July 22, 2009

Dear Citizens:

I am pleased to transmit the budget for the City of Rio Rancho for the fiscal year July 1, 2009 through June 30, 2010. A budget is the primary vehicle through which a city establishes service priorities. Due to a weak economy, total income to support most city services is lower by almost seven percent. Despite this, through this budget your City government will continue to provide the same level of service to the community without raising taxes.

We have worked hard to balance the budget in a very tight fiscal climate. These efforts have resulted in spending that is five percent less than the 2008-09 fiscal year. These efforts include:

- Holding 51 jobs vacant. It is important to note that no first responder jobs will be held vacant.
- Unfortunately, there are not compensation increases for any group of employees.

In spite of these challenging economic times, not only are we maintaining service levels, but our City continues to move forward. Through this budget we begin implementation of the Strategic Plan, which was adopted in March 2009. The purpose of the strategic planning effort was to create a set of clear goals and strategies for meeting critical needs and challenges facing the community and city government. The Strategic Plan can be found on the City’s web site at www.ci.rio-rancho.nm.us.

The City Manager is charged with implementation of the priority strategies approved by the Governing Body. As outlined in the strategic plan, our vision is to be a diverse, sustainable, family-friendly community that is safe, vibrant and attractive to residents, businesses and visitors. The strategies in the Strategic Plan and this budget support this vision. An example of a strategy that is well underway is the $25 million worth of General Obligation road projects that will be under construction this fiscal year.

In summary, this balanced budget addresses the strategic priorities of our community within available revenues. Over the next year I look forward to working together to make policy decisions that support the long-term vision of the City in a fiscally responsible manner.

Sincerely,

Thomas E. Swisstack
Mayor
The Great Seal of the City of Rio Rancho, New Mexico

* 1981 *
July 22, 2009

The Honorable Mayor and City Councilors  
City of Rio Rancho  
3200 Civic Center Circle NE  
Rio Rancho, New Mexico 87144-4501

RE: Submission of Comprehensive City Budget Proposal for Fiscal-Year 2010

Dear Mayor and City Councilors:

In compliance with the City Charter and applicable state statute, I am submitting a complete copy of the Comprehensive City Budget Proposal for Fiscal-Year 2010 (July 1, 2009 through June 30, 2010).

This budget recommendation is profoundly impacted by the current economic conditions in the region. Even though the decline in economic activity has not been as severe in Rio Rancho as in other New Mexico communities, fewer housing starts and lower retail sales are reflected in lower gross receipts tax revenues for FY10. Thus, this budget recommendation, reflecting a struggling economy, calls for spending in the 2009-2010 fiscal year that is five percent below the budgeted amount for the 2008-2009 fiscal year. The reserve fund balances in this budget recommendation are at 8.3 percent of expenditures, which is the minimum required by the state of New Mexico. There is no unreserved fund balance in the recommended budget which means that we will have to closely monitor revenues and expenditures throughout the fiscal year.

In a word, I would describe expenditure recommendations as austere. Of primary concern, is our financial inability to recommend compensation increases for any group of employees. Most departments will have smaller budgets and those that are recommended for small increases are due to either utilities cost increases or one-time events such as the March 2010 election. In addition, we have shifted many proposed expenditures out of the general fund to special funds and there is very little recommended capital expenditure in the general fund budget. While we are able to avoid layoffs in this budget recommendation, city employees will be impacted by changes to health care benefits that will require them to absorb more costs. Finally, I have frozen 39 full-time-equivalent positions. If the budget situation improves during the first half of the 2009-2010 fiscal year, these frozen positions and compensation increases should be reconsidered during the mid-year budget review.

REVENUES: $54,974,940

Total General Fund budgeted revenues for FY10 are projected to decline by nearly 4.6 percent or $2,646,602 compared to FY09 actual revenues. Total General Fund projected revenues are composed of the beginning fund balance (cash balance to start the fiscal year) and projected revenues expected during the fiscal year. Of the $2,646,602 decline in total General Fund revenues, the beginning fund balance declined $5,907,705 due to revenue weakness throughout fiscal year 2009 and projected operating revenues are expected to be higher than fiscal year 2009 by $3,393,144.

The City’s most important single revenue source, Gross Receipts Tax (GRT), is projected to increase by $2,471,613 or nearly 10.5 percent. GRT revenue of $26,001,324 accounts for 52.1 percent of the total
FY10 General Fund operating revenue budget of $49,753,697. The construction revenue component of GRT is expected to grow by $310,297 or 22.5 percent in FY10, as the number of single-family building permits issued have gained strength. The increase in construction GRT will also come from major commercial type projects, including Hewlett Packard, University of New Mexico, Community College of New Mexico, as well as the large road construction program funded by the Federal Stimulus program and a recent general obligation bond. In other sectors of GRT we see just small changes since the economy will be very slow to recover during FY10.

Property tax revenue, the second largest single revenue source, is estimated to be higher by $724,715 or 7.2 percent. This estimate is based on the 2008 property tax certification calculated by Local Government Division of the Department of Finance and Administration plus the projected impact of 714 single-family residential starts during the 2008 calendar year and considering any downward changes in existing property values.

The third largest revenue source is franchise fees. Franchise fees are projected to be higher by $272,824 or nearly 9.2 percent, led by projected PNM Electric franchise payments increase of $151,244 based on the new higher rate schedule. New Mexico Natural Gas franchise payments are expected to increase $50,681 based on the U.S. Department of Energy projection that demand and price will increase ten percent in FY10.

The General and Administrative Reimbursement revenue from the Water and Wastewater Utility increases $414,891 due to Public Works Department reorganization of the engineering positions.

Grant revenues are budgeted $819,508 lower. Two grants are primarily responsible for the decline. The third year of the Safer grant revenue for firefighters pay is $199,259 lower per the grant agreement. The FEMA Grant revenue budget is reduced $456,054 for the amount received in fiscal year 2009. The payments were received for competition of projects to repair 2006 flood damage.

**TRANSFERS INTO GENERAL FUND:** $1,428,170

Transfers from special funds to the General Fund support operating activities.

Transfers from Impact Fee Funds $91,439
   The Impact Fee Ordinance provides for the ability to transfer 3.0 percent of impact fee revenues to the General Fund to support impact fee administration costs. The transfers from the impact fee funds include: Roads $24,899, Bikeways and Trails $390, Parks $7,350, Public Safety $10,200, Drainage $13,500, Water $19,500, and Wastewater $15,600.

Transfer from Building Improvement Fund $467,131
   The General Fund advanced $425,000 to the Building Improvement Fund for preliminary engineering cost for design of the Central Business District improvements (Hewlett Packard). The Bond issued for the project covers these costs so the funding advanced shall be returned to the General Fund. Unused funding of $42,029 set aside for land purchase is returned to the General Fund.

Transfer from Infrastructure Rehabilitation Fund $68,400
   Transfer interest earning of the fund to the General Fund.

Transfer from Infrastructure Fund $800,000
   The amount in the Infrastructure Fund was budgeted to match the Unser Boulevard grant. The budgeted match was moved to the Impact – Fee Road Fund.

Transfer from RR Economic Development Donation Escrow Fund $1,200
   Transfer fees received for administration of the donation fund.
COMPENSATION: $39,041,756

Compensation accounts for 77.4 percent of the General Fund operating budget. The wages and benefits decreased by 5.5 percent or $2,268,910 by:
- freezing positions through attrition.
- increasing salary savings.
- forgoing salary increases.
- delaying hiring process for some positions.
- reducing health insurance costs by changing plans.
- reducing hours or days of aquatics operations.
- reducing summer program staffing levels.
- establishing a part-time voluntary program which allows employees with the approval of the Department Director to temporary change from full time employment to part time employment.

MATERIAL AND SERVICES: $11,276,406

The General Fund materials and services budgets are increased $108,818 or 1.0 percent compared to actual FY09 expenditures. Although there is a slight increase over actual expenditures, the FY09 mid-year budget reduced materials and services expenditures $1,045,244. Budget reductions were made to many line items to meet the decline in revenue and in particular the Conference, Travel and Training line items were limited to in-state conferences except for staff that require training for license or certification requirements.

CAPITAL OUTLAY: $86,500

Capital Outlay in the General Fund contains items consisting primarily of equipment, and software. Capital Outlay is $105,636 less than fiscal year 2009. Large capital items such as vehicles are funded through the Equipment Replacement Fund. A detailed list of capital items can be found in the Capital Outlay section of the budget document.

TRANSFERS TO SPECIAL FUNDS: $369,889

Transfers provide General Fund dollars to special funds mainly to support various vehicles purchases and fund activities such as:

- **Equipment Repair and Replacement Fund** $50,000
  To provide funding to purchase vehicles.

- **Local Government Correction Fund** $76,200
  To provide for detention facilities cost.

- **Recreation Development Fund** $35,000
  To provide funding for Sports Complex Drain Erosion.

- **Lodgers Tax Fund** $25,000
  To provide funding for advertising promotion of the City.

- **Promotion and Marketing Fund** $170,937
  To provide funding for Special Events managed by the Convention and Visitors Bureau.

- **Crime Victims Assistance Grant** $12,752
  To provide City match.
ENDING FUND BALANCE: $4,200,389

The Reserved General Fund Ending Fund Balance is $4,200,389, which meets the state reserve requirement of 8.3 percent of General Fund expenditures.

STATE APPROPRIATIONS GRANTS: $6,150,000

Two Capital Outlay Bills passed by the legislative have an impact on the City’s capital spending. House Bill 9 that does not provide more funding but changes a prior grant appropriation from the state general fund to severance tax bond funding. The following is a list of capital items included in the Capital Outlay Bill as approved.

House Bill 9
Reverted state general fund appropriations and changing certain severance tax bond appropriations. The effect on the City is that the $3,000,000 grant for improvements to water reuse and distribution facilities was changed from a state general fund appropriation to a severance tax bond.

House Bill 154
Meadowlark Senior Center Vans $ 50,000
Meadowlark Senior Center Improvements $100,000
Hewlett Packard Technical Support Center $6,000,000
Total $6,150,000

AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 RIO RANCHO STIMULUS PROJECTS

The stimulus project grants provide an opportunity for the City to improve police services, community services, road infrastructure, and energy conservation. The City has applied for these grants and in some cases has received stimulus grant awards. Listed below are the grants awarded and grants applied for:

Stimulus Grants Awarded

Edward Byrne Memorial Justice Assistance Grant (JAG) to fund additional police cars in to support the additional new officers. Amount awarded $243,505.

Community Development Block Grant (CDBG) is a stimulus to the CDBG already in place. The funding must be used in line with the City’s Action Plan. Amount awarded $84,397.

NM Department of Transportation through MRCOG award of $14,000,000 for construction of Paseo Del Volcan. Although the award was received in June of FY09, it needs to be recognized for its impact on FY10 budget.

Stimulus Grants Pending Applications

COPS Hiring Recovery Program will pay 100% for 15 entry-level police officers salaries and benefits for a period of three years.

Energy Efficiency and Conservation Block Grant to implement strategies to reduce fossil fuel emissions, total energy use, and improve energy efficiency in all sectors.
SPECIAL FUNDS:

Special funds are established to account for revenue sources that fund particular functions or projects. A complete list of all special fund activities can be found in the Special Fund section. Following is a list of special funds that include significant activities:

Worker’s Compensation Fund

The fund is budgeted to receive $568,587 in Worker’s Compensation premium from the General Fund, Water and Wastewater Utility, and Special Funds for the City’s self-insurance for covering Worker Compensation claims.

Fiscal year 2009 was the first year the City self-insured worker’s compensation. The fiscal year total cost for claims, reinsurance and claim handling costs was $307,181. In fiscal year 2008 the premium paid to the New Mexico Self-insurance Fund was $1,239,956, a savings of more than $900,000.

Recreation Activities Fund

This self-funding program provides for adult softball, adult recreation programs, classes, and van trips supported by revenues of $322,940.

Library Fund

The main source of budgeted revenues comes from State Library Bonds and County Library Bonds. Most of the budgeted expenditures include $352,980 for books, $27,750 minor equipment for both Loma Colorado and Esther Bone Libraries.

Promotion and Marketing Fund

$170,937 transfer from the General Fund and budgeted revenue of $100,000 from Pork N Brew supports this fund. One position is funded through this fund. Four major marketing projects funded are Pork N Brew ($67,605), Park in the Park ($8,459), Triple Crown ($5,554), and Senior Softball Tournament ($7,924)

Environmental Gross Receipts Tax Fund

Expenditures from this fund must only be used for solid waste facilities, water facilities, sewer systems, and related facilities. Budgeted for the Water and Wastewater Utility are paint tank and well #9 ($125,000), lift station #5 odor control ($150,000). Keep Rio Rancho Beautiful budgets $128,600 for clean up of illegal dumpsites, hazardous collection programs.

Municipal Road Fund

Supported by budgeted Gasoline Tax revenue of $632,100, the fund provides for road maintenance material ($261,141), striping and sign installation ($115,000), and repair and maintenance ($159,500).

Federal Grant Fund

Several federal grants amounting to $607,766 are budgeted for in this fund including: ODWI Grant (Operation DWI), $77,000 for overtime for DWI blitz activities. STEP Grant (Selected Traffic Enforcement Program), $145,038 for statewide training and providing for three in-car video cameras. SFST Grant (Standard Field Sobriety Test), $371,528 for contract services for
statewide training.
OCEDTF Grant (Organized Crime Enforcement Drug Taskforce), $4,000 for overtime.
US Marshall Service, $6,000 for overtime for transporting prisoner.
Byrne SW Fugitive Enforcement, $4,000 for overtime.

Equipment Replacement Fund

This fund is used to centralize the purchases of new and replacement City vehicles. This year’s budget includes $50,120 to replace vehicles that are heavily damaged or destroyed during the fiscal year.

Impact Fee – Road Fund

Based on 868 projected single family and commercial construction starts budgeted revenue is $830,000. Using beginning fund balance and revenue, $800,000 is budgeted for engineering Unser Boulevard and right of way purchases.

Impact Fee – Parks Fund

Based on 868 projected single family and commercial construction starts budgeted revenue is $240,000. $62,470 is budgeted for High Range Playground ($30,000), Los Milagros Fencing ($20,000), Parks Rules Signs ($5,000), and Rainmaster Central System (7,470).

2009 General Obligation Bond Construction Fund

The Bond funds nearly $25,000,000 in various road projects including new construction, reconstruction and rehabilitation. New construction includes Unser Boulevard widening, Northern Boulevard, and Paseo del Volcan; Several reconstruction projects including Cherry Road, Western Hills Drive, and Broadmoor Boulevard; and lastly preventive maintenance to 35 streets.

Water and Wastewater Utility

The Water and Wastewater Utility provides services to approximately 30,000 customers. The primary source of revenue is the sale of water and wastewater services. Fiscal Year 2010 is the final year of scheduled water and wastewater rate increases. To maintain the current level of service, Utilities management is working with a consultant on a rate study to establish a new rate schedule. Due to a slower pace of revenue growth, both operational and capital expenditures have been significantly reduced. Some major capital projects will be deferred until the future. At the end of Fiscal Year 2009, the City refinanced the purchase of the Utility with the 2009 Bond Offering. This resulted in a refund of $2.9 million that will be used for the following capital projects: a full scale aquifer recharge demonstration facility located north of Loma Colorado, replacing water lines in conjunction with road rehabilitation and water treatment at Well #12 which provides water to the northwest region of Rio Rancho.

REVENUES: $30,265,510

Total revenues in Fiscal Year 2010 are derived from Water and Wastewater sales, Impact Fees, State Appropriations, Grants and Interest Income. A 12.1 percent or $4,157,178 decrease in the total revenues is anticipated due to the revenue projections discussed below.

An increase of $204,693 or 1.3 percent is anticipated in Water revenue as a result of increases in the Utilities customer base and a rate increase to be implemented on July 1st. Wastewater revenue is projected to decline $237,232 or 1.9 percent primarily due to the continued decrease in the winter quarter average used to calculate Wastewater revenue.
Water and Wastewater Impact Fees are projected to increase 5.3 percent or $58,854 due to an increase in the projected number of new housing starts.

State Appropriations and Grants are projected lower by $3,258,776 because the total amount received in Fiscal Year 2009 included large grant awards from Army Corps of Engineers for arsenic removal and State of New Mexico for water & effluent infrastructure.

Interest revenue decreased 75 percent or $892,001 primarily due to the decrease in interest rates.

**MATERIALS & SERVICES: $16,030,147**

The materials and services budget increases 25.5 percent or $3,257,235 compared with actual FY09 expenditures. Materials and service cost increase is driven in three areas, 1) the cost of chemicals associated with arsenic treatment have increase, as well as installing treatment facilities at additional wells, 2) increase in electric rates have a profound effect on the cost of water production and wastewater treatment, and 3) additional professional services to support the SCADA system.

**CAPITAL OUTLAY: $3,955,902**

Utilities Fund Capital Outlay contains items such as equipment and capital projects. A detailed list of equipment can be found in the Capital Outlay section of the budget document. Funding for capital projects is provided through a combination of fund transfers from the Utilities Operations and Maintenance Fund, Impact Fees, grants, and bond proceeds.

Conversion of the current water meter system from manual reading to electronic reading ($354,500) is budgeted in the Operations & Maintenance Fund. Funding for the rehabilitation and repair of the City’s wells ($330,000) is provided in the C.I.P. Water Capital Fund. Annual repair and maintenance for the City’s wells is essential because all of the water used is pumped from these wells.

The C.I.P. Water Capital Fund will provide $230,000 to replace the water lines on 9th Ave, Riva Ct. and Rockaway Blvd. There have been several large water line breaks in this area that heavily damage the road asphalt. This project will replace the deteriorating water lines as well as repair the roads. $300,000 to prepare the engineering plans for the City Center Booster pump station and transmission main are provided from Water Impact Fees. This project will provide additional water to the Central Business District supporting development of the UNM Campus/Hospital and CNM.

Wastewater Impact Fees will be used for the engineering plans needed to expand Lift Station #22 ($200,000). Expansion of Lift Station #22 will accommodate increased flows in the Lomitas Negras Sewer Basin. Wastewater Impact Fees will also be used to fund planning for a Septic Dump Station at WWTP #2 ($150,000). This dump station will accept sewage from septic haulers.

Environmental Gross Receipts Tax Fund provides funding for renovation of a water storage tank at Well #9 ($375,000) and for odor control at Lift Station #4 ($150,000). Renovation of the water storage tank at Well #9 will reduce corrosion of the metal thus increasing the life of the tank. Reducing the sulfide at the Lift Station will reduce the odor as well as reducing the production of sulfuric acid, which will reduce corrosion of the wastewater infrastructure.

**ENDING FUND BALANCE:**

The Utilities Fund unreserved ending fund balance is $6,958,481.
In summary, I believe this budget recommendation meets the current service needs of the community. We continue to make progress in funding basic infrastructure needs as identified through our planning processes. I would like to take this opportunity to thank all the City Department and Division heads, as well as their individual staff members, who have worked diligently for so many hours in developing this document. My thanks goes out to Financial Services Director Dick Kristof, Deputy Director Judy Dolley, Budget Analyst Juan Mejia and all of the Financial Services staff, whose efforts have proven invaluable to me.

Sincerely,

James C. Jimenez

City Manager