

VALENCIA COUNTY BOARD OF COMMISSIONERS

Special Meeting

December 11, 2001

The Meeting was called to order by Chairman Alicia Aguilar at 9:40 A.M.

PRESENT	ABSENT
Alicia Aguilar, Chairman	
Aurelio H. Padilla, Vice-Chairman	
S. T. Frank Pando, Member	
Gary Daves, Member	
Helen Baca, Member	
James Fernandez, County Manager	
Thomas Garde, County Attorney	
Tina Gallegos, County Clerk	
Press and Public	

Pledge of Allegiance was led by Commissioner Pando.

Approval of Agenda

Commission Chair Aguilar said that no decisions would be made today, this meeting is for a financial update as requested by the Department of Finance and Administration, and James Fernandez, County Manager, will do that. Commission Chair Aguilar asked to add item B as far as discussion if employees or Commissioners have any questions. Commissioner Pando made a motion to accept the agenda as amended. Commissioner Baca seconded the motion. Motion carried with a vote of 4-0.

Commission Chair Aguilar told the employees that today is probably one of the saddest days she has had being a Commissioner as the purpose of this meeting is to bring the employees up to date and keep them informed on what is going on. DFA will be coming on Tuesday to meet with the Commissioners to discuss how the County will proceed. She read a letter into the record from DFA.

Financial Update as Requested by Department of Finance and Administration.....James Fernandez

James Fernandez, County Manager, told the Commission that DFA requested an update on the financial status of the County and he has given the department heads, elected officials, and Commissioners a summary of that analysis. What the analysis has determined is that if the County continues to expend at the level that it is expending at right now, as of June 30, 2002, the projected cash balance will be \$364,435.00, which will be roughly 1.2 million dollars short of the projected reserves required by DFA for 2/12. In going through this analysis, not only has administration reviewed the expenditures, but also the revenues coming in. Administration has made some revisions to the revenue, dropping those by about \$400,000.00. Those areas that were basically reduced were the areas of interest on investments. When the County submitted the original budget to DFA in June, the County was earning about 6% on its investments. As of today, the County is earning less than 3% on its investments, so there was a revision downward of about \$100,000.00 on the interest in investments. Mr. Fernandez took a very conservative approach in looking at these revenue projections. Any line items that are coming in such as reimbursements or refunds, Administration eliminated them because if those do come in they will only add to the cash balances. One of the other items, is some of the state distributions that are coming to the County, normally have been coming about the 15th or 20th of the month, but Mr. Fernandez has noticed that they are coming later in the month and last month it came one month late. Any of the projections that the County originally submitted, administration took that into consideration also, in that they eliminated one month's worth of revenue when it came to motor vehicle fee's, just as a precaution.

One of the things in terms of expenditures, administration did what they felt was a comprehensive listing of expenditures that the County will have to be paying between now and June 30th. There were some particular items when the original budget was produced, that were under funded. Administration made projections as to what actual funding requirements would be, and added to those. For example, the Juvenile Detention Contract that the County has with the Regional Authority, and at the time the budget was submitted, \$350,000.00 was budgeted and actual budget that was presented to Valencia County, Sandoval County, and Bernalillo County, Valencia County's share would be roughly \$516,000.00. Administration added to those expenditures by \$166,000.00. Another item that was added to was the transfer station, as they are currently operating in the "red". Administration added to that particular fund to assist them in being solvent in the amount of \$105,000.00. There have been additional tort claims in which the County has been put on notice, specifically in Sheriff's liability, so Administration added roughly \$20,000.00 to that line item. Administration added roughly \$300,000.00 to the expenditures.

Mr. Fernandez went over the Cash Flow Analysis with the Board. With the actual cash balance that the County had as of July 1, 2001, to that administration added the actual revenues that have come in through November 30, 2001 and added to the cash balances any actual transfers that had taken place through November 30, 2001. From that balance, they deducted any actual operating expenditure that took place between July 1, 2001 and November 30, 2001, and the same thing happened in terms of salaries and benefits. That gave the County an actual cash balance as of November 30, 2001 of \$1,004,340.00.

The next section is projections between December 1, 2001 and the end of June 30, 2002. The projected transfers are transfers into the fund and these would be additions from other funds of \$60,600.00. Projected transfers out are \$307,324.00, that would be a supplement to the transfer station as well as an analysis of the Older American Program indicates that if they operate on the same levels that they're operating on, there will be roughly about a \$20,000.00 shortfall, so additions were added to that in terms of transfers. The projected revenues between December 1, 2001 and June 30, 2002 will be \$5,883,412.00. Projected operating expenditures, which would be a deduction, would be \$4,326,794.00 and projected salaries between December 1, 2001 and June 30, 2002 would be \$1,950,000.00. That would give the County a net effect of the revenues and projected expenditures an ending cash balance of \$364,435.00. When the initial budget was approved, DFA allowed the County to have a 2/12 budget and the 2/12 requirement would be \$1,618,694.00. These items were e-mailed to DFA on Thursday afternoon and Mr. Fernandez verified that they received it.

The letter that Commission Chair Aguilar read into the record is based on the information that Mr. Fernandez has provided. One of the comments in that letter that Mr. Fernandez responded to is the item specifically referring to potential penalties on the old landfill. Mr. Fernandez said the County did not receive notice on those potential penalties until after the budget had been submitted so that could not be included in the 2002 budget. Administration is currently working on compliance issues and this afternoon Mr. Fernandez will be meeting with the Environmental Department to do an inspection of the old landfill site to see how the County is moving along with those issues.

Mr. Fernandez provided the Commission with a detailed listing of expenditures that the County will have to be looking at between December 1, 2001 and June 30, 2002. Mr. Fernandez has detailed corrections, housing of inmates, medical bills, juvenile monitoring, insurance, outstanding tort claims, outstanding bills, maintenance contracts on computer hardware & software, any fees that were paid out for contract of services, rentals, gas purchases, publication services, any repairs on utilities, as well as some of the costs that some of the elected departments are going to have to be incurring as legal mandates such as Elections from the County Clerk's Office, notice of values from the Assessor's Office, postage, and delinquent notice and postage from the Treasurer's Office. In addition to that, those items come up to \$6,006,794.05, to that administration added anything that had been encumbered, PO's that had been issued in the amount of \$70,000.00 at the time this report was produced, as well as any anticipated encumbrances in the amount of \$200,000.00. That would give the County projected expenditures from December 1, 2001 through June 30, 2002 the amount of \$6,276,794.05. As mentioned in the letter that Commission Chair Aguilar read, DFA has given the County a list of items to start looking at. That is the reason Mr. Fernandez provided the Commission a list of potential expenditures, these are the areas they will have to look at reducing.

Commission Chair Aguilar asked Mr. Fernandez to explain statute 6-6-13. Mr. Fernandez said the statute that DFA quoted is referred to as salaries to be prorated, it indicates all fees, salaries, and pre-requisites of Officers of Counties, Municipalities, Boards of Education, School Districts, and all other Officers shall be reduced if there is an insufficient collection of money which to pay them, as provided by law for their services in any current year where there is no violation or provisions of law as to incurring indebtedness for any current year over and above the money actually collected.

In terms of collections that are coming in, Mr. Fernandez thanked the Treasurer's Office, as they have been cooperative in providing administration with information as to the collections that have been coming in, they are coming in as projected. Mr. Fernandez also thanked the Fiscal Office, as they have been very cooperative in providing information such as expenditures that are out there. Mr. Fernandez explained that for every property tax dollar that is billed, the County only retains about 30% of that and the rest is distributed to other entities such as the State, Municipalities, School Districts, Irrigation Districts, and the Branch College. The County roughly brings in 4.5 million in tax dollars. And that is the share of the money that is used to operate legal mandates. One of the things that the County initially worked on for this particular budget was the tax rate that the County is imposing. Administration checked with DFA and the County is already at its maximum tax rate that they can impose. One of the things in statute is that Counties can only increase their budget on revised property valuations by 5%, which is called Yield Control.

Commission Chair Aguilar asked Mr. Fernandez to expand on the elected officials. Mr. Fernandez said that any department that has an elected official, if there are going to be reductions, it will be across the board.

Commissioner Pando went over a list of costs that the County incurred that were not anticipated. One of them is \$386,000.00 for an activation fee to Cornell; another is \$100,000.00 the County has to pay to Albuquerque on a lawsuit that is ten years old. Another one is the Cops grant, Commissioner Pando said it is a good grant, but ultimately the County absorbs so much of the costs every year because the grant keeps dwindling. Commissioner Pando said the County also overspent \$105,000.00 in Solid Waste, \$120,000.00 in Older Americans, \$150,000.00 in juveniles, \$20,000.00 in tort claims, and the County purchased about \$250,000.00 in property in the last two years, the

County spent over \$200,000.00 in construction projects to update the Courthouse, and there have also been quite a few legal fees that were not figured in the budget. Commissioner Pando came up with a figure of 1.5 million dollars that went on those expenses.

Mr. Fernandez said there have been relatively level revenues coming in increasing only about the rate of 5% per year but the expenses that the County has to pay increase in excess of that.

Commissioner Padilla said that one of the things that has been nagging him is the jail and the 3.1 million dollars the County pays per year. That has had a great effect on the budget, according to him. Commissioner Padilla said when the County was sending out the inmates, they had contracts of \$45.00 per day per inmate and now it is running over \$100.00 per inmate for these professionals to come in and take over the jail. Commissioner Padilla said that would be one option and to him it is a big option since it has had such a great effect on the County to have these people run the jail. Commissioner Padilla said these people have done a good job running the jail, but in terms of the shortage the County is running, that is one big item that has such a big effect on the budget and he believes that is something that needs to be looked at.

Commission Chair Aguilar said that DFA will be here next Tuesday and they are expecting recommendations from the Commission. Mr. Fernandez will be looking at the area of expenditures and will be providing the Commission with options on how much could be saved on those particular items. Mr. Fernandez will try to give the Commission a summary of that by next Tuesday. Commissioner Padilla asked Mr. Fernandez to check into the jail also and look at taking it back or find somebody to run it. Commissioner Padilla would like an idea as to how much the County would save if it were to take back the jail. Mr. Fernandez said that any of the options he will lay out for the Commission will be based on legal commitments that the County has and what those contracts will allow the County to do. He will also try to give the Commission any of the restrictions that any of those contracts might or might not have. Commissioner Padilla asked Mr. Fernandez to check into the contract as far as liability of the County if the County were to decide to go that route. Mr. Fernandez said the particular section of statute that was read NMSA 6-6-14, is that one of the requirements before anything is paid, preference is given for expense of boarding prisoners. Mr. Fernandez told Commissioner Padilla that they (boarding prisoners) have preference over anything.

Commissioner Pando asked if there is a State Law that says the County has to have so much in reserves. Tom Garde, County Attorney, said that basically DFA regulates the requirements and the County has to comply with DFA regulations. Commissioner Pando agreed with that but said no matter what the County does it will continue to fight this because the County is only going to bring in so much money no matter what it does, but yet the population has gone up almost 100%, and the needs are much greater. Commissioner Pando believes its time for the County to start working with the State to find out what the County can do. Commissioner Pando said he would give up whatever he had to so that the County could keep one employee. Commissioner Pando believes the employees are the County's biggest assets and without them the County is nothing. Commissioner Pando thinks the Commission needs to protect the employees more than anything else. Mr. Fernandez said that any of the items that are looked at will not be short term and said it will take a sufficient amount of time to recuperate. In having dealt with DFA, they have always been an agency to provide guidance and assistance, according to Mr. Fernandez. Mr. Fernandez said DFA is not the enemy, they are here to help the County find technical assistance and to make sure the County complies with statute and regulations.

Commissioner Padilla said that Los Lunas has a population of \$10,000 residents with a budget of about \$22,000,000.00, Belen has about 7,000 residents with a budget of \$20,000,000.00, and the County has between 43,000 and 45,000 residents in the unincorporated area and the County runs with a \$9,000,000.00 budget.

Commission Chair Aguilar said that the Commission went into a budget knowing that the County was in the hole by about a million dollars and it was to where there was hope that revenues would be coming in. She said that the budget was not analyzed periodically enough to make the adjustments and now it is DFA that says if you can't handle your business then we have to step in and help you handle it. As elected officials, Commission Chair Aguilar believes they have a legal responsibility and said that is also a fiscal responsibility. She said the Commission needs to know what happened in the past to get the County in this position, where it's at in the present, and how it will get out of this in the future. Commission Chair Aguilar said the State Agency wouldn't be here if the County wasn't in this mess, so now they need to work with the County and unfortunately it does effect the County's greatest assets and resources, and unfortunately those are the employees. Commission Chair Aguilar said there is no getting around this, the problem is there and as soon as the County addresses it and faces it, the sooner the County will get out of it. Commission Chair Aguilar stated that the County needs to go into this and look at if Corrections is there, analyze it as well as Juvenile Detention to see where the County is at, but at this point what DFA has outlined is very clear and they are not giving the elected officials much of an option. She said that there is also statute there where the legal system steps in and says if you can't do your job, statute tells them what to do.

Commissioner Baca said this is not the only year that the County has been in a financial bind, there have been other years in the past where it has really been in bad shape, and there wasn't one year in which DFA did not help the County out. She said DFA was cooperative and there to help the County out. Commissioner Baca said there are also extensions and she said she would feel better when the Commission meets with DFA to see exactly what the County can do. According to Commissioner Baca, the County has never gone to DFA in the past and been rejected or condemned for anything.

Commissioner Daves said he went through this in 1991 and doesn't have the stomach to go through this again today. Commissioner Daves said that Commission Chair Aguilar just said that the budget is one million dollars off, and he just did the math and it is .52 million dollars off. The budgeted revenue for the previous fiscal year, according to a sheet of paper that is in the Commissioner's packets, was 8.36 million for the fiscal year that ended last June. The budgeted expenditures were 9.499 million dollars. Commissioner Daves said the fiscal year receiving July 1, 2002 had a projected deficit in the general fund of more than one million dollars. Commissioner Daves said he has gone through this before where every employee, including the County Manager, had their salaries cut by 1/5, which did not include the elected officials and the Sheriff's Department. Commissioner Daves thinks that the revenue/expenditure situation is making the County do whatever is done.

Beverly Gonzales, County Assessor, asked the Commission when they would have answers for her as to what she will have to do as an elected official. Commission Chair Aguilar said her understanding from DFA is that they expect the Commissioners and the County Manager to communicate and to have a plan for them as to how the County is going to proceed and implement in order to meet the required reserves and balance the budget. Commission Chair Aguilar said there should be some additional information at next Tuesday's Meeting as far as an action item. Ms. Gonzales would like the Corrections Department to be looked at, as it may be cheaper to break that contract than it is to keep it. Commission Chair Aguilar said that when it comes to the contract, the Commission has asked for an analysis of it, but even looking at it, until the facts are all in, it's not only the housing of prisoners but there's many other requirements as part of Corrections. Commission Chair Aguilar believes that all the programs should be looked at, not only Corrections, and there are expenditures there, which the County was forced into because it has to work with the Judicial System and District Attorney because of the penalties. Mr. Fernandez is looking at all expenditures. Commission Chair Aguilar asked Mr. Fernandez if he could have something for the Board of Commissioners in writing as far as looking at the outline and what his recommendations would be by Friday or Monday morning. Mr. Fernandez will do his best to provide information to the Board in a timely manner.

Gil Grey, a resident of Los Chavez, asked the Commission what they can do to increase revenues, and asked if there is something that could be done to increase sales tax. Commission Chair Aguilar said the state burden of services on the Counties has been there for decades and that can only be changed by the State Legislators. She told Mr. Grey that the County houses the District Attorney, District Judges, Public Health Department, Probation and Parole. Commission Chair Aguilar explained that in Public Health, the County has a \$45,000.00 a year debt just for rent, where if that became the responsibility of the State Department of Health, that would help the County but it's up to the Legislators to look at the structure and the burden on County Government. Mr. Grey also said if the County had a professional Grant Writer, it could possibly get money from federal and other sources. Commissioner Padilla said the State Legislators put through the bills in Santa Fe in which the County would get quite a bit of money and the Governor vetoed them. He said that the Governor had in excess of \$600,000,000.00 that could help counties. Commissioner Padilla said there were bills passed through by the Legislature's but doesn't know of one that came through to the County.

Commissioner Daves said the bottom line is the public and not themselves. Last year, the Commission had an idea to quit funding the Extension Service in order to relieve some of the burden on the County, but this year the County found money to budget that program. Commissioner Daves said that County Government has a role beyond its employees and the employees are the interface between the public. Commissioner Daves applauded the professionalism and said the County has very good employees. According to Commissioner Daves, the obligation of County Government is to serve the public and the County has resources in which they can collect and they have tapped those out and said the County has no authority for any other taxes. Commissioner Daves believes this is a statutory problem and a problem that the Governor and Legislature would rather not think about because they want to do other things, but he believes it is a fundamental problem of an urban County Government and it doesn't work within the revenue stream available. He said the responsibilities outweigh the expenditures. Commissioner Daves believes the County still needs to do the fundamental things necessary to serve the public. The Older American Program is one that he believes is such an important program and that it is so helpful to those people.

Mr. Fernandez said that of the things that will be looked, administration would also be taking into mind the health, safety, and welfare of the citizens.

The next Regular Meeting of the Valencia County Board of County Commission will be held on December 18, 2001 at 6:00 P.M. with Executive Session beginning at 5:00 P.M. in the County Commission Room at the Valencia County Courthouse.

Adjournment

Commissioner Padilla made a motion to adjourn at 10:33 A.M. Commissioner Baca seconded the motion. Motion carried.

NOTE: All proposals, documents, items, etc., pertaining to items on the agenda of the December 11, 2001 Special Meeting (presented to the Board of County Commissioners) are attached in consecutive order as stated in these minutes.

VALENCIA COUNTY BOARD OF COMMISSIONERS

**ss/
ALICIA AGUILAR, CHAIRMAN**

**ss/
AURELIO H. PADILLA, VICE-CHAIRMAN**

**ss/
S. T. FRANK PANDO, MEMBER**

**ss/
GARY DAVES, MEMBER**

**ss/
HELEN BACA, MEMBER**

ATTEST: ss/

TINA GALLEGOS, COUNTY CLERK

DATE: January 15, 2002