

MINUTES OF THE
THE CITY OF SANTA FE & SANTA FE COUNTY
BUCKMAN DIRECT DIVERSION BOARD MEETING

May 4, 2023

1. CALL TO ORDER

This regular meeting of the Santa Fe County & City Buckman Direct Diversion Board meeting was called to order by County Commissioner Anna Hamilton, Chair, at approximately 4:03 p.m. in the Council Chambers, City Hall, 200 Lincoln Avenue, Santa Fe, New Mexico.

2. ROLL CALL: Roll was called and a quorum was present as shown:

BDD Board Members Present:

Commissioner Anna Hamilton
Councilor Carol Romero-Wirth
Commissioner Anna Hansen
Councilor Renee Villarreal
J.C. Helms, Citizen Member
Tom Egelhoff, Las Campanas [non-voting]

Member(s) Excused:

None

Alternate(s) Present:

Peter Ives, Alternate for Citizen Member

Others Present:

Rick Carpenter, BDD Facilities Manager
Nancy Long, BDDDB Legal Counsel
Kyle Harwood, BDDDB Legal Counsel
Bernardine Padilla, BDD Public Relations Coordinator
Delfin Peterson, BDD Administrative Assistant
Antoinette Armijo-Rougemont, BDD Accounting Supervisor
Randy Sugrue, BDD Operations Superintendent
Emily Oster, City Finance Director
Jay Lazarus, BDDDB Consultant, Glorieta Geoscience, Inc.

[Chair Hamilton read the agenda captions throughout the meeting.]

CHAIR HAMILTON: Before we move on other business including even before approval of the agenda, I wanted to say something. I kind of want to address the trailing edges of an issue from the last meeting. We had a discussion that got a little out of hand to the detriment of our BDD staff. I really appreciate everybody's willingness to discuss what happened in the interim and to apologize. And to reaffirm our respect for each other and our commitment to show that respect in dealing with each other even when we have differences of opinion. Nevertheless, I want to publicly offer my apology to staff and to the Board because I feel like I failed in my duties as chair to maintain decorum that we all want and that we are all committed to.

I also want to publicly express my admiration and gratitude for the BDD staff and everything that they do for us. In particular, I want to recognize Antoinette Armijo-Rougemont, our BDD Accounting Supervisor, for her dedication, her expertise, her willingness to consistently perform incredibly high-quality work and to do all of that with an incredible amount of patience in serving the BDD and the Board. So, thank you for the opportunity to say that. Thank you, Antoinette, very much.

MR. HELMS: Could I weigh in?

CHAIR HAMILTON: Yes, by all means, Mr. Helms.

MR. HELMS: I was the prime malefactor on that day. I realize that and I did apologize to Antoinette and also to Rick and also to our Chair. And I was aiming my comments at the City because I was angry with our relationship with the City. I did not mean to malign anyone on the BDD staff. I think I have expressed that to all of you. But I do stand corrected; there is no doubt about it.

CHAIR HAMILTON: Thank you very much, Mr. Helms.

3. APPROVAL OF AGENDA

Councilor Villarreal moved to approve the agenda as published. Commissioner Hansen seconded and the motion passed by unanimous [5-0] voice vote.

4. APPROVAL OF MINUTES: April 6, 2023

Commissioner Hansen requested that the packet be delivered as well as an email with packet information earlier than what has occurred. Point out that the County does not use PrimeGov, she requested that Sara Smith at Santa Fe County receive the packet information to post on the County website. Chair Hamilton said she would work on that with staff.

Mr. Helms moved to approve the April 6, 2023 minutes. His motion was seconded by Chair Hamilton and passed by [4-0] voice vote. [Councilor Villarreal abstained.]

5. PRESENTATION/INFORMATIONAL ITEMS

a. Monthly Update on BDD Operations

RANDY SUGRUE (BDD Operations Superintendent): Madam Chair, members of the Board, this is my monthly update for the month of April, 2023. BDD

raw water diversions averaged 5.07 million gallons per day. Drinking water deliveries through booster stations 4A/5A, 4.27 million gallons per day. Raw water delivery to Las Campanas from Booster 2, .69 million gallons per day. And onsite treated and non-treated water in storage, .11 million gallons per day on average. BDD was providing about 45 percent of the water supply to City and County for the month. That's increased quite a bit beginning of May. The year-to-date diversions are depicted below. We're pretty much back to meeting our annual monthly average and I think you'll see that that's going to be increasing as we get into the higher demand months.

The daily metered regional water demand for April is about 9.5 million gallons per day and one big reason is that they're turning on the irrigation for City parks. Rio Grande flows for April, they averaged about 2,620 cubic feet per second. When I checked this morning it was about 4,400 cubic feet per second. So there's a lot of melted snow water coming down the river. One plus side to that is that the river has been really clean. We normally see turbidities of three, four, five hundred near our limit on what we like to divert and the turbidity has been less than 200 except for the last couple of days but it makes the water much easier to treat even during those high-flow periods.

Canyon Road reservoir levels, they're a little bit higher than these number combined with 74 percent. Watershed inflow was this morning reported yesterday continuing at about 26 million gallons per day coming into Canyon Road reservoirs. We still maintain about 12,000, close to 12,600 acre-feet in Abiquiu. On April 15th US Bureau of Reclamation still kept the allocation at zero. I believe that they are just monitoring again the southern Colorado snowmelt runoff into the Colorado River, watching our diversion basins up off the Colorado River, hedging their bets a little bit and the next allocation announcement will be the real telltale as to whether we're going to get 100 percent allocation or somewhat reduced. So we shall see.

The ENSO summary at the bottom of the page, we remain in neutral conditions but the chances percentage continue to rise that it will turn into an El Niño season towards mid-summer and going into fall. So that may mean, we hope, for increased precipitation. And I stand for questions.

CHAIR HAMILTON: Mr. Ives.

MEMBER IVES: Thank you, Madam Chair. So, Randy, I am ultimately curious how – well, who and how a decision is made to actually allocate San Juan-Chama water.

MR. SUGRUE: It's the Bureau of Reclamation monitoring those reservoirs, small reservoirs relatively speaking, up off the Colorado, the Oso, Blanco dams and such. I think they're hedging their bets. For many years they had a surplus so they could give 100 percent allocation and some left over. Well, that surplus disappeared essentially in the last – it didn't disappear but they utilized it in the last five years and I think very much with this really good runoff year they are hoping to start gaining that savings account back and so they don't want to begin allocating yet.

MR. IVES: And I was just going to ask, do you know the size of those small reservoirs?

MR. SUGRUE: I don't off the top of my head. I'll look into that and I'll pass that on.

MR. IVES: If you wouldn't mind. I'd love to just know and if there is anything that describes the decision matrix for sending our San Juan-Chama water this

way, I'd love to know that too.

MR. SUGRUE: Yeah, I'll look into it.

MR. IVES: Thank you.

MR. SUGRUE: You're very welcome.

MR. IVES: Thank you, Madam Chair.

CHAIR HAMILTON: Are there other questions? Kind of as a follow on, wasn't it mentioned that in April we would know initial allocations or something?

MR. SUGRUE: They essentially they did send out a letter on April 15th and it said at this time, April 15th, we are still at a zero allocation because they don't give you the whole year's worth.

CHAIR HAMILTON: Right.

MR. SUGRUE: They just do it depending on the conditions. In the past in April, they said you 100 percent of this first subsequent allocation but this time they said zero so they are hedging their bets.

CHAIR HAMILTON: I know between all of what you said and what Mr. Ives just asked and got an answer to, it contains information on why but I definitely missed something because you would think with more water now that they would have more information also.

MR. SUGRUE: I think they really want to begin to build a new surplus. They don't want to make 100 percent allocation to everybody that just gives away everything that they've gained. They want to start to build a buffer for the future if there's enough water and they're not certain yet that the runoff is going to be sustained. That's my feeling.

CHAIR HAMILTON: That makes sense and that's what they're hedging around.

MR. SUGRUE: Yes, in the water business you have to kind of going with a feeling sometimes. Mother Nature doesn't always cooperate.

CHAIR HAMILTON: Right, right. Thanks, Commissioner Hansen.

COMMISSIONER HANSEN: Thank you, Madam Chair. So does that actually mean that the water is going to Lake Powell and –

MR. SUGRUE: I would say that that is likely, yeah. They consider this runoff native water and so they are letting it go downstream and probably for similar reasons they are real hopeful to maintain some gains because we've – because they have gotten such a sad state over the last decade.

COMMISSIONER HANSEN: I don't remember to the two reservoirs exactly. I know that Lake Powell is one and – aren't there two?

MR. CARPENTER: Lake Mead.

COMMISSIONER HANSEN: Lake Mead, so are they trying to fill both of them up?

MR. SUGRUE: I would guess that's their intent.

COMMISSIONER HANSEN: I don't know if they can fill them up.

MR. SUGRUE: I'm sure their intent is to be equitable.

KYLE HARWOOD (BDD Counsel): Good afternoon, Madam Chair and members of the Board. So what the Bureau has told us about their annual operating plan this year is that Heron started at 40,000 acre-feet which is 9 percent of capacity. They are hoping for an inflow of 125,000 acre-feet through the Azotea Tunnel and ending the year

at 90,000 acre-feet. So it is a 100 percent increase in Heron's storage from 9 percent to about 25 percent. And it's also said that there's 100 percent chance of 100 percent allocation to all contractors. They will be doing that later in the year because they have just seen the runoff coming through Azotea. As Randy said, all of the native inflow to Heron and El Vado is getting passed as it normally is. El Vado is still under construction and no storage. A lot of water is coming into Abiquiu and frankly a lot of water is getting down to Elephant Butte to try to repay the Rio Grande Compact debit of 90,000 acre-feet. We have gone under Article 7 in the last couple of weeks but because El Vado is under repair no storage can be done there. Powell and Mead are on track to have unprecedented single-year runoff volume increases. Utah has said that they intend to refill Flaming Gorge Bridge – Flaming Gorge Dam, excuse me, that was drawn down in what was called the DROA, Drought Response Operations Agreement. They were bringing water out of Flaming Gorge, parking it in Powell to keep it elevated and they're going to now try and rebuild storage in Flaming Gorge and some of the west slope Colorado reservoirs. There's about six of them.

So things are looking about as different this year as they were at this time last year. I think as we all know both with the summer monsoons, sort of a dryish fall, very heavy winter, sort of a dryish April and now we're getting this incredible runoff. You know, flooding in Taos, flooding in Jemez, flooding along the Chama – but a very good prognosis for the San Juan-Chama project although one year never solves a 20 year drought as we know. I hope that is helpful.

CHAIR HAMILTON: Thank you. Is that good?

COMMISSIONER HANSEN: Yes, thank you very much.

MR. SUGRUE: That's what I meant to say.

CHAIR HAMILTON: Excellent.

MR. SUGRUE: Any other questions?

CHAIR HAMILTON: Yes, Mr. Ives.

MR. IVES: Thank you, Madam Chair. I'm just thinking of other data that might be interesting to know as part of this picture and it might be interesting to know what the Colorado flow is and what the water levels in the various reservoirs are including Powell and Mead –

MR. SUGRUE: I'm sure we could look that up on line. The San Juan-Chama reservoirs again I mentioned it's really hard to find any data on the levels of those reservoirs but Lake Powell and things like that, I'm sure that is easily available on like USGS you can Google, even Otowi flows in front of BDD that's where I get my information. I am sure it's on all the big rivers.

MR. IVES: Thank you. Thank you, Madam Chair.

CHAIR HAMILTON: Thank you. Other questions on his report? Thank you so much, Randy.

MR. SUGRUE: Sure, thanks.

b. Report from the Facilities Manager

MR. CARPENTER: Good afternoon. Thank you, Madam Chair and members of the Board. We have I think four updates for you. There is a memo in your packet. The first item is in reference to the major repair and replacement policy which will

be coming to this board next month wherein the facility manager is required to report out activity relevant to that policy. There were two expenses in the month of April that are notable: a repair and replacement of the mini-split which is an HVAC part in the advanced water treatment facility and a pump and motor installation at one of the raw – or at the raw water lift station. So we will continue to report out as these projects come forward. There's going to be more and more over time not only with major repair and replacement but also with the legal settlement funds as you know.

The second item is a report on some vandalism that took place the weekend of April 15th. It was down at the raw water lift station which is adjacent to the river. On two different nights, large gatherings of people, I guess it was some sort of a social event. Lots of people, lots of vehicle traffic. The activity mostly took place outside of our fence line on Forest Service land; however, there was some broken glass. I think they might have thrown some beer bottles or something over the fence. And then we discovered that someone had shot two bullet holes in one of our roll-up doors. So I am taking that very seriously. We've had several meetings with Condor Security, the security company, we reached out to the Forest Service, we filed a report with Santa Fe County Sheriff's and we continue to look into this to see what else can be done to keep this from happening. It has been a long time since anything like this has happened, years -- it used to happen frequently but it's been five or six years since something like this has happened; but it happened. So I thought it would be approximate to report that out to the Board.

Also on my list is a report on PFAS. I think I indicated at the last Board meeting that we had that we had sent out for samples and those samples came back to us. And raw water and finished water both samples came back non-detect which is good news.

And then the last item is an update on our staffing. The BDD journeyman electrician position as well as maintenance repairman entry were advertised. Maintenance repairman entry actually closed and we have one candidate. Also recently advertised was the warehouse planner tech position and the instrumentation and control tech position and those are currently advertised as well. And that concludes my report. I would be happy to stand for questions.

CHAIR HAMILTON: Excellent. Are there any questions? Commissioner Hansen.

COMMISSIONER HANSEN: Thank you, Madam Chair. So was Condor Security, do they not monitor on the weekends?

MR. CARPENTER: Madam Chair, members of the Board, their contract requires them to do that. They did not have an officer on site during this event. So in response to that, I called the regional director and he drove up from Albuquerque and met with me for a long time. He was guarded. They consider it to be an HR issue and they're in the middle of a disciplinary action. But the contract says what the contract says and they did not provide the services on this particular night. So that is under investigation currently.

COMMISSIONER HANSEN: So there was no report to you of any activities so that you couldn't call the Santa Fe County Sheriff's Office.

MR. CARPENTER: Not until our staff discovered it the following morning.

COMMISSIONER HANSEN: Okay, that's unfortunate because I know that the Sheriff does come out there and patrol for BLM because we have a contract with BLM to patrol out on the Caja del Rio. It's not a very extensive one and it's only really on-call sort of speak if there's something happening out there. But that is very unfortunate.

MR. CARPENTER: Agreed.

COMMISSIONER HANSEN: Thank you for reporting it to the Board. I appreciate it very much.

MR. CARPENTER: Yes, ma'am.

CHAIR HAMILTON: Yes.

COUNCILOR VILLARREAL: Thank you, Madam Chair. Thanks for your memo. I think it is helpful to read it. I'm a visual person so thank you for that. I was just curious about PFAS and the samples. There are different ways to test that and there's also different opinions about what is acceptable levels. And I'm just curious about the methods that we use. And when we say "detectable" is that based on like a certain parts per trillion? I'm just curious about how we test that.

MR. CARPENTER: Madam Chair, members of the Board, thank you for that question, Councilor. Yeah, we can detect all the way down to parts per trillion. I think some reports that I have read go all the way down to 3 parts per trillion. I do not know the exact method although it is standard methodology both when we did our grab samples and the laboratory – but I can give you more detailed answer to that either by email or at the next Board meeting.

COUNCILOR VILLARREAL: That would be great via email. I don't know if anybody else is interested but I am interested in the different ways of testing and then the different ways that folks think it is detectable if it is under a certain threshold. I'm just curious about the numbers and what that looks like.

MR. CARPENTER: Happy to do that.

COUNCILOR VILLARREAL: Thank you so much.

CHAIR HAMILTON: Thank you for asking that question because – and for providing the information – because there are lots of different tests methods and to say it is undetectable clearly whether – undetectable maybe the older but you never know which methods are being used so it would be good to know. Certain methods could still be above some recommended thresholds if it is not sensitive enough. So excellent question, thank you. Other questions. Excellent.

C. Report from the City Finance Director, Emily Oster, Regarding the Status on the BDD Settlement Funds Investment Strategy, as well as the Separation of Funds for BDD

CHAIR HAMILTON: Welcome, Emily Oster, we really appreciate you coming.

EMILY OSTER (City Finance Director): Good afternoon, Madam Chair and members of the Board, it is great to be here with you this afternoon. I think this my first appearance in front of the BDD Board so I am glad to meet you. I am Emily Oster. I am the Finance Director for the City. I have been onboard about eight months now since September. So I am kind of getting up to speed. I have two areas that I am going to be briefing you on this afternoon. The first is the BDD settlement funds strategy and then the second area is the separation of funds for BDD and that ties into the City's audit status so I'll talk a little bit about where we are with the audits as well as part of that update.

So first, with regard to the BDD settlement funds investment strategy, we still have the \$70 million settlement funds invested with Principal Custody Solutions as the custodian.

That is the same as was reported to last year. The investment was made in accordance with the City Investment Policy and in accordance with the Public Money Act which is in State Statute, Chapter 6, Article 10, relating to public money. There are no changes to the City Investment Policy since last year when it was provided. I did bring a copy with me. If the Board is interested I would be happy to pass it over for review but it has not changed since the last time it was provided.

The focus for the BDD settlement funds is on low-risk investments with high liquidity as it is our understanding that the Board intends to proceed with spending the funds and there is procurement underway. There is a distinct and separate account for the BDD funds. I really want to emphasize that. This is a dedicated account that the only thing that is in here is the \$70 million settlement fund. There is no comingling in this account with City funds or with other BDD funds; just the \$70 million. The investment split is approximately 26 percent in money market funds and 74 percent in U.S. Treasury notes and that is similar to last year. [See below for correction to investment percentages] A money market fund is a kind of mutual fund that invests in highly liquid near-term investments. Examples of those would be cash and cash equivalents and high-credit rating debt-based securities with short-term maturities – that’s a long way of saying treasuries. Treasuries and more treasuries. And then money market funds are intended to offer investors high liquidity with low risk. The Treasury note is a U.S. government debt security with a fixed-interest rate and maturities between two and ten years. In this case, the BDD owns U.S. Treasuries with a maturity of two years at a 2.5 percent interest rate. Those were purchased on April 30, 2022 and they mature on April 30, 2024 because they are two-year notes.

The total balance grew from \$70,004,675 to \$71,615,372 which is an increase of about \$1.61 million or 2.3 percent between June 1, 2022 and April 30, 2023. So the information that I am reporting to you is up date as of April 30th of this year. And I just want to reiterate on that point, the balance grew about \$1.6 million which is 2.3 percent over that time period which is about what we would expect given that it is mainly in Treasuries and the yield is about 2.5 percent. The total interest income reported on the April statement was \$2,017,136 and that is reinvested. So that is what I have for you as far as the investment strategy and the status of the funds. I’ll pause there and see if there’s any questions on that portion.

CHAIR HAMILTON: Great idea, thank you. Anybody have any questions on that? Yes, go ahead.

MR. HELMS: Ms. Oster,

COUNCILOR ROMERO-WIRTH: Point of order, he needs to speak into the mic.

MR. HELMS: So sorry. Ms Oster, when you say 74 percent of the \$70 million, more or less, is in Treasuries; is it directly in Treasuries in the name of Buckman or is it through an intermediary?

MS. OSTER: Madam Chair and Member Helms, I want correct that. I actually reversed the numbers when I was reading them. The 74 percent is the money market funds and the 26 percent is the treasury notes and they are all invested through Principal Custody Solutions. That is the custodian. So they are invested in the name of the BDD Settlement Fund with Principal Custody Solutions which is a separate account.

MR. HELMS: So my question is, since we are not directly holding U.S. Treasuries, we do not really have the full faith and credit of the United States government or

the United States of America backing us up. We are subject to the financial strength of the company you mentioned, I don't know their name. What is the strength of that company? Are you happy that that company is good for our \$70 million?

MS. OSTER: Madam Chair and Member Helms, Principal is the custodian for these investments so I think – I don't necessarily agree that their credit worthiness would affect the securities owned by BDD.

MR. HELMS: If the company went under, if whatever they're called again, if are bankrupt what would happen to our \$70 million?

MS. OSTER: Madam Chair and Member Helms, Principal Custody Solutions is a large organization so I think there would probably be federal intervention. Are you concerned about the bank failures that have happened in the last several months?

MR. HELMS: Yes, obviously.

MS. OSTER: Okay. So I think in those cases it is important to be aware that the federal government, the Treasury Department stepped in and seized the deposits of those institutions that were in trouble to prevent them from failing. And the federal government is making those depositors whole over and above the amount of FDIC insurance. So I would imagine that something similar would happen if there were to be an issue with Principal.

MR. HELMS: Yes, but it's not a certain. You're saying that it probably happen. But what you're telling me is that our \$70 million, I'm just talking now about the treasury part but it's probably similar to the other portion of the money market funds which is a much more complicated topic, frankly. If we do not own the treasuries directly as Buckman then we are at risk to the extent that the company we're dealing with does not have the strength of the United States government. Even though it is true that they have stepped in and offered enough and we might get some comfort out of that. But in legal truth we are exposed.

MS. OSTER: Madam Chair and Member Helms, I think that it is extremely common to have securities held with a custodian. Very few people actually hold their own certificates for securities. Most people go through a brokerage or utilize a custodian. So I think there would be the normal level of risk associated with this account with Principal Custody Solutions then there would with any other custodian. I am not aware of any issues with Principal Custody Solutions in relation to their financials.

MR. HELMS: What is the net worth of Principal Custody Solutions?

MS. OSTER: Madam Chair and Member Helms, I don't know. I am happy to research that and get back to you.

MR. HELMS: The topic I am raising is really quite serious. You are quite correct, most people don't concern themselves, they just invest with Merrill Lynch or whoever and street name and all it works out okay. But when the fur starts to fly if your securities are held in street name you might end up with nothing. It is better to own a company through the shares or the United State Treasuries and that's my point here. Well, you've heard my voice I don't have to go any further but I take it quite seriously.

MS. OSTER: Certainly. Madam Chair and Member Helms, securities are assigned a number – it's called a CUSIP – by the federal government. And so the Treasury notes that are owned by BDD that are in the custody of Principal Custody Solutions but are owned by BDD have an identifying number. They have a CUSIP associated with them and so if there were ever any question to ownership we would have documentation showing that

those particular securities are owned by the Buckman Direct Diversion through this account. The money market investments is a fund. That's not specific securities. That is a fund; that is a money market fund.

MR. HELMS: Right.

MS. OSTER: So that's a little bit different. But, again, I would just say that these are extremely low-risk investments and both the state and the city's investment policy require the investment of public funds in this type of very low-risk investment. I think there's risk with any investment. I don't think there's really any way to avoid some level of risk with investment. But on the spectrum with the level of risk, I would say that these investments are very, very safe relative to something like crypto-currency or something else that would be considered to be a high-risk investment.

MR. HELMS: All right.

CHAIR HAMILTON: And then I don't know if the Board is interested but there's kind of a broader general question. Presumably, the City does investment through this company as opposed to through banks or other investment companies that the City is using this for most of their other investments.

MS. OSTER: Yes, Madam Chair, that is correct. The City has other investments in separate accounts through Principal financial group.

CHAIR HAMILTON: Right. And it's a different institution or is this the custodial bank for the City?

MS. OSTER: Madam Chair and members of the Board, the fiscal agent bank for the City is Wells Fargo Bank. This is the custodian for the investments.

CHAIR HAMILTON: Right, right and I think it is similar for the County in terms of having a fiscal agent bank and a custodial bank and whatever. So it's probably – I don't know whether that's actually specified in the investment policy but we're working through custodians but to not do that also means you're not insured. So I think there are rules governing what government entities do in terms of how they do investments. We can certainly check on that if you're interested.

MR. HELMS: Let me mull it over. It's a complicated topic, I know. And we've said enough.

CHAIR HAMILTON: Are there other questions on this piece? Maybe we can move on to the next topic.

MS. OSTER: Certainly, Madam Chair, and I will just note that there is a section included in the City's Investment Policy, it is section 6.11 related to collateralization. So the City does require that the custody bank have collateral to support its deposits so in the event that there was ever any issue, the City would receive the collateral instead of the specific investments.

CHAIR HAMILTON: Thanks for checking on that.

MS. OSTER: All right, so moving on to the next topic, the separation of funds for BDD. So I went back on this and I reviewed the minutes of your May 5th Board meeting so I could get up to speed about that conversation. I can report to you that this project is in the planning stages. I think there is agreement on the concept that we would like to have more separation between BDD and the City's other activities in our Munis financial system. Where we're at with this on the City side is that we're focused 100 percent on getting our financial audits caught up and then we can dive more deeply into this. The successful upgrade of our Munis financial system which occurred in January of this

year will help. There is new functionality available and Munis version 2019 that we didn't have available in the old version, the 2011 version, so as far as providing more separation between BDD activities and other City activities, that new functionality will really be important to helping achieve that goal.

And as I mentioned, the first step is for the City is get caught up on our financial audits. So I have an update for you on the status of those audits. We are making steady progress. We are looking for any opportunity to make that progress faster. Our current focus is on finishing our FY21 audit with an anticipated date of 6/30/23, June 30th about eight weeks from now, for submission to the State Auditor's Office. And then our auditors, Carr, Riggs, Ingram plan to roll straight through FY22 and then to FY23. So our goal at this stage is to submit the FY23 audit to the State Auditor's Office on time. The deadline is December 15, 2023. We have our auditors, Carr, Riggs, Ingram, and our audit prep consultants, CliftonLarsonAllen, doing their work. In April, we had a number of days where we had both of those groups on-site conducting FY21 substantive test work and working with staff on FY22 items, FY23 preparing for the FY24 close and we're kind of juggling four different years at this point, but we have the right folks onboard and we great support from our audit prep consultants and we have a great team with Carr, Riggs, Ingram working on all of these different audits concurrently.

At this point, as of today, the auditors are working on, as I mentioned, the substantive test work for the City. Substantive test work means that they are taking a sample of the transactions from the general ledger and they're requesting documentation for those transactions and then they review the documentation and if they have questions they will ask us. There is kind of an iterative process back and forth until we get them all of the information that they need. That is a very normal and expected part of the audit. The substantive work for BDD and SWMA is expected to begin this month and continue into next month. The auditors have been in contact with BDD staff to start to talk about scheduling and you all can expect an uptick in activity as we proceed into May and get into June. The auditors from Carr, Riggs, Ingram did request earlier this week that they receive a draft of BDD's financial statements for FY21 by early next week. The CliftonLarsonAllen consultants have prepared a draft that is being reviewed by BDD staff and BDD contractors so I believe we are on track to get that over to Carr, Riggs, Ingram by next week so they can work with that. Our Carr, Riggs, Ingram team consists of four external auditors and our CliftonLarsonAllen team has eight members. Some of those members are remote in both teams and the CliftonLarsonAllen team includes two people who specialize in cash reconciliation which has really been helping us move forward on the reconciliation of the cash for all of the fiscal years.

On the City's audit, we hope to start the quality control review process which is really very close to the end. It's not the last step but it's very close to the point where we would be ready to submit to the State Auditor's Office and we hope to start that for the City in early June with that anticipated date of June 30th for submission to the State Auditor's Office. The City staff is focused on working with CliftonLarsonAllen on the consulting side on keeping transactions up to date for FY23 and preparing for the FY23 yearend close.

So with regard to FY23, I wanted to provide you with an update on where we're at with the Munis inventory and general billing modules, I think that you discussed that in a previous meeting. The inventory implementation is in process. That was something that the City has planned to do and we hope to have that functionality available this summer. On the

general billing side, which is what is used for invoicing, the technical build out is nearly complete. We are currently working on the transaction work flow which is the way that the transactions flow through the system and it has to do with the approval process and the internal controls that are built into that. There is also a component that relates to the business process of who enters a transaction, who approves it, how many levels of approval there are – those are the things that we're working on now with general billing. There is training and testing in process. The BDD team has been involved in that as well as folks from the City Water Department and we really appreciate their time and engagement in that testing and training process that is ongoing for general billing. And we are recording those trainings, those training and testing sessions, so they'll be available for future reference and review. Some of these things we don't do every day so it is helpful to have a recording to go back and reference if we're looking at it a few months later. And my last point on the inventory and general billing implementation is that we expect to have general billing operational by the end of the fiscal year. We hope that it'll be earlier than that but we are, like I said, in the final stages. The technical functionality is there and now we're just working on building out the work flow based on business processes and assuring that we have adequate segregation of duties. What that means is that we need to make sure that we have a business process in place to prevent the same person from entering and approving a transaction without having another person involved as a reviewer. That's something that the City has been working on in Munis and it's especially important with this general billing implementation.

Madam Chair, I think that that is all that I have. I am happy to take any questions.

CHAIR HAMILTON: That's just great. So first of all, congratulations on having so much underway and really making progress on it. You might consider taking at least tomorrow night off as it is Cinco de Mayo, maybe get a little bit of a break.

I probably missed it and this is just curiosity, so you think you'll get 2023 by the end of December, by the end of this calendar year. Would 2022 go with that? You said that after 2021 you're going to blow right through 2022; is that right?

MS. OSTER: Madam Chair, yeah, okay, so our timeline on FY21 is June 30, 2023. We're about eight weeks out from that. And as I said we're wrapping up substantive procedures and hoping to go into quality control by end of this month early next month and then have that submission to the State Auditor's Office by June 30th. FY22 will just continue and then we'll go straight into FY23 for an on time submission which is the goal and that would be by December 15, 2023.

CHAIR HAMILTON: Of both years, maybe?

MS. OSTER: Madam Chair, I don't think so. I think that FY22 will be earlier than that. I don't have a target date on that. I can say that we did hear from our auditors earlier this week that they are optimistic that they will be able to do concurrent test work for FY22 and FY23 which will add some efficiency to the process. I've been very focused on making sure that we're keeping their team busy and that they're not having to roll staff off to work on other engagements. There is a labor shortage in the accounting field so –

CHAIR HAMILTON: Yeah, we know that. We all know that.

MS. OSTER: There is capacity constraints on my side within the Finance Department with about a 25 percent vacancy rate. But there are also capacity constraints for the auditors because they have multiple clients. They are not only working on us but they

have let me know that we are on their schedule throughout the summer and all the way through December 15th which is really important to keep that momentum and progress going.

So the dates that I am able to talk about are the June 30th for FY21 and then continuing straight on through FY22 with the goal of having that and FY23 on time by December 15th but in order to do that for FY23, FY22 will need to be done sometime during the fall.

CHAIR HAMILTON: Right and part of the reason – to think about the separation of accounts it sounds like it would be realistic and humane to think about the beginning of 2024 as the first time we could really think about starting that.

MS. OSTER: Madam Chair and members of the Board, you know when I was reviewing the minutes from the May 5th meeting from last year where this topic was discussed, I noticed that Mr. Bejarano had recommended that this type of change be implemented either on July 1st or January 1st of a calendar or fiscal year and I agree with that. I think that this will be a big change and it would have some operational impacts. So implementing it in the middle of a fiscal year would be extremely challenging.

CHAIR HAMILTON: Implementing it at which – the beginning of a fiscal year or the middle?

MS. OSTER: Changing the structure of the BDD information within the Munis system to separate it out more from the City, I would echo Mr. Bejarano's recommendation that that type of change be implemented either on July 1st to correspond with the new fiscal year or January 1st which would be the start of a calendar year. So as far as timeline goes, I would stick to that recommendation. As we really get going on this project, as we get caught up with our audits and we are able to free up some bandwidth and look into the mechanics of providing more separation between BDD and the City, that we would want to look at implementing that type of change either on July 1st or January 1st. As far as what year that occurs in, it's a little bit hard to project. I think at the earliest I would say for FY25, but like I said, at this point it's really difficult to say. And I think it would be very important to plan that carefully and to work closely with Mr. Carpenter and with BDD staff because, you know, making a change like that will affect operations.

CHAIR HAMILTON: Absolutely. And I guess I was trying to educate myself and had a little chat with our finance director who said the same thing. Like, there are pros and cons to both, you know, at the middle of the year – when the audit is just completed or at the beginning of the fiscal year, either way you're going to have things to catch up on one way or the other. So frankly my thought and I'm sure people can weigh-in as they want, is we would be looking to you for your recommendation of what your professional and recommendation in terms of workload. I wasn't suggesting that it be implementable January 1, 2024. That was what I was suggesting that that would be the time you'd be able to get to starting to think about it and work on whatever process. So it makes sense for you to say that FY25 would be July 1, 2024; right, do I have that? Good. But either way I think it would be nice to be able to start when you've got the audits under your belt and looking at what needs to be done. I mean, I know at that point Rick was looking at the cash accounts and giving us reports back. I assume you have the stuff he did and it's also at least a year old so I know it's – I think the expression is overtaken by history or overtaken by events – but if we could start looking at it and you could make that

recommendation. That's I think would be really nice to see early next year and obviously the rest is you working with BDD staff and whatever to implement it.

MS. OSTER: Madam Chair and members of the Board, I really appreciate that and I appreciate the support to get the audits caught up. I think that's important for the City and for BDD and just for the community as a whole. So I am really committed to that goal.

CHAIR HAMILTON: Right.

MS. OSTER: I think that this type of project that we're contemplating here with creating more separation between BDD and the rest of the City will require careful planning. So I really appreciate the opportunity to dedicate the time and attention to it that I really feel that it needs and deserves. And I think that no matter how it is done, it will have some operational impacts. So taking the time to carefully plan that out and prepare for it will be really important. So I am optimistic that we'll be in a position to start that planning process around the beginning of the calendar year.

CHAIR HAMILTON: Great. I really appreciate that you started saying that you agreed in principle it's a matter of then being practical and getting there. And that's really, I think, what we're looking for. I'm very glad to hear that and then after that it's like no matter how much we want to do something to still have the practicality of it and if you were overstaffed that would be great but none of us are. The reality of having to do things somewhat sequentially makes sense to me. So are there – Commissioner Hansen.

COMMISSIONER HANSEN: Thank you, Emily, very much for your presentation. So you mentioned when you're going to get the City audits done but when are we going to get our audits done? Because most of our audit issues have been with the cash balance?

MS. OSTER: Madam Chair and Commissioner Hansen, Member Hansen, I expect the timeline to be similar to the City. The BDD and SWMA are component units of the City so they're going to be reported as part of the City's financial statement. So in order to finish the City's audit we need to make sure that everything is tied down for BDD and SWMA as well.

COMMISSIONER HANSEN: Okay. Good luck and thank you.

CHAIR HAMILTON: Are there other questions? Great, thank you so much for coming and reporting on this. This was very, very helpful and just what we were looking for.

MS. OSTER: Thank you, Madam Chair and members of the Board. It would be my pleasure to come back whenever you'd like an update.

CHAIR HAMILTON: Thank you. I am sure we'll do that, periodic, not too frequently but periodic would be great, thanks.

6. ACTION ITEMS

None were presented.

7. MATTERS FROM THE PUBLIC

None were presented.

8. MATTERS FROM THE BOARD

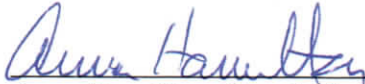
None were presented.

9. NEXT MEETING: Thursday, June 1, 2023 at 4:00 p.m.

19. ADJOURN

Having completed the agenda and with no further business to come before the Board, Commissioner Hansen moved to adjourn and Chair Hamilton seconded and declared this meeting adjourned at approximately 4:55 p.m.


Approved by:


Anna Hamilton, Board Chair

Respectfully submitted:

Karen Farrell, Wordswork


ATTEST TO



KATHARINE E. CLARK
SANTA FE COUNTY CLERK



COUNTY OF SANTA FE)
STATE OF NEW MEXICO) ss
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Deputy  Witness My Hand And Seal Of Office
Katharine E. Clark
County Clerk, Santa Fe, NM



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