



Greggory D. Hull
Mayor

April 24, 2020

Peter Wells, Acting City Manager
City of Rio Rancho
3200 Civic Center Circle
Rio Rancho, NM 87144

RE: Mayor Hull's Comments to the City Manager's Recommended Fiscal Year 2021 Budget and Capital Program

Dear Mr. Wells:

In accordance with the City's Charter, I have reviewed your recommended budget, budget message, and capital program for Fiscal Year 2021, which begins on July 1, 2020.

Unprecedented Times

This year, the City Charter requirement to submit comments in response to the City Manager's recommended budget and capital program by no later than April 25 was uniquely challenging, just as your obligation to submit the budget by April 15 was daunting.

COVID-19 has impacted all aspects of local government operations. As I compose these comments, few certainties exist as to when normalcy will return to government, commerce, and everyday life. While I know Rio Rancho will complete its journey through the storm cloud, what I do not know is how much damage, and specifically financial, will be left behind and need to be addressed. Recovery must be a coordinated effort whereby individuals, government, and businesses work together. Now, more than ever, we must all recognize the symbiotic relationships that exist. Doing so will ensure recovery efforts happen more quickly and more effectively.

When a disaster hits, a recession occurs, and now, when a pandemic takes place, decision-making, both past and present, is either verified or identified as being a weakness and contributing factor to more hardship. As I reviewed your budget recommendations and the heightened reserve levels that you were able to put forth, it made me reflect on the past six years and my time as Mayor. Over the years, I have opposed efforts to lower City reserve levels; overspend by putting into place new taxes and then using proceeds for new recurring costs; borrow the maximum level allowed and tying-up resources in required debt payments; hire a significant number of

new employees; and spend on wants instead of needs (e.g., acquiring a defunct private golf course). Remaining resolute on such issues was, at times, challenging as many different individuals and politicians advocated for a “spend now and figure out how to pay for it later” approach.

Time and the forthcoming economy is validation that advocacy for maintaining a structurally balanced and austere budget over the past several years was the appropriate course of action to take. If not for these actions, Rio Rancho local government operations would be in serious jeopardy as a result of COVID-19. However, and fortunately, Rio Rancho is poised to navigate through a time of uncertainty, and your recommended budget helps to ensure that this will be the case. I am confident that this recommended budget and capital plan contributes to keeping Rio Rancho moving in the right direction once COVID-19 is in our collective rearview mirror.

Reserves

I fully support your recommendation (and projection) to maintain a reserve level of more than 25% (\$15 million) in Fiscal Year 2021. As you noted, this level of reserve is more than three times the State’s legal requirement of 8.3% (\$4.9 million), and above the City’s historic policy of maintaining 15% in reserves.

While you note this reserve level already factors in anticipated revenue decline, having as much in savings as we can to buffer against revenue decline greater than expected is my recommended approach. As a result, I believe that any COVID-19 Federal or State government assistance we receive in the future should be placed in reserves as well.

I believe that a variety of factors – hiring and training lead times, unknowns as to when State government stay-at-home orders and mass gathering limitations will be lifted, and the need to try and save as much money as possible – are reasons not to open the City’s three outdoor public pools and youth camps this summer. Any cost savings from not hiring seasonal lifeguards, camp counselors, and spending for associated materials, after foregone revenue from these programs is factored in, should be placed in City reserves.

While spending for materials and services has been curtailed until further notice, I recommend that all Department Directors also identify additional reductions that can be made, if necessary, in their Fiscal Year 2021 budgets. Again, while reductions have already been recommended and a healthy reserve is in place, there is no harm to even more planning and saving.

In the past, I have advocated strongly for maintaining a reserve level above State-mandated minimum requirements, and even above the City’s

existing policy amount. What COVID-19 has illustrated is that you cannot have a large enough rainy day, emergency fund. In the future, I recommend the Governing Body explore amending the current policy so that a reserve level of more than 15% can be maintained on a consistent basis.

Employees

It is with great disappointment that I concur with your recommendation for no employee cost-of-living adjustments in Fiscal Year 2021. Time and time again, I have gone on-the-record stating that local government’s most important asset is its workforce, and we must do whatever we can to retain and attract a highly competent workforce. That is why in the past, even when the City Manager did not recommend compensation adjustments, I proposed a plan and gained Governing Body support to implement wage increases.

Unfortunately, this upcoming fiscal year is unlike any other in the past. We must wait until more is known about City finances before compensation issues can be contemplated. We simply cannot take on new and increased costs at the present time. With that said, I do recommend that the Governing Body review a wage adjustment for all employees as part of the Fiscal 2021 Midyear Budget (January 2021), which will be contingent upon the City’s financial health. As you mentioned in your budget message, I support specifically addressing AFSCME discrepancies in relation to market analysis. It is time to address AFSCME compensation issues like we have already done over the course of the past several years for police, firefighters, and dispatch personnel.

I also want to take this opportunity to recognize all City staff during this challenging time. What COVID-19 has been a reminder of is how much the public needs and relies upon public servants. Whether a pandemic is occurring or not, it takes people, City staff, to keep answering 911 service calls, enforcing the law, responding to emergency situations, fixing roads and traffic signals, and to keep the water running. Necessary City services have been maintained and will continue to be maintained until COVID-19 is over, and Rio Rancho is doing so with a much leaner workforce than other New Mexico communities. This point cannot be emphasized enough and should never be overlooked.

NUMBER OF EMPLOYEES PER 1,000 POPULATION Top Five Populated New Mexico Cities FY 19 Adopted Budgets			
City	Estimated Population	All Funds FTE	FTE per 1,000
Rio Rancho	98,023	719	7.34
Albuquerque	560,218	6222	11.11
Las Cruces	102,926	1054	10.24
Santa Fe	84,612	853	10.08
Farmington	44,788	750	16.75

Source: U.S. Census Bureau, Community Facts, 2017 Population Estimate (as of July 1, 2017)
Table prepared by: The City of Rio Rancho Financial Services Department

Economic Development

Any time economic development efforts and results are discussed, I believe it is necessary to recognize such efforts are highly competitive between different regions, cities, states, and countries. Economic development, either public, private, or not-for-profit, will always have a low percentage of leads and interest that turns into an actual project that locates to a community and adds jobs. It's the nature of this type of work.

The City's contract with the not-for-profit Sandoval Economic Alliance has an already scheduled end date of June 30, 2020. In light of this fact, I support the recommendation not to fund a contract extension, saving \$200,000. I believe that COVID-19 will have lasting ripple effects in the economic development realm. As such, I believe the City, initially through existing in-house economic development staff, should analyze this changing and evolving world and make recommendations for a new and fresh approach when appropriate. This can only be done if the City is able to think differently, explore all options available, and not have resources already committed and restricted.

Public Safety

I fully endorse your recommendation to grow the Police Department by two positions. While we must be extremely austere with scarce available resources, at the same time we cannot forget to keep an eye on the future. Because of a steady population increase, which is not anticipated to stop any time soon, we must always be cognizant of growing our public safety departments in an attempt to keep up with needs. For example, several new firefighter/EMT positions were added to the City in 2019 via a Federal grant.

It has been several years since the Police Department added new positions. The opportunity to have 75% of the costs for three years paid for by the Federal government for these new police officer positions is one we cannot pass up.

With overwhelming voter support (72%) of a 2020 General Obligation Bond, I am pleased to see that public safety capital needs will be addressed in the coming year. Because of the bond, which does not raise property taxes, the City will be able to replace police vehicles, improve the police headquarters building, replace fire trucks, and make repairs to fire stations.

Roads

Maintaining and improving roads remains a top priority for me, and is an issue that citizens continue to identify as being very important to them. Over the past several years, great strides have been made by prioritizing

funding for this need. For example, a neighborhood streets improvement plan was launched, a majority of unanticipated revenues went to road projects, and increased maintenance and repair for sidewalks has taken place.

The 2020 General Obligation Bond for Roads, which was approved with 75% voter support, will allow for several capital projects over the course of the next two years with no corresponding tax increase. Work will consist of improving Unser Boulevard (City limits to Abrazo Road), King Boulevard (Wilpett Drive to Rainbow Boulevard), Santa Fe Hills Way (U.S. 550 to Enchanted Hills Boulevard), and Riverside Drive (N.M. 528 to Honduras Road).

I fully support your recommendation to fund neighborhood street improvements (Phase 5) and more sidewalk fixes. I am also very supportive of keeping \$1.4 million in place and allocated to the Public Work Department in order to address, via roadway repair and sewer line installation, King Boulevard between Wilpett Drive and Unser Boulevard.

I sponsored allocating available revenues for the King Boulevard (Wilpett Drive to Unser Boulevard) project during the Midyear 2020 Budget adoption process. If we maintain funding now, this allows us time to reassess City finances after COVID-19 issues subside, and identify where the remaining funding to complete this project, \$2.4 million for a total of \$3.5 million, can be allocated from. I strongly urge we make this project a priority because completing the other half of King Boulevard (Wilpett Drive to Rainbow Boulevard) will be undertaken using 2020 General Obligation Bond funding. It is prudent to address the entire roadway all at once through one bid process, which will likely yield better pricing, as opposed to a piecemeal approach.

While using unanticipated revenue for additional road improvement work is not currently contemplated like previous years due to COVID-19 uncertainty, several important projects are in the capital plan, already have funding secured and allocated, and will be undertaken in the near future. This work includes extending Lincoln Avenue and Broadmoor Boulevard.

Water/Wastewater

Your recommended budget and list of capital projects in relation to water and wastewater services continues the City's focus on repairing and maintaining critical infrastructure in order to have a reliable system. I will continue to support and advocate for cash funding as many projects as possible, which is reflected in the budget.

I endorse your recommendation to continue the City's program to replace hundreds of leaking water service lines throughout the community each year. Since 2014, we have made tremendous strides in this area and

must continue doing what we can to prevent the waste of our most precious resource as a result of pipe material used by developers decades ago.

I also support maintaining the reserve levels you have recommended for the Utilities Enterprise Fund. As we have seen, which happens throughout the country, water/wastewater infrastructure will have line breaks and other issues. When this occurs, the cost can be substantial. As a result, robust reserve levels are always advised in order to be as prepared as we can for the unexpected.

The capital plan reflects the completion of projects that deserve special attention. Replacing and eliminating the 50-year-old Wastewater Treatment Plant #1 has been a critical need. Having in its place a new lift station and expanded capacity at Wastewater Treatment Plant #6 will not only help us accommodate existing and future growth, but also help the City with conservation efforts. The public-private partnership between the City, Rio Rancho Public Schools, and a private developer is particularly important because it will help facilitate new water/sewer and roadway infrastructure, a new elementary school, a new master-planned community (Los Diamantes), and new business park.

Recreation

After many years in the making, and completion of Phase 1 scheduled for 2021, the new City Center Campus Park is a real highlight of the capital plan. This space, which I believe will become Rio Rancho's signature community gathering spot, will host special events, concerts, festivals, and on a daily basis will be utilized by college students and those who work in the City Center.

I support your recommendation to allocate park impact fees in order to complete the next phase of the Sports Complex North (Little League) project. Combined with New Mexico Legislature Capital Outlay allocations, the City will be able to construct a concession and restroom building, perform utility work, and make access and drainage improvements.

Miscellaneous

The City's annual Pork and Brew has been one of my favorite events to attend each year. I agree with your cancellation of the event for this summer due to the many unknown variables at play as a result of COVID-19. I agree with you that the hiatus in holding the event can and should be used as an opportunity to look at incorporating new aspects into future year events, or develop a new signature event for Rio Rancho that builds upon the success of Pork and Brew.

I appreciate that in your budget message you acknowledged the precarious position in which State government has placed Rio Rancho related

to the phasing out of hold harmless payments. It is truly unfortunate, and not fair, that State government took away taxing authority on food and medicine years ago, promised to make payments to cities like Rio Rancho to ensure that the revenues needed to provide services were not impacted, and then years later decided to take away payments and place the burden on cities to either raise taxes on other purchases or cut services to the public.

I do agree with you that exploring the implementation of available tax increments to make up for lost revenues is something the City will have to explore. Due to the financial distress COVID-19 has caused for citizens, I do not recommend the Governing Body consider such options until the economy has stabilized and is well on its way to returning to pre-COVID-19 conditions.

The coming year is a birthday for the community. Forty years ago, in 1981, Rio Rancho was officially incorporated and established as a City. Again, once COVID-19 is behind us, I recommend we explore ways to mark this very special occasion in 2021, and make a small amount of funding available for this purpose.

Conclusion

Because of all that is occurring right now, it can be easy to forget that Rio Rancho is a nationally recognized best place to live. Quality of life aspects such as low crime, access to healthcare, public schools, and amenities such as parks and libraries are what distinguishes Rio Rancho. This will continue to be the case once the COVID-19 pandemic is over.

I believe your recommended budget and capital plan accounts for financial uncertainty, helps to maintain local operations for the short- and long-term, and addresses vital areas such as public safety and infrastructure. By keeping this balance, Rio Rancho will remain a thriving community.

I look forward to working with you, other City staff, and my City Council colleagues on finalizing and adopting next year's fiscal budget in the coming weeks.

Sincerely,

A handwritten signature in black ink, appearing to read "G. D. Hull", written in a cursive style.

Greggory D. Hull
Mayor of Rio Rancho