

**CITY OF ALAMOGORDO, NEW MEXICO  
CITY COMMISSION SPECIAL MEETING MINUTES  
5:30 P.M., CITY COMMISSION CHAMBERS  
MARCH 17, 2009**

**MAYOR STEVE BROCKETT  
MAYOR PRO-TEM CHRIS LUJAN  
COMMISSIONER RON GRIGGS  
COMMISSIONER ED COLE  
COMMISSIONER MARION LEDFORD**

**COMMISSIONER ERIC BREWER  
COMMISSIONER JOE FERGUSON  
INTERIM CITY MANAGER MATT McNEILE  
CITY ATTORNEY STEPHEN THIES  
DEPUTY CLERK MARSHA D. BRADY**

**CALL MEETING TO ORDER AND ROLL CALL**

Mayor Brockett called the meeting to order at 5:30 p.m., and roll call was taken. Commissioner Eric Brewer was absent.

1. Budget workshop – FY2010 Preliminary Budget.

*Recommendation:* Decide on options and provide direction to staff.

LeeAnn Nichols, Finance Director, explained that the workshop was requested to get some direction from the Commission on balancing the FY10 budget. She introduced the Budget Committee members—Matt McNeile, Interim City Manager; Stephen Thies, City Attorney; Mark Threadgill, Community Development Director; and LeeAnn Nichols, Finance Director.

Ms. Nichols went on to say that she would be going over the gross receipts and other revenue projections, the cuts made to date by departments, and/or by the Budget Committee, where they currently are and options to reconcile the budget.

In FY09, the GRT, gross receipts tax, was calculated and estimated in March of 2008, and they projected a slight increase over the FY08 estimates of 2.44% or \$487,482. In this fiscal year, from July 1 through February, a shortfall has been experienced, which they have projected to be 2.65% less than last year's collections, \$484,406. That totals an anticipated loss in GRT of \$971,888 for FY09. Because of the economic conditions, the Budget Committee is projecting that there will be no increase in FY10 over the projections for FY09.

Mayor Brockett asked when it became apparent in the last year that they were going to have a severe shortfall and if it was prior to September, and Ms. Nichols said that it was probably around the 1<sup>st</sup> of September. GRT dropped in the July receipts by \$42,000. They did have a pickup in July of \$92,000, but since that time, for August through February, there has been a drop in GRT, \$374,000 for that period of time.

Ms. Nichols then said that she has heard quite a few people comment that the activity in town doesn't seem to be any different, but in fact they ran a comparison of GRT by category, which showed that there is a decline in the economy. Comparing July 1, 2007, to February 1, 2008, to July 1, 2008 to February 1, 2009, real estate is up 1%, construction is down 30%, health care and social assistance is up 25%, medical is up 18%, utilities is down 19%, accommodations and food service is down 3%, food and groceries is down 10%, retail trade is down 3% and other services is down 14%. Overall, GRT is down a total of 9%.

Moving on to review how the GRT is used, they have a GRT that they use for operating costs, but they have several increments dedicated to specific capital improvements and of course the debt services for what the City has borrowed through bonds or loans over the years. Debt service represents the principal and interest amount paid on debt, and capital includes GRT that was dedicated for specific capital, such as the GRT that was passed for streets. There is a one-sixteenth infrastructure GRT, which is used for capital, and there is the 1994/1996 GRT, which is a quarter

percent that is dedicated for facility improvements and quality of life capital. Fourteen percent of GRT is used to make the payment for debt service, and 28% is dedicated strictly for capital projects. Operating is 58%. The City also uses GRT to pledge against borrowing, and the City has pledged 32% of the GRT toward the bonds and loans they have done over the years. What they are pledging is 2.5 times the annual principal amount. That much GRT has to be freed to be in compliance with bonds, and the unpledged amount is 68%.

The City relies on GRT for meeting operating costs as well as funding capital improvement. Ms. Nichols showed a pie chart that illustrated that due to the loss projected in GRT, they estimate that they will have an overall loss of \$567,000 in operating and \$405,000 for capital improvements.

The General Fund is comprised mostly of operating and doesn't include capital improvement. The GRT is 67% of the total revenue in the General Fund and is the most relied upon revenue to meet the City's expenditures. Mayor Brockett asked if there was any indication that the State was withholding GRT that should go to the City, and Ms. Nichols said that for seven years or more the Taxation and Revenue Department has had a finding on their audit where they cannot clearly verify that the allocation of GRT by entity is being done accurately. They have to have checks and balances, but that is what the finding is about.

Of the \$567,031 they expect to be losing, the General Fund will be affected by \$516,740 of that, and the Street Operating Fund will be affected by \$50,291. In the Capital Fund, Street/Drainage will be affected by approximately \$160,000, Water by approximately \$81,000, and Economic Development by \$37,440, and in terms of Other, GRT that can be used for multiple items that are not specific, the loss will be \$126,899. That is a total of \$971,888.

The loss associated with the City no longer collecting building permits is projected to be \$299,000. The amount collected from fines and traffic citations is estimated to be down \$105,000, and interest on investments is substantially down at \$233,045. In calendar year 2007, the City earned an average of 5.43% on investments, and in the calendar year 2008, they earned an average of 3.13%. The interest rate fluctuates between 1.5% and 3%, and given the uncertainty in the market, it is difficult to predict the interest rate. They made a conservative estimate in projecting the loss. Commissioner Ledford asked if they had budgeted for the revenue in Building Codes even though they knew they didn't have the Department like it was, and Mr. Threadgill said that they didn't transfer building codes to the State until after the adoption of the current budget. It was in the budget.

Moving to expenditure cuts, departments were asked to cut their budgets by 10% from the approved budget of FY09, and departments within the General Fund cut 9%. Total overall General Fund expenditures including subsidies were cut a total of 14%. The cuts included cuts from operational costs, personnel costs and cuts from capital equipment replacement programs. Ms. Nichols then gave a recap of the General Fund and explained that the City is required to have a 1/12<sup>th</sup> reserve on General Fund expenditures. The State will not approve the budget if the City doesn't meet that 1/12<sup>th</sup> reserve, and the City is short \$296,113 in the General Fund. It also needs a reserve. Ms. Nichols said that they never even had to think about the 1/12<sup>th</sup> reserve until they had the flood, and the State was not even sure how they should go about that. But they did want to know how it would be put back in. Ms. Nichols said they need a total of \$646,113 to balance the budget. Commissioner Cole asked if that amount included the 1/12<sup>th</sup>, and it does. Ms. Nichols then went on to give a recap of General Fund expenditures, and Mayor Brockett asked for some clarification regarding where the insurance expenses were included.

Commissioner Cole asked for an explanation regarding the 140% increase, and Mark Threadgill explained that it is somewhat misleading from the standpoint that they had a proposed reorganization inside Community Development, the Building Codes area specifically. Looking at what is going to be proposed as a budget for building codes when it was transferred to the State, it went from \$433,361 with some revenues coming in when fees for permits were being collected to \$184,354 through the elimination of electrical, plumbing, HVAC and mechanical permits. There are also public works inspectors that were in Fund 81 that charged their time amongst many projects that were transferred

out of Public Works and were being proposed to be moved into Community Development to go through and handle all of the inspections out of one shop. That subsidy includes what is remaining of the traditional building codes, about \$180,000, and \$70,000 of the transfer of the inspectors from Public Works to Community Development. There is a decline in the Public Works side of the budget, but the 140% is a small portion, about \$80,000, of the \$270,000. Commissioner Cole asked if there would be a decrease percentage wise in other categories of approximately 70%, and that is the case. Mr. Threadgill said because there are no revenues on the permit side, they eliminated four positions. They have responsibility for permits, property management, zoning and planning, but those fees do not go to Building Codes. They handle those issues. \$184,354 is for Building Codes, and the remainder is for Public Works inspectors. There will be a decrease of about \$70,000 from another fund. When they had a full-service Building Codes Department, it was budgeted at \$433,361. That same Building Codes Department now is budgeted at \$184,354 because of eliminating four positions. They primarily now handle municipal items that the state is not interested in, fire code, planning and zoning, ADA, and property maintenance code. They have given up the majority of functions, the majority of positions and nearly 100% for the revenues, but there is still a small function that needs to be addressed, which is about \$184,000. Building Codes has not paid for itself except if you look at fees, revenues to expenditures over the last eleven years. For nine out of eleven years there has been a subsidy to Building Codes out of the General Fund.

Commissioner Griggs asked Mr. Threadgill for clarification in that they have a 2009 approved budget of \$112,814 for Building Codes. Mr. Threadgill stated that is the subsidy transfer, but the entire budget was \$433,361. Commissioner Griggs asked if one pulls out the amount for Public Works Inspectors whether the remaining \$80,000 is due to the reorganization or reallocation of personnel costs. Mr. Threadgill stated that before they had a budget, permit revenues, and subsidy. Because of lack of revenues the subsidy still has to go up to pay for the operating personnel.

Ms. Nichols then continued with her presentation and went over the capital transfers out from the general fund. The transfer of \$1,522,439 is comprised of the Abbott ditch for \$462,299, South Florida for \$300,000, Dry Canyon for \$284,864, the Scenic and White Sands Boulevard intersection for \$104,712, the GRP2 project for \$300,000, the CDBG match for the planning grant of \$5,000 and property acquisition from park development fee of \$65,564. Those are the total transfers for capital made out of the General Fund from reserves that are budgeted and being done for FY09.

With regard to what percentage salary and benefits are to total expenditures, for General Fund only in FY09 salary and benefits were 79% of total expenditures and 21% for operating costs. In FY10 due to the cuts made within the budget, salary and benefits are 85%. Other expenditures are 15% of the total General Fund expenditures.

Commissioner Ledford asked for clarification regarding the FY09 projected numbers. He asked if they were items that had already been enacted that would be discussed or proposed because in the following lines they were comparing the approved budget to the proposed budget for FY10. Ms. Nichols said that the next line was to get them to the FY09 projected budget first.

Ms. Nichols made it clear that for the FY09 projections there is a budget resolution scheduled to go before the commission on March 24<sup>th</sup> that takes the FY09 approved budget to the FY09 projected levels. The FY09 projections are not solid until the Commission approves them.

Ms. Nichols then continued with her presentation and explained the position changes that have taken place. The operations analyst position was eliminated. In DPS, they have frozen a dispatcher position, a kennel officer position, and a code enforcement officer position. Finance has eliminated the half position that was shared with personnel and the benefits and accounting specialist, and half of the general cashier position has been allocated to Fund 81. The administrative assistant position has been cut from 40 hours to 19 hours. The position of legal assistant to the City Attorney is being eliminated. Another legal assistant position is being frozen. In Finance, the computer specialist position is frozen. It is budgeted for FY10. The HR risk management generalist position is frozen. The half-time cost of the benefits and accounting specialist has been moved from Finance to Personnel.

The personnel management position has been frozen. In Public Works, the facility maintenance recreation position is being moved from full-time to part-time. In the Community Services Department, there is a parks laborer position that has been frozen, and three park laborer seasonal positions have been frozen. A part-time seasonal assistant/head lifeguard position has been frozen as well as a part-time regular lifeguard. A part-time seasonal recreation aide position has also been frozen.

In the Community Development Department, they are eliminating the positions of electrical/mechanical building inspector, regular building inspector, data entry clerk intern and community relations specialist. They have also moved a general cashier position out of the General Fund that will now be funded through the Water/Sewer Fund. In Community Service, under the golf course, they have frozen a seasonal laborer position and a full-time laborer position. The total impact to the General Fund from these changes is \$665,282. Commissioner Cole asked if the change in meter reading technology was reflected in the changes, and Ms. Nichols said that the elimination of the meter reader position was due to the radio read program. They still have a number of radio reads to install, and at the rate and amount of money they are getting to do that project, they are looking at another three to five years. The merit program was ceased in October of 2008 for a total savings of \$66,000, and the merit program is not included or budgeted in FY10.

In summary, the General Fund has a cash balance deficit of \$148,803, and as of July 1 the City must meet an APSOA Agreement, which will add \$147,310 to the deficit resulting in a deficit of \$296,113. They also need a contingency of \$350,000. So, the total need right now to balance the budget is \$646,113. The options that will be presented include salaries and benefits changes that are calculated "across the board" and include all positions. The estimated amounts provided reflect only the General Fund. The Budget Committee feels that it has cut everything it can possibly cut out of operating expenses, and this is the first time, Ms. Nichols stated, in 12 years of working for the City that they have recommended cuts to salaries and benefits.

Commissioner Ledford asked for clarification of the total need, and Ms. Nichols clarified that what they need in addition to the cuts they have already made is \$646,113. That is what they are looking for direction on.

Ms. Nichols then explained the options that they have identified to balance the budget including a 50/50 split health insurance instead of the current 60/40 split, which would generate approximately \$173,500. A 13-day furlough would generate approximately \$772,647, and a 26-day furlough would generate approximately \$1,316,827. State regulations require that the City match employee retirement contributions, and regulatory employees are required to contribute 9.15% of their pay to the Public Employees Retirement Association, PERA. The City is paying 4.6% total on regular employees' contributions added to the 9.15% that is required. Public Safety requires a higher contribution. Police are required to contribute 16.3%, and the City must match 18.5%. Firefighters are required to contribute 16.2%, and the City must match 21.25%. The City is paying 12% of the employee's contribution share for police and fire, and in the options to balance, there is an option to take half of the employee contribution and put it back on the employee, which would create a savings of approximately \$314,466, or take the entire employee contribution share that the City is paying, which would generate \$629,000. A 2% wage reduction across the board would be approximately \$685,662. State statute authorizes municipalities to implement a maximum of 7.65% for operations, and the City's current operational tax rate is 7.064%, which is a difference of 0.586%. The remaining levy would generate approximately \$230,000 per year in property tax, which could be used for operations. They could reduce a subsidy that the General Fund pays for, which could be recreation services, senior center services, the golf course, the airport and/or library services. Layoffs could be done totaling \$650,000. Ms. Nichols then went over the items that could be done without Union concessions.

Mr. Mark Threadgill then explained the CD reorganization. They approached it in terms of how they could minimize the interruption of direct services to the public and how things could be done differently. The engineering function would be transferred to Public Works. The planning/zoning and GIS function would be made part of administration, and the code function would be moved to DPS

either in code enforcement and/or fire services. There would be a small interruption in the delivery of services in that instead of having a single point of contact and everyone working under the same authority, it would be spread out under three separate authorities. This would eliminate the need for a single department called "Community Development." The functions would still essentially be done as required, saving one manager's position and the associated expenses, resulting in a savings of \$130,000.

Finally, the Budget Committee has recommendations. They are not going to be able to balance the budget without an impact to salary and benefits. They are recommending layoffs totalling \$335,500, which would equal eight positions, three from AFSCME, three from APSOA and two from non-represented. Their other recommendation is to reduce the PERA employee contribution and take half, which would generate \$314,500. Those two options would balance the budget. In terms of the employee PERA contribution, the employees would be receiving less in their paychecks. However, it won't be taxed because it goes to retirement, and the employees will get that back later in their future. It seems to have the least impact. No matter what is done, there is going to be an impact. The City will have to do more with less in terms of the layoffs, but the Committee would also like to hear any additional ideas from the Commission.

Mayor Brockett made the comment that really there are no good options because they're talking about people who have bills to pay and kids in college. He asked if the Committee looked at options like closing the library on Sundays or having 4.5 workdays a week instead of 5. Mayor Brockett asked for clarification on the property tax, and Ms. Nichols reiterated the maximum levy the City can implement. City Attorney Thies said the City could increase the rate of taxes without taking it to a vote. Currently, the City is levying less than the amount allowed by State statute. This does not include the special obligation taxes connected with the bonds that passed a week ago. What they have talked about changing is less than 1%, and Mayor Brockett said that was a good option.

Commissioner Ledford stated that he was not in favor of raising taxes for a problem with operating revenue. It needs to be fixed by operating expense, and it needs to be kept in check. He couldn't support a property tax increase. He went on to say that he has cut his 401K contributions for the first time that he can remember because the economy is tough and he is tired of putting it in and losing it. He thinks the PERA option is a good option. Ms. Nichols stated that all of the employees would see a bottom-line reduction in their paychecks. It has the least impact. Commissioner Ledford asked for further explanation of the CD reorganization, and Mr. Threadgill stated that it would be a change from one manager over three sections to no manager and three different departments, which would really only be a difficulty for the director. Commissioner Ledford asked if they had identified positions with regard to the option of layoffs, and Mr. Threadgill stated that there was some hope that they could accomplish the layoffs through attrition if possible. With regard to the furlough option, they cannot have full participation in the furloughs because they would need Union approval, which is why that is not being recommended.

Commissioner Griggs commented that the 2% wage reduction and the furlough option are only \$90,000 apart, but those both cannot be done without Union concessions. Ms. Nichols explained that in the wage reduction, no benefits were touched. Commissioner Cole asked if they had figured out the attrition rate, and Mr. Threadgill reiterated that actually laying off warm bodies could be avoided depending on what vacancies are available as of July 1, 2009. Vacancies could cover it if they are available, but there is no way to know if the vacancies they will require will be available.

Commissioner Griggs made the point that the City exists to serve the people, and he would prefer not to look at layoffs. He would prefer to look at something that would allow everyone to still work, perhaps wage reductions. He said he didn't know if there were concessions the Union would make. City Attorney Thies said that they are currently in negotiations with AFSCME, as their contract expires at the end of the fiscal year. The new contract would hopefully go into effect as of July 1, 2009. To date, the Union has been reluctant to make any concessions along the lines of wage reductions, furloughs or adjustment to the healthcare contribution. Negotiations have ceased with APSOA, and they declined the concession.

**Mayor Brockett called a break at 6:55 p.m. and called the meeting back to order at 7:07 p.m.**

Commissioner Ferguson stated that he is very proud of every City employee that he has met. They have all been hard workers, and he doesn't want to see the City lose any of them. He is hopeful that the Union would sit down with the City and that something could be worked out. He said that he would gladly give back his salary and work for free.

Mayor Pro-tem Lujan commented that he didn't think any of them would support the layoffs, but he asked if the savings of \$335,500 for the eight positions took into consideration the overtime that may have to be worked by other employees. City Attorney Thies stated that directors were given the directive to limit the amount of overtime, and they would not see an increase in overtime compensation because of the reduced work force. The remaining employees would have to pick up the slack and work harder—doing more with less. Ms. Nichols reminded the Commission that they have already eliminated and frozen positions in the budget. A tremendous impact will be felt on the programs.

Mr. Threadgill stated that in light of the extreme fiscal constraints they won't authorize overtime. If the need exists, they will use flex scheduling and exempt employees. Businesses go through this type of thing, and governments are going through it right now. Mayor Pro-tem Lujan said that he knows how hard everyone works, including the directors, but there have been some pretty high raises for directors. The employees were upset about it. The employees put in lots of years of service, and then the directors get large pay raises even if it's to compete with other cities throughout the state. The problem is when they ask about it they are told these are directors and they get paid to run the show. He said if he could go back, he would not have voted for the raises. The directors need to fix this. The last thing people want to hear is the directors got raises and they got nothing, and then when things went bad and it's their job to fix it because they're directors, the employees lose their jobs as well. Mr. Threadgill said that in all fairness there was the elimination of a director's position on the table as an option. Directors were not ignored in the fix. All of the recommendations that were given will affect the directors. Mayor Pro-tem Lujan doesn't like any of the options, and Mr. Threadgill said he doesn't like them either. City Attorney Thies pointed out that in addition to the one director's position that was in the option, there was another director's position that is currently unfilled, and though it is in the budget, there are no plans to fill it. The money that is allocated to that position would pay for three entry-level union positions.

Mr. Edward Misquez, AFSCME representative, stated that they currently represent approximately 1/3 of the employees in the City. They are in the process of negotiations, and they are there to protect the employees. He stated that the eight positions need to be addressed, and he said the statement that the Union had left them no option but layoffs is totally incorrect. Mr. Misquez said that he has assured the negotiation committee that they are there to protect jobs and to ensure fairness. He also pointed out that to layoff 3 AFSCME, 3 APSOA and 2 NRs is not even across the board. In terms of the health insurance, there are employees with the City that enjoy 100% coverage, and he wanted to know if the 50/50 would apply across the board. He was assured that it would. He said that they might be able to entertain an option of incentive for retirement. He wanted to ensure fairness throughout the process. City Attorney Thies stated that as a Committee they discussed all benefits including incentives for retirement.

Mayor Brockett stated that his opinion still stood in terms of getting more information regarding the property tax levy. They could take it back down in the future. Ms. Nichols clarified on the health insurance that what would be done across the board is the 10% of the health insurance cost would be moved to the employees. The At Will employees would pick up 10% of the cost.

Mayor Brockett stated that in his opinion Mr. Threadgill has been an absolute asset to the City, and he was on his way to fixing Community Development. He said that the CD reorganization isn't an option that appeals to him, and he believes that the City needs to take measures to keep great

employees. Mayor Brockett will not support laying anyone off, but they should take a look at the subsidies, the property tax option and the PERA contribution.

Ms. Nichols said that with regards to the subsidy consideration, the Budget Committee could go back to the departments and see what minimal services could be cut. Interim City Manager McNeile pointed out that work hours are guaranteed in two of the union contracts.

Mayor Brockett reminded everyone that these kinds of meetings are taking place all across the country, and Commissioner Ledford commented that it appears they have eliminated replacing several positions. He stated that he didn't know if it was the first time the Union was seeing the options, and perhaps they would have some questions such that once they realize that there aren't a lot of choices, they could consider more options. In his experience, union and non-union labor think differently and approach things differently. That doesn't have to be bad, but everyone needs the necessary information. He thought the PERA was a good possibility, and he was not in favor of the property tax issue though they could look at it further. He has talked to management in the past about reducing services to save money such as the recreation center and library, and there may be ways to cut labor costs. He doesn't want to borrow money for operating costs, but they do need to get a timeline put in place. Ms. Nichols said the Budget Public Meeting would be the first week in May, and she would need a final decision by March 31<sup>st</sup> unless they moved the Budget Hearing, which would give them an extra week. Mayor Brockett said that they have meetings the next couple of weeks, and his personal opinion was that they should re-address it at each regularly scheduled Commission meeting letting them know at the end of those meetings during unscheduled communications where they were in the development of options. Ms. Nichols said they could have a meeting on the 7<sup>th</sup> after the housing budget meeting. In the meantime, the City and the Unions could be meeting. Mayor Brockett stated that in order for the layoffs not to occur, other things would have to be done.

Ms. Nichols said they would look at meeting with the Commission on the 7<sup>th</sup> to bring back some additional options and maybe some more detail on splitting it up differently. She is hopeful that there will be a decision at the April 7<sup>th</sup> meeting, and perhaps to be on the safe side the Budget Hearing should be the third week of May.

Commissioner Griggs commented that this is not going to be painless, and somehow, somewhere it is going to affect people. He also commented that there are salaries paid out of the subsidy money. It is not just fee money that is sitting there to take. If they can get through some of these things, Alamogordo will be stronger with a stronger core of people dedicated to the City.

Commissioner Ferguson commented that he thinks Mr. McNeile has done a great job, and he and his staff have kept the City going. Right now they are supposed to be looking for a City Manager, and for every month that they don't have that City Manager, taking into consideration the good job that Matt has done, it saves the City \$5,000. Maybe they ought to "slow walk" in looking for a City Manager.

Mayor Brockett thanked the Budget Committee, Mr. Misquez and all of the people who attended the meeting.

### **ADJOURNMENT.**

**Commissioner Ferguson made a motion to adjourn the meeting at 7:58 p.m. Commissioner Griggs seconded the motion. A vote was taken, and all voted "aye." The motion passed with a vote of 6-0-0.**

*/s/Mayor Steve Brockett*

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Mayor Steve Brockett

(SEAL)

ATTEST:

*/s/Reneé L. Cantin*

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City Clerk Reneé L. Cantin

*(Prepared by Ubiquis Reporting)*

*Approved at the Regular Meeting held on April 14, 2009.*