

MINUTES
BUDGET WORKSHOP
THURSDAY, MAY 25, 2023
6:00 PM

The Village of Capitan Board of Trustees met for a Budget Workshop on Thursday May 25, 2023 at the Village Hall in Capitan, New Mexico at 6:00 PM.

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

Roll Call: Trustee Shearer – Present, Trustee Kerns – Present, Trustee Fraley – Present, Trustee Hair – Present, Mayor Lowrance – Present. Al Cavazos – Village Clerk, Angela Autrey – Deputy Clerk, and LeAnne Brasher – Finance Officer were also present.

Item #1 on the Agenda: Approval of the Agenda.

Trustee Kerns made a motion to approve the agenda. Trustee Fraley seconded the motion.

Discussion: There was no discussion of this item.

Roll call: All were in favor, the motion carried.

Item #2 on the Agenda: Discussion – FY 23/2024 Interim Budget.

Discussion:

Finance Officer Brasher – I just want to say, we worked very hard on this, we got all our numbers, they all balance. Thank goodness for Francis, she has helped me a great deal to help me understand more and more what budgeting actually is apart from what little I knew. We had to cut a few things, but I hope everything's going to work well.

Trustee Kerns – Nice to hear LeAnne.

Trustee Shearer – This budget, every fund balances.

Finance Officer Brasher – Uh huh.

Trustee Sharer – The revenues, the expenditures do not exceed the revenues in any fund. The unrestricted cash have moved to capital funds, to the extent possible. It does strip out the raises. We are trying to figure out how we are going to keep the raises in there.

Finance Officer Brasher – We are hoping that possibly more toward the end of the year, we can come back and visit our budget and see if we can get the raises for everybody.

Trustee Fraley – State mandate, I know with the school we were mandated, we had to do raises but it wasn't for our positions in the city right?

Trustee Shearer – No. This budget is super tight. We are going to have to watch it every month. Unless it's capital, we don't have any room for any extra expenditures. We don't have any room to add any employee's, but if we watch it, did you say GRT in this quarter was at 20,000?

Finance Officer Brasher- It was. Hopefully it will continue.

Trustee Shearer – Then that was probably Dollar General. If the liquor election passes. So at the end of the first quarter we might be able to re-evaluate the raises, because of our re occurring. We need to look at our gross receipts ordinances that were all passed between 1978 and 1993. I think we talked about how the state un bundled all those. It's no longer environmental, infra structure, or general. The state says we can use them how we need them. We need to do a clean-up, in June with our GRT ordinances so that this budget.... We are not budgeting according to the ordinances already. So we need to do a clean-up, in June of our ordinances.

Mayor Lowrance – All of our ordinances need to be reviewed.

Trustee Shearer – These we specifically need to do in June so we can approve this budget.

Mayor Lowrance – You are saying that we have to do a GRT for this to be approved, or aren't you going to approve this tonight?

Trustee Shearer – We want to do the GRT before we approve the final budget. We'll approve the final budget by the end of June. During June we need to take those old ordinances. I think we could do one ordinance, amending all the priors. We'll say we are amending ordinance 78-2, 90-3, 91-4 what ever they are and that gross receipts can be used for general municipal purposes including police, water, sewer, street and you'll just clean up that garbage.

Mayor Lowrance – Yea but you have already been working on it also.

Trustee Shearer – I tried to take our GRT increments and back them into our budget and see how we are allocating. Somewhere after they decoupled everything, and the state stopped flagging it. Our formula doesn't match our ordinances any more. One of the increments there was a decision made, to put a 3rd in water, a 3rd in sewer, and a 3rd in general. That's not in any ordinances that I can find. I think we are already not following the ordinances. I think we need to do this clean-up in June.

Trustee Fraley – Do we know if it's a specific code, or certain section of the city ordinances?

Mayor Lowrance – Yea

Trustee Shearer – We have six ordinances, then adopted gross receipts increments.

Trustee Fraley – Okay

Trustee Shearer – Our gross receipts are 6.8125, 5% of that is the State, and the 1.8125 is the increments we've adopted is 1/2 %, 1/4 %, and we have 3/16's.

Finance Officer Brasher- General get's the specific amount with the municipal infra structure. The shared portion, half of that goes to street, the other half is divided by street, water, sewer.

Trustee Shearer – So if you look at our ordinances the ones Al and I found the other day. They make no mention of water. They say infra structure, streets, sewer and waste water. I think that when it got uncoupled, they tried to reconstruct the way the money was coming in. The reason they uncoupled it was so we can move it around and put it where we need it so that each fund can balance. So we just need to clean up our ordinances. The one thing we need to ask Cook is, at least one of those were adopted by the voters. Can we amend the purpose of something that was adopted by the voters or does that need to go back to the voters? I think that if we do these things, it get's us out of audit trouble. We've been getting the material weakness for 2018, 2019, 2020, and we are most certainly going to get it for 21&22. By budget it this way, I think we'd get ourselves out of all the trouble.

Trustee Hair – Other than stripping the raises, you mentioned there were some other serious adjustments that were made. Which one's of those were outstanding?

Finance Officer Brasher – What do you mean by outstanding? What I took out?

Trustee Hair – Right, if you could highlight those please?

Finance Officer Brasher- I had to take out maintenance and repairs with the building in structure. Maintenance and repairs for vehicles, other maintenance, vehicle tires, print, publish and advertising. Those are the main ones taken out so that I could allocate it to other places. That's not to say that on these line items, that it can not be moved into those areas.

Mayor Lowrance – We also put one person in on sewer, right?

Finance Officer Brasher – We could not.

Mayor Lowrance – We couldn't do it? Okay.

Trustee Shearer – The main thing we did was take one kind of expenditures out of our operating budget, because that's what was blowing the budget. We've been lumping all of our capital expenditures into our operating. That's causing us to overspend by 300-400,000 a year.

Francis Traylor – I think if you look at the bottom of her sheets, I think it's on the second page on the very bottom

Trustee Shearer- We started out Tuesday at 300,000 over budget. She's had to move a lot of the capital. It is capital, we haven't been looking at our budget in terms of operating in capital. It gives us a false picture.

Finance Officer Brasher – With Francis's help we are tightening that up. We are becoming balanced as opposed to not. Capital funding's, if we put those moneys aside, that's going to keep us growing. By the end of the next couple of years, we should have plenty of money to be able to make more interest on it.

Trustee Shearer – We've got to look closely at the water budget, and see if we can get at least one of the certifications raises put back in.

Francis Traylor – What we would really like to see is the revenue that you project for the coming year, that you could operate on that revenue. Which you didn't have enough revenue for us to keep raises.

Things were working out until we got to the General, then it went to where there was absolutely no way. If your revenue starts coming in this next year, and it's more than what she is projecting.

Trustee Kerns – Do you know, off the top of your head, how much those additional the raises are all together?

Francis Traylor – It was a significant amount, a little over 40,000

Finance Officer Brasher – That didn't not include benefits.

Trustee Shearer – It's more like \$55,000 with benefits. 40,000 is the base.

Finance Officer Brasher – Right, and when you add in all the taxes, it raised it.

Trustee Kerns – You mentioned when you got started that you thought that further down the line you can look at that and re-evaluate that. What sources would you be looking for, for that 55,000 to immerge or something similar.

Trustee Hair – Higher gross receipts.

Finance Officer Brasher – Taxes

Trustee Shearer – That's why I was talking about the liquor license and dollar general.

Trustee Kerns – Right

Trustee Shearer – Those are re occurring every

Trustee Kerns – If you want to re do those to go into a fund that's not necessarily allocated, is that correct?

Trustee Shearer – No, what we're doing is using the gross receipts, which are re occurring, to cover re occurring operating.

Trustee Kerns – Okay

Trustee Shearer – Money in covers the money going out. And in our reserves, the money we have in our savings, is going to cover capital projects. What we've been doing up until now, is including our capital projects, in our operating. Then Oliver comes back and says it's a weakness because you're over spending your budget by 400,000. We've got to get that capital out of our operating.

Francis Traylor – That's the reason this next year, you'll really want to watch your budget on a weekly basis to make sure that whatever's coming in, is enough revenue that you're not over spending to bad. I sat down and figured the projections. Last year the revenue coming in and the expenses going out. There wasn't enough revenue coming in. You were eating into the money that.... You will probably have some audit findings this year. That's how you clean it up, from those audit findings. That's why it's so important for audits to be done every year, you learn from it. Then you can correct it and go on down the road and get things cleaned up. Once you get things cleaned up, it get's easier.

Mayor Lowrance – Right

Trustee Shearer – But in June we should probably look at our, this year's 23 budget and see if we can get some of that capital moved over so that we're not unbalanced.

Francis Traylor – I don't know how you do that, but LeAnne can talk to me, and to the auditor, because in my world we weren't allowed to do that. Once you close out in June, you couldn't move anything. When that was submitted, that was it.

Trustee Shearer – I think we could do a budget adjustment. I want to try and minimize the findings for this year, if we can.

Francis Traylor – We worked on this really hard to get this ready.

Trustee Shearer – Literally I got an email from LeAnne at 10:30 last night when they were just finishing up. And it wasn't even this version. So, Yea, they worked very hard on this.

Mayor Lowrance – Thank you Francis, appreciate it.

Francis Traylor – It was not a big deal, I enjoyed doing it. It kept me off the streets.

Trustee Hair – What's going to be the psychological effect on the employees with the departments with hearing the news that their anticipated raises are going to be?

Johnathan LaMay – I don't think it's going to be a deal, we all got a really good raise this last year.

Trustee Hair – Okay, so you think that they are going to be okay?

Trustee Shearer – But water, we do need to look at in the first quarter, because if he's gotten a certification, then we need to try and get that raise put back in.

Steve Osborn – I've got step increases that I put in trying to give them incentives. Justin, the past two votes, so I've bumped him up like \$3 an hour. He's not going to be to happy about it.

Trustee Hair – You don't want to lose somebody.

Trustee Shearer – We are not denying it at this time. We're just saying it's the budget.

Steve Osborn – I don't know, they did that back when I was getting my certifications, and I had to remind him, and remind him, and remind him and we did that at that time, and I got all three. It's very disheartening, you know, you spend all this time and everything else to get that. I coax him and tell him, here's a level, keep going. I'd like to present that to the board and get your take on it, and you can adopt that however. You set whatever rates or whatever. But I think it's a very fair step orientated way of getting them in and getting the most levels they can get.

Trustee Shearer – We've still got the funds for the water rights lawyer in his operating. As 50,000?

Steve Osborn – In professional services.

Trustee Shearer – That's probably really, mostly capital, because it's for water rights. So we might be able to move that into capital, at least part of it, and restore that raise.

Trustee Hair – How often does that pay.

Steve Osborn – It's periodic throughout the year. We are probably getting a bill here pretty quick. They are doing some stuff right now.

Trustee Hair – I mean, is it something you pay every two months, once a year?

Steve Osborn – Several times a year.

Trustee Shearer – But it's really a nice time to straighten out water rights.

Trustee Hair – I think that is something she needs to check with the auditor.

Trustee Shearer – See if we can put it into capital?

Trustee Hair – Yes. There was something that we had asked about the other day. She said no.

Trustee Shearer – She said no? Was that the lease purchase?

Finance Officer Brasher – On the person that was going to be a possible contract worker, or temp.

Trustee Shearer – We can't do that out of capital?

Finance Officer Brasher – She actually said we can do it out of capital, but if we hire the person, then we need to go back into the budget...

Trustee Shearer – What if we hire them as a temp.?

Finance Officer Brasher – We can if it's a contract work or temp. we can put under capital purchase.

Trustee Shearer – Okay, so we could do the temp. thing and say, subject to re-appropriation. If we need to add another line.

Trustee Hair – I think that would be fair, and I agree with Steve. That would be with any department, when you go in and reach certain levels, you've got to have that incentive because then you are stabilizing your workforce.

Trustee Shearer – I realize that but you don't know how hard we worked to get this budget to balance.

Trustee Hair – I understand. It's deeply appreciated all the work that everyone did for that. What I'm saying is that as we consider and as were working on our budgets, we need to factor in these incentive plans to stabilize your workforce because if you lose a key component of that, then you can't replace what most of these individuals would be paid. Another municipality would be significantly more. We have to show appreciation of what they are sacrificing to be here, and we need to think of that and factor that into our budget as we project forward. Not now.

Trustee Shearer – I agree, but in water it would mean raising the rates again. It's going to be next years rate increase that does it.

Steve Osborn – Because you were saying you can use the gross receipts reoccurring in all the other departments, but water is supposed to..?

Trustee Shearer – It's because it's an enterprise fund. They want the enterprise funds to be self-supported. If you look at this you can actually see that we have set it up to require the Smokey Bear enterprise fund to break even. This budget doesn't put any more money, because it's an enterprise fund too. We are trying to all those enterprise funds functioning the way the DFA wants to see them.

Trustee Fraley – Are they the only two that way, the Smokey Bear and water?

Trustee Shearer – Sewer, water, solid waste Smokey Bear are all enterprise funds.

Finance Officer Brasher – Does anybody have any more questions?

Trustee Shearer – First quarter we'll look at this, when would that be, July, August, September?

Finance Officer Brasher – September. I'm also going to take Francis's suggestion of looking at everything at the end of the month. Kind of doing a work sheet showing what is being spent and what is coming in by the month as opposed to the quarter.

Trustee Shearer – Okay, and then for water. If that 50,000 can't go to capital, let's see what's in there that can be moved back to capital so that you've got more operating.

Steve Osborn – Probably some of the stuff we are buying, pipe and all that can...

Trustee Shearer – If it's for infra structure extensions I think you can put it in capital.

Steve Osborn – How often can you touch the capital?

Trustee Shearer – As often as you need. If it's a capital fund we can allocate expenditures out of it's not going to be restricted. This is our internal accounting.

Trustee Hair – Salaries are reoccurring, utilities are reoccurring.

Trustee Shearer – I think it'll get your budget back to we can start getting the grants and loans again.

Mayor Lowrance – Did you ever find out if we can get funding from the feds for that mandate that you are fixing to go through?

Steve Osborn – There will be funding available from Lead and Copper. Generally, from what I'm understanding correctly they are going to cut it after the fact.

Mayor Lowrance – After?

Steve Osborn – Maybe they will re reimburse us or something.

Mayor Lowrance – Since we've brought it up and we are in a budget. Have you all heard about the mandate from the feds.?

Trustee Shearer – Getting rid of lead pipe?

Steve Osborn – We have a survey we have to do. This is all based on Flint Michigan and the problem they had with their water system. There is an EPA or federal mandate that we have to survey every pipe in the system. We have to document and prove our service line to the customers and the service line leading to the meter setters. If it turns out to be lead then will have to put money back into it. We have testing requirements. Every school and daycare that will have to be tested monthly. We have to get that

survey in by October 12, 2024. We are only mandated to have 10 % of everything in but, everything that is not proven to be what is deemed lead. It doesn't matter if it's PVC. They term that as lead pipe and want to see corrected action by it. My goal is to get a couple more employees. We can pot holer on each side of the service, expose it, get pictures, document it. Part of the funding that I put in here is, especially in town, we've got 1/3 of the meters are like 1940-meter setters. At the same time, we would have a crew and come back and change those out in case of findings. We can accommodate some of that by surveys. We'll have to send out a letter stating we are going to survey, did you have work done at your house, do you know what pipes you have, can you document, can you prove it? Our volunteers started early 80's. We know that lead pipe was put in the early 80's.

Trustee Shearer – It's only in the core, right?

Steve Osborn – Every meter has it.

Trustee Shearer – Even out in the subdivisions?

Steve Osborn – Every meter has that system.

Trustee Shearer – I thought that was too new to have lead in it.

Steve Osborn – It doesn't matter, unless they can prove it with documentation. But that takes staff all kinds of time and energy. On our work orders we use to list. Lead wasn't sold after 1988. Contractors, in theory, would have put it in the system but, I don't think there was any lead used in our system period. But that doesn't matter, I have to prove it.

Trustee Shearer – I thought we use to have lead pipes down in the core going over through the fair grounds. Did we replace all that?

Steve Osborn – That was cast iron pipe and lead gasket. The other thing is, we have galvanized pipe down stream of the lead. The EPA from our state doesn't know what to do with it. There are certain requirement's in the new ordinance that we have cast iron pipe with lead gaskets. It throws that into a compounded lead situation. All of this, with finding dollars go to this, you cannot have to worry about lead if turn your faucet on to rinse your glass before you drink it.

Trustee Shearer – Let's start looking where we can get grant funding for that.

Steve Osborn – There are some contract companies that come around, one that I'm in contact with called 120 Water, they are working with rural water. I talked to them and they got us some initial prices. They can help us out with surveys, as a professional service contractor, for fee's. The EPA will put out loans, but it may be after the fact.

Trustee Shearer – That would come out of capital. It wouldn't be operating. It would be a one-time expense, so we could do it out of capital.

Steve Osborn – It's a pretty big project by the time we get it all sorted out. Even just the survey letters. You have to incorporate and make sure you get all the information in we need to, in the mailing. In what they will accept, there is kind of still a little question. That's why I sent you a letter to include it in the bills, because I want to get all the information you need there. I can do some documentation and have a certified not that in 19-whatever on, we didn't use lead pipe. David and I have been here the rest of the

time, so between the three of us we can go back to the early 80's. Technically we should have it covered.

Mayor Lowrance – Phase II was finished two years ago, that got rid of all that 1947 pipe, correct?

Steve Osborn - Yes

Item #3 on the Agenda: Discussion/Action – Adopt Resolution 2023-20 Fiscal Year 23/2024 Interim Budget.

Trustee Shearer moved for approval. Trustee Hair seconded the motion.

Discussion: There was no discussion of this item.

Roll call: Trustee Shearer, Trustee Kerns, Trustee Fraley, Trustee Hair. All approved, motion carried.

Adjournment:

Trustee Fraley motioned to adjourn. Trustee Hair seconded the motion.

Discussion: There was no discussion of this item.

Roll call: All were in favor, the motion carried.

Attest:



Al Cavazos, Village Clerk



Ron Lowrance, Mayor, Village of Capitán



VILLAGE OF CAPITAN

Budget Workshop

May 25, 2023

6:00 PM

NAME	ADDRESS	TOWN
Frances Taylor		Capitan
Sam Hance		Capitan