SANTA FE COUNTY

BOARD OF COUNTY COMMISSIONERS

BUDGET STUDY SESSION

April 2, 2013

Kathy Holian, Chair – District 4
Danny Mayfield, Vice Chair – District 1
Robert Anaya – District 3
Miguel Chavez – District 2
Liz Stefanics – District 5

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This budget study session for FY 2014 of the Santa Fe Board of County Commissioners was called to order at approximately 9:07 a.m. by Chair Kathy Holian, in the Santa Fe County Commission Chambers, Santa Fe, New Mexico.

Members Present:
Commissioner Kathy Holian, Chair
Commissioner, Danny Mayfield Vice Chair
Commissioner Robert Anaya [9:15 arrival]
Commissioner Miguel Chavez
Commissioner Liz Stefanics [9:25 arrival]

Members Excused:
[None]

III. Approval of the Agenda

There were no recommended changes and Commissioner Mayfield moved to approve the agenda. Commissioner Chavez seconded and the agenda was unanimously approved 3-0.

IV. Discussion of FY 2013 Revenues and Expenditure Estimates
V. Discussion of FY 2014 Revenues and Expenditures Forecast
VI. Discussion of FY 2014 Budget Issues
A. Healthcare Cost Increases
B. Legislative Fiscal Impacts *[Exhibit 1: Power Point Presentation]*

KATHERINE MILLER (County Manager): Madam Chair, what we did today, just to get you started on the budget process is we put together a presentation, Teresa, Carole, Sharon, put together estimates of the 2013 revenues and expenditure estimates through the end of the fiscal year, so you can see where we believe we'll end this fiscal year, and then also put together a discussion and presentation of estimated revenues and expenditure forecasts for 2014, based upon things that we already know about our existing budget base, about mid-year budget changes that we had relative to adding staff and expenditures relative to the courthouse.

Also, we prepared a forecast on the impacts of all the legislative changes, to PERA, to our healthcare, contributions, since we're on the state's plan, and also other legislative changes. And then we've also put together the scenarios relative to employee compensation and benefits because as you know we have requested from all of the bargaining units their requests relative to their contracts, their fiscal requests, and we want to make sure that we can go over all of that with you and get some direction from you about what kind of room we have in the budget for recurring type expenditures and non-recurring expenditures. So with that, I'm going to turn it over to Teresa and Carole to give you the presentation.

CHAIR HOLIAN: Thank you. Teresa.

TERESA MARTINEZ (Finance Director): Madam Chair, Commissioners, we also make the presentation with a budget calendar, just so you'll be aware of the deadlines that we are facing as we try to submit our budget to DFA. So statutorily, we have to have an interim budget submitted to DFA by May 31st or June 1st. So we will be bringing that to you at the BCC regular meeting on May 28th for approval so that we can meet the DFA deadline. We will be conducting budget hearings with staff the weeks of April 15th through April 22nd. We just received all the budget submissions from all the departments last Friday. So we haven't had a chance to review them, and that will be the next step for Finance staff, organizing and putting all that data into a presentable format for this Board.

And then in order for us to get a final approved we're going to want to get it approved at the June 25th BCC meeting, and we do that in order to roll it and start the next fiscal year on July 1 with that final budget. So that's the budget calendar.

We thought we'd do a small reminder of where we're at with our performance-based budgeting, and on slide #3 you can see that in fiscal year or year 2011 we passed a Resolution 24 which basically required County departments to transition to an accountable, performance-based budget. And it was optional for the elected officials. We – that is Katherine, Carole and I went to a training on the methodology of budgeting and management. It was a really good training, and what we learned I think in the training is that we've done pretty well for the two, three years that we've done it. Most of the entities that we shared the class with were in their fifth year of trying to implement performance-based budgeting and we are entering into our second stage. So I'm very proud of the staff.

We have – our first phase was result-accountable transitioning and then we went to this year, we're going to ask them to try to do functions at the department level instead of at each individual division level, and that way we get a consolidated department direction. So that's what we did this year. And I think it was difficult, but I also think it showed them that they could do it and they could be centralized and organized in the movement of their departments instead of just divisions. So we did that.

And again, a reminder that we will be meeting with the elected officials and the departments during the weeks of April 15th through the 22nd and hearing their budget requests for FY 14.

Now, as we move to slide #4, this is the slide that speaks to where we are this fiscal year, what we budgeted, and what we think we will actually end the year with. This is our estimate based on six, seven, months of the actual activity. So we tried to keep with our frame of mind of recurring versus non-recurring, so we're presenting the revenue to you in a recurring versus non-recurring. If you look at the top left chart, purple will represent what we started the year with, what our original budget was, and lime green, if you will, will represent where we think we will end on actuals.

So we have property tax and what we call the one percent fee, the valuation fund. We had a budget of $56.9 million, and we think we're going to come in just a little bit better, about $30,000 better than budgeted. So that's good. Gross receipts taxes, we have them budgeted at $40.4 million. We think that will be under and we're going to bring in about $42.3 million.

Other taxes are just over $2 million at a budget level and we think we're actually going to bring in revenue of $2.2 million. Revenue from other governments was budgeted at $7.4 million; we think we will bring in $9.2 million. Our care of prisoners was budgeted at $7.7 million; we think we'll end the year at $6.3 million. Our other revenue, which is just a catchall for every other revenue source that's out there is budgeted at $7.9 and we think we'll bring in $9.1 million.

And then our fund transfers are the transfers between funds, mainly general fund to a lot of other funds, and then some funds back into the general fund. We have a budget of $50.7 million. We'll probably end the year with actually having to transfer more like $46.8 million.

So if you look at the FY 2013 estimated recurring revenue you can see that we have a total of $173.2 million, $47 million of that represents transfers. And we always refer to transfers as being double-counted. That is they're counted in the fund that's transferring the money and they're counted in the fund that's receiving the transfer. So if you take the transfers out, the total recurring revenue estimate is $126.3 million recurring, and that's compared to a budget of $122.9 million. So if you look at that we're anticipating a positive variance of about $3.4 million.

And then the chart at the bottom represents the non-recurring revenue. And for again, estimated non-recurring revenue was $51.8 million, $2.8 million of that represents transfers so we'll exclude that and we have non-recurring revenue of $49 million. If you look at it it's mainly made up of bond proceeds and capital financing, so this is the same format. Purple is budget of $39.2 million; green is actual estimate, $38.4 million. The one-time other revenue is about $3.7 million budget; actually we think we'll bring in about $5.9, almost $6 million.

CHAIR HOLIAN: Teresa, what would that consist of?

MS. MARTINEZ: The one-time revenues? This would be investment income, could be a one-time revenue. One-time grants. Mainly grants. When you look at our actual recurring there's a few grants in there that we know we receive them year after year and we call them secured. This would be we're not so sure we're going to receive them every year and just one-time things that we don't want to count on a recurring basis.

CHAIR HOLIAN: Okay. Thank you.

COMMISSIONER MAYFIELD: Madam Chair.

CHAIR HOLIAN: Yes, Commissioner Mayfield.

COMMISSIONER MAYFIELD: Ms. Martinez, you're saying this is non-recurring or is it just for one year allotment or for most of the years?

MS. MARTINEZ: Madam Chair, Commissioner Mayfield, it could be. The bond proceeds definitely could be over multiple years. Some of the one-time, if it's a grant, it could be a multi-year grant. So it's a little bit of both.

COMMISSIONER MAYFIELD: Do you have that detail breakdown anywhere?

MS. MARTINEZ: Not with me but I could get it for you if you'd like it.

COMMISSIONER MAYFIELD: No, I was just wondering.

COMMISSIONER CHAVEZ: Madam Chair.

CHAIR HOLIAN: Commissioner Chavez.

COMMISSIONER CHAVEZ: Teresa, on that point, on both the recurring, the other revenue category, if I could have a list of the others, just for my knowledge, just that we would have a little more detail to help connect the dots. And then in the non-recurring, if we could have a list as well. And I know that some are going to be a one-time grant and with the grants we don't always know if we're going to get the full amount and there's a dollar – there's usually a match, a dollar amount that we're required to match. I'm sure you have that calculated. But it might be good for me to have that information just so that I'm more familiar with the sources and where the money's going.

MS. MARTINEZ: Okay. We can do that, Madam Chair, Commissioners.

COMMISSIONER CHAVEZ: And I don't know that there's any big hurry on that but I think as we go through the process the more detail that we have maybe up front it would be better. Thank you.

CHAIR HOLIAN: Thank you. Go on, Teresa.

MS. MARTINEZ: And then again, the fund transfers, non-recurring, $3.2 million, versus what we think what will materialize, $2.8 million, and then the other budgeted cash, we started the year with budgeted case of $19.9 million, and we look like actual use of cash will be more like $5.5 million. I will caveat and say that a lot of that is capital, so I don't want it to appear that we have $15 million that we're to the better. So it is tied to a specific funding use if you will.

Now if you go to page 5, this is our expense estimate revenue. The same format. The darker color would represent the original budget, the red color would represent the actuals that we think will fall out by year-end. Again, we sort it by recurring and non-recurring. We have total expenses for recurring at $168 million, $46.47 million of that which is transfers, so if we take those out we're looking at a recurring expense estimate of about $121.1 million, bumped up against that budget of $129.7 million. That reveals a positive variance of budget to actual of almost $9 million - $8.6 million.

If you break it down, recurring is salary and benefits, budgeted $62.4 million, which means we'll finish the year at $55 million, based on what we know today. Travel and vehicle expenses, just over $3 million budget. We think we'll finish the year at about $2.7 million. Contractual services budgeted at $15.5 million, we see spending a little bit more like $16 million. Maintenance and supplies, $5.3 million budget; we'll probably spend closer to $5.7 million. Operating costs, $23.1 million budget; we'll spend more like $21.4 million. Our debt service is right on, obviously, and our transfers out, again, $50.7 was budgeted and we think we'll have to transfer when it's all said and done about $46.9 million, and that's the recurring side.

If you look at the non-recurring side we have non-recurring expenses total of $36.7 million. If we take the transfers out of $2.8 we're looking at an expense estimate of $33.5 million. And again, that capital purchases was budgeted at $52.4 million; we think we'll spend $31.7 million by the end of the fiscal year. One-time operating expenses, $3.7 million, versus actual expenses of $1.9 million. And transfers out again, budget of $3.2 million; we think we'll actually have to transfer $2.8 million. So this is the FY 13 expense and revenue estimates.

I want to make a point that it gives me a little comfort and I think it gives staff and Katherine a little comfort that we have a little bit of a gap between positive variances both on the revenue side and the expense side where we can use that for maybe some recurring and maybe some one-time expenditures moving forward. So when you see our estimates you'll see that our revenue and expense estimates sort of about break-even. So I don't want you to see that and say, okay, Teresa, what are you doing? So let me explain page 6.

Page 6 is our FY 14 recurring revenue estimate. This includes secured grants, grants that we're certain will occur from year to year. They may have decreased during the months of the bad recession, in the years of the bad recession, but they're recurring. So if you look at property taxes we're estimating that we have property taxes and one percent fee for FY 14 that we're going to bring in about $54 million. If you look at the GRTs, we think we're going to bring in about $41.7 million.

Other taxes, $2.1 million. Revenue from other governments could be $7.8 million. Care of prisoners, we're forecasting $6.8 million, and other revenue about $8.4 million. So if you look at our estimate, our recurring revenue is forecasted to be about $120.8 million. Our expenses are probably going to be $120.7 million. This includes basically FY 13 actuals plus all mid-year resolutions that we did. So this will include what we've had to do for the courthouse and any new staff that we added at mid-year. So if you look at this, we've essentially just broken even in our estimates for our estimates for FY 14.

But on the previous slide I showed you that with the positive variance for revenue and the positive variance for expenses I probably have a recommended comfort level to the County Manager and to the Board that we could probably spend, conservatively, about $1.5 to maybe $2.5 million to cover expenditures that are recurring, and then we would have a little more time between now and the next study session where we could go back and try to determine what are we comfortable with for a non-recurring basis. And recurring could include percentage increases to the staff – I know we've heard a lot about staff investments. As we receive some of the budget requests I know there's requests for new FTEs. We know there's requests to unfreeze FTEs and then we also know that there's BCC programmatic interests, which we'll cover in a couple of slides.

So I just wanted you to know there is some comfort level for supporting recurring from those positive variances that we'll see at the end of FY 13.

COMMISSIONER CHAVEZ: Madam Chair.

CHAIR HOLIAN: Yes, Commissioner Chavez.

COMMISSIONER CHAVEZ: Teresa, I wanted to talk a little bit about the expense side and I know that you do have O&M, you have maintenance and supplies, and then operating costs, so basically operations and maintenance and supplies, if you add those two we're at about $26.7 million. And so I'm just wondering what that covers and if it includes all of our facilities and parks and open space. Now, this is future, right? Looking ahead. And I know that we're hoping to consolidate if we can in the new courthouse some of our office space and get out of paying rent and we have buildings that – I think we're working on a list of our facilities so that we get a better handle on that. But how do you see that changing? And is that factored into this group or not?

MS. MARTINEZ: Madam Chair, Commissioner Chavez, we're looking at the

FY 13 expense estimates. What that covers is right now all operating needs for what we know today. So that's including the increased amount for the courthouse. This includes open space, this includes roads; this is countywide. So I know I've heard from the Board the focus is maintenance. We need to maintain our own facilities, we need to maintain our own roads. So that will be covered in the requests that we receive from the departments, so I see that going up.

COMMISSIONER CHAVEZ: Okay.

COMMISSIONER MAYFIELD: Madam Chair.

COMMISSIONER CHAVEZ: Yes, Commissioner Mayfield.

COMMISSIONER MAYFIELD: Madam Chair, Ms. Martinez, what are the numbers you're recommending right now again? $1.2?

MS. MARTINEZ: I said I'd probably be comfortable with about $1.5 to $2.5 million.

COMMISSIONER MAYFIELD: $1.5 to $2.5 million for recurring?

MS. MARTINEZ: Yes, sir.

COMMISSIONER MAYFIELD: And you said non-recurring at this time also?

MS. MARTINEZ: Yes. I want to go back and spend a little more time on that because we've been delinquent in years past. This was the first year that we were able to give a decent amount to try to do asset replacement, so I would like to get a little more under our belt and do a little more forecasting in terms of what I have in terms of a comfort level for non-recurring.

COMMISSIONER MAYFIELD: Okay. And then I might be joking and if I am tell me that I am, but this is with all the requests rolled in from the elected offices and everything else?

MS. MARTINEZ: Madam Chair, Commissioner Mayfield, this is what we know today. We just got those Friday. So we've started to analyze them, so it doesn't include anything that we're received from the elected officials or the departments. That's for a future budget study session.

COMMISSIONER MAYFIELD: This includes new courthouse operations?

MS. MARTINEZ: Madam Chair and Commissioner Mayfield, this includes what we budgeted this year. So what we've forecasted to get us through the remainder of the year, and it includes the staffing that we added at mid-year. So that will be built into next year's base, because it was already added to the current year. So when we bring that to you it will be part of the base.

COMMISSIONER MAYFIELD: I'm not sure I'm understanding. So this includes the current approval of what we did with the courthouse a few weeks ago, a month ago?

MS. MARTINEZ: Yes. Madam Chair, Commissioner Mayfield –

COMMISSIONER MAYFIELD: Operations and maintenance operations, new window cleaning operations.

MS. MARTINEZ: It includes everything you did at mid-year. And what I'll point out is the purpose of today was to basically give you this is where we think we're going to end this fiscal year, this is where we think we'll be next fiscal year. This is what we know legislatively or healthcare insurances, wanted to give you an idea of the general requests of the unions, and then say this is our comfort level with what we think we have in terms of what we could support new recurring and one-time. No way we could have gotten all the department directors and the elected officials' request organized and presented, so we just wanted to give you a heads-up as this is what we know is coming, and this is what we have to try to balance with limited resources.

COMMISSIONER CHAVEZ: Madam Chair, on this point.

CHAIR HOLIAN: Commissioner Mayfield has the floor.

COMMISSIONER MAYFIELD: Okay. So if I can just really quickly – so again, just so I'm clear. So this rolls in the new PERA –

MS. MARTINEZ: No. Madam Chair, Commissioner Mayfield, what you're looking at right now is what we have budgeted and expended for this fiscal year and a few slides later we're going to show you what we think those new mandates are going to cost us.

COMMISSIONER MAYFIELD: Also, just real quick and not [inaudible] anything else. We passed that resolution as far as FIRs. Are you factoring any of that into the non-recurring or the recurring or that will be coming later also? As far as staff time and everything else.

MS. MARTINEZ: Madam Chair, Commissioner Mayfield, that will come later.

COMMISSIONER MAYFIELD: Later.

MS. MARTINEZ: This was just a heads-up. This is what we know we're going to do this year.

CHAIR HOLIAN: So, Teresa, just to recap on this, this is just through June 30, 2013, correct?

MS. MARTINEZ: Madam Chair, that's correct.

CHAIR HOLIAN: And then we will go on to talk about 2014, correct?

MS. MARTINEZ: That's correct.

CHAIR HOLIAN: Okay. Commissioner Chavez.

COMMISSIONER CHAVEZ: Okay, so back on the courthouse as an example of something that's like 2013 but it's going to be it seems recurring. Now what was the impact on the budget just in that one case? From what I remember – I'll stand corrected. It was $1.2 million and that's recurring annually?

MS. MARTINEZ: Madam Chair, Commissioner Chavez, you'll have to remember that the resolution you passed still had some capital in it, so on a recurring basis, without considering the capital, which is one-time, we consider the operations and the maintenance of that building, the staffing required for that building, we're looking at about $956,000 that will be already included into next year's base.

COMMISSIONER CHAVEZ: And that will be recurring?

MS. MARTINEZ: That's recurring. Yes.

COMMISSIONER CHAVEZ: Okay. So what was the $1.2 million? That was the total?

CHAIR HOLIAN: Katherine.

MS. MILLER: So when you're looking at this slide 6 at the bottom, that base of approximately $120.7 million includes things that are not going to recur next year have been taken out. For instance, we'll take off some debt, so it's not in there. And things that you added during the year that are recurring have been added in. It does not include the legislative changes or any proposed changes to compensation, benefits, staffing, that you would approve going forward. So that's just if nothing else happened, including legislative changes. That's the estimated base, based on what you've done to date so far.

CHAIR HOLIAN: Okay. Thank you.

COMMISSIONER ANAYA: Madam Chair.

CHAIR HOLIAN: Yes. Commissioner Anaya.

COMMISSIONER ANAYA: Just on that point. The picture gets more bleak, not brighter, because we don't have the taxes in there that we absolutely know are going to come down the pipeline and we have some other issues that aren't in there. So that's all I have.

CHAIR HOLIAN: Thank you. Well, I think we're going to consider that as you go forward, correct?

MS. MARTINEZ: That's correct. And we'll remind the Commissioners that with the bleak forecast I did indicate that I do have a comfort level of increasing recurring expenses to the tune of $1.5 to $2.5 million, and then we'll go back and see what we can cover from a non-recurring one-time standpoint.

CHAIR HOLIAN: Okay. Thank you.

MS. MARTINEZ: On page 7 or slide #7 we wanted to talk about budget potential requirements that we could be facing. With the federal sequestration we know that we are going to have reductions to some of our revenue sources. Unfortunately, we don't have all the numbers yet; that has not been communicated to us. We do know that the payment in lieu of taxes is going to be reduced about 5.1 percent which for the County equals about $35,000. Housing programs, there will be a cut. They're just not informed yet as to what that amount will be. Region III, we do know they will have a cut. It seems to be significant. We're probably looking at a 30 to 35 percent cut for them. And then other federal grants related to public safety, we know they will be cut; we just don't know the extent of it.

CHAIR HOLIAN: Teresa, what's Region III?

MS. MARTINEZ: That is our undercover narcotics.

CHAIR HOLIAN: Oh, I see. And then I understand – it sounded like senior meals were going to be cut as well.

MS. MARTINEZ: They could, Madam Chair. The hard part for us right now is we know there's cuts. We've been communicated there's cuts but not to the level of a dollar value or a percentage has that been communicated to us as yet.

CHAIR HOLIAN: Okay. Thank you.

MS. MARTINEZ: So the FY 2013 revenue reflects gross receipts tax countywide coming in approximately 4.7 percent higher than budget, which includes about $3.4 million of hold-harmless GRT. So although the hold-harmless GRT is not going to impact us next year, it will in future fiscal years. So 2016. So we just wanted to put this placeholder here and remind you that we're facing that hold-harmless, and right now that looks like that would be an estimate of about $237,000 of GRT each year that would be reduced until it's completely phased out in fiscal year 2030. So we'll have to be aware of that as we move forward and as we plan forward. And that will be across the board, all the funds that collect GRT.

COMMISSIONER MAYFIELD: Madam Chair.

CHAIR HOLIAN: Commissioner Mayfield.

COMMISSIONER MAYFIELD: Does that compound each year?

MS. MARTINEZ: Madam Chair, Commissioner Mayfield, it has different percentages each year so some years will be slightly higher. It's a phased approach. Seven percent, eight percent, and then it gets to the higher percentages until it's completely phased out. So as we get higher in the phase-out it could get higher in terms of the annual dollar value.

COMMISSIONER MAYFIELD: So, Madam Chair, Commissioners, I guess there are two ways to look at it, looking at building that into our recurring somehow or else [inaudible] how we've got to build that in, so we just have to plan for that. Thank you.

CHAIR HOLIAN: Yes, Commissioner Stefanics.

COMMISSIONER STEFANICS: Thank you, Madam Chair. Sorry I was late you all. I know we haven't started talking about the expense but I do think that part of the expense that we have to take into account is the low income tax credit and projecting it out because it continues to grow very substantially, and that is a loss then to revenue.

MS. MARTINEZ: Madam Chair, Commissioner Stefanics, you're correct. It does continue to grow and that again isn't built into the recurring base of expenditures and what we do is we try to forecast the growth each year, so it will be part of next year's budget until we do otherwise.

COMMISSIONER STEFANICS: And we don't have a slide on the projections on how it goes out?

MS. MARTINEZ: No, but we can get it for you.

COMMISSIONER STEFANICS: Well, I just think that it doesn't hurt to say it started at $170,000, it went to $300,000, it went to $700,00, it went to $1 million. Things like that. Because we need to be aware of our actions that are helping people but are decreasing our potential revenue for budget.

MS. MARTINEZ: We can do that.

COMMISSIONER MAYFIELD: Madam Chair, Commissioners.

CHAIR HOLIAN: Commissioner Mayfield.

COMMISSIONER MAYFIELD: Does that cap at a certain dollar amount?

MS. MILLER: Madam Chair, Commissioners, it caps at a dollar amount of $300 per filer but it doesn't cap at a dollar amount for us. So there is a cap on the actual rebate itself for filers, so no matter whether they pay $5,000 in property taxes the most they can get back based on their income is a $300 rebate. The average rebate I think was $280 or something like that that we did. But what we've noticed is the number of people actually taking advantage of the rebate has increased. And what we can't get is detailed information from Tax & Rev about that. What we can get is the amount of each rebate and the number of rebates. But we can't get more specific information; they consider that confidential. But what we've seen is it's gone up and we've been budgeting, and we did about – I think when we did the annexation discussion with you a couple months ago we did show you what our five-year – what's it's been for the last three years and what our projection is and I think this year we estimated around $500,000 and budgeted it and it was like $470,000.

So after the first year, because that first year was a little bit of a shock, we've hit it pretty close, within $25,000, $30,000 of what it actually has turned out to be. So I think you estimated about a five to seven percent growth for it each year. And we do it and it comes in as an expenditure. It doesn't come off our revenue side. It comes out as an expenditure because Tax & Rev pays it out all year and then in January sends us a bill for how much they paid out for the tax year.

COMMISSIONER STEFANICS: On this point, Madam Chair and Katherine, I'm wondering if that could be part of our annexation contribution. So we might want to keep that in mind as we go back to those.

MS. MILLER: Madam Chair, Commissioners, we do show it on the spreadsheet of all the things that the County has done relative to putting out money towards the annexation process. And we do have [inaudible] plus an estimated amount per year on the financial spreadsheet.

CHAIR HOLIAN: Commissioner Chavez.

COMMISSIONER CHAVEZ: That's the list of good faith efforts that the County's put forward in the interest to get that done and I think that's a point well taken where the County's gone above and beyond in many areas and this is one where the County has gone above and beyond and we see nothing reciprocating.

CHAIR HOLIAN: Teresa.

MS. MARTINEZ: Madam Chair, we'll continue on page 7 and we'll go to the expense side. We know for certain that we're looking at a 15 percent increase to health insurance costs next fiscal year. What we don't know for certain is the impact that Obamacare is going to have on us. I think the state is still very much trying to figure out what's going to happen and the County with the state is trying to figure out that impact as well. So as we know more we'll be presenting more to the Board.

Unavoidable increases to the budget if the legislation is signed by the Governor: Obviously, increase to the PERA contributions. In FY 2014 that would represent a 75 percent employer pickup so that as an employer, we will pick up 75 percent of that 1.5 percent increase, which equates to an increase on us for 1.125 percent. Dollar, that comes to about $500,000 that we're looking at.

And then in FY 15 we know the employer will be facing an addition .4 percent increase, and that comes to $178,000. So both of those will add to a recurring base in future fiscal years to come. There's also a bill, House Bill 334 to increase salaries of elected officials. If that is signed by the Governor that would go into effect mid-year and that would cost us about $44,000 for six months. So those are what we know is potentially coming.

What we tried to do on slide #8 is what is that impact to the staff, based on the potential requirements.

CHAIR HOLIAN: Commissioner Mayfield.

COMMISSIONER MAYFIELD: Madam Chair, as far as elected officials, none of us would qualify because you don't get an increase mid-term in your election cycle. So I don't think that would have any impact on this Commission.

MS. MARTINEZ: Okay.

MS. MILLER: Madam Chair, Commissioners, yes. Actually Teresa and I were talking about that and there was some belief that if the bill had made it so it couldn't happen for mid-term that anybody – it's constitutional. Steve and I were just talking. That it can't be – you can't get a mid-term increase. So it would come into effect during the next election cycle for anybody who would come into office at that point. And that's if it gets signed. It may not even get signed, because I think this Governor has vetoed it before.

COMMISSIONER STEFANICS: She said she would sign it this year though.

MS. MILLER: Did she?

MS. MARTINEZ: Okay. On slide #8 what we tried to do is say, okay, what will the impact be to staff based on the known potential requirements that we could be facing? And that would be the increase of insurance premiums for 15 percent. Now, that increase was communicated to us effective July 1st and at least through December 31st. Again, contingent on the new healthcare reform and what that will do to us in January. So what we tried to do is take the earnings of an employee, whether they were less than $30,000 or greater than $30,000. So what we do right now is for an employee making less than $30,000, the employee pays 30 percent for insurance benefits, the County pays 70 percent. If you're greater than $30,000, the employee pays 37 percent and the County picks up 63 percent of those insurance costs.

So what does that equate to on just currently adding that 15 percent increase? Per pay period that costs the County $175,605. That fifteen percent increase represents an addition to the base per pay period – so it's going to increase our per-pay period cost by $22,905. If you annualize that our base health insurance for the County is $4.5 million with the 15 percent increase. So what we tried to do is give you options. Now, we've heard from this Board that we want to take care of our entry level staff, and by doing that one of the options that we have proposed is picking up more in terms of insurance, and if you'll recall, we did that last year for anyone making less than $30,000.

So if you look at our option 1 we recommend three categories. If there's an annual earnings of less than $30,000 the employee would pay 20 percent; the County would pick up 80 percent under this option. For employees that fall in the range of annual earnings of between $30,000 and $50,000, we could go employee: 30 percent, County: 70 percent. And anyone greater than $50,000 we leave it status quo: 37 percent employee, 63 percent County. This is a cost to the County per pay period of $190,325. That's an additional cost per pay period of $14,720. So that annual cost comes to $382,000. So you would take the annual base of $4.5 million, add that additional cost from option one of $382,000, and we would be looking at annual base of about $4.9 million if the Commission elected to go with option 1.

Under option 2 we split it up under two categories, and we said anybody less than $50,000, the employee pays 20 percent, the County pays 80 percent. Anybody earning greater than $50,000 a year, the employee would pay 37 percent and the County would pick up 63 percent, which is what we do right now. This would equate to a cost per pay period of $203,780. That's an increase per pay period of $28,000. That's an additional annual cost of $732,000. So that would bring our base, if we chose option 2, to the $4.5 million, plus the $732,000, so that would be about $5.3 million, if that option was selected on an annual basis.

Option 3 is looking at any earnings less than $30,000 in a year, the employee would pay 20 percent, the County would pay 80. For anything greater than $30,000, stay with the 37/63 split. That would represent a cost per pay period of $180,780. That represents a cost per pay period of just $5,000, and an additional annual cost of $134,00, bringing our annual base cost to $4.7 million.

So what we tried to do is give you several options on how we could try to take care of the entry level by picking up additional percentage increases on the cost of health insurance. So these are options for you to consider. Does that make sense?

If we move to slide #9, we actually took – through the payroll system you have an ability to do a what-if check, and so we actually took employee hours, hourly wages for the PERA regular employees, we took a wage at $13.64 an hour and we took a wage at $19.61 per hour. That represents someone making about $28,000 and on the higher end making about $41.000. And we wanted to show you what the impact would be to the employee.

So if you look at the first square, if you will on the left, it says PERA regular wage at $13.64 – again, the take-home pay right now is $712.60. If we say, okay, we know we're facing that 1.5 percent PERA increase, we know the employee and the County are looking at a 15 percent health insurance cost, that would reduce their take-home pay to $703.75, representing a decrease to their take-home pay of $8.85, just recognizing the increases to PERA and health insurance.

If we were to give our employees a one percent COLA and still have a 1.5 percent PERA increase and a 15 percent health insurance increase, that would make their take-home pay $711.20, representing a decrease in take-home pay of $1.40.

If you look at the $19 an hour person making about $40,000 a year, if you just take it as it is today, their take-home pay is $1,012.36, If you factor in PERA and health insurance, their take-home pay is reduced to $987.24. That represents a decrease to this individual of $25 a pay period. If we give them a one percent COLA and factor in those increases, it raises their take-home pay just to about $998.59, and it cuts the burden of the decrease to about half.

So the point we're making here is we gave you calculations for regular PERA employees, for fire personnel, and the law enforcement personnel, so that you could see the impact to them right off the bat. Their take-home pay is stated as it is today, with the increases and no COLA, what that impact would be to each individual, and then with the COLA and the increases, what that would be. And as you can see from the lower end, with a one percent COLA that basically eliminates the decrease to their take-home pay and for the higher end employees it cuts that impact in half.

MS. MILLER: Madam Chair, I just want to make a comment on that. Where that's a little bit frustrating for us is, as you know, in this past budget cycle we did a one percent COLA starting on January but at the same time the federal government changed the payroll tax. So many of the employees didn't get to see – it negated the negative impact of that but it really didn't help them with their take-home pay. And once again, based on what the state now has done we're faced with that same issue of trying to provide better take-home pay for the employees and with what the state has done, even if we cover contractually what we're to do with retirement and all that, 75 percent of their PERA, we're still going to be hit. Even if we gave them a one percent cost of living again of just putting them right where they were before. So it's been very frustrating I think from the County's perspective of actually trying to do things for the employees to improve their take-home pay and those being negated by the state or federal level actions. And we're still putting out millions of dollars Countywide to cover those impacts.

MS. MARTINEZ: Madam Chair, if we move to page #10 or slide #10, on this page we tried to organize – we had individual meetings with each Commissioner and we tried to identify the priorities of each Commissioner as we moved forward, so this is a result of those meetings. What we heard is that we want to maintain all existing County assets, including our open space, our facilities, our roads, our vehicles, that we need to do a better job of that.

CHAIR HOLIAN: Yes, Commissioner Stefanics.

COMMISSIONER STEFANICS: I'm sorry. On the prior page, page 9 – maybe I missed this since I'm in a cloud today. Did you come up with the total amounts to the budget impact for any of these options?

MS. MARTINEZ: As we progress, what we already said, I think a slide ahead that we said it was about $502,000 for PERA. Countywide, it's going to cost the County $502,000. As we go further we'll expand more.

MS. MILLER: I'm sorry, Madam Chair. So it's the $175,000, the healthcare, which is that first block on page 8, and then if you look, on page 7, that's $502,000, it's on that second column, on the expense side about 3/4 of the way down, the employer contribution of the PERA. It's $502,000 next year, and then the following year, $178,000 for the employer contribution. So those are the – and then the hold-harmless is the $237,000. So in total, if you would add all those up you're talking about a million dollars when they all come into effect.

COMMISSIONER MAYFIELD: Madam Chair.

CHAIR HOLIAN: Commissioner Mayfield.

COMMISSIONER MAYFIELD: What I'm looking at, page 7, and I spoke to Manager Miller about this yesterday, as far as PERA, the County's responsibility for the pick up on the PERA's contribution, on the state side I'm going to say, the County's side is $178,000 for all of our employees?

MS. MARTINEZ: Madam Chair, Commissioner Mayfield, it's $502,000 for all of our employees, and then the $178,000 is an additional increase that we know we can anticipate in the following fiscal year. So for next year, immediately, we know it's going to cost us a half a million dollars to implement that PERA increase across the board.

COMMISSIONER MAYFIELD: And I know we spoke about this, and I know you spoke with some of the legal at PERA, but that's where the breakout is of how we have our higher salaried employees versus our lower salaried employees. We're paying a lot of money for our folks who are making over – whatever that dollar amount of threshold is. We're paying 75 percent of the salaries of somebody making over $80,000 in this Commission versus 75 percent of somebody making under $40,000. And that's where that break is. And that's why I've asked that you try to find out that equity balance and use raises. I know you guys have tried to put these scenarios together. You said that PERA won't allow us to go into the way the state does it as far as contributions based on the amount of money you make?

CAROLE JARAMILLO (Budget Manager): Madam Chair, Commissioner Mayfield, according to the PERA, the rules that we have, we signed up for a 75 percent pickup and that is where it needs to stay, until the end of time, it seems like.

COMMISSIONER MAYFIELD: That's a rule? That's PERA's rule? I know they changed the rules as far as taking away COLAs and everything from everybody. Is that a state rule? A state law?

MS. JARAMILLO: I think it's our agreement with PERA, but I'm going to have to defer to Bern on that one.

BERNADETTE SALAZAR (HR Director): Madam Chair, Commissioner Mayfield, yes. In communicating with PERA that is a PERA rule. Once you engage in a PERA resolution to pick up whatever percentage it's going to be of the employees' portion you're locked into that amount.

MS. MILLER: And Madam Chair, Commissioners, it's different per plan, but you can't change it per salary. So even at the state, depending on your work group – they have 15, 20 different plans. So you could have a different plan for, for instance our CWA, sheriffs, dispatch, corrections, each one of those could be different. But you can't do different plans per salary. Even the state doesn't do different plans per salary. So the contribution, once you're in a plan, all those employees within that category have the same percentage contribution.

What I think you might be thinking of is healthcare. The state and similar to what we do here, what we started to do is tier our benefits contribution for healthcare and other benefits where at the state, 80 percent is picked up for lower paid employees, 70 percent and then 60 percent. So what the County has done, 63/37 until last year we started to pick up a higher percentage of the lower salaried employees and that's why we made some suggestions. That's the way to actually direct take-home pay where we're paying a higher percentage of employees' cost of benefits. That's the place where we can actually do that based on salaries.

COMMISSIONER MAYFIELD: And Madam Chair, Manager Miller, I think as far as PERA goes, the higher salary you make in state government, the more you have to personally contribute to your retirement. That's how it worked when I was in the state. I made a decent salary when I was in state government and I advance through my career in state government. The more money I stated making in state government the more of my shared responsibility was to contribute towards PERA. That was how it worked in the plan I was in in state government. And that's why I think we have an opportunity to give back to some of our employees here who are making less money that others, and I wish we could look at this a little more. I might be the only person here thinking of this and I'd want to speak with our unions. I know I can't talk to them right now because we're in negotiations. But just for all of our employees, I think this just somewhere where we can look at it, because –

COMMISSIONER STEFANICS: Madam Chair.

CHAIR HOLIAN: Yes, Commissioner Stefanics.

COMMISSIONER STEFANICS: In the executive branch that didn't occur, because I managed several budgets and the employees all received the same percentage breakout. So whether or not that was something allowed.

COMMISSIONER MAYFIELD: PRC was different then.

COMMISSIONER STEFANICS: Maybe, but I don't know. Ms. Miller, did you see anything different at DFA?

MS. MILLER: No, Madam Chair, Commissioners. No, everything – once you're in that plan it's a percentage paid by the employee and a percentage paid by the employer and it's the same for everyone within that plan. Now, maybe they had different plans for different classes of employees, but to my knowledge, there's no breakout once you're in a plan based on salary. And I don't know – and Steve thinks that's also.

COMMISSIONER MAYFIELD: Maybe I'm wrong.

COMMISSIONER STEFANICS: Fire was different than your administrative employees.

COMMISSIONER MAYFIELD: Well, Madam Chair, maybe I have it wrong. I'll call some folks at PERA just to ask them, but that's how I thought it worked. The higher you made in your salary the more you had to contribute on your end to PERA, and that's where that percentage broke out.

MS. MILLER: Madam Chair, Commissioner, now, they did do some things where they legislatively changed the – in the budget crisis they actually changed the amount that an employee had to pay but they did the same amount for everybody. So they increased the contribution by 1.5 percent, which then changed the employees – they shifted. But they did it statutorily and it applied to everybody. So the legislature can statutorily switch something like that but I think by plan, once you're in the plan – but you could have three or four different plans, because we have three different plans. So all the people in that plan contribute the same percentage.

COMMISSIONER MAYFIELD: Okay. Thank you. So I'll make some contacts at PERA. Thank you.

CHAIR HOLIAN: Okay. Thanks, Bernadette. Teresa.

MS. MARTINEZ: Back to slide #10. What we wanted to do was summarize for you what we heard from each of you in terms of direction moving forward. So again, more focus on the maintenance of our facilities, our open space, our roads and our vehicles. What we heard individually was add road graders and /or water buffalo and operators, additional staff for each of our maintenance sections, and weed control on and around our roads. Emphatically we heard let's invest in our employees, so we wanted to look at Countywide COLAs, whether they were recurring or non-recurring one-time retention incentives. We wanted to reduce our health insurance contributions for staff earning less than $50,000 a year, provide education benefits if possible, focus on our recruiting and retention or public safety personnel, improve the physical work environment, provide adequate equipment for staff use, youth programs, develop some type of a job pipeline internship program, develop programs that target our teens, expand program funding for our youth, invest in our youth, grow our library programs, continue funding for the Regional Coalition of LANL communities, increase our operating contingency reserve, update our ordinances and resolutions as necessary, grow the utility into a self-sufficient utility service, develop a long-term emergency operations preparedness plan, increase transparency through additional PSAs and radio exposure, and expand our motor pool to reduce staff travel by personal vehicle. That's what we heard from everyone.

This next slide I think is really important. I know from the –

COMMISSIONER STEFANICS: Madam Chair.

CHAIR HOLIAN: Commissioner Stefanics.

COMMISSIONER STEFANICS: In hindsight, I'd like to add another one.

MS. MARTINEZ: Okay. Sure.

COMMISSIONER STEFANICS: Something around economic development, and I don't have a specific idea, but I just want to make sure that the topic is thought about. Especially since we now have an economic development planner and we're participating in a variety of groups.

CHAIR HOLIAN: And Teresa, I'd like to second that.

COMMISSIONER CHAVEZ: And actually if I could throw in a third and I think that when we talk about economic development I think that we can have different focuses and I know that for me one focus would be the cottage industry and the smaller businesses. And in the cottage industry those businesses or small shops that would have a cultural connection to our region, to the Rio Grande Corridor, to our weaving and to agriculture and all of those things and I think that the County could do a lot in those areas. Thank you.

COMMISSIONER MAYFIELD: Madam Chair.

CHAIR HOLIAN: Commissioner Mayfield.

COMMISSIONER MAYFIELD: Since we're thinking of adding to, when we had our Open Space Committee there was a group that came in front of us and I know we spoke with them and they had a plan as far as trying to assist with our open space, just with maintenance and stuff. I know that plan was still moving forward. I don't know if we're going to beef up, hopefully beef up our open space. I know Ms. Miller and spoke about that. But what about some funding opportunities for that volunteer group. I don't know if that's possible or not but I think they would need some financial assistance, just with our open space maintenance. We definitely need some help there through all of our County open space. I'd like the possibility of looking into that please also.

And the other thing – I should have brought this up earlier but I'm going to ask – again, you guys can tell me no because of the rules, but our volunteer firefighters, gas prices are pretty expensive. These individuals do a lot. They provide a lot of assistance out there for our career firefighter. I think they get reimbursed right now $10 it's either a trip or $10 a visit or something. I don't know how it is but they're very responsive. They're there a lot of times first on the scene. I don't know if that could be looked at. I don't know if that's state statute that has to be addressed or if that's just something that we can look at now, Ms. Martinez, but I just ask that that also be put on the list for consideration, to increase those fees for them.

MS. MARTINEZ: Okay.

COMMISSIONER MAYFIELD: Thank you.

MS. MARTINEZ: Okay, Madam Chair, on the next slide, page 11, oftentimes as the Finance Director and for those staff in Finance, probably Sharon most of the time, a lot of employees don't realize the value of total compensation by Santa Fe County. I've had employees of my own that have come to me and said, well, I'm going because I've got this title and I can make $20 an hour. Well, they're going to go make $20 an hour in the private world with no benefits or retirement, so I thought it was very important to point out to the Board, to the staff and just a reminder to everyone of what Santa Fe County provides for our employees.

So again, what we did is we did it on the basis of a $30,000 a year salary and a $55,000 a year salary. If you look at the first one on he left-hand side, this is an employee who earns $14 an hour, makes $30,000 a year. If you factor in the County's contribution in a year for annual leave, sick leave, personal holidays, PERA, retiree healthcare, the additional

12 hours of administrative leave they've received in the past, retention incentives, additional personal holiday, and then you factor in the benefits for health insurance, dental, vision, life and the state fees that we have to pay, an employee who makes $14 an hour does just make a base pay of $30,000. At the end of the year their total compensation when everything is factored in is $52,000. And if we go so far as to add in what we pay for parking in a year, that employee almost makes $53,000 a year. So I think it's very important to point that out.

If you look at an employee making $55,000 or $26 an hour, you add in all the annual leave, the holidays, you add in the benefits, they have a total compensation of $85,000. You add in the parking or a take-home vehicle, that is almost $87,000 a year. So I think it's really, really important to point out that this County has done a great job of supporting our employees in what is called the Great Recession.

CHAIR HOLIAN: Commissioner Chavez.

COMMISSIONER CHAVEZ: Well, on parking and take-home vehicle, I guess I'm imagining we're trying to reduce those costs as much as possible, so I think going forward we'll just – I know we're working on that and I'll just look for those numbers to change. On the vehicles, maybe what you could do for my information is just a list of vehicles and maybe the departments.

MS. MILLER: Madam Chair, Commissioner, we did, between two and three years ago really revamp take-home vehicle policy and took back quite a few of them because it was during the time we were trying not to affect overall employees by cutting pay or taking away benefits. So the County actually went after those additional things like phones and take-home vehicles to try to generate some budget savings. The purpose of these slides was just to give an idea. You know a lot of times you have a certain salary and that's true, but the cost to the County is pretty high so quite often where you'll see somebody making $14 a hour the actual cost to the County is something more like twice that.

And we have gone to show kind of a breakdown of where all of that is, and that's including we give a lot of admin time, we give a lot of personal holidays, sick leaven, annual leave and those are all things that we pay for because quite often, particularly in the 24/7 facilities there's somebody else taking that time, so it is an actual direct cost; it's not just an indirect cost. So we just wanted to point that out. We thought also, and in fact Commissioner Mayfield brought this up a little bit, that this would be something that we'd like to put in each person's paycheck once every year, in their pay stub, so that they could actually see the value of all their benefits as well.

COMMISSIONER CHAVEZ: So in the area of parking, if we're anticipating consolidating our facilities downtown and thus paying less in parking, that would have to be particular to the employee and those numbers would reduce, but I think we could justify that, because if we can, we need to see those cost savings. And I think employees would support that, I would imagine.

MS. MILLER: And then, Madam Chair, Commissioners, we don't require any employees to pay for parking. The reason we put that on there was to demonstrate that in other times, for instance Bernalillo County, they do not pay for employee parking downtown and those employees pay anywhere from $45 to $85 a month for their own parking. This is based on what we pay for – the average that we pay for employee parking, which is $60 a month to the City, and that's $780. Some of them would pay a little more, some would pay a little less, but that cost to the County right now for downtown parking is running around $145,000 a year or something like that. So obviously, if we were able to pick up some of our own parking at the old courthouse when the Judicial District moves, that's a direct savings that we could see that money going to something else.

COMMISSIONER CHAVEZ: So it's $145,000 a year for downtown parking that the County is paying for employees to park?

MS. MILLER: Madam Chair, Commissioner, right now, based on the ones, the permits we actually have is $127,200. Based on what we thought we might have to do going into next year we were estimating about $144,000. But I think now, if we move some of our own employees over to the old courthouse we can drop that cost.

COMMISSIONER CHAVEZ: And for some reason I thought that was a higher dollar amount, but it's not. I thought it was more like in the $200,000 range or something. So that's good. Okay. Thank you, Madam Chair.

CHAIR HOLIAN: Okay, Teresa.

MS. MARTINEZ: Slide #12, we did our best to organize a lot of information for you on possible staff investment options as it relates to a COLA. The first thing we gave you was a straight cost of living increase Countywide. What this does is provides an increase to all staff. A straight across the board prevents further compaction within our ranges of staffing, and I guess in every scenario I'm going to point out that this is recognition of staff in difficult times by this Board and this County Manager in trying to give increases when we're still not yet out of the woods. So the cost to the County, including benefits – if we gave a three percent, a two percent or a one percent. Again, this would be across the board. If we did it at mid-year, a three percent cost of living increase for all employee would cost us $669,000. If you calculate that on an annual basis, that's $1.3 million.

If we gave everyone a two percent, that's $446,000 for half a year and annualized, that's $892,000. If we gave everyone a one percent COLA, mid-year increase would be $223,000, and if we did it for the entire year it would cost $446,000.

If we looked at our tiered COLA option number one, this still gives an increase to all staff with a larger focus on the entry level staff. It still may create some compaction at some level and again, recognition of staff in difficult times. So if we look at employees that are making less than $30,000 and we give them a three percent increase, that would cost us $105,000 if it's on a half year basis or $210,000 on a full year. For those employees making $25,000 to $40,000, if we give them a two percent increase, if we implement January 1st that would be $207,000 or annualized, $414,000. Anybody making greater than $50,000 would get a one percent increase in this option, and that would be half-year, $267,000, full year, $534,000.

In our next option, tiered COLA 2, again increases to all staff but the larger focus on the entry level staff. We definitely will still have some compaction at this level and hopefully an attempt to recognize our staff. Anyone making less than $50,000 would be proposed a three percent increase, again, half year that's $444,000, annualized it's $889,000. Anything greater than $50,000 would get a two percent increase. That's $188,000 half year and annually, that's $376,000.

And then we heard requests for longevity. Let's recognize those employees who've been here for some time. We recommend that we do this on a pay for performance program and on a cost of living, so we recommended a flat amount for budget planning purposes, just because it's still rebounding, if you will, from a bad economy, so if we did that, we broke it out by years of service categories with 10 to 15 years, an employee has been here that long, give them an additional 25 cents an hour. That would come to about $520 a year. If they've been here for 16 to 20 years, give them 30 cents per hour. That's $624 a year. If they've been here 21 to 25, give them 40 cents an hour, and that comes to $832. And then if they've been here greater than 25 years, give them 50 cents an hour, and that's just over $1,000 a year.

To implement this with benefits included, this would cost the County $107,744. So this was staff's attempts to give you various options on what you could possibly vote on for tiered COLAs or one-time incentives as we move forward in the next study session discussion.

COMMISSIONER MAYFIELD: Madam Chair.

CHAIR HOLIAN: Commissioner Mayfield.

COMMISSIONER MAYFIELD: Madam Chair and staff, I stand correct on PERA, so I did have that checked and I was wrong. So thank you. Thank you, Bernadette. Also, I did speak with Ms. Jaramillo and Manager Miller on this. The issue though as far as the tiered raises and we talked about some of the concerns – it was maybe the potential jump at a certain salary level where you may have an employee jumping the supervisor, and that's something you might have to try to figure out a little different mechanics, so a little different [inaudible] for that.

MS. MARTINEZ: Madam Chair, Commissioner Mayfield, that's a huge concern for the County and it's definitely felt in our Public Safety component a lot more than others, that with these – when I mentioned compaction with some of these recommendations you will definitely have that, and we want to be very cognizant of our – I know for example we have in Corrections we have someone coming in at an entry level, they could very well be making the same amount of money that a DO who has been there for two years. And that's a little hard for the DO that's been here for two years to swallow. So when you do increases like that it does affect compaction. And you never want your line staff to be exceeding or making more than the person who supervises them. So that's definitely something that we will be working with Bern and she did do – Bern did the gist of the work that's presented here today, just so you understand that in terms of how we try to manage compaction.

COMMISSIONER MAYFIELD: And Madam Chair and Ms. Martinez and Ms. Salazar, have we worked at maybe one of these scenarios, could we maybe, if we selected one of these, figure out a component for the compaction so we wouldn't have an employee jump a supervisor when it gets down to that?

MS. MARTINEZ: Madam Chair, Commissioner Mayfield, yes, and I believe she was trying hard to do that.

COMMISSIONER MAYFIELD: No, no, no. Maybe not for today but for another day.

BERNADETTE SALAZAR (HR Director): Madam Chair, Commissioner Mayfield, we did do a little bit of a study and as Teresa mentioned, it really does affect our public safety areas, so we actually put together some pay scale scenarios to address that issue. So some increases may be less, some may be a little bit more but that's how we would address those issues. We have begun working with that already.

COMMISSIONER MAYFIELD: Thank you.

MS. SALAZAR: You're welcome.

CHAIR HOLIAN: Commissioner Chavez, then Commissioner Anaya.

COMMISSIONER CHAVEZ: I would just echo Commissioner Mayfield's concern and I guess suggestion, because I was looking for between the tiered COLA 1 and 2 a better understanding of how the compaction might work and how that might impact not only the budget but the employees as well and their work environment and the dynamic and all that. So I think that's a good point and that would help me better understand it also. Thank you, Madam Chair.

CHAIR HOLIAN: Commissioner Anaya.

COMMISSIONER ANAYA: Madam Chair, Commissioners, just a time check, Madam Chair. I would hate for us to go through this entire presentation and then be told by you because of time that we're out of time and we're not going to have time to go through questions because I have numerous questions. So I'm going to make a suggestion to you that slides #13, #14, #15 are not relevant right now for discussion. I think the Commission can read those, but that we go to general bargaining unit concerns and a summary and then the questions of the Commission because I've got a lot of things I want to put on the record and a lot of questions.

CHAIR HOLIAN: Commissioner Anaya, we do have three hours for this meeting. It goes till noon, so I would just like to go through the presentation as planned and maybe Teresa, you could just be efficient in the next three slides.

MS. MARTINEZ: Okay. Madam Chair, if you move to slide #13, what we tried to do on these next slides is basically show the Board – this is in my opinion a way to toot the horn of the work that this Board and management has done. What has the bad economy done, at a national level, at a local level and at the County level? Well, when we first started this recession back in 2010, California furloughed their employees three Fridays a month. Oklahoma furloughed their employees ten to 12 days. Rhode Island state employees were required to work eight days without pay. Nevada employees were furloughed one day per month while the teachers and the higher education employees took a four percent pay cut. Hawaii state employees were furloughed every Friday.

Now, where we're at today. California is dealing with a $20 billion gap between revenue and spending. They're addressing this by cutting Corrections, Health & Human Services and Education. Their workforce has been reduced by 30,000 positions. Nevada, their operational budget is down about 6.3 percent from the prior year. Their reductions were implemented in 2007 through 2012 via division reductions, streamlining operations, recovering costs which included revenue enhancements, and reducing services.

Hawaii is dealing with a $1.3 billion shortfall in fiscal years 2011 through 2013. They could only address the most immediate and pressing needs. They developed a five percent contingency reserve restriction on discretionary appropriations. Discretionary appropriations by the state of Hawaii was such things as Worker's Comp and healthcare, and that was equated to $278.5 million.

If you look at it from a New Mexico standpoint, employees were furloughed five days in 2010, potentially ten days in 2011. Their contributions were on a temporary basis, the 1.5 percent that Katherine spoke of. Their budgets were cut an average of 3.3 percent. City of

Santa Fe employees were given a COLA and subsequently furloughed 1.5 hours per week. The City of Rio Rancho had a hard hit. They froze 78 positions, they increased fees, they cut their pool hours in the rec program and they were looking at further fee increases.

In New Mexico now, what we know is state employees have not received any COLA since 2008. The temporary increased contribution to PERA has expired, and again, after five consecutive COLA, pending the Governor's signature, is a proposed one percent increased COLA for most employees. The City of Santa Fe will maintain a flat budget in 2014 with no COLA increases for employees. They're still trying to determine the impact of PERA and the legislative impact. In FY2013 the City of Rio Rancho was able to maintain a balanced budget with no layoffs and expects to meet the state-mandated reserve requirement by the end of this fiscal year.

In Santa Fe County, back in fiscal year 2010, proudly, we had no furloughs, we had no closures. We did freeze – we implemented hiring freezes. We reduced the pay of employees earning greater than $80,000 by three percent. We reduced travel, basically only allowing travel for professional licensure. We reduced cell phones and take-home vehicles. What we're looking at today – well, on January 1st we gave a COLA. Twenty-one positions have been unfrozen to ease the burden on existing staff. We've provided additional personal holidays to non-probationary employees, and we've provided non-recurring retention incentives for non-probationary staff.

As we move into slide #16 we begin discussion on the bargaining units' general concerns. Should I wait or keep going?

CHAIR HOLIAN: Keep going.

MS. MARTINEZ: The bargaining units' general concern, slide #16, we begin with AFSCME. This is what we've heard as general concerns. Again, they show they share the same interest as it relates to insurance benefit coverage for entry level or lower paid staff. Their recommendation or suggestion is anyone making less than $50,000, that the County contribute 80 percent, the employee contribute 20. We're slightly different here in that they go the range from $50,000 to $60,000 be County contribution 70 percent, employee 30, and anyone making greater than $60,000 would stay status quo at 63 percent County coverage and 37 percent employee contribution.

In compensation – pardon me, I have two FYs there – for fiscal year 2014 they've asked for a maximum of $2 million for COLAs Countywide. If you take that Countywide this request equates to about $1.16 per hour per employee. It's based on an average hourly rate – if you look at an average hourly rate of $20 per hour this would be about a six percent salary increase. That six percent does not include the impacted benefits. For fiscal year 2014 this equates to about a $480,000 increase for the bargaining unit alone.

Uniforms, they requested an increase in uniform stipend. Right now the uniform stipend is at $220. They've not requested a specific amount as of yet but based on past negotiations staff estimated a total of about $70,000.

Leave accrual and carryover, requesting an increase in rates and carryover allowances. The did not request an amount, but again, based on past negotiations, staff tried to estimate a total of $100,000.

And incentives, they requested that true incentives be identified and created for employee performance. No amount was provided but again, based on past negotiations we estimated $200,000.

So if we look at a potential cost to implement this we're looking at about $900,000.

CHAIR HOLIAN: Teresa, just to clarify, this is for the AFSCME Union alone.

MS. MARTINEZ: AFSCME alone. Yes. And then we tried to cover the remaining unions on the next slide.

COMMISSIONER CHAVEZ: Madam Chair.

CHAIR HOLIAN: Yes, Commissioner Chavez.

COMMISSIONER CHAVEZ: Thank you. So could you just – let me see – highlight the cost difference in the uniforms? Why is there such a big gap there?

MS. MARTINEZ: Madam Chair, Commissioner Chavez, in terms of they currently get $200, so that's per employee, it's $220. So that's not annualized. And we're anticipating some kind of increase which we do not know yet, that that may cost us an additional $70,000 a year.

COMMISSIONER CHAVEZ: In addition to the $220.

MS. MARTINEZ: In addition, yes.

COMMISSIONER CHAVEZ: Okay.

MS. MARTINEZ: And that's the basis for each of the different levels. That's staff's best estimation.

COMMISSIONER CHAVEZ: Thank you, Madam Chair.

CHAIR HOLIAN: Okay.

MS. MARTINEZ: If you go to the next slide we put together the ones that are covered by CWA. We have three unions covered by CWA and that's the Sheriff's deputies, the RECC, and the Corrections. I'll begin with the Sheriff's deputies. So mostly for CWA it's important to note that consistently we saw that they would like to get back to their previous pay scale where years of service was basically rewarded. So they'd like to go back to years of service increases being re-implemented.

Currently for the Sheriff's Office we have union and management have agreed to a temporary salary increase and one-time retention incentive to retain employees. We're looking at the 2+ year employees until further negotiations are completed. What we did, we based it on the years of service. Right now, if you're 15 years+ we had a one-time incentive of $1,200. Ten to 14 years, $1,000. Five to nine, $1,000. Two to four, $800. And one year of service $600.

This basically stemmed from the fact that we needed to – the County needs to increase its cadet pay, and increasing cadet pay then you have compaction created at the levels. The City of Santa Fe just recently updated their entry-level cadet pay to $19.11. APD pays their cadets $18.24. Bernalillo County starts at $17.75 and Rio Rancho is at $16.03. So we're training our cadets basically, and then they're moving on to other entities because they can pay them more. So this has stemmed from that. So we're trying to do something – if you see the next slide, new cadet pay starting at $17.50. I just want to articulate that we put this as the Sheriff's package but this is more of a management issue in that we don't want to be the training ground and then lose employees. So we recommend starting our cadets at $17.50 an hour, and in doing that we'd have to deal with the compaction for those individuals that have been here 2+ years so we don't lose them to another entity.

So our total cost to implement the Sheriff's is $296,000.

MS. MILLER: And Madam Chair, one item that wasn't in the different scenarios, if we looked at something similar to what was done in the discussions with CWA, if you were to do a $1,000 one-time retention across the County it would probably run about $800,000. If you didn't include probationary employees, it would run about $800,000 one-time cost, and that would be for somebody that's at $30,000, that's about a 3.3 percent pay increase.

MS. MARTINEZ: Slide #17, if we look at the CWA RECC you can see again, they requested that their previous pay scale with years of service increases be re-implemented. And again, I want to point out that upon final negotiation we're looking at a potential cost to implement of $28,000. If you look at Corrections, again, they requested that their pay scale with years of service be re-implemented and they also have proposals for increases for non-security staff. What this does for the County and for the union is it addresses current problems with pay inequities and compaction and hopefully will assist us with starting pay recruitment information. So upon final negotiation that could be a potential cost of $490,000.

In summary, right now our FY 2014 Santa Fe County is estimating that recurring revenue compared to base recurring expenses will approximately be break-even. Additions to the base that we know we can look forward to are the increase to health insurance, which is about $596,000, our increase to PERA, which is about $470,000, and our increase to elected officials, now that we have that clarified would be later. So we're looking at about a million dollars.

Our budget requests were turned into Finance by each of the departments and elected officials. We'll begin analyzing those but right off the bat we wanted to let you know that we were looking at unfreezing 11 FTEs, authorizing 21.5 new FTEs, authorizing three PRNs and four temporaries, and miscellaneous wage issues. And again, our bargaining unit contracts have not been negotiated. I will summarize that I think with the positive variances we showed for revenue and expense there was a comfort level to increase from current expenses at least by $1.5 to $2.5 million, and then with some more forecasting we'll come back to you with what we could have in terms of a pot of money for non-recurring, one-time expenses.

CHAIR HOLIAN: Thank you, Teresa. Before we go on I would just like to ask you to sort of summarize what our next steps are and what kinds of decision points we have coming up.

MS. MARTINEZ: Madam Chair, Commissioners, we wanted to show you that although it's still kind of bleak we do have a comfort level with some revenue increase going forward for both one-time and recurring expenditures. I think what we were looking for this go-round was just to give you a picture of this is what we're looking at. I've shared with you what we've heard from each of the Commissioners, a kind of forecast of what the staff is looking for in terms of staffing increases. How do we take care of our employees? How do we make that staff investment?

So I think the difficulty for this Board will be to come to an agreement in terms of where do we grow with the limited resources that we have. And then keeping in mind that we probably need one more budget study session where we can then bring back to you what we received from the departments, try to factor in some numbers from what we heard from BCC priorities, and balance it all with resources that we have available.

CHAIR HOLIAN: Okay. Thank you, Teresa. Commissioner Chavez.

COMMISSIONER CHAVEZ: So Teresa, you're estimating that we may have between $1.5 and $2.5 million that we could dedicate for additional spending for the next fiscal year?

MS. MARTINEZ: For recurring expenditures. So I'm saying that I'll go out there and say that I feel comfortable that $1 to $3 million – let's raise it to $3 million, that you can spend that on to percentage increases to employees, growing the program, anything that would be recurring and that I've have to count on covering year after year after year.

COMMISSIONER CHAVEZ: So economic development might fit into that category. And then I would imagine that the County is required to set aside some reserve in addition to that and what would that dollar amount be?

MS. MARTINEZ: Madam Chair, Commissioner Chavez, the County has in this recession set aside annually a budget contingency reserve that proudly, we have haven't had to use in years past. But every year, that's part of our budget. And that is funded by cash each year.

COMMISSIONER ANAYA: What would that dollar amount be?

MS. MARTINEZ: Five million dollars.

COMMISSIONER CHAVEZ: Five million.

MS. MILLER: And Madam Chair, Commissioner Chavez, we also have the statutory requirement of a 25 percent reserve in our general fund and we do a 1/12 reserve in all of our other funds by policy.

COMMISSIONER CHAVEZ: So the 25 percent would be also the five million.

MS. MILLER: That's in addition to. And that's funding we cannot budget. We actually have to have that unbudgeted fund balance from a statutory perspective and then the County also does by policy a 1/12 in each of their other funds. So a one-month reserve, versus a three-month. And then we do in addition to that we've done the – and we use non-recurring funds for the $5 million contingency. That's if we have a revenue drop or some major expenditure that we did not anticipate.

COMMISSIONER CHAVEZ: Okay. Thank you, Madam Chair.

CHAIR HOLIAN: Okay. Actually, I think this might be a good time to take a short break because we're at the end of the presentation now and then we can come back for more questions and comments and so on. So I think we'll take a ten minute break and reconvene at 10:35. Thank you.

[The Commission recessed from 10:25 to 10:35.]

VI. Direction from the Board of County Commissioners

A. Direction on Balancing Existing Needs, New Requirements and Available Resources

B. Additional Budget Study Session

CHAIR HOLIAN: I'd like to call this meeting back to order, the budget study session, at 10:35 and Commissioner Anaya, I believe you had some questions and comments.

COMMISSIONER ANAYA: Yes. I'm going to wait for the Manager because some of them she's going to have to answer. So I'm going to wait for her.

CHAIR HOLIAN: Okay. Do you have anything for Teresa?

COMMISSIONER ANAYA: Several, but I –

CHAIR HOLIAN: Commissioner Mayfield has a few.

COMMISSIONER MAYFIELD: Madam Chair, thank you. Madam Chair, Ms. Martinez, and I'm going to ask you. You'd be the one to answer this and you've probably answered it many times. But as far as this request. I saw it in AFSCME's proposal. I know I've asked this and it might be an issue with the federal government. But uniforms, they either have to have a 1099 for uniforms or just issues like that?

MS. MARTINEZ: Madam Chair, Commissioner Mayfield, we underwent an IRS audit in the past and so we have a taxable fringe benefit policy. So they're taxed on their uniforms.

COMMISSIONER MAYFIELD: And that's just an IRS rule.

MS. MARTINEZ: That's an IRS requirement that we have to follow, yes.

COMMISSIONER MAYFIELD: Is there a threshold amount though? Part of their jobs – I even think it's a safety issue that we have a person out there – we have code enforcement officers, we have our police officers, we have our ordinance officers. As a matter of fact we were in the news, all over the new last night dealing with issues down south with an individual that was – I'm not going to say what they were accused or alleged of, but we have personnel out there that needs to have uniforms, be in uniform, and I have heard that before any union negotiations that they're not adequately outfitted and there's those concerns. And I would have hoped that our personnel has the appropriate shoe-ware, the appropriate apparel that they're wearing. I don't think that's an unreasonable request that our personnel has the clothing that they need.

Now as far as the tax issues with the federal government, however that needs to work out, that needs to work out. But again, here they're – if they're going to be taxed on it then put it in their base pay and let that be a PERA benefit to them so that they can at least – if the rules make that permissible and they can have that as income when they retire. Can that be done?

MS. JARAMILLO: Madam Chair, Commissioner Mayfield, there were a number of points in there. As far as the public safety, the Sheriff's Office and the Fire Department, they are not taxed on their uniforms. The IRS rules govern if it is suitable for everyday where then it is taxable, so a police officer's uniform or an animal control uniform or something like that, those are not suitable for everyday wear. The Sheriff's Office does get a pretty good uniform allowance each year. They get some of it in the form of a check in their paychecks once a year, and then some of it in the form of just the purchasing of those uniforms. For the Fire Department it's handled a little different. They purchase their uniforms, the Fire Department purchases a certain dollar value of uniforms every year.

For AFSCME it's a little different because those uniforms are just basically blue jeans and safety boots or regular boots, depending on their classification, and then polo shirts. The IRS was really specific with us when they came in and audited us that a polo shirt is suitable for everyday where. You may not want to wear your Santa Fe County polo shirt out in public but they can and the IRS says that could be worn to the grocery store, whatever, and blend in with the masses. So those are taxable.

COMMISSIONER MAYFIELD: Ms. Jaramillo, I don't want to put you off, but because I look at public safety jobs differently. I look at our code enforcement officers that work for Land Use as a public safety officer also. I've received letters from individuals that were pretty irate that our public safety officers entered their property and the next thing legal documents that say they have a reason to enter those and that they are legally charged by statute or empowered to enter those premises. I look at our assessors from another elected officer that they have the right to go on to people's property to assess that property. So maybe then it's not a uniform, but maybe it's an appropriate vest wear. Maybe color – I don't know, orange, green, whatever the appropriate colors are, and maybe the IRS could look at that. Something that covers over their clothing that they bring to work that they are outfitted with. I don't know if that's permissible.

MS. JARAMILLO: Madam Chair, Commissioner Mayfield, we've actually made that suggestion to the Assessor's Office that they wear a safety vest. That would not be taxable, but they'd wear a safety vest over their regular uniforms. Something like a safety vest would not be taxable and they could do that. The Assessor's Office, as far as I know has not decided to go that route, but it could be done that way. It is available to them. Yes.

COMMISSIONER MAYFIELD: And that wouldn't be taxed. And maybe that goes again for code enforcement officers that work in land use, and then I was going to talk about like detailing the vehicles appropriately. Because I think that's another issue and I spoke to Manager Miller about that. And I assume that's a quick little fix that shouldn't cost us a whole lot of money. Because they're out there in County vehicles. Some of our County vehicles aren't logoed. I'm just going to say that. And people are thinking, well, why is this car on my property or behind my property and they think we should have our County vehicles properly logoed, respecting our sheriffs that don't need their vehicles logoed for whatever reasons, but I think if we're in our County vehicles on people's property then we should have them properly logoed. And that shouldn't cost –I don't think it's a bad cost for us to incur.

MS. JARAMILLO: Madam Chair, Commissioner Mayfield, I believe that it's been several years that we actually had established a policy that they all had to be with a logo on there. I don't know if it was all done at once then and then the newer vehicles haven't been logoed, but we do have that policy. So it's just a matter of making sure that that happens, when the new vehicles are purchased.

COMMISSIONER MAYFIELD: And I guess where I'm going with the logos too and maybe this isn't the proper venue, but with our code enforcement officers or individuals who are out there, maybe they need a special logo that shows that they're even enforcing code, not just the Santa Fe County logo. And Mr. Ross, you might, that one letter that we got that I forwarded to you with the individual who was with our land use code, there were some people that were pretty upset that they were on his property. And they said, who are you? Even though you're saying you're from Santa Fe County. I think he's commissioned by our Sheriff's Office also. He took an oath under our Sheriff's Department. He was on the property and I don't know what resources they have to be on this property and that's what I'm getting at. They didn't feel that they were properly outfitted with the proper equipment, the proper logo. So I just want to make sure, at least if I'm making that request that those tools are provided for those employees so that they're protected and they're safe. It's uniforms, it's clothing, it's their vehicles. They may need a light bar on their vehicle. Just for those reasons.

The other thing I was going to ask for is proper phone equipment. If employees, for whatever reason, if they want to use their own phones so they can call their spouse to let them know they're safe, whatever those rules are those are the rules in place I guess through HR. And I do appreciate that people need to call their spouse or call to check on their child once in a while during working hours. That's acceptable. That's totally acceptable as far as I'm concerned. But people are using a lot of their own time and money and effort to keep in contact. I think, Ms. Jaramillo, I'm going to put you on the spot. You're using your own personal computer right there to do work business. And that's fine, if that's what you want to do. But I think the County needs to step up and pay for some of these people's – our employees' equipment too.

There's nothing wrong with that. I just would hope that we would budget accordingly for that. If it means that whatever the rules are, federal rules or not, if it means that we have to pay some of that money or some of that money has to be paid back that you all will work on that and a better budget affords that for people. And I know our rules because of budget times where they were where we pulled back cell phone use and that, if there was abuse out there HR will take care of that and we had a good, strict policy on that. What's permissible, what's not permissible. We had some IT problems going on not too long ago. It's not that you couldn't get a hold of people, but if we have IT that has to move around from Santa Fe County to all these apartments and these poor men and women are just having to call you on their own personal cell phone, that's not fair to them either that they're expending their own money for cell phone use to do County business.

And so I would just hope that we could accommodate for those needs for our employees too.

CHAIR HOLIAN: Okay. Thank you, Madam Chair. Do you have any other –

COMMISSIONER MAYFIELD: I got one other thing, yes. This is a budget meeting. I have one other thing. And then just proper training for our employees. I know that we're stepping it up with EDGE, and I think that's great that all of our employees can do EDGE. But I would just hope we would also provide for good training for employees, if it's in-house, if it's out. I think that trainings are important for employees. So I would just hope that we also in our budget or it's my request is that we put adequate training in the budget for our employees. Thank you.

CHAIR HOLIAN: Okay. Thank you, Commissioner Mayfield. Commissioner Stefanics.

COMMISSIONER STEFANICS: I think Ms. Salazar had something she was going to add to that.

CHAIR HOLIAN: Oh, sorry. I didn't mean to cut you off.

MS. SALAZAR: Madam Chair, just real quickly in response to Commissioner Mayfield's response. We've been pro-active specifically with our code enforcement officers and coordinating a training for our Sheriff's deputies to go out and train them on approaching people's property and we will probably extend that out to our assessor employees as well. So that's underway.

COMMISSIONER MAYFIELD: Thank you.

CHAIR HOLIAN: Okay. Commissioner Chavez.

COMMISSIONER CHAVEZ: Yes, I just wanted you to go back to the uniform segment. So staff is suggesting that the dollar amount would be $290 per employee?

MS. MARTINEZ: Madam Chair, Commissioner Chavez, no. We don't know what it's going to be. We haven't been forwarded an amount. We're currently giving $220. We're thinking an increase overall could cost us an additional $70,000 a year.

COMMISSIONER CHAVEZ: So if you add that it would be $290.

MS. MARTINEZ: No, sir. It's $220 per individual employee. So we use the number of bargaining unit employees times an amount. We estimate to increase it above that $220 could cost the County an additional $70,000 a year. So how many bargaining unit employees do we have?

COMMISSIONER CHAVEZ: So what would that dollar amount be?

MS. MARTINEZ: So that would represent – it would be about $325.

COMMISSIONER CHAVEZ: $325 per employee. Okay. Thank you, Madam Chair. I was looking I guess for that unit price. Do you want to add to that, Bernadette?

CHAIR HOLIAN: Bernadette, do you have something to add?

COMMISSIONER CHAVEZ: Because I know that's going to vary. There might be a variable there, right?

Bss: Madam Chair, Commissioner Chavez, one of the things that we do now is we go through an annual process with supervisors and employees trying to figure out what they actually need to perform their job. And so they are provided with outerwear for field employees, footwear, whether it's safety boots or walking shoes if they're walking out in a field a lot. Uniform shirts, the polo shirts that Teresa mentioned earlier, and blue jeans.

Some of the concerns that we've had over the course of probably the last couple years is the quality. Prior to the whole budget recession we were able to buy, for example, Carhartt jeans rather than a different brand. So we did cut back on our uniform expenses over the last three years and so the brands are not the same but the amount of items are still being provided to employees the way they always have been. The concerns that I've been getting is more a brand issue and employees are feeling like the quality isn't there. But the same amount of articles have been distributed.

COMMISSIONER CHAVEZ: So on boots and things that are more durable than let's say a pair of levis, do they have to turn those in before they're issued?

MS. SALAZAR: Madam Chair, Commissioner Chavez, they do not. If they're safety boots, they're non-taxable. If they're just regular walking shoes that the County buys or purchases for the employees to ease the burden of their own personal income having to pay for those boots they are taxed but they don't have to turn them in.

COMMISSIONER CHAVEZ: Okay. Thank you, Madam Chair.

CHAIR HOLIAN: Are there any other questions? Well, welcome back, Commissioner Anaya, we were just about to adjourn but I think you squeaked in here.

COMMISSIONER ANAYA: Thank you, Madam Chair. I'm going to give a copy of this to yourselves while I'm going over it. *[Exhibit 2]* I appreciate the presentation but I still have a lot of questions so bear with me. And I know we've talked about some of this but I want to be absolutely, completely clear and make sure what I'm going to say on the record and make sure you have all the information you need because it sounds like from the presentation there's still a lot of detail that you're going to come back and provide the

Commission with and more discussions that we're going to have.

So I want you to talk about again what the current year – and I wrote just a simple template as I was thinking through what you were presenting, but what the current year budget is, what the projected additions are to the new budget based on a breakout of Commission resolutions that the Commission adopted, the courthouse being one. I don't know if there are others. There may be others. Are there others that the Commission adopted that are additions that are not in the current year budget that are commitments that we as a Commission made? Are there others other than the courthouse? Or is that the only one?

MS. MARTINEZ: Madam Chair, Commissioner Anaya, I think that's the only one.

COMMISSIONER ANAYA: Ms. Miller?

MS. MILLER: Madam Chair, Commissioners, I think there was also a couple during the mid-year. They were small ones, but one was the facility manager that's countywide, not just the courthouse. There also was the Aamodt engineer position that was approved during the year, and then a utility worker. So I think they were in total another $100,000, something like that that's in that base. What is also, when you look at the revenue dropping like in property tax we had bond payments reduced and therefore the actual property tax mill levy for general obligation bonds was down so where you see a drop in property tax we include all of that in there even though that's kind of a pass-through. It basically comes to us and then goes to pay the debt service.

So you'll see some drops in the overall revenue that are just a factor of things being paid off or things coming on that aren't done by resolution. Those are just as the payments have passed through. They either have reduced revenue or have increased revenue and then increases or decreases to the expenditure side as well.

COMMISSIONER ANAYA: Excellent, and Madam Chair, it's exactly that level of detail that I think my questions, my interest is to capture on about two to three pages, tops, the core bottom line of what the Commission is going to be determining and what we're faced with and what decisions we have to make. That's going to be excellent for ourselves as Commissioners and it's also going to be helpful for our staff and most importantly for the public to clearly understand where were we at in the current year, what commitments did we make and why. So make sure that we clearly delineate that it was a Commission action, an action associated with bonds, or the other one that I have on here and I'll get into it a little further down in my questions is later on in the presentation I see that we're unfreezing and doing some other positions that I'm taking as staff recommendations.

So we have resolutions, we have actions beyond our control like bond issues, and then we have staff recommendations. That's three general categories as I'm hearing it.

The next thing associated with that budget is that I'm trying to prioritize in my own mind, not for my fellow Commissioners but in my own mind what are the most important priorities for myself relative to what some of the requests are. So that's just a little advanced information as I go through the questions that I'm going to ask. So when do we think we might be able to have that information as to the – because I think what you said is spot-on. I want to see that detail. I want to see what the courthouse resolution was and the detail in that so we can get it down to one page and then the other items that you referenced.

MS. MARTINEZ: Madam Chair, Commissioner Anaya, I want to make sure I understand. So we can summarize what we know today. The task we have ahead of us is to go through each of the requests that we received. So from our perspective I think we were hoping that we could, before we left today, come up with a date for another study session that would give us the time to analyze the departments and the elected officials' requests and put it in a presentation so that you could see base, new requests, if it's new FTEs, new program, and then have the BCC priorities, and then staff investment, where are we going, and that way we try to balance all of those with what we know we have available to do that.

So, how long will it take us to get it analyzed?

COMMISSIONER ANAYA: Maybe I can help you a little. What I absolutely, Madam Chair and Ms. Martinez, want to avoid is I want to avoid pre-empting decisions on budgetary matters before we have the full scope of the current expenditures and then commitments already made before we go any further. So it's very important to me that we see where we are at a current point – and I'm talking about a clear, one-page snapshot. I think Ms. Miller knows where we're headed, and then delineated so that everybody I mentioned – the staff, the Commission, the public – have a clear and concise picture in a snapshot. Then from there, then as an individual Commissioner it's easier for me to understand what truly are the available resources and then we as a Commission can begin the process of prioritizing.

What's the most important thing to us, second, third, fourth and so on and so forth? So that's kind of where I'm headed. The next thing that you mentioned in your presentation and I only made one comment during the presentation because I wanted to make sure that I listened to the presentation and then captured the questions. But one of the items that is more of a comment than a question is that in the expenditure of capital money in our budget we are well below the expenditure of the budget money we have. We didn't spend all our capital. And I just want to say on the record again that I know staff is aggressively moving forward to spend those resources, to do them internal where we can, and to contract them when we can, but whatever it is that final number is on capital across the board I want us to work as hard as we possibly can to spend it all. So that when we get to the next budget cycle we're as close as we can to spending every dime of the capital money that we budgeted. So that's just a comment.

Something that I'm going to keep going back to that ties to the first question. I'm going to ask it again. I heard at the beginning of the presentation that based on those prior commitments that I'm asking for the detail on that what I heard – and that's why I want you to clarify it on the record – what I heard was that we're at break-even, based on those commitments. So when I heard that I processed we're break-even; we have no money. Okay? And then later in the presentation you start talking about \$1.5 million that goes from \$1.5 to \$2.5 million, and then by the end of the presentation we're at from \$1.5 to \$3 million. So which is it? Are we at break-even, based on the projections that you've had? Or are we \$1.5 to \$3 million over estimated budget so that we actually have \$3 million, \$1.5 to \$3 million available? Which one is it? I just want to make sure I'm clear when I walk out of the room.

MS. MARTINEZ: Okay. Madam Chair, Commissioner Anaya, when we went over the FY 13 estimates as to where we think we're going to fall with the revenue and where we're going to fall with estimates, we're truly at break-even. That's true. That statement is true. We're at \$120 million-\$120 million on our revenue and expenditures. Where my \$1.5 to \$3 million is coming from, when I looked at the revenue FY 13 estimates, we're going to have a positive variance, that is we're going to collect more money that we budgeted. When I compare the expenditures budget to the actuals, I'm going to have a positive variance, so what I'm committing as the $1.5 to $3 million is that's going to be a positive variance that basically falls to cash. That means that we collected more than we budgeted. That means we aren't going to spend everything we budgeted so I have a comfort level of using cash to support recurring expenditures to the tune of $3 million each year and also recognizing that each year as we progress forward there should be corresponding growth in our revenue. So hopefully we get to the point where we're sustainable without the use of that cash. But I have a comfort level to use $3 million in cash every year to sustain recurring expenses. That's the highest I'm willing to place the comfort level.

COMMISSIONER ANAYA: So Madam Chair, this is a really, really important part of the discussion on the budget for everybody listening, for us especially as the Commissioners that have to approve the budget. So budgeting is a game of averages. We all understand that. We're going to take prior years, three years. When you say your comfort level is $1.5 to $3 million – let's take that. Let's use that as the range because that's what you said. You said $1.5, $2.5, then we picked up another half million and we're at $3 million now. When you say your comfort level is such that you would go there, is that – that's not based on – so the initial budget was break-even [inaudible] your terminology. Is that based on the prior year period of time that we've seen revenues and based on that average intake of resource that that's the break-even point? And then based on the additional revenues for GRT and property tax and the other [inaudible] we could reasonably expect that we're going to attain that – continue that additional $.15 to $3 million over the next three years? And not just for me, for the public. Articulate and tell me how you arrived at that $1.5 to $3 million.

MS. MILLER: Madam Chair, Commissioner Anaya, I'd like to comment on this. One of the things that Santa Fe County does that's a little bit different than maybe some other governments is we tend to have conservative revenue estimates and it has put this County in a very good position in order to actually withstand a major drop in revenues without having layoffs, furloughs, major, major cutbacks and having any kind of bond rating issues, credit rating issues. So one of the things when Teresa and Carol and I were talking about the budget I said, you know, from a Commission perspective if you say right off the bat all the revenues are spent, the Commission is going to look at that and say, well, why are we even having this budget study session. Additionally, we tend to budget in a way that I also think is very prudent, having been budget director in many places, one of the worst things you can do in my opinion is to budget and give an agency 100 FTEs and then turn around and budget 90 percent of those salaries and benefits.

So even though there's almost always a vacancy savings, and I'm sure those of you who have worked at the state know that the legislature does this. Says, oh, you have 100 authorized FTEs but we're not going to give you salaries for 100 FTEs at their current salary. We're going to give you 95 percent of that or 90 percent of that, or 80 percent, which causes the agency or the entity to have to force people, force positions open, not necessarily the ones that you decide as a Board by freezing the position, but what a department director ends of having to do just to make budgets.

So for instance the most critical position, the person could leave, and it's a very critical position to you as a Board, but the department can't fill it because they didn't get 100 percent of their salaries funded. And then they sit there not able to fill a position, not to deal with an issue until the next budget cycle comes around and hopefully it gets funded.

So what the County has always done is budget at 100 percent and then where there's vacancy savings, that money does not get to be moved around and spent, which is also a good thing because it's what allows the County to replace it's fixed assets and to put money towards capital and to have one-time money. So what you see when you saw last year's or fiscal year 13's budget, you see one on the revenue side, a little bit of conservative revenue estimating. We don't estimate that we will collect 100 percent of our property taxes, because we don't, and that percentage can vary, so we budgeted something like 93 percent, which is traditionally closer to what we actually collect.

And then also we don't budget a vacancy savings and pull that out of the individual budgets. So if you look on both estimates, you'll see our revenue came in a little bit better and our expenditures came in a little bit lower than budgeted. That gives that variance that Teresa was talking about and gives some wiggle room, but we don't consider that to be a guaranteed recurring difference, because it could be that we don't have a lot of turnover and all those positions stay filled, and it could be that the revenues come in at that conservative estimate. And so that gap closes a lot more.

What Teresa is talking about saying that there is some comfort in that difference is that probably after we take care of the PERA and health changes, and we do those changes, you probably have another million and a half that you could work with. So if that's going to be about a million dollars if we build all that in, and there's probably another million and a half to two million to work with the things that you had indicated through our individual meetings with you were important areas of focus for any additional budget. Some of that will be, as we build the budget, when it's turned into DFA, it will show that that's being funded, not with a recurring revenue source but with a cash balance that we had fall to cash from fiscal year 13.

So that's when Teresa is – she thinks that because we had an excess in 13 or will have, that we'll be able to absorb those recurring expenditures in the next few years in the base expenditures with that cash and with an additional positive variance to the budget as we move forward. So that's where you're seeing that difference. She could have just bumped up the revenue estimate and dropped an expenditure estimate but that would not be based on what they truly believe is the closest number and a conservative number that keeps us in a good position. So it's telling you that it's not 100 percent guaranteed, however, we do have comfort based on history and based on this current fiscal year that that's a number that could be sustained.

CHAIR HOLIAN: Okay, Commissioner Stefanics, on this point.

COMMISSIONER STEFANICS: It's just on this point, but maybe you could wind in some comments for us on if there's this amount of money, you haven't even presented to us any request from the departments. So I want to know how that fits in with what we have to spend and how we're going to make decisions about department requests. So that's all.

CHAIR HOLIAN: Commissioner Anaya, you have the floor.

COMMISSIONER ANAYA: Madam Chair, [inaudible] I appreciate your question and your point because it goes to the core of what I'm after and let me just say to

Ms. Miller's responses, I fully understand having budgeted resources myself and as a manager as well as a Commissioner now that if you have $10 million that you bring in as an entity and you based on [inaudible] budgeting that you only want to spend seven out of that ten, that's a policy question that each of us as Commissioners are going to make a determination on and then say we're just spending seven.

I want to be very, very explicit in this budget cycle in this budget year to tell the unions, to tell the public, to tell the staff and everyone else we've got this much money based on actual receipts in taxes and [inaudible] and we have this much carryover left over. I want to be very explicit as to what that is, regardless of what conditions there are on use or percentage of reserve. I want to say this is what it is. That's it. And this is the decisions that we're making as a Commission. Because what I hear time and time again as I go out in the communities or as I have discussions with union individuals is well, wait a minute, you said you had this much and based on cash receipts and carryovers and vacancy savings, you actually have more.

Somebody could argue that there's always a positive fluctuation. You can't sit there with any 100 percent certainty as the Finance Director or the Manager at the beginning of the budget cycle and say, Commissioner Anaya, the Commission, [inaudible]. I know that. But I think the more explicit that you are as to what those uses are when we get to that bridge, then the Commission can step forward and say, oh, we decided to spend seven dollars out of that ten [inaudible] So that's where I'm at. That's a little comment.

MS. MILLER: And Madam Chair, Commissioner, I think that that is what we're trying to tell you. We are saying there is a difference that will drop to fund balance, and mind you, that's not all general fund. When we give you that variance of $11 million total across the County it's every fund combined, including potentially debt service funds all that. So it's not necessarily available to be used for salaries and benefits and things like that. But what we're trying to say is we recognize that we cannot just spend as much as we budget, and we tend not to spend – and we tend to collect a little more than we estimate on revenue. But that's not always the case. In 2008/2009 it was the opposite. We actually collected less than was estimated and then the County had to cut all the expenditure side and hold that spending in order to not go into debt. And they used cash during that time.

So what we're trying to say is this is based on today's revenues through February, through March, February and March, this is where we think we'll end up the year. It's where we think we'll end up the year, and based on that, it's also where we think our starting point is for next year. And to kind of weave into what Commissioner Stefanics was saying, we wanted to start this discussion with you because we also are in negotiations with all of the unions, and we actually have to move forward with those and they don't fit our budget cycle. So we wanted some guidance on the employees' side of things and we know we don't have everything else yet, but that's the way all these union agreements are; they all have economic re-openers in the beginning of this year. So this is very hard to actually do the union negotiations as part of the budget process. Usually those portions of the agreement are negotiated and we build them into your budget scenario, and then we go on with what's left.

So that's why this is kind of coming before all the department requests, because on three of the bargaining units they're expecting us to negotiate in good faith with some responses in the next two weeks. So that's a little bit why this session is with you right now with the information we have right now and before we have all of the different department requests, and why we're trying to give you some parameters.

The departments will request and request and request. They're going to ask for all kinds of things, but we're trying to give you – well, here's all we have to work with in total and what we have been hearing is you want us to focus a lot on employee compensation and benefits, so we thought we'd let you know what's being asked for in that regard and then know – I'm sure you'd like to leave some on the table to leave with road maintenance issues, economic development issues and facility maintenance issues, as kind of three of the big ones that we've heard. So that was the purpose of having this now, to get this dialogue started, because it's almost impossible for us to do it in one session, and we at least wanted to start to give you a sense of where the revenues are, where we think we'll end the year, and what kind of compensation packages have been requested.

COMMISSIONER CHAVEZ: Madam Chair.

CHAIR HOLIAN: On that point, Commissioner Chavez.

COMMISSIONER CHAVEZ: Commissioner Anaya, I like the scenario that you're laying out and it sets those parameters. And even, once we've set those parameters, we know that we still have to set aside a certain dollar amount in surplus and then we're required by state statute to freeze 25 percent of that. So I think that needs to be part of your summary, if you will. This is the state of our financial – this is the strength of our financial organization, right? These are our strong points. Because we have some strong points and then we have some weak points, and that's the gap. Right? And so I would just like to add that to your summary.

COMMISSIONER ANAYA: Madam Chair, Commissioner Chavez, I would absolutely agree that that does need to be part of the summary. One thing – and I still have several other things. We still have time, but one thing that I wanted to add to what Commissioner Chavez and Commissioner Stefanics have already said is that I want to make sure that in prior years, and let's talk about cash for a minute. In prior years the Board of County Commissioners has obligated and expended at varying levels of cash available. We have our regular recurring budget and then the Commission has made policy decisions to spend either more or less of what that available cash is. I want to make sure that as we go through this budget process that we take a snapshot of what prior Commissions have done relative to the expenditure of cash, and that we have that comprehensive policy discussion as to how much should we spend going forward.

There's going to be differing perspectives on this Commission as to what that is or should be, but I consider myself the junior member on the Commission relative to the expertise sitting around the Commission table. And it's a question we need to first put forward. These are the total dollars that we have either straight up recurring revenue plus cash, and this is the historical representation of what the Commission has done. Now, Commissioners, based on our historical use and based on staff recommendations, I want that question to be asked of this Commission so we can have a vetted discussion in a public forum as to what should that number be and why.

And I'll forecast a few comments. I don't have any hard-set perspective on what that exact amount should be but yes, I do think we need to be prudent, and I think we need to be responsible, but I also think in this time, in the current climate that we're in, as much resource as we possibly can infuse into the economy. And it doesn't necessarily –when I say that it doesn't necessarily mean all recurring. Okay? But the most money that we can infuse now I think is going to continue to have a direct economic benefit going forward.

And that doesn't necessarily just mean recurring. That could mean us obligating even more cash resource to cover other capital needs that we all have or want to put money into the community. So that's just a few forecasted comments. And it doesn't represent the scope or a final determination of where I'm at as an individual Commissioner, but I think it's our obligation as Commissioners to have that dialogue and discussion.

So to go back and summarize that one point, a historical representation of what the County's done, what's the available cash we have, and then what are some of the recommendations from staff. Those three things if we have in hand I think we can have a good dialogue as Commissioners with staff and with the community, frankly, to come up with what the representation is of the number. Because, Madam Chair, Ms. Martinez, if we're sitting in the meeting here, and just a comment, and you represent to us that we have a range of $1.5 million to $2.5 million, and then within the context of an hour's discussion it gets elevated to $3 million, I think that sends kind of a tough message to the public as to – I know it's a range and we can't sew it all down, but I think it does send a little bit of a confusing message as to what's available. So I think we need to be real clear on those differences and I think the Manager, you all have presented the packets but in your summary when you were articulating the differences between the two, those things are where in the summary as we're trying to wrap it up in two or three pages that we're brutally clear as to where it is and why, and then that there's that debate of how much is it? How much should we use or should we not use? That's the policy discussion we'll have as Commissioners.

So moving along. PERA is something that we have to have the discussion on, but it's absolutely not factored into the existing numbers you brought. Correct? And that would directly impact the $3 million if that's the number.

MS. MARTINEZ: That's correct.

COMMISSIONER ANAYA: Correct. And right now, the number I have as a conservative – is that a conservative or would you call it a liberal estimate? The number that I have in front of me as a liberal estimate is $502,000. Is that a liberal or conservative estimate?

MS. MARTINEZ: I would say that's conservative.

COMMISSIONER ANAYA: Okay. So we're good with about half a million. So off the cuff, on PERA alone that's about a half million dollar cut. And I would lay it out – I guess for me, and I don't know. Maybe this is something that in general terms we can have a discussion as Commissioners. What are our priorities? Right. Is it health? Is it PERA and compensation and is it program? What's our click-down list that we're going to work off of so that when we have the discussion we work through it in a logical manner?

COMMISSIONER STEFANICS: On this point.

CHAIR HOLIAN: Commissioner Stefanics.

COMMISSIONER STEFANICS: I think we should distinguish though. The PERA is not a choice.

MS. MARTINEZ: Correct.

COMMISSIONER STEFANICS: That's a requirement. It's the health that's the choice. The legislature put this on the employer's back, so that's a requirement.

MS. MARTINEZ: Madam Chair, Commissioner Stefanics, it's a 15 percent increase that's been communicated by the state. That's not a choice. That's something we have to face as well. They have told us that from July 1st to December 2013

COMMISSIONER STEFANICS: The half a million that the Commissioner is talking about is already taken from the $1.5 to $3 million.

MS. MARTINEZ: That was the point I was trying to make. I have a comfort level with $3 million, and right off the bat, you're losing a million to state mandates or potential requirements. So you have – that's what she was trying to say, so you have a million and a half to two to work with.

COMMISSIONER ANAYA: So Madam Chair and – that's why I'm going to take up the whole brunt of this time because I know that there's still – well, there's obvious confusion on my part and my colleagues maybe not so and that gets to what I said earlier about maybe being the junior member, but what I would say is we have to be very clear and we have to have that discussion about cash and what are the percentages and what is the palate of the Commission to utilize. Maybe it's three, maybe it's more, maybe it's less than $3 million. Right? It could be less than three that we open up and end up determining as Commission. But it could be more than three.

CHAIR HOLIAN: Commissioner Anaya, Commissioner Mayfield had a point about the PERA.

COMMISSIONER MAYFIELD: Madam Chair, thank you. Ms. Martinez, the half-million dollars for PERA also though, that's on our current salaries. That's nothing anticipating what this Commission might do on anticipated raises, right?

MS. MARTINEZ: Madam Chair, Commissioner, that's correct. It's based on what we know today.

COMMISSIONER MAYFIELD: So if we give raises that money may go up –

MS. MARTINEZ: A little bit more.

COMMISSIONER MAYFIELD: A few thousand. I little bit.

MS. MARTINEZ: Yes.

COMMISSIONER MAYFIELD: Okay.

MS. MILLER: So, Madam Chair, Commissioner Anaya, to be clear, when Teresa – when you recall when she first started the conversation she was talking about flexible amounts that she felt comfortable was $1.5 to $2 million. When she said the $3 million we were talking about after she had given all the things that are coming down from the legislature. If you take those off, if you take off the PERA, you take off the health benefits, you're probably down closer to the two, what we would call a comfort level for a discussion, discretionary decisions on the Commission's level of where do you want that to go? Do you want that to go into employee benefits? Do you want that to go into programs? Do you want that to go into new FTEs for recurring expenditures? There will still be things that will come back that will say – and of that cash level and this is where I think you're getting.

Let's say there's seven million dollars of cash that you could say, all right, after reserves, after this, after that, contingencies and everything, there's still a seven million dollar – and I'm just pulling this number out of the hat because we haven't gotten that far yet in the budget process. And you took three of it that's going to go towards these recurring things. There's still four. Do you want us to spend it or hang on to it for the next year's recurring things that have been built in and keep it for flexibility.

It's not a – any governing body could just pick a number and spend down to that level. The problem with that is that then you have no wiggle room if revenues don't materialize, if expenditures are as high, if you have some kind of issue come forward that you were not anticipating. So you're correct; it's a policy decision, and I would contend that a lot of the local governments, City of Santa Fe included, go to the skin of their teeth with that stuff. Santa Fe County, Board of County Commissioners, have not traditionally gone to the very edge of their reserve requirements. So that there is the flexibility to cover those expenditures. It's a policy choice. It's a huge policy choice and it would be a major policy shift for Santa Fe County to go in that direction.

So I think you could get to that, but it's not an exact science either. It isn't an exact science, having an extra five percent of reserves over the statutory requirements. If four any good or six any good? The state's policy had been five percent. It caused them all kinds of problems so under Governor Richardson it went up to ten percent. But it's a policy. It's not that their reserves of their general fund were that – it truly would be you could give a range. The Commission might want to set a range of – above the statutory requirement. Would there be in this economic time a range you would feel more comfortable with?

Because I think that that's what kind of where you're headed with your discussion because then that gives a dollar amount to say, okay, then spend that and spend it where you can. I'd also say that we have a little difficulty when you don't have more staff, which is a recurring thing, it is much harder to get those one-time things spent. So that's what you see in our capital funding issue, why we had so much left. You just don't have enough staff to run all those projects, yet you cannot use those one-time funding sources, capital outlay, to pay for staff. So that's where we run into that problem of having a resource for capital and not having a recurring resource to have the staffing for it.

So I just put those out because I think you're getting to a policy question of how much of your excess reserves do you want to spend and what do you want to spend them on? Do you want to spend them on recurring or do you want to spend them on non-recurring.

COMMISSIONER ANAYA: Madam Chair, Ms. Miller, I just gave a few thoughts as to some of the discussion that might occur, but I think what's very important is that annually, we very clearly articulate that cash amount and what it is. We very carefully and clearly articulate how much we're going to spend, and we provide as a Commission the reasoning and the background between why we are making that determination as a policy making board. So if it's stayed the same, it's stayed the same, but we articulate the number and the methodology and the reason why we made that determination and we have that as a dialogue and a discussion as a Commission. I think it's important. I think it's important to us and I think it's important to the public that we serve.

The next question goes to reserves. I think it's important for us to take a historical representation of what the state reserve requirement is, and how we've exceeded that state reserve requirement in prior years and what recommendations staff has going forward. I think it's going to be a good representation to look at that to see how the Commission's been prudent and what we've done and why we've done it. So that's just a comment.

So commitments – we've already talked about that. You guys are going to delineate what those state commitments are, and courthouse commitments and bonding commitments and do so in probably in a time sequence, right? When did they occur and who was responsible for those actions, I think would be helpful.

A question. Can we increase employee compensation for health, employee contributions for health for higher paid employees? Could we do that as a policy making board? For somebody making over $70,000, could we say that your health compensation is going to be higher?

MS. MILLER: Madam Chair, Commissioners, yes. That's a discretionary amount. If the County wanted to pay 100 percent of healthcare for all employees, they could do that. Obviously it costs, but you could do that. We've done it trying to mirror a little more what the state has done and what some other local governments have done. They're starting to do tiers, that the lower paid employees get a higher percentage paid, and we started that last year with going from 63 percent to 70 percent for those $30,000 and under. But why we gave you some different scenarios, we said we could do a couple of different tiers, and we just didn't have – we hadn't heard any interest from the Commission to increase the percentage for higher paid employees, so we didn't give an example of that except for the one we did at $50,000 and below at one level and $50,000 and above. But you could break that to different levels and different percentages.

COMMISSIONER ANAYA: I think it's something we should look at. I'm not saying that I'm going to advocate for it but I think it's something we should have as an option for consideration.

Next item is a comment. I haven't met with staff individually. You and I, Ms. Miller, have had some discussions relative to my priorities. One of the things that I wanted to make sure that I understood was what's the real available resource that we have and then ultimately, is there really going to be any resource left over. That's still where my head is.

One thing that I did articulate that I want to say on the record is that road improvement, as far as capital, is something that we've really ratcheted up. Maintenance personnel for roads is one of the items in there and I absolutely support that item that's in the budget, and here's something that I want to propose to my fellow Commissioners. What seems to happen on the Commission is that we go through an annual budget process and now we've been moving and progressing towards more of a multi-year budget process and projections. And I think we need to give some more thought to that. Because what seems to happen every single time is certain departments and entities always seem to rise to the top of the priority list, and other departments over time never make it to the top of the priority list. So there has to be some way for us to figure out how can we assure that there's going to be some equal fairness at some point for some of those departments to get consideration, and the only way I could think to do that is that if we set some policy up that actually sets in motion a process by which there will be some departments that maybe never ever seem to rise the priority level to get there.

And I don't know what the answer is to that. I think maybe it is multi-year priorities and some multi-year commitments. Ms. Miller, do you have some comments on that? Because something always seems to get in front.

COMMISSIONER STEFANICS: On that point, Madam Chair.

CHAIR HOLIAN: Commissioner Stefanics.

COMMISSIONER STEFANICS: There are, in my review, there are some departments that are enterprise funds, and that should keep those from growing from the general fund. But throw that into your comments as well.

MS. MILLER: Madam Chair, Commissioner Anaya, Commissioner Stefanics, I think that it's true that some just tend to get – although it's not important – the ones that tend to get the most focus are those that are either public safety or out there dealing with the public. So Public Works and Public Safety tend to get the focus of additional FTE or more stuff because that's what we get the most comments about. It's also what constituents have said in our citizen surveys that we have done, say, these are important issues for us.

So I can say since I've been here that that's been part of the area of focus because those are the things that we heard back. That said, though, we did go back through and have tried to hit I think every department at some level with when we do having funding, what's your top request? What's your area of focus? A few of the smaller ones do tend to get probably pushed aside but I think they do come around at some point. I'm going to give you an example. Some of the elected officials would say, well, we haven't gotten staffing for a long time and the Sheriff's Department had not. We actually went back and historically looked and they had not received – they had a lot of grants so they got positions but then those went away. So I'd say over the previous ten years they got maybe five deputies, and then they got five deputies last year.

Now, the courthouse is another story and it's an anomaly, but if you were to look, they had not really gotten as much as say, the Assessor got. The Assessor got five appraisers one year. Public Works got a focus. They haven't gotten a new maintenance crew but they have gotten additional employees in different areas. And then last year, because there was a request about open space we put some focus on open space. So it really has depended – I think it's cyclical, that each department does kind of come up as we expend capital dollars, it starts to force the need for the FTEs in those areas. So as we build the new senior center we're going to end up with ending up needing staffing for that.

So unfortunately, what seems to happen more than anything is we build a facility and it starts to push what staffing we need, as opposed to deciding an opposite way. Hey, this is a program we want to expand, let's put the recurring staff in place to deal with it and then start expanding the actual facilities or open space. We got bond money for open space and bought a whole bunch of open space without any staff for open space. We didn't build in staffing for open space and then buy more property.

So I agree with you that it does seem some get left behind but I would also contend that a lot of how our staffing and focus gets put into the budget is maybe as a consequence of what we decide on the capital item, that once it gets built and put in place we have to staff it.

And so that's probably what happens but I think overall – and Teresa could probably comment – whether we have evened it out over time, I think we do, but I do think thinking multi-year will help us know what comes up in each – what we anticipate. By doing the FIRs we'll actually know – hey, well, we should be bringing on a few staff in that department. Teresa, if you wanted to add.

MS. MARTINEZ: Madam Chair, Commissioners and Katherine, everything you said is very correct and it's true, and I do believe that over time you try to take care of everyone, because it's true. Sometimes the small ones get forgotten. But as the public comments come in or as the Commissioners' agendas change, then we try to focus on that. So I do think it's very cyclical. But I want to point out to you that we as a County have moved in the direction of performance-based budgeting, and if you move in that direction, those who perform are rewarded and those that aren't get less money. So I don't want us to get lost in the – what are we trying to fund and is it in line with performance base, and then we really confuse the staff. So that's my only point on that.

COMMISSIONER ANAYA: Madam Chair, Ms. Miller, Ms. Martinez, I appreciate the feedback. You, Ms. Miller, as well as Commissioner Stefanics both served at a higher capacity than I did with Governor Richardson, but one of the things I did appreciate about his budgeting philosophy was that there was going to be a distribution of resources and there was going to be an opportunity for everyone to get to the front of the line. And I guess that's the best way I could say it. I absolutely want to be a policy maker whether I am successful at being able to garner a majority of the Commission to do so, I would hope we can. But I think it's very important that – and I want to be cautious. Ms. Martinez, you made a comment about performance-based budgeting. The product of what we do at the County is based on what the Commission sees as needs in Santa Fe County. If there's deficiency in production in one area or the other, then I think that's where we look to the Manager and staff to help augment and offset that deficiency. Because we've already established it's a priority.

So I think that's a little bit different than what you said relative to performance base. I don't want to pick on you but I think if somebody's deficient we need to help them become more efficient, or we as a Commission need to make a determination that that might not be a core service that we should be providing.

CHAIR HOLIAN: Carole, do you have a comment?

MS. JARAMILLO: If I may, Madam Chair, Commissioner Anaya, I think the point that Ms. Martinez was trying to make is that along with the priorities that you all have established as a Commission we have to look at that in conjunction with the performance of those priorities and that impacts the way the funding – or is intended to impact the way the funding is directed. If someone, some department is a high priority but is not performing we wouldn't cut their budget necessarily. We would augment it to get them to a performing level or do some other measure. So it's a combination of both of those things that we would be looking at for the performance-based. But we need to stay consistent with the whole philosophy of performance-based because that was a Commission directive since 2010.

COMMISSIONER ANAYA: Well, I appreciate, Madam Chair, Carole, I appreciate your follow-up and I just want to be clear that all the things that we fund as a Commission we fund because we believe them to be priorities. And so if they need an enhancement in performance, whether that be more staff or just enhanced oversight or a change in personnel, to be quite frank, then that's something that we work to. So I would agree. It's a complement of all those things working together.

A few more, Madam Chair. There were some comments made earlier in the presentation. I don't remember which staff made them but they spoke to costs associated with employees and what those costs are. And I just want to say that resources beyond salary that go to our employees – healthcare, retirement, education, parking, holidays – these are costs but they're investments. They're investments that should be articulated and the employees should understand. I think that's a good practice to present what the pay is and what those other investments are. But they're absolutely investments in what you were talking about, Carole, in the desire for higher performance and all those other functions you mentioned in performance-based budgeting, all trickle back from what you invest within those employees and what we offer those employees.

Two more things. Provide detail for unfreeze, new and temps. Are those staff recommendations? I don't know, I think it was one of the latter slides that talked about unfrozen positions. Are those what you're recommending prior to departments? What is that?

MS. MARTINEZ: Madam Chair, Commissioner Anaya, that was our quick glance on Friday's submissions to say this is what we can see coming from staff, before we've even analyzed it. That's what they're recommending or requesting before the Board.

COMMISSIONER ANAYA: Based on just discussions you've had.

MS. MILLER: And Madam Chair, Commissioner Anaya, that's just as Teresa said, the departments just turned in their budgets on Friday, their budget requests. We have not gone through those or met with them to have them justify them. It's just what they've requested and I think a lot of them just automatically said, hey, if I had a position frozen, I want it back. We're not necessarily advocating for that nor would we necessarily recommend that on a blanket basis. So I think that was just to not – to try to give you guys some ideas as what they saw in general should be asked for.

COMMISSIONER CHAVEZ: On that next point, Madam Chair.

CHAIR HOLIAN: Commissioner Chavez.

COMMISSIONER CHAVEZ: Madam Chair, Commissioner Anaya, then on the 21 positions that are proposing to be unfrozen, could there be a correlation made between those positions and Commission priorities? And you're junior; I'm freshman. I'm just coming into this process and so I think I hear from you, Commissioner Anaya, some sense of needs assessment, priorities, right? And I can only imagine that these departments would be bringing these forward based on direction that they've gotten from the County Commission and based on some sense of needs and priorities. So I'm hoping that that's the case but I'm thinking you could probably make that correlation, based on the discussions that you've had with staff.

MS. MARTINEZ: Madam Chair, Commissioners, I think we can, but I want to be very clear that the 21 you're referring to were unfrozen this fiscal year and it was part of the early budget discussion. If you recall, we had a very phased approach from some of the Corrections and some of the others. So those were already approved by the Board. What you saw as summary is what we just were quickly able to gather and say this is what the departments and elected officials have asked for but we could attempt to correlate them to the priorities.

COMMISSIONER CHAVEZ: Because I think in either case we would want to correlate them to send either performance-based or needs or priorities, right?

MS. MARTINEZ: Yes, sir. We can do that.

MS. MILLER: And Madam Chair, Commissioners, it was on the last page and it was just that they did ask us – I think what they said is they just kind of tallied what they found on Friday. Unfreeze 11 FTEs, authorize 21.5 new FTEs, PRNs, temps. We wouldn't necessarily say – but sometimes some of the department heads and I'll be honest, they get their own ideas of, hey, we think this would be a great idea or whatever. It might not all be what you as Commissioners want and we haven't even gotten through that. Because sometimes they come up with ideas, like, oh, this would be a good thing to do. And it's not. Because they might not even be focusing on what you've already said you want to see done.

I'll end up going with the Finance staff and going through a lot of that and asking the directors and elected officials or whoever it is, what's your basis for this and where are you trying to go with it? And in addition, how does that fit in with any kind of citizen priority or Commission priority that you've heard? Some of them may, some of them may not.

So these have so not been looked at. It was just to give you a sense of what we saw coming in in the paperwork.

COMMISSIONER ANAYA: Excellent. Before I bring up my last item I want to make a comment. Staff, you guys sit back and you have a lot of work that you're dealing with on a regular basis. I've been in your shoes. I fully understand the detail and the work you try and pull together and get ready for these presentations. Please understand that everything that I've asked here does not reflect in any way, in any negative way on the work and energy that you've infused to bring this to us. But there is, I have to tell you, having been in your shoes, there is a different perspective that comes when you're sitting from the perspective of representing the citizens on a regular basis and getting the calls on a regular basis from the citizens. It's different. It's a lot different than a lot of the work that you're doing.

So I ask the questions to you and the clarifications and the modifications not to begrudge any work that you've done or spin it in any negative way, but to bring up items in a different light or a different perspective to hopefully simplify some of the detail that you deal with on a regular basis, and then easily and clearly help to convey it. I know you do that. I know you work to do that. I used to try and do the same thing. But time and time again there was always, well, can't you simplify it more, Mr. Anaya? Can't you do this? So I just want to say that. Okay? It's not personal. It doesn't have anything to do with your work ethic and how hard you all work, yourself included, Ms. Miller.

My last item is a very sensitive item to me. RECC has been an item that since the day I set foot in this Commission, it's been one of those items that we talk about, but that we always go, as a Commission even, we always as a majority – let me say this. As a majority, we always put it to the side. And we say, well, we're in negotiations with this or that or something else. I want to an NCRTD meeting a couple weeks ago and at that NCRTD meeting that I articulated at the last Commission meeting, the City of Santa Fe went into that meeting and full well knew exactly what they were doing and they took care of their individual budget that they needed to fund every penny of transit. That's exactly what they always have done. And I've sat back in the weeks after this meeting and I've said, well, here we are, the Board of County Commissioners, policy making board, to sustain our operations and to fully fund our needs and our priorities as best we can, why aren't we doing the same thing to cover and make sure the coverage of the costs are accommodated for? And for RECC, we flat out have not done it.

And you know, we've had discussions and negotiations. This doesn't begrudge any of your work, Ms. Miller, or staff's work, but flat out, we sat back every single time and said, well, that's a discussion for tomorrow. Well, I'm just here to tell you that if I'm – that as I continue, not if, as I continue on this Board, and not in distaste or malice in any way, but in the interests of Santa Fe County and the Santa Fe County constituents, we need to get some more resources to help cover the cost of RECC, period. And we can't hold hostage the fact that we're paying for every dime of that RECC. We can't hold it hostage to every other discussion that goes on.

And so I'm going to say it at this meeting, and I'm going to say it at every opportunity I have, because we've done that. We've put it aside, and we've had the discussion and we've put it aside. We say, oh, well. Let's include it in the negotiations. Now, here we are again, stuck in the quagmire of annexation that's the perpetual annexation, that we're not even the ones under the directive of a court of law. It's not even us. It was a court determination that said you're responsible to do X, but yet we're still playing the role of the continual and perpetual mediator. And so, Madam Chair, please, I respectfully ask us a Commission, I ask us as s staff and as a Commission, let's put this on the front of the burner as we go through these discussions in the coming weeks to make sure that nothing special, but that there's an equitable distribution and share of resources for the RECC.

COMMISSIONER STEFANICS: On this point.

CHAIR HOLIAN: Okay. And Katherine has a comment too, so go ahead, Commissioner Stefanics.

COMMISSIONER STEFANICS: On this point, Commissioner Anaya, I'm wanting to know, my position in the past had been that we should be renegotiating the agreement with the City, which will create some difficulty. But we have played hardball in the past with Espanola, with the RECC. We haven't played hardball with the City. So I'm asking what your intentions are here. Are you suggesting we need to reopen that? Or are you just suggesting that we take on the full funding of the RECC and do it justice?

COMMISSIONER ANAYA: I think we absolutely have to treat every entity in a fair and equitable manner and it's been disproportionate as to what we've done with the City of Santa Fe. We fund the entire corpus of the RECC. So I think we need to step up and deal with that issue and get appropriate resources from the City of Santa Fe to cover their proportion of the RECC.

CHAIR HOLIAN: Katherine, did you want to make a comment first and then I'll turn it over?

MS. MILLER: Madam Chair, Commissioners, this basically – I don't disagree with your position, Commissioner Anaya. The problem is we have an agreement and a former Board of County Commissioners agreed to pay 100 percent of it. And we have a JPA that says we'll pay 100 percent of it in perpetuity. I wish that agreement had not been signed by the County. If it said, okay, that sunsets in five years, but we would need to break that agreement. If that's what the Commission wants to do then I need to move forward and try to break that agreement, but right now we have a signed, executed JPA that says Santa Fe County will pay for the entire RECC. To get into the heads of who agreed to that at the particular time that it was agreed to, and there was not an out other than to actually terminate the JPA, staff doesn't have any action but to continue to budget in a way that we cover that full cost.

So I would agree that it's at a policy level that if the Board wants to change it then they need to go say to the City, you know, we're tired of paying for your operations, because we are paying for the City's operations. And that is – the City made a decision to break the settlement agreements, I suppose and to not to live up to them. I suppose that the County could do that. But that's the problem where we're at. I have no way from a staff perspective to change that because we have a signed, executed, signed JPA by DFA that that's what we'll do.

So that's an area – when we broke our agreement with them on the capital outlay GRT but I think it was the right thing to do for the County, because it was all being expended on kind of joint City-County projects and not County issues. So I just say that because I think it requires us to move to a different level of breaking that JPA or making a change to it in some way that we – because I can't get anywhere at the RECC on the board. We get nowhere. Every time we hit a budget discussion, well, that's what the agreement says. End of discussion.

CHAIR HOLIAN: Okay, Commissioner Chavez, and then –

MS. MILLER: And there is a wedding in here at noon.

CHAIR HOLIAN: Okay. All right.

COMMISSIONER CHAVEZ: And there's some history with that RECC because at that time the City and the County were spending about a million dollars providing emergency medical service and I think fire service. So I think there was a trade there where the County picked up more of that coverage. Or was it the City that picked up more of that coverage and the County agreed to pay more of the RECC cost.

MS. MILLER: Madam Chair, Commissioners, it was based on call percentage, the original JPA was based on call volume, and that the City and County jointly created the RECC and funded the operations based on call volume. So 67 percent were city calls, 33 percent were county calls, and that's how the operational costs were split, and then 50-50 on capital outlay. When the County moved forward to put the EMS fire tax in place, the City said we will fight you if you put that in place because it goes across the incorporated area, unless you pay for the entire RECC operations. The County at that time didn't want to get into that fight with the City. They agreed to do it. They changed the JPA and took over all the costs. That was five years ago, something like that. That's how this County ended up with it.

COMMISSIONER CHAVEZ: But it still goes back to services that are needed in the presumptive city limits and who would be better providing those services. And so we're caught up in this. Still caught up I think – it's under that shadow of should we annex or not? And so I think at some level we need to revisit that and do what's fair for both local governments with the RECC and all of the services that we're expected to provide.

CHAIR HOLIAN: Okay. Thank you, Commissioner Chavez. This is something that merits a lot more discussion of its own in the future. So Commissioner Mayfield, you had a couple quick comments?

COMMISSIONER MAYFIELD: Just really quick. I don't know if they've been broached. Reclassification of employees, I know this has been discussed a few multiple times. We talked about a lot of budget proposals as far as our employees. I know we've had big discussion of what we're going to do for employees. I think it merits discussing this a little further as far as the plans – I know Bernadette and I, we had a little sidebar about it – where we are, it doesn't have to be today. But let's look at the reclassification. Maybe this can kind of dovetail on what we're doing with the dollar percentages for our employees and maybe this could take care of some of those increases of employees that receive the reclasses. I think that proposal was looked at.

Last thing, I would like to hear from all of our other elected officials in County government, hearing what their requests are. I don't know if we're going to have that. If they don't want to do it, that's fine, but I still would like to extend that courtesy to our other elected officers of the County to come and present to us.

And then I just want to thank you for all your work, ladies, Manager Miller. I know you guys put a lot of effort into this and time, so thank you so much for your work. Thank you.

CHAIR HOLIAN: Okay. So I actually have one comment to make. I guess I get about one minute, and that is as far as the COLA increases, it's my philosophy that we should do a straight COLA increase. I think it's really important to send the message to all of our employees that they are valued. So that's what my particular philosophy is as far as that. I'm fine with doing tiered contributions for healthcare, but as far as COLA, I really feel that everybody should get the same in the County.

I also want to say thank you to Teresa and Carole and Katherine and Bernadette for all the work that you did to put this together and I know that we're going to have – this is just the beginning of the discussion. And so speaking of that, how would April 23rd be for the next meeting? Does anybody have any comments on that? Which is three weeks from today.

MS. MARTINEZ: Madam Chair, Commissioners, we are conducting the individual hearings with the departments and offices April 15th through April 22nd.

CHAIR HOLIAN: Okay.

MS. MARTINEZ: It might be a little hard for us to have it all in a presentation for you.

COMMISSIONER STEFANICS: We might need that, Madam Chair, in terms of our schedules.

MS. MARTINEZ: So just bring it to you all, whatever we have at the time?

CHAIR HOLIAN: April 30th is a Commission meeting. It's a 9:00 starting meeting, so we really couldn't, I think, work this in. Katherine, do you think that's possible, as far as the April 30th meeting, just essentially make it all about the budget, as far as the regular meeting?

MS. MILLER: Madam Chair, that would be difficult because we've really tried to get staff not to put anything on the second Tuesday because your public hearings have been getting more and more, and so I said you need to put that stuff at the end of the month. That would be tough, but I'll try to get a sense of that and we could potentially – I don't know if you would want to do the previous Friday morning.

CHAIR HOLIAN: Or the 25th, Thursday. I don't know if there are any important meetings that day, so the 25th might be another possibility.

MS. MILLER: Because I think we need to have a couple more of these where we can do the department requests and elected officials' request and then give you kind of the overall stuff before an interim approval. And we also have, as I said, the union negotiations that we're still trying to make sure we're not way off base on those.

CHAIR HOLIAN: Okay. Thank you. So we don't have quite a date yet but somewhere between the 23rd and 25th.

MS. MILLER: Okay. I'll have Ambra send out calendar requests to see if we can get a date.

VII. Adjournment

Having completed the agenda and with no further business to come before this body, Chair Holian declared this meeting adjourned at 12:00 noon.

Approved by:

Board of County Commissioners
Kathy Holian, Chair

ATTEST TO:

GERALDINE SALAZAR
SANTA FE COUNTY CLERK

5/15/13

Respectfully submitted:

Karen Farrell, Wordswork
453 Cerrillos Road
Santa Fe, NM 87501

Santa Fe County
Board of County Commissioners
FY 2014 Budget Preparation

Budget Study Session

April 2, 2013

FY 2014 Budget Calendar

FISCAL YEAR 2014 BUDGET PREPARATION CALENDAR

SUN	MON	TUES	WED	THUR	FRI	SAT
Feb 17	18	19	20		22	23
24	25	26	27	28	Mar 1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21		23
24	25	26	27	28		30
31 EASTER	Apr 1	Budget Study Session	3	4	5	6
7	8	9	10	11	12	13
14						20
21						27
28	29	30	May 1	2	3	4
5	6	7	8	9	10	11
12	13	14	15 PACKET MATERIAL DUE	16	17	18
19	20	21	22	23	24	25
26	27 MEMORIAL DAY	28 BCC APPROVE INTERIM BUDGET	29	30		June 1
2	3	4	5	6	7	8
9	10	11	12 PACKET MATERIAL DUE	13	14	15
16	17	18	19	20	21	22
23	24 BCC APPROVE FINAL BUDGET	25	26	27	28	29
30	July 1	2	3	4 INDEPENDENCE DAY	5	6

COLOR KEY:	BCC Meetings		WEEKEND	BCC PACKET DUE

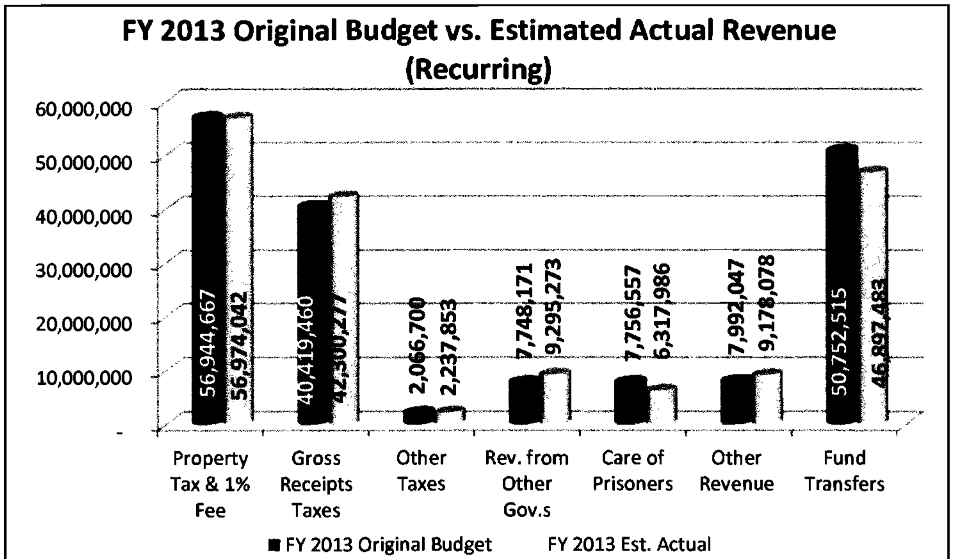
NOTE: BCC study sessions have not yet been scheduled but will be held in the months of May and June.

- Statutorily an interim budget must be submitted to the Department of Finance and Administration (DFA) by June 1st. Therefore we will be requesting approval of the ***FY 2014 Interim Budget*** on May 28th.
- In order to begin processing financial transactions beginning July 1st, the final budget is "rolled" into the financial system and is submitted to DFA per statute for their approval. We will be requesting approval of the ***FY 2014 Final Budget*** on June 25th.

Phase II – Performance Budgeting

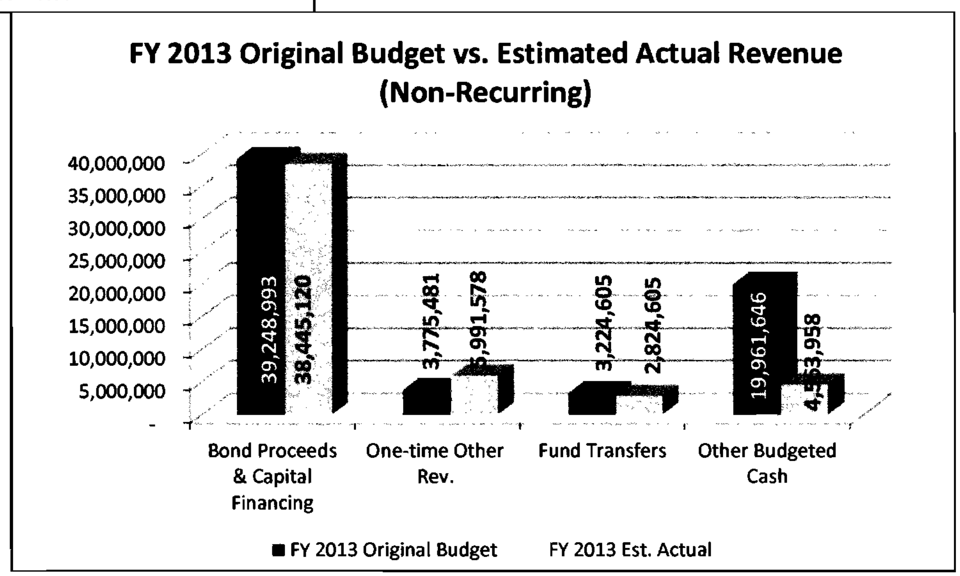
- The Board of County Commissioners passed Resolution 2011-24 which requires County departments transition to a results accountable performance based budget. This transition was optional for Elected Offices.
- The County Manager, Finance staff and other members of management attended training(s) on this methodology of budgeting and management.
- The FY 2013 budget was developed based on a "results-accountable" (performance budgeting) methodology as the first phase of transition. All Departments, the County Manager's Office and one Elected Office (the Sheriff's Office) submitted budget requests based on functional outcomes.
- Tracking and quarterly reporting of performance has been used to maintain results accountability throughout FY 2013.
- The FY 2014 budget will mark the second phase of the transition to performance budgeting.
- The second phase of the transition entails the consolidation of functions between divisions within each department. This interdivisional collaboration will foster the development of efficiencies and streamlining processes to provide better services.
- Finance will meet with each Department and Elected Office to review functions and financial needs the weeks of April 15th and 22nd.

FY 2013 Revenue Estimate

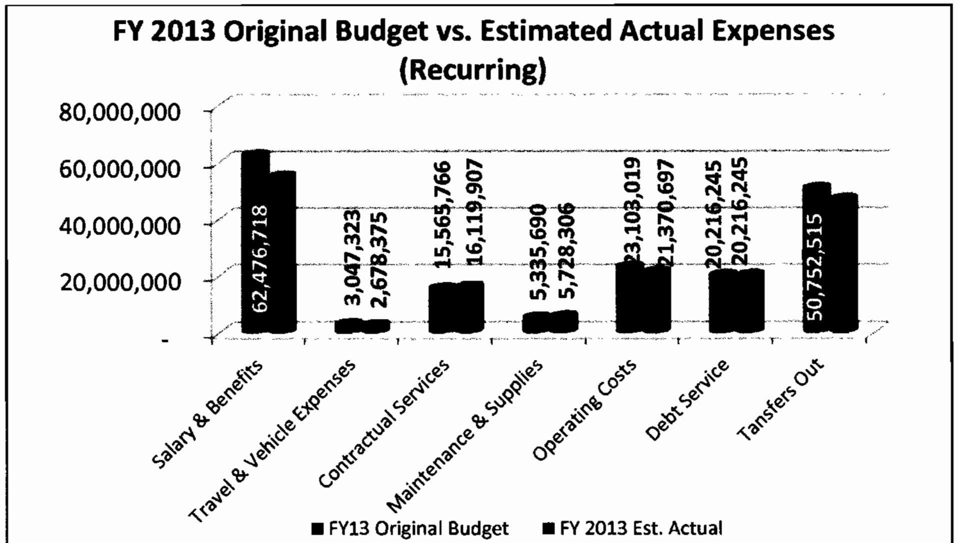


FY 2013 Estimated Recurring Revenue totals $173.2m, $46.9m of which are transfers which are said to be "double counted." Excluding transfers the total recurring revenue estimate is $126.3m across all funds vs. the budget of $122.9.

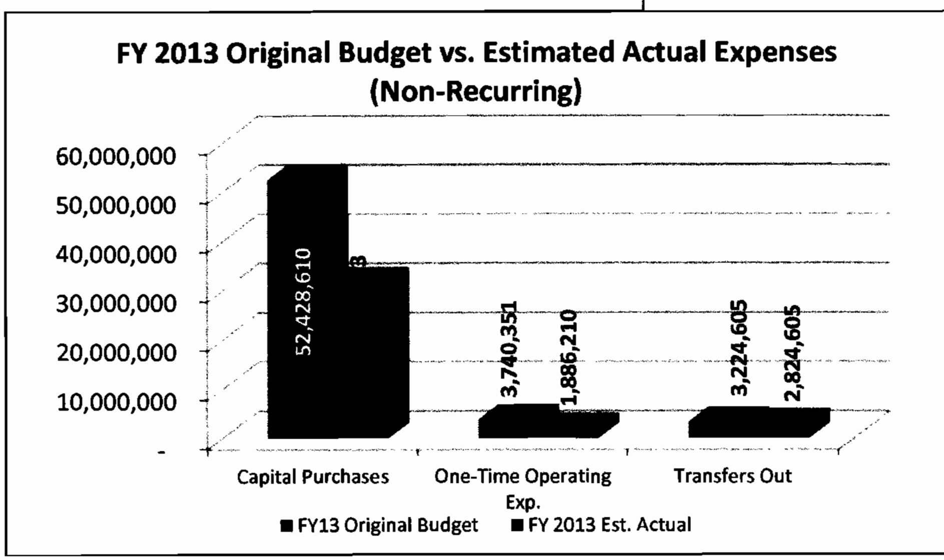
FY 2013 Estimated Non-Recurring Revenue totals $51.8m, $2.8m of which are transfers which are said to be "double counted." Excluding transfers the total non-recurring revenue estimate is $49.0m.



FY 2013 Expense Estimate

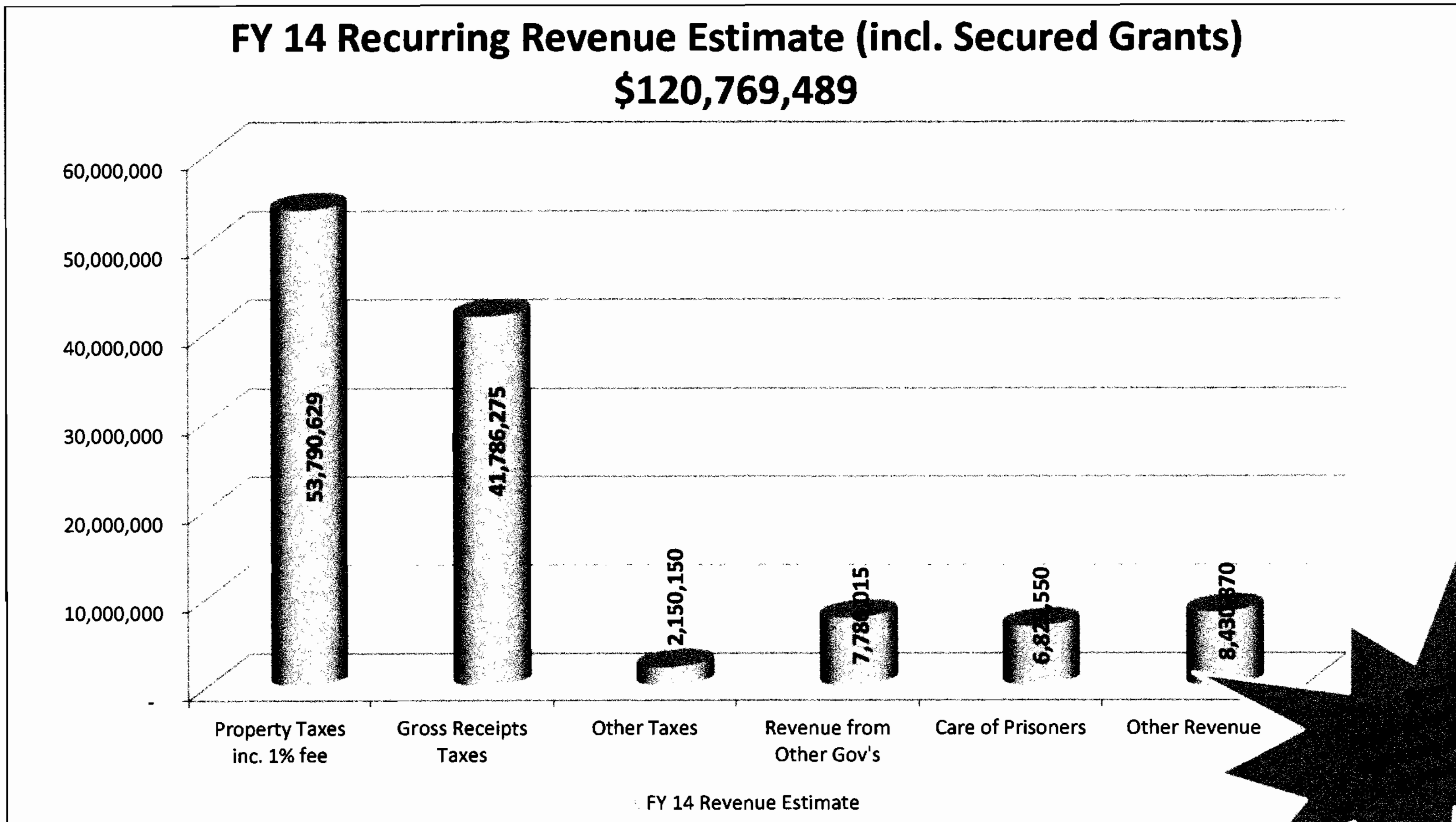


FY 2013 Estimated Recurring Expenses totals $168.0m, $46.9m of which are transfers which are said to be "double counted." Excluding transfers the total recurring expense estimate is $121.1m vs. a budget of $129.7m across all funds.



FY 2013 Estimated Non-Recurring Expense totals $36.7m, $2.8m of which are transfers which are said to be "double counted." Excluding transfers the total non-recurring expense estimate is $33.5m.

FY 2014 Recurring Revenue Estimate (includes Secured Grants)



FY 2014 recurring revenue is forecasted to be approximately $120.8 million.
FY 2014 recurring expenses ***base*** will be approximately $120.7 million.

FY 2014 Budget Potential Requirements

Revenue

- Sequestration will reduce certain revenue sources. Estimated impacts are:
  - PILT – 5.1% reduction (est. $35K)
  - Housing Programs - UNKNOWN
  - Region III - UNKNOWN
  - Other Federal Grants related to Public Safety

The FY 2013 revenue reflects gross receipts taxes countywide coming in approximately 4.7% higher than budget (approximately $42.3m) which includes approximately $3.4m for hold harmless.

The hold harmless phase-out is not an immediate issue but should be considered in future planning. We estimate that approximately $237K will be lost in FY 2016 due to the phase-out of hold harmless. That amount will continue to increase until 100% of hold harmless has been phased-out in FY 2030.

Expense

- Increase to health insurance costs for employees (15%)– see next slide

Note: changes caused by "Obamacare" will be felt effective January 1, 2014, however, neither the State nor the County know how that impact will be felt.

- Unavoidable increases to the budget if legislation is signed by the Governor:
  - Increase to PERA contributions (SB27)–
    - FY 2014 1.125% (75% employer "pick-up" of 1.5% employee contribution increase), - $502K
    - FY 2015 forward, an additional 0.4% employer contribution to PERA - $178K
  - Increase to the salaries of Elected Officials (HB334)– $44K (increase effective January 1, 2014)

Potential Requirements - Staff Impact

Insurance premiums will increase 15% beginning July 1, 2013 through December 31, 2013. With the new health care reform, staff anticipates that additional changes will occur in December for January implementation.

Current

Annual Earnings	< $30,000	>$30,001
Employee Pays	30%	37%
County Pays	70%	63%
Cost to County per pay period (inc. 15% increase)	$	175,605

Addition to Base Per Pay Period $22,905

New Annual Base Cost to County $4,565,730

Base Health Insurance Cost

Option 2

Annual Earnings	up to $50,000	>$50,001
Employee Pays	20%	37%
County Pays	80%	63%
Cost to County per pay period	$	203,780

Additional Cost to County Per Pay Period $ 28,175

Additional Annual Cost to County $ 732,550

Option 1

Annual Earnings	< $30,000	$30,001 - $50,000	>$50,000
Employee Pays	20%	30%	37%
County Pays	80%	70%	63%
Cost to County per pay period	$		190,325

Additional Cost to County Per Pay Period $ 14,720

Additional annual Cost to County $ 382,720

Option 3

Annual Earnings	< $30,000	> $30,001
Employee Pays	20%	37%
County Pays	80%	63%
Cost to County per pay period	$	180,780

Additional Cost to County Per Pay Period $ 5,175

Additional Annual Cost to County $ 134,550

Potential Requirements - Staff Impact

PERA Regular Wage @$13.64/hr

Take Home Pay $712.60

	With 1.5% PERA Increase/15% health insurance increase	With 1% COLA/1.5% PERA Increase/15% Health insurance increase
Take Home Pay	$ 703.75	$ 711.20
Increase/ (Decrease) to Take-Home Pay	$ (8.85)	$ (1.40)

PERA Fire Wage @ $12.75/hr

Take Home Pay $992.84

	With 1.5% PERA Increase/15% health insurance increase	With 1% COLA/1.5% PERA Increase/15% Health insurance increase
Take Home Pay	$ 980.17	$ 989.85
Increase/ (Decrease) to Take-Home Pay	$ (12.67)	$ (2.99)

PERA Regular Wage @ $19.61/hr

Take Home Pay $1,012.36

	With 1.5% PERA Increase/15% health insurance increase	With 1% COLA/1.5% PERA Increase/15% Health insurance increase
Take Home Pay	$ 987.24	$ 998.59
Increase/ (Decrease) to Take-Home Pay	$ (25.12)	$ (13.77)

PERA Enforcement Wage @ $20.13/hr

Take Home Pay $1,065.34

	With 1.5% PERA Increase/15% health insurance increase	With 1% COLA/1.5% PERA Increase/15% Health insurance increase
Take Home Pay	$ 1,037.76	$ 1,049.24
Increase/ (Decrease) to Take-Home Pay	$ (27.58)	$ (16.10)

BCC Priorities for FY 2014

Staff met with Commissioners one-on-one to discuss funding priorities.

- Maintain all existing County assets (open space, facilities, roads, vehicles, etc.)
    - Add road graders and/or water buffalo and operators
    - Additional staff for maintenance sections
    - Weed control on/around roads
- Invest in employees
    - Countywide COLA (recurring) and/or retention incentives (non-recurring)
    - Reduce health insurance contributions for staff earning under $50K
    - Provide education benefits
    - Recruiting and retention of public safety personnel
    - Improve the physical work environment
- Provide adequate equipment for staff use
- Youth Programs
    - Develop a "job pipeline" internship program
    - Develop programs targeting teenagers
    - Expand to fund more programs
- Grow Library Programs
- Continue funding for the Regional Coalition of LANL Communities
- Increase operating contingency/ reserve
- Update ordinances and resolutions as needed
- Grow the Utility into a self-sufficient Utility service
- Develop a long-term emergency operations preparedness plan
- Increase transparency through additional PSAs and radio exposure
- Expand motor pool to reduce staff travel by private auto

Total Compensation-Examples

Compensation Calendar Year 2012
Employee earning $14.4231/hour

Base Pay	30,000
Annual Leave (10 year accrual)	2,423
Sick Leave	1,154
Personal Holiday	115
PERA	5,855
Retiree Healthcare	616
Administrative Leave (12 Hrs)	173
Additional Personal Holiday	231
Retention Incentives	800
Benefits	
Health Insurance (family)	9,768
Dental (family)	731
Vision (family)	126
Life Insurance (family)	55
State Fee (family)	11
Total Compensation	**52,058**
Parking (downtown)	780
TOTAL WITH PARKING	**52,838**

Compensation Calendar Year 2012
Employee earning $26.4423/hour

Base Pay	55,000
Annual Leave (10 year accrual)	4,442
Sick Leave	2,115
Personal Holiday	212
PERA	10,608
Retiree Healthcare	1,116
Administrative Leave (12 Hrs)	317
Additional Personal Holiday	423
Retention Incentives	800
Benefits	
Health Insurance (family)	9,768
Dental (family)	731
Vision (family)	126
Life Insurance (family)	55
State Fee (family)	11
Total Compensation	**85,724**
Take Home Vehicle (20 miles r/t)	975
TOTAL WITH VEHICLE	**86,699**

Staff Investment Options

Straight COLA County-wide

- Provides an increase to all staff.
- Straight COLA to all staff further prevents compaction.
- Recognition of staff, in still difficult times, but demonstrates the BCC and Manager's commitment to staff investment.
- **Cost to the County** (Incl. benefits) :

	January 1, 2014	Annual
3% COLA	**$669,040**	**$1,338,081**
2% COLA	**$446,027**	**$ 892,053**
1% COLA	**$223,013**	**$ 446,027**

Tiered COLA's 1

- Provides increases to all staff, with a larger focus on entry level staff.
- May create some compaction at some levels.
- Recognition of staff, in still difficult times, but demonstrates the BCC and Manager's commitment to staff investment.
- **Cost to the County (Incl. benefits):**

		Jan 1, 2014	Annual
<$30K	**3%**	**$105,469**	**$ 210,938**
$25K < $40K	**2%**	**$207,219**	**$ 414,437**
>$50K	**1%**	**$267,384**	**$ 534,769**
Total Cost		**$580,072**	**$1,160,144**

Tiered COLA's 2

- Provides increases to all staff, with a larger focus on entry level staff.
- May still create some compaction at some levels.
- Recognition of staff, in still difficult times, but demonstrates the BCC and Manager's commitment to staff investment.
- **Cost to the County (Incl. benefits):**

	Jan 1, 2014	Annual
• **<$50K 3%**	**$444,775**	**$ 889,550**
• **>$50K 2%**	**$188,085**	**$ 376,170**
Total Cost	**$632,860**	**$1,265,720**

Longevity

Should be allocated to pay for performance programs and COLA's.

SFC Staff recommends a flat amount for budget planning purposes.

10-15 years	$ 0.25 Per hour	$ 520	Per year
16-20 years	$ 0.30 Per hour	$ 624	Per year
21-25 years	$ 0.40 Per hour	$ 832	Per year
> 25 years	$ 0.50 Per hour	$ 1,040	Per year

Total cost to begin is **$107,744 with benefits** included.

Review-How Has A Bad Economy Impacted Governments?

Around the Nation (Then FY2010)

- California state employees furloughed 3 Fridays a month.
- Oklahoma Department of Corrections furloughed workers for 10 to 12 days.
- Rhode Island state employees were required to work eight days without pay.
- Nevada state employees furloughed one day per month while teachers and higher education employees took a 4% pay cut.
- Hawaii state employees furloughed every Friday.

Around the Nation (Now FY 2013 – FY2014)

- California dealt with a $20b gap between revenue and spending. This was addressed by spending cuts to Corrections, Health & Human Services, and Education. The work force was reduced by 30,000 positions.
- Nevada's FY 2013 operational budget is down 6.3% from the FY 2012 budget. Budget reductions were implemented in 2007 through 2012 via position reductions, streamlining operations, recovering costs which included revenue enhancements, and reducing services.
- Hawaii dealt with a $1.3b shortfall in 2011-2013. Hawaii's budget could only address the most immediate needs. A 5% contingency reserve restriction on discretionary appropriations in FY 2013 was imposed (discretionary appropriations total $278.5m, e.g. worker's comp, etc.).

Review-How Has A Bad Economy Impacted Governments?

In New Mexico (Then FY2010)

- State employees were furloughed 5 days in FY10 with potentially 12 days in FY 2011.
- State employees' contribution to PERA went up while the State's contribution went down by 1.5% on a temporary basis (for 2 years).
- State Agency budgets cut an average of 3.3%. Some agencies sacrificed travel for required employee certifications.
- City of Santa Fe employees were given a COLA and subsequently furloughed 1.5 hours per week. Reorganizing government structure in an effort to adapt to changing economy.
- City of Rio Rancho hard froze 78 positions, increased fees, and cut pool hours and recreation programs. Further fee increases are anticipated.

In New Mexico (Now FY 2013 and FY 2014)

- State employees have not received any COLA's since 2008.
- Temporary increased employee contribution to PERA expired.
- After five consecutive years with no COLA increases for State employees, pending the Governors signature is a proposed 1% COLA (for most employees).
- City of Santa Fe will maintain a flat budget in FY 2014 with no COLA Increases for employees. (Still determining the PERA legislative impact).
- In FY 2013, the City of Rio Rancho was able to maintain a balanced budget with no lay offs and expects to meet the State mandated reserve requirement by the end of the fiscal year as well.

Review-How Has A Bad Economy Impacted Governments?

Santa Fe County (Then FY2010)

- No furloughs or County closures
- Froze vacant positions/ implemented hiring freeze
- Reduced by 3% the pay of all employees earning >$80K
- Reduced travel allowing for only travel required to maintain licenses
- Reduced cell phones and take home vehicles

Santa Fe County (Now FY 2013 and FY 2014)

- COLA granted on January 1, 2013
- 21 positions have been unfrozen to ease the burden on existing staff
- Provided additional personal holiday(s) to non-probationary employees
- Provided non-recurring retention incentive payments to non-probationary staff

Bargaining Units' General Concerns

AFSCME:

Insurance Benefits

	SFC Contribution	Employee Contribution
< $50K	80%	20%
$50K - $ 60K	70%	30%
> $60,001	63%	37%

Compensation

FY FY 2014 - asked for a maximum of $2.0 M for COLA's countywide.

Request equates to an increase of $1.16 per hour per employee.

Based on average hourly rate of $20/hr, this equates to a 6% salary increase. This does not include the impact of benefits.

For FY 2014, this request equates to a $480K increase for their bargaining union.

Uniforms

Requested an increase in uniform stipends. Affected employees are currently at $220. They did not request a specific amount; but, based on past negotiations, staff estimated a total of $70K.

Leave Accruals and Carryover

Requested an increase in rates and carryover allowances. They did not request an amount; but, based on past negotiations, staff estimated a total of $100K.

Incentives

Requested that true incentives be identified and created for employee performance. No amount was provided; but, based on past negotiations, staff estimated a total of $200K.

TOTAL COST TO IMPLEMENT: $ 900,000.00

Bargaining Units' General Concerns

CWA - Sheriff Deputies

Compensation

Requested that their previous pay scale with years of service increases be re-implemented.

Increase to the starting wages

Union and Management have agreed to temporary salary increases as retention incentive to retain employees (2+ years) until full negotiations are completed:

15+ Years of Service	$ 1,200.00
10-14 Years of Service	$ 1,100.00
5-9 Years of Service	$ 1,000.00
2-4 Years of Services	$ 800.00
1 Year of Service	$ 600.00

New Cadet Pay starting at $17.50/hour

TOTAL COST TO IMPLEMENT: $ 296,488.00

CWA - RECC

Compensation

Requested that their previous pay scale with years of service increases be re-implemented.

UPON FINAL NEGOTIATION, POTENTIAL COST TO IMPLEMENT: $ 28,060.00

CWA - CORRECTIONS

Compensation

Requested that their previous pay scale with years of service increases be re-implemented + increases for non-security staff.

This will address current problems with pay inequities and compaction, and assists with starting pay recruitment information.

UPON FINAL NEGOTIATION, POTENTIAL COST TO IMPLEMENT: $ 489,843.43

Summary

- For FY 2014 Santa Fe County is estimating that recurring revenue compared to base recurring expenses will be approximately "break-even."
- Additions to the base that we are counting on include:
  - Increase to health insurance premiums - $596K
  - Increase to PERA contribution - $470K
  - Increase to Elected Officials pay - $44K
- Budget requests were turned in to Finance on March 29th, and have not yet been fully analyzed, however staff requests were tallied and include:
  - Unfreeze 11 FTEs
  - Authorize 21.5 new FTEs
  - Authorize 3 PRNs and 4 temps
  - Miscellaneous wage changes
- Bargaining units' contracts have not been negotiated.

Budget Study Session BCC 4/[illegible]

EXHIBIT
2

Robert A. Anaya Questions / Remarks
(specific, detailed)

1.) What are the current ✓ commitments will expand next years Budget. Example: Courthouse

2) Capital (Reference towards the Beginning of Powerpoint) Purchases its important to me to get capital spent and projects under construction. Whatever we budget I would like to expend annually

3) Theresa Mtz. expressed we are at break even no additional revenue unless things change. Did I hear this accurately?

4) 1.5 → 2.5 recurring explain where we think we are → end of presentation (3 million?)

5) PERA is not factored in the first part of the presentation?

6) 956,000 is built into next year from commitment we already made for the Courthouse, correct?

7) Do the projections reflect minimum reserves or something higher? (what is the detail

8) Commitments; Courthouse, PERA, Health Care Hold Harmless Provisions

9) PERA 502,000 potential projected impact is this the high end?

10) Can we increase employee contributions for Healthcare for higher paid employees

11) You didn't hear from me because I wanted to understand sources and uses before I provided my feedback.
Its hard to provide a wish list if we have no money!

12) The resources beyond salary: Healthcare, Retirement, Education, Parking, Personal Holidays these are all investments that have high returns on them.

13) Provide the detail for unfreeze, new, temps, and miscellaneous [illegible]