City of Santa Fe

ENTERPRISE RISK ASSESSMENT

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Moss Adams LLP
6565 Americas Pkwy Suite 600
Albuquerque, NM 87110

MOSSADAMS

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I. EXECUTIVE SUMMARY

A. PROJECT SCOPE

This enterprise risk assessment provides a way for City of Santa Fe (the City) leadership to measure uncertainty related to the organization's ability to achieve defined strategic objectives and operate effectively. Risks are identified, analyzed, and measured by the level of inherent vulnerability, the level of preparedness to mitigate them, and the impact such negative events could have on the City should they occur. This assessment serves as our basis for determining possible actions for managing and mitigating uncertainty, both on an inherent and a residual basis.

Definition of Levels

For each of the risk factor categories, Moss Adams LLP (Moss Adams) assigned an overall inherent risk level rating. The risk levels are intended to provide City leadership with a means of prioritizing remediation efforts. Definitions of each risk level are explained in the tables that follow.

RISK LEVEL DEFINITIONS	
Risk	**Significance**
High	Represents significant risks that should be addressed immediately
Moderate-to-High	Represents serious risks that should be addressed expeditiously
Moderate	Represents moderate risks that should be addressed as soon as reasonably possible
Low-to-Moderate	Represents ordinary risks that should be addressed during the next review cycle
Low	Represents a minor threat to the organization

IMPACT LEVEL DEFINITIONS	
Impact	**Significance**
High	Threatens the success of the organization/service delivery
Moderate-to-High	Substantial impact on time, cost, or quality
Moderate	Notable impact on time, cost, or quality
Low-to-Moderate	Minor impact on time, cost, or quality
Low	Negligible impact

LIKELIHOOD LEVEL DEFINITIONS	
Likelihood	**Significance**
High	Almost certain to occur with current risk conditions
Moderate-to-High	Very likely to occur with current risk conditions
Moderate	Likely to occur with current risk conditions
Low-to-Moderate	May occur with current risk conditions
Low	Unlikely to occur with current risk conditions

PREPAREDNESS LEVEL DEFINITIONS	
Preparedness	**Significance**
High	Risk preparedness activities are robust and likely to be sustained, with readily available evidence attesting to this level of achievement
Moderate-to-High	Risk preparedness efforts are well established, documented, and stable
Moderate	Deliberate risk preparedness efforts are under way; important gaps remain
Low-to-Moderate	Preliminary risk preparedness efforts have been initiated, though few, if any, have been implemented
Low	Minimal risk preparedness activity

TRAJECTORY DEFINITIONS	
Trajectory	**Significance**
Increasing	Inherent risk is increasing in current conditions
Flat	Inherent risk is holding steady in current conditions
Decreasing	Inherent risk is decreasing in current conditions

B. RISK ASSESSMENT RESULTS

This risk assessment evaluates the organization's risk in 18 categories. The following table presents the summary results of the assessment.

RISK CATEGORY	IMPACT	LIKELIHOOD	PREPAREDNESS	TRAJECTORY
High Risk				
Accounting and Finance	High	High	Low-to-Moderate	Moderate
Capital Improvement Program	High	High	Low	Increasing – Low
Human Resources (HR)	High	High	Low-to-Moderate	Flat
Organization and Staffing	High	Moderate-to-High	Low-to-Moderate	Increasing – Low
Planning and Strategy	High	High	Low-to-Moderate	Flat
Procurement and Contracting	High	High	Low	Flat
Risk Programs	High	Moderate-to-High	Low-to-Moderate	Increasing – Low
Moderate-to-High Risk				
Compliance	Moderate-to-High	Moderate-to-High	Low-to-Moderate	Flat
Ethics and Fraud, Waste, and Abuse	Moderate-to-High	Moderate-to-High	Moderate	Flat
Policies and Procedures	High	Moderate-to-High	Low-to-Moderate	Flat
Public Safety	Moderate-to-High	Moderate-to-High	Moderate	Increasing – Low
Reputation and Public Perception	Moderate-to-High	High	Low-to-Moderate	Decreasing – Low
Moderate Risk				
Asset Management	Moderate	Moderate-to-High	Low-to-Moderate	Flat
Funding and Economics	High	Moderate	Moderate-to-High	Flat
Governance	Moderate-to-High	Moderate-to-High	Moderate	Flat
Information Technology	High	Low	Moderate	Increasing – Low
Management and Leadership	Moderate	Moderate	Moderate	Flat
Operations and Service Delivery	Moderate	Low-to-Moderate	Low-to-Moderate	Flat

II. INTRODUCTION

A. PROJECT SCOPE

The City engaged Moss Adams to conduct an independent enterprise risk assessment to analyze its overarching areas of risk. To assess the overall risk level of the City's comprehensive risk categories, the enterprise risk assessment process followed conventional Enterprise Risk Management (ERM) methodology, as defined by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and embraced by the Institute of Internal Auditors (IIA).

The Moss Adams team evaluated 18 categories of risk, and business processes within each, that collectively comprise operations across the organization. Risk assessments include identifying current levels of risk, the likelihood of negative events occurring, the impact of a negative event, and the level of preparedness in terms of mitigating negative events. Using this information, the City can identify the most important areas of risk and prioritize management of these risks. All major departments were included in the risk assessment process. This assessment includes information provided by senior leadership, managers, supervisors, and staff.

The enterprise risk assessment process reflects a specific point in time; the risk assessment phase, which was conducted from January 2024 to April 2024. Both the overall risk ratings and trajectory levels are directly connected to this timing.

B. METHODOLOGY

The enterprise risk assessment process consisted of four phases: (1) planning, (2) fact finding, (3) analysis, and (4) reporting. Planning included requesting documents and identifying which individuals to interview and include in the survey process. Fact finding encompassed document review, analysis of existing data, interviews, and an online survey sent to City employees. Analysis included assessment of the level of uncertainty associated with each risk factor. Reporting entailed developing draft and final deliverables, along with follow-up discussions with management and a presentation to key stakeholders.

The following describes the activities and goals for each phase.

PLANNING

We began planning our assessment by requesting a standard set of documents, including but not limited to prior risk assessments, audits, public website documents, and financial reports. We used these to identify the first round of individuals to interview and additional document needs based on business process/functional areas.

FACT-FINDING

Fact-finding encompassed analysis of received documents, employee interviews, and soliciting additional employee feedback via an online survey. During this phase, we gathered information to gain a clear understanding of the organization and the way it operates to achieve its goals and purpose.
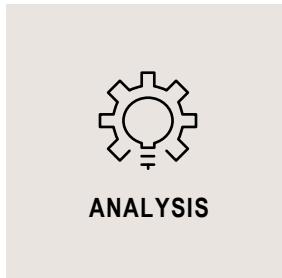
ANALYSIS

With the information collected and compiled, we performed a risk assessment that included a thorough review and analysis of the categories of risk factors. This analysis included assessing current risk conditions and trajectory, the level of preparedness efforts to mitigate risks, and the probability and potential impact a negative event may have on the organization's ability to achieve its mission, vision, and strategic goals.

REPORTING

During the reporting phase, we developed a draft report to engage in review and discussion with senior leadership. Based on feedback, we finalized the report for delivery to City leadership.

The enterprise risk assessment process relied heavily on evidence obtained from City employees. By design, the assessment process required access to all senior leadership and many department and division managers. Full disclosure of information has been assumed in this process.

Risk Assessment Framework

The process to identify and assess risks considers both internal and external factors. As part of this risk assessment, Moss Adams used a variety of techniques, both qualitative and quantitative, to identify external and internal factors that contribute to risk. Risk assessments involve a dynamic and iterative process to identify and analyze risks to the City's ability to achieve its objectives, forming a basis for determining how risks should be managed.

For each of the categories assessed, our risk assessment contains an overview of the risk condition at the City, including the current risk level, likelihood, impact, preparedness, and trajectory. Risk mitigation identifies potential strategies to reduce overall risk for each category. Residual risk represents the probable risk exposure after risk mitigation efforts have been implemented. The elements provided below make up the risk assessment framework, which are industry standards and defined by COSO's ERM methodology.

RISK LEVEL	Level of uncertainty that could impair functions and processes, in the absence of any actions taken to alter either the risk's likelihood or impact	• Low • Low-to-Moderate • Moderate • Moderate-to-High • High

LIKELIHOOD	Qualitative assessment of the probability of a negative event occurring, given the current risk conditions	• Low • Low-to-Moderate • Moderate • Moderate-to-High • High
IMPACT	Level of potential impact of a negative event on strategy, people, operations, systems, and resources	• Low • Low-to-Moderate • Moderate • Moderate-to-High • High
PREPAREDNESS	Level of preparedness through activities and resources to manage risks and minimize and limit potential losses	• Low • Low-to-Moderate • Moderate • Moderate-to-High • High
TRAJECTORY	Trajectory of the risk level, given the current risk conditions	• Decreasing • Flat • Increasing
RISK MITIGATION	Potential strategies for reducing risk	
RESIDUAL RISK	Possible remaining exposure after known risks have been mitigated through specific actions	• Low • Low-to-Moderate • Moderate • Moderate-to-High • High

C. ENTITY OVERVIEW

The City of Santa Fe is the capital of New Mexico. The latest U.S. Census Bureau estimate places the City's population at 89,008 persons and 39,311 households. The City includes a total area of 52.23 square miles. The City is governed by eight City Councilors, with two elected officials from four geographic districts, and a Mayor elected from the City at large. As of fiscal year 2024, the City had 1,612 budgeted positions across seven primary departments: Community Development, Community Health and Safety, Finance, Human Resources, Information Technology and Telecommunications (ITT), Public Utilities, and Public Works.

D. EXTERNAL ENVIRONMENT

The external environment can have a significant impact on the City's enterprise risk profile by introducing risks and uncertainties that may affect the City's operations and goals. However, these factors are not necessarily within the City's ability to control or influence. For example, some of the key factors that may influence the external environment and, therefore, the enterprise risk assessment for the City include:

- **Economic Conditions:** Prevailing economic conditions, such as inflation, interest rates, and market fluctuations, can impact financial health, revenue streams, and investment opportunities. A downturn in the economy may result in lower tax revenues and higher unemployment rates, leading to increased risk exposure.

- **Political Climate:** The political climate can also affect risk exposure. For example, changes in local, state, or federal laws and regulations can create new compliance obligations or financial penalties.

- **Natural Disasters and Climate Change:** Natural disasters, such as floods, hurricanes, or earthquakes, can significantly impact the infrastructure and operations. Additionally, climate change and its potential effects on the environment, such as rising sea levels or extreme weather events, can increase the likelihood and severity of such disasters.

- **Social and Demographic Changes:** Changes in population demographics and social trends can also affect the risk environment. For example, an aging population may require more health care services and changes in consumer preferences may impact the City's tourism industry

On average, survey respondents rated the risks posed by the external environment as moderate.

Housing Costs

Affordable housing is a major concern for those in the region, and this concern is shared by City employees. Numerous interviewed and surveyed staff pointed to an imbalance between the cost of housing and regional wages as a key area of concern.

Housing costs in Santa Fe have increased significantly in recent years. Home prices in Santa Fe have increased by 60% from January 2020 to January 2024, approximately 12% higher than the 48% average nationwide. Currently, the median sale price of a home of any time within the City is $523,500.[1] With a 20% down payment and a current U.S. average 7.966% mortgage rate for a 30-year mortgage, a median home in Santa Fe would require a buyer to pay $3,203 per month for the mortgage and property taxes alone.[2] Median rent in Santa Fe is currently $2,650 per month.[3]

Housing Type	Monthly Cost Estimate	Percentage of Median Pre-Tax Household Income
Unit Owned	$3,203	57%
Unit Rented	$2,650	47%

[1] Redfin, Santa Fe, NM Housing Market, Accessed April 22, 2024
[2] Redfin Mortgage Calculator, Santa Fe
[3] Zillow, Santa Fe, NM Rental Market, Accessed April 22, 2024

Santa Fe has a median household income of $67,663, or $5,639 per month.[4] This means that a median household would have to dedicate 57% of pretax income to purchase a home, or 47% of pretax burden to rent a unit. True housing cost burden is higher, since the median household income figures available represent pretax income, though households spend and budget in post-tax dollars.

Housing costs impact City operations. In both interviews and open-ended responses to surveys, staff stated how the high costs of housing present major difficulties. These challenges include recruitment of qualified staff, increased commute times, and turnover for employment in other places where income can better match cost of living.

High housing costs also impact the community and are correlated with increased levels of homelessness, and Santa Fe is no exception.[5] In 2023, the number of New Mexico residents experiencing homelessness was nearly 50% higher than the prior year.[6] A recent point-in-time estimate placed Santa Fe's number of people experiencing homeless at 365.[7] When asked about external environment challenges, numerous staff comments pointed to the region's growing homeless population.

Tourism and Regional Economics

Santa Fe's economy is currently quite strong. Santa Fe's metropolitan statistical area experienced a 7% growth in Real GDP from 2017 to 2022, and a 12% growth in Real GDP from the COVID-19 low of GDP in 2020 to 2022.[8] Additionally, the City's labor market is robust. Unemployment in the City (3.2%) is lower compared to other major cities and areas in New Mexico (3.8% statewide), and total nonfarm employment grew by 2.6% in the past year. Apart from government (14,600 employees), hospitality is the industry that employs the largest number of Santa Fe residents (11,400 employees), although local hospitality employment has still not returned to its the pre-pandemic peak (12,300 employees).[9]

While tourism and hospitality remain robust in Santa Fe,[10] the importance of this industry to local economic conditions does present risk. Although economic challenges were widespread in COVID-19, the region's 6% decline in GDP from 2019 to 2020 can at least be partially explained by negative effects on tourism, with nearly one-third fewer tourist trips occurring in 2020 compared to 2019.[11] The importance of tourism and hospitality employment to the local economy means that events that affect tourism have an outsized effect on local economics compared to similarly sized cities especially given

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[4] U.S. Census Bureau, Santa Fe city, New Mexico

[5] The Cost of Living Index as a Primary Driver of Homelessness in the United States: A Cross-State Analysis & Pew: How Housing Costs Drive Levels of Homelessness

[6] Associated Press, New Mexico Homelessness Spikes as Housing Costs Surge, May 23, 2023

[7] KRQE News, City of Santa Fe shares how they accurately count homeless population to provide resources, January 12, 20243

[8] Federal Reserve, Total Real Gross Domestic Product for Santa Fe, NM, MSA

[9] Bureau of Labor Statistics, Santa Fe Area Economic Summary, April 4, 2024

Federal Reserve, All Employees: Leisure and Hospitality in Santa Fe, NM (MSA) (download pdf)

[10] TOURISM Santa Fe, Santa Fe Tourism Dashboard

[11] TOURISM Santa Fe, Santa Fe Tourism Dashboard & Federal Reserve, Total Real Gross Domestic Product for Santa Fe, NM, MSA

the City's high reliance on gross receipts tax. Demand for housing and services from tourists and owners of second homes in Santa Fe contributes to the growing cost of living.

E. RISK ASSESSMENT EMPLOYEE SURVEY RESULTS

Distribution of a risk assessment survey offers staff the opportunity to identify perceived strengths and weaknesses of the City, which helps us assess potential opportunities for improvement and identify areas of specific vulnerability. The survey poses a variety of statements to employees, including rating scale questions and open-ended questions for each risk category. The confidential questionnaire was distributed to all employees and was open for submission between February 1, 2024, and February 14, 2024. Out of the 1,265 employees invited to take the survey, 182 individuals submitted responses, a participation rate of 14.4%.

The following survey results are not incorporated into the final risk rating; they provide additional context and point of comparison to understand staff sentiment and identify trends occurring across departments. In general, staff survey responses were lower than the overall risk assessment levels assigned by Moss Adams, a common pattern. Complete survey results are included in Appendix A.

| RISK FACTOR	RISK ASSESSMENT	EMPLOYEE SURVEY RESULTS
Accounting and Finance	High	Moderate
Asset Management	Moderate	Moderate
Capital Improvement Program	High	Moderate
Compliance	Moderate-to-High	Moderate
Ethics and Fraud, Waste, and Abuse	Moderate-to-High	Moderate
Funding and Economics	Moderate	Moderate
Governance	Moderate	Moderate
Human Resources	High	Moderate-to-High
Information Technology	Moderate	Moderate
Management and Leadership	Moderate	Moderate
Operations and Service Delivery	Moderate	Moderate-to-High
Organization and Staffing	High	Moderate-to-High
Planning and Strategy	High	Moderate-to-High
Policies and Procedures	Moderate-to-High	Moderate-to-High

RISK FACTOR	RISK ASSESSMENT	EMPLOYEE SURVEY RESULTS
Procurement and Contracting	High	Moderate
Public Safety	Moderate-to-High	Moderate
Reputation and Public Perception	Moderate-to-High	Moderate
Risk Programs	High	Moderate

III. RISK ASSESSMENT RESULTS

For each of the risk categories assessed, our risk assessment includes an overview of the risk condition at the City, including the levels for overall risk, impact, likelihood, preparedness, and trajectory of the risk conditions. We identified potential risk mitigation strategies intended to reduce overall risk for each category. The residual risk level represents the probable risk exposure after risk mitigation efforts are implemented. The results are grouped by overall risk level, ranging from the highest to lowest risk categories.

A. HIGH RISK CATEGORIES

Accounting and Finance

OVERALL RISK LEVEL			
High			
Impact	Likelihood	Preparedness	Trajectory
High	High	Low-to-Moderate	Flat

Risk Mitigation

- Continue efforts to catch up on past financial audits
- Prioritize filling accounting and finance vacancies and reducing turnover
- Conduct a gap analysis for accounting and finance policies and procedures and develop and implement a policy and procedure development roadmap based on the results
- After the conclusion of the City's Internal Controls Review, prioritize the revision and implementation of internal controls to address identified deficiencies
- Improve controls over ambulance billing
- Continue efforts to improve and expedite the City's current month-end close procedure
- Prioritize the selection of updated financial systems for utilities and cashiering
- Continue efforts to train staff and manage the ongoing transition to Tyler Munis (Munis)
- Review the usefulness and timeliness of financial reporting and information available to departments and make improvements as needed

RESIDUAL RISK
Moderate

Risk Area: Risks associated with fiscal control, budgeting, ongoing information tracking and management, revenue capture, and transaction processing. Also, risks associated with financial reporting (content, distribution, assembly, utilization, frequency, formatting, accuracy, and reliability).

Scope: The role of accounting and financial functions in risk mitigation is focused on recordkeeping and compliance through recording, classifying, summarizing, and reporting financial transactions. Financial reporting includes deliverables such as audited annual financial statements. Reliable financial information is fundamental to planning, budgeting, evaluating vendor performance, assessing partnerships, and a range of other operational and strategic activities.

The City's Finance Department (Finance) oversees accounting and treasury functions for the City, as well as functions related to budget, fleet, and purchasing. The Department's mission is to build public trust through sound financial management and innovative and effective business decisions while protecting the City's assets and ensuring compliance federal, state, and local laws and regulations. Although accounting and financial processes at the City remain an area of high concern, the City hired a new Finance Director in 2022 and has made improvements.

Financial Audits

From fiscal year 2004 to fiscal year 2023, the City submitted its annual financial statement audit past the deadline for 13 out of 20 years.[12] The sequential nature of audits meant that these delays compounded. Although the City has not yet fully remedied past delays in its annual financial audits, the City is reportedly on track to submit the fiscal year 2023 audit to the State Auditor's Office by May 2024.

These delayed audits have increased workload for staff, affected public perception, and impacted capital financing. Although falling behind on audits did not prevent the City from being awarded state capital appropriations, it did slow down the process and resulted in additional oversight and fees through the appointment of a fiscal agent. When the City regains currency with audits, this fiscal agent will no longer be necessary. Additionally, while delayed audits have not prevented the City from going out to bond, it has limited its capacity to do so since the City does not want to encounter any issues with spending bond proceeds in a timely manner.

Turnover, Vacancies, and Staff Burden

There has been elevated levels of turnover and vacancies within Finance. In addition to the relatively new Finance Director, the average turnover rate over the past three years within Finance has been 26%, higher than the City average of 14%. Currently, there are 57 authorized Finance positions, with 42 positions filled, resulting in a 26% vacancy rate. Elevated turnover and vacancy rates can result in decreased productivity and increased workload for remaining employees, as well as increased costs and negative employee morale. Additionally, the responsibilities of maintaining day-to-day financial operations, while simultaneously addressing past audits, has put even further duties on the burdened

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[12] City of Santa Fe, FAQ: City of Santa Fe Addresses Delayed Audits, December 4, 2023

Finance team. Staff have been required to perform their current responsibilities and tasks to close out prior year audits.

Policies, Procedures, and Internal Controls

We received limited policies and procedures from the City related to finance and accounting and cannot evaluate the overall policy environment for this area. However, the City reportedly has limited policies and procedures related to finance and accounting, such as those related to budgeting, cash management, accounts receivable and payable, financial reporting, and asset management. Staff reported the City is planning to develop cash management and accounts receivable policies by the end of this calendar year. Insufficient accounting policies and procedures can be a risk for the City as it may lead to inconsistencies in financial reporting, errors in financial statements, and reduced likelihood of compliance with laws and regulations. Additionally, policies and procedures are important to reduce the risk of fraud and promote effective use of the City's financial resources.

The City's accounting procedures are also highly decentralized, which means there is less standardization and oversight, and an increased risk of errors and inconsistencies. This is particularly concerning for accounts payable processes, which are highly manual. These manual processes have reportedly led to increased errors and issues with timeliness. Staff reported departments do not consistently submit invoices and some invoices have been paid twice.

Additionally, the City's most recent published financial audit (fiscal year 2022) indicated the City lacks an effective internal control structure over the financial close and reporting process to allow for timely and accurate financial reporting and noted the City was not adhering to a monthly or quarterly accounting close schedule. Staff reported the City continues to lack such procedures. Financial activity for preceding month(s) is reportedly regularly changed and updated after the month-end close should have occurred. This can result in inaccurate financial reporting, which can lead to incorrect financial statements and misinformed decision-making.

Staff also reported concerns about inadequate ambulance billing procedures and a lack of effective oversight and monitoring control in this area, which has led to at least one instance of overbilling. Inadequate procedures and controls in this area increases the likelihood of errors and over or underpayments in the billing process, which can result in financial losses for the City and potential legal consequences.

There have been some indications that before the current Finance Director's tenure, the City may have been inconsistently using modified accrual, and at times, may have been using cash basis accounting. Although this is not the case under the current Finance Director, financial systems and processes are large, complex, and dependent on the decisions made during previous years, so it is possible that some instances of this may still occur. Cash basis accounting does not provide a complete picture of an organization's financial position, increasing audit and compliance risks.

In addition to this risk assessment, the City is also currently undergoing an internal controls review, which will identify internal control deficiencies and opportunities for improvement. Such a review can help the City reduce risk by identifying areas where controls are weak or ineffective and supporting the City in prioritizing improvements.

Systems

During fiscal year 2020, the City adopted the Munis system, replacing its legacy JD Edwards system that had been in place since 1999. Although the City's system environment is much better after the transition, there remain important challenges that present risks to the City.

In addition to Munis, the City's main financial system, the City also uses a utilities billing system (UCIS) and a cashiering system (E1). Both UCIS and E1 are outdated systems, which remain an area of concern (see also Operations and Service Delivery). These old systems are difficult to maintain and technicians with the necessary knowledge have largely aged out of the workforce. These systems are also not well integrated with one another and with Munis, at least partially due to the age of the systems. In addition to relying on an outdated UCIS system, invoicing and cash receipts for utilities billing is a time-consuming, overly manual process due to the limitations of the legacy system.

Staff reported there is a high degree of manual intervention to update and maintain the general ledger, which increases the risk of errors, increases audit risk, and results in decreased efficiency. This is at least partially due to UCIS and E1 not interfacing well with Munis.

Staff also reported challenges with insufficient internal controls related to roles and security in Munis. Appropriate security roles are important to ensure only authorized personnel have access to sensitive financial information and systems. If security roles are not properly defined and enforced, there is a risk of unauthorized access to financial information and systems, which can lead to data breaches and financial losses.

There were challenges with the implementation of Munis that the City is still addressing. The implementation of Munis was a major change for the organization. While the new system allowed for the implementation of new internal controls and improved processes, they were difficult to fully implement due to change management. Staff reported the implementation of Munis was not well-coordinated and noted a lack of necessary procedures and training to support staff in effectively using the system. Some staff also reported subsidiary processes have been established to work around Munis, and there is limited accountability for staff outside of Finance to use the system. These challenges have made it difficult for the City to fully realize the benefits of the new financial system and pose risks to the City's financial management processes and reporting, as well as overall efficiency and productivity.

Internal Service Customer Perception

Employee perception of the service provided by Finance is mixed. Of survey respondents, 49% rated the quality of internal customer service provided by the Finance team as excellent or good. While 35% of survey respondents rated the quality of the City's budgeting processes as excellent or good, 31% rated the budgeting process as poor or terrible, suggesting there may be room to improve the budgeting process or improve staff perception of the budgeting process.

Additionally, 83% of surveyed managers rated the usefulness of the financial reporting information they receive as only moderately useful, slightly useful, or not useful at all, and most respondents rated the timeliness of financial information as average, poor, or terrible. These results suggest there are opportunities to improve the timeliness and usefulness of financial information. Without timely and useful financial information, decisions may be made based on incomplete or inaccurate information, which can lead to ineffective financial management.

How would you rate the quality of the internal customer service provided by the Finance team?

7%	42%	26%	2%	3%

■ Excellent ■ Good ■ Average ■ Poor ■ Terrible

How would you rate the quality of the organization's budgeting process?

4%	31%	34%	20%	11%

■ Excellent ■ Good ■ Average ■ Poor ■ Terrible
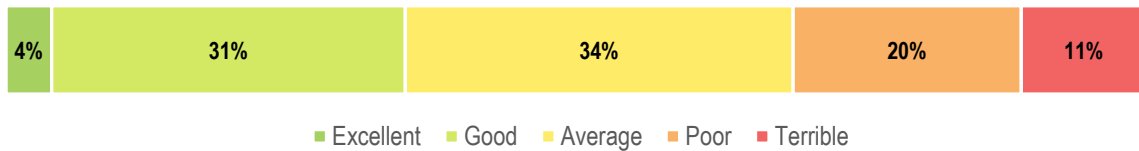
How useful is the financial reporting information that you receive/have access to on a regular basis?

4%	14%	53%	14%	16%

■ Extremely Useful ■ Very Useful ■ Moderately Useful ■ Slightly Useful ■ Not Useful at All
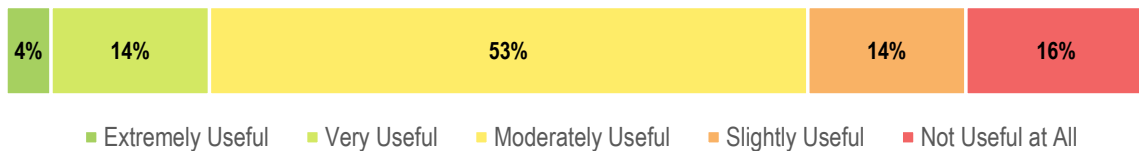
Total equals 101% due to rounding.

How would you rate the timeliness of the financial information you receive?

2%	13%	34%	38%	13%

■ Excellent ■ Good ■ Average ■ Poor ■ Terrible
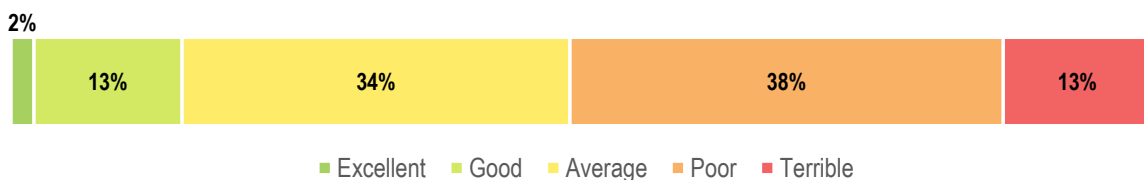
Capital Improvement Program

OVERALL RISK LEVEL

High

Impact	Likelihood	Preparedness	Trajectory
High	High	Low	Increasing – Low

Risk Mitigation

- Prioritize increasing funding for critical infrastructure projects. For example, the City could explore developing and implementing a bonding strategy to improve City infrastructure.
- Review the capital improvement planning process to identify opportunities for improvement
- Ensure that City Council is fully aware of the City's capital improvement and deferred maintenance needs

RESIDUAL RISK

Moderate-to-High

Risk Area: Risks associated with the capital improvement program, including planning, financing, construction, close-out, and capital asset management (including preservation and maintenance), tracking, reporting, accountability, and inventory.

Scope: In capital program management, issues of risk are closely tied to planning, financing, budgeting, construction management, and close-out. In addition, capital project construction contracts must be monitored to ensure full compliance with product and service specifications, equal employment opportunity, discrimination, prevailing wage, and fair labor standards laws.

The Public Works Department (Public Works) manages the City's capital improvement program. Its mission is to provide high-quality, state of the art civic infrastructure for a sustainable, safe, and vital City. As of fiscal year 2024, Public Works had 368 budgeted positions responsible for planning, designing, building, maintaining, and operating the City's infrastructure.

The City has an Infrastructure Capital Improvement Plan for 2025 – 2029 to support long term capital planning. This plan includes a list of 82 projects with a total project cost of over $800 million, $773 million of which was not yet funded when the capital improvement plan was adopted in 2023. Although having a Capital Improvement Plan is a positive step toward long-term capital planning and contributes to reduced risk, the City's budgeting decisions have largely not accounted for future infrastructure needs. In addition, staff survey results suggest that there are opportunities to improve the process by which the City identifies and prioritizes capital improvement projects.

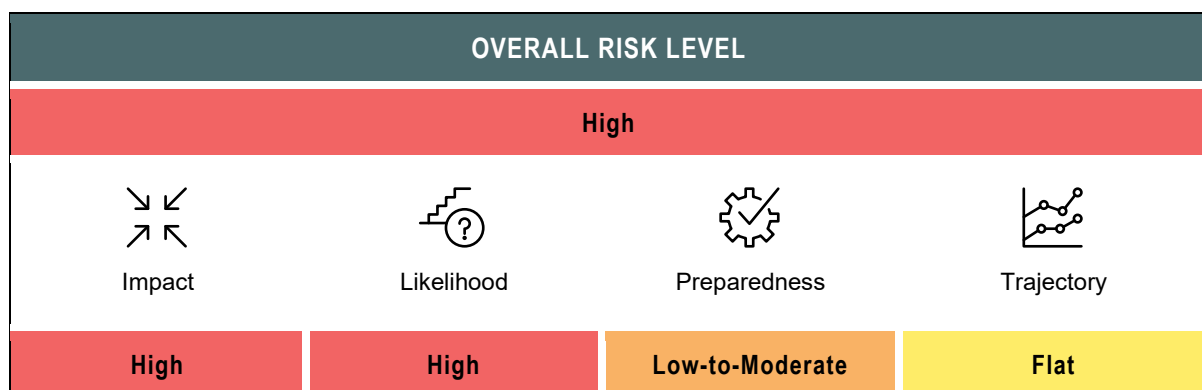|				
4%	12%	47%	29%	8%

■ Excellent ■ Good ■ Average ■ Poor ■ Terrible

Currently, there is reportedly $80 million worth of deferred maintenance and the City faces a large backlog of infrastructure needs, including road repairs, building maintenance, and park improvements. More specifically, stakeholders raised concerns about aging infrastructure with City Hall, the old fuel system, a wastewater plant, and two high-risk dams. The City uses the Facility Condition Index (FCI) to gauge the physical condition of infrastructure. The ranges of this scale are as follows:

- 0-5% FCI: Good
- 5-10% FCI: Fair
- 10-30% FCI: Poor
- 30%+ FCI: Critical

The City's 62 facilities included in its 2024 FCI Analysis have a combined FCI score of 15.5%. In 2038, without significant changes, this score is projected to increase to 39.2%, or critical condition.

This deferred maintenance may have contributed to the personal injury liability claims against the City (see also Risk Programs). Mounting deferred maintenance costs could also potentially lead to infrastructure failures. Such failures not only pose a direct risk to public safety but also expose the City to considerable financial and legal liabilities.
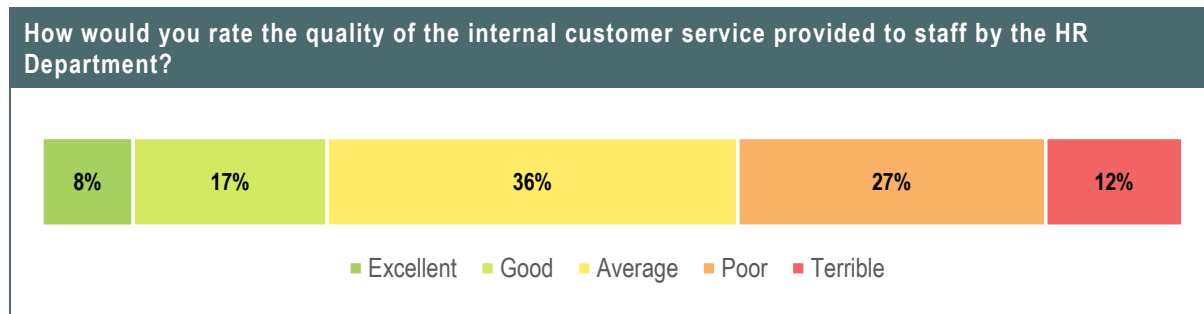
Human Resources

OVERALL RISK LEVEL			
High			
Impact	Likelihood	Preparedness	Trajectory
High	**High**	**Low-to-Moderate**	**Flat**

	Evaluate HR staffing to determine whether staffing levels are appropriate to meet the needs of the City
	Develop an employee recruitment and retention plan that identifies strategies for reducing challenges in these areas
	Strategically identify succession planning and position backup opportunities to promote retention of institutional knowledge
	Continue implementing compensation changes, as indicated by the recent compensation study, to ensure competitiveness of City pay
Risk Mitigation	Review and update HR policies and procedures to ensure they are current and comprehensive
	Conduct a process improvement analysis to identify opportunities for expediting the City's hiring processes
	Explore opportunities to automate and/or better standardize the onboarding process
	Develop and implement an employee performance evaluation framework
	Explore opportunities to improve workplace culture and shared accountability

RESIDUAL RISK

Moderate

Risk Area: Risks associated with labor management/contracts, employee performance, training, compensation, benefits, turnover, succession planning, grievances, overtime, resource availability, diversity, wellness, and communication.

Scope: Human resource practices can span functions including hiring, orientation, training, evaluating, counseling, career planning, compensation and benefits, and housing the policies that define an organization's expected levels of integrity, ethical behavior, and competence.

The Human Resources Department (Human Resources) reports directly to the City Manager and provides a wide range of human resources (HR) management functions for all City departments. Activities are divided into seven functional areas including: employee health and wellness, employee total compensation, employee and labor relations, employee training and development, employee recruitment and retention, HR compliance and operations, and HR innovation and technology. Human Resources' mission is to provide all City departments with HR services to effectively hire, develop, and retain a high-quality workforce. As of fiscal year 2024, Human Resources had 18 budgeted positions.

Society for Human Resource Management (SHRM) recommends between 1.5 and 4.5 HR staff per 100 employees. Human Resources, with a team of 17 members, is staffed below the minimum industry standard[13], which would recommend about 24 HR staff for an organization the size of Santa Fe. Understaffing in Human Resources may contribute to some of the risks described throughout this section and can contribute to Human Resources not having the resources or capacity to effectively

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[13] Society For Human Resource Management, *How Many HR Staff Members is Best?* January 18, 2024

manage the HR needs of the organization. Overall, respondents to the staff survey considered Human Resources internal services to be at least average.

How would you rate the quality of the internal customer service provided to staff by the HR Department?				
8%	17%	36%	27%	12%

■ Excellent ■ Good ■ Average ■ Poor ■ Terrible

Recruitment and Retention

Human Resources has faced challenges recruiting and retaining staff at the City. In 2023, the Citywide turnover rate was 15%, though the range of turnover varied greatly by department. The department with the highest turnover was Community Engagement at 35%, while turnover was the lowest in Public Works at 14%. The 2023 Bureau of Labor Statistic's turnover rate for state and local governments (excluding education) was 1.6%.[14]

Based on data provided by the City, 22% of positions were vacant as of January 19, 2024.[15] The 2023 nationwide vacancy rate average for state and local governments was 5.7%.[16] The City's challenges with its vacancy rate are likely associated with both internal inefficiencies and external factors, including the following:

- Staff noted the application site for recruitment is not user friendly and may deter applicants from applying
- Staff noted concerns about the timeliness of recruitment processes (see also Recruitment Processes and Staff Perceptions)
- Updated are needed to compensation (see also Compensation)
- The lack of affordable housing in the area may be contributing to the difficulty attracting and retaining qualified employees (see also Funding and Economics)
- There has reportedly been a shortage of qualified applicants for accountant roles in Finance as well as other positions requiring specialized skills such as mechanics, which is a common challenge for other cities

High turnover and vacancy rates pose several risks for the City, including reduced productivity and efficiency; increased costs associated with recruiting, hiring, and training new employees; and decreased morale. Additionally, such challenges can make it difficult for the City to achieve its goals

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[14] Bureau of Labor Statistics, Annual average total separations by industry and region, not seasonally adjusted, accessed 4/22/2024

[15] The City vacancy rate is measured by equally weighted positions, not full-time equivalent positions. FTE statistics were not able to be calculated
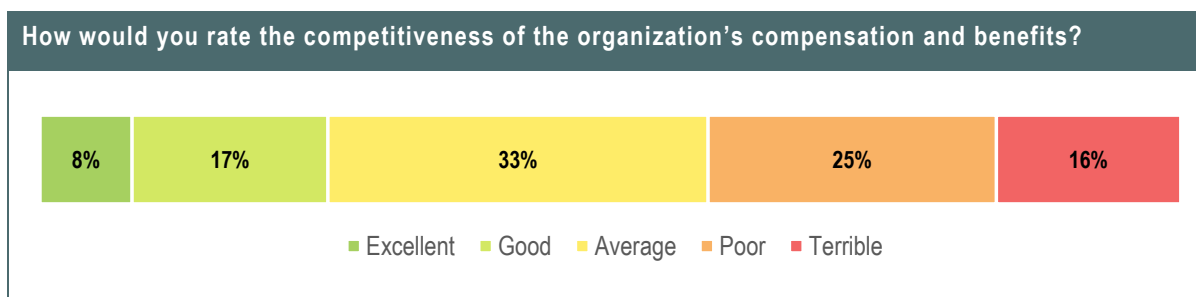
[16] Bureau of Labor Statistics, Annual average job openings rates by industry and region, not seasonally adjusted accessed 4/15/2024

and objectives, as employee turnover can reduce the continuity of operations and make it difficult to implement long-term projects or initiatives.

The City has also not prioritized succession planning, which presents particular risk for an organization with a retirement eligibility rate of 15% (see also Organization and Staffing). The City may be at risk of losing valuable institutional knowledge when staff members retire or leave the organization.

Compensation

The City completed a Classification and Compensation Study in December 2023 that provided insights into the City's current pay practices. The study highlighted the need for the City to establish new competitive pay plans and equitable pay grade assignments. Staff noted that they are working toward implementing a phased approach to the recommendations made in the study. Competitive pay is crucial for attracting and retaining talented employees. Staff survey results on pay competitiveness were mixed.

How would you rate the competitiveness of the organization's compensation and benefits?				
8%	17%	33%	25%	16%

■ Excellent ■ Good ■ Average ■ Poor ■ Terrible

Total equals 99% due to rounding.
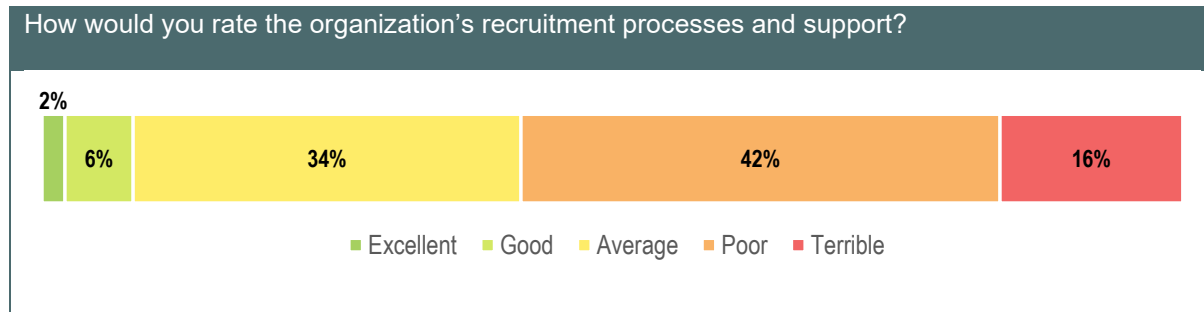
Policies and Procedures

Insufficient personnel rules, regulations, and policies were noted as an observation in a 2022 internal audit. Although the management response to this observation indicated ongoing efforts to address these shortcomings, we received limited policies and procedures from the City in this area and cannot evaluate the overall policy environment for Human Resources. It is important for HR policies and procedures to be comprehensive and up to date to reduce risks related to noncompliance, inconsistent practices, and inefficiency.

The City's current policies and procedures regarding discrimination and harassment are notably outdated, which presents a significant risk from a legal and reputational perspective. The Harassment Prevention Policy, which defines sexual and discriminatory harassment, provides examples of such behaviors, and outlines procedures in the event of policy violations, was developed in 1991 and last revised in 2005. Although the existence of a policy is important to protect employees, an outdated policy may not be in alignment with federal and state laws, adequately protect employees or the City from harassment incidents, or provide appropriate guidance for responding to such incidents.

Recruitment Processes and Staff Perceptions

According to data provided by Human Resources, the average time to fill a position between October 2023 to February 2024 was 33 days, which is not unusually long within the public sector. However, staff reported the recruitment process takes too long in both interviews in survey responses. In fact,
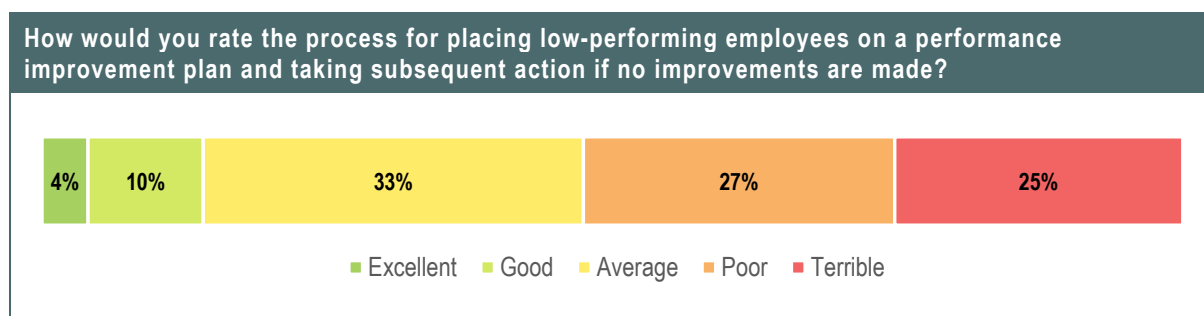
the recruitment process was identified as the key process concern in most interviews. More than half of survey respondents rated the City's recruitment processes and support as poor or terrible. Staff reported the length of the hiring process often results in applicants finding other jobs where they are hired quicker, which can lead to the loss of valuable talent. This disconnect between the time to fill and perceptions of the recruitment process may reflect a need for improved coordination and communication between Human Resources and other departments.

How would you rate the organization's recruitment processes and support?

2%

6%	34%	42%	16%

■ Excellent ■ Good ■ Average ■ Poor ■ Terrible

Talent Management

The City has limited structures and processes in place to foster high-quality organizational and professional development. Importantly, there is currently no performance evaluation process or system utilized by Human Resources to identify how staff members are performing. The City also does not have career development plans for employees. The lack of a performance evaluation system makes it difficult for Human Resources, supervisors, and City leadership to (1) identify areas of strength and weakness within the organization, and (2) to provide feedback and support to staff members to improve their performance.

Survey responses demonstrated two effects of the lack of a performance evaluation framework. A slight majority of respondents indicated that the process for managing out low-performing employees was of at least poor quality. Additionally, slightly less than half of respondents described their guidance on addressing employee performance gaps as poor, terrible, or non-existent.

How would you rate the process for placing low-performing employees on a performance improvement plan and taking subsequent action if no improvements are made?

4%	10%	33%	27%	25%

■ Excellent ■ Good ■ Average ■ Poor ■ Terrible

Total equals 99% due to rounding.

How would you rate any constructive guidance you have been provided on how to improve any performance gaps (clear steps on what needs to be improved, and what that improvement looks like)?

| 6% | 18% | 27% | 18% | 9% | 21% |

■ Excellent ■ Good ■ Average ■ Poor ■ Terrible ■ Not Received
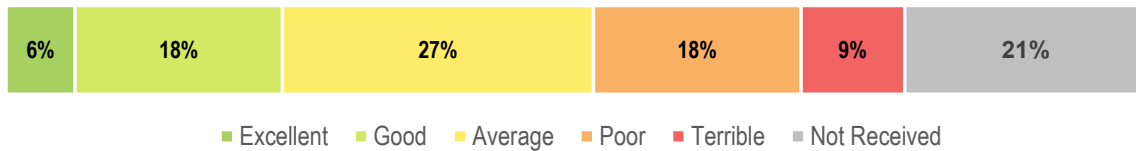
Total equals 99% due to rounding.

Workplace Culture

Workplace culture was reported as challenging for many staff, with reported instances of insufficient communication and a lack of accountability. In both interviews and open-ended survey responses, staff expressed concerns with a culture that displays a lack of accountability. Small majorities of survey respondents noted employees are not consistently held accountable for their actions. A lack of accountability can erode trust and respect among employees and lead to a culture of blame rather than individuals taking responsibility for their own actions. It can also lead to a lack of motivation and engagement among employees, as they may feel poor performance and inappropriate behavior goes without consequence. Addressing workplace culture and accountability is an important citywide effort that is necessary to reduce the risks noted above.

How often are non-supervisory employees consistently held accountable for their actions?

| 10% | 31% | 8% | 40% | 11% |

■ Always ■ Most of the time ■ About half the time ■ Sometimes ■ Never
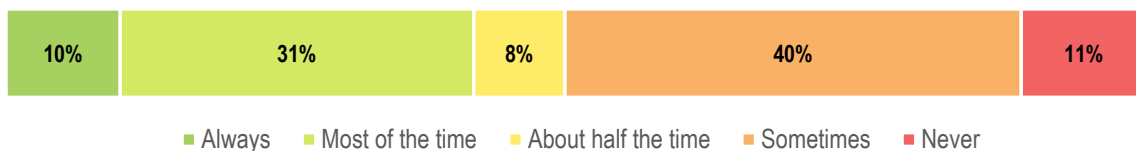
How often are management-level employees consistently held accountable for their actions?

| 13% | 24% | 6% | 32% | 25% |

■ Always ■ Most of the time ■ About half the time ■ Sometimes ■ Never

Additionally, the City does not perform regular employee satisfaction surveys. These surveys are useful tools for gauging employee morale, job satisfaction, and engagement levels. Without this feedback mechanism, the organization may miss valuable insights from its workforce. This could include feedback on existing policies, suggestions for improvements, or early warnings about potential issues or dissatisfaction among employees.

Organization and Staffing

OVERALL RISK LEVEL			
High			
Impact	Likelihood	Preparedness	Trajectory
High	**Moderate-to-High**	**Low-to-Moderate**	**Increasing – Low**

Risk Mitigation

- Conduct a Citywide staffing analysis to analyze staffing levels across the City and determine appropriate staffing levels
- Continue to prioritize additional hiring where needed
- Continue to prioritize the improvement and expedition of hiring processes (see also Human Resources)
- Particularly, prioritize the improvement of hiring for public safety positions, both for operational continuity and for the moderation of overtime expenses
- Consider the unification of internal service functions into a single department
- Ensure that the Deputy City Manager is appropriately leveraged to moderate the size of the span of control of the City Manager

RESIDUAL RISK
Moderate

Risk Area: Risks associated with how personnel are organized, as well as staffing levels and skills.

Scope: An entity's organizational structure provides the framework to plan, execute, control, and monitor its activities. Organization and staffing encompass hierarchy, chain of command, span of control, and staffing levels. Staffing includes specific positions, counts, and capacity. A relevant organizational structure includes defining key areas of authority and responsibility and establishing appropriate lines of reporting.

The City's organizational structure is composed of the following major departments: the City Attorney's Office, the City Manager's Office, Community Development, Community Engagement, Community Health and Safety, Finance, Human Resources, ITT and Telecommunications, Public Utilities, Public Works, and Risk Management and Safety. As of fiscal year 2024, the City had 1,612 budgeted positions.
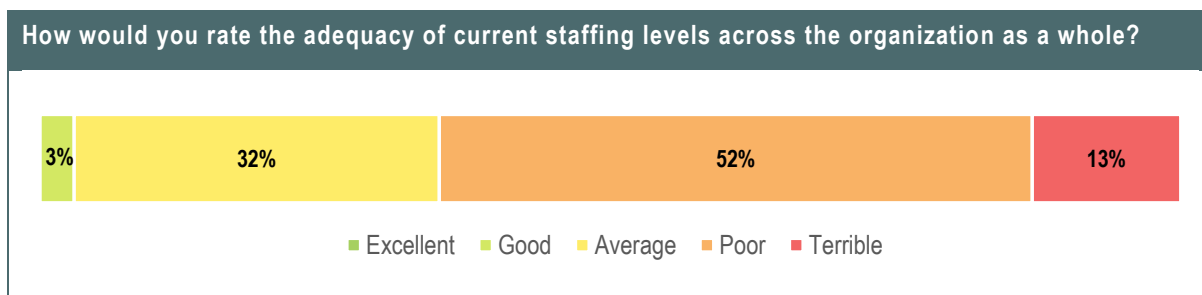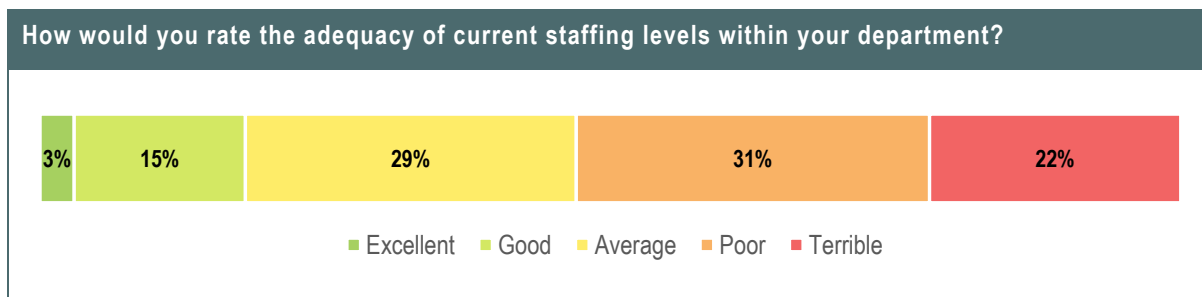
Staffing Levels

Staffing levels across City government have reportedly remained flat over the years, though we were unable to validate this since position counts were included in the City's fiscal year 2024 budget but not previous budgets. Both interview and survey data indicated that staffing is an area of particular concern for staff. In interviews, insufficient staffing levels at the City were repeatedly mentioned as a severe limitation on organizational and operational effectiveness. The City has reportedly not

conducted a Citywide staffing analysis to analyze staffing levels across the City and determine appropriate levels.

As measured in position numbers (not FTE), the City currently has a 22% vacancy rate, which is contributing to understaffing across the City. The vacancy rate is especially high in Public Works (36%). Elevated vacancy rates can result in decreased productivity, increased costs, and decreased employee morale.

There are also concerns that staffing levels will become worse within the next few years, as approximately 15% of City employees are eligible for retirement within five years. This rate is notably high in Fire (30%) and in Public Utilities (23%). Fire Department (Fire) retirements present particularly high levels of risk since lateral hires are much less common in Fire than in the Police Department (Police) and other departments due to historical and current hiring practices within the industry in New Mexico.

Interestingly, there is a notable gap between staff perception of sufficient staffing within their departments and within the organization as a whole. Although most survey respondents perceive staffing levels to be inadequate both within their department and the organization, respondents rated the adequacy of staffing levels across the City as a whole more negatively.

How would you rate the adequacy of current staffing levels within your department?

3%	15%	29%	31%	22%

■ Excellent   ■ Good   ■ Average   ■ Poor   ■ Terrible

How would you rate the adequacy of current staffing levels across the organization as a whole?

3%	32%	52%	13%

■ Excellent   ■ Good   ■ Average   ■ Poor   ■ Terrible

Organizational Structure

The City reorganized organizationally in fiscal year 2021 to reduce siloing and improve functional alignment. This change also reportedly reduced the number of staff directly managed by the City Manager and has reportedly helped the City better direct and manage staff overall.

There are currently nine department leadership staff who report to the City Manager, and only one who reports to the Deputy City Manager. This is a higher management span of control than is typically recommended for a City Manager position and suggests that the Deputy City Manager could be better leveraged to improve the large span of control of the City Manager. One option would be to

combine Finance, Human Resources, and IT into an administrative services department that reports to the Deputy City Manager.

While organizational charts were not detailed enough for us to review span of control citywide, many staff reported instances of a large number of direct reports for some supervisors, especially within the City Attorney's office and Public Works. Spans of control that are too large increase risks of ineffective management and supervisor burnout.

Overtime

Overtime usage within the City is high, posing a significant financial burden. In 2023 alone, the cost of overtime usage amounted to $7.2 million. Community Health and Safety was the largest contributor, accounting for $4.5 million in overtime costs. This high expenditure was primarily driven by Fire and Police, each incurring $2.2 million in overtime. Additionally, Public Works contributed $1.5 million to the overall figure. This high level of overtime usage not only strains the City's budget but also raises concerns about employee well-being and operational efficiency. For some roles, especially public safety, excessive overtime can present physical safety risks. Overreliance on overtime can lead to employee burnout and decreased productivity, which could impact the quality of public services.

Excessive overtime also factors into concerns about employee noncompliance with timecard approval policies and procedures (see also Compliance). There is currently no accountability mechanism to ensure that employees and supervisors approve timecards at appropriate intervals. Although approvals are established in policy, there is no mechanism to enforce compliance with policy, which increases the likelihood of timecard theft.

Planning and Strategy

OVERALL RISK LEVEL			
High			
Impact	Likelihood	Preparedness	Trajectory
High	High	Low-to-Moderate	Flat

Risk Mitigation	• Develop an enterprise-wide strategic plan • During the planning process, to address staff perceptions of inadequate engagement, purposefully and clearly solicit input from a wide variety of internal and external stakeholders • Facilitate the development of annual departmental operating plans • Update the City's General Plan • Develop key performance indicators (KPIs) to regularly assess the effectiveness of operations and strategic decision-making

RESIDUAL RISK
Moderate

Risk Area: Risks associated with how the organization plans for operations, strategy, and the future, including both short-term and long-range planning.

Scope: A comprehensive planning framework builds upon the strategic goals, and dives into the next layer of planning which looks at the strategic objectives for not only the enterprise, but sets objectives for the departments, divisions, programs, and individual roles.

At both the organization-wide and department levels, the City struggles to prioritize intentional and explicit planning. For example, the City does not have a public, enterprise-wide strategic plan. Enterprise-wide strategic planning helps to coordinate the goals and actions of the many members of a large, complex organization. Without a clear and comprehensive strategy, the City will have challenges prioritizing its resources effectively, responding to changing circumstances, and achieving its long-term goals.

While some departments create and maintain planning documents (like Public Works' Infrastructure Capital Improvement Plan and the Office of Affordable Housing's five-year consolidated plan), most departments do not consistently develop or use annual operating plans. Detailed operational planning is necessary for every department to ensure that they are prioritizing their resources effectively and are aligned with the City's overall vision and goals. Ideally, all department-level plans are aligned to an organization-wide strategy.

The City's General Plan was adopted in 1999. Although not explicitly an enterprise strategy document, general plans do delineate the future of City development and inform related plans, which impacts organizational strategy. General plans should be updated approximately every ten years.

In survey responses, staff displayed middling opinions of the City's planning capacity. Nearly half of all respondents rated organizational planning as Poor or Terrible. Approximately two-thirds of respondents provided negative opinions of the organization's solicitation of input from stakeholders during planning activities.

How would you rate the quality of organizational planning (strategic planning, annual operations planning, financial planning, etc.) that happens at the organization?

2%

14%	36%	34%	13%

■ Excellent ■ Good ■ Average ■ Poor ■ Terrible

Total equals 99% due to rounding.

How well does the organization solicit input from all impacted stakeholders (employees, community members, etc.) during planning activities?				
1%				
9%	24%	21%	45%	

■ Extremely well ■ Very well ■ Moderately well ■ Slightly well ■ Not well at all
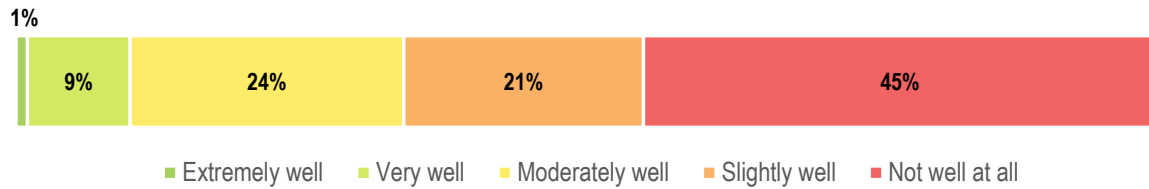
Key Performance Indicators

The City lacks a consistent approach to tracking goals or metrics that could guide work and decision-making processes. While such performance metrics may exist internally at the division level, they are not integrated into a broader, unified plan within the City's overall operations. This absence of a cohesive approach can lead to disjointed efforts and inefficiencies, making it challenging to measure progress or identify areas for improvement. KPIs are essential tools for gauging the effectiveness of operations and driving strategic decision-making. Without these, the City may struggle to align its various divisions toward common goals, potentially impacting its ability to deliver effective services to its constituents.
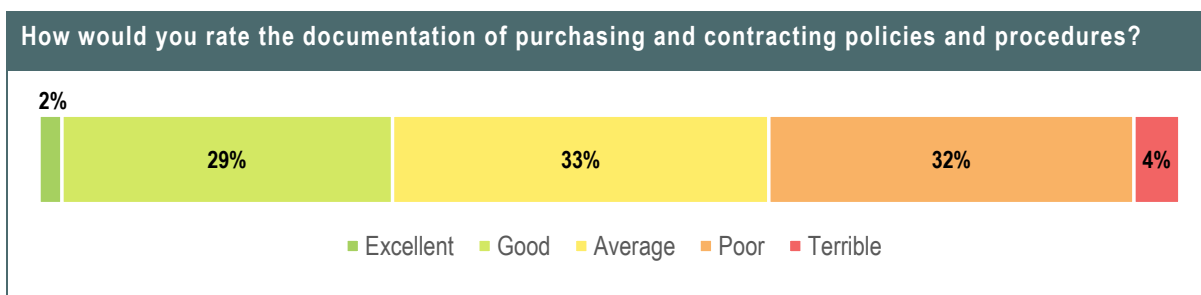
Procurement and Contracting

OVERALL RISK LEVEL			
High			
Impact	Likelihood	Preparedness	Trajectory
High	High	Low	Flat

Risk Mitigation

- Evaluate staffing in the Purchasing Division and increase staffing, as needed, to support efficient and effective operations
- Prioritize the formal adoption and implementation of the City's drafted procurement manual updates
- Evaluate procurement and contracting processes for opportunities to improve efficiency
- Increase capacity in procurement for developing policies and procedures, providing adequate training to departments, and improving customer service and support
- Prioritize the improvement of the purchasing card reconciliation process
- Explore the possibility and benefits of instituting a small, direct purchase/no competition threshold under which a signature from the City Manager would not be required

RESIDUAL RISK
Moderate

Risk Area: Risks associated with purchasing processes (e.g., specifications development, bidding, selection) and contract administration (e.g., compliance with terms and conditions, payments, change orders) for goods, services, and capital programs.

Scope: Procurement and contracting includes purchasing processes (e.g., purchase orders, bidding, selection) and contract administration (e.g., compliance with terms and conditions, payments, change orders) for goods and services.

The City's Purchasing Division (Purchasing) provides for the acquisition of property, construction projects, goods, services, and tangible personal property. As of fiscal year 2024, Purchasing has four staff, including a Chief Procurement Officer and three staff who support purchase requisitions and contracts. Many staff, both within and outside of the procurement function, reported that Purchasing is understaffed. High workloads within Purchasing reportedly have a negative impact on service delivery and the ability of Purchasing to strategically manage the City's procurement needs or implement more robust procurement processes. Additionally, limited staffing has impacted the ability of Purchasing to cross-train and engage in succession planning, which creates risks to continuity of operations in this area.

Procurement Policies and Procedures

The procurement manual was last updated in 2020. Purchasing has reportedly been working on and has drafted many updated procurement policies to better reflect the City's e-procurement process, which was adopted in 2019. However, these policies have not yet been finalized. The need for updated policies and procedures was noted in a previous Procurement and Accounts Payable internal audit in fiscal year 2019 but was not addressed, likely due to capacity challenges. Staff opinions on the documentation of procurement policies and procedures were mixed, as shown in the following survey result. Without up-to-date procurement policies, the City is at increased risk of being out of compliance with laws and regulations. Additionally, policies may not reflect current best practices or technology, which can create inefficiencies and waste resources.

How would you rate the documentation of purchasing and contracting policies and procedures?

2%	29%	33%	32%	4%

■ Excellent ■ Good ■ Average ■ Poor ■ Terrible

Procurement and Contracting Processes

Procurement processes were noted by many interviewed staff as an area of high concern. Purchasing and contracting processes were described as slow, cumbersome, and complex. However, these processes have reportedly changed significantly over the last five years to implement improved

controls and increase compliance with laws and regulations, and it is unclear whether staff concerns about procurement are due to inefficient processes, necessary changes made to strengthen internal controls, or both.

Whether procurement processes are inefficient, or staff are not clear on the importance of adjusted procurement controls, both concerns present increased risk for the City. Inefficient procurement processes can lead to delays in acquiring goods and services that are necessary for the City to operate efficiently, result in increased costs, and impact supplier relationships. Staff not understanding or accepting the importance of strong procurement-related internal controls can lead to them making unintentional errors or mistakes, or intentionally working around established processes. Additionally, a lack of understanding can contribute to continued staff frustration with the process, which can impact employee morale and productivity. Multiple interviewed staff noted that some departments seek to circumvent established procurement policies and processes, knowingly or unknowingly. Given Procurement's understaffing, there is little capacity to provide the necessary training to staff to address this challenge. As noted previously, processes that are not adequately understood and accepted by staff can incentivize attempts to circumvent policies and procedures, increasing risks related to fraud and public reputation.

A result of the City's Munis system implementation, which impacts efficiency for both departmental and procurement staff, is that there is only room for 60 characters in an e-procurement rejection within the system, so purchasers may not understand what the issue is when their procurement request has been rejected. Procurement staff are reportedly stretched too thin to proactively provide in-depth follow-ups with department staff.

Other Areas of Notable Risk

Purchasing cards (P-cards) present an area of particularly high risk for the City. There are few controls and there is limited enforcement for policies that do exist. Reconciliation of P-cards is meant to be done monthly, but the City has struggled to keep this process timely due to understaffing and high workload concerns. Eventually, each month is reconciled individually, even if five or six months are reconciled at a similar time when workloads allow staff to focus on this important task. Delayed reconciliations can increase the risk of fraudulent activity going undetected and can increase compliance risks.

Additionally, all purchases valued at $150,000 and under are signed by the City Manager, while all procurements valued above this threshold must be approved by City Council (this threshold will increase to $200,000 on July 1, 2024). The Institute for Public Procurement (NIGP) notes that most governments have a small, direct purchase/no competition threshold somewhere between $2,500 and $25,000, under which a signature from the City Manager would not be necessary. The City may be cultivating undue inefficiency by not implementing such a practice.[17]

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[17] NIGP: The Institute for Public Procurement, The Public Procurement Guide for Elected and Senior Government Officials, 2016

Risk Programs

OVERALL RISK LEVEL

High

Impact	Likelihood	Preparedness	Trajectory

High	Moderate-to-High	Low-to-Moderate	Increasing – Low

Risk Mitigation

- Clarify roles and responsibilities between Risk Management and Safety, Finance, and Human Resources related to risk management activities
- Analyze policies, procedures, processes regarding interdepartmental coordination between Risk Management and Safety and Human Resources to ensure compliance with Family and Medical Leave Act laws for individuals on workers' compensation
- Update the City's Emergency Management Strategic Plan
- Update the City's Emergency Operations Plan and ensure that it considers people with disabilities
- Create a continuity of operations plan

RESIDUAL RISK

Moderate

Risk Area: Risks associated with the organization's formal/structured risk management programs, such as employee health and safety programs, operational risk management programs, and incident response and emergency management efforts. Also includes employee safety and physical security.

Scope: Risk programs include administration of the general liability, workers' compensation, safety, disability management and property programs. Risk efforts also include contract/insurance certificate review, insurance procurement, emergency preparedness programs, and continuity of operations planning.

In fiscal year 2024, the Risk Management Division of Finance and the Safety Division of the Emergency Management Department were combined and incorporated into a single Risk Management and Safety Division (Risk Management and Safety) under the supervision of the Deputy City Manager. Risk Management and Safety assists City departments with identifying, managing, and mitigating hazards and risks to the City. This includes responsibility for Workers' Compensation claims and employee health and safety. As of fiscal year 2024, Risk Management and Safety had six budgeted positions.

Staff reported roles and responsibilities between newly Risk Management and Safety and other departments that relate to risk, like Finance and Human Resources, are not clear. This increases risk for the City because it can lead to wasted time and resources due to duplication of effort, errors or inconsistencies in processes due to a lack of clarity, and increased risk of noncompliance.

For example, although the City's worker's compensation program is currently managed by Risk Management and Safety, there is a notable lack of coordination between this department and Human Resources. This lack of coordination could potentially lead to non-compliance with Family and Medical Leave Act (FMLA) laws for individuals on workers' compensation. Furthermore, there are concerns that the City may not be consistently ensuring accommodations. This lack of coordination and potential non-compliance pose a significant risk, as they could lead to legal complications or financial penalties.

Infrastructure

The City's backlog of municipal infrastructure maintenance and replacement needs has been associated with a concerning number of issues related to liability claims, as evidenced by the significant amount of money paid out to claimants in recent years. Since 2013, the City has paid $9.4 million in claims, and since January 1, 2022, the City has paid nearly $4 million in claims, which suggests an increase in recent years. Staff interviews noted that the City is paying out a significant amount of lower-level risk claims, such as claims related to potholes or sidewalk issues. Staff also reported that it is difficult to gather information necessary to defend the City against such claims, which may be contributing to the degree of payouts. The City does not have a comprehensive risk management strategy to address these issues (see also Capital Improvement Program). The City's deferred maintenance needs may also mean that ADA standards may be unmet, which decreases safety and increases potential liability.

Insurance

Insurance presents a notable risk for the City, particularly in light of the large increase in claims in recent years. Like nearly all organizations and everyday consumers, the cost of insurance has risen significantly over the past few years. The City's insurance costs last year totaled $5 million, compared to less than $2 million the prior year. These issues with liability claims have risen to the point where the City's current insurer is reportedly pulling coverage in July 2024. Interviewed staff did not know of any planning currently being done around how the City will find coverage in the future. This lack of planning is a significant risk for the City, as it may struggle to find affordable coverage or may face gaps in coverage that could leave it exposed to significant liabilities.
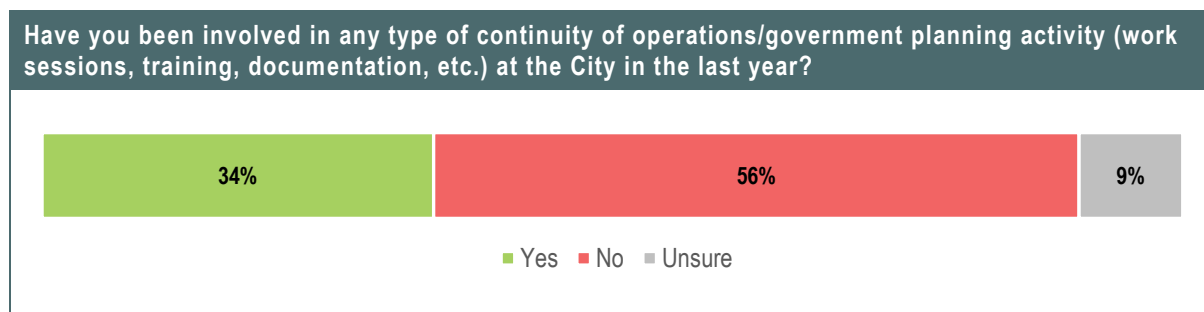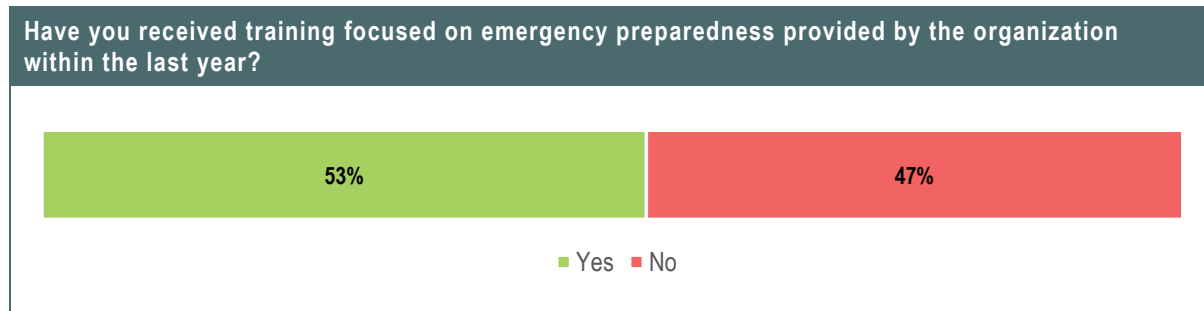
Emergency Preparedness

The City has not prioritized planning and strategy to address potential emergencies that could impact City operations. The City's Emergency Management Strategic Plan was crafted for 2018 – 2022, and the City's Emergency Operations Plan was last updated in 2010. Typically, emergency operations plans should be updated every two to three years. Outdated plans can impact the City's ability to respond effectively to disasters and increase legal and financial liabilities if the City inadequately responds to a disaster.
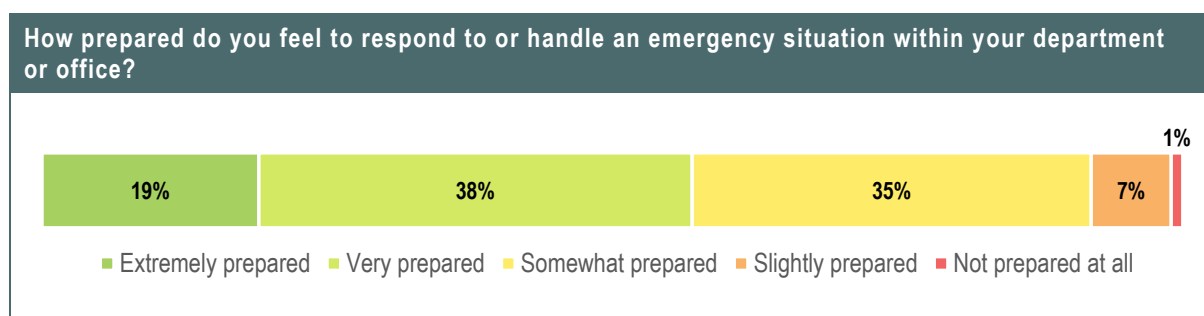
The City does not have a continuity of operations plan (COOP), which differs slightly from an Emergency Operations Plan. A COOP defines and plans how vital City services will continue to be performed during a wide range of emergencies. Without a COOP, the City may not be prepared to maintain essential services during an emergency or disaster, which can impact public safety and well-being and increase financial and legal liabilities.

Emergency preparedness plans should make sure to involve consideration of people with disabilities. Although the outdated Emergency Management Strategic Plan displays evidence of this consideration, the Emergency Operations Plan does not.

Almost half of survey respondents indicated they had not received training focused on emergency preparedness in the past year, and over half of surveyed staff indicated they had not been a part of any continuity of operations planning during the past year. Additionally, while the majority of staff reported feeling prepared to respond to an emergency situation, 43% felt only somewhat, slightly, or not prepared. It is important for staff to receive regular emergency preparedness training to reduce individual and organizational risk and increase preparedness.

Have you received training focused on emergency preparedness provided by the organization within the last year?

53%	47%

■ Yes ■ No

Have you been involved in any type of continuity of operations/government planning activity (work sessions, training, documentation, etc.) at the City in the last year?

34%	56%	9%

■ Yes ■ No ■ Unsure

Total equals 99% due to rounding.

How prepared do you feel to respond to or handle an emergency situation within your department or office?

				1%
19%	38%	35%	7%	

■ Extremely prepared ■ Very prepared ■ Somewhat prepared ■ Slightly prepared ■ Not prepared at all
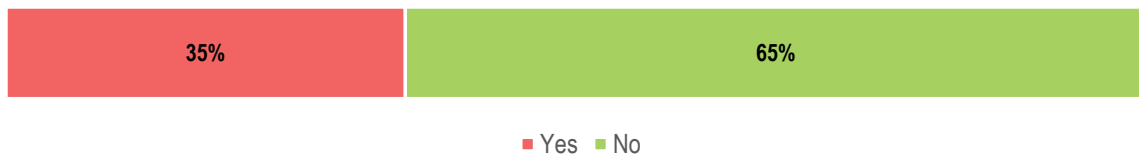
Staff Perceptions of Safety

Staff survey results indicated both strengths and weaknesses related to employee safety. About 37% of respondents rated the overall level of physical security within the facility or location they work as poor or terrible, which suggests these employees do not feel safe or secure in their workplace. Additionally, one third of survey respondents reported they had experienced an incident where they felt unsafe at work in the last two years. In addition to general safety risks, this can increase liability issues for the City and impact employee morale and productivity.

How would you rate the overall level of physical security within the facility and/or location in which you work?

6%	17%	39%	25%	12%

■ Excellent ■ Good ■ Average ■ Poor ■ Terrible
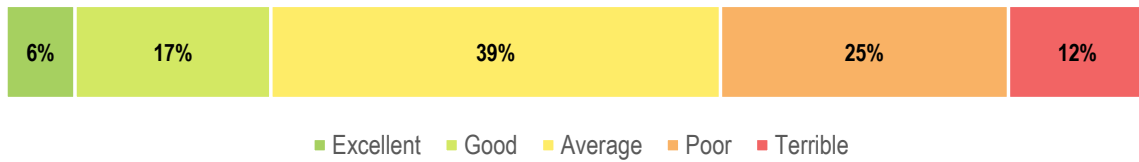
Total equals 99% due to rounding.

In the last two years, have you experienced an incident or time where you've felt physically at risk or unsafe while working at the organization?

35%	65%

■ Yes ■ No

B. MODERATE-TO-HIGH RISK CATEGORIES

Compliance

OVERALL RISK LEVEL			
Moderate-to-High			
Impact	Likelihood	Preparedness	Trajectory
Moderate-to-High	Moderate-to-High	Low-to-Moderate	Flat
Risk Mitigation	- Prioritize fostering a culture and broader organizational practice of improved compliance - Implement recommendations from prior audits and develop a process for audit recommendation tracking to improve accountability and action - Improve controls over financial reporting and related processes, including financial close procedures and grants reporting - Develop internal controls to ensure compliance with the New Mexico Open Meetings Act - Develop an accountability mechanism to enforce compliance with the City's timekeeping and timecard approval policies - As a part of the City's efforts to improve internal controls in Finance (see also Accounting and Finance), prioritize compliance controls for grants		

RESIDUAL RISK
Low-to-Moderate

Risk Area: Risks associated with compliance with laws, regulations, and requirements. This includes but is not limited to requirements related to labor, health and safety, and the environment. It also includes risks associated with emerging laws and regulations.

Scope: Risks organizations face when they are unable to follow internal policies or government laws and regulations and may be subjected to legal penalties and financial fines.

Cities are expected to remain in compliance with a large and growing number of laws and regulations, including but not limited to requirements related to financial statements, labor, health and safety, and the environment. Failure to meet compliance regulations can lead to a variety of consequences ranging from legal penalties to financial loss to reputational damage. As is common in most organizations, compliance at the City is managed by a combination of departments and individuals depending on the specific area of compliance. Key departments included involved in ensuring the City remains compliant with laws and regulations include the City Attorney's Office, Risk Management and Safety, Human Resources, and ITT.

A series of audits in the last five years have identified compliance deficiencies and weaknesses in the City's operations. The audits, and a summary of the compliance issues identified, are as follows:

- **External Annual Financial Audit (Fiscal Year 2022):** Material weaknesses related to grant reporting, financial close and reporting, journal entries, cash balances, matching and financial reporting, and allowable costs, and significant deficiencies related to payroll controls and federal grants reporting
- **Human Resource and Payroll Internal Audit (February 2022):** Unknown super users, outdated policies and procedures, and limited disciplinary training/education
- **Public Utilities Division Internal Audit (March 2021):** Highly dependent on contractors for software, outdated billing system, and super user access for all division employees
- **Police Department Evidence Unit (June 2021):** Outdated policies and procedures, errors in tracking evidence movements, and no annual audits
- **Leases Internal Audit (April 2020):** No centralized lease management, no policies or procedures, compliance issues with GASB 87, and outdated payment methods

In general, prior audits have highlighted the need for improved compliance processes and procedures, and a greater emphasis on training and education for employees. While some issues from these previous audits have been addressed, staff reported many are still in progress.

Staff noted in interviews and survey results that there is a perception of a weak culture of compliance in the City. In fact, over 70% of survey respondents believe it is somewhat or extremely likely that the City will experience an issue related to compliance with laws, regulations, and policies in the next year. The lack of a strong culture of compliance can lead to a high risk of noncompliance with laws, regulations, and policies, which as previously noted, can result in legal, reputational, and financial risks for the City.

What do you feel are the chances that the organization will experience any issue with compliance (late or missed reporting; noncompliance with safety requirements; breach of sensitive data, etc.) within the next year?

2%

6%	19%	48%	24%

■ Extremely unlikely ■ Somewhat unlikely ■ Uncertain ■ Somewhat likely ■ Extremely likely
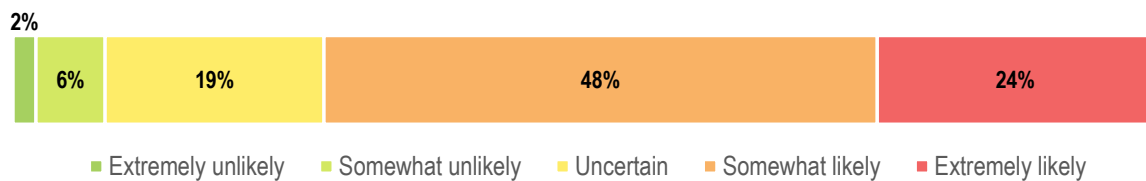
Total equals 99% due to rounding.

Financial Reporting and Grants Compliance

As noted in the Accounting and Finance section, there are limitations in the City's financial reporting processes that increase risks of noncompliance for the City. The City's limited financial policies and procedures in finance and accounting, prior use of cash basis accounting, and need for improved financial close procedures can all lead to inconsistencies in financial reporting, errors in financial statements, and an increased likelihood of noncompliance.

The City also has a high risk of noncompliance related to grants. As previously noted, the City's most recent financial statement audit (fiscal year 2022) noted a material weakness and significant deficiency related to the City's grants reporting processes, noting that the City was unable to appropriately segregate grant funding within its accounting system, had limited reconciliation and review processes, and did not submit necessary grant reports timely. Interviewed staff noted these issues still exist and generally expressed significant concerns with the City's decentralized processes for grant compliance. The following concerns were highlighted in interviews:

- Staff reported insufficient controls to ensure that grants are appropriately managed, monitored, and reported citywide.
- Grant funds are reportedly often inappropriately commingled and not properly coded, so staff capacity to report expenditures to individual grants is very difficult. This is at least partially attributable to the City's transition from E1 to Munis restricting staff's ability to track grants funds, along with insufficient change management providing staff with the requisite knowledge to track and report on grant funds using the new system.
- Staff reported that given the decentralized nature of grants management, many individuals involved with grants reporting and compliance do not have sufficient knowledge of federal grant requirements.
- There have reportedly been instances of staff signing for grants valued at millions of dollars without signature authority.

In addition to concerns noted in interviews, nearly two-thirds of survey staff said grant compliance monitoring systems were poor, terrible, or did not exist.

How would you rate the quality of the systems used to track and monitor grants for compliance purposes?

11%	26%	24%	26%	13%

■ Excellent ■ Good ■ Average ■ Poor ■ Terrible ■ Does Not Exist
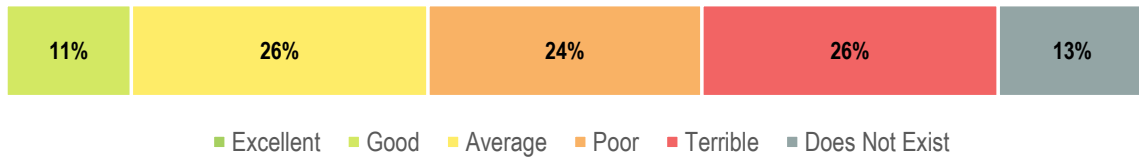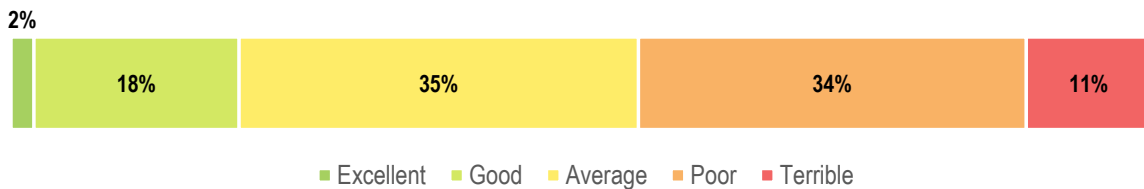
Other Compliance Concerns

There are concerns regarding the City's compliance with the New Mexico Open Meetings Act. For example, staff members reported frequent issues with getting commission and committee meeting minutes uploaded online, with some minutes going up late or never being uploaded at all. This is noncompliant with the New Mexico Open Meetings Act, which requires that all meetings be open to the public and that minutes be made available to the public in a timely manner. Failure to comply with the Open Meetings Act can result in legal and reputational risks for the City and a loss of public trust and confidence.

Compliance with timecard approval policies and procedures is another notable struggle for the City. Although training on timekeeping policy is required, there is no accountability mechanism to ensure that employees and supervisors approve timecards at appropriate intervals. Employees and supervisors are allowed to repeatedly break policy regarding timecard submittal and approval without consequence.

The City's compliance training environment exhibits both strengths and weaknesses. New staff members are required to attend an orientation that covers some key compliance topics, such as public records, fraud, and harassment prevention policies. Furthermore, training opportunities are available for compliance-specific topics through LocalGovU, a partner of the City that offers online training opportunities. However, because these trainings are not mandatory, they are underutilized. Additionally, almost half of survey respondents rate the City's compliance-related training resources as poor or terrible. Insufficient or low-quality training impacts the level of knowledge and expertise among staff members regarding identifying noncompliance and taking steps to ensure compliance.

How would you rate the quality of resources/training provided at the organization about how to remain in compliance with laws, regulations, and requirements?

2%

18%	35%	34%	11%

■ Excellent ■ Good ■ Average ■ Poor ■ Terrible

Ethics and Fraud, Waste, and Abuse

OVERALL RISK LEVEL

Moderate-to-High

Impact	Likelihood	Preparedness	Trajectory
Moderate-to-High	Moderate-to-High	Moderate	Flat

Risk Mitigation

- Update the City's Code of Ethics, Harassment Prevention Policy, and Fraud Prevention Policy
- Ensure that the City provides sufficient training on fraud, waste, and abuse (FWA) prevention on a regular cadence
- Provide consistent messaging throughout the organization to support ethical behavior and safe reporting practices
- Clearly communicate and enforce non-retaliation policies

RESIDUAL RISK

Low-to-Moderate

Risk Area: Risks associated with misappropriation of funds, extravagant spending, using one's position to accomplish a specific outcome, the intent to deceive, or behavior that does not align with the organization's ethical values and policies.

Scope: The employees of the organization have a duty to use funds economically, efficiently, effectively, and ethically. When employees do not honor this obligation, it could result in instances of FWA or unethical behavior.

Policies, Procedures, and Training

The City maintains a Code of Ethics that establishes a standard of conduct that promotes ethical behavior, integrity, and professionalism. This code covers topics from public official disclosures, improper gifts, nepotism, and more. The City also has two specific policies in the Administrative Manual to further protect employees: the Harassment Prevention Policy and the City Fraud Prevention Policy, both of which includes whistleblower protection. Human Resources maintains the City's ethics hotline, which is managed by a third-party contractor to ensure neutrality and protect confidentiality. However, if the complaint is about Human Resources, it is forwarded to Legal.

Although these are important protections to offer employees, it is also important to regularly revisit and update policies and procedures. The City's Code of Ethics, Harassment Prevention Policy, and Fraud Prevention policies haven't been updated since the mid-2000s, so they may not reflect current legal and regulatory requirements and emerging issues and concerns. This creates potential legal and reputational risks for the City and can result in increased incidents of harassment and fraud. In

addition, outdated policies may not provide adequate guidance and support to employees who experience harassment or witness fraudulent activities. This could lead to underreporting of incidents and a lack of accountability for those who engage in such behavior.

In addition to up-to-date policies and procedures that define FWA and the associated consequences, an effective FWA program includes regular training programs to educate employees about FWA risks and reporting mechanisms. Although most survey respondents (91%) reported receiving ethics training within the past two years, nearly half of respondents reported not receiving FWA prevention training within that same timeframe. Additionally, about one-third of survey respondents reported they would not know what to do if they became aware of unethical or fraudulent activity. Insufficient FWA training could increase the likelihood of FWA incidents occurring, as staff members may not be aware of the proper procedures and protocols to follow. It is important for the City to prioritize FWA training and ensure that all staff members receive regular training to prevent incidents of FWA.

Have you received training focused on fraud, waste, and abuse prevention provided by the organization within approximately the last two years?

54%	46%

■ Yes ■ No
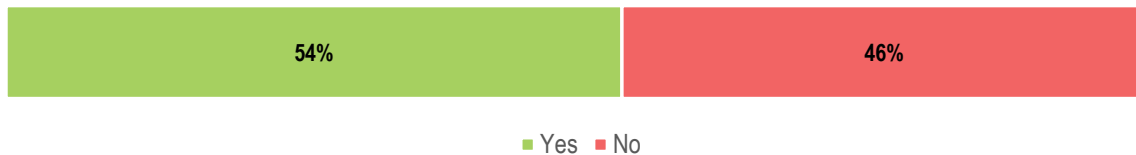
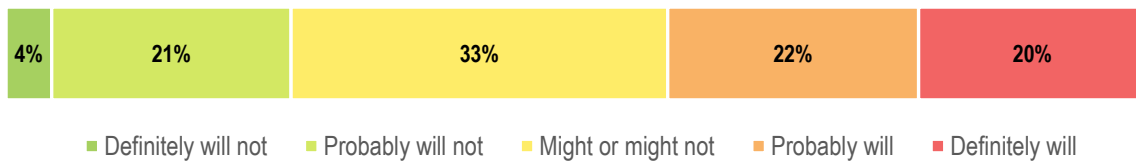**Have you received training focused on ethics provided by the organization within approximately the last two years?**

91%	9%

■ Yes ■ No
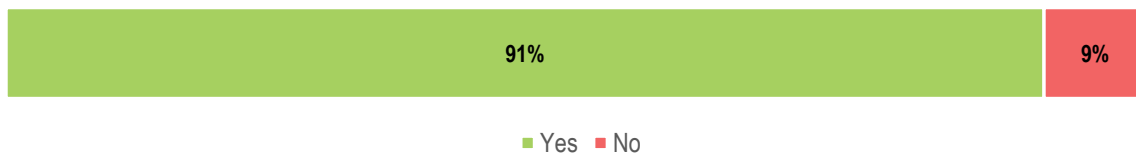
Do you know what action(s) to take if you were to become aware of unethical or fraudulent activity?

66%	24%	10%

■ Yes ■ Maybe ■ No
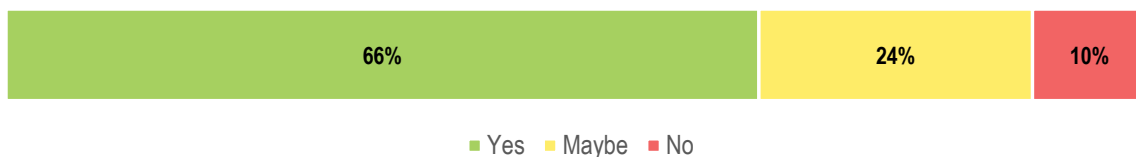
Staff Perception

Issues related to FWA are areas of concern for staff members. Several interviewees highlighted concerns regarding timekeeping fraud, meals without receipts, and equipment theft. Additionally, over 40% of survey respondents believe that an incident of FWA is likely to happen in the next year, highlighting the need for effective measures to prevent such incidents from occurring.

How likely is it that you believe an incident of fraud, waste or abuse would occur at the organization within the next year?

4%	21%	33%	22%	20%

■ Definitely will not ■ Probably will not ■ Might or might not ■ Probably will ■ Definitely will
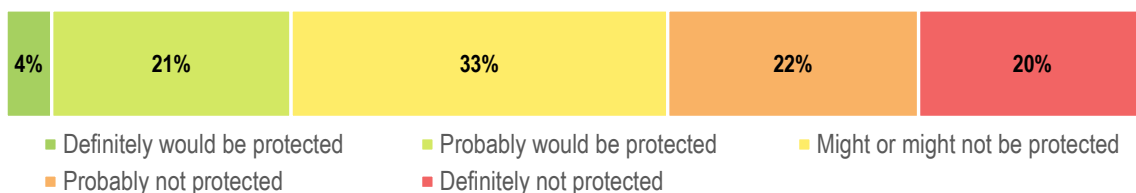
Staff survey results demonstrate a notable gap between staff perceptions of whistleblower protections and staff perceptions of managerial willingness to correct wrongdoing. Although staff are largely confident that their managers would address wrongdoing if reported, staff largely do not have faith that they would be protected from retaliation if they reported wrongdoing. Care should be taken to ensure reporters of wrongdoing feel adequately protected. Both actual and perceived retaliation erodes trust, discourages reporting, and makes it harder for organizations to identify and correct unethical or fraudulent behavior, perpetuating its prevalence. Ultimately, messaging from the top down through all management and staff needs to be clear that unethical, FWA behavior is not tolerated and that reporting is highly encouraged and will result in corrective action where appropriate.

What are the chances that management above you would make efforts to stop wrongdoing if you reported it?

30%	30%	23%	9%	7%

■ Definitely would ■ Probably would ■ Might or might not ■ Probably would not ■ Definitely would not

Total equals 99% due to rounding.

What are chances that you would be protected from retaliation if you reported wrongdoing?

4%	21%	33%	22%	20%

■ Definitely would be protected ■ Probably would be protected ■ Might or might not be protected
■ Probably not protected ■ Definitely not protected

Policies and Procedures

OVERALL RISK LEVEL
Moderate-to-High

Impact	Likelihood	Preparedness	Trajectory
High	**Moderate-to-High**	**Low-to-Moderate**	**Flat**

Risk Mitigation

- Conduct a policy inventory and gap analysis to determine key policy and procedure needs
- Prioritize the development of policies and procedures to address policy gaps
- Develop and enforce a policy on policies to provide a framework for the development, use, and updating of policies and procedures
- Maintain a centralized database of policies and procedures to make the easily accessible to staff

RESIDUAL RISK
Moderate

Risk Area: Risks associated with policies, processes, and procedures including efficiency, effectiveness, and level of documentation.

Scope: Policies and procedures play a critical role in providing the guidance required to ensure all functions operate efficiently, effectively, safely, and consistently across the organization. A policy establishes what should be done, and procedures effect the policy. Policies and procedures also play an important role in protecting against the loss of institutional knowledge.

Policies and procedures provide rule-based frameworks for governing and guiding operations and organizational management. Nearly all aspects of effective organizational management can and should be guided by a framework of policies and procedures. There are gaps in City policies and procedures, where the City would benefit from having more and/or improved policies and procedures. For the most part, detailed descriptions of these policy gaps and their effects can be read in further depth in the section corresponding to their subject area. These policy gaps include:

- Limited policies and procedures for finance and accounting, such as those related to budgeting, cash management, accounts receivable and payable, financial reporting, and asset management (see also Accounting and Finance)
- Insufficient personnel rules, regulations, and policies (see also Human Resources)
- Outdated procurement policies (see also Procurement and Contracting)
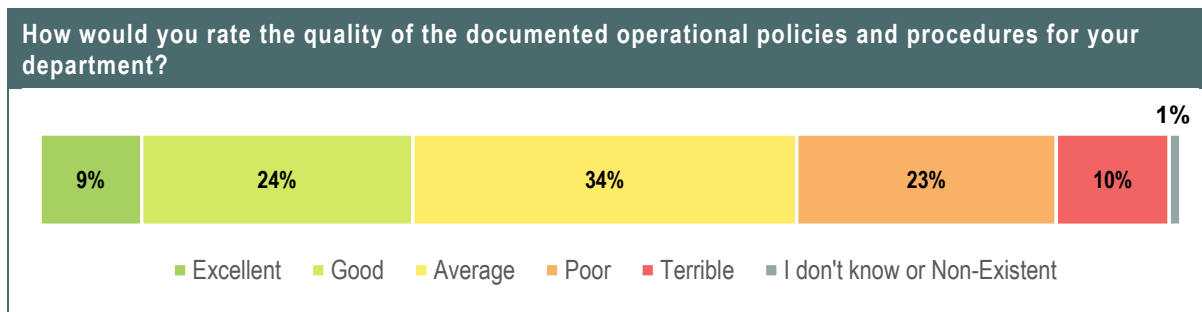- Accountability mechanisms built into existing or improved timecard approval policies (see also Compliance)

- A Code of Ethics, Fraud Prevention Policy, and Harassment Prevention Policy that have not been updated in over 15 years (see also Ethics and Fraud, Waste, and Abuse)
- The lack of a crisis communication policy (see also Reputation and Public Perception)

The City also does not maintain a centralized database of policies to make them easily accessible to staff. This can create several risks for the organization as staff may not have access to the most up to date policies and procedures, which can increase risks of noncompliance and overall inefficiency.
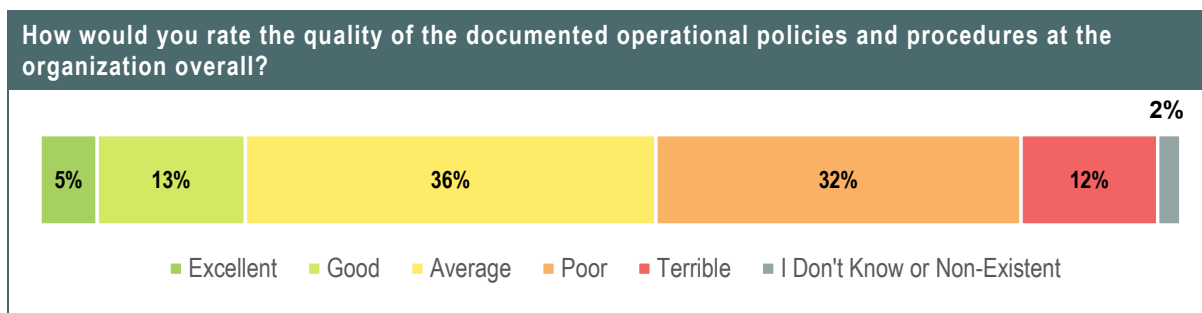
Additionally, the City also does not maintain a policy providing a framework for the development, use, and updating of policies. This can lead to policies being developed inconsistently across different departments, inadequate reviews or approvals, and difficulty ensuring policies remain relevant and up to date.

Staff Perceptions

The median staff respondent considers documented policies and procedures in their specific department as good or average while the median staff respondent considers documented operational policies and procedures across the organization as a whole as poor. This could indicate a preference toward one's own department, or it could indicate a relative dissatisfaction with Citywide policies.

How would you rate the quality of the documented operational policies and procedures for your department?

					1%
9%	24%	34%	23%	10%	

■ Excellent ■ Good ■ Average ■ Poor ■ Terrible ■ I don't know or Non-Existent

Total equals 101% due to rounding.

How would you rate the quality of the documented operational policies and procedures at the organization overall?

					2%
5%	13%	36%	32%	12%	

■ Excellent ■ Good ■ Average ■ Poor ■ Terrible ■ I Don't Know or Non-Existent

Public Safety

OVERALL RISK LEVEL			
Moderate-to-High			
Impact	Likelihood	Preparedness	Trajectory
Moderate-to-High	**Moderate-to-High**	**Moderate**	**Increasing – Low**

Risk Mitigation

- Prioritize the hiring of public safety employees and the improvement of hiring processes for public safety employees (see also Human Resources)
- Develop a comprehensive succession plan to ensure continuity of operations for Fire, anticipating the departure of nearly one-third of department employees eligible for retirement within five years
- Take action to reduce crime rates and increase clearance rates
- Evaluate whether the former plans for the new fire station near the intersection of South Meadows Road and NM 599 should be revisited, and whether fire protection needs are currently sufficiently served by Fire's current infrastructure

RESIDUAL RISK
Low-to-Moderate

Risk Area: Risks associated with public safety services, including level of services, funding, and community issues.

Scope: Public safety includes emergency services such as law enforcement, fire, dispatch, and community disaster response programs.

Community Health and Safety aims to provide all people in Santa Fe with a safe, healthy environment in which to live, work, and to visit. The department includes the City's public safety related functions including Emergency Management, Fire, and Police.

- The Office of Emergency Management includes two budgeted positions (as if fiscal year 2024) and is responsible for coordinating the City's preparedness, response, recovery, and mitigation of natural and human-caused disasters and emergencies.
- Fire includes 199 budgeted positions (as of fiscal year 2024) and aims to preserve life and property through public education and prompt, efficient emergency response.
- Police includes 232 budgeted positions (as of fiscal year 2024) and aims to provide City residents and guests with a safe environment in which to live, work, and visit through professional service and quality policing.

Public Safety Staffing

Staff from both Police and Fire reported that staffing levels have not kept up with the increase in the volume of service calls over the years, which has negatively impacted service delivery. While Police and Fire staffing can vary depending on the specific needs of a community, industry staffing standards for police typically range from about 2 to 2.5 police officers per 1,000 population (about 178 to 223 police officers for the City), placing the City's police staffing above industry standards. According to the National Fire Protection Association (NFPA), the rates of career firefighters per 1,000 people protected have remained in the range of 1.54 to 1.81 firefighters per 1,000 population (about 137 to 161 firefighters for the City), placing the City's fire staffing above industry standards. However, there are high levels of overtime in both Fire and Police staffing (see also Organization and Staffing). This may indicate that the current staffing levels are insufficient to meet the current workload demands. Overtime also increases costs, safety risks, and can negatively impact morale.

The City's challenges with recruitment and retention (see also Organization and Staffing and Human Resources) are particularly consequential for Fire and Police. Public safety hiring processes in particular are reportedly not streamlined, which can lead to delays in filling critical positions and impact the ability of Police and Fire to respond to emergencies effectively.

Although the vacancy rates for both Fire (13%) and Police (16%) are below the Citywide vacancy rate (22%), staff from both departments reported recruitment has been a challenge. Turnover within Community Health and Safety, which houses both Police and Fire, was 17% in 2023. This was slightly above the Citywide average of 15%. In addition, nearly 30% of Fire employees are eligible for retirement within five years, double the Citywide rate of 15%. Around 14% of Police employees are eligible for retirement within five years. This can result in a high number of staff leaving employment around the same time, which can impact service quality and result in increased costs related to recruitment, training, and overtime.

Crime and the Perception of Crime

The City of Santa Fe saw a sharp increase in both violent crime and property crime from 2020 – 2022, coinciding with a sharp decrease in the clearance rate for both types of crime. Over these two years, property crimes increased 81% and violent crimes increased 108%.[18] However, the majority of employee survey respondents rated the overall feeling of safety in the community as average (44%), good (24%), or excellent (6%). Additionally, 40% of survey respondents rated the effectiveness of public safety services as either excellent or good.

VIOLENT CRIMES						
Year	2017	2018	2019	2020	2021	2022
Reported	289	333	337	393	785	819
Cleared	101	84	76	144	231	191
Clearance Rate	35%	25%	23%	37%	29%	23%

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[18] Federal Bureau of Investigation Crime Data Explorer

Violent Crimes

Reported — Cleared — Clearance Rate
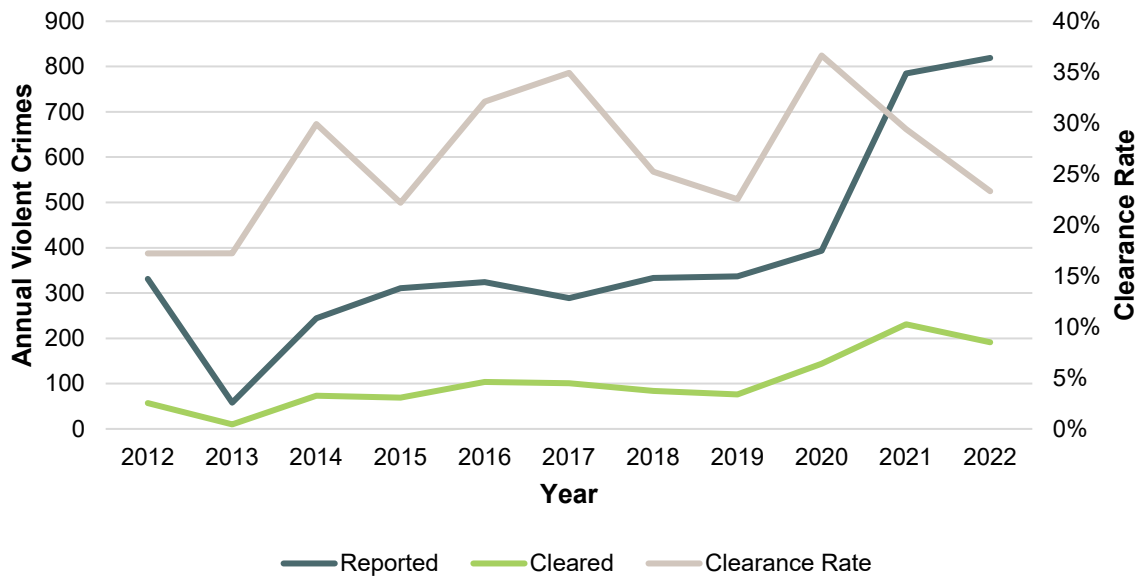
PROPERTY CRIMES						
Year	2017	2018	2019	2020	2021	2022
Reported	3178	3388	2963	2393	3068	4333
Cleared	371	394	285	168	220	293
Clearance Rate	12%	12%	10%	7%	7%	7%

Property Crimes

Reported — Cleared — Clearance Rate
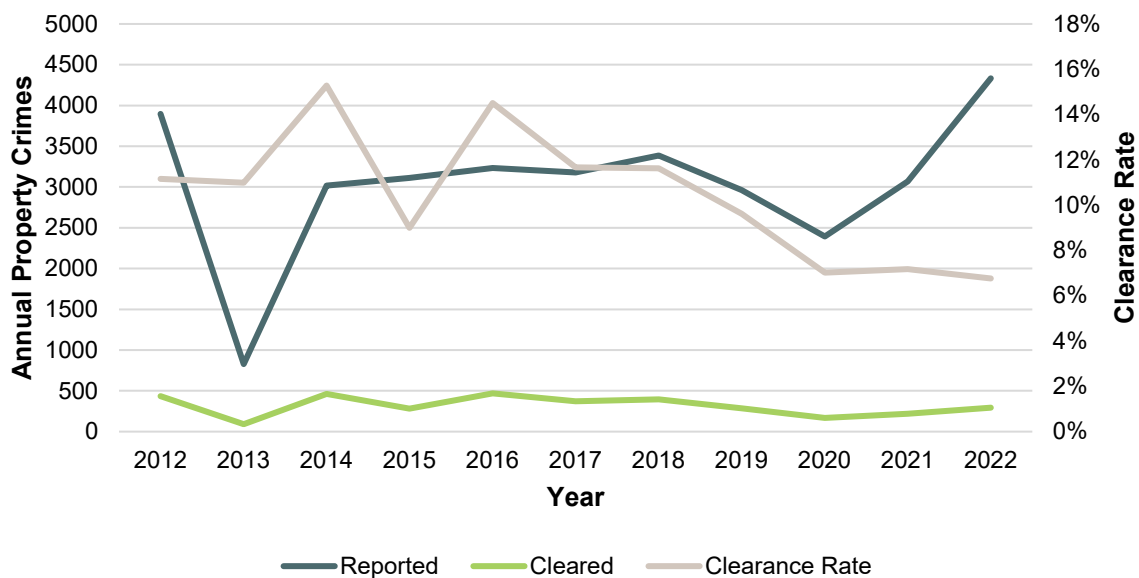
The last publicly available data on Police response times was documented in October 2022.[19] This data showed 6,128 calls for service and indicated the following response times:

- Median Time – Call Start to Dispatch
  - Priority 1: 17:31
  - Priority 2: 41:31
  - Priority 3: 57:02
- Median Time – Dispatch to Arrival
  - Priority 1: 06:50
  - Priority 2: 09:16
  - Priority 3: 08:50

How would you rate the overall feeling of safety in the community?

6%	24%	44%	20%	6%

■ Excellent ■ Good ■ Average ■ Poor ■ Terrible

How would you rate the effectiveness of the public safety services delivered to the organization?

2%

8%	31%	40%	19%	

■ Excellent ■ Good ■ Average ■ Poor ■ Terrible
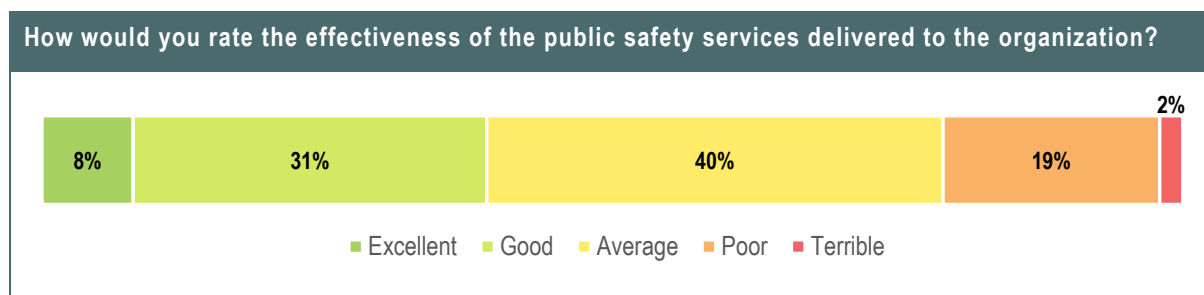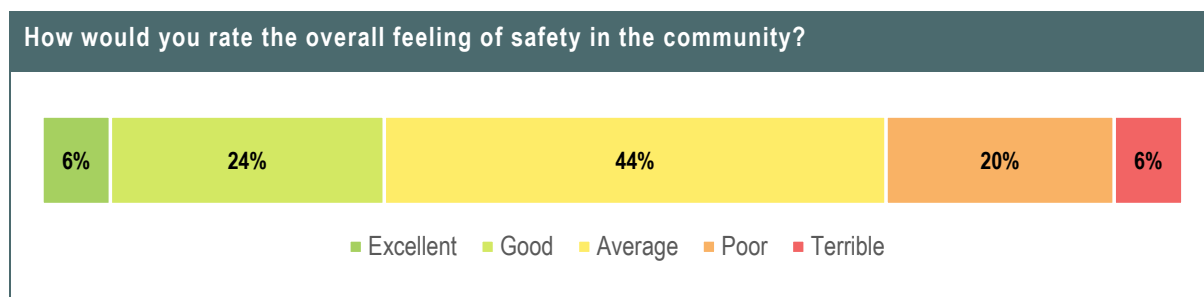
Like in many cities, Santa Fe's Fire and Police are largely charged with handling quality of life issues, which includes responding to those experiencing homelessness. As noted in the External Environment section, homelessness in an increasing challenge for the City (see also Operations and Service Delivery and Reputation and Public Perception). The number of New Mexico residents experiencing homelessness in 2023 was nearly 50% higher than the prior year. A recent point-in-time estimate placed the City's number of people experiencing homeless at 365. Statewide, homelessness has increased by nearly half over the past few years.[20] Growth in homelessness increases the burden on public safety staff.

The recent increase in homelessness may be affecting staff perceptions of safety in the community, regardless of whether or not increased homelessness indeed affects crime. This may also be

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[19] City of Santa Fe Police Department, YTD Crime Statistics, October 2022 Report. Last Accessed 4/22/2024 (download pdf)
[20] KRQE News, City of Santa Fe shares how they accurately count homeless population to provide resources, January 12, 2024

affecting residents' perceptions of public safety in Santa Fe. However, the City does not conduct resident surveys, so local perception of public safety is unclear (see also Reputation and Public Perception).

Other Public Safety Challenges

The fire station originally planned near the intersection of South Meadows Road and NM 599 remains indefinitely delayed. This signals unmet fire protection needs.

The June 2021 Police Department Evidence Unit Internal Audit resulted in five observations and recommendations for improvement. It is currently unclear the extent to which these recommendations have been implemented.
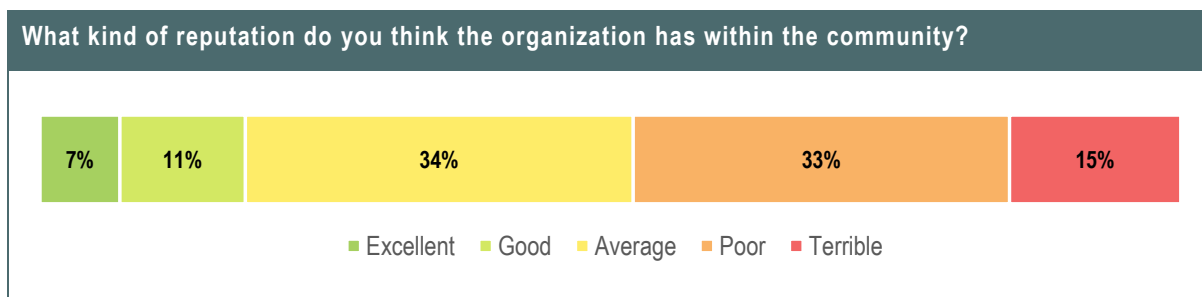
Reputation and Public Perception

OVERALL RISK LEVEL			
Moderate-to-High			
Impact	Likelihood	Preparedness	Trajectory
Moderate-to-High	**High**	**Low-to-Moderate**	**Decreasing – Low**

Risk Mitigation	• Clearly define staff responsibilities regarding external communications • Develop and adopt a communications strategy • Develop and adopt a crisis communication policy • Create and implement representative community engagement surveys to identify trends in public perception and opportunities for improvement

RESIDUAL RISK
Low-to-Moderate

Risk Area: Risks associated with the organization's reputation and the public's perception of the organization, including its competency (financial performance, safety and security, responsiveness), transparency (openness and integrity), and guardianship (demonstrating care and consideration).

Scope: The reputation of an organization refers to how a broad group of stakeholders perceive the accumulated decisions, actions, and behaviors of the people within an organization. This social judgement is influenced both directly and indirectly by interactions with employees, with programs and services, and by commentary in the public domain (e.g., news stores, press release, social media).

With a population of 84,000, Santa Fe is a vibrant community that is home to a wide range of businesses, organizations, and institutions. The City is one of the largest employers in the area, which highlights the important role that the organization plays in the lives of its residents. This is especially true for the 50% of survey respondents who reported interacting with the public daily.

Maintaining a positive reputation and public perception is essential for the City to attract businesses, residents, and visitors, and to ensure that it is meeting the needs of its population.

Tourism has played a role in strengthening the reputation of Santa Fe nationally. The City's rich history and culture have made it a popular destination for tourists from around the world, and the tourism industry has become a significant part of the local economy. The City attracts two million overnight visitors annually, making it one of the most popular cities for tourism in the region. The tourism industry has helped to create jobs, support local businesses, and promote the City's unique culture and heritage.

While the City's reputation as a tourism destination is strong, the City government's reputation is not as positive. The City has faced challenges in the past, including audit delays, which have led to negative press coverage and damaged the City's reputation. Additionally, issues related to homelessness have become a significant concern in the community (see also Operations and Service Delivery and Public Safety). Over 60% of staff surveyed noted that homelessness is one of the largest external risks facing the City. These factors have contributed to a perception among staff members that the City has an average or poor reputation in the community, with 67% of surveyed staff members rating the City's reputation as average or poor.

What kind of reputation do you think the organization has within the community?

7%	11%	34%	33%	15%

■ Excellent   ■ Good   ■ Average   ■ Poor   ■ Terrible

Communications Strategy and Responsibility

The City's external communication and public information dissemination responsibilities appear to be ambiguous. The City Clerk, who also handles community engagement, functions in a role similar to a Public Information Officer (PIO). However, based on our interviews, it seems that this responsibility is primarily geared toward internal communication. There is also a separate PIO position that reports to the City Manager, but it remains unclear whether they are in charge of external communication. This ambiguity and lack of clear ownership over external communication may contribute to why the City does not have control over the message it is sending to the public. As a result, managing the City's public perception becomes challenging due to these blurred lines of responsibility. This could potentially impact the City's reputation, as it may lead to miscommunication or misinterpretation of information by the public. This may also contribute to providing communications in response to exigencies, rather than proactively delivering a message to the public.

Within this environment of ambiguous responsibility, the City also does not have an established, formal communications strategy. A communications plan or strategy aligns an organization's vision, mission, values, and operations to clear and consistent communications with external stakeholders. Such a plan also helps to strategically address and mitigate risks related to stakeholder relationship management.

The City also lacks a formal crisis communication policy, representing a deficiency in its communication strategies. A crisis communication policy is crucial for guiding the City's response to emergencies or unexpected events, ensuring that information is disseminated quickly, accurately, and consistently to all relevant stakeholders.

Community Feedback

The City currently does not administer regular community engagement or satisfaction surveys, which is a deficiency in its approach to public relations and reputation management. By conducting regular (annual or biannual) statistically significant, representative community surveys, the City could better understand public sentiment, identify areas of dissatisfaction, and gather feedback on the City's services and initiatives. With community survey input, the City can also help provide context for individual public input and help ground decision-making in majority interests, rather than relying on individual feedback provided via the public comment process. In addition, if the community survey is administered on an annual basis and ask similar questions each year, City leadership will both establish a baseline and receive comprehensive insight into trends. Without this regular feedback, the City may be unaware of issues within the community until they escalate into larger problems.

C. MODERATE RISK CATEGORIES

Asset Management

OVERALL RISK LEVEL			
Moderate			
Impact	Likelihood	Preparedness	Trajectory
Moderate	Moderate-to-High	Low-to-Moderate	Flat
Risk Mitigation	• Establish a centralized asset management system to support effective tracking of assets, including both IT and fleet assets • Further develop and approve policies and procedures for fleet management • Consider centralizing fleet procurement and maintenance practices		
RESIDUAL RISK			
Low-to-Moderate			

> **Risk Area:** Risks associated with the ongoing maintenance, management, tracking, reporting, accountability, accounting, and physical safeguarding of assets, including the organization's assets used in support of business processes (i.e., facilities/buildings, transportation vehicles, mobile devices, IT equipment, etc.).
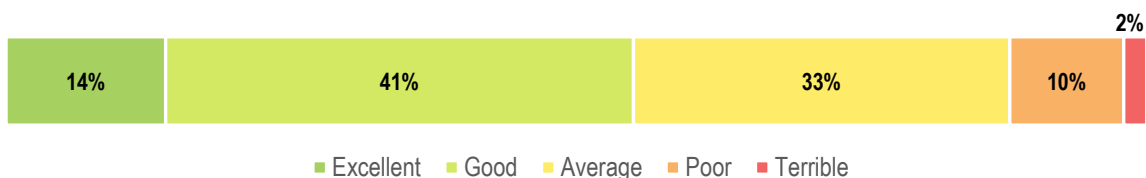>
> **Scope:** Asset management includes the supply, deployment, and maintenance of the organization's resources; it includes physical or logical access to data and locations (offices, warehouses, etc.). Asset management is inclusive of the connected strategies, processes, people, and technology that make up the foundation of enabling the organization to meet service levels and minimize the overall cost of asset ownership.

Asset management is decentralized at the City, meaning that every department is responsible for managing their own assets. The City does not have a centralized asset management system for IT, fleet, equipment, or other organizational assets to maintain visibility and control over its assets, which can lead to overspending or underspending on assets and make it more difficult to prevent theft or unauthorized access to sensitive information. As previously noted in the Ethics, and Fraud, Waste, and Abuse section, several interviews and survey respondents reported concerns about equipment theft, highlighting the importance of effective asset management and tracking to reduce risks of stolen resources.
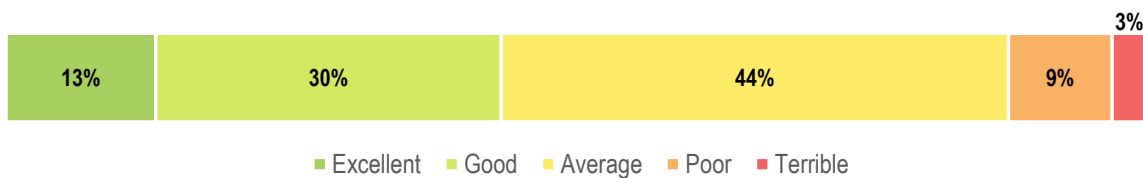
The City has a dedicated Fleet Management division (Fleet Management) that falls under Finance. Policies for fleet maintenance were drafted, but they were never approved, which has led to a lack of clear guidance and accountability for Fleet Management. Departments have significant autonomy to manage their vehicles, and they are choosing their own mechanics, which can create difficulties with maintenance accountability. Fleet Management tries to keep a roster of the total vehicles, but it can be challenging given limited communication and coordination between departments and Fleet Management. This lack of clear policies and procedures for fleet maintenance and management can create potential risks for the City, as it may struggle to effectively manage and maintain its fleet assets, which can lead to costly repairs, safety issues, and other problems.

The City reportedly has a standard information technology (IT) replacement schedule for end-user technology such as computers and cell phones, which helps to ensure staff have access to reliable and secure technology, while also managing costs and reducing the risks of security incidents. Staff were positive in their opinions of both IT hardware and non-IT equipment. Over 80% of survey respondents rated the quality and condition of IT hardware and non-IT equipment as average or higher.

How would you rate the quality of the information technology hardware (computers, accessories, etc.) that you currently have and use in your role?

14%	41%	33%	10%	2%

■ Excellent ■ Good ■ Average ■ Poor ■ Terrible

## How would you rate the condition of the non-IT equipment that you use for your job?

Excellent	Good	Average	Poor	Terrible
13%	30%	44%	9%	3%

■ Excellent ■ Good ■ Average ■ Poor ■ Terrible

Total equals 99% due to rounding.

Funding and Economics

OVERALL RISK LEVEL			
Moderate			
Impact	Likelihood	Preparedness	Trajectory
High	**Moderate**	**Moderate-to-High**	**Flat**

Risk Mitigation
- Consider opportunities to further diversify revenues, such as through increasing grant revenue
- Develop and maintain a long-term financial forecast
- Consider developing a capital investment reserve fund, an IT replacement reserve fund, and a fleet maintenance reserve fund

RESIDUAL RISK
Moderate

Risk Area: Risks associated with revenue sources, funding levels, cash management, liquidity, expenditure rates and commitments, debt management, and inter-organizational business.

Scope: The financial management factors that impact the organization's ability to maintain operations and deliver programs and services. Whether within the organization's realm of influence (or outside of their control), these factors impact the organization's long-term fiscal stability and its ability to mitigate the negative impacts of extraordinary risk such as regional changes and national economic volatility.

Based on the City's fiscal year 2024 budget, the City's revenues are heavily dependent on gross receipts tax (35%) and service fees (34%). Many interviewed members of City leadership expressed strong concerns related to the City's financial wellbeing, particularly related to the City's reliance on gross receipts tax. Although there is reasonable concern that relying on gross receipts tax increases the City's exposure to changes in the broader economy, tax collections for this revenue source have remained robust, even during the societal and economic upheavals associated with the COVID-19 pandemic.

Santa Fe Revenues by Source
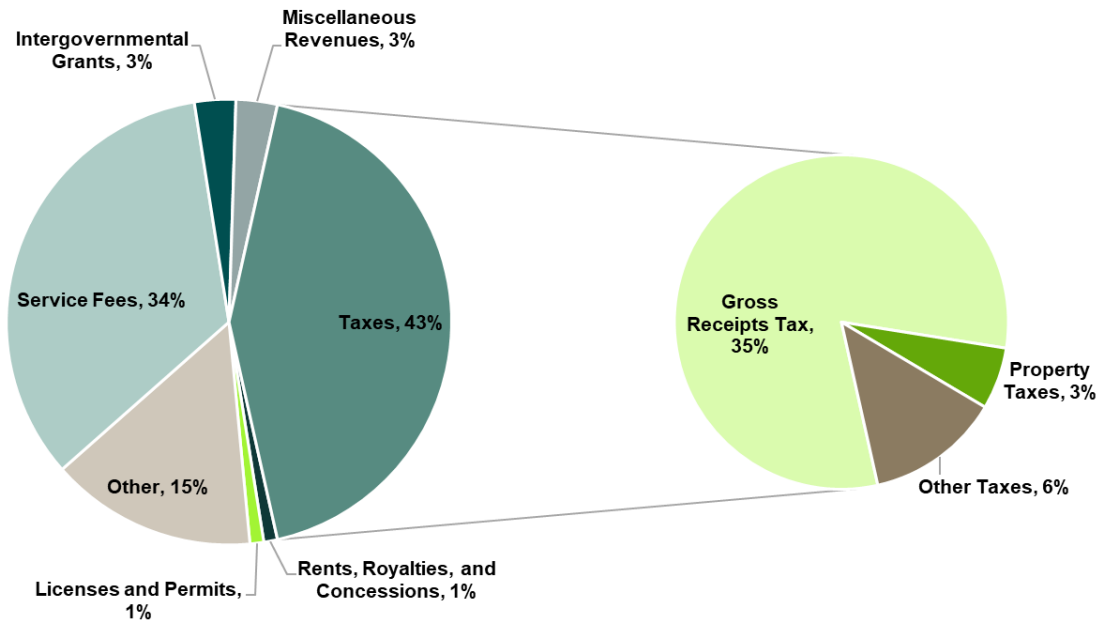
In 2023, Fitch issued an AA+ bond rating for the City, indicated a strong capacity for the City to meet its financial commitments. Additionally, most survey respondents rated the City as financially stable, both currently and in the future.

How would you rate the current level of financial stability at the organization?

| 13% | 23% | 34% | 25% | 5% |

■ Excellent ■ Good ■ Average ■ Poor ■ Terrible

How would you rate the future trajectory of the organization's financial stability?

| 6% | 38% | 25% | 27% | 3% |

■ Excellent ■ Good ■ Average ■ Poor ■ Terrible

Total equals 99% due to rounding.

However, the City has significant funding needs, including needs related to its infrastructure (see also Capital Improvement Program) and staffing (see also Organization and Staffing). The City does not

maintain a long-term financial forecast. Without a long-term financial forecast, the City may not have a clear understanding of its financial situation in the future. This can make it difficult to plan for future investments, address financial challenges, or make informed decisions about budget priorities.

The Government Finance Officers Association recommends that general-purpose governments, regardless of size, maintain unrestricted budgetary fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures. The City maintains a General Fund Reserve and has an associated policy that requires the General Fund Reserve to be maintained at a level of at least 10% of the City's total operating budget. The City does not maintain a capital investment reserve fund, an IT replacement reserve fund, or a fleet maintenance reserve fund. Without these reserve funds, the City may not have adequate financial resources to address unexpected capital investments, IT investments, or fleet investment needs. This can lead to financial instability and impact the City's ability to provide essential services to its residents.

Like many other organizations, the City has been dealing with sharply increased costs to maintain similar levels of risk protection, which affects the government's fiscal outlook (see also Risk Programs).

Governance

OVERALL RISK LEVEL			
Moderate			
Impact	Likelihood	Preparedness	Trajectory
Moderate-to-High	Moderate-to-High	Moderate	Flat
Risk Mitigation	- Ensure that City Councilors are able to understand the status of any given piece of legislation throughout the internal legal review process - Provide media training and education opportunities for City Councilors to better understand how policymakers may affect stakeholders and staff perceptions - Review current commissions and committees to identify opportunities to streamline, combine, and/or reduce the number of groups - Develop and provide onboarding and training to members of commissions and committees to promote effectiveness and efficiency - Establish stronger and more consistent practices to ensure that commissions and committees are operating as effectively as possible		
RESIDUAL RISK			
Low-to-Moderate			

> **Risk Area:** Risks associated with the organization's governing body, including ongoing oversight; ethics and values; control environment; policy management; risk management; accountability; performance management; coordination and communication; and defined roles, responsibilities, and authorities.
>
> **Scope:** Governance is a process of overseeing an organization's management of risk and control processes and is ultimately the responsibility of the organization's governing body. Management is responsible for identifying and managing risks.

The City maintains a mayor-council governance structure in which the Mayor is the chief executive officer (CEO) of the City, maintains a vote on the governing body, has appointment powers for certain staff with the consent of City Council, can dismiss these staff at will, and works with staff to prepare a budget. However, the Mayor does not have veto power over City Council actions.

Having both a City Manager and a full time CEO Mayor is relatively uncommon. Typically, city managers operate within council-manager forms of government, in which a council appoints and oversees a city manager. Having the City Manager report to the Mayor could create difficult dynamics if City Councilors (Councilors) are requesting information or direction from staff, and the Mayor is opposed. Ideally, Councilors should be able to reasonably request and receive information from staff via the City Manager. This should be able to be performed independently of any direction from the Mayor.

Governing Body Effectiveness and Efficiency

City Council maintains a set of Governing Body Procedural Rules, which were adopted in January 2022. These policies lower risks for the City by creating institutional knowledge on effective governance practices, rather than having this knowledge solely rest within policymakers who may leave the City. Importantly, the City's Code of Ethics also applies to public officials as well as staff.

Onboarding for Councilors was reported to be effective. The City provides two designated days with an intentional agenda focusing on charter review, legislative team training, and meetings with key staff. Although ethics training is also a part of this process, during the most recent City Council onboarding, Councilors and staff ran out of time to complete ethics training. The City's staggered election cycle for Councilors helps to promote continuity of governance and likely increases the effectiveness of onboarding, since only some policymakers are new to City Council after any given election.

Several stakeholders reported that City Council meetings frequently last a considerable length of time. Two of the last five regular City Council meetings ended after 11:30 p.m. One of these meetings ended at 1:04 a.m. Shorter meetings tend to lead to more effective governance, as it becomes difficult to maintain focus over time.

Councilors do not always have an understanding of the status of any given piece of proposed legislation throughout the lengthy internal legal review process. Councilors should be able to easily track legislation in order to effectively serve their policymaking role. Policy guidance and decisions can only be made with accurate knowledge of how and when these decisions are implemented.
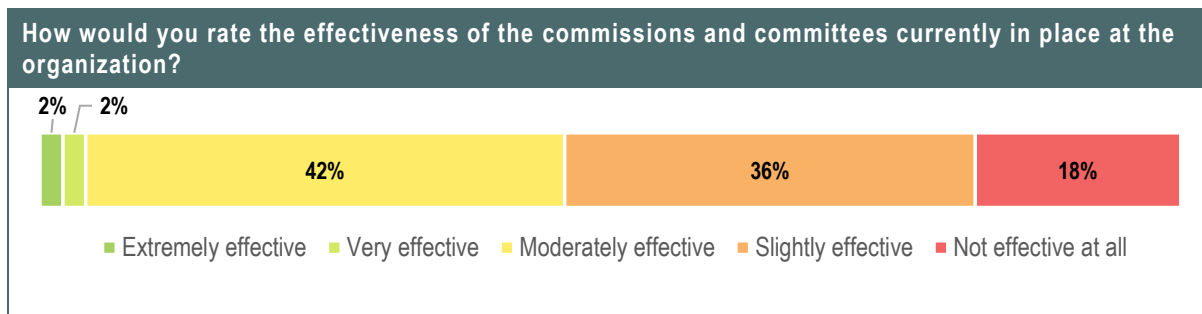
There have been public incidents of Councilors talking to local media about staff in negative ways. Although such incidents do not interfere with governance per se—since such expressions are the

prerogative and right of each Councilor within a democratic system—such incidents foster, at the very least, staff perception of a lack of support and goodwill.
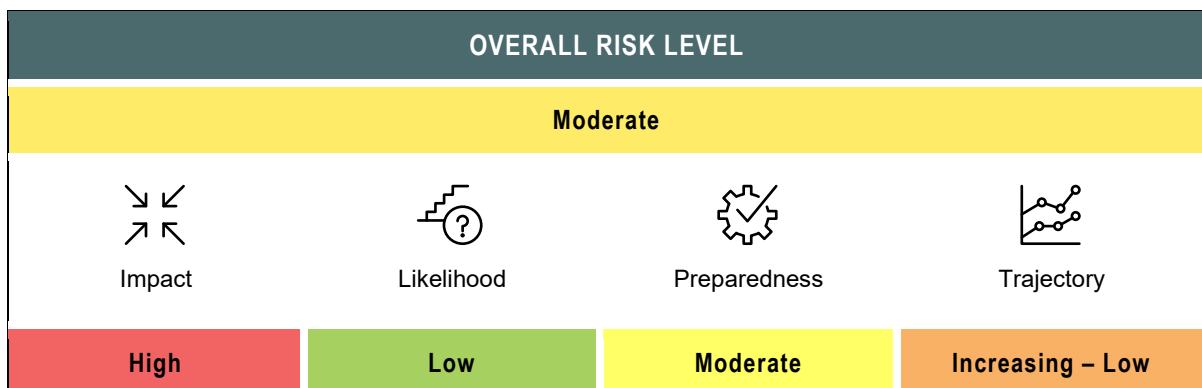
Commissions and Committees

Multiple stakeholders reported commissions and committees as not working effectively or strategically. The City currently maintains 36 committees and commissions related to a wide variety of issues of public interest, ranging from standard committees, such as the Audit Committee and the Finance Committee, to unique committees, such as the Quality-of-Life Committee and the Santa Fe River Commission.

Commissions and committees are a critical resource for the City and an important way for community members to provide input. However, these groups also require significant staff resources to maintain. Reported concerns include that these groups have insufficient direction, vacant rosters, and inconsistently implemented bylaws and processes. The groups are not mandated to develop strategic or annual work plans, which can create a lack of focus and clarity of purpose (only two City commissions have current strategic plans: the Children and Youth Commission and the Human Services Committee). Additionally, there is no consistent onboarding processes for committee members. More than half of survey respondents rated the effectiveness of commissions and committees as slightly effective or not effective at all.

How would you rate the effectiveness of the commissions and committees currently in place at the organization?

2% | 2%

42%	36%	18%

■ Extremely effective   ■ Very effective   ■ Moderately effective   ■ Slightly effective   ■ Not effective at all

Information Technology

OVERALL RISK LEVEL			
Moderate			
Impact	Likelihood	Preparedness	Trajectory
High	Low	Moderate	Increasing – Low

✚ **Risk Mitigation**	• Evaluate the appropriateness of ITT staffing levels • Determine, prioritize, and address key ITT policy and procedure gaps, particularly related to information security • Address staff concerns with ITT response time and support to foster department-level support for more centralized IT governance and operations • Centralize the IT function, bringing shadow IT functions within departments into the City's broader ITT and governance framework • Develop and implement a comprehensive and centralized IT governance program

RESIDUAL RISK
Low-to-Moderate

Risk Area: Risks associated with the design, development, implementation, administration, operations, and maintenance of information systems including change management and system development life cycle. Also includes cybersecurity risks and risks to infrastructure, system performance, data architecture and management, integration, back-up, security, privacy, outsourcing, and controls.

Scope: The importance and pervasiveness of information technology and information systems continues to rapidly expand, regardless of organization.

Like many organizations, the City increasingly depends on its IT environment, IT infrastructure, systems, software, and the underlying data supporting business processes and decision-making. As technology importance and dependence increases, so do the associated risks.

Staffing and Organization

The City's Information Technology & Telecommunications department (ITT) includes several functions: administrative operations, infrastructure services, end user services, and enterprise application services. As of fiscal year 2024, ITT had 10 budgeted End User Services staff. Industry standards recommend a minimum IT help desk-to-staff support ratio ranging from 1:150 to 1:250. Measured in terms of position numbers (not FTE), the City is currently at a 1:149 ratio. However, if the City's vacancies were all filled, the City would have a 1:191.2 ratio.

ITT is experiencing a high turnover rate, particularly among end-user support technicians. This turnover appears to be primarily driven by compensation issues, as both the state and private sector reportedly offer more competitive compensation. High turnover can lead to a lack of continuity in support, potential delays in issue resolution, and an increased risk of knowledge loss.

ITT has undergone some operational changes in recent years. Both management and staff used to operate virtually but have since been brought into the same office. This has reportedly had a positive impact on communication and collaboration across the department.

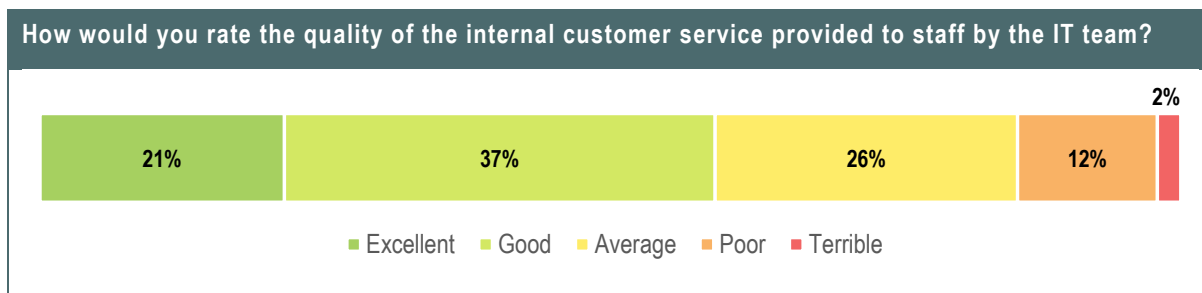## IT Policies, Procedures, and Processes

Staff reported that the policies and procedures within ITT are outdated and may not align with the current technology environment in operation. We did not receive any ITT policies or procedures for this assessment. In the rapidly evolving field of technology, best practices can change swiftly, and it is

crucial for policies and procedures to keep pace with these changes. Outdated policies can lead to inefficiencies, security vulnerabilities, and potential non-compliance with regulatory standards.

Despite IT being a centralized function, staff interviews and open-ended survey results noted that some departments are managing IT needs internally. There were three factors that reportedly influenced individual departments to manage their own IT needs:

- **Response Time:** Staff surveys and interviews reported instances of the ITT department being slow to respond or not responding at all.
- **Munis Implementation:** ITT was not originally involved in the development of Munis, which is the software used by the City for enterprise resource planning. This lack of involvement reportedly contributed to key features required by other departments not being included in the development of the software.
- **IT Support:** More generally, staff noted in interviews that there is insufficient ITT department support for daily software needs. This deficiency is causing difficulties in maintaining efficient operations and could potentially lead to further decentralization.

Given the above, other departments have taken it upon themselves to manage their own IT functions to avoid complications and ensure that their needs are met in a timely and efficient manner. This has resulted in some departments developing their own IT infrastructure. This semi-decentralized approach to IT services could lead to inconsistencies and inefficiencies in the City's technological environment and increase security risks. It is important for ITT to address these concerns and improve their customer service function to ensure that all departments receive the support they need to operate effectively and reduce risks in this area. Despite this clear manifestation of some departments' mistrust of centralized IT, the majority of survey respondents rated internal service from "the IT team" as positive—however, respondents may also be considering internal services provided by fellow departmental employees who deliver IT services.

How would you rate the quality of the internal customer service provided to staff by the IT team?

21%	37%	26%	12%	2%

■ Excellent ■ Good ■ Average ■ Poor ■ Terrible

Total equals 98% due to rounding.

IT Governance

The City does not have a centralized IT governance program in place. An IT governance program is a framework that provides the structure and oversight necessary to ensure technology investments and operations align with and support the organization's overall objectives and strategies. The absence of an IT governance program means that the City is not strategically analyzing how IT can provide technological support Citywide. Additionally, without effective IT governance, departments can purchase their own IT software and systems, which can result in redundant systems or non-strategic purchases that cost the City money. A few years ago, there was an attempt to implement an IT governance program, but it was not universally accepted across all departments. This has led to
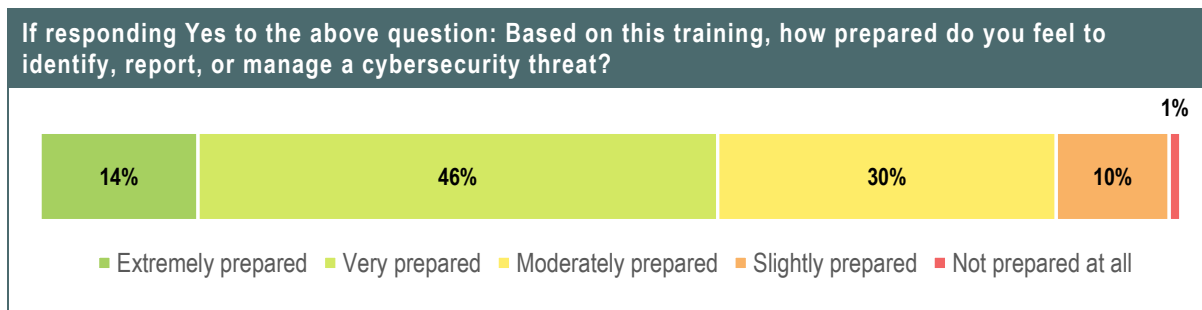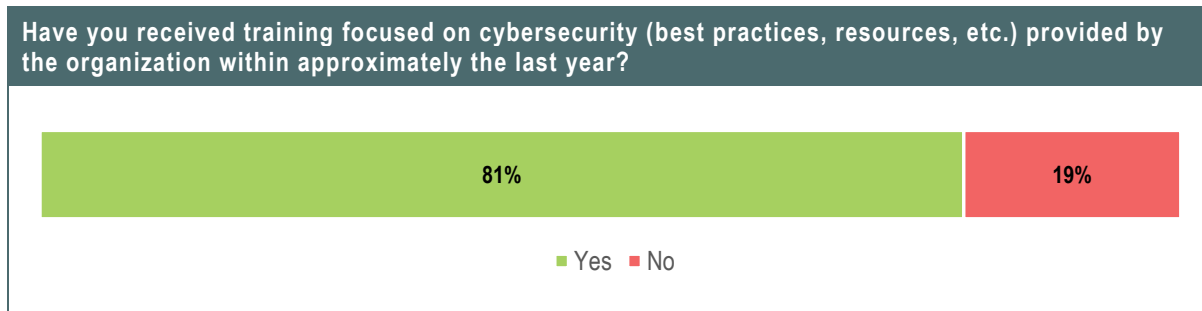
inconsistencies in the use of technology and a lack of coordination between departments, as discussed previously.

However, the ITT Department Director has made it a goal to focus on implementing an IT governance program in the upcoming year. The implementation of an IT governance program will help to ensure that the City's technological infrastructure is aligned with its strategic goals and that IT services are provided in a consistent and coordinated manner across all departments.

Cybersecurity

With the exception of the previously noted policy and procedure gaps, ITT's commitment to cybersecurity is commendable, with several measures in place to protect the City's technological infrastructure from cyber threats. ITT works with Arctic Wolf, a provider of cybersecurity protection, to monitor and respond to potential threats in real time. Additionally, the ITT has invested in email filters to prevent phishing attacks and other email-based threats. ITT also has a dedicated security team that is responsible for monitoring and responding to potential threats. To ensure the effectiveness of their security measures, ITT conducts penetration testing twice a year to identify vulnerabilities and address them proactively.

The staff survey displayed the strength of the City's cybersecurity efforts with staff, though some opportunities to improve are noted. The vast majority (81%) of survey respondents reported receiving cybersecurity training within the past year. However, 19% reported not receiving any training, and even a single individual without training can create vulnerabilities for the City and expose an organization to cyber threats. Those who received training largely reported feeling prepared to identify, report, and manage potential cybersecurity threats.

Have you received training focused on cybersecurity (best practices, resources, etc.) provided by the organization within approximately the last year?

81%	19%

■ Yes ■ No

If responding Yes to the above question: Based on this training, how prepared do you feel to identify, report, or manage a cybersecurity threat?

1%

14%	46%	30%	10%	

■ Extremely prepared ■ Very prepared ■ Moderately prepared ■ Slightly prepared ■ Not prepared at all

Total equals 101% due to rounding.

Management and Leadership

OVERALL RISK LEVEL			
Moderate			
Impact	Likelihood	Preparedness	Trajectory
Moderate	**Moderate**	**Moderate**	**Flat**

Risk Mitigation

- Develop a retention plan that includes consideration for leadership positions (see also Human Resources)
- Develop succession plans for key roles to support business continuity (see also Human Resources)
- Create a planning and organizational performance management infrastructure (see also Planning and Strategy) to provide leadership with regular understanding of organizational performance
- Develop and implement required supervisory training
- Develop and implement additional trainings and teambuilding efforts to promote a culture of cross-functional leadership collaboration, communication, and trust

RESIDUAL RISK
Low-to-Moderate

Risk Area: Risks associated with organizational leadership, management practices, leadership strategic activities, and operating styles. This includes risks associated with change management, project management, and organizational culture.

Scope: Management's philosophy and operating style affect the way an organization is managed, including the kinds of risks accepted. The attitude and daily operating style of top management affect the extent to which actions are aligned with risk philosophy and appetite.

Strong organizational management and leadership practices are important to reduce risks in any organization and promote effective and efficient operations. The City's key risks in this area relate to management turnover, communication, and collaboration. Perceptions of management risks may be inflated due to the sheer number of challenges the City faces.

Within the past few years, the City has experienced turnover in key senior management positions and departments, including the City Manager, Public Works, the airport, Finance, Procurement, and ITT. Turnover can make strategic management difficult and can negatively impact staff morale.

Leadership and Communication

As noted in the Planning and Strategy section, the City lacks a robust planning framework, including a clear direction, strategic objectives, and KPIs to monitor the City's progress toward meeting its goals.
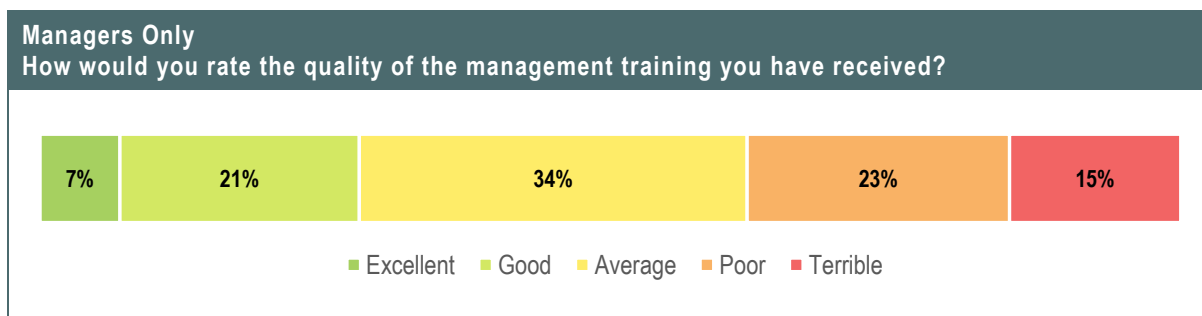
Without such a framework, the senior management team is limited in its ability to strategically work together to advance the organization. Additionally, without planning and performance management infrastructure, it can be difficult to establish senior leadership accountability for the accomplishment of strategic goals.

Additionally, the magnitude and frequency of problems and needs for management to address has made it difficult for leadership and management to effectively prioritize and manage the ongoing and necessary changes taking place across the City (see also Planning and Strategy). Without effective prioritization and management of key initiatives, the City may not use resources efficiently and needed improvements may not be successful.

Internal communication between department leaders and between leadership and staff is reportedly an area in need of significant improvement. In interviews, staff reported a desire for more and better communication from the senior management team. Frequent, transparent communication about decision-making is important to build trust between employees at all levels of the organization. Without a culture of strong communication and trust from the senior management team, employees may become disengaged, and turnover may ultimately increase.
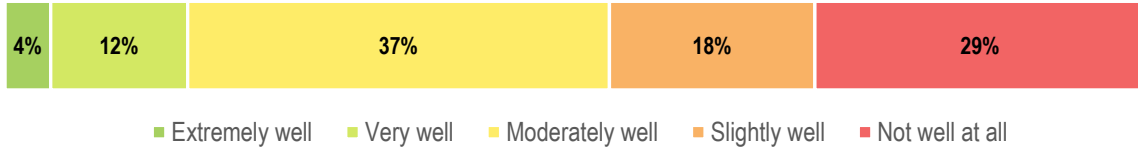
Management Development

Staff reported leadership training is available to improve the skillset of the leadership team and develop a pipeline of future leaders. Additionally, most survey respondents reported the management training they received was of at least average quality, as shown below. However, the City does not have required supervisory or management training. This is important to ensure new supervisors are aware of how to manage a productive, fair, and compliant work environment, and have a clear understanding of leadership best practices, employment laws, regulations, and company policies.

Managers Only
How would you rate the quality of the management training you have received?

7%	21%	34%	23%	15%

■ Excellent ■ Good ■ Average ■ Poor ■ Terrible
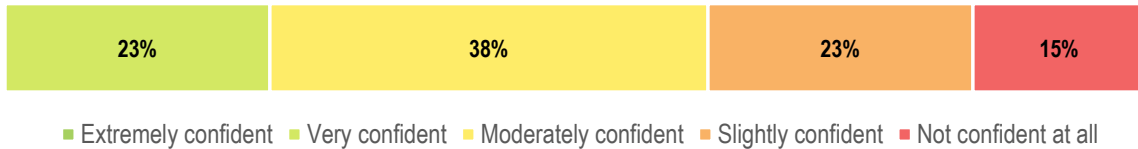
Staff Perception of Leadership

Survey responses regarding management and leadership were largely moderate/average. While this doesn't necessarily signify outstanding performance, it does indicate a lack of pervasive negative sentiments among staff towards management and leadership. This current state of staff perception of leadership can be built upon and improved by the City.

How well do you feel that the senior leadership team at the organization works together?

4%	12%	37%	18%	29%

■ Extremely well ■ Very well ■ Moderately well ■ Slightly well ■ Not well at all

How confident are you in the senior leadership team of the organization?

23%	38%	23%	15%

■ Extremely confident ■ Very confident ■ Moderately confident ■ Slightly confident ■ Not confident at all

Total equals 99% due to rounding.

Operations and Service Delivery

OVERALL RISK LEVEL			
Moderate			
Impact	Likelihood	Preparedness	Trajectory
Moderate	**Low-to-Moderate**	**Low-to-Moderate**	**Flat**

Risk Mitigation

- Administer regular community engagement surveys to gain insights into community member satisfaction with City services
- Establish, monitor, and publicly report on performance measures for service delivery to promote continuous improvement
- To the extent possible given resource constraints, prioritize the purchase and adoption of a new utility billing system
- Address the deficits in the City's phone system
- Consider a permitting efficiency study to examine and improve permitting and land use processes
- Continue efforts to facilitate the development of affordable housing within city limits

RESIDUAL RISK
Low-to-Moderate

> **Risk Area:** Risks associated with community expectations, customer satisfaction, level of service commitments, scheduling, program/service delivery, sustainability, quality, process efficiencies, and resource allocation.
>
> **Scope:** Day-to-day operations across the organization, and efficient and effective delivery of the organization's programs and services in alignment with goals, vision, and mission.

The City of Santa Fe provides the full breadth of municipal services, including but not limited to public safety services, public infrastructure and utilities services, planning and land use services, emergency management services, services to encourage and facilitate the development of affordable housing, economic development services, library services, and recreation services.

As noted in the Reputation and Public Perception section, the City does not regularly administer community engagement surveys. As a result, there is limited insight into community member perception or satisfaction with City services. Staff survey results largely indicated moderate/average opinions toward the quality of services delivered by the City.

How would you rate the organization's overall ability to deliver core services to the public in an effective manner?

8%	28%	41%	16%	7%

■ Excellent ■ Good ■ Average ■ Poor ■ Terrible
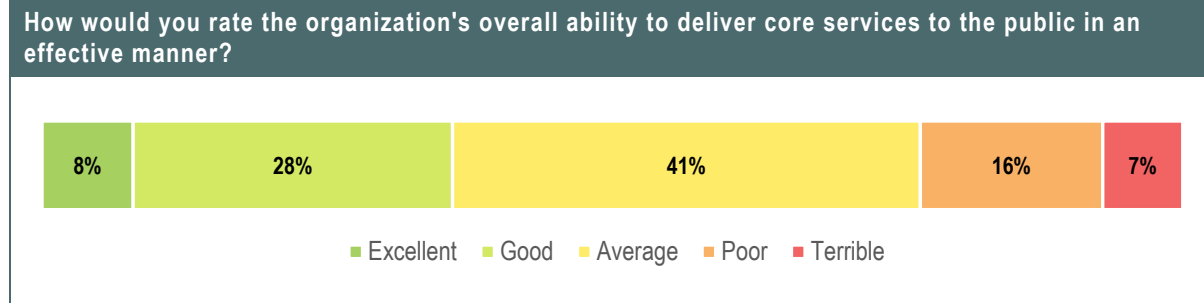
The City also does not maintain or publicly report performance measures related to service delivery. Publicly reported performance measures can reduce risks for cities because they provide an avenue for community members to hold the City accountable for the quality and efficiency of services and promote increased trust and transparency with the public.

Specific Operational Challenges

Several operational areas were flagged through interviews, surveys, and our review of documents, including the utility billing system, City phone system, permitting process, equipment replacement, and housing/homelessness response.

- **Utility Billing.** There are multiple technology systems with notable gaps that negatively affect service delivery. As noted in the Accounting and Finance section, the City's utility billing system relies upon a decades-old IBM disk operating system (DOS). Technicians with expertise on such systems have largely aged out of the workforce. This increases risks of unexpected system failure and disruption to utility billing operations. Multiple stakeholders also noted that the City's GIS system could be improved. Internal GIS capacity influences the delivery of many important services, including community development and public works.

- **Customer Service.** The City's phone system reportedly has deficiencies. According to interviewed staff, members of the public find it difficult to contact staff via phone, and calls are frequently dropped or misrouted. Additionally, several stakeholders noted that the City's website is frequently not up to date with current contact information.
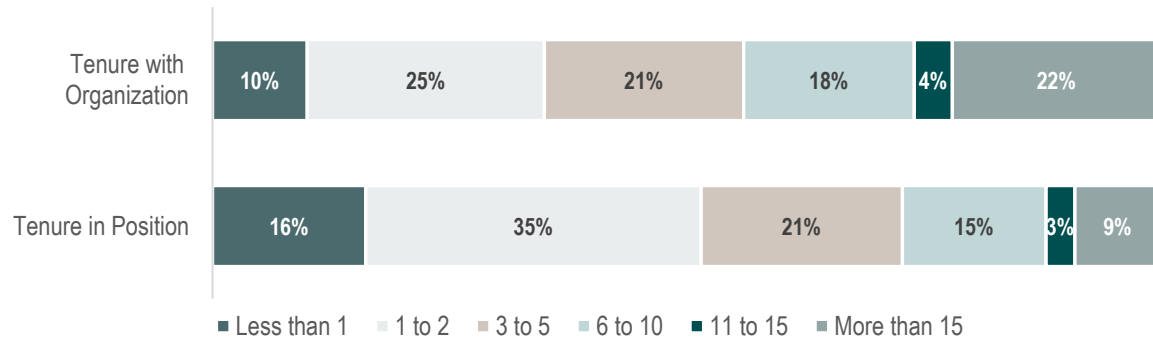
- **Permitting Process.** Staff reported permitting and land use processes as overly burdensome and slow. Although this is a common challenge for municipalities, slow planning and permitting processes can hinder economic development and housing development. In turn, this can contribute to higher housing costs and increased homelessness (see also Funding and Economics).

- **Trash and Recycling.** Trash and recycling collection is still negatively impacted by supply chain issues that originally began in the COVID-19 pandemic and have not subsided. Trash and recycling equipment has taken an excessively long time to replace.

- **Homelessness and Housing.** Coupled with the benefits of a robust and growing economy, the City is dealing with increasing housing unaffordability and rising homelessness (see also Reputation and Public Perception and Public Safety). This can exacerbate social and economic inequality with the city, reduce quality of life for families and individuals, increase demand for social services, and result in strains on City resources as demand for social services increases.

APPENDIX A: EMPLOYEE SURVEY RESULTS

A risk assessment questionnaire was sent out to City of Santa Fe employees and was open for submission from February 1 to February 14. Out of the 1,265 employees invited to take the survey, 182 individuals submitted responses to the survey, a participation rate of 14.4%. Some totals may not equal 100 percent due to rounding.

Survey Respondent Profile

Years of Tenure

Tenure with Organization	10%	25%	21%	18%	4%	22%
Tenure in Position	16%	35%	21%	15%	3%	9%

■ Less than 1   ■ 1 to 2   ■ 3 to 5   ■ 6 to 10   ■ 11 to 15   ■ More than 15

Department of Survey Respondents

Department	Value
Affordable Housing	1
Community Engagement	12
Community Services	22
Economic Development	5
Emergency Management	4
Finance	17
Fire	10
Human Resources	3
ITT	14
Land Use	5
Other	10
Police	10
Public Utilities	43
Public Works	17
Recreation	4
Solid Waste Management	1
Tourism	4
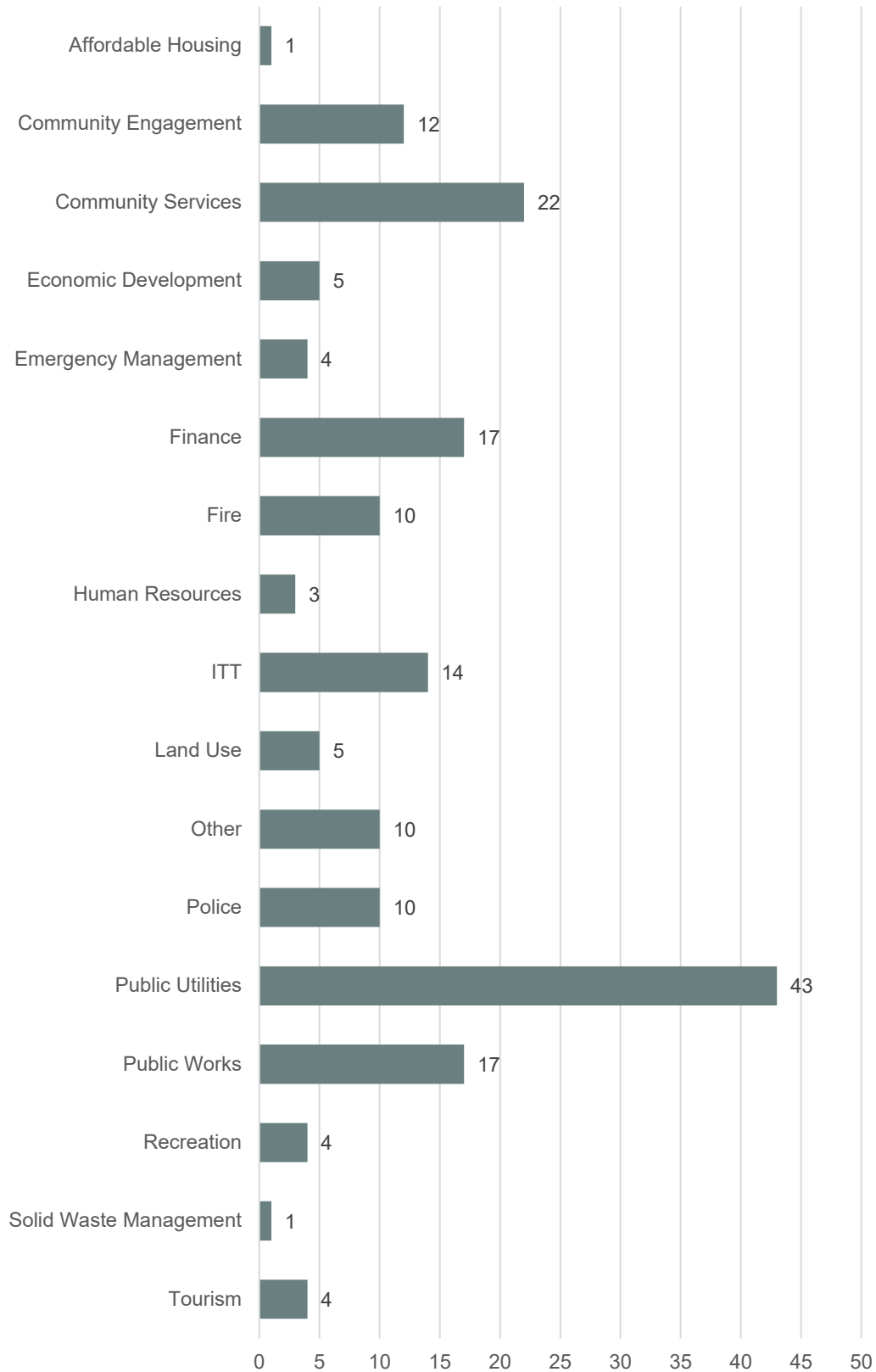
Risk Category Ratings

How would you rate the organization's level of overall risk?

Accounting and Finance

5%	20%	45%	22%	8%

■ Low   ■ Low to Moderate   ■ Moderate   ■ Moderate to High   ■ High

Asset Management

8%	18%	38%	27%	8%

■ Low   ■ Low to Moderate   ■ Moderate   ■ Moderate to High   ■ High

Capital Improvement Program

4%	21%	44%	21%	11%

■ Low   ■ Low to Moderate   ■ Moderate   ■ Moderate to High   ■ High

Compliance

3%	16%	41%	22%	17%

■ Low   ■ Low to Moderate   ■ Moderate   ■ Moderate to High   ■ High

Ethics and Fraud, Waste, and Abuse

5%	20%	41%	22%	12%

■ Low   ■ Low to Moderate   ■ Moderate   ■ Moderate to High   ■ High

Funding and Economics

6%	29%	24%	29%	13%

■ Low ■ Low to Moderate ■ Moderate ■ Moderate to High ■ High

Governance

3%	19%	42%	22%	14%

■ Low ■ Low to Moderate ■ Moderate ■ Moderate to High ■ High

Human Resources

2%

	14%	34%	34%	16%

■ Low ■ Low to Moderate ■ Moderate ■ Moderate to High ■ High

Information Technology

7%	20%	38%	23%	12%

■ Low ■ Low to Moderate ■ Moderate ■ Moderate to High ■ High

Management and Leadership

5%	11%	50%	18%	16%

■ Low ■ Low to Moderate ■ Moderate ■ Moderate to High ■ High

Operations and Service Delivery

Low	Low to Moderate	Moderate	Moderate to High	High
5%	10%	39%	32%	15%

■ Low ■ Low to Moderate ■ Moderate ■ Moderate to High ■ High

Organization and Staffing

Low	Low to Moderate	Moderate	Moderate to High	High
3%	8%	31%	24%	34%

■ Low ■ Low to Moderate ■ Moderate ■ Moderate to High ■ High

Planning and Strategy

Low	Low to Moderate	Moderate	Moderate to High	High
3%	8%	39%	34%	15%

■ Low ■ Low to Moderate ■ Moderate ■ Moderate to High ■ High

Policies and Procedures

Low	Low to Moderate	Moderate	Moderate to High	High
6%	8%	34%	37%	15%

■ Low ■ Low to Moderate ■ Moderate ■ Moderate to High ■ High

Procurement and Contracting

Low	Low to Moderate	Moderate	Moderate to High	High
3%	26%	32%	28%	12%

■ Low ■ Low to Moderate ■ Moderate ■ Moderate to High ■ High

Public Safety

9%	29%	33%	21%	9%

■ Low　■ Low to Moderate　■ Moderate　■ Moderate to High　■ High

Reputation and Public Perception

7%	8%	43%	25%	18%

■ Low　■ Low to Moderate　■ Moderate　■ Moderate to High　■ High

Risk Programs

8%	13%	38%	31%	10%

■ Low　■ Low to Moderate　■ Moderate　■ Moderate to High　■ High