

**Financial Capacity of the City of Sunland Park in
Regard to Annexation of
Santa Teresa**

**By Christopher A. Erickson, Ph.D.
Economist**

**The views expressed are those of the author and may not be shared by the regents or
administration of NMSU.**

Financial Capacity of the City of Sunland Park in Regard to Annexation of Santa Teresa

By Christopher A. Erickson, Ph.D.

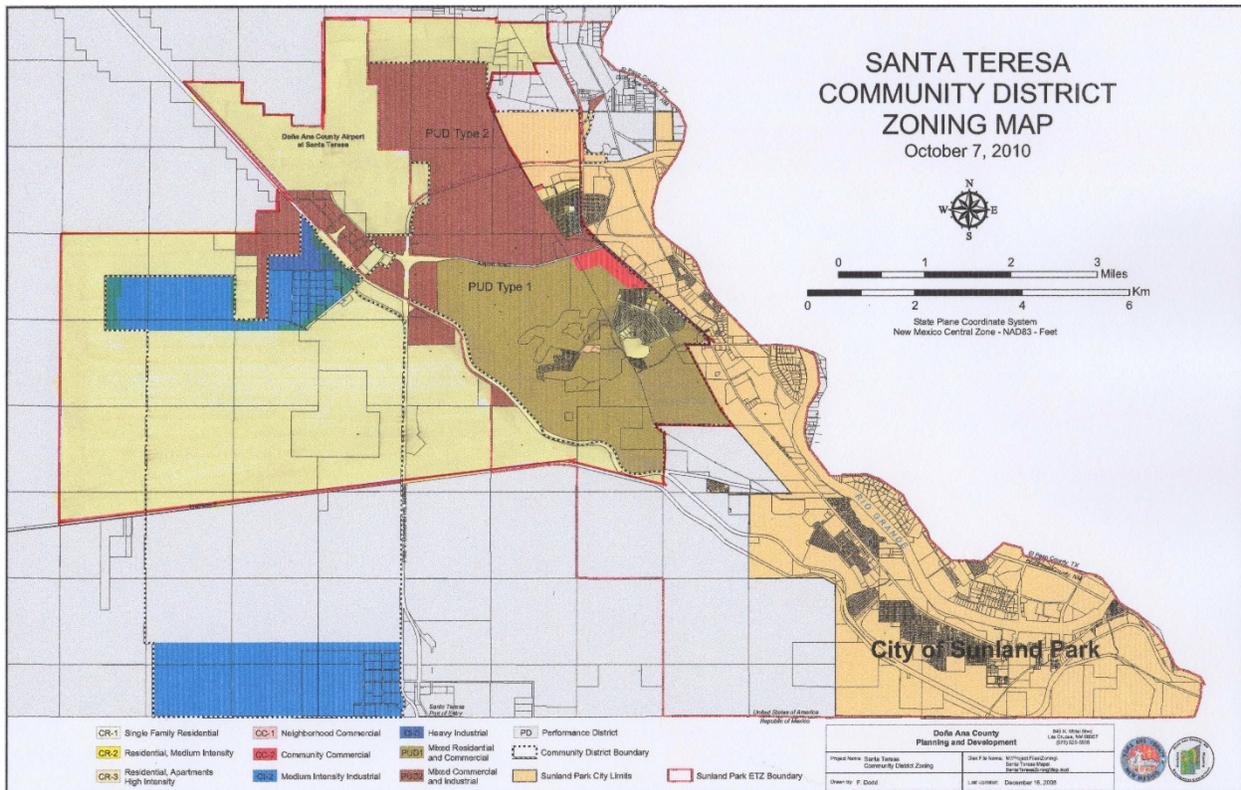


Figure 1: The proposed city of Santa Teresa includes unincorporated area to the north and west of the City of Sunland Park. Source: Provisional Government of Santa Teresa

Introduction and Background

Mary Gonzalez, representing the Provisional Government of Santa Teresa, contacted the author to prepare a report concerning the financial capacity of the City of Sunland Park with particular regard to the potential for annexing Santa Teresa. The City of Sunland Park had annexed land adjacent to Santa Teresa, making it possible for Sunland Park to annex Santa Teresa under New Mexico law. The Provisional Government of Santa Teresa is opposed to this potential annexation and is seeking to incorporate Santa Teresa as a city at least in part to thwart

annexation. Figure 1 is a map of the area in question. The City of Sunland Park is in the state of New Mexico, located in the southern part of Dona Ana County in the crook of New Mexico that extends towards Texas. It is bordered by Mexico to the South, by El Paso, TX to East, and currently unincorporated areas of Dona Ana County to the North and West. The New Mexico part of the point at which the three states of Texas, New Mexico, and Chihuahua, Mexico adjoin is located in Sunland Park. The population of Sunland Park was 14,106 and the city had 88 employees as of 2013.

Santa Teresa is located adjacent to Sunland Park. The area that the Provisional Government of Santa Teresa seeks to incorporate into a proposed new city includes all the New Mexico portion of the area on the map in Figure 1 not already in Sunland Park. This area is bordered to the South by State Highway 9, to the East by Sunland Park, and to the North and West by unincorporated areas in Dona Ana County. The proposed city would include the Bi-National Industrial Park located near the Santa Teresa Border Crossing, but would not include the Union Pacific Santa Teresa Intermodal Yard. The population of the proposed City of Santa Teresa is approximately 5,000.

Scope and Reliances

This report was prepared by Christopher A. Erickson, Ph.D., whose primary occupation is as a professor of economics at New Mexico State University. He is also self-employed as an economic consultant. It is in this second capacity that he prepared this report. Dr. Erickson's vita is included in the appendix. This report was prepared pro bono.

The scope of the report is focused on the evaluation of the financial capacity of the City of Sunland Park. Particular emphasis is placed on issues relevant to the potential annexation of

Santa Teresa by the City of Sunland Park. No opinion is expressed concerning the financial capacity of the proposed City of Santa Teresa. In preparing this report, reliance is placed on material provided by the Provisional Government of Santa Teresa and also data available from public records and media reports. No independent information or data was generated.

Main Conclusion

The financial capacity of Sunland Park makes annexation of Santa Teresa ill-advised

Items in Support of the Main Conclusion

Item 1: Accusations of poor fiscal controls by Sunland Park that allowed wide spread and continuing fraud resulting in the suspension of the city's finance director and purchasing agent and financial takeover of Sunland Park by the state Department of Financial Administration. The financial takeover was promoted by a report issued May 14, 2012 by then State Auditor (now attorney general) Hector Balderas. The report outlined a number of irregularities, some of which later resulted in conviction of Sunland Park officials.

Balderas's findings included:

- Former mayor pro tem Daniel Salinas spent more than \$42,000 from the city's Border Crossing Fund on a trip to Mexico City with the former Public Information Officer that included paying for prostitutes; payment for a Salinas campaign video; and the hiring of a private investigator to find evidence that would allow the mayor pro tem to extort his opponent in the mayor's election to drop from the race.
- Sunland Park violated the Procurement Code by hiring a city attorney without following a competitive sealed bid process. The city has paid the new city attorney \$481,378 in legal fees.
- The city violated competitive sealed bid requirements of the Procurement Code in its award of a \$2.4 million contract to Enviro Systems Management Consultants. The money used was from the Border Crossing Fund.

- The city violated state law in fiscal year 2010 by exceeding its approved budgeted expenditures for the Joint Utility Fund in the amount of \$769,882.
- Former city manager Jaime Aguilera and former mayor pro tem Salinas were responsible for reducing customers' utility billings and accounts in violation of the state law and the New Mexico Constitution. One bill was reduced from \$767.00 to \$195.80. Auditors found no evidence that the city manager reduced the bills based on criteria approved by the city council.
- In July 2010, the city council also forgave approximately \$200,000 in utility bills for residential customers in violation of the Anti-Donation Clause and state law.

**Table 1: City of Sunland Park
Summary of Financial Statements**

Year	Date Received	Opinion	Number of Findings
1998	NA	Unqualified	3
1999	NA	Unqualified	2
2000	NA	Unqualified	11
2001	5-Aug-02	Unqualified	18
2002	19-Dec-03	Disclaimer	27
2003	18-Oct-05	Qualified	24
2004	29-Sep-06	Adverse	21
2005	26-Jan-07	Qualified	14
2006	15-Mar-07	Unqualified	14
2007	22-Feb-08	Unqualified	10
2008	4-Apr-11	Disclaimer	19
2009	26-May-11	Disclaimer	19
2010	3-Nov-11	Disclaimer	29
NA	14-May-12	Special Audit	NA
2011	1-Jul-13	Unqualified	41
2012	30-May-13	Unqualified	46
2013	27-Nov-13	Unmodified	8
2014	1-Dec-14	In review	NA

Source: Office of the State Auditor

Item 2: Sunland Park Annual reports have repeatedly been subject to qualified or adverse findings by the city's auditors. Table 1 summarizes the annual reports submitted to

the State Auditor since 1998. Of the 17 audits included in the table, nine are unqualified while eight are either include disclaimers, or have adverse or qualified findings. Taken as a whole, the table indicates a pattern of poor financial reporting.



Mexico, May 22, 2013):¹

Item 3: Wide spread allocations of waste and fraud resulted in arrest and conviction of several government officials.

A summary of the ongoing scandals plaguing the city include (source: *Capital Report New*

Figure 2: Sunland Park mayor pro tem Daniel Salinas and city manager Jaime Aguilera in court. Source: KVIA-TV

- In August 2011, then-mayor Martin Resendiz admitted in a deposition that he was drunk when he signed nine contracts with a California firm that's suing the border town.
- In February 2012, extortion charges were filed against a mayoral candidate who allegedly tried to blackmail an opponent who was shown receiving a lap dance from a topless woman on videotape. Daniel Salinas, alleged extortionist, later defeated Gerardo Hernandez, the alleged victim, but could not assume office because the terms of his bail stipulated that he could not enter city hall.
- In May 2012, as already mentioned, State Auditor Hector Balderas said his office confirmed that Salinas spent more than \$42,000 from the city's Border Crossing Fund to "pay for prostitutes for Salinas and the City's former public information officer, Arturo Alba, during a trip to Mexico."
- In March 2013, former city employee Silvia Gomez admitted to multiple charges of voter fraud for inducing non-residents to vote in the 2012 Sunland Park elections.
- At least five Sunland Park officials have entered plea bargains while at least five others — including former Mayor Pro Tem Salinas — are still awaiting trial.

¹ See <http://www.capitolreportnewmexico.com/tag/daniel-salinas/>.

Item 4: Santa Teresa has an inadequate tax base to support annexation by Sunland

Park. The primary source of revenue for local government in New Mexico is the gross receipts tax. Gross receipts tax, for example, accounted for 55% of Sunland Park’s revenues in FY2013. While a systematic survey of the Santa Teresa tax base is beyond the scope of this report, sources indicate only limited retail activity in the proposed area of annexation. The major sources of economic activity in Santa Teresa are the Santa Teresa Intermodal Industrial Park, located near the Union Pacific Intermodal Yard, and the Bi-National Industrial Park, located near the Santa Teresa Border Crossing. Businesses located in these facilities often have been exempted from paying gross receipts tax as an inducement to locate in New Mexico. Often these businesses are also exempt for property tax (a second major source of Sunland Park revenues). The lack of retail activity coupled with the potential exclusion from the tax base of industrial park tenants limits the gross receipts subject to taxation.

Item 5: Experts familiar with Sunland Park’s financial capacity oppose the annexation.

In preparing this report, a number of state and local officials were consulted. Uniformly, those familiar with Sunland Park financial capacity opposed the annexation of Santa Teresa by Sunland Park.

Item 6: There are ongoing and continuing issues with the administration of the city. On February 3, 2015, the City Council of Sunland Park fired city manager Vernon Wilson, placing management of the City with the Mayor and City Council. Wilson was credited with improving fiscal management, increasing credibility with state officials, and better public transparency.

Items Opposed to the Main Conclusion

Item 7: On June 5, 2014, the Department of Financial and Administration returned complete control of the Sunland Park's finances to the city. Suggestive the city administration had improved to a point, no further supervision was needed.

Item 8: The officials associated with fraud and corruption that characterized the City's government are no longer in office. The current City Council and Mayor are not associated with the corruption that characterized earlier city administrations. Councilor Jayme, however, has been found by a bankruptcy judge to have engaged in a fraudulent real estate transaction (See *Monge v. Jayme*, 3:14-cv-385 W.D. Tex), where other revealing factors are proven.