of Albuquerque.

Mr. Burnett said yes.

Councilor Lindell said when we have catastrophic failure like last year she can't imagine they can arrive here in less than three to four hours.

Mr. Burnett said in response to this contract and other City work they have opened a local shop in the Rufina area and will be able to respond more quickly.

Councilor Lindell asked is TLC part of this contract.

Mr. Burnett said no.

Councilor Harris said as we work through the procurement requirements he is interested to see the ratings for workers comp. B & D's numbers are very impressive. This is a way to raise the bar in safe operations. Thanks for getting this Sam.

MOTION A motion was made by Councilor Lindell, seconded by Councilor Harris, to approve the request.

VOTE The motion passed unanimously by voice vote.

- E. REQUEST FOR THE APPROVAL OF AWARD OF CONTRACT FOR PARKING ACCESS AND REVENUE CONTROL SYSTEM (PARCS) TO MOUNTAIN PARKING EQUIPMENT IN AN AMOUNT NOT TO EXCEED \$1,500,000 PLUS APPLICABLE GROSS RECEIPTS TAXES, TO FUND THE PARCS PROJECT INITIATED BY THE PARKING DIVISION WITH AN INVESTMENT VALUATION OF \$1.5 MILLION. THE PARKING DIVISION HAS A COMMITMENT FROM NEW MEXICO FINANCE AUTHORITY (NMFA) TO FINANCE THIS PARCS PROJECT. THE FUNDING FROM NMFA HAS BEEN APPROVED AND RELEASED AS OF JULY 30, 2019. Noel Correia**

Councilor Lindell asked is this contract specific only to parking garages.

Mr. Correia said yes.

MOTION A motion was made by Councilor Lindell, seconded by Councilor Romero-Wirth, to approve the request.

VOTE The motion passed unanimously by voice vote.

8. EXECUTIVE SESSION IF NECESSARY - IN ACCORDANCE WITH THE NEW MEXICO OPEN MEETINGS ACT, NMSA 1978, SECTION 10-15-1 (H)(6), DISCUSSION IN WHICH THE CONTENTS OF COMPETITIVE SEALED PROPOSALS SOLICITED PURSUANT TO PROCUREMENT CODE AND DISCUSSED DURING THE CONTRACT NEGOTIATION PROCESS.

None.

9. MATTERS FROM STAFF

Ms. McCoy passed out a handout and said it was related to one of our new procedures in Munis. The three way match.

This handout is herewith attached to these minutes as Exhibit "1".

Ms. McCoy said we have had training of staff on this. It was implemented as part of Munis in response to the fraud risk assessment of the McCard Report. The assessment found a lack of internal controls and segregation of duties in our old system. This will address that. We would like to provide internal control training to the Council as well. Regarding the progress update of the new system, we have processed Train The Trainer training now and will email you the staff list as of last Friday. On approvals of contracts and POs, we are close to 1,500 POs processed in the first quarter and over 2,200 invoices and 548 contracts and have conducted 130 training sessions. You also have the update on gross receipts and lodgers tax. Christina will review the report with you.

The report is herewith attached to these minutes as Exhibit "2".

Ms. Keys reviewed the report.

Councilor Harris said thank for the sneak preview. On lodgers tax in the past as far as collections there were entities not paying. Where do we stand on the audit for lodgers tax.

Ms. Keys said we are working with the external auditor on that. We anticipate field work in December or January.

Councilor Harris said this is not just short term rentals, but some hotels as well.

Councilor Harris asked does our Ordinance regarding lodgers tax track with the State statute.

Ms. Keyes said she will have to research that and get back to him.

Councilor Harris said he is interested in seeing a copy of our Ordinance and the State statute.

Councilor Harris said food and medical deductions are mentioned. What are the deductions.

Ms. Keys said the deductions as reported by taxpayers purchases at the grocery store or restaurants and offset against the total GRT. The Value of the deductions are as a matter of the State statute. She is asking questions about that.

10. MATTERS FROM THE COMMITTEE

Councilor Lindell asked could we find out if we have a policy or procedure so we offer our vehicles we have internally rather than giving them to other municipalities.

Ms. McCoy said you asked that previously. We do have a Fleet Replacement Policy from the Police subsequent to your question. It says that it is recommended that they retain the vehicles for five years or 100,000 miles then auction them unless deemed otherwise by the Chief of Police. Under this policy it allows us to offer to their Departments prior to other police jurisdictions.

Council Lindell asked do we need to change the policy so they are first offered to other City Departments.

Ms. McCoy said as the policy reads it is not specifically targeted. We can recommend a change to this policy to be more prescriptive.

Councilor Lindell asked can we do that.

Ms. McCoy said we will work on that and bring it back to the Committee.

Chair Abeyta asked do we have to adopt a Resolution.

Councilor Lindell said it is an internal policy. She thinks all that is needed is direction from the Finance Committee.

Chair Abeyta said that is how we will proceed.

Ms. Dunaway said there is a State Statute for policy regarding vehicles. The reason we don't offer them to Departments statewide is because the vehicles are performance vehicles and more enhanced so we would not offer them to other Departments. They go out to auction because of the cost to strip them down.

Chair Abeyta asked so it is a State Statute.

Ms. Dunaway said yes. That policy is written from that.

Chair Abeyta said lets do the research on this.

Councilor Lindell said so we can offer them to the public, but not internally.

Ms. Dunaway said she will gather all the information for you.

Chair Abeyta said it sounds like the issue is with stripping the vehicles.

Ms. Dunaway said yes, she will compile that information for him.

Councilor Harris said he is looking through the minutes under Matters for Committee Members. He raised an issue about Bobbi Husman who is working at the Airport and her job classification and the process for changing that. You did say you would look into that.

Ms. McCoy said she has not looked into that further. She owes him a follow up.

Councilor Harris said great, we will talk when you are ready.

11. ADJOURN

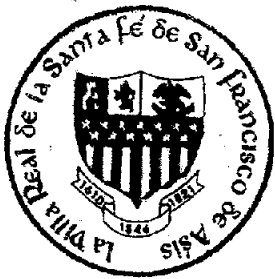
There being no further business before the Committee the meeting adjourned at 6:45 pm.



Councilor Roman Abeyta, Chair



Elizabeth Martin, Stenographer



Implementing MUNIS® Financials Keeps Us Professional, Accountable & Efficient

The Three-Way Match: Making Sure We Get What We Order and Pay For

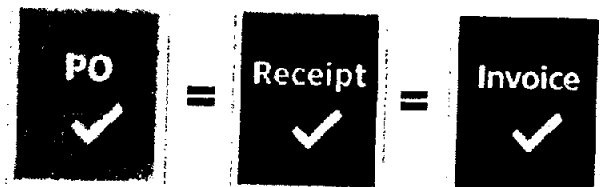
Our new Enterprise Resource Planning (ERP) System, MUNIS Financials, can prevent fraud and make sure invoices and payments are accurate.

There are three (3) basic components:

1 Purchase Order – an official confirmation that the City of Santa Fe has agreed to purchase goods or services from a vendor. It should include the name of the division, a description of the goods or services being purchased, a price, a mailing and/or electronic address for the vendor, payment information and a purchase order number.

2 Receipt – the proof of delivery. A receipt is included with goods or services delivered to the City and details exactly what is included in the shipment or order.

3 Invoice – An invoice is a request for payment, sent to the City of Santa Fe. It includes the same information as the purchase order, and an invoice number, vendor contact information, and the amount due.



Using the Three-Way Match

Before paying an invoice, the system and City staff match the following information:

- The quantities/amounts, prices and terms to ensure that what was ordered (**Purchase Order**)
- The goods or services received (**Receipt**)
- The request for payment (**Invoice**)

If any issues are found – wrong quantities, prices, damaged goods, etc. – payment is not sent until the issue is resolved. Since only authorized purchases are paid, losses due to fraud and carelessness are prevented.

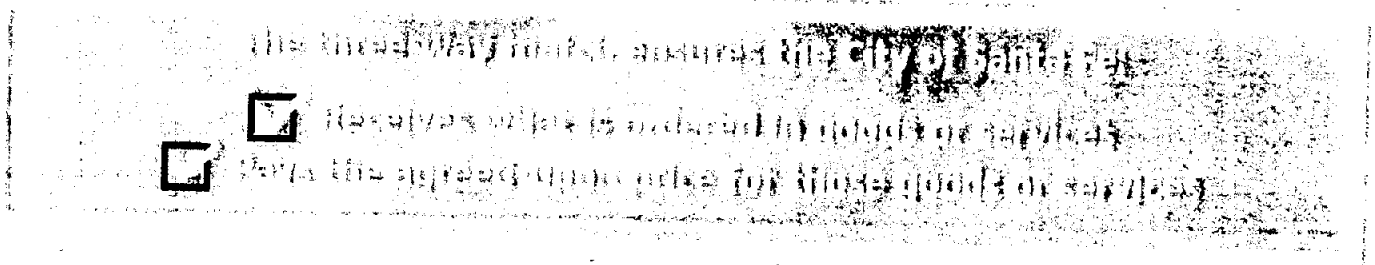
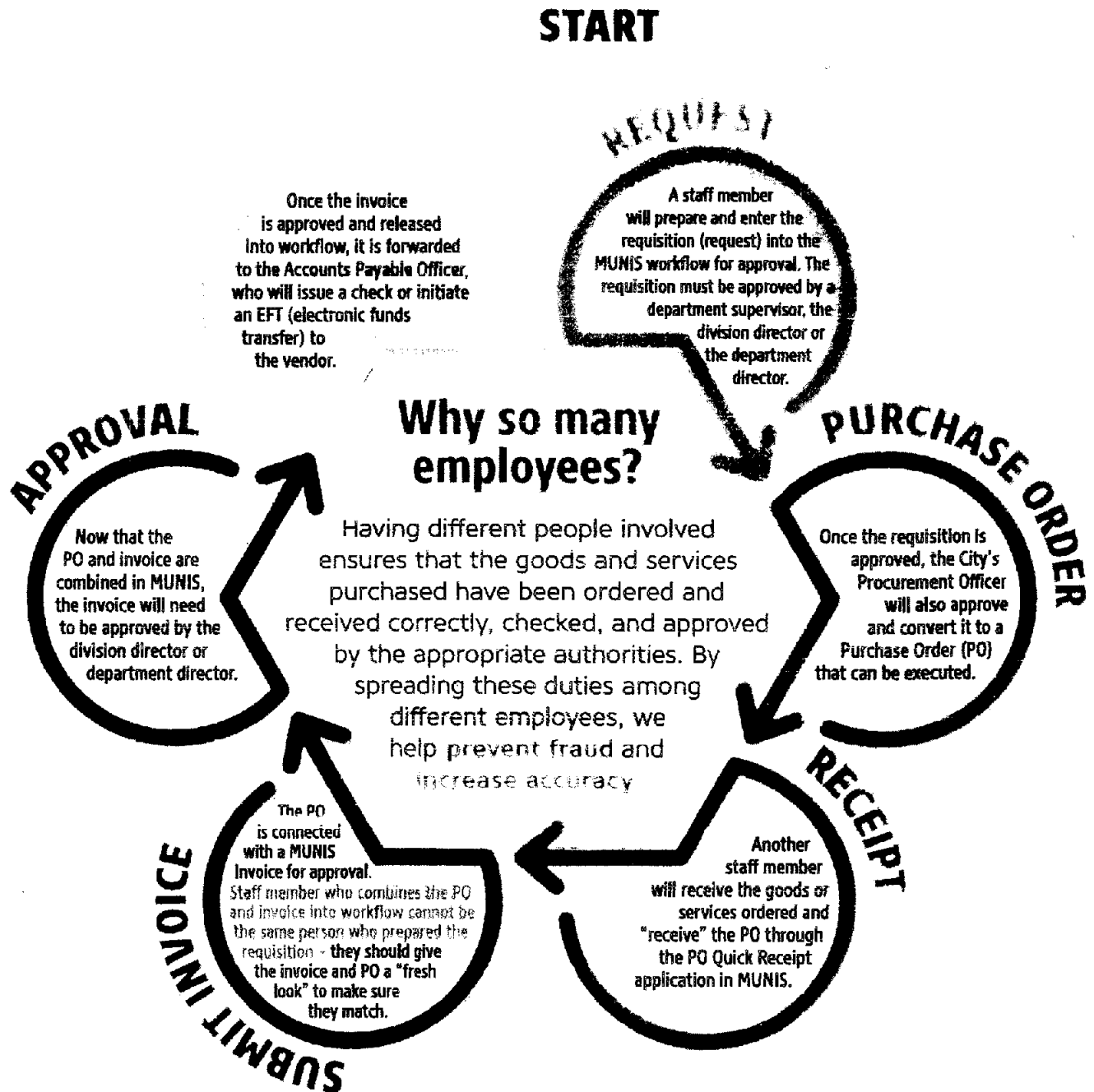


Exhibit "1"

► Follow These Steps to Purchase Goods and Services

To prevent fraud and have checks and balances in our financial system, it is important to assign **five different employees** in each department to perform different roles. Each user has a defined role in MUNIS, which provides them with authorization for different parts of the purchasing process and modules, following the steps outlined below.



Why MUNIS Financials and an ERP?


In 2017, a fraud risk assessment was conducted by McHard Accounting Consulting, LLC for the City of Santa Fe. ***The assessment found the City had extremely high risks of fraud, due to:***


- ***an almost complete lack of internal controls in our accounting and financial systems***
- ***very old and ineffective accounting and financial software***
- ***outdated or nonexistent policies and procedures, and***
- ***a lack of training and support for staff members performing accounting and financial tasks within departments.***


The City was already in the process of selecting an ERP (Enterprise Resource Planning) System. Tyler Technologies MUNIS Financials was selected, and we began launching MUNIS in July 2019.

We are also developing policies and procedures and conducting ongoing training for MUNIS as well as creating stronger internal controls.

While MUNIS represents a big change in the way we do business, we believe it will make sure the City of Santa Fe and our staff members are:

 **Professional** – Modern and updated in the way we do our jobs, handle our finances, and serve our community.

 **Accountable** – Able to confidently track and report what we spend taxpayer funds on, why we spent those funds, and what the results were.

 **Efficient** – As we become more accustomed to using MUNIS, accounting and finance will become more efficient, with no need for hand re-entering of information, backing out financial entries and re-entering them or other rework, leading to better use of everyone's time.

We recognize this change is challenging, and encourage you to:

✓ **Contact munishelp@santafenm.gov with general questions**

✓ **Ask your supervisor for refresher training if needed**

✓ **Visit Tyler University:
<https://www.tyler.edu/welcome/tyler-university>**

✓ **Download or refer to your online manual**

✓ **Contact one of these individuals with your ideas, suggestions, or concerns**

• **Chief Financial Officer** (505) 203-4111

financials@cityofsantafenm.gov

• **Finance Director**

(505) 203-4673

finance@cityofsantafenm.gov

Thank you for helping us create a better, stronger government for the City of Santa Fe!

City of Santa Fe Gross Receipts & Lodgers' Tax

Monthly Update
June 2019 GRT Review
(August 2019 Distribution)



August 16, 2019
Christina Keyes, MBA
Treasury Officer, Finance Department

Exhibit "2"

City of Santa Fe Gross Receipts & Lodgers' Tax Update

June 2019 GRT Review (August 2019 Distribution)

The following provides a brief summary of the Gross Receipts Tax (GRT) for the City of Santa Fe. The New Mexico Taxation and Revenue Department (TRD) reports the monthly tax receipts collection activity data. The following overview covers the GRT activity for the month of June 2019, reported in August 2019. All data reported are unaudited, early estimates for the fiscal years presented herein.

The gross receipts activity reported in the month of June, climbing the peak of the summer tourist season typically presents an annual cyclical uptick in consumer activities and hospitality and tourism. Total gross receipts for June were particularly high, reported at \$594 million, up approximately 10.4 percent from \$538 million reported for June 2018. Receipts received were particularly strong in nearly all of the sectors, including: retail trade, manufacturing, agriculture, healthcare and social assistance, and arts, entertainment and recreation sectors. The subsequent increase was observed for the August 2019 GRT distribution to the City of approximately \$10.7 million, an increase of nearly five percent from August 2018 at \$10.2 million. A portion of this increase may be attributed to the food distributions reported at \$1 million, when historically it is approximately \$500 thousand. Food and medical deductions were reported higher than normal as well. An inquiry placed with the Taxation and Revenue Department regarding this increase has yet to be answered. Additionally, ongoing conversations with Taxation and Revenue are attempting to attain answers to variances observed in receipts reporting during the last three months. Economists are currently researching.

Chart 1

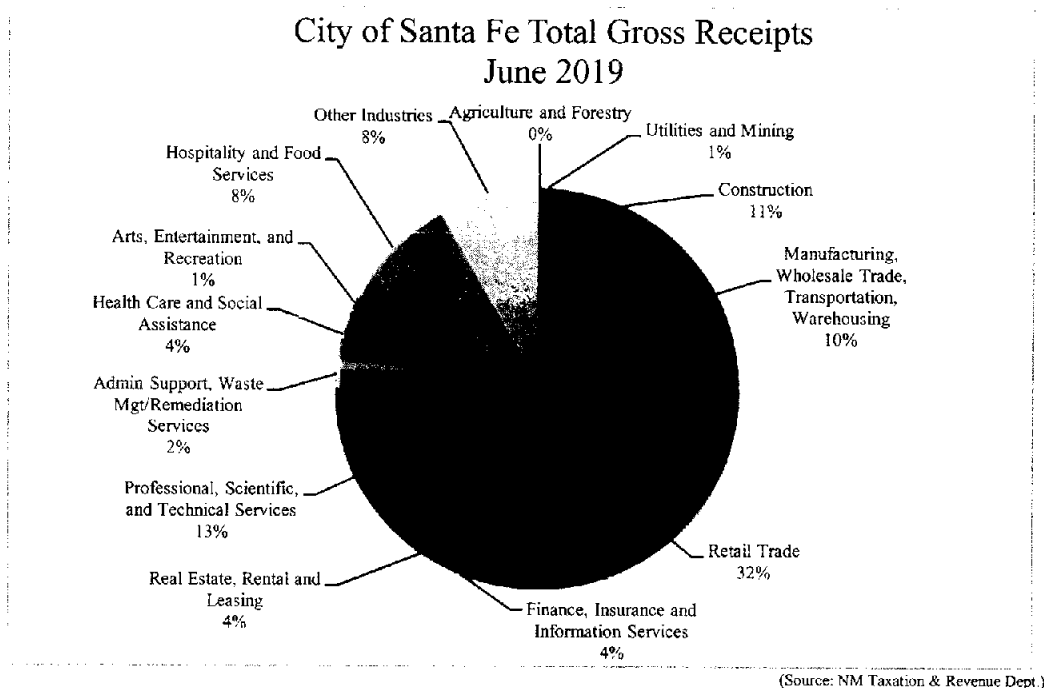


Table 1

City of Santa Fe Total Gross Receipts (Month to Month Comparison)				
	Jun-18	Jun-19	YOY \$ Change	YOY % Change
Agriculture and Forestry	\$1,016,514	\$1,183,298	\$166,784	16.41%
Utilities and Mining	\$7,793,069	\$6,922,132	(\$870,937)	-11.18%
Construction	\$78,478,711	\$66,416,178	(\$12,062,533)	-15.37%
Manufacturing, Wholesale Trade, Transportation, Warehousing	\$48,528,428	\$57,984,758	\$9,456,330	19.49%
Retail Trade	\$147,288,848	\$189,973,275	\$42,684,427	28.98%
Finance, Insurance and Information Services	\$23,228,621	\$22,068,368	(\$1,160,253)	-4.99%
Real Estate, Rental and Leasing	\$21,197,871	\$20,587,113	(\$610,758)	-2.88%
Professional, Scientific, and Technical Services	\$65,946,719	\$77,041,645	\$11,094,927	16.82%
Admin Support, Waste Mgt/Remediation Services	\$11,115,104	\$13,937,357	\$2,822,253	25.39%
Health Care and Social Assistance	\$19,527,681	\$24,994,399	\$5,466,718	27.99%
Arts, Entertainment, and Recreation	\$7,005,002	\$7,974,134	\$969,133	13.83%
Hospitality and Food Services	\$58,969,503	\$56,853,631	(\$2,115,872)	-3.59%
Other Industries	\$47,545,743	\$47,807,039	\$261,296	0.55%
All Industries	\$537,641,813	\$593,743,327	\$56,101,513	10.43%

(Data Source: NM Taxation & Revenue Dept. Please note a two month lag in data provided per reporting from TRD.)
(The total gross receipts is the amount of total revenue generated by a business. The tax remitted to the State is a percentage of the total gross receipts.)

Table 2

City of Santa Fe GRT Distribution Variance by Industry Sector FY 2018 vs. FY 2019 Cumulative FYTD				
Category	August FY18	August FY19	\$ Variance	% Variance
Agriculture, Forestry, Hunting, Fishing	260,760	192,294	(68,466)	-26.26%
Mining	4,306	2,611	(1,695)	-39.36%
Utilities	2,682,928	2,637,224	(45,704)	-1.70%
Construction	13,161,848	14,078,261	916,413	6.96%
Manufacturing	1,742,616	1,941,301	198,685	11.40%
Wholesale	2,150,572	2,502,851	352,279	16.38%
Retail	28,905,888	29,046,062	140,174	0.48%
Transportation & Warehousing	376,628	315,547	(61,081)	-16.22%
Information and Cultural Industries	4,479,650	4,443,551	(36,099)	-0.81%
Finance & Insurance	2,619,983	1,584,714	(1,035,269)	-39.51%
Real Estate, Rental & Leasing	2,891,406	3,233,976	342,570	11.85%
Professional, Scientific, Technical	8,801,254	9,160,595	359,341	4.08%
Management of Companies	83,906	97,802	13,896	16.56%
Admin & Support, Waste Mgt.	1,526,499	1,763,000	236,501	15.49%
Educational Services	466,604	772,914	306,310	65.65%
Health Care and Social Assistance	4,601,365	5,532,718	931,353	20.24%
Arts, Entertainment & Recreation	1,212,485	1,401,624	189,139	15.60%
Accommodation & Food	14,502,320	16,331,505	1,829,185	12.61%
Other Services	9,042,351	9,404,497	362,146	4.00%
Public Administration	23,872	12,958	(10,914)	-45.72%
Unclassified	551,142	774,787	223,645	40.58%
State Reimb-Food/Med Tax	8,252,939	11,422,765	3,169,826	38.41%
Muni. Equivalent Distribution	335,447	341,983	6,536	1.95%
Total Distribution	108,676,769	116,995,540	8,318,771	7.65%

(Data Source: NM Taxation & Revenue Dept. Please note a two month lag in data provided per reporting from TRD.)
(The gross receipts tax distribution is the amount of actual tax revenue collected by the State and reported to the municipality.)



Chart 2

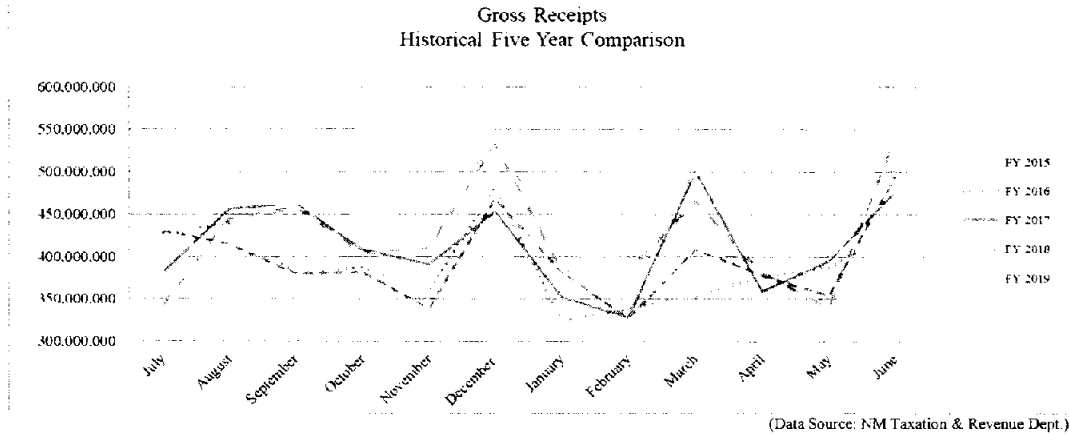


Chart 3

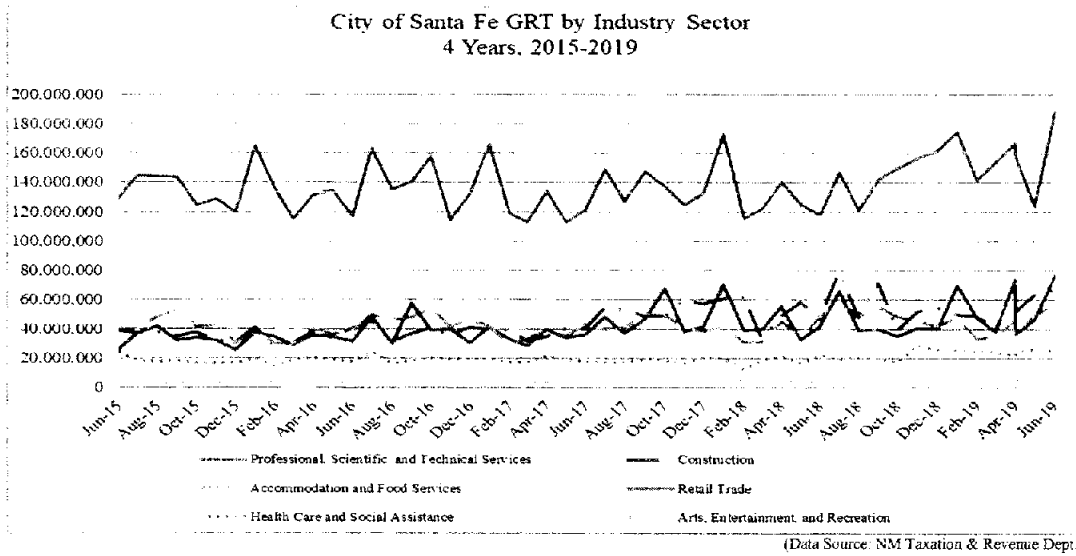
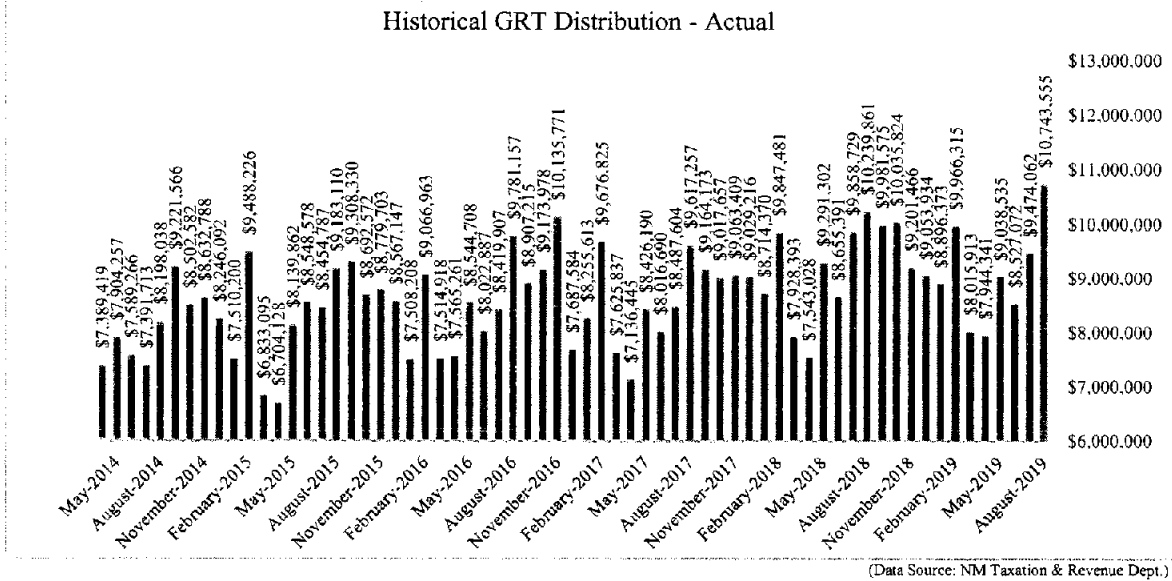


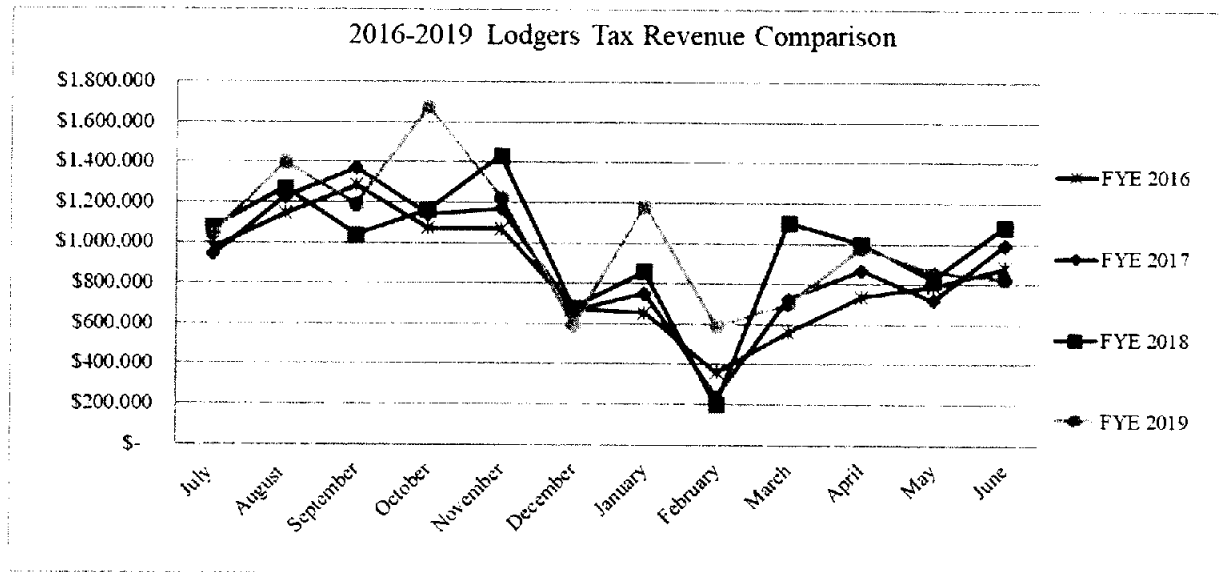
Chart 4



Lodgers Tax collections are generated from hotels, motels and short term rentals within the City of Santa Fe. Lodger's tax is remitted for revenue generated from lodging at a taxable premise within the City limits. Five percent (5%) of the lodger's tax is an imposed occupancy tax and two percent (2%) is a convention center fee for a total of seven percent (7%) of gross taxable rent paid to vendors. The lodger's tax, guided by City ordinance, provides funding "...for the purpose of advertising, publicizing and promoting facilities, tourist attractions and acquisition, construction and maintenance of tourist attractions and recreational facilities, and for all other legally permissible purposes...".

Lodgers Tax payments received for the month of June 2019 were \$828 thousand, a decrease of approximately 24 percent below June 2018. The decline may be attributed to the timing of receipting a couple of large hotel payments at the end of the month. The payments reported fiscal year to date are in line with the historical collections activity since the inception of the program. Lodgers Tax collections are generated from hotels, motels and short term rentals within the City of Santa Fe.

Chart 5



(Data Source: City of Santa Fe – Finance Dept.)



Employment is a strong economic indicator of the health of an economy. The Santa Fe MSA (metropolitan statistical area) has reported some growth in certain sectors, yet remains behind historical levels achieved during 2006-2007. In June, the New Mexico Department of Workforce Solutions (DWS) reported total non-seasonally adjusted, total nonfarm employment in Santa Fe was down -1.2 percent, or 800 jobs from the previous year. Leisure and hospitality reported the largest private sector jobs gains of ~500 jobs or 4.3 percent. Education and health services and trade, transportation and utilities sectors reported jobs decreases during the month. Job gains in the federal government sector offset job losses in the local government sector. The seasonally adjusted unemployment rate for Santa Fe was 3.8 percent in June 2019, a decrease from 4.2 percent reported in June 2018.

Chart 6

