

Summary minutes of:

FINANCE COMMITTEE MEETING
Tuesday April 13, 2010, 6pm
Public Safety Meeting Room
1316 Calle Adelante, Española, NM

Committee members:

Councilor Chayo Garcia, Chair
Councilor Greg Ortega
Councilor Robert Seeds
Councilor Pedro Valdez

Call to Order

The meeting was called to order by Councilor Garcia at 6:00pm with the following in attendance:

Committee members: Councilor Chayo Garcia, Chair
Councilor Greg Ortega
Councilor Robert Seeds
Councilor Pedro Valdez

City Councilors: Mayor Pro Tem Cecilia Lujan
Councilor Helen Kain-Salazar

City Clerk/
Acting City Manager: Heather Velasquez

Deputy City Clerk: Sally Baxter

Staff: Joyce Sandoval, Finance Department; Ben Ortega, Public Works
Director

Approval of Agenda

Agenda as presented:

---Begin---

Call to Order

Approval of Agenda

Public Comments

Committee Member Comments

Discussion/Action Items

1. Recap of Meeting with Hector Balderas, Department of Finance and Administration (DFA)
2. Review of March Financial Report
3. Review of Fiscal Year 2009-2010 Budget Including a Review of Revenues and Expenditures Month by Month
4. Status of Fiscal Year 2010-2011 Budget and Budget Planning
5. Review of Current Contracts Including Contract Amounts and Terms
6. Update on Status of Hiring a Finance Director for the City of Española
7. Review of Report for EGRT (Environmental Gross Receipts Tax) Fund

Matters of the Chair

Announcements

Executive Session

Adjournment

At any time during the Open Meeting, the Committee members, by a majority vote, may close the meeting to the public to discuss matters not subject to the New Mexico Open Meetings Act. The Committee members, by a majority vote, may revise the order of the agenda items considered at this Open Meeting.

If you are an individual with a disability who is in need of an amplifier, qualified sign language interpreter, or any other form of auxiliary aid or service to attend or participate in the hearing or meeting, please contact the City Clerk's Office at 747-6019 at least three days prior to the meeting.

---End---

Councilor Valdez made a motion to approve the agenda.

Councilor Ortega asked move item #6 to the first item.

Councilor Ortega seconded the motion. The motion carried 3/0.

Councilor Garcia introduced Ron Archuleta, and said he was here tonight to help the city through this.

Mr. Archuleta said he was from Las Vegas, had a degree in accounting and a Master's, had worked with the Department of the Navy doing audits, fraud audits, labor fraud, double billing, had worked for Los Alamos with the Department of Energy and had become audit director. He said he had 17 – 18 years experience with all of the major projects at Los Alamos, and had been a Council member in Pecos when they had had problems there with DFA (Department of Finance and Administration). He said the city had to meet deliverables, have a plan, and he knew Hector Balderas. He said he had started his own accounting business including DFA projects. He said he was glad to be here, enthused, this was the type of work he thrived on, and he thought that as team the city could get through this.

Councilor Garcia thanked him and welcomed him aboard; Councilor Kain-Salazar thanked him.

City Clerk/Acting City Manager Heather Velasquez said Mr. Archuleta was a certified fraud investigator, and she would spread information throughout the department heads and establish a training program.

Mr. Archuleta said he didn't live in the City of Española. He said he lived in Pecos and had no interest in "la movida" and no interest in financial gain. He said he wanted to take on a challenge. Councilor Garcia said this Committee was ready to "roll up its sleeves" and get to work.

Item #1, Recap of Meeting with Hector Balderas, Department of Finance and Administration (DFA)

Ms. Velasquez presented. She said she had had a meeting with the State Auditor, her, the Mayor, Councilor Garcia, and Councilor Seeds, to establish a beginning corrective action plan for findings, and the result was that she will meet with Mr. Balderas on a monthly basis. She said the next meeting would be April 21 at 10 am, Mr. Archuleta would attend, and Mr. Archuleta would be the liaison.

Ms. Velasquez said if other Council members can attend, they needed to avoid a quorum but she was opening the door. She said Mr. Balderas had said he would assign staff members to work as a collaborative effort in his office, the DFA, and Mr. Archuleta to move the city's finances forward.

Ms. Velasquez said there was a copy [of a document] in each box recapping the meeting with the DFA, regarding the meeting with Councilor Garcia, Mayor Lucero, herself, Deputy Cabinet Secretary Rick Martinez, and DFA staff. She said the DFA would get a list of all unpaid debt services and forward it to the city. She said it would be a list of long-term debt, federal agencies, and the DFA was getting this information to the city for informational purposes and the Councilors would have that resource. She said the DFA was compiling a list of capital funded projects from the state. She said the DFA had stressed that the entire Governing Body served as the Board of Finance for the city and had asked to come before the Governing Body.

Ms. Velasquez said this would open the door to correspondence between the collaborative team to get through this financial plan. She said the city asked DFA to provide the city with a layout of financial reporting requirements, for example the Lodgers Tax Board needed to report. She said DFA had said Caselle [computer accounting software] might be programmed to get these reports to DFA. She said the DFA would get a list of the reports they wanted.

Ms. Velasquez said she and Mr. Archuleta would put together finance training for city staff, anyone who worked with the budget or transactions. She said the city and DFA would meet monthly.

Councilor Seeds said the Governing Body was the fiscal agent and responsible for all finances in the city. Councilor Garcia said that was why they were having a meeting with the DFA and nothing else was on the agenda. Councilor Seeds asked if they would have monthly reports generated for them; Councilor Garcia said yes, in the monthly meeting. Councilor Seeds said they might want to have copies of all expenditures and vouchers monthly so they could keep track.

Item #2, Review of March Financial Report

Joyce Sandoval presented. Ms. Sandoval said revenues in the general fund were down from the previous month and they couldn't identify why. She said property taxes probably would not be received until the following month, and some had been received in December and January. She said compared to the previous year revenues were up slightly. She said compared to the previous month expenditures were lower, but slightly increased from the previous year. She said the same trend happened with wastewater, revenues were down, expenditures were down, but compared to the previous year they were really down; she said the water fund seemed stable.

Ms. Sandoval said February to March, revenues were slightly down, the trend was that it was still growing and she had some hopes it would grow enough to cover the growth in expenditures. Councilor Seeds said the busiest time of summer was coming up; Mayor Pro Tem Lujan said there was hope for that. Ms. Sandoval said the trend maintained an even keel, and without a change in the trends in the national economy she didn't expect to see growth. Ms. Sandoval said the big time was the beginning part of the fiscal year, and she recommended against getting hopes high for an increase in revenues. She said the city should maintain frugal sense.

Ms. Sandoval said expenditures decreased, however it was not as big as she would have liked it to be. She said they needed to pay attention to every nickel and dime and go after every funding source the city had available to it, and be judicious looking over and justifying the true need for some of the expenditures. Ms. Velasquez asked if the revenues by source on page 5 of the report, \$609,000, were the total received year to date; Ms. Sandoval said no, it was for the month.

Ms. Velasquez said for the end of the fiscal year they were trying to forecast revenues and expenditures with respect to freezing expenditures mid-May to mid-June. Ms. Sandoval said if each department planned for things that had to happen such as payroll, and contracts they had to pay, and there were not a lot of other things than supplies that they could say they were not going to spend money on, depending on the program and the department they might be able to free up spending, but not a lot.

Ms. Velasquez said while meeting with department heads reviewing budgets there were some savings in certain line items, she asked them to be conservative and put POs (Purchase Orders) in place by May 14, receive by June, and if they had BARs (Budget Adjustment Requests), to do them as well but not to incur additional expenses. She said it was food for thought because she didn't have a clear picture of revenues and expenditures to date.

Councilor Valdez said he was really concerned about transfers and contracts because it looked like double payments; Ms. Sandoval said the report was hard to read, it had one payment then a subtotal, and it would be better if they could export the data into Excel and take out the subtotals instead of how Caselle generated reports. Councilor Valdez said for example YMCA showed an overage, but it didn't say what it was for. Ms. Sandoval said without a chart of accounts she wouldn't know, and putting the information in an Excel format and labeling it would help and maybe be more suitable.

Councilor Valdez said the report didn't show what or why, and he wanted to know what funds were going to and coming from.

Ms. Sandoval said there was a document prepared when they submitted the budget to DFA, it delineated every fund and account and was supposed to balance out, and she

could provide that and the approved budget to help fill in some of the blank spaces to understand how it was all put together.

Councilor Valdez said that was what they used to do so they could compare this year to past years, he didn't know if Councilors had input into the budget, and there might be some things they knew the city couldn't afford. Ms. Sandoval said she didn't know how the budget was developed but did have information on current conditions. Mr. Archuleta said he would get into the system, have some training on Caselle and know the system inside out. He said that was his top priority aside from the DFA corrective plan. Councilor Seeds said he felt the report should identify expenditures and revenues and have a list of all active accounts. He said he didn't want funds intermingled; he said he wanted to make sure money flowed where it was intended, and he wanted a report of all active funds. He said he wanted to show the state the city was making a true effort to check and balance each month and the state would leave the city alone.

Mr. Archuleta said regarding the 11 bank accounts, the city should have one operating account; Ms. Sandoval said it did, and the special revenue fund was required to have its own account, there were several debt service funds, but one general operating fund and it was balanced in Caselle for doing cash allocations.

Councilor Ortega asked if it was necessary to have 11 accounts; Ms. Velasquez said Valley National Bank had confirmed the city had 13 bank accounts.

Ms. Sandoval said there was one major general operating fund and transfers between accounts were from the general operating fund to payroll only. She said there might be wire transfers to cover debt service, and the city paid an administrative fee for that. She said the city did online transfer for IRS (Internal Revenue Service) and PERA (Public Employees Retirement Association). Mr. Archuleta said maybe a simplified flow chart of funds moved would help.

Councilor Seeds asked which banks the city used; Ms. Sandoval said the Bank of Albuquerque, the Bank of New York; she said the city had a few bond accounts with the Bank of New York. Councilor Seeds said he wanted to know who the city was doing business with for the next meeting.

Ms. Velasquez said she wasn't aware the city had others besides Valley National and they needed to get signatory authorities updated. Councilor Seeds said no one seemed to know what was going on and staff did what they wanted or were told to do by someone else. Mr. Archuleta said he wanted to assure them they would get what they wanted.

Mayor Pro Tem Lujan asked if they could make projections from the previous year. Ms. Sandoval said on page 3 expenditures, the leftmost column was the general fund for the previous year and was high because the city had paid many invoices that related to the prior year; she said that had happened the year before as well. She said they might see a spike in May when processing expenditures as everyone tried to get expenditures through. She said she hoped it didn't exceed that, and she wanted it to be as close to zero as possible.

Councilor Seeds said the trend seemed to be if they didn't spend funds by the end of the fiscal year they might not get as much so everyone wanted to spend or lose it. He said the city could save money with positions not being filled. He said the City Manager could hire but the Finance Committee should give direction to keep tabs.

Councilor Ortega said if it continued flat until the end of the year, probably the city wouldn't recoup that, so they needed to think about freezing everything if possible.

Ms. Sandoval said freezing spending was an option until everything that went through was reviewed, but the city had to pay obligations. Ms. Sandoval said another thing was to go after what was owed to the city and review leases, rentals, and agreements. She said they needed to look at if they had a good handle on what was owed to city

and where they were at on collections. She said other than utilities the city didn't have accounts receivable to monitor an entire contract or lease.

Mayor Pro Tem Lujan asked if they had a report that showed that. Councilor Garcia said even Lodgers Tax didn't know that. Ms. Sandoval said they did know who was paying but they needed to do a Lodgers Tax audit to verify that what was reported was correct. She said they received reports on a monthly basis, were missing some reports, and she was not saying they didn't pay but the city didn't have a record of it. She said she wanted copies of checks to put data into work sheets to report to DFA. Ms. Sandoval said they needed to work on what was due to the city.

Councilor Seeds asked for a list of what was due. He said he knew Ms. Sandoval was new but this had been a trend. Ms. Sandoval said lease information was missing.

Councilor Valdez asked why the city was paying Atlas Gym more than what they were paying the city; Ms. Sandoval said she guessed the Police and Fire Departments had memberships because they had physical fitness plans. Councilor Valdez said he didn't see what the city got from them and this was the type of thing he wanted to know about.

Councilor Garcia said the Police Department could go to the Senior Center or the Lucero Center. Ms. Sandoval said it was only her guess, it was probably was on paper someplace, and those were done through POs (Purchase Orders) and she didn't do POs. Councilor Seeds asked who approved POs; Ms. Sandoval said the City Manager or the Finance Manager.

Mr. Archuleta said these were challenges that had to be faced, he had been looking at contracts with Ms. Velasquez, had some he couldn't tell what they were for, and hopefully could eliminate unnecessary expenditures. He said staff ought to be able to tell why expenditures exceeded and have justification. Ms. Sandoval said as far as revenues being short, the city had gotten a short GRT remittance this month, it was low, and that was why general fund revenues were low.

Ms. Sandoval said regarding paying invoices from the previous year, the city had fallen behind in paying federal withholdings and had to come up with tax and penalties, and hopefully would be getting an abatement for penalties and interest but had to demonstrate they were on track. She said there had been a meeting with the IRS and the IRS person was going to recommend penalties and interest be abated. She said the city had also fallen behind on PERA (Public Employees Retirement Association) and retiree health care, and had increased expenditures for that period. She said the city was back on track, and if they had someone compiling this on a regular basis, they wouldn't have same situation anymore.

Councilor Valdez said his idea was to have these programs carry a certain amount of money, and when something happened the city wasn't transferring from this fund to that fund.

Mr. Archuleta said he was hired for "out with old, in with new" and new was a new financial system. He said there was a lot of work to do, they would do it as a team, there would be growing pains, and the city and taxpayer were his number one priorities.

Councilor Ortega said they needed something easy for a lay person to read. Councilor Seeds said something with line items where they went.

Mr. Archuleta said the bottom line was for each month, expenditures, and where the money went. He said when the minutes were recorded, staff needed to take these requests seriously.

Mayor Pro Tem Lujan said one item that had opened her eyes was staff at the Police Department utilizing Atlas when the city had the Senior Center with new equipment and the Lucero Center.

Councilor Seeds said his suggestion was that this should be addressed for the new budget, and they should invite the Police Department and ask them why they used Atlas. He said his suggestion was that they could meet every two weeks until this was done. He said he knew the City Manager could give a 10% raise when she wished to, they should freeze that, and any positions generated or to be filled should go to the Finance Committee through the end of the fiscal year.

Councilor Seeds said for positions they might need to fill, the City Manager could explain why and two weeks wouldn't hurt anybody. He said the 10% raises had gone out like candy in the past. Ms. Velasquez said she had established that practice, she said no to departments and wouldn't authorize any salary increase or fill FTEs (Full Time Equivalents) that didn't have grants, and wouldn't hire or advertise any FTEs. Ms. Velasquez said she would add this to the next City Council Workshop agenda.

Councilor Seeds said it didn't need to go to the full Council; Councilor Garcia said if it did, everyone would be aware of it. Ms. Velasquez said it would be on the workshop and regular meeting for a motion and vote.

Item #4, Status of Fiscal Year 2010-2011 Budget and Budget Planning

Councilor Garcia said they couldn't do the next fiscal year's budget planning without Mr. Archuleta. Mr. Archuleta said first he had to address Mr. Balderas' concerns, then become knowledgeable of Caselle and get in-house training tailored to their needs. He said he needed to find ways to trim expenditures, how the PO (Purchase Order) system was done, and ensure it could become more efficient. He said the Finance Committee was hurting, his hiring was efficient, the city needed more bodies, and if they could trim certain areas, that would help.

Councilor Seeds asked what the deadline was for the new budget; Ms. Velasquez said if they had the preliminary budget to go into July they would get DFA's blessing. She said they would present the budget in May, it would be a flat budget, she was having internal budget hearings and was keeping flat or could have a 3 to 5 % cut.

Councilor Seeds said the Council and Finance Committee needed to deal with that, not her, and the Councilors needed to know the schedule and when it needed to be submitted to the state. Councilor Garcia said she was hoping to get it done by May 11th for the meeting with DFA.

Ms. Velasquez said traditionally the administration processed the budget hearings with department heads then made recommendations to the Governing Body and they had the final "say so" and asked for input on the total budget. She said she was trying to find savings, and an example was janitorial services for \$8,700 per month for 7 buildings. She said if the city hired 2 FTEs the city would have savings and could save \$64,000. She said they all needed to make these decisions and the administration had the knowledge.

Councilor Seeds said they needed to start fresh and he had concerns with the old way of doing things. He said he thought they needed to have department heads come before the Finance Committee. Councilor Garcia and Mayor Pro Tem Lujan said that was how it was done; Councilor Seeds said Ms. Velasquez had said it was the administration.

Ms. Velasquez asked if May 11th after the DFA presentations, she should have department heads present; Councilor Garcia said this generally took three days. Ms. Velasquez said for example this morning she had worked with Community Services, there were 5 divisions, and it took her 2 ½ hours.

Mr. Archuleta said maybe he and Ms. Velasquez could meet with the department heads and have them prepared so the presentations would be "short and sweet".

Councilor Seeds said that was fine but he didn't feel it was Finance or the City Manager's responsibility to decide what to remove. He said the department heads had the right to go before the Committee. He said the small things were fine. He said he hoped they each worked with the administration to weed out 60, 70% of the questions, then could come before the Finance Committee. Mr. Archuleta said a good, analyzed, lean budget was always a positive step.

Councilor Garcia asked Ms. Velasquez to set up the meetings. The meetings were set for the business week beginning May 10, 2010, after 5:30pm. Councilor Garcia asked Ms. Velasquez to contact Councilor Salazar to see if he would postpone the Community Services Committee meeting regularly scheduled for the second Monday of the month (May 10th). Ms. Velasquez said she would do so. Councilor Garcia they said couldn't do anything with the budget until then.

Item #5, Review of Current Contracts Including Contract Amounts and Terms

Ms. Velasquez said there was a list of contracts in the packets that she had asked Ms. Sandoval to prepare. Councilor Valdez said they couldn't tell why they were paying these. Councilor Seeds said this Committee needed a copy of every contract.

Ms. Velasquez said the last page was what a previous Administrative Assistant had compiled from files in City Hall. She said she didn't have all contracts, for example, the Police Department kept their own.

Mr. Ortega said some of the actual contracts were large documents and asked if summaries would suffice; Councilor Garcia said summaries would be fine. Councilor Seeds said they needed summaries and something to identify and track the contracts, and information regarding out of what account these came from.

Councilor Garcia said she would like this information regarding what the contracts were for and why the city had them for the budget hearings. Councilor Seeds said they needed the information before the next meeting.

Item #7, Review of Report for EGRT (Environmental Gross Receipts Tax) Fund

Councilor Garcia said the EGRT report the Committee members were given was hard to read and didn't make sense.

Ms. Sandoval said the EGRT was \$12,000 to \$15,000 per month and it was shown as item number 7 on the first page of the packet item. She said it showed GRTs (Gross Receipt Taxes) received during the fiscal year and the month received was for the two months previous, for example March received showed what tax revenue was received in February for the month of January. She said the report showed what was reported and remitted.

Councilor Ortega asked if the environmental tax was deemed specifically for solid waste; Ms. Sandoval said she would have to read the act. She said there had been memorandum prepared using EGRT to be used for certain debt service and she didn't know if that had been met and eliminated or if it still needed to be paid.

Ms. Sandoval said when the city charged GRT (Gross Receipt Tax), they reported it and needed to see how accurate it was. She said the last five digits starting with "3" was revenue source and utilities billed for water, sewer, garbage, and when people paid the portion for garbage it was recorded as revenue refuse collections, then the other side went to receivables, was put in the bank and reduced receivables. She said there were funds reimbursed from NCSWA to the city, and the city remitted a certain portion to them.

Councilor Valdez said this was confusing, he thought the ¼% tax was for environmental and was put aside for wells to be tested for a certain time, and this amount of money was supposed to accumulate. He said it looked like it was being used for things it shouldn't be used for.

Ms. Sandoval said they needed to go back to the agreement and the tax could be used for certain things but the city had made formal agreements with solid waste. She said the agreement needed to be looked at to see what the terms were and what the funding sources should be.

Councilor Garcia said the lawyer had the paperwork now and had discrepancies between the documents. She asked Mr. Ortega to elaborate on the matter.

Mr. Ortega said he had prepared a memo for the Mayor, and talked to Michele Martinez and asked Ms. Martinez to go to the Council meeting the next Monday. He said he had copies of the ordinance dedicating the revenue from EGRT for establishing solid waste services and subsequently the city had entered into an agreement with the Authority and then Mayor Richard Lucero had signed the MOU. Mr. Ortega said there were two agreements, a JPA between the city, the Authority and the Pueblos, and the city had an MOU with the Authority. He said those documents had been given to new city attorney. Councilor Kain-Salazar said she got it on email. Councilor Garcia said she didn't want to do anything else with this until the lawyers reviewed it.

Councilor Seeds said he had a real concern. He said he had gotten a call that day advising him the city had a truck the Authority had requested to use and the city had said they could use it for a fee but they were transporting trash generated by city residents. Councilor Garcia said they had been using it for free; Councilor Seeds said the city needed to be a good partner and give the Authority good assistance. Mr. Ortega said it was one truck and offered at half the rate they would have paid on the street. Councilor Seeds said his point was that they had a dilemma with the trash. Councilor Garcia said they hadn't paid anything.

Councilor Ortega said they needed to generate revenues for the city. Councilor Seeds said he felt they would find the city was way behind on what it should have paid to the Authority.

Councilor Ortega said twice in the last 2 weeks he had received calls where trash hadn't been picked up. Councilor Seeds said that was his point, if their trucks broke down and the city owed them money, how wondered they could run a business without money coming in.

Councilor Ortega asked if the city had any reports and oversight of Solid Waste Authority funds and expenditures. Councilor Seeds said he didn't know of any funds in the city. He said the city didn't want to pay out and wanted service without paying. He said in the paper two counties hadn't paid their dues so they couldn't vote on the 911 Board, and looking at the city, he wondered if they should stop picking up trash.

Mayor Pro Tem Lujan said she didn't want to go into 911 and his information wasn't accurate.

Councilor Seeds said they needed to work with the Authority so the city wouldn't have trash piling up.

Councilor Ortega said his concern was that the Authority wanted \$200,000 turned over to them and the city needed accountability. He asked Mr. Herrera to elaborate.

Mr. Herrera said there was strong accountability, the city sat on the Board and had a member. He said the county and two tribes had members, he was a member at large, and accountability was reported in open meetings on a monthly basis. He said the Authority was in the process of trying to bring the audits up to date.

Mr. Herrera said the EGRT was are where city could help out a lot, and regarding the point raised earlier about money going back into the city, the budget had \$191,000 going back to the city. He said one plan was for the city to transfer EGRT which they

were obligated to do, and that would allow the Authority to operate and free up general fund money for the city.

Councilor Valdez said he was in favor of \$250 per day for the truck because if the truck broke down the city would pay for it. He said there were legalities for the ¼% and they needed to be sure the fund had paid its obligations so the attorney was looking at if they could proceed with that. He said if the Solid Waste Authority went out of business, the city could contract with Albuquerque for example. He said he was looking at both sides, they needed to look at accountability, and they could contract with other companies for trash pickup. He said he had questions regarding how they were going to use the EGRT; he said it was for the city's waste management.

Mr. Herrera said the facility Councilor Valdez referred to was what the Authority was working on.

Councilor Valdez said the fund was to pick up solid waste, and didn't say it was for the NCSWA. He said they should set it aside and see what it was going to come up to. He said the city could help out with \$250 for the truck and set that aside for any truck repairs that might be needed.

Councilor Garcia said they needed to figure out what was happening.

Councilor Ortega said he would like to attend the next NCSWA Board meeting; Mr. Ortega said the next meeting would be on the 19th at 9:00am at the NCSWA office.

Matters of the Chair

There were no items.

Announcements

There were no announcements.

Executive Session

There was no Executive Session.

Adjournment

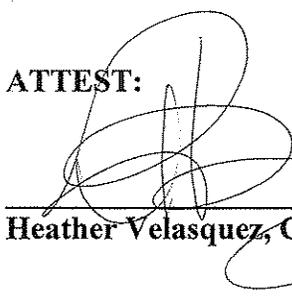
Mayor Pro Tem Lujan made a motion to adjourn, seconded by Councilor Ortega. The motion carried 3/0.

The meeting adjourned at 7:50pm.

*Minutes taken and transcribed by Sally Baxter
Deputy City Clerk/ Public Information Officer*

APPROVED AND ADOPTED THIS 15TH DAY OF JUNE, 2010

ATTEST:


Heather Velasquez, City Clerk




Councilor Rosario Garcia, Chair