

JAMES C. PAYNE
City Manager

Letter of Transmittal – Fiscal Year 2009 Budget July 23, 2008

The Honorable Mayor and Councilors and Citizens of Rio Rancho:

Submitted herewith is the FY 2009 Balanced Budget for all budgetary funds of the City of Rio Rancho. It is presented in accordance with Article 3 Section 3.07 (d) and Article 6 Section 6.02 of the City Charter and other applicable ordinances and policies of the City.

#### **Introduction**

This letter of transmittal is provided as a general overview of the balanced FY 2009 Annual Budget. As such, it is intended to point out noteworthy economic trends and describe the environment that has impacted the development of the budget. Because a budget is also a significant planning and policy tool, this letter will highlight those changes in the budget that are a significant departure from past years insofar as these changes may have impacted either programs or service levels. This could include increases, decreases, additions, or deletions to programs or services. This letter will not dwell on details except as they may illuminate the broader policy levels. Further details of revenue and expenditure items are contained in the body of the budget document and in accompanying reports on specific budget issues as were deemed needed.

Since this is my first budget presentation, I offer a brief aside about the process of developing the budget. This process began with the submittal of expenditure requests and estimates of proposed revenue by each department. Directors and managers were requested to submit a *status quo* budget in spite of known revenue declines. This provided a proper understanding of the impact of revenue limitations. The process then continued with my assessment of these submittals in light of all internal and external factors, followed by my meeting with the department directors and managers to discuss their detailed assessment of operational needs. The process culminated in the development of mutually acceptable recommendations based on departmental needs and the fiscal ability of the organization as a whole.

#### **Discussion**

As was previously discussed with the Governing Body, the general trend of the economy across the U.S. has been downward. In particular and of perhaps the greatest significance to Rio Rancho have been general declines in the housing market in terms of housing starts and in consumer spending overall. In Rio Rancho, this has resulted in a slowdown in residential development and an apparent across-the-board reduction in retail spending. This, in turn, means a decline in the City's primary revenue source, Gross Receipts Tax (GRT).

Fortunately, these trends and their effects on the City's development appear to be of a relatively short duration. In fact, other sectors of development, mostly commercial, appear to be trending upward while residential development parallels more modest levels of a few years ago. Even if these factors do not have as significant a short-term impact, they speak well of the future for the City.

For the purposes of budget development this means that it is possible to use short-term budget control strategies as opposed to long-term. Tactics such as reducing capital and other one-time expenditures while maintaining spending that impacts ongoing operations is an example of these different approaches. And this is what has been done. As you review the information below, please note that emphasis has been placed on controlling those things that do not have a lasting impact on ongoing programs and services.

#### **Analysis of General Fund Revenues and Expenditures**

In that the General Fund speaks the most about the services and programs that are provided by the City, this fund will be given the largest review. Overall, then, the expenditures in this fund, as balanced by projected revenues, are down in approximately 11.34%, or \$7,735,005. To say the least that is a significant reduction in the spending of the City.

The reason for this drop in spending is a reduction in the amount of revenue available. The analysis of this drop is straightforward. The GRT portion of the revenues that impact operations (comprising over 55% of revenues) is expected to decrease over 6%, or \$1,947,028. Offsetting some of this decline is an anticipated increase in Charges for Services of 15%, or \$687,483. In addition, because the revenue decline began in FY 08 there has been a reduction in the beginning fund balance, which because of a strong performance in FY 07, was used in FY 08 to increase available dollars.

The expenditure side of the ledger addresses these revenue decreases in several ways. First, it should be noted that expenditures for Personal Services is up over 9% or \$3,412,105. This is mostly due to across-the-board wage adjustments and other items affecting wages that were negotiated in previous years. This, then, adds to the need to reduce expenditures in other areas of the budget. **Note:** there are only three new positions recommended for approval. One results in a more than offsetting reduction in overtime, the other is contingent on an offsetting revenue source being available. Additionally, several vacant positions have not been funded going forward in this budget. This budget includes funding for 9 elected officials, 700 full time employees and 63 seasonal employees. The average salary increase for full time employees is 4%.

The second general item of note is that Materials and Services and the Capital Outlay portions of the budget are being reduced by over 19% or \$2,995,931. Reductions in such areas as Professional Services (41% or \$650,275), Advertising (18% or \$27,806), Furniture and Equipment (52% or \$550,797) and Travel and Training (17% or \$86,970) will limit some aspects of service delivery by delaying rather than eliminating certain items. Funding for discretionary funds have been included in the balanced budget totaling \$150,000. **Note:** funding for a Federal lobbyist has not been included.

#### **Analysis of Other Program and Service Funds**

There are a myriad of other funds that are budgeted in the City. For the most part these funds are self-supporting, relatively small, or have little impact on the basic operations of City. Funds that are of more significance include the Road Fund, Infrastructure Fund, Equipment Replacement Fund, and various Impact Fee funds.

As with the GRT, Impact Fee funds are affected by the economic situation. The decline in construction has reduced the ability of these funds to assist in construction of needed infrastructure. Revenues in the Road, Parks and Public Safety Impact Fee budgeted revenues were decreased in May 2008 by \$1,662,000. For FY09 revenues are projected to decrease an additional \$394,845. Projects that may have been made possible by these funds will be placed on hold.

In an effort to maintain service levels, the General Funds support of the Equipment Replacement Fund has been left intact. Equipment that is vital to operations will be replaced, however, some needed new equipment will be placed on hold. While the transfer from the General Fund is comparable between FY08 and FY09, the budgeted expenditures declined from \$1,832,751 to \$508,265 due to the large beginning fund balance in FY08. The availability of funds in FY08 allowed considerable improvement of the ageing fleet.

The Infrastructure Fund has seen good times in recent years. Unfortunately, this has been the fund hardest hit by reductions, with General Fund support for projects being cut from \$5,485,422 to \$0. It is, however, anticipated that bond proceeds from a GRT bond will be able to provide approximately \$6,000,000 in funding on a one-time basis for projects in both the Infrastructure and the Municipal Road Funds.

The Municipal Road Fund also bore the brunt of more reductions, with General Fund support going to zero from a 2008 level of \$1,270,287. Of course, gasoline taxes will allow the continuation of the repair and maintenance programs needed to maintain our streets and right-of-ways. Some projects normally found in this fund may be possible through borrowing as noted above.

The Public Works – Utilities Fund is another significant fund in the budget. This is an enterprise fund and is expected to generate its own source of funding through fees. It is a \$30,000,000 business that is expecting a slight reduction of about 3% in revenues. **Note:** a rate study is being conducted to take into account changes in the cost of its many expenses, and to consider the cost of water rights and other ongoing costs not previously included in the utilities rates.

While not receiving any significant funding, one program note is the formation of a new Computer Equipment Replacement Fund. Once this fund is able to be fully endowed, it will operate similar to the more familiar vehicle replacement fund, allowing more regular replacement of vital IT equipment.

One final note regarding the **Fund Balance**. The reserves of the city are intended to assist in cash flow of the city as well as provide a cushion for <u>unanticipated</u> shortfalls. As a general standard, <u>anticipated</u> shortfalls should be budgeted as such. In the case of this year's budget, the expected briefness of the situation does allow the limited use of the unreserved fund balance; and it is recommended for reduction from 14.07% to 11.63%. In addition, controls have been placed on the current year's budget to increase what will be available to carry over into the next year.

#### Conclusion

The formation and ultimate deliberation surrounding a contracting or reducing budget involves a far different discussion than that of an expanding budget. In an expanding environment, the debate generally involves who gets what piece of the new pie. However, in a contracting environment it must be realized that to increase one area demands a like reduction in another area. In other words, it is no longer simply a matter of reducing one proposed increase to fund another proposed increase. It now is taking from an existing, perhaps assumed to be supported area, to give to another. Or it could be taking proportionately more from one area than another to support that area. In any case, let me assure you it is far more enjoyable to be working with an expanding economy than a contracting one!

Nonetheless, what is contained in this budget is staff's best effort at working within our means to provide resources necessary to achieve both the expectations of the City Council and of the citizens of an expanding, growing community. With this budget, core and important services and programs will be maintained.

Particular thanks to Dick Kristof, Judy Dolley, Juan Mejia and others in the Finance Department, and Laura Fitzpatrick of my staff, for their invaluable assistance in the preparation of this budget. Thanks also to the department directors and managers for their support of a new budget paradigm.

Respectfully submitted,

from Chipm

James C. Payne City Manager

#### **CITY GOALS**

#### QUALITY AND EXCELLENCE GOAL

Strive to improve overall effectiveness in all aspects of services and become a community of quality and excellence.

#### STRATEGIC INITIATIVE GOAL

Identify and support the development of strategic goals and objectives to enhance the long-term vision of the community.

#### ECONOMIC DEVELOPMENT GOAL

Define, encourage, and guide a sustainable, long-term, economic and community development

policy to grow the City fiscal capacity.

#### **PUBLIC SAFETY GOAL**

Assure a safe, secure, and healthful community through the efficient delivery of Public Safety services designed to be preventative, protective, and responsive.

#### LAND USE GOAL

Further enhance and refine comprehensive land use planning and establish citywide priorities for growth and development that guide sustainable population, employment and commercial growth.

#### SERVICES GOAL

Maintain and enhance quality of life facilities and services to the citizens by providing innovative and excellent facilities, programming, and outreach.

#### **OPERATIONS GOAL**

Continue to define, improve, and enhance the delivery and effectiveness of operations and services within city government and to the citizens of the community.

#### CAPITAL IMPROVEMENT GOAL

Enhance the overall quality of life through well planned and coordinated public and private capital improvements and facilities.

#### ENVIRONMENTAL GOAL

Identify and protect the quality of the natural environment to improve the quality of life for Rio Rancho residents.

#### FINANCIAL GOAL

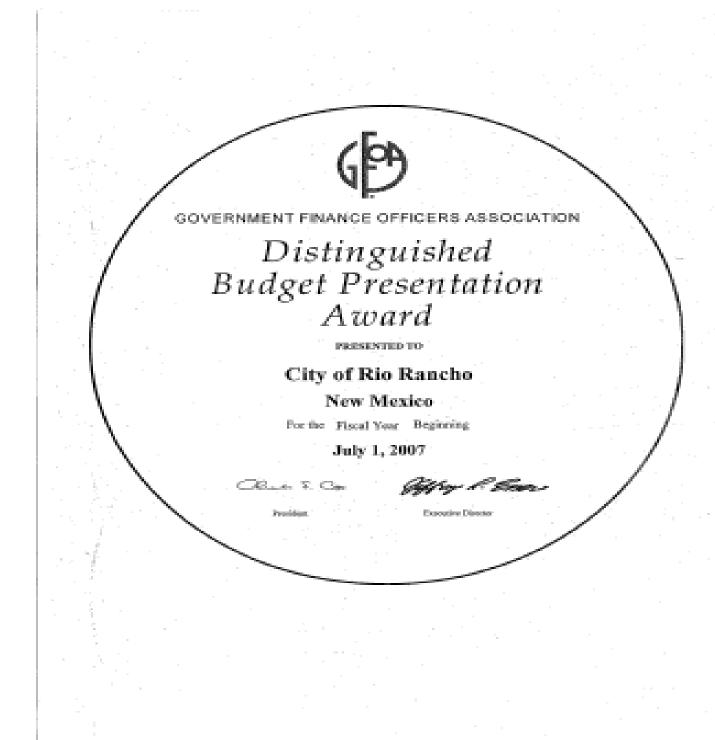
Financially plan for, support, audit and protect the programs and services of Rio Rancho to ensure the long term economic well being of the City.

#### **WORKFORCE GOAL**

Recruit and support high quality, motivated employees; promote continued training of employees; and, strive to provide a safe work environment.

#### PARTNERSHIP GOAL

Partner with other levels and/or jurisdictions of Government, Schools, and other public and private entities to enhance area services and infrastructure.



The Government Finance Officers Association of the United State and Canada (GFOA) presented an Award for Distinguished Budget Presentation to the City of Rio Rancho for its Annual Operating Budget for Fiscal Year beginning July 1, 2007 through June 30, 2008.

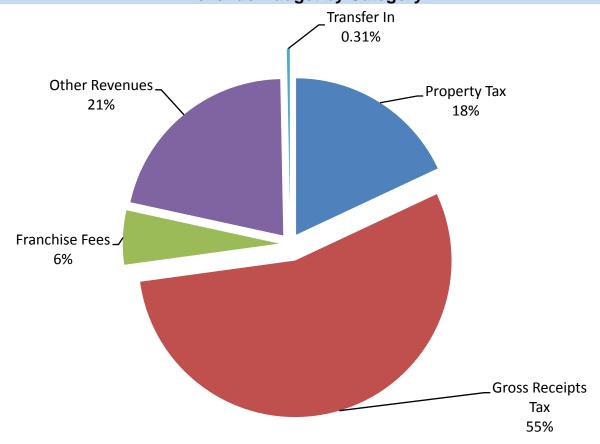
In order to receive this award, a government must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications medium.

The award is valid for a period of one year only. We believe our current budget (FY09) continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

### CITY OF RIO RANCHO GENERAL FUND SUMMARY FOR THE PERIOD 7/1/08 TO 6/30/09

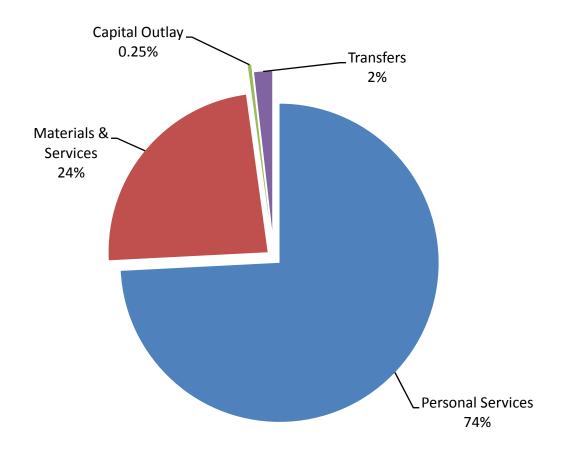
	FY 2008 Revised	Adjustment	FY 2009 Budget
Beginning Fund Balance	14,625,277	(6,234,926)	8,390,351
Revenues			
Property Tax	8,977,991	463,442	9,441,433
Gross Receipts Tax	30,522,462	(1,947,028)	28,575,434
Franchise Fees	2,859,974	50,572	2,910,546
Licenses and Permits	376,048	(25,208)	350,840
Grants	2,118,503	(665,571)	1,452,932
State Shared Taxes	283,726	6,613	290,339
General Government	2,160,277	52,684	2,212,961
Public Safety	1,843,540	77,950	1,921,490
Culture and Recreation	734,060	536,849	1,270,909
Fines and Forfeitures	1,091,086	22,157	1,113,243
Other Miscellaneous Revenue	2,516,252	(82,526)	2,433,726
Total Revenues	53,483,919	(1,510,066)	51,973,853
Other Financing Sources			
Transfer In	152,850	9,987	162,837
Total	68,262,046	(7,735,005)	60,527,041
Expenditures			10.000 110
Personal Services	36,797,557	3,412,105	40,209,662
Materials and Services	15,115,424	(2,305,669)	12,809,755
Capital Outlay	879,362	(690,262)	189,100
Total Expenditures	52,792,343	416,174	53,208,517
Other Financing Sources			
Transfer Out	8,887,876	(7,896,366)	991,510
Ending Fund Balance			
Unreserved	2,298,034	(405,063)	1,892,971
Reserved	4,383,793	50,250	4,434,043
Total Ending Fund Balance	6,681,827	(354,813)	6,327,014
Total Ending Fund Balance	68,362,046	(7,835,005)	60,527,014
10141	00,204,070	(7,033,003)	00,021,071

# FISCAL YEAR 2009 GENERAL FUND Revenue Budget by Category



\$ 9,398,019
28,575,434
2,910,546
11,089,854
 162,837
\$ 52,136,690
\$ 

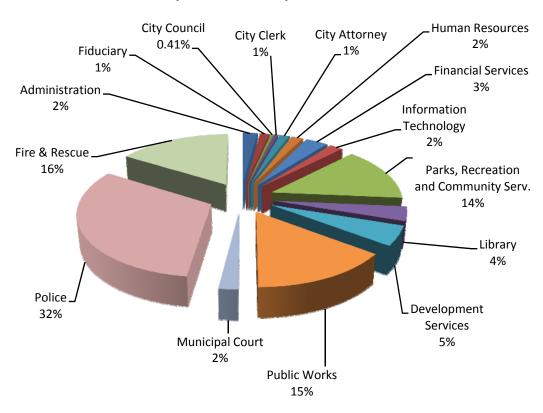
# FISCAL YEAR 2009 GENERAL FUND Expenditure Budget by Category



Personal Services	\$ 40,209,662
Materials & Services	\$ 12,809,755
Capital Outlay	\$ 189,100
Transfers	\$ 991,510
Total Expenditures	\$ 54,200,027

## GENERAL FUND FISCAL YEAR 2009

### **Departmental Expenditures**



Administration	\$	1,114,514
Fiduciary	Ψ	720,297
•		•
City Council		223,880
City Clerk		284,486
City Attorney		751,398
Human Resources		899,490
Financial Services		1,713,716
Information Technology		1,032,490
Parks, Recreation and Community Serv.		7,581,261
Library		2,022,927
Development Services		2,749,809
Public Works		8,033,464
Municipal Court		1,075,257
Police		17,242,085
Fire & Rescue		8,755,053
Total	\$	54,200,127

## CITY OF RIO RANCHO GOVERNMENTAL FUNDS BUDGET SUMMARY FOR THE PERIOD 7/1/2008 TO 6/30/2009

FUNE	) NUMBER AND TITLE	FY 09 BEG FUND BALANCE	REVENUES	OPERATING TRANSFERS	EXPENDITURE	ENDING FUND BALANC	
101	General	\$ 8,390,351	\$ 51,973,853	\$ (828,673) \$	53,208,517	6,32	7,014
201	Donation Revenue	15,162	4,600		19,662		100
202	Animal Control Contributions	29,289	36,800		63,989		2,100
205	Recreation	9,280	17,500		17,000		9,780
206	Recreation Activities	390	367,196		366,093		1,493
207	KRRB Grant	2	60,000		60,000		2
208	Community Response Program	4					4
210	City Vending Program	20,189	10,300		27,048		3,441
212	Workers Compensation Fund	-	1,000,000		1,000,000		-
215	Senior Center Programs	14,185	8,800		18,250		4,735
216	Senior Center Programs II	12,941	49,769		45,969	1	6,741
218	Rio Transit Grant	3	-		3		-
220	Library	1,588,928	54,865		345,684	1,29	8,109
224	Promotions Fund	20,276	199,786	113,397	333,459		-
225	Convention Visitors Bureau	60,825	386,200	25,000	463,938		8,087
226	Cable Committee	152,279	132,000		205,500		8,779
227	SAD Operations	,	, -	51,582	51,582		_
240	Local Government Correction Fund	13,956	181,000	161,200	356,156		_
241	Law Enforcement	5,784	104,800	. ,	103,535		7,049
242	DPS Enforcement Aid	92,137	27,000		23,758		5,379
243	Traffic Education	34,495	86,000		110,680		9,815
250	Fire Protection	70,295	393,188		348,303		5,180
251	EMS	6,823	19,850		19,850		6,823
252	DPS State Grants	(3,161)	63,252		60,091		-
259	Federal Grants Fund	374	611,006		611,191		189
260	Environmental Gross Receipts	185,483	516,258		516,258	10	5,483
262	Central Business District	165,465	300,000		300,000	10	3,463
263	Higher Education GRT	-			300,000	1 71	2 052
	2	276 272	1,712,853	-	1 020 200	1,/1	2,853
270	Municipal Road	376,273	654,115		1,030,388	4	9 501
301	Capital Projects	33,591	356,918		341,918		8,591
305	Infrastructure	57,724	68,734	150,000	68,734		7,724
307	Infrastructure Rehabilitation	48,992	245 102	150,000	150,000	4	8,992
308	Unser Blvd SIB Loan Fund	7	345,193		345,200		-
310	Recreation Development fund	49,927	-	20,000	49,927		-
311	Computer/Sftwr Replacment	44.201	16,000	30,000	30,000	_	2 201
312	Equipment Replacement	44,301	16,000	501,265	508,265		3,301
313	Building Improvement/Replcmt	1,008,875	113,059		1,103,500		8,434
315	State Appropriation Capital Fund	1,528	315,000		315,000		1,528
323	SAD 6 Projectfund	41,992			41,992		-
326	2004 Library Bond Construction	1,770			1,770		-
327	GRT Bond Construction	89,645	-		89,645		-
328	2006 GO Aquatics Construction	247,710	620, 621	(10.010)	247,710		-
351	Impact Fees - Roads	812,194	638,631	(18,019)	655,917		6,889
352	Impact Fees - Bikeways/Trails	22,074	11,000	(330)	18,500		4,244
353	Impact Fees - Parks	339,282	210,000	(6,300)	119,410		3,572
354	Impact Fees - Public Safety	433,640	215,000	(6,000)	370,410		2,230
355	Impact Fees - Drainage	234,588	506,150	(14,734)	250,000		6,004
362	SAD 5 Debt Service	101,316	87,980	(157,491)	800		1,005
363	SAD 6 Debt Service	1,489,481	1,241,972	(10,345)	1,938,819	78	2,289
374	Domestic Violence Response	11	-		11		-
375	HUD-CDBG Fund	7	311,108		311,108		7
376	Crime Victims Assistance II	676	34,400	10,648	45,048		676
377	HUD - CDBG	(9,192)	32,974		23,782		-
401	G.O. Bonds Debt Service	3,779,250	3,838,113		2,959,913	4,65	7,450
423	Refunding Sales Tax Series 2003	25,295	641,872		653,657	1	3,510
424	Series 2005 GRT Debt Service	17,563	1,117,224		1,117,224	1	7,563
706	Solid Waste Indigent Fund	12,440	10,000		22,440		-
710	RREDC Agency Fund	2,117	40,000	(1,200)	40,917		-
	TOTAL	\$ 19,983,367	\$ 69,082,319	\$ - \$	71,487,604	3 17,57	8,082

# CITY OF RIO RANCHO UTILITY FUNDS BUDGET SUMMARY FOR THE PERIOD 7/1/2008 TO 6/30/2009

FUND NUMBER AND TITLE		FY 09 EG FUND SALANCE	OPERATING REVENUES TRANSFERS				EXPENDITURES		ENDING FUND BALANCE
501 Department of Utilities	\$	3,534,216	\$	28,819,569	\$	(13,362,266)	\$ 17,500,566	\$	1,490,953
512 Equipment Replacement Fund	Ψ	48,920	Ψ	20,017,307	Ψ	175,000	175,000	Ψ	48,920
535 Utilities 99 Debt Service		4,021,472		200,000		6,436,460	6,436,460		4,221,472
536 Debt Service / NMED Loan		1,627,995		55,000		909,734	704,867		1,887,862
537 Utility 2004 Bond Debt		429,928		25,000		324,504	324,504		454,928
538 Utility 2005 Bond Debt		1,942,589		100,000		1,659,143	1,659,143		2,042,589
539 Utility 2007 Bond Debt		3,170,222		120,000		1,757,425	1,757,425		3,290,222
540 C.I.F. Water Operations		1,227,259		1,005,000		500,000	2,640,000		92,259
542 Water Rights Fund		101,738		36,000		1,600,000	1,709,007		28,731
545 Water Impact Fees		428,431		671,800		-,,	971,802		128,429
550 C.I.F. Wastewater Operations		115,473		12,000			127,000		473
552 Effluent Fund		181,013		17,500			193,530		4,983
555 Wastewater - Impact Fees		502,071		354,720			642,751		214,040
572 2007 Utility Bond Construction		808,376		170,000			978,376		-
UTILITY TOTAL	\$	18,139,703	\$	31,586,589	\$	-	\$ 35,820,431	\$	13,905,861

MPEC FUNDS	BUDGET SUMMARY
FOR THE PERIO	OD 7/1/2008 TO 6/30/2009

FUND NUMBER AND TITLE	FY 09 EG FUND SALANCE	R	EVENUES	-	PERATING RANSFERS	EX	KPENDITURES	ENDING FUND BALANCE
601 Multi-Purpose Event Center 610 Debt Service Fund	\$ 13,584 2,986,720	\$	1,020,000 2,083,192	\$	(850,000) 850,000	\$	170,000 3,011,746	\$ 13,584 2,908,166
MPEC TOTAL	\$ 3,000,304	\$	3,103,192	\$	-	\$	3,181,746	\$ 2,921,750