

**City of Tucumcari**  
**Budget Workshop Notes**  
**May 6, 2010**

The City Commission of the City of Tucumcari held a Budget Workshop on May 6, 2010 beginning at 9 am. Commissioners present were: Antonio Apodaca, Amiel Curnutt, Robert Lumpkin, Jimmy Sandoval, and Jim Witcher.

Staff members present were: Bobbye Rose, Mike Cherry, Christine Dougherty, Clara Rey, Marty Garcia, Dennis Dysart, and Vicki Strand.

Ms. Rose began with a budget overview. Ms. Rose explained that the first two numbers in a line item indicate the fund from which the line item is drawn, the second two numbers indicate the department, and the final five numbers indicate the line item. The last five numbers are consistent across the entire budget.

Ms. Rose explained that if a budget amendment is executed changing the fund or the department, the DFA must approve it. Ms. Rose would like for the Commission to grant her permission to work with department heads to approve changes only between line items.

Ms. Rose stated that she is working to put a budget document on the City website. She would also like to put the ICIP plan on the website. Ms. Rose explained that the ICIP sets the priorities and creates the roadmap for the budget process. The 2009/2010 ICIP projects are as follows:

1. Wastewater Treatment Plant
2. Water system improvements on Second Street
3. Solid Waste
4. Third Street improvements
5. Center Street Water Tank Rehabilitation

Ms. Rose also explained that she would like the Commission to determine what they feel are essential services. Ms. Rose stated that she would like to see an emphasis be placed on employee training and safety. Ms. Rose explained that she believes employees have historically been trained in house and that training has passed on bad behaviors. Mr. Sandoval commented that he would like to see employees give reports to the Commission when they return from training explaining what they learned.

Dennis Dysart then gave an overview of Internal Controls. Mr. Dysart gave a brief history of his work experience and then explained to the Commission the particulars of the Statement of Auditing Standards 112 (SAS 112). Mr. Dysart explained that the SAS 112 establishes the guidelines for determining the seriousness of internal control issues. The SAS 112 requires the auditor to communicate the internal control deficiencies to the governance of the organization. Mr. Dysart explained that in a private company, a major finding in internal control problems causes the stock value to decline and it is a major issue. Mr. Dysart defined some of the critical terms used to describe internal control deficiencies.

**Misstatement** is defined as false or misleading information whether caused by fraud or error. **Material** is very broadly defined as being large enough or important enough to cause stakeholders to alter their decisions.

**Material Weakness** is a significant deficiency or combination of significant deficiencies that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by our internal controls.

**Significant Deficiency** is a control deficiency or combination of control deficiencies, that adversely affect the entity's ability to initiate, authorize, record, process, or report financial data reliably, such that there is more than a remote likelihood that a misstatement of the entity's financial statements or that is more than inconsequential will not be prevented or detected.

**Control Deficiency** is an internal control design or operation that does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

Mr. Dysart explained that his role is to reduce the risk that the financial statements are wrong. Mr. Dysart went on to say that many important decisions are made based on what is included in the financial statements. He also pointed out that poor fiscal management can result in the loss of grant funding.

Mr. Witcher recommended that Mr. Dysart include each department head as well as their second in command in any finance department trainings.

Marty Garcia then presented the Interim Budget. Mr. Garcia began by explaining that the budget process began in December with the Department Heads submitting their proposed budgets. Mr. Garcia pointed out that the State requires that each municipality keep 1/12<sup>th</sup> of their budget in reserve so that in an emergency financial situation, operations could continue for one month. In the City of Tucumcari, Mr. Garcia explained, this is approximately \$400,000. Mr. Garcia then went through each department explaining the differences in this year's interim budget.

**Lodgers Tax** is down from \$465,000 to \$450,000.

**Emergency Management**—the budget is changing because they are transitioning from a part-time manager to a full-time manager. There is no cost to the general fund through this change, as the department is funded through a FEMA grant.

**EMS** – The department will be purchasing a new ambulance this year with grant funds. A \$25,000 match is required. Historically, this department has received grants but this year funds have been budgeted from the general fund. The \$85,000 transfer to EMS from the general fund includes the \$25,000 match for the ambulance.

**Corrections** – Court costs have decreased, Marty stated he would like to see this come back up.

**Fire Fund** – This department is funded solely through grants. These grant funds also help fund the emergency management department. The department is looking into constructing another station. The possibility of a race track and casino need to be considered because a station will have to be housed close to those facilities. There is \$16,500 in the legislative department used to pay volunteer fire fighters.

**Recreation** – This department will require a \$212,897 subsidy which includes costs associated with the public swimming pool. The department head position in this department is going to be combined with the Parks and Cemetery Department Head position upon the retirement of Max

Jimenez. Ms. Rose has offered the position to Scott Simpson. Ms. Rose feels this will be a significant cost savings in personnel as well in the sharing of equipment. A supervisor for the recreation programs will be hired at a lower salary. There are no capital outlay requests in this department this fiscal year.

**Gas Tax and Roads** – Mr. Garcia explained that this department funds some of the streets department and includes the MAP and CO-OP projects.

**Law Enforcement Grant** – this is a state grant fund.

**Enhanced 911** – this is also a state grant fund.

**Traffic Safety** – this is also a very small state grant fund.

**Convention Center Revenue Fund** – this is an income fund, mostly from the lodgers tax.

**Economic Development Infrastructure Tax** - Some of the EDC is funded through this fund (\$20,000). A total of \$83,000 goes to the EDC, \$63,000 from the general fund and \$20,000 from this fund.

Mr. Witcher provided a handout detailing Maslow's Hierarchy of Needs and explained to the Commissioners that the lower level needs are those that have to be met including water, sewer, and public safety. The higher level needs are those that we would like to meet, but are not obligated to meet.

### **Commission Questions/Comments**

Mr. Sandoval commented that he is happy to see staff training included in the budget. He went on to say that the City needs to invest some funds in the Schools Credit Union so that we have some funds at each of the financial institutions in the City. Mr. Sandoval also suggested that upon expiration of the contract with the EDC, the services be contracted with the Small Business Development Center at the college. Mr. Sandoval also stated that the City Library is not moving forward or working with the other libraries in town.

Mr. Lumpkin thanked staff for attacking the qualified audit. He commended Mr. Garcia and the finance department for working so hard on the budget. Mr. Lumpkin stated that it is difficult to decide what should be cut first, particularly in a two hour meeting. He was happy to see that salary disparities are being addressed. Mr. Lumpkin explained that he feels a contingency plan is a good thing and suggested that staff investigate what other communities are doing and what departments they are funding.

Mr. Curnutt stated that the main priority is to handle the book keeping system so that the Commission can see where the City is right away. Mr. Curnutt explained that he feels each department head needs to be able to identify what they will need each year and if they cannot, they are not managing their department well.

Mr. Apodaca stated that he is concerned that the City is always saying that they have no money yet; he sees increases in the budget. He also stated that he feels money was found for the top echelon but not for the people who work in the field. Mr. Apodaca went on to say that as the budget currently stands, he would not vote to approve it because of the eight percent sewer rate increase. Mr. Apodaca also stated that there has been talk of funding the Chamber through the general fund and he thinks this is asking for trouble. Mr. Apodaca said that he feels the Chamber needs to go before the Lodgers' Tax Board and must be held accountable.

Mr. Garcia explained that the Chamber funding was left in the Lodgers Tax fund.

Mr. Apodaca stated that when the City took over the Senior Center he was initially not pleased because he feels the City should not provide social services.

Ms. Rey explained that she was just informed that the Area Agency on Aging is going to allocate \$35,000 to the Senior Programs for this fiscal year. Ms. Rey also stated that the Logan and House programs pay half their utilities and the remainder is paid through grant funds. Ms. Rey stated that these programs do not cost the general fund any money, they are paid through grants. Ms. Rey also explained that the city lost the Senior Companion program and the Foster Grandparent program but the state is willing to give them back to the City if the Commission agrees. The grant funds for the two programs will be \$81,000.

Mr. Witcher stated that the Eastern Plains Council of Government dues in the amount of \$1840 will soon be due and he said his opinion is that they are about to fold and he suggested reserving the funds. Mr. Witcher also stated that the 1/8<sup>th</sup> infrastructure tax can be doubled via Commission action. Mr. Witcher went on to say that the budget as written has a deficit. Something has to be done to correct the deficit and Mr. Witcher asked if it was the pleasure of the Commission to cut something somewhere or to increase rates.

Ms. Rose explained that the \$72,000 franchise fee that the City has been charging is a problem for her. She is not sure it is ok for the City to charge this fee. Ms. Rose explained that if the fee is no longer charged, the general fund will have to be decreased. Mr. Garcia explained that other cities charge something similar but refer to it as PILOT which is an acronym for Payment In Lieu Of Taxes.

Mr. Witcher stated that the purpose of the 8% sewer rate increase was to balance the budget.

Ms. Rose explained that raises for staff were not considered except in three cases. The City mechanic, Misty Vick in the grants department, and Jenny Vargas from the finance department were each budgeted for a salary increase. Ms. Vargas will be given additional duties in the form of deputy clerk, Ms. Vick has taken on additional duties during Mr. Powers's health issues, and the city mechanic is highly qualified and is sought after by several local entities.

Mr. Witcher suggested that next year a 3% wage increase should be considered for all employees. Mr. Lumpkin agreed that wages need to be considered.