

FY/06 BUDGET SYNOPSIS

The FY/06 Mayor's Proposed Budget reflects the Administration's priorities to enhance public safety, assure a sustainable water supply and provide increased economic opportunity. It also reflects the priorities of City Council.

Council mandates funded include additional staffing at the Animal Care Center, expansion of the Alternative Dispute Resolution program, establishment of a City Forester, and an increase in the number of off leash dog parks. In addition, funding to address prairie dog issues, develop a plan to economically use landfill methane and conduct Transit studies is expanded in response to Council concerns. Council staffing is increased to meet their demand for additional budget analysts.

The proposed budget also fully funds the increases in employee compensation and benefits as determined in the FY/05 budget and negotiated with the bargaining units for FY/05 and FY/06.

Albuquerque continues to enjoy an unusual level of cooperation between the Administration, Council members, staff and union leaders in the development of these Financial and Performance Plans.

The Five-Year Forecast

The Five-Year Forecast prepared in December 2004 estimated future revenues and expenditures for the General Fund and the subsidized funds for the present fiscal year, FY/05, and for FY/06 through FY/09.

The Five-Year Forecast projected the General Fund unreserved fund balance for the current fiscal year would be positive at \$25.8 million (plus \$5.9 million in FY/05 reserves including: \$2 million set aside by the City Council for FY/06 needs; \$1.5 million for the IRB settlement balance; \$1.5 million of Public Safety Quarter Cent funds for the anticipated processing facility; as well as the nuisance abatement and Tricentennial reserves). It also estimated that recurring revenues would exceed recurring expenses by \$10.2 million. Much of this was due to an unanticipated improvement in revenues in FY/04 and FY/05. In FY/06 the gap between General Fund recurring revenues and expenditures was projected to swing wildly to a negative \$32.2 million, producing an unreserved fund balance of negative \$18.3 million.

The \$18.3 million FY/06 projected gap had seven major causes. First, a gross receipts tax (GRT) reduction of 1/16th cent was assumed in

the Five-Year Forecast. Secondly, unanticipated GRT revenue growth in FY/04 and FY/05 included nonrecurring revenue from the State's audit compliance efforts that would not carry forward to FY/06. Third, the suspension of a transfer to fund storm drainage projects provided General Fund capacity in FY/04 and FY/05, but should be restored in FY/06 unless the City ordinance is amended. Fourth, the Five-Year Forecast estimated cost of operating CIP coming-on-line in FY/06 was \$13 million. This large amount was driven by the opening of the Balloon Museum, preparing for the Panda exhibit and operating the new 311 system. Also, the initiatives carried forward from FY/05 and/or added in FY/06 added \$5.5 million. Fifth, employee compensation was increased per the FY/05 budget and negotiated agreements with bargaining units. As agreed, 83% of employee insurance costs continued to be absorbed by the City as insurance premiums increased. Sixth, ongoing costs continue to increase as jail population increases and the cost of covering risk for a growing organization increases. Finally, the vacancy rate assumed for budgeting purposes (salary savings) was reduced to 0.5% for all departments and funds.

Closing the Gap

Department budget requests were discouraging. Departments made over \$56 million in issue paper requests: \$19.6 million in positive issues; \$29.9 million in Public Safety Quarter Cent issues; and \$6.7 million in CIP coming-on-line requests. Fortunately, budget hearings revealed several areas that could be reduced to close the \$18.3 million gap that had been forecast in December 2004. Although the Five-Year Forecast had ambitiously reduced the salary savings rate of 0.5%, analysis of actual data from March 1 2005 revealed a General Fund vacancy rate of 9.96 %, well above the FY/05 budgeted salary savings rate of up to 3.5% in some departments. The proposed FY/06 General Fund budget retains the FY/05 salary savings rate of 3.5% for all departments except Fire, Police, Metropolitan Detention Center, Mayor, Chief Administrative Officer, Council

Services, and Internal Audit which remain at 0.5% and Senior Affairs and Human Resources that are set at 1.0%. The increase in the salary savings rate reduced the gap by approximately \$3 million. The cost of CIP coming-on-line was dramatically reduced from the \$13 million level projected in the Five-Year Forecast to \$4.3 million, creating approximately \$8.7 million in savings. By not incorporating a GRT reduction of 1/16th cent or a similar tax reduction, the gap was further reduced by \$7.6 million. The total of eliminating the salary savings adjustment of 0.5%, reducing CIP coming-on-line, and not funding a tax rate reduction closed the Five-Year Forecast projected gap. Combined with other reductions, the capacity allowed funding for necessary positive issue papers, including vehicle replacement.

Revenue and Expenditure Aggregates

The proposed budget is built on the assumption that total revenue will increase 7.45% over the FY/05 approved budget level. Expenditures in the proposed budget are 11.16% greater than the approved appropriation level for FY/05. The growth in expenditures is supported by a large fund balance carried forward from FY/05. The available fund balance does not include \$3 million of the \$5.3 million expected in FY/05 reversions, which is reserved in the FY/06 proposal.

The large growth rate in both revenues and expenditures is driven by the growth in GRT, primarily the additional month of the public safety quarter cent tax that began in FY/05. During the first year of a GRT imposition only 11 months are remitted to the municipality due to the lag between imposition, reporting to the State and distribution to the City. The public safety quarter cent GRT is expected to produce \$32.4 million dedicated to specific spending purposes.

Total recurring revenue exceeds recurring appropriations by \$247 thousand and is increasing at 6.08%, but recurring spending is increasing at 7.30%. Revenue from the growing

public safety quarter cent tax is recurring. That tax, along with the adoption of a proposed ordinance to remove the dedication of the basic services quarter cent tax provide a basis for the final favorable balance between recurring revenue and recurring appropriations. All capital expenditures are considered non-recurring.

The basic services quarter cent tax currently directs a recurring transfer to Fund 305 for storm drainage, traffic engineering and street maintenance. The basic services quarter cent tax was imposed in 1989. A portion of the tax was dedicated to public safety, social services and public works in the five year table for expenditures attached to the 1989 ordinance. The original legislation earmarked Public Works funding for preventative street maintenance and rehabilitation; equipment replacement; traffic engineering for signs and markings; and storm drainage maintenance and improvements. A 1994 resolution established the transfer to fund 305 for major paving rehabilitation, and traffic sign replacement and pavement markings in Public Works/Streets; and, storm drainage improvements, and North and South Valley Storm Drainage in Public Works/Storm Drainage. The legislation also directed that

sufficient additional funds from the GO bond program, grants and other sources available be allocated to the North and South Valley storm drainage program. An attached table allocated funding through FY/04. In FY/04 and FY/05 the storm drainage portion of the transfer was suspended because the program had not spent previous transfers and approximately two years

of funding was in cash balances. The FY/06 budget fully funds the transfer to Fund 305 for basic services for the traffic engineering, street maintenance and storm drainage program on a nonrecurring basis. Legislation removing the dedication of the basic services quarter cent tax is included in this document.

FY/06 Summary of Revenue and Appropriations (\$000's)				
	FY/05 Approved Budget	FY/06 Proposed Budget	Change	% Change
Revenue				
Recurring	\$390,438	\$414,176	\$23,738	6.08%
Total	\$393,124	\$422,425	\$29,301	7.45%
Appropriations				
Recurring	\$385,768	\$413,929	\$28,161	7.30%
Total	\$401,803	\$446,663	\$44,860	11.16%
Recurring Balance	\$4,670	\$247		

Significant Spending Initiatives

Departments requested \$56.2 million for new and expanded programs in FY/06. The proposed budget increases expenditures \$44.8 million or 11.16% above the current FY/05 approved budget level. Expenditure expansions are sorted and presented by category: technical adjustments, adopted issue papers, compensation, public safety quarter cent tax programs, and CIP coming-on-line.

Technical Adjustments. The incremental cost of technical adjustments made in the proposed budget account for a decrease in cost of \$2.2 million. This unusual result was caused by removing all public safety quarter cent tax appropriations, both the recurring and nonrecurring portions, from the FY/05 base so that they can be separately identified in FY/06 appropriations. Major elements contained in technical adjustments are listed below:

Technical Adjustments (\$000's)	
Total Technical Adjustments	(2,157.0)
Additions to FY/05 Base from Wages, Benefits, Positions and Annualized FY/05 Programs*	12,587.5
Back-Out Public Safety 1/4 Cent FY/05 Funding	(26,189.6)
GF Risk and Workers' Compensation	2,051.4

Technical Adjustments (\$000's)	
Early Retirement	1,500.0
GF Debt Service & Lodgers Tax Transfer	(445.0)
Restore Storm Drainage Transfer	3,463.0
FY/05 One Time Fund 730 (Computer Replacement)	(2,000.0)
Transfer to Transit Operating fund	6,211.0
Transfer to Corrections	1,232.0
Open Space Rangers Transfer to GF	1,570.8
Transfer to Open Space	(1,116.5)
Operating Expense Adjustment for Utilities and Other	289.1
Fuel Cost Increases (GF Only)	808.1
Reduction in Convention Center Management Contract	(430.5)
Unification Election and Support Cost	(350.0)
One-time Capital	(1,406.7)
Net Other Adjustments	68.4
*Does not include increases in subsidized Transit and Corrections Funds	

Adopted Issue Papers. Adopted General Fund issue papers were selected from \$19.6 million in requests made by departments. The \$12.7 million in General Fund requests included in the proposed budget represents 65% of all requests. The list below identifies the issues and department funded as well as the total amount of the funding provided. Also included on the list are Transit positive issues funded in the Transit Fund:

Adopted Issue Papers (\$000's)	
Total General Fund & Transit Fund Adopted Issue Papers	14,383.7
Office of Volunteerism & Office of Adjudication (CAO)	274.0
Election 2005 (CAO)	487.8
IRB Settlement for Office of Economic Development Contractual Svcs (CAO)	291.0
Transfer to Vehicle/Equipment Replacement Fund (City Support)	3,953.0
Tricentennial, Music Festival, Twinkle Light, Tricentennial Art Exhibit (CSD)	862.4
Library Reclassifications (CSD)	91.3
Household Hazardous Waste, Methane Recovery, Montessa Pk Well Recovery (EHD)	62.2
Animal Care Intake Specialists and General Scv. Worker, Spay/Neuter Services (EHD)	255.3
Office of City Forester & Mammal Mgt. (EHD)	116.0
Voucher Funding for Emergency Shelter & Affordable Housing Opportunities (F&CS)	105.0
Increase in Contractual Services for Accounting & Property Tax Fees in Treasury (DFAS)	174.5
Call Center (DFAS)	1,592.5
GIS Support (DFAS)	75.9
Pass through of Liquor License Revenues & Re-appropriate Capital funds for Convention Ctr. (DFAS)	300.0
Copier Lease for Training and Registration Fees for Job Fairs (HR)	11.1
Safe Cities Strike Force/DWI Enforcement & Public Access Channel (Legal)	115.3
Various MDC Issues @ 50% (MDC)	1,427.0
Downtown Parking Facility Security (DMD)	97.3

Adopted Issue Papers (\$000's)	
Construction Inspectors and Pedestrian Street Lighting (DMD)	396.5
War on Weeds in Storm Drains and Arroyos (DMD)	50.0
KIVA Permitting Software (DMD)	155.0
Transfer to Fund 292 (Stucco Plaza del Sol) (DMD)	200.0
Off Leash Dog Park Operations and Mondo Indoor Track (PR)	189.2
Criminal Nuisance Abatement Inspectors (Police)	86.2
STOP Light Program (Police)	120.0
DWI Seizure Coordinator, Upgrade Evidence Unit Mgr, Crime lab Personnel -DNA (Police)	147.4
Equipment for FY/06 Attrition Class (Police)	221.0
Evidence Disposition Unit (Police)	68.9
Communications Support (Police)	114.0
Funding for Victim Assistance Unit and SID Funding to Replace Federal Funds (Police)	176.5
Net Add Communications Division Manager & Delete Personnel Officer (Police)	2.1
Overtime for Special Events & Tact Plans (Police)	410.0
State Senior Olympics & La Amistad Meal Site (SAD)	35.8
SUBTOTAL	12,664.2
Transit Fund Positive Issues	
MLK and Thanksgiving Friday Holiday funding (Transit)	129.1
Rapid Ride - Increase in operating costs (Transit)	480.7
PM Program and increase for fuel and R&M (Transit)	704.3
Route 92 and 94 reinstated (Transit)	76.2
Replacement of Hand Held Radios and Customer Service Equipment & Transit Studies (Transit)	109.2
Pilot Program - Expanded Downtown Weekend Rapid Ride (Transit)	220.0
SUBTOTAL	1,719.5

Compensation. Compensation increases in the FY/06 proposed budget appear in the technical adjustments. Last year's adopted budget included two year compensation increases that were later negotiated with the bargaining units. Raises approved and negotiated in FY/05 and carried forward in FY/06 are: 4.8% for APD, Aviation and Open Space Officers; 3.2% for Fire; and 3.2% for all other series. In FY/04 the City increased the share of health and dental cost it would pay for employees from 80% to 83%. It was continued in FY/05 and is proposed to continue in FY/06. The cost increase is the result of a 10% increase in the cost of insurance coverage, expanding the flex plan and absorbing the administrative fee, and adding a new vision benefit. The total General Fund cost of the compensation proposal, including absorbing 83% of the cost of employee health and dental insurance as well as new intra-year positions and annualized FY/05 programs is \$12.6 million in FY/06.

Public Safety Quarter Cent Tax Programs. In October 2003, voters approved the Public Safety Quarter Cent Gross Receipts Tax. The legislation specified that 34% of the tax was to be used for APD projects, 6% for corrections and detention, 34% for emergency preparedness/AFD, and 26% for crime prevention and intervention. The list below details the General Fund appropriations totaling \$30 million, and the \$1.9 million reserve for future corrections and detention related centralized processing appropriations.

Since \$2 million of the tax was reserved in FY/05 only \$0.5 million in additional reserve is required to assure that 1/12th the appropriation level is reserved. The funding reserved for centralized processing is added to the \$1.5 million reserved for that purpose in FY/05. The Administration anticipates an RFP will

be issued to conduct a managed competition for arrestee transport services to the MDC in FY/06 from this reserve as a short term solution to issues that a centralized processing facility may eventually resolve.

Public Safety Quarter Cent Tax Appropriations (\$000's)	
Total Quarter Cent Appropriations	30,044.0
Ongoing recurring costs and annualized cost for Station 21 (FR)	4,327.8
Rehab & Renovation - AFD Headquarters (FR)	200.0
Station 18 Renovation (FR)	100.0
Station 15 Renovation (FR)	100.0
Fire Academy Renovation (FR)	2,250.0
Rescue for Station 20	123.9
Cadet Class (FR)	80.2
Equipment (Logistics) (FR)	760.1
Vehicle Replacement (Logistics) (FR)	2,925.0
FIRE SUBTOTAL	10,867.0
FY/05 Expansion Class included in Base (Police)	1,962.8
FY/06 Expansion Class (Police)	6,453.1
On Going Replacement of Patrol Vehicles (Police)	1,566.2
On Going Replacement of Other Vehicles (Police)	486.9
Equipment (Police)	398.0
POLICE SUBTOTAL	10,867.0
Provide Health & Social Services (F&CS)	706.0
Provide Mental Health Services (F&CS)	2,139.0
Provide Substance Abuse Services (F&CS)	3,065.0
Family Violence Prevention & Intervention (F&CS)	500.0
Gang Intervention (F&CS)	1,200.0
Partner with Public Ed (F&CS)	700.0
DFCS SUBTOTAL	8,310.0
Quarter Cent Centralized Processing (Reserved)	1,918
SUBTOTAL (APPROPRIATED AND CORRECTION RESERVE)	31,962
ADDITION TO GF RESERVE (ABOVE \$2 MILLION RESERVED IN FY/05)	458
TOTAL QUARTER CENT FY/06 REVENUE	32,420

CIP Coming-On-Line. In the Five-Year Forecast OMB staff estimated CIP coming-on-line would require \$13 million. Departments requested \$6.7 million for CIP coming-on-line in FY/05. The proposed budget funds \$4.3 million of these requests. Some of the requests were reduced as more realistic opening dates were assumed. Other requests were eliminated when departments discovered they were able to meet some non-recurring need by using FY/05 available funds. Funded requests are detailed below:

CIP Coming-On-Line (\$000's)	
Total General Fund CIP Coming-On-Line	4,308.7
Balloon Museum (CSD)	1,066.8
Museum Expansion (CSD)	405.9
Tingley Beach (CSD)	449.5
Japanese Gardens (CSD)	307.8
Asian Experience (CSD)	411.5
Australian Exhibit (CSD)	56.0
Groundwater Remediation (EHD)	80.0
West Mesa Community Center (F&CS)	264.0
Heights Community Center (F&CS)	16.7
Wells Park Community Center (F&CS)	3.4
Mesa Verde Community Center (F&CS)	16.8
John Marshall Cuidando los Ninos Bldg (F&CS)	12.7
Security Services Balloon Museum & Tingley Beach (DMD)	250.8
Open Space Projects (PR)	221.5
Parks (PR)	574.4
Senior Sports and Fitness Program (SAD)	144.3
Water Spray Park (SAD)	26.6
Transit Fund CIP Coming-On-Line	
Westside Transit Facility (TD)	360.8

Changes in Employment

The proposed budget increases staffing for the funds appropriated in the proposed General Fund budget by 4.35% over levels approved in the original FY/05 budget. Details of the expansion by department are discussed in the Department Budget Highlights section of this volume, and the schedule of Personnel Complement by Program is contained in the Appendix. Generally there are three major areas that explain the increase in staffing. Public safety quarter cent tax funded programs in Police, Fire and Family account for 141 new positions. Notably, 100 new APD officers are added in this proposed budget to bring the force up to 1,100 by the end of FY/06. CIP coming-on-line, primarily to staff the new Balloon Museum and the Albuquerque Museum and BioPark expansions as well as provide added security for those new venues adds over 40 positions. Expanding the 311 initiative and service at animal care centers, adding construction and nuisance abatement inspectors, parking security, crime lab staff and other positive issues accounts for approximately 60 new FTEs.

Changes in Employment										
	Actual FY/01	Actual FY/02	Original Budget FY/03	Original Budget FY/04	Original Budget FY/05	Revised Budget FY/05	Estimated Actual FY/05	Proposed Budget FY/06	Change Original FY/05 Proposed FY/06	% Change Original FY/05 Proposed FY/06
General Fund	3,751	3,758	3,641	3,680	3,884	3,895	3,925	4,119	235	6.05%
Enterprise Funds	521	457	441	407	497	497	497	501	4	0.80%
Other Funds	768	767	742	709	733	734	734	727	-6	-0.82%
Grant Funds	367	404	331	329	314	316	336	317	3	0.96%
TOTAL	5,407	5,386	5,155	5,125	5,428	5,442	5,492	5,664	236	4.35%

Spending by Department

The General Fund proposed budget can be examined by department. Comparing the original budget for FY/05 with the proposed for FY/06 reveals reorganizations and the impact of the quarter cent public safety tax and other positive issues. Department reorganizations include the elimination of the Public Works Department that merged into the Department of Municipal Development (DMD). Open Space Police were moved to the Police Department. Fleet, although still a separate fund and not part of the General Fund, is now part of the Department of Finance and Administrative Services. The Chief Administrative Officer (CAO) Department expands because the economic development parking subsidy is funded in the Office of Economic Development (OED) and new appropriations are made from the IRB settlement reserve to OED. Additionally, existing hearing officer staff is consolidated and new staff is added to form the Office of Adjudication in the CAO's office, along with added funding for the 2005 City election. City Support growth reflects an additional \$4 million transfer to Fund 730 of \$2 million for vehicle replacement and \$2 million for computer hardware and software. Council Services growth is largely the result of adding two budget analyst positions. Environmental Health expansions are in animal care where midyear appropriations increased staffing and the proposed budget further expands the operation. The Fire, Police and Family and Community Services Department budgets continue to grow as the Public Safety Quarter Cent Tax grows. Finance and Administrative Services growth reflects the full year 24x7 implementation of the 311 citizen services call center. Growth at the Metropolitan Detention Center reflects an increasing inmate population and the increasing cost of medical and mental healthcare. Details can be found in the Department Budget Highlights section of this volume.

General Fund Spending by Department (\$000's)						
Expenditures by Department	Original	Proposed			% Share	
	Budget	Budget	%	%	FY/05	FY/06
	FY/05	FY/06	Change	Change		
Chief Administrative Office	5,361	7,623	2,262	42.2%	1.3%	1.7%
City Support	16,624	19,796	3,172	19.1%	4.1%	4.4%
Council Services	1,891	2,105	214	11.3%	0.5%	0.5%
Cultural Services	30,079	33,859	3,780	12.6%	7.5%	7.6%
Environmental Health	8,388	9,743	1,355	16.2%	2.1%	2.2%
Family and Community Services	30,590	32,763	2,173	7.1%	7.6%	7.3%
Finance & Administrative Services	17,387	20,064	2,677	15.4%	4.3%	4.5%
Fire	58,257	62,984	4,727	8.1%	14.5%	14.1%
Human Resources	2,171	2,287	116	5.3%	0.5%	0.5%
Legal	6,247	6,455	208	3.3%	1.6%	1.4%
Mayor	728	812	84	11.5%	0.2%	0.2%
Metropolitan Detention Center	21,541	24,138	2,597	12.1%	5.4%	5.4%
Municipal Development	19,345	43,424	24,079	124.5%	4.8%	9.7%
Internal Audit & Investigation	1,185	1,203	18	1.5%	0.3%	0.3%
Parks & Recreation	20,032	20,087	55	0.3%	5.0%	4.5%
Planning	12,523	12,557	34	0.3%	3.1%	2.8%
Police	108,504	119,774	11,270	10.4%	27.0%	26.8%
Public Works	20,559		(20,559)	(100.0%)	5.1%	0.0%
Senior Affairs	4,502	4,889	387	8.6%	1.1%	1.1%
Transit (Operating Subsidy)	15,889	22,100	6,211	39.1%	4.0%	4.9%
TOTAL	401,803	446,663	44,860	11.2%	100.0%	100.0%

Reserves

The General Fund is required to maintain an operating reserve equal to one-twelfth of the total appropriation level as a matter of City policy. This standard is more conservative than the State's standard as it includes transfers and non-recurring appropriations, but does not include other reserves. The proposed budget contains \$44.7 million in reserves.

General Fund Reserves (\$000's)	
Total Reserves	44,682
1/12th Operating Reserve	37,222
Quarter Cent -- Centralized Processing	3,418
IRB Settlement	1,042
FY/05 Estimated Reversions	3,000

The operating reserve is set at \$37.2 million in accordance with City policy. The \$3.4 million from Public Safety Quarter Cent Tax reserves contains \$1.5 million carried forward from FY/05. The Administration is preparing an RFP for arrestee transport services that is expected to use part of this reserve in FY/06. A processing facility for the centralized processing of arrestees has not been developed. The \$1 million IRB settlement reserve was originally established in FY/04 when a large manufacturer closed an IRB financed facility and was required to remit a "clawback" to the City. The City recovered \$14.8 million and distributed \$12.6 million to other taxing entities including the state, county, school district, university hospital, ABEC and others. Appropriations in FY/05 and proposed appropriations in FY/06 to the Office of Economic Development and the FY/05 Tricentennial celebration appropriation have reduced the size of the reserve. Finally, \$3 million of the total \$5.3 in General Fund reversions estimated at second quarter FY/05 are not appropriated as a matter of prudence. There is some risk that the food tax deduction may not completely hold the City harmless and GRT receipts could fall. Additionally, City departments may spend more of their existing appropriation leaving less to revert at the end of this fiscal year.