

**MINUTES OF THE
THE CITY OF SANTA FE & SANTA FE COUNTY
BUCKMAN DIRECT DIVERSION BOARD
MEETING
August 1, 2024**

1. CALL TO ORDER

This meeting of the Santa Fe County & City Buckman Direct Diversion Board meeting was called to order by Carol Romero-Wirth, BDD Board Chair, at approximately 4:00 p.m. in the Council Chambers, City Hall, 200 Lincoln Avenue, Santa Fe, New Mexico. This meeting was conducted as a hybrid with in person and on line attendance. All votes were taken by a roll call.

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

BDD Board Members Present:

Councilor Carol Romero-Wirth, Chair
Commissioner Anna Hansen
Commissioner Anna Hamilton
Councilor Jamie Cassutt
Peter Ives, Citizen Member Alternate
Tom Egelhoff, The Club at Las Campanas [non-voting member]

Member(s) Excused:

Rolf Schmidt-Petersen, Citizen Member
J. Guy, Las Campanas WC [non-voting member]

Alternates Present:

Commissioner Justin Greene, County Alternate

Others Present:

Jonathan Montoya, Interim Facilities Manager
Matthew Sandoval, Interim Operations Superintendent
Nancy Long, BDD Legal Counsel
Kyle Harwood, BDD Legal Counsel
Delfin Peterson, BDD Administrative Assistant
Valerie Romero, BDD Accounting Supervisor
Emily K. Oster, City of Santa Fe, Finance Director
Eric Spurlin, CRI, CPAs
Jay Lazarus, Glorieta Geoscience, Inc.
Peter Hunt, Glorieta Geoscience, Inc.
Carina Julig, *Santa Fe New Mexican*

[Chair Romero-Wirth read the agenda captions throughout the meeting.]

3. APPROVAL OF AGENDA

Councilor Cassutt moved to approve the agenda as published. Member Ives seconded and the motion passed by unanimous [4-0] roll call vote.

4. APPROVAL OF MINUTES

a. July 11, 2024 Buckman Direct Diversion Board Meeting

Councilor Cassutt moved to approve as submitted. Commissioner Hamilton seconded and the motion passed without opposition.

5. PRESENTATION/INFORMATIONAL ITEMS

CHAIR ROMERO-WIRTH: We don't have any Consent items tonight. We do have a number of presentations and we'll start with our two interim staff members who will be providing the presentations.

a. Monthly Update on BDD Operations

CHAIR ROMERO-WIRTH: We have Matt Sandoval here. Welcome, Matt, and thank you for stepping in as interim operations superintendent. We appreciate it and welcome. This is your first BDD Board meeting.

MATTHEW SANDOVAL: That's correct. Madam Chair, members of the Board, my name is Matthew Sandoval. I'm serving as the interim superintendent. I've been with BDD for 13 years. I am one of the original operators and prior to that I was at Canyon Road Water Treatment Plant as a lead operator for nine years. So 22 years with the City of Santa Fe. And I also have a Bachelor's degree in business management. So I will get right into it.

The update for the operations for the month of July 2024: raw water deliveries, 6.24 million gallons per day average; drinking water deliveries through Booster Station 4A/5A, 5.96 million gallons per day; raw water delivery to Las Campanas at Booster Station 2A, .72 million gallons per day and the water treatment plant onsite water storage variation, -.43 million gallons per day. The BDD provided approximately 51 percent of the water supply to the City and the County for the month of July. Is there any questions from the Board?

CHAIR ROMERO-WIRTH: If that's the summation of your report, we can go to questions. Are there questions from the Board? We usually have questions from Member Ives and today is no different. So I'll take Member Ives first and then we'll go to anybody else.

MR. IVES: Thank you, Madam Chair. Just looking at page 2 of the memo it notes that water storage at Nichols is 4.8 percent. Is that in anticipation of starting work on the intake structure?

MR. SANDOVAL: Yes, Board Member Ives. I'll defer to Jonathan Montoya, he has more information than I do.

JONATHAN MONTOYA (Interim Facilities Manager): Yes, the reservoir is being drained for the rehabilitation of Nichols and that's why it is reported so low. It's actually lower than that now. It is completely empty.

MR. IVES: Got you. And how long is that work anticipated to take?

MR. MONTOYA: Chairwoman, members of the Board, it is probably going to last until April of next calendar year.

MR. IVES: So it wouldn't start on McClure until that's done?

MR. MONTOYA: That's correct. McClure is being utilized now to store the majority of the water that is being treated at Canyon Road Water Treatment Plant --

MR. IVES: I thought that was the case. I wanted to make sure, thank you. Thank you, Chair.

CHAIR ROMERO-WIRTH: Thank you, Member Ives. Other questions from the Board. Okay, thank you for being here and we look forward to seeing more of you.

MR. SANDOVAL: Okay, thank you.

b. Report from the BDD Facilities Manager

CHAIR ROMERO-WIRTH: Jonathan Montoya, who we just heard from, welcome, Mr. Montoya. I believe this is your first Board meeting and thank you for stepping into the interim role and like your colleague did, please feel free to introduce yourself a bit to folks on the Board and the public.

MR. MONTOYA: Sure, thank you, Madam Chair. My name is Jonathan Montoya. I've been with the City of Santa Fe in the Water Division for roughly 13 years. The majority of my time has been spent with the source of supply. For the past five years or so, I've been managing the three other sources of water that the City uses and I have this opportunity to step into this role as interim facility manager of BDD about a month ago. I've been in and out and now I'm in there full time filling in. So I have about 20 years of experience in the utilities business. I started in Los Alamos County and they came over to the City. Water is my deal.

So with that, I'll just jump into my report. Inside the packet you'll find the memo. There's not a whole lot for me to report on but I would like to report that there was no major expenses or expenditures to the Major Repair and Replacement Fund. The other item I was going to report on is the procurement process is still progressing for the rebuild project and we're hoping to report out on that at the September meeting. There are some deadlines that are coming up for some major milestones on that project. Until that's complete, I don't have much more to share.

CHAIR ROMERO-WIRTH: Great and thank you. Are there questions for our interim facilities manager? Yes, Commissioner Hansen.

COMMISSIONER HANSEN: I thank you, Madam Chair. I read in the minutes that most of the vacancies were listed. Are they all listed and advertised?

MR. MONTOYA: Chairwoman, members of the Board, yes, the positions are being posted. Some have closed. We are waiting for a list of eligible applicants to be forwarded to us from HR. We have conducted interviews for several positions such as our safety and training coordinator as well as the maintenance scheduler. Some of the positions that closed, and I'm not sure whether we have applicants yet or not, but as soon as we get that work turned over to us from HR if there's nobody there, we're going to immediately

repost. The other thing that I should note as well is the facilities manager and the operations superintendent are currently posted and those posting are scheduled to close on August 11th.

COMMISSIONER HANSEN: I thought I read in the minutes that they would be posted until they were filled.

MR. MONTOYA: They are. That is correct. Let me clarify. The facilities manager and operation superintendent are posted until filled. Because of the way the software that HR uses to do the job postings, they have to put an end date on it. And if there's no applicants they can just continue to renew it and it'll just roll over. It's like a maximum of a 30-day post and then it will roll over and continue.

COMMISSIONER HANSEN: Thank you and thank you, Madam Chair.

CHAIR ROMERO-WIRTH: Other questions from the Board? I believe we did fill the financial position. Can you speak to that and is that person here tonight?

MR. MONTOYA: Yes, Chairwoman Romero-Wirth and members of this Board. I'd like to introduce Valerie Romero, she's in the front row there. She's our new accounting supervisor. So we're working with her to get up to speed with stuff and get things rolling.

CHAIR ROMERO-WIRTH: Great. And I just want to point out that this is, as the Board may know and may remember, this is a very important position that has been vacant for some time and we have been doing the work in various ways. So I want to welcome you as well, Ms. Romero, and also just underscore for the Board who already knows and the public that this is a very important position and it is terrific to finally have somebody here and I think it will make a big difference to our back of the house operations which are really critical for the function of the facility. I don't know, Mr. Montoya, if you had more to add to that or Ms. Long but I just want to underscore how important this hire is and I'm just really excited you're onboard.

COMMISSIONER HANSEN: Madam Chair.

CHAIR ROMERO-WIRTH: Commissioner Hansen.

COMMISSIONER HANSEN: Could she introduce herself and tell us a little bit about herself?

CHAIR ROMERO-WIRTH: Sure.

COMMISSIONER HANSEN: Thank you.

VALERIE ROMERO: My name is Valerie Romero and I've worked for the State for 10.5 years and then I worked for the City for just about 3.5 years and now I've worked at Tourism Santa Fe and now I'm at BDD. I have bachelor's degree in business management and I have about 10.5 years in accounting experience as well as auditing and analyzing experience. I've been hearing a lot that this position is very important and it's a little bit backlogged. I'm excited to learn the whole process with BDD. Sorry, I'm a little nervous.

CHAIR ROMERO-WIRTH: Yeah, we kind of threw you into this. We look fierce but we don't bite.

COMMISSIONER HANSEN: Thank you and welcome. Thank you for giving us a little bit of your background. We're very happy to have you with us.

MS. ROMERO: And I look forward to working with you all and working with the consultants that have been assisting with keeping this position going. So I think it will be good.

CHAIR ROMERO-WIRTH: Great and thank you. And Mr. Montoya I don't

know if you know or Ms. Long, this position has been vacant for six months, a year; how long?

NANCY LONG (BDD Counsel): Probably about eight months.

CHAIR ROMERO-WIRTH: So, again, really, really I just can't tell you how excited I am that you're here. So thank you and I know the Board shares in that enthusiasm. Welcome and thanks for stepping up to the podium without planning.

MS. ROMERO: Thank you.

CHAIR ROMERO-WIRTH: Thank you, Mr. Montoya for your presentation. We are going to our last presentation.

c. Presentation of the 2023 BDD Audit, and an update of the proposed schedule for completion of the 2024 BDD Audit

CHAIR ROMERO-WIRTH: We have tonight Eric Spurlin who is a partner with Carr, Riggs Ingram who sit he City's external auditor and, of course, Emily Oster the City Finance Department Director. Welcome to you both and thank you for being back it doesn't seem that long ago since we saw you last time. And happy that we're in this moment again. With that, I'll let you take it.

ERIC SPURLIN (CRI): Thank you Chair Romero-Wirth and members of the Board. First of all you referenced the last time that I was in front of this Board reporting the results of an audit. That was back in January so it hasn't been in a very short timeframe but I'm excited to see all of you again.

So I am here – for those of you I haven't met necessarily, I think I've been in front of you most you at some point in time. But Eric Spurlin, partner with Carr, Riggs, Ingram and today I'll be presenting the results of the FY23 audit. So I think you've been provided my presentation. Delfin, were you going to put that up on the screen to follow along. Just give us one second to get that set up.

CHAIR ROMERO-WIRTH: Is that presentation on PrimeGov as well?

DELFIN PETERSON (BDD Administrative Assistant): Yes.

CHAIR ROMERO-WIRTH: Okay, just for anybody who wanted to look at it from here.

MR. SPURLIN: Perfect so that will make it a lot easier for all of us to kind of track through things. Before I get too far into my presentation, know that you have two documents in from you from CRI has the same fancy blue and yellow arrows on it. One of those is the audited financial statements themselves. You've also been provided the required communications document which a document specifically for the governing body containing all of our required communications as per the auditing standards. So whenever I reference page numbers in my slide presentation know that that's in the audited financials not in the required communications document.

We'll go over a handful of things today and I'll just try and keep this presentation as brief as I can. I'll do a quick recap of the title line, talk about what the scope of work was for the FY23 audit; go over our auditor's reports and the auditor's reports I tend to think are most important part of this slide presentation. They really do disclose the overall result of the audit and then we'll open for any questions that you all might have.

So our engagement letter of FY 23 audit was originally signed back in January of this year, it's good to say that. And then additionally, we've gone through all of our planning and

field work procedures and ultimately all of the little audited things that we need to do to finish our report in the spring timeframe. And then we have exit meeting in order to disclose the preliminary results of the audit back on May 14th and then the date of our independent auditor's report opinion was May 15th. We submitted to the State Auditor's Office on May 15th as well. The State Auditor goes through a review process as well. The document is not public at that point in time. The State Auditor ultimately released the report to the public as of June 9th 2024. I think the main takeaway on this slide, and I'm really excited for this portion of it, is this means that moving into FY24 we are starting the audit on cycle. Which is to the say that the deadline for the FY24 is out in December. So we're starting the audit for what would be considered on time for the State of New Mexico. So I just wanted to highlight that piece for you.

The scope of work, really want we're doing for you is we're auditing the financial statements for the fiscal year ending June 30, 2023, period of July 1, 2022 through July 30, 2023. In addition, the State of New Mexico has a variety of statutory requirements that we are required to test as per the New Mexico State Audit Rule which governs all audits of the state local government in the State of New Mexico. So we're here to audit those particular compliance and statutory requirements.

In our auditor's report if you look in the financial statement starting on page 8, what you'll find is our independent auditor's report and this our opinion on the financial statements and it speaks to whether the financial statements were presented materially correctly in accordance with US GAAP. And I'm happy to report to you that BDD received an unmodified opinion for FY23 as it has for the past couple of years, which is the best opinion that you can receive. That's all there is to say there.

Additionally, in the back of that financial statement starting on page 42, there is a secondary letter that we issue as part of the financial statements. This one is required by Governmental Auditing Standards and it reports on internal controls and compliance. The core thing to know about this particular report is that it's a negative assurance report which is to say that we are not providing an opinion on the operating effectiveness of controls and controls in any respect. And we are not rendering an opinion on compliance in anyway. It is simply reporting the items that have come to our attention as a part of our required procedures.

Additionally in that report it will disclose any audit findings that we have noted as part of the audit. So there were two audit findings for FY23. Those are listed on pages 44 through 47. One of those is a material weakness and one of those is a state audit rule finding. So let me explain those classifications a little bit to you. Governmental Auditing Standards require that findings be classified into one of two buckets based on severity and what the need is. The first bucket, the most severe bucket is material weakness which is essentially a finding that has resulted in a material item or adjustment or is very likely that it resulted in a material item or adjustment. The next step down from that is going to be a significant deficiency that although it may not have resulted in a material item, it still is a significant item that requires the attention of the governing body. In addition to that, the state audit rule here in the State of New Mexico defines a couple of additional buckets. One of those is going to be in other matters and so that is something that does not rise to the level of a significant deficiency and then other non-compliance which are going to be items that usually are not material items related to compliance with different statutory requirements, grant agreements and things of that nature.

So moving on to talk a little bit more about those. The first finding that we'll talk about is 2023-001 and it relates to partner billings and accounts receivable. The detail of that is listed on page 44 through 45 and you'll see on the slide deck that the MW was a material weakness. Also noted was that this was a new finding for FY23. Additionally, we had one state audit rule finding. It is another non-compliance finding. This one you all should be fairly familiar with. It relates to late submission of the audit and it is a repeat finding dating back to 2019 fiscal year. The details of that particular find year was on pages 46 through 47.

With that we will stand for questions.

CHAIR ROMERO-WIRTH: Okay, questions from the Board. Councilor Cassutt.

COUNCILOR CASSUTT: I have not seen a previous audit and being a City Councilor I have seen a lot of audits. Were there any findings in the previous year that has since been corrected? I see this was a new finding and I would be curious to see what improvements have been made since the FY22 audit.

MR. SPURLIN: Sure. For the FY22 audit, I don't have the report in front of me, but if my recollection is correct the only finding for FY22 was the late audit finding.

COUNCILOR CASSUTT: Thank you.

CHAIR ROMERO-WIRTH: And I think those would be noted in our book if they were repeat and had been resolved. The fact that we don't have anything in here other than the repeat of the late audit finding – generally they'll say that it was called out and it has now been resolved from the previous year. Commissioner Hamilton.

COMMISSIONER HAMILTON: So this finding on page 44 is in part related to not having a person in the finance position and having hiccups/difficulties in making sure the accounts were elsewhere. In the past – and the main recommendation I see has to do with making sure we get a permanent person onboard. No pressure Valerie. But in the past that has also been discussion about software and the potential need for some unique aspects to the software because it's billing a water system and it's very different from some standard software. Did that ever come up? Was that reviewed during this audit or was that a non-issue anymore?

MR. SPURLIN: I think there are two questions there.

COMMISSIONER HAMILTON: Three and a half, maybe.

MR.SPURLIN: The first question is with respect to having a proper finance person in place. I think that was probably a contributing factor. There's also a clause that in more detail describes how the finding came about included in the report itself. The secondary question relating to systems, I would probably have to defer to management as to what affect the system would have. I will tell you that this has been very similar to what's being used to the greater city MUNIS system. In this particular instance I don't know that there's a strong factor in relation to the system impacting this finding.

COMMISSIONER HAMILTON: Okay.

CHAIR ROMERO-WIRTH: Board Member Ives.

MR. IVES: Thank you, Madam Chair. Looking at the material weakness, it says that the post audit adjustment of \$4,444,777.00 was required to properly state partner accounts receivable as of June 30, 2023; were those receivables for that prior year of 2022 to June 30, 2023?

MR. SPURLIN: So without getting into too much detail, essentially what this was that all the partners of BDD get pre-billed, which is to say they're billing in advance, and

those advance bills, at some point, get applied to the partner account receivable. So what really gave rise to this was those prebills getting applied to the accounts receivable whenever that extra time had been taken at that point in time. And so, that's where the adjustment came about in order to properly reflect the accounts receivable.

MR. IVES: Okay. It's described as an account receivable as of June 30th; so was that amount owed by the partners to Buckman at that point in time?

MR. SPURLIN: In substance, the receivable balance should be sitting there until the prebills get applied to reduce it. So the cash had been received and paid by the City but it was classified as pre-bill at that point and had been applied to the receivable balance.

MR. IVES: And so can you describe the process? When does that prebill get reconciled? Obviously, it shouldn't be at the end of the audit year.

MR. SPURLIN: That's a great question. I was actually speaking to Nancy about this before the meeting got going. But my understanding is, and again, this may not be accurate, we've had some turnover in the folks responsible for this, but my understanding was that annually you go through the process of applying those prebills to the accounts receivable and essentially that's the activity that takes place. That's not to say that it couldn't happen quarterly, it couldn't happen anyway. That's all sort of a decision of management's. But annually, once a year in that fiscal year and specifically when those adjustments were taking place.

MR. IVES: So the money was in hand but not --

CHAIR ROMERO-WIRTH: Not properly put in the right place in the accounting code.

MR. SPURLIN: I should say that this is very much a financial reporting item. I don't think that there was anything irregular in the cash movements and so forth. This is really how it presents on the balance sheet of the financial statement itself.

MR. IVES: I'm certainly heartened to know that the cash was in hand because when I looked at the total operating revenues of \$3,218,774 and this amount was over half that amount so -- it was an opportunity to not have sufficient cash flow. So I'm glad to hear that that is not the case.

CHAIR ROMERO-WIRTH: Before I go to Commissioner Hansen, and this with our new position filled should be something fairly easily corrected.

MR. SPURLIN: I believe so. And, again, it really just depends on the actions that management takes. I can't really speak too much to whether it will be resolved until we get into the FY24 audit and we actually audit the information. But, yes, I think with a finance person in place it should do lots to move in the right direction.

CHAIR ROMERO-WIRTH: Thank you, Commissioner Hansen.

COMMISSIONER HANSEN: Thank you, Madam Chair. One of the issues has been cash balances. Are those now separated out and not comingled? Are we completely not part of the -- do we have all of our own accounts and not have them comingled with the City?

MS. SPURLIN: I would have to defer to the Finance Director Oster on that particular topic.

CHAIR ROMERO-WIRTH: Yes, I think that is a Director Oster question.

EMILY OSTER (City Finance Director): Thank you. Members of the Board and Commissioner Hansen, we spoke about this maybe two or three meetings ago. I did a presentation about the severing of BDD information in the MUNIS system. The settlement

funds are in a separate account with Principal Financial Group. The operating cash is included in the City's cash in common which is our full cash account; however, it is recorded by what we call "org" organization. So that allows us to identify how much of that cash in common balance is attributable to each org, each division within the financial reporting entity. So, Madam Chair, members of the Board, I would be happy to come back and refresh that presentation or provide additional information. We have not made any changes since we last presented.

COMMISSIONER HANSEN: I think, Madam Chair, one of our concerns has been this comingling of money and has been part of the problem for SWMA and BDD with the City. So is there any plan to separate it out or is this what we're going to have to live with even though it seems to cause problems?

CHAIR ROMERO-WIRTH: Commissioner, if I could. I think the issue has been the Board hoping that we wouldn't have a late audit because the City had a late audit. And I think what we have come to learn in looking at this is that because the City is the financial – is the fiscal agent for the Board and this facility, we are very much tied to the City and if the City's audit is late, the BDD and the SWMA audit will be late. The good news is, I think we're on track for an on time audit or as Mr. Spurlin said, we're on cycle now. We are caught up and under Director Oster's leadership I think we are taking the right steps to have that behind us. I think that is where the concern came from originally.

COMMISSIONER HANSEN: Yes, but I think it would also be better, even though the City is our fiscal agent if we had separate accounts so we weren't so dependent on the City for our audits. And so far that hasn't happened.

CHAIR ROMERO-WIRTH: And Commissioner I think, and Director Oster perhaps you can speak to this and we can bring you back for a specific presentation on this, but under the research that I think Director Oster has done is that we can't be separated enough – we're separated in terms of the org chart and making sure that the money that is BDD's is accounted for separately but it is not enough to keep us out of a late audit if the City is late because we're kind of Siamese twins. Director Oster, I probably mutilated that but maybe you could say it better.

MS. OSTER: Madam Chair, members of the Board, this gets to the component unit determination that we've talked about in prior meetings. So with regard to the reporting entity only, when we're looking under government accounting standards, the Buckman Direct Diversion is a fiduciary component unit of the City and so that's why the audit process requires both entities to be completed basically in sync with one another.

As far as severing out cash balances, one of the things that we're working on in the finance department is an implementation in our MUNIS system of the treasury module and as a part of that software implementation we are going to be taking a look at our banking structure and figuring out ways to optimize it. This is something that we will take a look at. So as part of that project we'll be looking at the cash in common account as a whole and thinking about ways to optimize our banking structure to utilize this new technology in MUNIS which ultimately I think will really be the solution to ensuring that cash is reconciled timely and with a lot of automation in the process which will save time.

Madam Chair, members of the Board, I think that the treasury project has a lot of benefit to both the City and BDD and SWMA and it provides an opportunity to have that conversation and to look at additional changes to the banking structure as a part of implementation of that new functionality in MUNIS.

COMMISSIONER HANSEN: Thank you, Madam Chair. That is good to hear. That's new material. Thank you.

CHAIR ROMERO-WIRTH: It sounds like there are things that we can do to have different ways of looking at the books. But I don't know – we're not going to be able to in the structure we have come out from underneath the City. So if the City's late, we're going to be late. But, again, the good news is that we're on cycle to be on time now. Hopefully, this hiccup – and I'm confident in our leadership. We did three audits in how many months?

MS. OSTER: Madam Chair, thank you for that question. We submitted the FY21 audit on June 30th of last year. The FY22 audit went in on December 7th and then the FY23 audit, as you just heard, went in on May 15th and as Mr. Spurlin said, we are on cycle now which means we are working on an on time submission by mid-December for our FY24 audit. We are actually working on submitting a preliminary trial balance to Carr Riggs by tomorrow. We are in a very different place than we were last year and I'm incredibly proud of our team who has worked very, very hard and the results of that work are showing. I feel good about where we are. It will still be a push. Getting an audit done on time is always a challenge. It always involves lots of hours and hard work but we are where we need to be today to achieve that goal.

COMMISSIONER HANSEN: Our congratulations.

MS. OSTER: Thank you.

CHAIR ROMERO-WIRTH: Other questions? I'm sorry, of course. Yes, Mr. Egelhoff and then Commissioner Greene.

MR. EGELHOFF: So this year, for example, and it's great to see that member billing came up because we haven't been billed this whole year. So 2024 – we get to 90-day prebill. Each member was prebilled in July of last year and the beginning of this fiscal year. So out of curiosity – so that 90-day prebill amounted to, I don't know how much, but a portion of everybody's projected yearly fee with no member billing after that, how does the BDD operate with no cash coming in?

CHAIR ROMERO-WIRTH: I think that these are management questions and I don't think Mr. Spurlin can answer this and since Ms. Romero is brand new, what I'd like to do is let's get together a presentation. Again, with Ms. Romero on board we're going to be able to change how things go forward and Mr. Spurlin is just looking over the numbers and he's not responsible and Director Oster isn't really responsible either. It's really our team, which as you can see, tonight is brand new. So if we could just defer some of these questions, we will get you an answer.

MR. EGELHOFF: I got you. It almost makes the point of why the accounts without the City – the City has to floating that money. It's got to be paying the bills and without the City and the BDD's account being the same, there's no cash at all, I would imagine. I was just curious.

CHAIR ROMERO-WIRTH: Let's get some answers to that but let's also give our folks time to get their feet under them. But again I think it's good that this has been called out and we now have the people in place to start to address it and I hope it can resolved very quickly. Commissioner Greene.

COMMISSIONER GREENE: Thank you, Madam Chair, and thank you for this report. Given that we have new people here and it sounded like it was a little bit of staffing and a little bit of systems because you talked about management decisions. Do you

have a best practices recommendation that you could pass on to Ms. Romero here to say, start with this and this will clean things up with your new great – let's correct old bad habits before you make them. Let's start from a new position. Do you have any recommendations that might help her hit the ground running?

MR. SPURLIN: I will say that our recommendation is included in that audit finding in the report. If further clarification is needed that is something that we – we take questions from management. I don't necessarily have enough information at this point in time in order to answer that. It really has to be more of a conversation. There's a huge operational side to all of this. There's a financial reporting side to all of this. So in terms of making a specific decision or recommendations for best practice we'll probably have to have a dialogue with management in order to determine what that is.

COMMISSIONER GREENE: And you're available to Ms. Romero for this sort of transition?

MR. SPURLIN: Absolutely, yes.

COMMISSIONER GREENE: Thank you.

CHAIR ROMERO-WIRTH: And do we still have Clifton Larson Allen as a resource that is available as well because they are on contract with the City to help with just this type of thing. May Director Oster or Ms. Long you can talk to this.

MS. LONG: Madam Chair, yes, it was my understanding that after Antoinette's departure and with this gap in the position that Mr. Carpenter had brought that accounting firm on with Buckman to help with finance issues.

CHAIR ROMERO-WIRTH: Great. Yes, Director Oster.

MS. OSTER: Thank you, Madam Chair and members of the Board. I can speak to that a little bit more. There was initially a \$60,000 contract that was done through BDD to support that work and then since that time the Utilities Department at the City has been essentially paying for Clifton Larson to continue to assist BDD with accounting functions. So they're actually working with us now on getting the information that we need for the [inaudible] submittal for tomorrow for BDD. So we are fortunate to have that support through our consultant Clifton Larson Allen. It is especially beneficial at times when you have staff turnover like this when people are transitioning and helping with people get onboard.

And I also want to say that, you are very, very lucky to have Valerie. She is exceptional. And I am delighted to work with her in this new role. So I think that Valerie is going to get up to speed very, very fast and we have Clifton Larson Allen to help us through that process as well.

CHAIR ROMERO-WIRTH: Great. So when we talk, just really quickly, when we talk about management, at the City level when we talk about management we're talking about the City manager, the director of finance, the mayor. When we're talking about BDD, it's not just Valerie's position/Ms. Romero's position, but it's also our facilities manager who is also new, Mr. Montoya. So in terms of figuring out how we go forward from here, the two of them together will be working on what our processes need to be looking like and they do have the support of Clifton Larson Allen the accounting firm that has expertise in this area. Again, I think with the new people in place, the help of some experts – and I know Director Oster is also available to answer questions and help get us in the right space. But when we talk about management, that's our management. And as we're saying over and over again, these people are brand new. That's actually a good thing. We

had a good meeting with Jonathan Montoya earlier this week and he sees what needs to be happening and he's excited to get going and I'm happy that he is here to fill in the interim position and get us started on all of this. I'm sorry, Commissioner Hamilton.

COMMISSIONER HAMILTON: No apologies. It's a very small question. Just from something that Director Oster said, there's stuff that management that the City pays for because that's what being paid for as the project manager is for. But for the CLA contract that was filling in the interim, you said initially BDD let that contract, but now Utilities is paying for; shouldn't it be BDD paying for that?

MS. OSTER: Madam Chair and members of the Board, I think because of the relationship between the City Utilities Division and BDD it made sense – and I don't want to speak for Director Dupuis but CLA is also doing some consulting work with utility billing at the City utility and so we were able to pick up BDD and the Utilities Division was able to help continue the work after the funds on the BDD contract has been expended. I think it is something worth looking at. SWMA does have a separate contract with Clifton Larson Allen so that's something that we can consider in going forward.

I think really in terms of this finding, one of the things that I see in terms of corrective action here is that the communication between BDD management and the partners and in my case, specifically the City, about how a deferred prebill is being handled and when it is being applied is really I think the key, in my opinion, to resolving this finding. We just need to make sure that we're in sync. So if BDD applies the deferred prebill on that side, it also needs to be applied on the City side as well because these receivables match up to a payable on the City side. So I think having Val in her position and all of the new folks that are in at BDD will be a great opportunity for us to build up those lines of communication. It will be helpful to do that as well with the other partners to make sure that as we move forward to make sure that we all understand how the deferred prebill is working and when it is being applied and we can make sure that we are adjusting it correctly on both sides. I don't want to bore you with the accounting but there are some entries that need to be made on both sides in order to make sure that we can resolve this finding.

COMMISSIONER HAMILTON: Don't misunderstand, I totally trust you Director and Director Dupuis to figure out what part of what Clifton Larson Allen is doing is City utility or part of BDD. But it is just the issue that funds ran out in that one contract, you know. It seems like part of that might be a BDD obligation. Thank you.

CHAIR ROMERO-WIRTH: I think that these are all the kinds of things that – what I started to say earlier is that because we have new people in place and they're excited to get going and they see they kind of the problems that this is an opportunity to correct some of what hasn't been happening particularly well and get this straightened out. And I think there is a desire to do that and to do that as quickly as possible. I see that the fact we have new faces on the ground getting their feet under them is very positive for us going forward. Member Ives.

MR. IVES: Thank you, Madam Chair. When you began your presentation you indicated that the audit did not include any attempt to evaluate internal controls. I'm wondering if the audit had included that would you be, at this point in time, making recommendations to cure this material weakness relating to internal controls?

MR. SPURLIN: Thank you for your question. To clarify the auditing standards do require us to gain an understanding of internal controls specifically related to reporting and compliance. So we do evaluate the design and we verify implementation

which is a very specific thing that's a test of a single transaction as it results to each control that is identified. So in that respect we are evaluating internal controls and it informs our risk assessment; however, we're not doing the evidence gathering and testing that would be required in order to render an opinion on controls as to whether they're effective in operating effectively.

MR. IVES: Director Oster, hopefully no more circumstance where we get these types of material findings – do you think it would be appropriate in the future if we have repeat material findings in this regard to include a broader scope in the audit to try and assist the City understanding how we needed to change what we were doing to avoid the problem in the future?

MS. OSTER: Madam Chair, member of the Board, Member Ives, the scope of the audit is set by the State Auditor's Office. The BDD entity could choose to engage an internal auditor for example or use a consultant such as CLA to help dive deeper into some of these problems and help come up with a solution. But as far as the scope of the external audit, that's determined by the State Auditor for all of the governments in New Mexico. So it would probably not ever be part of the external audit that is done under the authority of the State Auditor. But it could be looked at through other types of contracts like an internal auditors or consultant. And I think in this case, in my opinion, we know how to fix this. I don't think we need that kind of help. But of course if there were really a tough problem that we needed more brains to take a look at it, there are other types of contractors who could provide expertise, for example, [inaudible] process improvement can sometimes be very helpful in looking at processes and proposing innovative changes to help improve efficiency and address problems.

MR. IVES: I apologize; my presumption had been that the state audit standard was a sort of minimum, this is what you need to do but then you could tack on more. I stand corrected.

MR. SPURLIN: So, with respect to the state audit rule essentially the provisions that are included in that rule are echoing what is included in the Governmental Auditing Standards. So they're not requiring anything in addition other than citing very specific statutory references on the compliance side to be looked at. That's really the only initial piece that the state audit rule includes.

MR. IVES: Thanks.

CHAIR ROMERO-WIRTH: I would caution us from, you know, I think we know what needs to happen here. With new people on the ground and we have the support of Clifton Larson Allen. We will get this corrected and if we find something down the road we will absolutely address it with all the seriousness and resources that are required. Let's not create problems that we don't have yet because we've got plenty to work on.

Other questions on this. Thank you again for being here. We look forward to seeing you for the 2024 audit and to only be dealing with one of these a year.

5. **ACTION ITEMS: DISCUSSION AND ACTION** - None were presented
6. **MATTERS FROM THE PUBLIC** – None were presented.

7. MATTERS FROM THE BOARD

CHAIR ROMERO-WIRTH: Commissioner Hansen.

COMMISSIONER HANSEN: Thank you, Madam Chair. I just wanted to share with you since I sit on the City of Santa Fe River Commission that we are having our river talks. On September 4th we are having it at the Southside Library at 6 p.m. on the bioremediation of stormwater. On September 7th at the San Ysidro crossing trailhead at 9:30 a.m., the Santa Fe River trail extension. On September 18th we are having a tour of the Buckman Direct Diversion at 9:30 a.m., from the Rio to Your Tap is the title. On September 21st the LaFarge Library at 9:30 a.m. workshop and cleanup near LaFarge Library. On October 2nd at the Southside Library at 6 p.m., plant community of the Santa Fe River Watershed. On October 5th Randall Davey Audubon Center & Sanctuary 9 a.m., Upper Santa Fe Watershed Transformation. And October 9th Main Library at 6 p.m. Embrace the Rain for Climate Change. So those are our river talks for this year. And of course you must register to go on them. But I wanted to share that with everybody.

CHAIR ROMERO-WIRTH: Great, thank you. And I think I saw that pullout in the *Santa Fe Reporter* as well in this week's edition.

I would just point out there is a going away sendoff for Rick Carpenter the facilities manager who has now retired and that is August 8th and I believe have received information on that. And I just wanted to make sure you marked your calendar on that.

Any other matters from the Board? Member Ives?

MR. IVES: Thank you, Madam Chair. This is just one bit from the last meeting and this if reflected in the minutes, I had asked what the additional exposures were that resulted in the increase in insurance premiums.

CHAIR ROMERO-WIRTH: Yes, Member Ives, I believe you got an email to that regard. I will double check that you were on that email and if you weren't I will forward it to you. But essentially the increases were just normal to the cost of insurance to BDD. I'll make sure that if you didn't get that email that you're on it. But the Board was emailed.

MS. LONG: Yes, Monique sent it, Madam Chair.

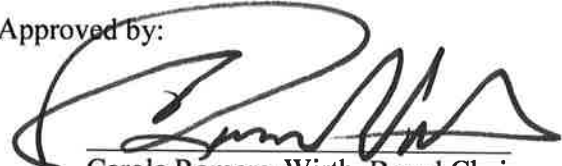
CHAIR ROMERO-WIRTH: Monique sent it out with a pretty in-depth explanation. Other matters?

9. NEXT MEETING: September 5, 2024 at 4:00 p.m.

10. ADJOURN

Having completed the agenda and with no further business to come before the Board, Chair Romero-Wirth declared this meeting adjourned at approximately 4:55 p.m.

Approved by:


Carol Romero-Wirth, Board Chair

Respectfully submitted:

Wordswork

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