

**MINUTES FINANCE BOARD MEETING
MONDAY, MAY 22, 2006 6:00 p.m.
CITY HALL COUNCIL CHAMBERS
405 PASEO DE ONATE, ESPAÑOLA, NEW MEXICO**

The meeting was called to order at 6:00 p.m. in the City Hall Council Chambers with the following present:

Mayor: Joseph M. Maestas

Councilors: Helen Kain-Salazar
Rosario” Chayo” Garcia
Edward Maestas
Alice Lucero-Mayor Pro Tem
Alfred Herrera
Danielle Duran
Cecilia Lujan
Dennis Tim Salazar

Interim City Manager: Jeff Condrey

Interim City Attorney: Kathleen Kentish-Lucero

City Clerk’s Office: Veronica Martinez
Beverlee DeAguero

Staff: Ivan Guillen
Josie Lujan
Marvin Martinez
Judge Stephen Salazar
Tracy Naranjo

Guests: Leo Valdez

Approval of Agenda:

Mayor Maestas presented the agenda to the Council and asked if there were any changes, amendment or deletions.

Councilor Garcia asked to add Committee Reports under announcements.

Councilor Lujan made a motion to approve the agenda. Councilor Garcia seconded the motion; it passed with an 8/0 vote.

Committee & Department Updates:

Acting Finance Director Ms. Lujan stated that the Hinkle & Landers Firm is doing audits for the City of Española and presently they are auditing the Española Housing Authority, when they finish there they will come here to City Hall.

Councilor Herrera clarified that this is fiscal year 2004-05 audit, and because it is long overdue, asked if there was a specific time line when this will be completed.

Joie Lujan stated November 2006 is the anticipated finish date.

Mayor Maestas asked if there was any way to make this our last late regular audit.

Ms. Lujan stated that this company has been authorized to do audits for us for the next three years, so once they are done with audit 2004-05 they will start with 2005-06 immediately. Hopefully there are no major findings to delay the process.

Councilor Lucero asked Ms. Lujan why the audit was running so late.

Ms. Lujan stated that the auditors have been waiting on a lot of different items that were needed from previous years, but once we had the information it was submitted to them.

Mayor Maestas stated that the past administration had not been providing requested information in a timely manner. Mayor Maestas asked the council if they would object to monthly updates until the end of this regular audit and the next audit make sure things are moving along, and we could have this as a standing agenda item for the Finance Board.

Councilor Herrera suggested that the Mayor advise the City Manger to contact the auditing firm to see if there is any way they can expedite this audit, as we are a year late in the audit cycle.

City Manager Mr. Condrey suggested that we bring the audit firm to next City Council meeting and have them provide a schedule.

Special Audit:

City Manager Mr. Condrey stated that 5:00 pm today was the deadline to respond to our Request for Qualifications for the Special Audit. He reported that a response was received from an accounting firm in El Paso and another from Tucson, Arizona. Another company that had showed interest was Public Works. We have at least three firms that will be competing for the special audit contract.

Mayor Maestas stated that this special auditor would look at the some of the reasons why there are so many delays of the regular audits, and could suggest changing some of the patterns that existed in the past.

Mr. Condrey suggested that we could have the auditors on board in a couple of weeks and also have them come to our next Board of Finance meeting to do a progress report. He suggested that we could prioritize the items we wanted them to look at.

Councilor Duran asked what the timeline was to hire the firm.

Mr. Condrey stated in about two weeks it could be accomplished, depending on their schedule.

Mayor Maestas stated that the next agenda item's original intent of an update on major financial transactions to give everyone a status report on the 3/8% gross receipt tax that was passed several years ago for the Water and Wastewater Improvement Fund.

GRT Status:

Mr. Leo Valdez introduced himself as the representative from the investment-banking firm of Hutchison, Shockley, & Hurley. Mr. Valdez explained that in 2002 the voters passed a referendum of two taxes; one for 1/8%, which was called a switch tax, and the other was for 1/4% for capital outlay. The plan was to dedicate revenues from those taxes to various projects. The past administration, together with consultants, made a list of what the money was going to be used for and what projects they were going to fund. Mr. Valdez asked Marvin Martinez to explain some of the projects that had been planned and started, and those planned but never came to be.

Marvin Martinez stated that the Lamb and Pacheco Streets Project was now complete, and the improvements of Well #1 and Well #2 were in progress. The project on Well #3 has been completed. Well # 9 was abandoned and Well # 10 was relocated. A12-in. water line project on North Coronado Street was never completed, nor has the State Road

68 project. The 12-in. water line for El Llano has never been done; a 12-in water line to 68/106 has never been done. Mr. Martinez stated that new tanks for Well #1 & Well # 2 were needed because of the age of the tanks. A 12-inch water line for McCurdy Rd. has never been done; a 12-inch water line in Santa Clara Dr. has never been done; and the replacement of the water and sewer lines throughout the City particular the West side has not been done.

Mayor Maestas asked why there have not been any replacements of old water and sewer line under the gross receipts tax money.

Marvin Martinez stated that there has been an on-going issue with utility easements from the Department of Transportation, the City, and Santa Clara Pueblo.

Mayor Maestas stated that the City administration has never come clean on what has changed since this 2002 election at which time this list was presented to the public before they voted on the increase in their gross receipt tax revenue. Things have changed, projects have been funded that were not on the list, and there are projects on the list that have not been initiated, but not completed.

Councilor Duran asked Mayor Maestas to explain what went on with the vote or the election since she did not live here then.

Mayor Maestas stated it was a campaign Mr. Leo Valdez was hired to plan and conduct. The citizens of Española were presented the question of higher utility rates or an increase in gross receipts tax revenues to invest in the infrastructure.

Mr. Leo Valdez stated the principal of the election was to develop these improvements; by either increasing water rates or attempting to pass the election so that the burden of these improvements would not be just water users but others that come in to buy goods. Newspaper and radio is how the election was endorsed along with public hearings.

Councilor Herrera stated he remembered the election and the information that was put out was straight forward but those who voted for the tax increase still got an increase in the water rates. He stated that he felt the public was misled and wanted to come clean and state where the money will go. Councilor Herrera asked if the city had lost any State or Federal funding.

Mr. Valdez stated that there had not been any Federal funding for the projects that had been completed. There was Federal and State dollars available and those would be directed for use based on his presentation in regards to the wastewater project and the surface water project.

Mayor Maestas stated that so much time had lapsed in the surface water treatment facility that it was more a matter of time than an inability to match funds. He stated that we were going to propose bonding 2/8 of the 3/8%; 1/8 would be for the wastewater treatment expansion and 1/8 for the surface water treatment facility. The 1/8 would remain completely unencumbered through bonding that way we could respond to any emergency associated with water or wastewater issues.

Councilor Herrera again asked how the money came to the City.

Mr. Valdez stated that none of the money had been dedicated to any revenue bonds. Since 2002 and 2003 the city did not collect the tax and the money has been accumulating. This money has paid for some of the projects that have gone on such as Pacheco and Lamb Streets and well sites. Mr. Valdez agreed that money should be set-aside for a rainy day.

Mayor Maestas stated that when the previous administration decided to pay for the Pacheco Lamb Project with cash from the GRT revenues he felt it was not right, because the overall debt capacity was not looked closely into.

Mr. Valdez stated that the priorities often change but you must report back to the public to explain which projects are going to be top priority and how they will get paid.

Mayor Maestas asked Ms. Josie Lujan if she could create a spreadsheet to itemize all GRT expenses, and show what projects were funded and then the City Manager could get a working list of priority projects.

Major Financial Transactions:

Mr. Leo Valdez began with the Wastewater Treatment Project. He stated that he was looking for enough money from the various funding sources to pay for the completion of the project. Other projects to be discussed were the Surface Water Clarification Project, the Water Diversion between the City, Los Vigil's Ditch, and Ohkay Owingeh, and the Partial Refunding of the 1999 Bonds. These were the funds that had been administered by the Environment Department. The tax relief funds were no longer available. The New Mexico Finance Authority Loan of \$4.125 million was approved and scheduled to close July 28, 2006. There are two federal EPA stag grants; one for \$144,000 for wastewater and \$1.16 million was approved for either water or wastewater. The applications were recently submitted to EPA and the project should close in the next six months. The Stag Grants require that the contractor make efforts to give part of the work to minority-owned or female-owned businesses.

Mr. Leo Valdez stated that appropriations from the state for \$800,000 were just in the budgeting stage and agreements would have to be put in place, but should close in late June or early July. In 2005 there were some state appropriations in the amount of \$750,000; it was discussed with the previous administration that \$100,000 would be used for appraisals for the ongoing issues of utility easements with the pueblos.

Mayor Maestas stated that they had met with the Environment Department to find out if they could use the \$100,000. A deal was made to use a part of this legislative earmark to survey all utility lines on Santa Clara land and discovered that we had no authority so we stopped all work until we could get an approval to use a part of this.

Mr. Leo Valdez stated that the clean water loan was \$2 million; an application has been sent and an ordinance will have to be passed to prove the city can pay back the loan.

Councilor Garcia asked if the city should let the Speaker of the House know that we are going to get reimbursed for the \$100,000 loan.

Mayor Maestas stated that was the promise initially discussed. They had asked for the City of Española to give up that \$100,000 of the \$850,000 legislative earmark for the survey, but agreed that the city would get reimbursed later. He stated that it was not discussed in the meeting and that he was unsure how the city would be reimbursed. Now we would have to issue an RFP for the survey work.

Mayor Maestas thanked Leo Valdez and Mr. Condrey for securing the funding package. Nearly half not yet been secured even after the contractor was selected to do the project. As of September 2005 there had not been movement what so ever in processing the different finances.

Mayor Maestas stated that we would be acting on an ordinance on the next agenda, the Wastewater Treatment NMFA Loan for \$4.1 million.

Mr. Leo Valdez stated that the Water Trust Board proposed that if we could swap monies, that we allow them to use your \$9 million for another community in exchange we would go to the Severance Tax Bonds now in September.

Water Diversion Project:

Mr. Leo Valdez stated that the Corp of Engineers will pay \$2,475,000 for the project but that amount can change, they will need an agreement to be signed between New Mexico

Interstate Streams Commission and the City and Los Vigils Ditch, Once the agreement is signed COR will develop plans to start specifications and environmental compliance.

Partial Refunding:

Mr. Leo Valdez stated that back in 1999 there was a bond written to refund a portion of the 1994 bonds and some of the proceeds were used to purchase the Prince and Carter Ranches and also for other improvements. He stated that the closing should be in late August.

Utility Collections:

City Manager Jeff Condrey informed the Council that a notice had gone out with the water utility bills indicating that we were going to step up on collecting water bills beginning June 1, 2006 and we have seen some increase on residents coming in and paying their bill.

City Clerk Veronica Martinez announced that the utility ordinance sub-committee had been working to revise the utility ordinance and the standard operating procedures for collections so it would be clearer to the public and employees. She stated that the sub-committee would be taking these revised issues to the Public Utility Committee for their recommendation and we would then be bringing it to the council.

Councilor Herrera commended the City Manager and staff for the effort in getting those past utility bills paid. He asked what the numbers were on their collection efforts.

City Manager Jeff Condrey stated that he could get a print out from the Acting Finance Director Josie Lujan and see where were stood at this point. It might be a little to soon to see if there is any difference.

Mayor Maestas stated he would like an update for the council on a monthly basis and in that report the total of outstanding unpaid bills starting from March, so we can compare it to our progress.

Senior Choir Request for out of State Travel:

City Manager Jeff Condrey stated the Senior Citizens are requesting to go to Alamosa, Colorado on June 21, 2006. There will be about 20 people attending.

Tracy Naranjo from the Senior Center stated that they would be going on the City owned 35-passenger bus.

Councilor Maestas made a motion to approve the out of state travel for the senior citizens; Councilor Herrera and Councilor Lucero seconded the motion. It passed with an 8/0 vote.

Fiesta Council Budget:

Councilor Garcia stated that the Fiesta Council had provided their budget for the city council's review.

Councilor Lucero asked if the Lodger's Tax Board had approved any money for the fiestas.

City Clerk Veronica Martinez stated that anyone who intended to use Lodger's Tax money would have to apply for it through an application and criteria process.

Contract with Leo Valdez:

City Manager Jeff Condrey stated that the work Mr. Leo Valdez and his company had done was not to exceed \$20,000, but it was felt it would better to document that in the form of a contract.

Councilor Duran made a motion to approve the contract for Mr. Leo Valdez's services. There was no second made; the motion failed for lack of a second.

Councilor Garcia asked for clarification from Mr. Valdez.

Mr. Valdez stated that in 1999 new bonds were issued and at that time he was just an underwriter to purchase the bonds. Those bonds were to refinance a portion of the 1994 bonds and give the City the availability to buy the Prince & Carter Ranches and to do other improvements. He stated what was happening now was the city approving the refunding of the 1999 transaction.

Mayor Maestas stated that this was a clean up from the previous administration on what they had done, having directed an entity to work without a contract.

Councilor Garcia made a motion to approve the contract with Mr. Leo Valdez for clean up of the 1999 bonds. Councilor Maestas seconded the motion.

Councilor Herrera asked if it was a letter that Mr. Leo Valdez received first that was then turned into a contract.

Mr. Leo Valdez stated that last year the City hired John Archuleta and asked him to refund this debt and issue a new money debt. It did not come through. The old administration wrote a letter and asked Mr. Valdez to make applications for refund. He then submitted the letter to his company in Chicago and they told him that because there was no contract that he should be doing the 1999 refunding as an agent. I brought this to the attention of the new City Manager.

Under discussion Councilor Duran suggested we take this to legal counsel for further review.

Councilor Lucero made a motion to table this item, until legal counsel had a chance to look at the issue.

Mayor Maestas stated that we should itemize all the contracts that were signed with Mr. Leo Valdez's Company.

Approval of State Grant Agreement:

City Manager Jeff Condrey stated that the council had a copy of a standard agreement that the State prepares for grant agreements, explaining that these were all out of general fund projects. First grant agreement had an error in it. There was two Rio Arriba County Projects that were not completed so they had to go back and do it again. The grant was for a total of \$ 475,000, all general funds, \$100,000 for road equipment, \$50,000 for vehicles for the Police Department, \$100,000 for a water tanker for the Fire Department, \$100, 000 to design a Convention Center and \$125,000 for the multipurpose facility.

Councilor Garcia made a motion to adopt the State Grant Agreement. Councilor Lucero seconded the motion; it passed with an 8/0 vote.

Mayor Maestas wanted to thank our State Legislative Delegation for working with us in this last session to make these appropriations possible.

Matters from the City Manager:

City Manager Jeff Condrey announced that the City was pretty much on schedule for the budget, but that he had struggled getting the budget down based on organizational structures. He presented to the council the current organizational chart and a new proposed organizational chart. He stated that the difficulty was the key positions that are either vacant or new positions, all department head positions, currently with other staff acting in those positions. The City has had 8 managers in 8 years, which is very expensive. He outlined his proposal and its changes. He stated that a constituency

services representative was needed to deal with the public and the media. He stated that we were currently considering an Assistant City Attorney to deal with policies and with Municipal Court. He stated that he recommended changing the Director of Finance to Director of Administrative Services, centralizing Purchasing, Risk Management, and Utilities Collection under this Division. Later we could probably hire a Properties Manager. For the Police Department he suggested creating a Public Safety Department, which would include PD, Fire Dept, and Traffic control. He offered suggestions to regionalize Senior Services, Transit, and Housing. He recommended a new Public Works Director who would be a Civil Engineer. A Transportation Planner would be ideal for the Planning & Zoning Department; Codes Enforcement should be included with the Building Inspector. He stated that the proposed positions would come from existing vacancies. Mr. Condrey also stated if we contract some of these services or regionalize them the City will be much smaller in staff, which will free up sources for those critical areas.

Mayor Maestas stated that he hoped to have a more major reorganization later on down the line, so we can restructure our budget and leadership.

Councilor Garcia made a motion to adjourn; second was made.

PASSED, APPROVED AND ADOPTED JUNE 26, 2006.

Electronic copy – signatures on file