

City of Rio Rancho
FY2013 Mid-Year Budget Review
Executive Summary

ECONOMIC OVERVIEW

The mid-year budget review provides the City with an opportunity to adjust the fiscal year budget for changes in projected revenue and expenditure levels that may have occurred since initial adoption. Those changes are contained in this document which is divided into five sections: Executive Summary, Summary Information, General Fund, Special Funds, and Enterprise Funds. The General Fund, Special Funds, and Enterprise Funds sections contain detailed justification for each recommended change.

The Fiscal Year 2013 mid-year budget has relatively insignificant adjustments, reflecting an economy that is continuing to struggle through a recovery that is not as strong as most had hoped it would be. While the U.S. housing recovery seems to be building momentum, overall economic activity, including manufacturing and job growth have continued to show persistent weakness. Additionally, uncertainties about the looming “fiscal cliff”, coupled with Europe’s slowdown and now a sharp decline in economic activity in other parts of the world, like China, have left a cloud hovering over the outlook for the U.S. national economy.

Labor markets continue to improve, but only very slowly, undercutting the hopes created by strong reports early in the year. The national and regional unemployment rates continue to inch down, with the New Mexico unemployment rate falling from a high of 8.0 percent in 2010 to 6.4 percent currently. Similarly, the Albuquerque metro area unemployment rate has fallen to 6.6 percent from 7.8 percent a year earlier. However, until this point, all declines in New Mexico’s unemployment rate were associated with contractions in labor force participation.

The housing market continues to show signs of improvement. According to the US Census Bureau estimates, new home sales through October are up 17 percent compared to one year ago and the median new home price in September was up 12 percent from a year ago. Similar to the national outlook, the housing sector represents the brightest spot in recent economic data in Rio Rancho. There were 389 housing permits, year to date through November, which, while still below the long-term historical average of over 850, is 47 percent higher compared to the same period in 2011. Foreclosures have fallen from the peak seen in 2009 and are 11 percent lower year to date versus 2011.

As you can see below in the General Fund Revenue section, this improvement in the housing market has translated to higher than estimated construction-related revenues for the City. Additionally, the City is seeing strong public safety revenues and a modest increase in property tax revenues. These revenue increases are matched with various expenditure increases that leave the General Fund Ending Fund Balances mostly unchanged.

GENERAL FUND

General Fund Revenues: In total, I am recommending a net revenue increase of \$625,781, a 1.2 percent increase, incorporating adjustments to the following revenues:

Property Tax Revenue: An increase of \$176,371, or 1.4 percent in Property Tax Revenue is recommended based on the property tax certificate received from the Sandoval County in September.

Grant Revenue: An increase of \$58,000 in Grant Revenue is recommended, including \$38,000 in Workforce Investment Act funds from Workforce Solutions for customized employee training and \$20,000 moved from a public safety line item to a grant revenue line item to appropriately account for funds received for federally funded overtime expenditures.

General Government Revenue: A net increase of \$89,001 in General Government Revenues is recommended, which includes increases in various construction-related fees for a combined increase of \$115,032.

Fines and Forfeiture Revenue: An increase of \$116,105 or 9.9 percent in Fines and Forfeiture Revenue is recommended stemming primarily from a year to date increase in various court related fines and pass through revenues. Citation activity and arrests are higher year to date. According to the Police Department, total arrests are 14 percent higher compared to the same period in 2011 and DWI arrests are 39 percent higher.

Public Safety: An increase in \$90,231 or 4.1 percent in Public Safety Revenues is recommended, including an increased estimate for Red Light Camera Revenue (+\$100,000) based on an increased number of citations issued year to date, smaller increases in other public safety revenues, and a line item reclassification from Inter-Agency Overtime to Federal Grant Revenues, as noted above (-\$20,000).

Culture and Recreation Revenues: An adjustment of \$26,045, or 2.7 percent in Culture and Recreation Revenues resulting from higher year to date user fee revenues across various programs.

Miscellaneous Revenue: A total adjustment of \$204,785 is being recommended. Of this amount \$42,053 stems from various small miscellaneous revenue increases and decreases. \$162,732 of the total Miscellaneous Revenue is the amount received from a one-time gross receipts tax refund resulting from a city cost segregation study.

Franchise Fees: A net decrease of \$118,508 is proposed. The largest portion of the proposed change is PNM electric franchise fees with a decrease of \$138,372 resulting from overestimating the impact of electric franchise fees from the two hospitals.

General Fund Expenditures: In total, I am recommending a net expenditure increase of \$512,284, a 1.0 percent increase, incorporating adjustments to the following expenditures:

Personal Services: The net increase to the General Fund Personal Services budget is \$60,700, or 0.2 percent which includes, which is primarily associated with increased overtime expenditures in the Police Department (\$54,700). The year to date increase is attributed to higher than anticipated SWAT call out activity and increased DWI activity, which requires officer court appearances.

Materials & Services: The net increase of \$407,142 includes various increases and decreases. The total change includes the following:

- An increased transfer from the General Fund Fiduciary Cost Center to support a budget shortfall associated with the operation of the Santa Ana Star Center (\$195,000).
- An increase to various utility expenditures for city facilities totaling \$276,296. The increase in the water/sewer expenditures is the single largest increase (\$111,666) due to drier than normal conditions and the increased water rates. Electricity is the second largest increase (\$87,073) based on year to date activity. Insurance (\$54,483) and Telephone expenditures (\$35,915) also make up a significant portion of the overall increase.
- An increase in Custodial supplies and higher than anticipated expenditures (\$23,200) and an increase in Building Maintenance supplies and other small increases (\$6,438).
- An increase in the Streets and Right of Way heavy equipment repair and maintenance and lease and rentals (\$29,000), and a decrease in the gasoline expenditure estimate (-\$17,982).
- An increase in the indoor aquatics repair and maintenance (\$20,000), lease and rentals and minor furniture and equipment for replacement of 3 spin machines (\$7,500).

General Fund Transfer to Other Funds:

- Includes a transfer of \$1,295 to the New Mexico Gang Task Force Fund in order to correctly book revenue received from the sale of a Gang Task Force vehicle.

General Fund Ending Fund Balance:

- Total Ending Fund Balance is increasing by 1.7 percent to maintain the minimum 8.3 percent reserve required by the State associated with increased expenditures. The Unreserved Ending Fund balance is mostly unchanged.

SPECIAL FUNDS

The following list of funds includes the most significant adjustments:

Recreation Activities Fund (#206): Increase revenues by \$10,039 due to higher than anticipated rental fees and an insurance recovery payment. Increase expenditures on various items including a marquee sign at Sabana Grande Recreation Center to advertise upcoming events, minor furniture and equipment expenditures, repair and maintenance of an alarm system, and funds to purchase a switch for the grader attachment to the skid-steer, and fund the remaining amount of the bat wing mower. A decrease in the unreserved ending fund balance in the amount of \$7,638 is being requested to fund a portion of the increased expenditures. The remainder of the expenditure adjustments is being funded with the increased revenues.

Rio Metro Fund (#213): Decrease reimbursement revenue due to an anticipated lower use of City fleet maintenance services by Rio Metro and decrease expenditures accordingly. Gasoline expenditures are also being increased by \$8,220 for a total net decrease in expenditures of \$20,780.

Library Bond Fund (#220): Reallocate revenues from State Grants to State Library Bonds to appropriately book the final grant amount from the State General Obligation Bond. The changes in expenditures include various increases and decreases, including increasing State Bond Books (\$80,994) and State Bond Equipment (\$10,000) for an overall net expenditure increase of \$8,774. The Ending Fund Balance is being reduced by \$107,951 to partially offset these expenditures and utilize the bond funds.

Convention and Visitor Bureau Fund (#225): Reduce budgeted Lodgers Tax revenue by \$33,891 based on year to date revenue activity and reduce various expenditures and Unreserved Ending Fund Balance accordingly. Lodgers Tax revenue is highly dependent on business travel to Intel, which has been relatively lower in recent years.

Rio Vision Cable Fund (#226): Decrease unreserved ending fund balance by \$13,000 to offset the reduced revenue projection and increase expenditures in Edit House services by \$4,000 to purchase blinds and curtains in the Rio Vision filming room.

SAD Operations Fund (#227): Increase expenditures by \$27,959 to pay for various costs associated with the foreclosure filing of over 100 delinquent, mostly vacant SAD properties and the sale of four City owned SAD properties. Reduce the Ending Fund Balance to fund these expenditures (-\$27,959).

Local Government Correction Fund (#240): Increase correction fee revenues based on year to date trends and increase prisoner care expenditures in the amount of \$51,296.

Law Enforcement Fund (#241): Reallocate \$23,340 from Minor Furniture and Equipment budgeted for police vehicle equipping to Vehicles and Heavy Equipment to purchase one additional patrol vehicle for a total of 13 vehicles purchased this fiscal year.

Public Safety Enforcement Fund (#242): Decrease revenues by \$10,000 based on actual revenue received and decrease Minor Furniture and Equipment expenditures accordingly.

Traffic Education Enforcement Fund (#243): Increase revenue by \$30,000 due to more traffic related activity, decrease minor furniture and equipment (\$5,500) to fund a new motorcycle (\$35,500).

Fire Protection Fund (#250): Net increase in total revenue by \$150,321, primarily due to a \$152,121 loan reserve not previously recognized in the Fire Protection Fund and held by the New Mexico Finance Authority. Additionally, the Capital Projects line item is being increased to partially pay for the Station 1 bathroom remodel project (\$15,982). The total funds required for the Station 1 remodel project is \$26,033, of which \$10,051 will come from the City Facility Improvement Fund (#313). The Unreserved Ending Funding Balance will be reduced by \$11,749 to help fund these expenditures.

State Grants Fund (#252): Increase revenues by \$14,040 based on the final "Click It or Ticket" grant award (\$5,040) and the "100 Days/Nights of Summer" grant award (\$9,000). Overtime and Minor Furniture and Equipment expenditures are increasing by the same amount.

Federal Grants Fund (#259): Increase revenues by \$45,077 based on the final "Operation DWI" grant award and various expenditures associated with the project by the same amount.

Infrastructure Fund (#305): Reduce expenditure amounts in the Capital Project line items and the Ending Fund Balance for a total of \$14,311 and increase the Grant Reversion line item by the same amount to revert unused funds to the Department of Transportation.

City Facility Improvement Fund (#313): Increase capital projects, including Station 1 bathroom remodel and fund a fire and alarm system installation project. The Ending Fund Balance will be reduced by \$10,051.

Road Impact Fees (#351): An increase in assessments received year to date compared to the budget estimate in the amount of \$5,520 is being allocated to the Ending Fund Balance and Administrative Costs.

SAD 6 Debt Service Fund (#363): Increase the Costs and Fees line item and Postage line item by a total of \$7,579 and decreasing Ending Fund Balance by the same amount.

SAD 7A Debt Service Fund (#364): Increase the Loan Repayment line item by \$500,000 due to an increase of pre-payments from property owners. Increase other SAD administrative expenditures, such as postage and court filings costs and decrease the Ending Fund Balance accordingly.

HUD CDBG Fund (#375): Includes increases and decreases in CDBG administrative costs and adjusts the part-time employee benefits that were not budgeted with the

previous employee. It also adjusts for the three City-run programs from the Grant Programs line item to the Park Improvements Line Item.

WATER AND WASTEWATER UTILITY

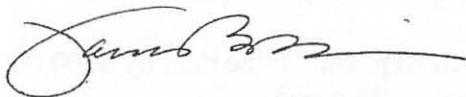
Utility Fund Revenues: I am recommending an increase of \$1,155,748. This increase is due to an 8.8 percent increase in water and wastewater rates.

Utility Fund Expenditures: I am recommending an increase to expenditures of 0.2 percent, which includes the following items:

- Electricity used to treat and pump water is increased \$47,786 based on trend projections for the first five months FY 2013.
- Increase transfer to Water Capital (Fund 540) by \$200,000 to establish a reserve for \$6.3 million in grant funds owed by the Army Corps of Engineers to the City. \$200,000 will be transferred each year until the entire reserve has been funded or until the City is reimbursed.
- Other Costs increased \$15,000 as a result in the increase in the expenses associated with water and wastewater line location notifications.
- Payment in Lieu of Taxes (PILOT) was increased by \$22,794 as a result of the 8.8 percent increase in the water and wastewater rates.
- Increase water impact fee revenues (Fund 545) due to higher than anticipated revenue received in the first five months of the fiscal year.

Utility Fund Ending Fund Balance (EFB): The Utility Fund Unreserved Ending Fund Balance is increasing \$902,822 to \$6,398,379, or 16.4 percent, to deal with unanticipated expenditures that can occur with the operation of a Water and Wastewater Utility.

In summary, signs of economic recovery can be seen in the City's mid-year budget. The City will continue to maintain a sustainable budget by focusing on the long-term outlook. We will do this by continuing to implement cost savings measures and focusing on increasing revenues through retail recruitment, economic base job recruitment, shop local initiatives, and enhanced revenue collections.



James Babin, Acting City Manager