CALL TO ORDER:

Roll Call:

ITEMS FOR DISCUSSION/RECOMMENDATION

A. Audit Exit Conference - CLOSED SESSION
   Sponsor: Anthony Mortillaro, NCRTD Executive Director and Hector Ordonez, Finance Director
   Attachment

   Pursuant to NMSA 1978, Section 14-2-1 (B) (9), NMSA 1978, Section 12-6-5, and NMAC 2.2.2.10 (J) (3) The NCRTD is scheduling the audit exit conference during a closed session in compliance with the Audit act and the Inspection of Public Records Act, in order to avoid disclosing audit information that is not yet public record, in a public meeting.

   Reconvne in Open Session: Possible action item(s) from closed session.

B. Minutes from October 27, 2017
   Draft Minutes

MATTERS FROM THE SUBCOMMITTEE

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.
Memorandum

To: Finance Subcommittee
From: Hector E. Ordonez, Finance Director
Thru: Anthony J. Mortillaro, Executive Director
Date: December 11, 2017
Re: FY2017 Audit Exit Conference

Background:
At the August 2017 Finance Committee Meeting representatives of the certified public accounting firm of Ricci & Co. Wayne Brown, Leader of the Assurance Practice, and Lee Baldwin, Assurance Manager, spoke with the committee about their overall objectives for this year’s audit. They introduced themselves, spoke about their goals for the audit, schedule and staffing, auditor vs management responsibilities, standard changes, fraud and other items such as significant accounting issues, changes in accounting methods, related party transactions, significant legal matters, unusual spending and non-cash transactions.

Over the last four months the District staff has provided the auditors with all the information documents requested including the Schedule of Expenditures of Federal Awards (SEFA) and unrestricted access to all persons within the organization and financial records.

The audit is now wrapped, and the auditors are required to follow up with the governing body of the District to discuss their findings and overall opinion on the financial statements for fiscal year ended 2017. Due to rules regarding the release and publishing of the annual financial report from the Office of the State Auditor, “DRAFT” copies of the report will be available at the meeting for members of the committee. Until released by the Office of the State Auditor the public will not be able to review the document, hence the need for a closed session on this matter.

Recommendation:
Review and discuss as a committee with the auditors the FY2017 Audited Financial Statements and recommend approval to Office of the State Auditor for their subsequent review and release of the audit for public inspection.

Once the Office of the State Auditor has reviewed and released the Audited Financial Statements for public inspection the document will be shared with the full Board at either the January 2018 or February 2018 meetings for their concurrence.

Attachment:
Audited Financial Statements will be provided at the Committee’s meeting.
CALL TO ORDER:

A regular meeting of the North Central Regional Transit District Finance Subcommittee was called to order on the above date by Commissioner Ed Moreno, Chair, at 9:00 a.m. in the Executive Conference Room at the Jim West Regional Transit Center, Española, New Mexico.

1. Roll Call

Roll Call indicated the presence of quorum as follows:

**Members Present**
- Commissioner Ed Moreno, Chair, Santa Fe County
- County Manager Leandro Cordova, Taos County
- Councilor Antonio Maggiore, Los Alamos County

**Members Absent**
- Ms. Christy Van Buren, Ohkay Owingeh
- Commissioner Alex Naranjo, Rio Arriba County

**Staff Members Present**
- Anthony Mortillaro, Executive Director
- Pat López, Interim Finance Director

**Others Present**
- Elizabeth Martin, Stenographer

ITEMS FOR DISCUSSION/RECOMMENDATION

A. Fiscal Year 2017 Ending Budget Review

Mr. Mortillaro said due to Jackie Trujillo’s medical absence, the District will be using Carl Boaz or Elizabeth Martin for stenography services. Hopefully we will have the position filled within a month.

Mr. Mortillaro said the District’s by-laws require the Finance Committee to be provided with a review of how the last fiscal year went. The is always done in October. In November, the annual audit is done and then the numbers are more reliable to report,
and we do a comparison.

Mr. López walked the Subcommittee through the analysis which was in the packet. They did a mid-year projection last year and will also be comparing projections to actuals. NCRTD will start the fiscal year 19 budget request in February, which will give a good indication what to budget for in FY19.

Mr. Cordova asked what generated the member contributions.

Mr. López said it comes from the local contributions of Taos Ski Valley, Ski Santa Fe, the Rail Runner, City and County of Santa Fe.

Mr. Mortillaro said part of the underperformance is on the grants or the reimbursements on grants.

Mr. Maggiore asked if that money will be forthcoming.

Mr. López said the District received less than was expected - in the cash balance budgeted, the District used considerably less this year. Grant revenue has steadily increased. They projected more but did a BAR decrease to the Local Government Division because of the TAP money carry-over. Actuals are a little lower than projected and a bit short from the budget, due to the carry-over.

Mr. Mortillaro said Federal funds start in October of the Federal fiscal year so the District always projects carry over. It gets tricky accounting for that. Mr. López is very good at submitting for reimbursable payments. The District has used close to 100% of those funds and can carry forward with DOT awards. An example is the Consolidation Study that went over two fiscal years.

Mr. López said we did the last draw down for programs and reverted 1 cent.

Mr. Mortillaro said when the State looks at the allocation of Federal money for the next fiscal year, they have rating criteria that influences distribution in relation to what was spent down and whether the recipient used all the money. When not all is spent, they feel they over funded you. Then you do not get as much money. Mr. López finds every place possible to use the Federal grant money. They expect you to use your money and if you don't they will take it back away from you.

Mr. Mortillaro said there is a piece of GRT revenues that is “one-time money.” If the Staff doesn’t pay attention to those things the District could project ongoing money that is not there. It is like the clean-up of the mine in Questa is ongoing, but is one-time spending. Our last spending was restrained, and we take that into consideration. You see us being conservative in our revenue projections. It impacts our partners that we fund as well. If we come out with a rosy projection and fund based on that and the
money does not materialize, and they used our numbers for their budget they are in trouble. We have really never spent our cash balances that we project because the revenue numbers have come in higher.

Mr. Cordova said he appreciates that. There are always one-time capital projects to deal with.

Mr. Mortillaro said Rio Metro gets 50% of the GRT generated from Santa Fe County up to what is due to them in the agreement.

Chair Moreno asked if there is a plan for when that money goes away.

Mr. Mortillaro said the issue is the sunset on the GRT. It was for 15 years and the agreement we entered into with them was a 15-year agreement. The question becomes if we go for an early sunset removal and succeed our Board will need to make it clear that it is our intent to renegotiate that agreement. They could say if there is no sunset it should go on in perpetuity. We don't want to harm them. There is a reason politically that the thought was that we should give them some money. It should be capped so that any additional GRT generated comes to the RTD and is used for service expansion.

Mr. Cordova said we don't have that kind of agreement in Taos County. He prefers this method over raising taxes. We can ask why that happened in the first place, but negotiations seem prudent at this time.

Chair Moreno asked what the time frame is.

Mr. Mortillaro said the District needs to give Rio Metro a heads-up if the voters agree to remove the sunset, that the District intends to renegotiate with them. How we approach that and our position needs Board direction.

Chair Moreno agreed. It is good that we are starting to think about that.

Mr. Mortillaro said for fiscal year 11 Los Alamos County contributed the highest we ever saw in GRT. It has now dropped, and we are being cautious. We don't know where the Lab will end up with the new contractor. If it goes non-profit and we can't get the State law changed, we are looking at a loss.

Mr. Maggiore said we are going to try again this year to get that law passed at a State level. We will try to get through the Senate first. It seems we have good support across party lines, but even if we get it through the Senate and the House we still need the Governor to sign it. It depends what the State is looking at.

Mr. Mortillaro asked if the award of the contract could be slowed down to align with the new Governor coming into office.
Mr. Maggiore said the LANL contract happens at the Federal level and they do not care who the Governor is. The final RFP was supposed to have been already out in mid to late September, but the word is they have the final RFP which is being “sat on” at an NSA level. The interest keeps growing. The University of Texas, Texas A & M and the University of Tennessee have all expressed interest now and some are thinking of joining forces. We don’t know who is joining with whom.

Mr. Mortillaro asked if he didn’t know if it will be a non-profit or a for profit contractor.

Mr. Maggiore said he didn’t. It is a recoverable cost at the Federal level.

Chair Moreno asked what that means.

Mr. Maggiore said with the Feds, when you submit your bills, they will pay. It is a recoverable cost under Federal procurement.

Chair Moreno thought that would preserve the GRT hit, in theory.

Mr. Maggiore said if we can get the Legislation passed that says if it is a non-profit managing a lab, it is not exempt from GRT. Part of the problem with that issue that it is discriminatory. But he thought they could skirt that by saying we are making it a level playing field for non-profit and for-profit entities in terms of projected costs.

Mr. Mortillaro said Scott emailed him and wanted a Resolution supporting that. He indicated he would put it on the Board agenda if Scott sent it to him. He has not seen one come through.

Mr. Maggiore agreed to double check that.

Mr. Mortillaro said we have skin in this game so we need to be there with them.

Mr. Cordova said all of Northern New Mexico needs to appreciate that.

Mr. Maggiore said it is a State issue.

Mr. Cordova said he could see his argument.

Mr. Maggiore said he will forward the wording.

Mr. Mortillaro said he will put it on the December meeting agenda.

**MOTION:** A motion was made by Mr. Cordova, seconded by Mr. Maggiore, to move the FY 2017 end of year budget analysis forward to the full Board.
**VOTE:** The motion passed unanimously by voice vote.

**B. Quarterly Investment Report**

Mr. López reviewed the quarterly investment report in the packet. He said the Ally Bank CD should be 1.7%. He cashed out the US Eagle CD.

Mr. López and the Subcommittee discussed the earning and interest calculations. Mr. López said maybe next quarter we can put some earnings into brokered CDs.

Mr. Maggiore asked to see the numbers next to each other if that is not a huge hassle.

Mr. López said he would do that by brokered CD to see what they generated.

Mr. Cordova and Mr. Maggiore said it looks good. Mr. Maggiore said it looks like shifting to a mix is paying off in our favor.

**MOTION:** A motion was made by Mr. Maggiore, seconded by Mr. Cordova to move the Quarterly Investment Report forward to the full Board.

**VOTE:** The motion passed unanimously by voice vote.

**C. Quarterly Electronic Payments Report**

Mr. López reviewed the Quarterly Electronic Payments report.

Mr. Cordova asked if the District has seen the proposed increase for health, dental and vision.

Mr. López said he saw a 1% bump.

Mr. Cordova asked when the District is expecting to see the big bump. They are looking at 10%. The State is also increasing all the out-of-pocket levels. It would be good to look at when it will hit.

Mr. Mortillaro said the RTD is too small to go self-insured. To do that, the District would have to join with another entity.

Mr. Cordova said the Association of Counties is looking at the coordination among Counties.
Mr. Mortillaro said they would have to allow special districts, and they have never done that before.

Mr. Cordova said they are looking at it now.

Mr. Mortillaro said the District would be interested in looking at that.

Chair Moreno commented that could be a big pool.

The Subcommittee discussed possibilities.

**MOTION:** A motion was made by Mr. Maggiore, seconded by Mr. Cordova, to move the Quarterly Electronic Payments report forward to the full Board.

**VOTE:** The motion passed unanimously by voice vote.

**D. Minutes from August 25, 2017**

**MOTION:** A motion was made by Mr. Maggiore, seconded by Mr. Cordova, to approve the minutes from August 25, 2017, as presented.

**VOTE:** The motion was passed unanimously by voice vote.

**MATTERS FROM THE SUBCOMMITTEE**

Mr. Mortillaro said the meeting next month will be for the Audit Exit Conference. It is scheduled for the last Friday in November but might have to move it up to the 17th. We will check with the auditors and see if they can move it as well. He will let them know at the Board meeting.

Mr. López said that may be too soon. He will check.

Mr. Mortillaro said it may have to be the 20th or the 22nd. He will talk to the auditors and find a date. There will not be a Finance meeting in December. The November Board meeting is November 3rd.

**ADJOURNMENT**

**MOTION:** A motion was made by Mr. Cordova, seconded by Mr. Maggiore, to adjourn the meeting.
VOTE: The motion passed unanimously by voice vote.

There being no further business before the Subcommittee, the meeting adjourned at 10:25 am.

Submitted by Carl Boaz.