CALL TO ORDER:

Roll Call:

ITEMS FOR DISCUSSION/RECOMMENDATION

A. Selection of Chair and Vice Chair
   Sponsor: Anthony Mortillaro, Executive Director

B. Selection and Possible Recommendation of Contractor to Conduct the Annual Audit
   Sponsor: Anthony Mortillaro, Executive Director and Troy Bingham, Finance Director
   Attachment

C. Minutes
   January 27, 2016

MATTERS FROM THE SUBCOMMITTEE

Potential Executive Session, for the limited purposes of discussing the contents of competitive sealed proposals prior to the award of a contract to a new audit firm. (NMSA 1978, Section 10-15-1 (H) (6))

ADJOURN

If you are an individual with a disability who is in need of a reader, amplifier, qualified Sign Language interpreter or any other form of auxiliary aid or service to attend or participate in the hearing of the meeting, please contact the NCRTD Executive Assistant at 505-629-4702 at least one week prior to the meeting, or as soon as possible. Public documents, including the agenda and minutes, can be provided in various accessible formats.
Summary:
North Central Regional Transit District is required to perform a financial audit at the end of each fiscal year. This audit is to be performed in accordance with Generally Accepted Auditing Standards (GAAS), the standards set forth for financial audits in the U.S. General Accounting Office’s (GAO) Government Auditing Standards, the provisions of the Federal Single Audit Act, Amendments of 1996, GASB 34/35, and Applicable Federal OMB Circulars. The audit must comply with the New Mexico State Auditor’s Rule 2 NMAC 2.2, Regulations Governing the Audits of Agencies of the State of New Mexico and the terms and conditions of the State Auditor’s contractual agreement.

The District’s financial statements consist of all funds over which it has authority. The District manages one enterprise fund with multiple revenue sources. One of the District’s major financial roles is to manage federal pass-through grants, according to statutory and regulatory criteria. This “flow-through” money constitutes a significant portion of the resources reported and is greater than $500,000 annually, so the District is required to have their auditor perform a single audit of all federal funds in compliance with federal circulars, along with their audited financial statements.

Background:
The District started the selection process in January 2017 by issuing a Request for Proposal for financial audit services. The process included pre-proposal hearings for firms to learn more about the District before submitting their responses. The responses were due February 10, 2017 and the District received 2 timely responses from all State Auditor approved firms. Three other firms attempted to respond but were not timely and, therefore, they were deemed non-responsive.

Recommendation:
It is recommended that the Finance Committee discuss and review the 2 responses and choose one of the following options:

- Request oral presentations from one or either firms
- Evaluate and recommend one firm to the Board of Directors with oral presentations
- Reject all proposal and start over on the RFP process
**Attachments:**
- Request for Proposal (RFP)
- Submitted Proposal from Both Firms for Financial Audit Services (bound versions provided)
- Evaluations RFP#2017-001 Financial Audit Services Evaluation Committee Scoring Forms (paper copy provided)
- Cost Evaluation Information for RFP#2017-001 Financial Audit Services (paper copy provided)
ROLL CALL

APPROVAL OF AGENDA

CALL TO ORDER

A regular Finance Subcommittee meeting was called to order on the above date by Councilor Sheehey.

ITEMS FOR DISCUSSION/RECOMMENDATION

A. Amended Procurement Regulations

Mr. Mortillaro noted that the Procurement Regulations were last modified in 2014; since then the District had a technical review by New Mexico Department of Transportation; it was recommended some modifications be made to the Procurement Regulations. He stated as per the Procurement Regulations he appointed Mr. Bingham as the District’s Chief Procurement Officer and asked that he work with the District’s Attorney Peter Dwyer to address issues the State of New Mexico Transit Rail Division brought up during the review and any other modifications that may be necessary based on Mr. Bingham’s experience related to procurement and any issues or concerns that may arise on the state-wide level that he may be aware of. He then turned it over to Mr. Bingham.

Mr. Bingham referenced page 3 on packet, explained the legal aspects of the document; in the State of New Mexico the is an overarching law that states the procurement code for the state of New Mexico. He noted the District is using option H. Option H is referred to, if there are extenuating circumstances in our district when established by code, it identifies the District the ability for us to define our own procurement regulations; the District will be mirroring the states purchasing adding we may be more stringent in some areas although will be almost the same procurement code as the state.

He moved on to page four to clarify a few items, the District added a P-card program which has been established since before the last procurement code went thru and Bond payments, which are all exceptions. He clarified how we do Bonds and if we are able to remove the sunset clause in the GRT or do some other types of debt to get through the short term or build our facility behind the RTD building and would like to clarify what requires procurement when it comes to Bonds.

Ms. Van Buren asked what is a P-card.
Mr. Bingham responded it is a procurement card, all managers use to pay for purchases less than $1000.00, paid monthly, mainly used for travel and small purchases and vendors who want to get paid directly with a credit card.

He moved on to office supplies, adding we had been dependent on the state procurement office to put out a general office supply contract with the state, this year they have not clarified why they have not put out a contract which leaves us in limbo as to how to purchase office supplies as our old purchasing regulations had a limit of $3000.00. He noted we are trying to exempt ourselves from office supplies and don’t believe we will run into problems as we are raising the overall threshold to the state purchasing level which will be $20,000.00; by doing that it will allow the Chief Procurement Officer to decide how we will procure supplies.

Mr. Bingham moved on to Intergovernmental agreement; clarifying we can purchase goods from other governments without going thru the procurement code; going out for bid, such as maintenance on a bus we would not have to go out to bid in multiple counties to get a price.

He referenced page 6, District vehicle towing was added; three companies in the district, if we need a tow we will call the company that is in that county where the service is needed.

Mr. Bingham moved on to clarify Chief Procurement Officer was added.

Mr. Mortillaro asked Mr. Bingham to talk about what is happening on a state level when talking about the Chief Procurement Officer organization on the state level and that one cannot make purchases unless they have gone to training and need a Chief Procurement Officer in the organization.

Mr. Bingham went on the explain he had attended a purchasing conference; a new state legislation was introduced which requires every locality to have a Chief Procurement Officer designated and trained by the state. In our code, we are calling out a Chief Procurement Officer and what the position does for us; he received his certification and has gotten recertified, adding the District is in compliance with the state.

He moved on to page 13, the addition of signatures of supplemental and procurement regulations forms, with our new legal being in house we are able to review contracts and ensure verification and other controls required to insure District contracts received have proper review and approval.

He explained that this is to clarify that our language is concurrent with current purchasing practices; the terminology used matches with the documents used.

Ms. Van Buren made a motion to present the amended Procurement Regulations to the Board, Councilor Sheehy seconded the motion and it passed by voice vote.

B. Mid-Year Budget Review

Mr. Mortillaro noted our financial policies require that we provide the Board with a mid-year review of actuals, projected vs. budget, this review which is brought to the Subcommittee to address any question and then presented to the Board upon recommendation from the Subcommittee. He then asked Mr. Bingham to go over the findings.

Mr. Bingham asked the Finance Subcommittee members to turn over to page 87 of the packet noting the financial narrative for the review. He then referenced page 89 of the document by which he proceeded to go over revenues.

Mr. Bingham stated revenues came in less than budgeted; he is reporting 6 month of financial activity ending December 31, 2016. This report’s projection is based off expenditure patterns and probable revenue flows that are derived from the expenses and revenues data available from 50% of FY2017 completed; GRT is 70% of our revenues with
actuals ending up to be 54%, a major source of revenue; should bring in $600,000 more than projected in the budget; overages in the GRT revenue will be used to cover the Use of Fund Balance.

Federal Grants were less; the ITS project in Taos was budgeted more than needed, part of the money is Grant funding received in FY16; the money was budgeted on FY17, not knowing when the project was to be completed or when work will be done.

Mr. Bingham moved on to Miscellaneous Revenues, noting we have two routes we charge fares; Mountain Trail and the weekend service from Taos to Santa Fe (Taos Express); it is anticipated to receive $101,500 in proceeds from transit fares, bank interest, insurance proceeds, and non-cash activities. This amount is less than last year, but equal to what was budgeted for collection of fare.

Mr. Mortillaro noted the District is projected to using $938,000 of Fund Balance; most of the Fund Balance goes towards Capital acquisition operations other than new routes, approved in advanced by the Board; use of Fund Balance in FY2017 is projected to be $107,000.

Mr. Bingham stated the District would not be using the Fund Balance this year, will be building up the balance throughout the year.

Ms. Van Buren asked if it is used for capital purchases.

Mr. Bingham replied for the most part 80% is used.

Further discussion continued this topic.

Mr. Bingham then referenced page 90 of the packet by which he proceeded to go over the federal grant revenue. Referenced the chart, noting most of the vehicles are in Albuquerque awaiting a piece of equipment which will arrive in March.

He then proceeded to gross receipts revenue on page 91, noting the projected overall revenue surplus for FY17 GRT is anticipated to be $600,000. He proceeded to discuss Los Alamos County. The revenues are projected to be at a 22% increase, which will translate into a revenue surplus of $286,000.

Further discussion continued this topic.

Mr. Bingham continued to page 93 of the packet to discuss Rio Arriba County. Noting due to the Walmart constructions the District has not seen any increases. Revenues are at a 2% short fall below the budget of $575,000 hoping to bring in $564,000.

He proceeded to Santa Fe County noting it is the Districts largest GRT contributor; revenues are projected to be 4% above the budget for FY17, which will translate into a revenue surplus of $155,000 because the District receives half of what is collected from Santa Fe County the other half goes to the Rail Runner and Rio Metro; actual revenue surplus for the first four months is 5% above budget.

Mr. Mortillaro noted 50% collected in Santa Fe County goes to the Rail Runner per their Intergovernmental Agreement; in the Districts financial policy we have a formula allocation for Los Alamos County and Santa Fe Trails; Los Alamos County is 20% of the GRT we collect, it goes for specific services in Los Alamos County that are approved by the Board on a year to year bases. Santa Fe Trails is similar they get 14% which is approved on a year to year bases for regional services.

Mr. Mortillaro continued, stating the RTD keeps 40% of the GRT that is collected for our own services and 60% of the GRT, $4.5 million goes back to fund regional services that we contract for, through these formulas and Intergovernmental agreements.

Mr. Bingham moved on, stating that Taos County has the Taos Ski Valley TIDD and Questa mine clean-up they are doing well and will continue, although the District would not like to budget off that, do to it being a one-
time activity over 8-year; don’t want to plan on those funds and the mine gets clean and TSV gets built then the money gets dropped. He noted we are conservative with $860,000, although they are exceeding their budget and believe 19% is a conservative low number and may exceed that number at an extra of $163,000.

Mr. Bingham proceeded to go over Expenditures; the District budgeted $12.6 million in expenditures; seeing difficulties on salary and overtime; in the past, we had large surpluses in the budget, budgeting $12 million but only spending $10 million due to it’s hard to configure where the Capital or Operations are going to land. He noted we are trying to give enough leeway in the budget to do what needs to be done and at the same time trying to bring the projection closer to actuals at the end of the year.

Further discussion continued this topic.

Ms. Van Buren made a motion to recommend the year-end review to the Board. Councilor Sheehey seconded the motion and it passed by voice vote.

C. Proposed Budget Amendment for Operations Area Remodel Project

Mr. Bingham stated the District is seeking a Budget Amendment to transfer capital project budgets in the FY17 Budget from completed capital projects with project savings to the Operations Area Remodel project. He noted construction would expand the operation’s management area into the area previously designated for the rider waiting area. The rider waiting area was never utilized as originally planned for because it is located at the back of the building and none of the current routes drop off or pick up passengers in that area. This construction would expand the operation’s management area to increase the supervisor area, bigger dispatch space, and conference room for operations. He noted we were projecting a $22,000 estimate based on prior talks with contractors; Blue Sky Builders came in with the lowest bid at $23,181. New Cubicles and Additional Conference Chairs will cost $21,513; Carpet in the passenger Waiting Area to match the rest of the building at $2,495; new IT office, router and associated wiring at $2,500. He noted the District added a 10% project contingency in the case any complications that may arise. It is anticipated project cost will be sort of $55,000 leaving $32,000 short.

Mr. Bingham continued, stating that the FY2017 has the following projects that are currently funded through fund balance annually that have no spending currently this fiscal year: Shelter and Stops with Solar Lighting and Bus Stop Service Improvements; the District could transfer these capital project budget to the Back of Building Remodel project for this fiscal year and re-budget these projects in FY18. It is anticipated that the net effect of our actions would not increase or decrease the budget and would only reallocate capital project budgets into FY18.

Ms. Van Buren made a motion to recommend budget reallocations to the Board. Councilor Sheehey seconded the motion and it passed by voice vote.

D. Quarterly Investment Report

Councilor Sheehey gave a brief back ground of the Districts investment pool, stating the District has a fair amount of cash on hand, originally it was kept in the State investment pools whom were paying close to nothing. He noted by getting out of the state investment pool and looking at local banks and credit unions we found that they give higher interest in money for certificates. The District now goes with broker CD’s which the return is at a better interest.
Mr. Bingham referenced page 102 of the packet, stating the graph shows the various types of investments the District has; we have CD’s, checking accounts where we get five bases points at .05% from Los Alamos Bank; LGIP is at 40 bases points; Los Alamos Bank and First National Bank of Santa Fe hold their rates at 40 bases points. He noted the districts Brokerage CD’s are from out of state banks through Los Alamos Bank, the Districts broker and they have a financial investment wing called LPL financial they go out and buy Cd’s, looking for 80 bases points or higher. He noted the District tries to stay below FDIC limits.

Mr. Bingham continued, stating that this quarter the District added more money to the investment pool because we had more money on hand and this happens because our spending wraps up on the third and fourth quarter of the year, investment will go down once we pay for buses. He was able to put down half a million dollars in investments rather than keeping it in the checking account; we try to keep the checking account balance at 1.2 million dollars; he noted he could of bought another CD, there just aren’t enough out there available. The District went up half a million dollars in investments from the last investment report. He noted we have money in the Money Market; Los Alamos Bank is the collateral agent and LPL is holding the money. Over all the District earned $16,000 for half a year, projections for the year were at $20,000 exceeding our budgeted estimated revenues. By having an Investment Portfolio, we were able to fund a driver position for the organization.

Councilor Sheehey asked would it be possible for the District to directly buy Treasury Securities.

Mr. Bingham replied we do. Noting the auditors have questioned about categorizing Treasury Securities, to avoid their miss-interpretation of state law, it was best to go through brokerage CD’s at 80 bases points securely without fluctuation.

It was recommended that the Finance Subcommittee discuss and review the information and recommend to the board of Directors a budget reallocation to the FY2017 NCRTD’s budget.

**Ms. Van Buren made a motion to recommend Staff’s recommendation as presented to the Board. Councilor Sheehey seconded the motion and it passed by voice vote.**

**E. Quarterly Electronic Payment Report**

Councilor Sheehey noted the board recently authorized electronic payments.

Mr. Bingham stated the NCRTD Board passed a resolution in November 2013 to allow for ACH payments to vendors. Since that time, staff has been establishing the District’s ability to pay vendors through the Automatic Clearing House (ACH) system that withdrawals funds from the District’s account and deposits into vendor’s checking accounts with their permission. As of July 2016, the program was able to commence after months of working out the details with the District’s bank, LANB, about internal controls and assurances to the vendor community. To date, the District has 58 vendors signed up for ACH payments. Changes to Finance Policy #1 in November 2016 and January 2017 incorporated a quarterly reporting requirement to the Finance Subcommittee and Board to provide oversight and governance of the program. He noted, 868 vendor payment were made totaling 4 million dollars, 442 of those have gone to venders in the last 6 months.

Further discussion continued this topic.

**Ms. Van Buren motioned to recommend the report to the full Board for review. Councilor Sheehey second the motion and it passed by voice vote.**
F. Minutes from November 18, 2016

Ms. Van Buren motioned to approve Financial Subcommittee November 18, 2016 minutes. Councilor second the motion and it passed by voice vote.

MATTERS FROM THE SUBCOMMITTEE

There were none.

ADJOURN

Ms. Van Buren made a motion to adjourn the meeting. Councilor Sheehey seconded the motion and it passed by voice vote.

Next Finance Subcommittee will be held February 24, 2017 at 9:00 AM.