

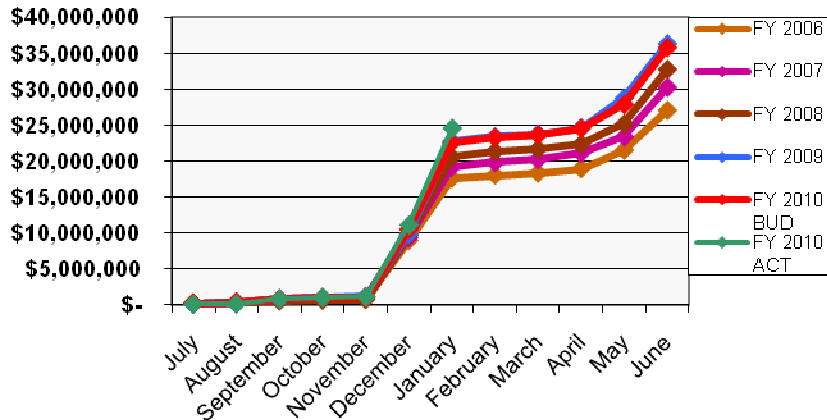
# SANTA FE COUNTY BOARD OF COUNTY COMMISSIONERS



BUDGET STUDY SESSION  
February 9, 2010

# PROPERTY TAXES – HOW WE'RE DOING

SANTA FE COUNTY PROPERTY TAX REVENUE AS BOOKED

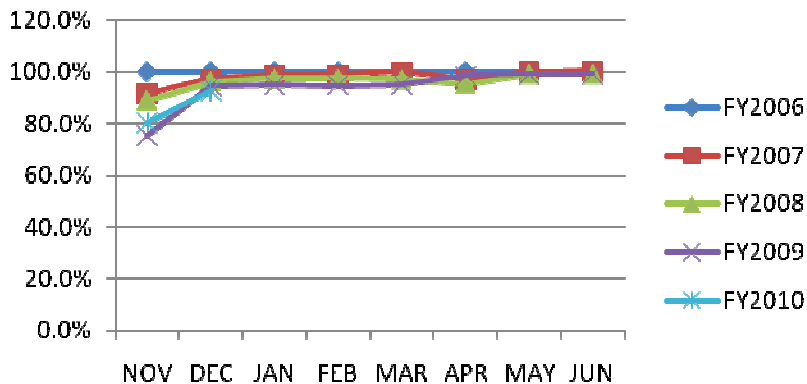


✓ The 2009 property tax total valuation increased by a weak 1.3% -- down from 7.8% and 12.4% in the prior two tax years respectively.

✓ Property tax *collections* remain stable, with first year collections hovering around 99% of total.

✓ FY 2011 property taxes should be budgeted conservatively to reflect weakened valuation increases.

SANTA FE COUNTY TAX COLLECTION AS A PERCENT OF FY 2006 PERCENTAGE OF BILLED TAXES COLLECTED



*Numerous pieces of legislation are before the State Legislature which will impact property tax and valuations. These proposals are being closely monitored to determine the impact to SFC as soon as it is known.*

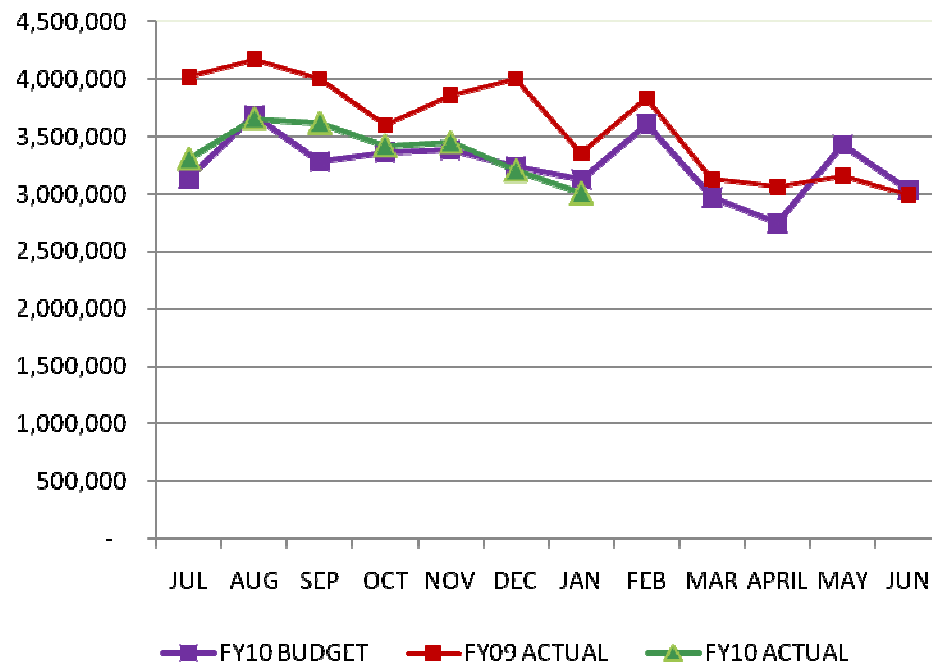
# GROSS RECEIPTS TAXES – SO FAR SO GOOD, BUT...

- ✓ FY2010 GRTs *budgeted* very conservatively -- down by 10% from FY2009.
- ✓ Collections are currently hanging close to budget.

**But...**

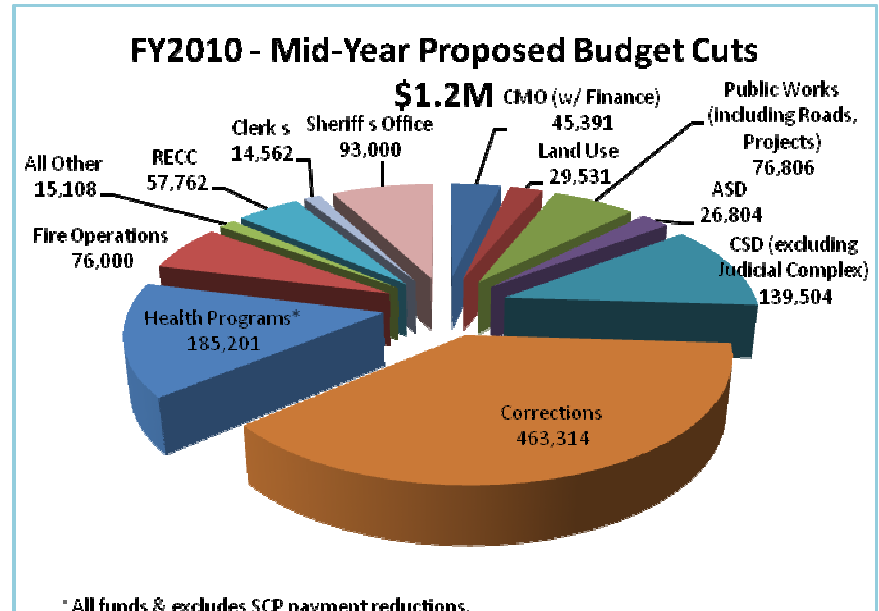
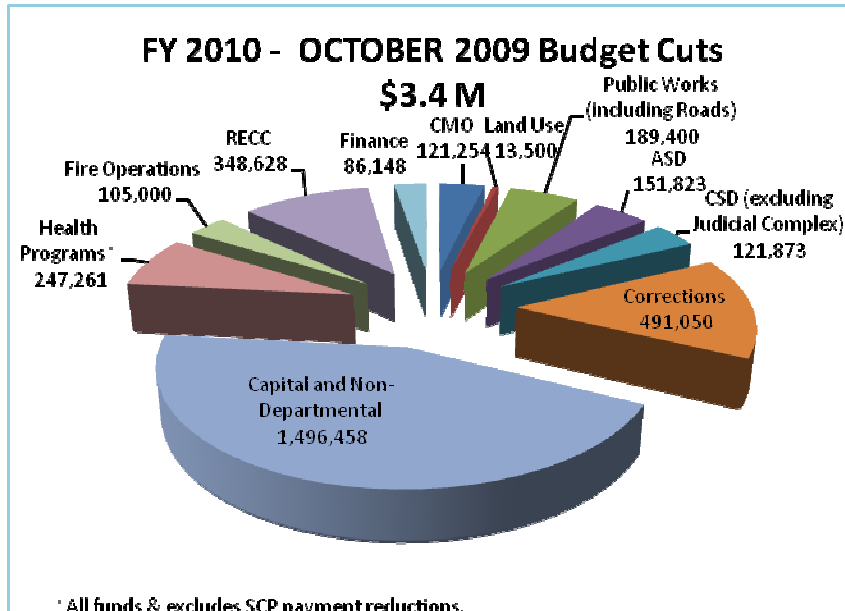
- ✓ Collections have been below budget for two months in a row.
- 
- ✓ FY2011 should be budgeted even more conservatively with an additional 5% reduction.

SANTA FE COUNTY MONTHLY GROSS RECEIPTS TAX REVENUE  
ALL FUNDS



Numerous pieces of legislation are before the State Legislature which will impact future GRT collections. There is also legislation to phase out the "hold harmless" payments to local governments beginning in FY2011. These proposals are being closely monitored to determine the impact to SFC as soon as it is known.

# EXPENDITURES ARE BEING REDUCED



After beginning FY2010 with a flat baseline, budgets have been cut twice in FY2010 to reflect changing sources of funding Health, RECC and Corrections and to anticipate reductions in revenue due to pending legislative actions.



Cost Saving Measures implemented include: travel restrictions, reduction of take-home vehicles, reduction in cell phones, "smart buying", and energy efficiency initiatives.



Many vacant staff positions have been frozen.

# Potential Legislative Action

## Property Tax Impact

- Difficult to analyze and forecast potential impact to the County.
- Proposed 3% limit to the annual increase for assessed valuations.
- Roll back values to the 2004 values.
- Value limits continue regardless of change in ownership.

## Legislative Appropriations

- Reductions to appropriations for Capital Projects total \$6,028,287

## Gross Receipt Tax Impact

### HB119:

- No limitation of 2.5 % on local GRTs
- Local governments may enact additional taxes by required voter referendum
- New State GRT rates
  - FY2011 – 5.5%
  - FY 2012 – 5.38%
  - FY 2013 - 5.25%
  - FY 2014 - 5.13%

### SB 247:

- Phase out Hold Harmless gross receipts tax distributions to counties
- Proposed decreases
  - FY 2011 20% \$ 780,000
  - FY 2012 40% \$1,560,000
  - FY 2013 60% \$2,340,000
  - FY 2014 80% \$3,120,000
  - FY 2015 100% \$3,900,000



# FORWARD THINKING



## FIRE OPERATIONS

- ✓ Failure of the Fire Excise Tax means a scaled back capital expansion.
- ✓ FY2011 expenses will exceed revenues in the Fire Operations Fund by about \$700,000.
- ✓ Project 48 on hold (currently 44 filled).
- ✓ ***Depletes cash reserves in FY2012.***



## RECC OPERATIONS

- ✓ MOA with City of Santa Fe limits City contribution to 50% of capital expenditures.
- ✓ Discussion with City indicates no expanded support in the future.
- ✓ General Fund will need to support beginning in FY2012.
- ✓ ***Depletes cash reserves in FY2012.***

## HEALTH PROGRAMS

- ✓ FY2011 expenses will exceed revenues.
- ✓ Health programs must be prioritized to minimize general fund support.
- ✓ ***Depletes cash reserves in FY2012.***

## CORRECTIONS OPERATIONS

- ✓ Closure of YDP should be considered.
- ✓ Fees for Electronic Monitoring should be increased.
- ✓ More cost cutting measures should be taken with all programs within department.
- ✓ General fund should limit support.

# THREATS TO THE GENERAL FUND BUDGET



Health programs and funding of Sole Community Provider payments (\$7.3 to \$8.9 million)



Corrections Operations & Debt Service (\$14.95 million)



RECC Operations(\$3.4 million)

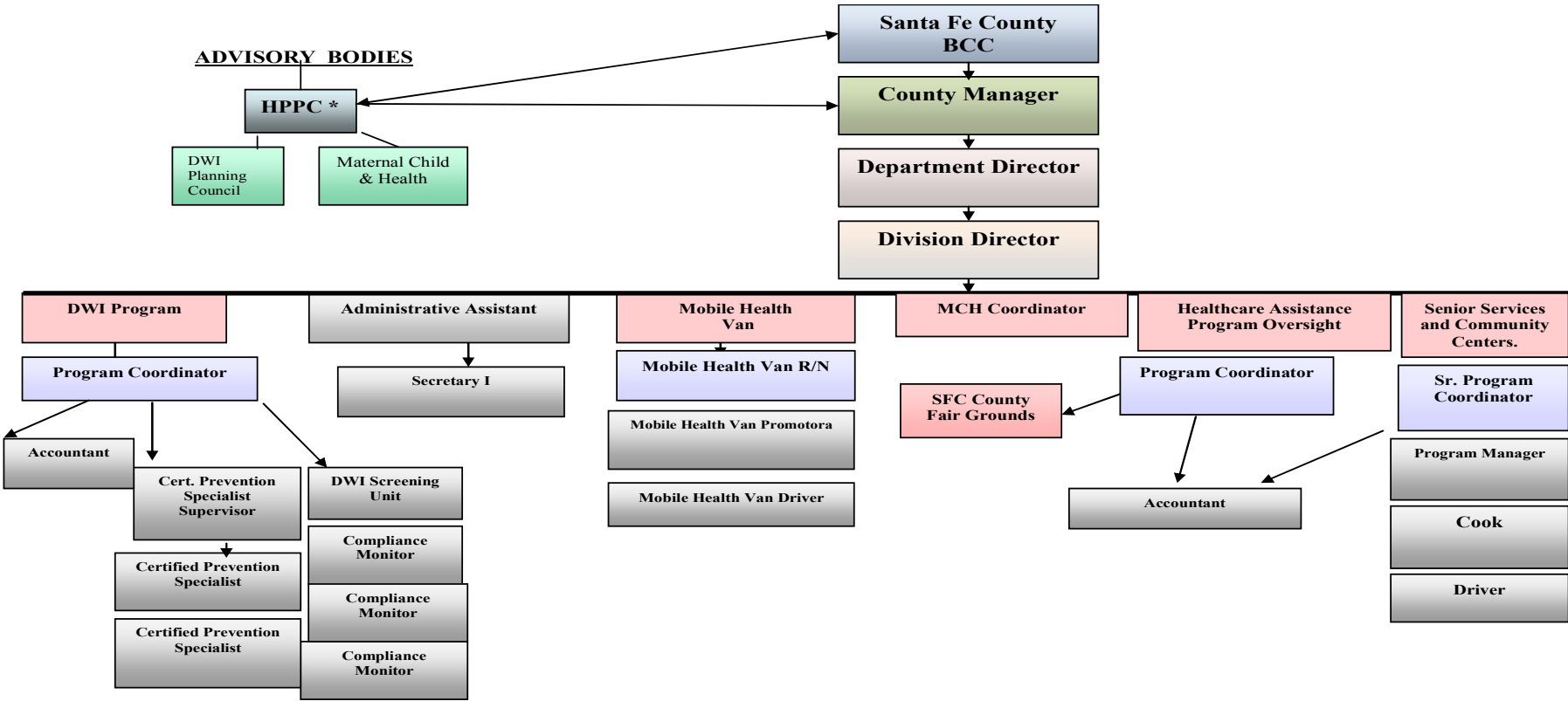


Fire Operations not including capital (\$.7 million)



***Legislative actions may negatively impact Property Tax and GRT revenues – major sources of revenue to Santa Fe County.  
(Unknown amount)***

# Health & Human Services Organization

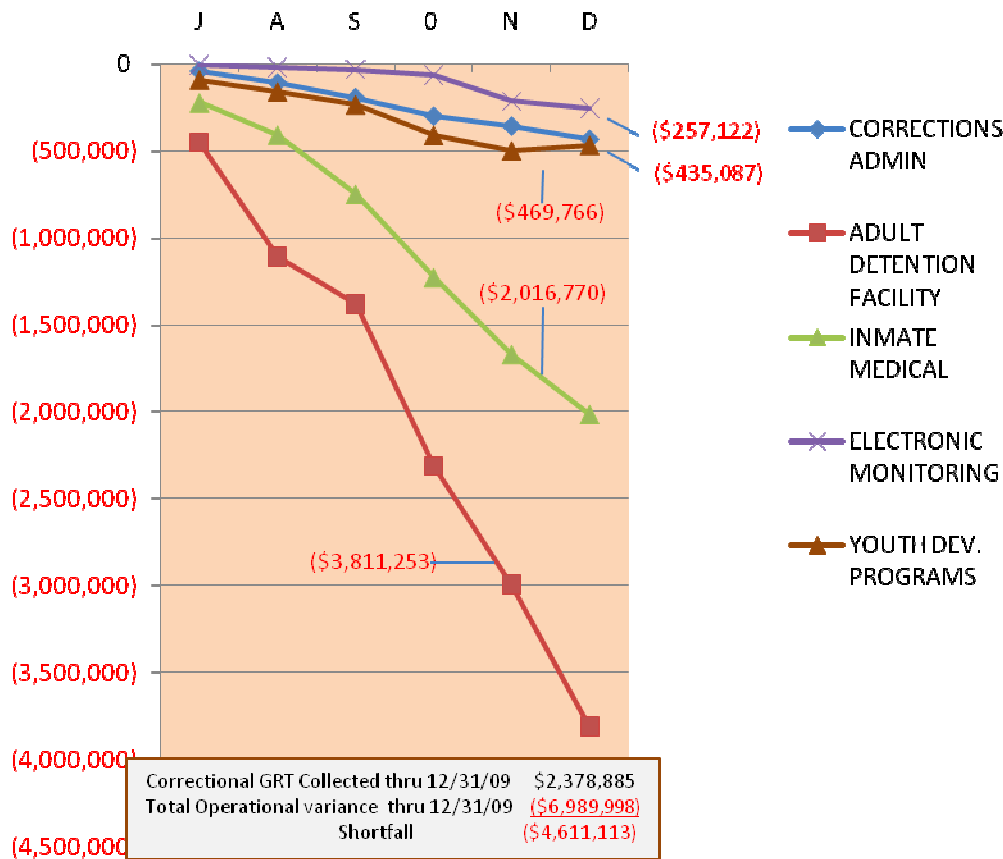


\* HPPC = Santa Fe County Health Policy and Planning



# Corrections Overall

Corrections Operational Variance thru 12/31/09  
without Transfers In



In FY2010 the General Fund will support the Corrections Operation with \$10.7 million.



# YDP – It's deja vu all over again

Resolving the ongoing Corrections dilemma remains a challenge for the County.

The FY 2010 shortfall in just the YDP program is projected to be nearly \$1 million.

## COST TO HOUSE JUVENILES AT OTHER FACILITIES

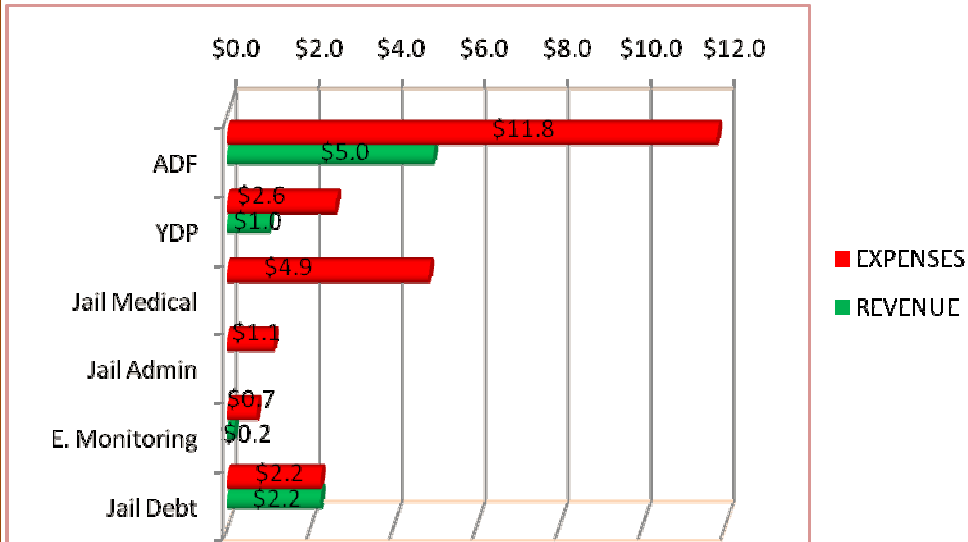
1 youth housed <b>365 days</b>	\$ 49,275
20 youths housed <b>365 days</b>	\$ 985,500
24 youths housed <b>365 days</b>	\$1,182,600
TRANSPORTATION COSTS	
Contract <i>or</i> new FTE	<u>\$ 60,000</u>
<b>TOTAL EXPENSE</b>	<b>\$1,242,600</b>

FY 2010 Revenue	\$0.55 M
FY 2010 Expense	
PERSONNEL	\$0.83 M
OTHER	<u>\$0.19 M</u>
<b>SHORTFALL</b>	<b>(\$0.47 M)</b>
<b>AS OF 12/31/09</b>	

FY 2011 REVENUE	\$1.0 M
FY 2011 EXPENSE	<u>\$2.6 M</u>
<b>SHORTFALL</b>	<b>(\$1.6 M)</b>

# FY 2011 BUDGET BLUES

SANTA FE COUNTY CORRECTIONS DEPARTMENT  
PROJECTED EXPENSE VS. REVENUE  
FY2011



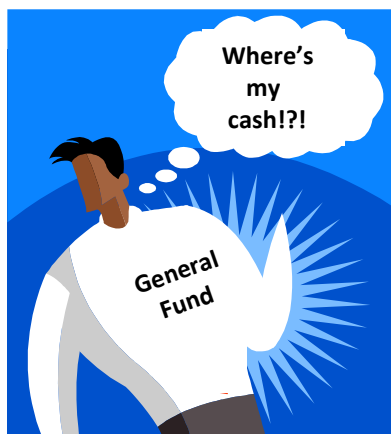
In FY2011 Santa Fe County will have to plug a \$14.95m total budget shortfall in the Corrections Department. This support will need to come from the General Fund. This equates to about 22% of the total General Fund budget.

CORRECTIONS DEPARTMENT FY 2011 PROJECTIONS (IN MILLIONS)				
PROGRAM	REVENUE	EXPENSES	DEFICIT	ASSUMPTIONS
ADF	\$ 4.95	\$ 11.80	\$ 6.85	Based on FY10 revenue, GRT (after debt payment) down 5%, flat expense budget
YDP	\$ 1.00	\$ 2.60	\$ 1.60	Based on FY10 revenue, flat expense budget
Jail Medical		\$ 4.85	\$ 4.85	Based on FY10 revenue, flat expense budget
Jail Admin		\$ 1.10	\$ 1.10	Based on FY10 revenue, flat expense budget
E. Monitoring	\$ 0.15	\$ 0.70	\$ 0.55	Based on FY10 revenue, flat expense budget
Jail Debt	\$ 2.24	\$ 2.24	\$ -	GRT (down 5%) pays debt service
<b>TOTAL</b>	<b>\$ 8.34</b>	<b>\$ 23.29</b>	<b>\$ 14.95</b>	<b>DEFICIT TO BE FUNDED THROUGH GENERAL FUND SUPPORT</b>
<i>FY 2010 GF Support</i>	<i>\$ 10.70</i>			<i>Amount increased from \$8.6 to \$10.7</i>
<i>add'l GF Support</i>	<i>\$ 4.25</i>			

# Use of Cash

## USE OF CASH IS A BAD FINANCIAL PRACTICE

- ✓ Cash is non-recurring – once it's gone... it's gone.
- ✓ Bond rating companies frown on using cash for ongoing operations – rating downgrade would lead to unfavorable borrowing.



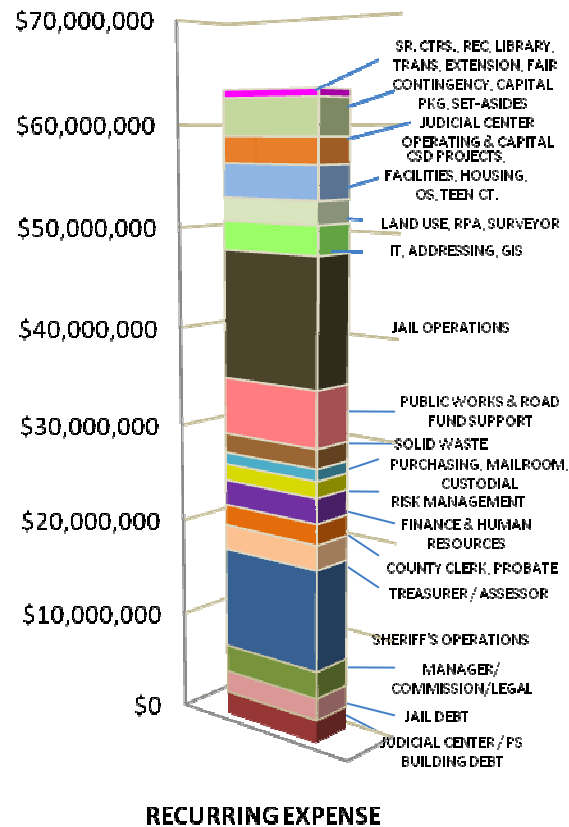
<b>GENERAL FUND CASH</b>	<b>BUDGET</b>	<b>PROJECTED ACTUAL</b>
Cash - July 1, 2009	\$ 44,420,590	\$ 44,420,590
<b>FY 2010 BUDGET</b>		
FY 2010 General Fund Reserve	(15,787,954)	(15,787,954)
Capital Package	(977,460)	(977,460)
Santa Fe Canyon Ranch	0	(7,012,469)
Judicial Center Complex Project	(2,584,895)	(2,584,895)
Water rights set-aside	(4,000,000)	(4,000,000)
Growth Management Plan	(500,000)	(500,000)
Non-Departmental	(237,500)	(237,500)
Recessionary Contingency	0	(5,000,000)
Transfer to Road Fund (Capital Purchases)	(316,134)	(316,134)
<b>Available Cash June 30, 2010</b>	<b>\$ 20,016,647</b>	<b>\$ 8,004,178</b>
<b>Available Cash July 1, 2010 (add reserve back in)</b>	<b>\$ 35,804,601</b>	<b>\$ 23,792,132</b>
<b>FY 2011 BUDGET</b>		
FY 2011 General Fund Reserve	(15,240,000)	
Capital Package	(900,000)	
Recessionary Contingency	(5,000,000)	
Non-Departmental	(1,025,000)	
Transfer to Road Fund (Capital Purchases)	(500,000)	
Additional Support Needed to Fund Health & Corrections*	(10,250,000)	
<b>Available Cash June 30, 2011 (No special Set-asides)</b>	<b>\$ 2,889,601</b>	

\* This is in addition to the FY2010 level of \$10.7 million

# DEFINING BUDGET PRIORITIES

- ✓ Santa Fe County must define what is considered “Core Government” services.
- ✓ Current Level of support to Corrections Operations cannot be sustained indefinitely.
- ✓ General Fund must prepare to support RECC and/or Fire Operations in FY2012.

## FY2011 General Fund

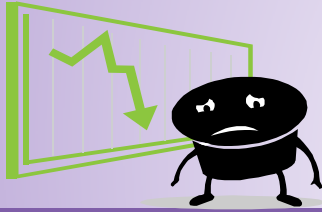


CAN BE ELIMINATED

CAN BE REDUCED

METHODS OF REDUCING AND STREAMLINING ACTIVITIES SHOULD BE ACTIVELY PURSUED

CAN'T BE ELIMINATED OR REDUCED



# What Now!!!

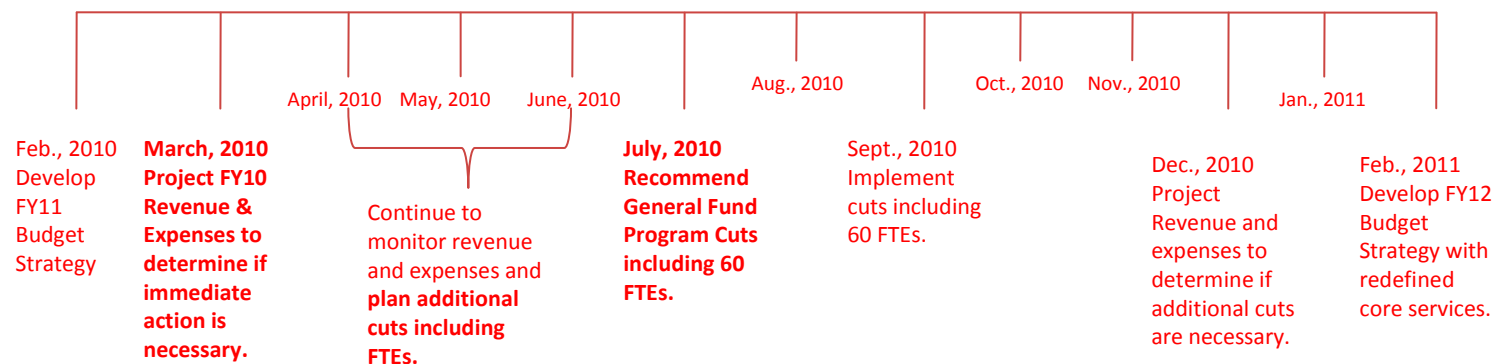


1. Spend within our means.
2. Long-term financial health equals long-term financial planning.
3. Audit revenue sources and eliminate high levels of receivables. Improve billing and collections procedures.
4. Use ongoing revenues only for ongoing expenses (and one-time sources only for one-time uses).
5. Inventory reserves across all funds to ensure that reserves are appropriate.
6. Use of cash reserves will be necessary to balance the FY2011 budget. Spending reserves buys time for planning additional budget cuts. The County cannot do this for multiple years.
7. Clarify service priorities and expectations for the County as a whole.

# IMPLEMENTING WHAT WE CHOOSE TO DO

- ✓ Additional cuts to operating budgets (some programs will be unable to sustain additional cuts without crippling their ability to provide services).
- ✓ Hard freeze unless position is critical to public safety.
- ✓ Use cash reserves to plug shortfalls.
- ✓ Work with bargaining units.
- ✓ Transition contractual services.

## TIMELINE FOR "CUTTING TO THE CORE"



*Annual income twenty pounds,  
annual expenditure nineteen six,  
result happiness.*

*Annual income twenty pounds,  
annual expenditure twenty pound  
ought and six, result misery.*



Charles Dickens,  
*David Copperfield*, 1849  
English novelist (1812 -  
1870)



Errol Flynn  
US (Australian-Tasmanian-born)  
movie actor (1909 - 1959)

*My problem lies in reconciling  
my gross habits with my net  
income.*