

Minutes
Budget Workshop Minutes
May 17, 2023

The Village of Capitan Board of Trustees met for a Budget Workshop on Thursday May 17, 2023 at the Village Hall in Capitan, New Mexico at 6:00 PM.

Mayor Lowrance called the meeting to order at 6:00 PM.

Mayor asked for Comments/Discussion

Trustee Shearer These are different numbers that we looked at last time.

Finance officer Brasher Are you talking about the unrestricted cash?

Trustee Shearer Yes.

Finance officer Brasher Yes.

Francis Traylor When you look back through and estimate the 4th quarter, to estimate the expenditures, and estimate the receipts, carrying into the 4th quarter.

Trustee Shearer So you feel pretty good about these ending cash numbers?

Francis Traylor Yes, we have worked 2 days.

Finance officer Brasher I am very grateful to Francis

Francis Traylor I was telling her once she gets these budgets in and you get your audits done, there is absolutely no telling what kind of changes your going to have. You have to understand that your numbers from two years ago have to come and be corrected. LeAnne has worked really hard these last couple of days to get the numbers as tight as she can so that she can have some good numbers. We went back and estimated the 4th quarter expenditures, and the 4th quarter revenue.

Trustee Shearer So instead of looking at 1.9 million we are looking at 1.5 in the general fund, then the waste water and the sewer has increased even more up to 500,000. So, we have 169 beginning in water and we are up to half a million in water and sewer.

LeAnne Finance officer Brasher Correct.

Trustee Shearer So I still think that we are not allocating enough.

Finance officer Brasher We are having a problem with something in the water fund with that amount because we believe that that should be a larger amount coming forward not the 169,000 on the water fund.

Trustee Shearer What do you think is

Finance officer Brasher I think it's more 350,000.

Trustee Shearer Where do you think that money is?

Finance officer Brasher I know it's there. I'm thinking there is something wrong in one of my calculations that I'm not being able to figure out. That's what we were trying to do.

Steve Osborn I'm not sure we are at on the starting balance or ending balance. We were looking at the rate study so we do have some of the projected incomes is going to be coming in from the rate increase. We will have two months' worth. We have June and July so I'm not sure how that is going to apply. But there are some figures in there that look like 80,000 is the projected increase.

Trustee Shearer Annually

Steve Osborn That is the partial year.

Shearer Trustee Is it going to increase the funding by 80,000 a year? Is that what you are saying?

Steve Osborn It's a partial year amount is what he had in there. I'm may have interpreted it wrong when we were talking about it but initially planning on implementing this in April and get the full quarter in if you add April May and June. That should have been for those three months. So I backed it out and it's like 53,000 for two of the months.

Trustee Kerns I'm sorry, I didn't hear that at the very end. You are at 80,000 then when you looked at as a quarter backed it out you came to 52,000?

Steve Osborn it was 80,000 ish for three months

Trustee Kerns for Three months.

Steve Osborn For three months, and we are only going to have the rate increase for two months. So, I divided 80 by 2 and then I took two of the months, what ever it came out to be. I think it ended up like 53,000. Something like that. Ballpark.

Trustee Shearer So you are saying it's like 80,000 a quarter.

Steve Osborn Increase in rates is what it looked to me like.

Trustee Shearer Increase

Steve Osborn Yes

Trustee Shearer So 320,000 a year. That sounds too high. That sounds way too high.

Steve Osborn Maybe you misinterpreted

Mayor Lowrance When we did the bank reconciliation we went all the way back to 2019 right?

Finance officer Brasher We just went through 2021 then totaled, correct? Fiscal year 2021.

Trustee Shearer I seem to recall Pam starting with the last audited numbers. And trying to go forward to get your beginning cash balance for this year.

Finance officer Brasher I believe, without the audit... With audited figures, I think everything would come together a lot better.

Trustee Kerns I'm going to ask a question. Did you say, that you thought it should be closer to 250 from 169

Finance officer Brasher From the water, yes.

Trustee Kerns I just subtracted that it was 81,000. Okay, that increase is about 81,000 a quarter, or 80,000 a quarter. Does that make any sense to you?

Trustee Shearer We haven't been charging those rates long enough for it to accumulate.

Trustee Kerns Well you were saying that you were expecting more. That would be something that would be more.

Finance officer Brasher So on my figure, to bring it forward, from the 2022-23, I may not have projected enough revenue for the 4th quarter. Which is, what now gives you the figures after the 4th quarter to bring over to the 2023-24 budget. So, it is a possibility right there that I may not have put in enough revenue at the end of the 2022-23 to bring into 2023-24.

Trustee Shearer Because it's un allotted.

Mayor Lowrance Basically Steve went off of our figures on the study, right?

Steve Osborn Correct

Trustee Shearer I have a suggestion, and you can tell me what you think. That we adopt or plan on putting out a flat budget. So that LeAnne can go ahead and get it entered for the end of the month.

Francis Traylor The one thing we talked about is watching you revenue, don't over spend your revenue. You may have all this in the budget but you may not get that revenue in. Don't over spend and be very careful. Maintain your budgets. You work them at the end of every month, check all this and balance. Track your stuff back to your bank statement when you have outstanding. That way you know that your

cash figures are correct. I think you will have a better idea when you close quarters when you get those all done.

Trustee Shearer But in the meantime, I'm reluctant to increase some of these budget items because I don't feel like I know where we are. When we are looking at the general fund, and we are seeing on the first page it's showing a 127,000 in operating expenses.

Finance officer Brasher I noticed that it was incorrect.

Trustee Shearer So there should be more like 425 or 1,274,000. So, I'd like to be really careful of what we put in, so my thought is letting you put in a flat budget without any increases. Then come back in July when we know what our ending cash balances are, and look at raises and capital and all of the projects. I'd like to study it a little closer

Finance officer Brasher I understand these past couple of days I've learned a lot from Francis. She is very willingly helped me. I personally think that we have gotten closer to where we should be without having the audits for the last couple of years. Does that make sense?

Trustee Shearer Yes, and I don't want you to be under the gun to produce something that has to be in by the end of the month. I think we need to have a meeting where we take action. So, we are going to have another meeting this month. I'd like to give you time so we all know that really solid numbers. I still know they will still be un-auditable. Let's catch all the stuff.

Francis Taylor I think something that is really hard too is to try to put a budget together this quickly. It would be nice if you had a budget workshop earlier. That gives her more time to really work her numbers. It's hard when you're not encumbering against your budget so then you have to stop and pull from your files and go through what you have that hasn't been spent.

Trustee Shearer Will QuickBooks not allow the encumbering?

Finance officer Brasher We don't put in the invoices, we just pay as an invoice comes in.

Trustee Shearer We are still not doing purchase orders then.

Finance officer Brasher We are doing purchase orders.

Trustee Shearer But we're encumbering when we do purchase orders.

Finance officer Brasher It's not being put into QuickBooks where it's going to show this is still going to be outstanding.

Trustee Shearer That's a big help, because then you are never spending into your encumbrance.

Francis Taylor LeAnne and I talked about this a lot. Like, with your salaries, if you can set up in your system where it's encumbering, then she could set out everybody's salary and just go ahead and encumber, you know you've got enough money in salaries and benefits are. Whatever is left you can keep a better track of your budget, and your money. There is a difference in budget and money. I know you all wanted money with the sewer. That is something that,

Trustee Shearer Out of sewer, we want it moved out of sewer.

Francis Taylor You want it from water to sewer or

Trustee Shearer You see the problem is, sewer is over funded. Water is underfunded and sewer is overfunded.

Mayor Lowrance What we talked about is making one person, his payroll, go to sewer instead of taking it out of water all the time. That would bring sewer down, and increase water.

Finance officer Brasher Yes, we did talk about that. Steve also wanted to put in for an extra person, correct, in the water and one for sewer? The lower paying one in water and the higher paying one is sewer.

Trustee Shearer We need to look at it. The problem is, we are building up a big reserve in sewer. We've got a half a million dollars reserve in sewer, and 169,000 in water so we can not be. We know that sewer

isn't generating that money. Right, because we had to raise rates because it wasn't even breaking even. So, we can not be properly allocating if the sewer is 100,000 a year in the black, and the water is going under.

Steve Osborn I'm not showing it's 100,000 a year in the black.

Trustee Shearer When I went back into the last audit, it's at 500,000. I don't think I brought the last audit with me, but it was... What did you have that last time, 341,000?

Finance officer Brasher On the waste water?

Trustee Shearer Yea

Finance officer Brasher I don't remember off the top of my head, but I can go look if you want me to. But that figure sounds fairly close.

Trustee Shearer It's making too much money every year. It's putting money in reserves that it's not making. It can't possibly be generating on sewer fees. So, it has to be allocated out of water. That money is coming out of water fees. The sewer is too small a part of our system, it doesn't generate a lot of fees.

Steve Osborn Karl said something about taking money out of the water to put into the sewer.

Trustee Shearer Well he must not have seen we had such a big beginning cash balance. It doesn't make sense. We aren't charging enough to be accumulating that kind of revenue.

Steve Osborn We get the gross receipts, but that's the only other thing.

Trustee Kerns A backhoe is another thing used for both departments. I guess you allocate a percentage. Could money be made up that way?

Steve Osborn We could have charged a portion of that. Originally, we talked about adding the split. I think most of it came out of the water on that. We could definitely do a split on that.

Trustee Shearer In 2018 or 2019 all the gross receipts were all unearmarked, so now it's all in one big pool. We may still have some commitments, but unearmarked. It's not environmental, and infra structure in general anymore it's all, so how are we allocating how much of the GRT we put into sewer. What ever we may have been doing historically may not, we use to have to earmark it, depending on the source. The 116th – from this or half from that. But they wiped all that out a few years ago.

Finance officer Brasher Well I wasn't aware of that.

Trustee Shearer They did.

Francis Traylor So you are saying they are receiving into sewer when they really shouldn't be?

Trustee Shearer Uh Huh. That's what I'm saying. I'm saying now they are allowing GRT's to go where they are needed. Instead of being earmarked to all these specific. Now the environmental GRT I think we have committed to Greentree so it's uncoupled at the state level. But I think we have an agreement that says we are supposed to pay that or whatever.

Finance officer Brasher I know that on the infra structure portion, is divided between sewer, water, and street.

Trustee Shearer I think that we are allowed to allocate how that's divided. The state's not directing that.

Finance officer Brasher No, It was someone here in the village and I'm not sure how many years ago.

Trustee Shearer Originally that was because it all wasn't into one pool. Now, we probably shouldn't be putting all that into sewer because that's what's causing the fund to.... If we are going to put it into sewer we are going to draw against it. It's great that the sewer looks so over funded but it's hurting the water.

Finance officer Brasher And the sewer has never really had that many expenses either as opposed to water.

Trustee Shearer But it just doesn't generate the revenue. Right?

Francis Traylor So what you are wanting is gross receipts to go into water?

Trustee Shearer I think sewer should probably just be breaking even. I don't think we are going to get penalized by the state if we don't have a reserve in the sewer fund, but the water fund is not the same way. The drinking water bureau wants to know that we have a reserve in the water fund. If you want we could ask that book to give us the statute on when they un bundle the gross receipts, but I looked it up the other day and those statutes have all been appealed.

Steve Osborn Yea, it looks to me like we are putting the same amount for the fund.

Trustee Shearer So we are just splitting it evenly, even though the water should be getting $\frac{3}{4}$'s of it, or 70-80% of it.

Steve Osborn It's 52,800

Trustee Shearer You can ask local government division, I'm pretty sure they will tell you the same thing. That's probably just hold over that we've been carrying over to every budget. So again I'd like to see us just adopt a flat budget that you can go ahead and put in, and then come back and look at everything else. All the increases.

Francis Traylor So do you want her to correct these things?

Trustee Shearer Yea

Francis Traylor Adopt it as amended?

Trustee Shearer Well we will have to come back and wait the ten days. But I don't want you to be under the gun. So, you tell us what day works for you.

Finance officer Brasher I do know that we would have to have the final budget approval in July.

Trustee Shearer We need to do our preliminary by the end of this month.

Finance officer Brasher My budget has to be in by June 1st for my Interim. Then at the end of July we have the 4th quarter and that becomes our final.

Trustee Shearer You have until the end of July to pay this year's expenditures. Then after that it cuts off?

Finance officer Brasher Correct

Trustee Shearer So, when would you like us to come back to approve the interim budget?

Finance officer Brasher We could possibly do one next week, unless you want to do another budget workshop.

Trustee Shearer Do we need to do it by the end of the month?

Finance officer Brasher My interim is due by June 1st. You want to approve the interim also.

Trustee Shearer I think we have to approve the interim.

Finance officer Brasher Okay

Trustee Shearer I think we have to take action. Am I wrong about that? I think we have to, I think we've done that every year.

Mayor Lowrance We do the interim, and we do the final.

Finance officer Brasher I know the final for sure but I will check on the interim.

Trustee Shearer Then we take action with the board.

Finance officer Brasher Okay

Mayor Lowrance We always had anyway.

Trustee Shearer I don't think it's something you could do unilaterally.

Mayor Lowrance You got all next week?

Trustee Shearer Next week is pretty much it for me, the following week I'm out. I'm pretty open next week.

Mayor Lowrance I know in the past and Kimble will back me up on this one, that 4th quarter is an estimate. Do you do the three-year total like we use too? The three-year total then divide it by 3 and that's what you put in for the 4th quarter?

Finance officer Brasher On a lot of the figures that's what Francis and I were doing.

Mayor Lowrance Because it's a guess anyway.

Finance officer Brasher Right

Trustee Shearer But in some cases anyway you can see a trend.

Finance officer Brasher So many knew exactly what it would be like, utilities and so forth.

Mayor Lowrance Sure, I didn't know if we did it different. Now we've got somebody in there that knows what's going on. Right Kimble?

Trustee Kimble Yea, It's a good thing now.

Mayor Lowrance It was always a guess to me, and when Kimble and I talk about it.... Anyway, but you do your adjustment after the final. You get your final quarter in. It just seems like a lot of work for you to readjust everything after all the numbers were in.

Trustee Shearer That's what I was asking earlier, if we could amend the budget in July?

Finance officer Brasher The final budget?

Trustee Shearer Yea

Finance officer Brasher You would have to do your amendments before your first quarter.

Mayor Lowrance Yes

Trustee Shearer So what I'm saying is, come back in the first quarter, the first month of the first quarter and just re-evaluate where we actually are.

Mayor Lowrance I agree with that. I was just asking, if we change that, because Kimble and I never liked the add 3 years and divide it by 3, that's what we are going to produce for the imaginary fourth quarter.

Trustee Shearer At 10% inflation, that's hard to budget.

Francis Traylor Sometimes it's easier to look back at your year, back at your quarters. I used to always estimate off of my March quarters. I could go back and look and most things I've seen here, you can go back and look at your expenditures. And if you are incumbered against it would be real easy to figure it out. It took LeAnne a little bit because she's having to pull reports and go through it. I really feel like she got it pretty close. Everything is a guesstimate. You can have anything happen between now and June 30th.

Mayor Lowrance Inflation could go up.

Trustee Shearer Do you want us to come back and look at it corrected next week, or?

Finance officer Brasher Sure, if you would like to do that.

Mayor Lowrance Are you open?

Francis Traylor Next Wednesday.

Trustee Shearer How close are we to the audits being done?

Angela Autrey Cindy is almost done to give it to Pam, and I don't know where she's at.

Mayor Lowrance One of the partners gave response and said they are very close. They just needed a few items.

Angela Autrey That's better.

Trustee Shearer So usually when they get done, you have your exit interview and then it could be made public 10 days later. If we had those before we finalized, probably not before our interim but, certainly be for our final.

Francis Traylor Do you still need this years?

Trustee Shearer Yea, we could at least know what the adjustments are up to the beginning of this year.

Mayor Lowrance Pretty close.

Trustee Shearer If we have adjustments that have to be made.

Francis Traylor The cash balance as well. If you have to carry them over you could.

Trustee Shearer It would get us two years closer to an audited cash balance.

Mayor Lowrance Your budget okay?

Chief Spears I don't know. I think so, Yea. I wouldn't be fighting with the things I put in for.

Mayor Lowrance We just need to set a date. We've got one day this week and four days next week.

Finance officer Brasher Is next Thursday possible?

Mayor Lowrance No

Trustee Shearer Thursday works for me.

Mayor Lowrance Will that give you enough time?

Finance officer Brasher I think so. Tomorrow I have a few reports that are due for the Department of Transportation and I have to do some catch up tomorrow. Next week I think I can have a better outlook on this.

Mayor Lowrance Sure

Trustee Shearer Okay

Finance officer Brasher Okay

Mayor Lowrance Next Thursday, 6:00

Trustee Kimble A week from Thursday

Trustee Shearer What day is that, the 25th

Mayor Lowrance A week from tomorrow.

Trustee Fraley 26th

Mayor Lowrance Yes, Good for you?

Finance officer Brasher Yea

Trustee Shearer 6:00?

Mayor Lowrance Yea

Trustee Sharer Was it just me or did the notice say Monday the 17th?

Angela Autrey It shouldn't have.

Trustee Sharer It threw me off. I think it did. I thought I had missed the workshop.

Finance officer Brasher I just wanted to say thank you to everybody and especially thank you Francis.

All Trustee's Thank you Francis

Francis Traylor She's pretty sharp and she's doing a good job.

Finance officer Brasher And I really appreciate it.

Mayor Lowrance Alright, Meeting adjourned

ADJOURNMENT:

Mayor Lowrance adjourned the meeting at 6:30 PM.

Attest:



Al Cavazos, Village Clerk



Ron Lowrance, Mayor, Village of Capitan