SANTA FE COUNTY

BOARD OF COUNTY COMMISSIONERS

FISCAL YEAR 2017 BUDGET

STUDY SESSION

April 12, 2016

Miguel Chavez, Chair - District 2
Henry Roybal, Vice Chair - District 1
Kathy Holian - District 4
Liz Stefanics - District 5

Robert A. Anaya, Chair - District 3 [excused]

SANTA FE COUNTY

SPECIAL MEETING

BOARD OF COUNTY COMMISSIONERS

April 12, 2016

I. This Fiscal Year 2017 Budget Study Session of the Santa Fe Board of County Commissioners was called to order at approximately 12:07 p.m. by Chair Miguel Chavez in the Santa Fe County Commission Chambers, Santa Fe, New Mexico.

II. Roll Call

Roll was called by County Clerk Geraldine Salazar and indicated the presence of a quorum as follows:

Members Present:	**Members Excused**:
Commissioner Miguel Chavez, Chair	Commissioner Robert A. Anaya
Commissioner Henry Roybal, Vice Chair	
Commissioner Kathy Holian	
Commissioner Liz Stefanics	

III. Approval of Agenda

Commissioner Holian moved to approve the agenda as printed and Commissioner Roybal seconded. The motion carried by unanimous voice vote.

IV. Discussion and Possible Action on Fiscal Year (FY) 2017 Budget Development
A. FY 2017 Budget Process

KATHERINE MILLER (County Manager): Yes, Mr. Chair, this budget study session is designed to give you an overview of the budget process over the next two months, three months and also to introduce where we are currently in the budget development process for fiscal year 2017. I'm here next to Carole as moral support more than anything because she's got a good handle on this so I'm going to turn it over to her but I just want to let you know also we have on the agenda we have a health insurance plan information. That portion of the agenda will be presented by A.J. Gallagher. They're consultants that we hired last year to look at whether we should stay with the state's insurance plan for health benefits or whether we should move to a self-insured plan, and we had them get another year of data on that from our claims over the past year, and so we'd like them to present that to you because it is a major factor in putting the budget together, what we would need to budget if we migrate away from the state plan. So with that I would like to turn it over to Carole Jaramillo.

CHAIRMAN CHAVEZ: Well, and before that, Carole, I'd like to do maybe some ground rules. This is a first session of maybe three sessions that we'll have, discussing the budget before it's finalized?

MS. MILLER: Mr. Chair, yes. So we do the interim budget, which we need to have approved and into DFA by the end of May. We have two study sessions planned for that as well as our regular BCC meetings. So we plan at least this study session, one more study session, and then having it approved at one of the – the interim budget approved at one of the BCC meetings.

CHAIRMAN CHAVEZ: So for our first session being today we want to get information from the department directors first and then I think we can save questions for after?

MS. MILLER: Mr. Chair, for today what we're dominantly doing is giving you a revenue outlook, what we believe fiscal year 16 will end up with, so we know what our estimated fund balances will be going into the fiscal year 17, as well as giving you an overview of our estimated revenues for fiscal year 17, and then also what the departments and elected officials have requested for next year's budget. So that's what today is. I would say we are in a process of still reviewing the budgets and making – formulating an overall recommendation to the Board so we have not finished departmental hearings. So if you had questions of the department I think you could ask them but at this point we have not gotten to a stage to make a recommendation on any specific department budgets or FTEs or fixed assets, renew and replacement or capital.

CHAIRMAN CHAVEZ: Good. Okay, that's good to know. So then in item V. we have possible direction from the Board, potential action items, but I think it's premature to expect that we would be taking any action on any of these items today.

MS. MILLER: Mr. Chair, the only thing that we might ask is direction from the Board on whether or not you want us to proceed with pursuing self-insured health benefits, or if there are any items that the Commissioners, the Board, would like us to include in the budget that we have not considered.

CHAIRMAN CHAVEZ: Okay. So, Carole, if you want to go ahead.

CAROLE JARAMILLO (Finance Director): Thank you, Mr. Chair, Commissioners. Good morning, or I guess it's afternoon now. If you would turn to slide #2, it's just a brief overview for the FY 17 budget calendar. We are currently about a third of the way through it in the very middle of the green part that illustrates where we are holding our committee meetings and our budget hearings actually started yesterday and will be taking place this week and next.

We are, as Katherine mentioned, requesting a second budget study session on May 10th in conjunction with the regular BCC meeting. The interim budget, we would be requesting approval of on May 31st in order to turn it in to DFA by the deadline of June 1st. That's pretty tight but we feel like we can have it prepared and in final enough form that you can approve it and it can just be turned around to DFA. And then we will be requesting approval of the final FY 17 budget at the June 28th BCC meeting.

Slide #3 summarizes some of the enhancements we've made to our process this year, this year we have established a number of committees of staff to review such things as FTE requests and capital requests for fixed assets, for IT related requests, for vehicle requests. These committees met from March 21st all the way through yesterday and all of the requests to each of those categories was analyzed by the committees and discussed among the team, and then the team then met with departments and offices to discuss their specific requests in order to get direct conversation with them and justification and discussion of their needs. Each committee is intending to make a recommendation regarding their specific category of requests.

We had a committee for FTE requests, a committee for IT requests. We of course have the VURB, which was continued this year based on a resolution that this body passed two years ago, I believe, and then we had a committee for capital and maintenance projects to vet out those projects.

Slide #4 basically summarizes where we are in the transition for the performance budgeting. The first two bullets we have already accomplished. The last two bullets are in process. We have a steering committee that has been meeting weekly to discuss the last two points – the program inventories as well as establishing performance measures for each department and office. Measures have been developed for most of the departments and offices at this point and we're staying on target with that to be completed by the end of this fiscal year for establishing measures.

IV. B. FY 2016 Revenue and Expenditure Estimates

Slide # 5 is the revenue estimates for FY 2016. The first chart to the left is our recurring revenue and the estimates for that. You can see that with property taxes and with gross receipts taxes we are doing well. We are ahead of budget for collections this year. Property taxes would include our operating property tax mills as well as debt and also included in that number is the one percent fee for the Assessor. We are $2.5 million better than budget coming in at $61.8 million compared to $59.3 million.

Gross receipts taxes also doing well this year, collections compared to budget, coming in $2.9 million better than budget at $51.6 million compared to $48.7 million that is in the budget.

The rest of the categories, other taxes, revenue from other government's charges for service, care of prisoners, water, wastewater and other revenue are fairly close between actual and budget and in all cases they're coming above or slightly above the budgeted revenue.

The total estimated recurring revenue for this current fiscal year that we're in right now is $139.3 million, and this does not include transfers. I would like to note that we are doing this estimate based on March numbers and in some cases we only had revenue figures through February so these numbers may need to be adjusted as we collect more data going towards the end of the fiscal year. But this is currently what we're seeing right now.

On the right hand side we have our estimates of recurring revenue. We have one-time revenue; those would be basically grants and other one-time sources of revenue, sales of assets from the auction. Those are coming in above budget. Many of those items do not end up in the original budget because they're unknown at the time and so $2.2 million increase above the budget isn't that odd because they weren't in the original budget to begin with. So they've been budgeted through the process of budget resolutions throughout the year.

We have some expenditure of bond proceeds on our capital projects and then if you look under other budgeted cash I have that in a different color and the number actually reflects what we've expended and encumbered as well as what has been committed by the Board through allocating budgeted cash for projects.

For the FY 16 expense estimate, on slide #6, our estimated recurring expenses are coming in at $130.3 million. This does not include transfers. Looking at the chart on the left, the largest variance that you can see is in the salaries and benefits. We are actually anticipating to spend about $63.2 million on salaries and benefits this year compared a budgeted $71.1 million. So that is the largest variance of $7.9 million. That can be attributed to vacancies that the County has experienced this fiscal year.

Travel and vehicle expenses, we are coming in below budget by about $800,000 - $2.3 million compared to $3 million. Services are coming $2.9 million below budget – $11.4 million compared to $14.3 million. This can be attributed to some of our contingency lives in this particular category and it's a good thing that we haven't spent that, so that variance can be related back to that. Our maintenance and supplies is coming in below budget – $5.1 million compared to $8.8 million. That variance also has to do with some of our contingency living in that category as well as some of our hold-harmless projects which are not quite underway yet, and also we have intentionally held back some of the hold-harmless gross receipts taxes that we've collected to support our project at the old courthouse, so we did not intend to actually spend that money. So that variance is also a good thing.

Our operating costs have a significant variance and probably the largest part of our contingency lives in this category. We're coming in $14 million compared to $20.3 million of the budget. Our insurance and deductibles has a variance of $1.9 million, coming in at $4.5 million compared to $6.4 million. In that category we actually have our contingency for judgments and settlements and so leaving that variance there, we like to do that too. So debt service of course is exactly what we put in the budget. That is recurring expenses coming in compared to $130.3 million compared to our budget of $154.8 million.

On the non-recurring side, which is on the right-hand side of your chart, we have one-time operating expenses, which can be one-time contracts, one-time maintenance projects, other one-time expenses that are escaping me right now, we have a variance of $2.7 million. We're coming in at $5.7 million compared to $8.1 million. We are essentially flat on our asset renewal and replacement. That is everything that people requested and we're approved by the Board last fiscal year, essentially are being purchased and utilized as intended, so that I show as zero variance. It's actually a few thousand dollars.

Then again, for other capital I have it kind of cut out by a little line that shows $14 million of anticipated expenses for FY 16, and then the balance of that other capital as committed for future year commitment for capital projects. We had made the decision to put as much of the budget as we had available in cash and revenue towards the capital projects rather than budgeting as needed as we've done in the past.

So the moment of truth, our FY 17 recurring revenue estimate would be found on slide #7. The first and largest portion of the budget would be the property tax. Again, that includes both operating and debt as well as the one percent fee that goes to the Assessor's reappraisal fund. Our estimate is to have $59.2 million. That is slightly less than what we are getting in this year at $59.3 million. I'll point out that that actually includes a two percent increase in our current year collections, but it does include a reduction in our prior year collections which have been declining and are coming in quite a bit below budget this year.

So that is in fact an increase even though it doesn't look like it. The other part of that shift is that the debt service mill goes up and down depending on what our actual debt service is, so that kind of makes it a little tricky in that number as well.

For our gross receipts tax I have budgeted – currently we're looking at a two percent increase, which is net of our hold-harmless reduction, so it's a two percent increase across all of our gross receipts tax funds. We have $50.2 million that I'm anticipating in FY 17. Also a portion of that increase is because we're going to have a full year of our hold-harmless gross receipts tax where we only had ten months in FY 16, as reflected in the FY 16 budget.

Other taxes are slightly higher, essentially flat. Our revenue from other governments, we include our grants that we kind of count on on an ongoing basis that we know we're going to get. Probably our DWI grant, our fire allotment – all of those. We do consider those recurring in nature. Our housing subsidies, things like that. So that is what is in that number for recurring revenue and that increase would be directly tied to a grant or a subsidy.

Our charges for service are essentially flat, slight increase of $100,000. Care of prisoners and wastewater are essentially flat as well and our other revenue has declined by about $100,000.

So some other factors that we had to consider as we were building it into the revenue projections for FY 17, we have experienced a reduction in our solid waste fees, which are being collected. That's about $.2 million. We anticipate having a reduction in our land use fees which we're estimating to be about a $300,000 reduction. Payment in lieu of taxes is a great unknown for FY 17 so I have not included it in the budget. That's about $700,000. And then I have reduced our collections for prior year property taxes by about $700,000.

IV. C. FY 2017 Revenue Assumptions

MS. JARAMILLO: So with our revenue assumptions, our current year property tax revenue did increase by approximately two percent as I mentioned. That is about $900,000. Gross receipts taxes again, two percent increase for both countywide and unincorporated. That amounts to about $800,000. We have our full year of hold-harmless gross receipts tax collection which increases the budget by about $700,000 leaving state share taxes, care of prisoner, wastewater essentially flat, and then as discussed, the payment in lieu of taxes and the change to the fee structure of land use fees is taken into consideration.

Slide #10 is just an introduction to what Katherine mentioned earlier about revisiting our health insurance program. As she mentioned last year we explored leaving the state and we decided not to do that based on a number of unknowns, and now that we have another full year of data we are going to present to you information so that you can – we can revisit the health insurance program.

So we have here Mike Rohr, who is a client consultant for Arthur J. Gallagher and he will present to you some information on the potential for self-insuring on our health insurance.

MS. MILLER: Mr. Chair, do you have any questions so far? We could either – we could one of two things. Go through the last three slides or so, turn it over to Mike Rohr, or we could turn it over right now but I was just wondering if you had any questions so far on the presentation so far.

COMMISSIONER STEFANICS: Mr. Chair, my questions are on the FTE and vacancy savings. I'm a little concerned. If departments have asked for staff and we funded them in the last year's budget cycle, it would seem to me that there had been a need and now we're saying by not filling the vacancies there's not a need. So could somebody just address that?

MS. MILLER: Mr. Chair, Commissioner Stefanics, one thing that's a little different that we do at the County versus probably just about any other local government in the state as well as the State of New Mexico is we fund departments at 100 percent, so we don't do any vacancy rate. So they're give 100 percent of whatever their FTE count is. They get existing salaries and then a midpoint for vacancies. So if they have vacancies and it takes them a month to fill or they're a department with a high turnover they're going to have a lot of vacancy savings.

What the County does with that – we never say you can't fill them. It has nothing to do with restrictions on filling the positions and at the state level, for instance, they would say, Okay, well, we know you're going to have turnover so we're going to fund you at 95 percent of your salaries and benefits, which is a vacancy rate. We don't do that. What we say is we'll fund you at 100 percent, so if you have your positions filled you're not going to run out of funding by the end of the year, but we take that one-time savings because we consider it a one-time savings. Once that position is filled, if it was empty for two months, that funding drops back to cash and that's what we use to fund our capital package in the following year.

COMMISSIONER STEFANICS: So, Mr. Chair, the second part of my question is what did we fund in FTEs last year that were not filled? Because we had some special requests in the budget last year and so I'd like to know if those were met or not because we're almost through the entire year.

MS. MILLER: Mr. Chair, Commissioner Stefanics, I think that all positions that were funded were certainly advertised to be filled, but I could give you an example of where we've struggled. So in Corrections, in nursing I think, we added three nursing positions. While we've advertised and filled those we've ended up with vacancies in other positions. So that's one where we have high turnover and we have a hard time filling those and keeping 100 percent staffing. And that would be the same in the detention officers. I don't think there are any positions that were funded that didn't get filled or was not attempted to be filled but I have to go back and look specifically.

But from the minute that the Board approves it and it's built into the budget the departments are authorized to go forward with advertising and filling those positions.

COMMISSIONER STEFANICS: Well, Mr. Chair, I would appreciate that information before the next meetings because if we're hearing specific requests and there were requests in the past that were not filled I think we need to see that it's not being followed through. So it's not anybody's fault; I just want to see – and I'm just using an example. If we had a request for a dogcatcher and we never filled that position let's talk about that we didn't fill the position but we funded it. So that's what I'm getting to. Thank you very much, Mr. Chair.

CHAIRMAN CHAVEZ: Can you talk to us a little bit about the payment in lieu of taxes and its potential elimination? Is that really –

MS. MILLER: Mr. Chair, and actually I was going to ask Commissioner Stefanics if she's heard anything from NMAC, because this has been one of those items that we used to be able to count on year after year but in the last three years it's not been automatically in the federal budget and for Santa Fe County it's about $657,000 a year and we've ended up receiving it but we haven't counted on it as a recurring revenue. We've counted on it more as a one-time.

COMMISSIONER STEFANICS: So, Mr. Chair and Ms. Miller, it was approved the last time for two years only, and then it will go back to a congressional fight again. So I believe we've only finished the one year but let me actually find that email to verify that because I'd hate for you to put the funds in and not have it. But my understanding was it was approved at the congressional level for two years but then it's going to go back again.

CHAIRMAN CHAVEZ: Okay. Thank you.

MS. JARAMILLO: Thank you.

IV. D. Health Insurance Plan Information

MIKE ROHR: Good afternoon, Mr. Chair and Commissioners. I'm very happy to be here. Again, my name is Mike Rohr. I'm with the Arthur J. Gallagher and Company and as indicated, the material we're going to talk about today is an update to a study that we had completed last year to determine the feasibility of the County separating from the state for benefits purposes for medical and prescription drug, dental, vision, long-term disability, short-term disability and –

COMMISSIONER STEFANICS: So, Mr. Chair, are you going to cover 12, 13, 14, 15 later? Okay. Thanks.

MR. ROHR: The feasibility study covered medical and prescription drugs, dental, vision, life and disability programs and on slide #3, the discussion that we're going to go through is the medical and prescription drug, the dental and vision and the results of our study. The baseline on this is shown on the left-hand side. It's the column estimated funding to the state and we actually received enrollment information from the state by coverage type, by plan, by employee versus employee spouse and so forth. And those numbers were multiplied by the respective funding rates in each of the months of that 48-month timeframe.

So the estimated funding to the state, while not exactly the dollar amount that was paid to the state, we believe it to be very, very close to the dollars that were owed to the state during that four-year timeframe.

Now, what we did with that to take a look at what might have occurred had the County been separated from the state during that four-year timeframe. On the right-hand side we took a look at your plan as though it were a self-funded plan during that four-year timeframe. And to do that we received claim cost information attributable to the employees and the dependents of the employees of Santa Fe County. So the claim cost aspect is actual numbers; it's total fact. And for example in 2015, the cost of the County's plan, the claims represented about 85 percent of those total cost dollars, so the bulk of these numbers are true facts.

The non-claim cost factors, which would include administration of claims, which includes Presbyterian and Blue Cross as an example, paying the claims that are attributable to the Santa Fe County employees. There's maybe network access and network setup, things for example, both the Blues and Presbyterian will go out to providers and contract with them for discounted services. And there's a cost associated with the people going out and making those negotiations and so forth.

We looked at it from the perspective of the County being actually self-funded so mechanically, we took into consideration not only the administration charges that I mentioned but also we assumed that you purchased individual stop-loss coverage as well as aggregate stop-loss coverage. Individual stop-loss coverage, as the name implies, protects the plan against claims attributable to any one given individual. Aggregate stop-loss coverage, sometimes called sleep insurance, is, as the name implies, protects the plan against overall total claims going askew of projections. So that amount for non-claim costs is based on Gallagher's market knowledge and our expertise.

And we validated that information in two different fashions. During the spring of last year we went to Blue Cross-Blue Shield of New Mexico as well as Presbyterian, presented the claim cost, enrollment data and the large claim information, and said to the respective carriers, give us your best estimate as to what your fixed costs would be based on these known assumptions. And secondarily, our costs were validated when we went to a more comprehensive, formal RFP during the spring and summer of 2015. So the numbers here, we know that the claim costs are fact, we know with a very high degree of certainty that the fixed cost factors are very close to being correct, and what our research, what our study discovered is shown on the right-hand side.

Had the County been self-funded during that four-year timeframe, for example in 2012, the estimated cost would have been about $5,570,000, give or take. That would be compared to the left-hand, the estimated funding to the state of $5,690,000, a difference of roughly $120,000 shown on the far right-hand side, the difference versus the state. Each of the four years the thought process was exactly the same is how we made the comparison. And in each of those years the cost, had the County been on a self-funded basis separated from the state, would have been more favorable in our estimation as compared to the estimated funding actually paid to the state. Over that four-year period the positive would have been about $2.5 million.

Now, with respect to the dental program we haven't shown the year by year results but over the four-year period the dollar amount differential would have been to the County's favor a little bit to the north of $215,000 and of note, each of those four-year periods, similar to the medical program, the dollar amount that the County would have saved, as compared to having been with the state, was in the green. So all of the numbers shown in green represent years or series of years where the costs to the County would have been more favorable separated from the state as compared to what actually was paid.

The exception to this is the vision plan, which ended up in a deficit over that four-year period of about $5,500, roughly break even, give or take.

All three coverages combined over that four-year period, the benefit of being apart from the state would have been in the range of about $2.66 million, again, over that four-year period of time.

The middle section of numbers illustrates the plan cost assumptions on an insured basis, and insured versus self-funded, basically the County takes on the responsibility of claim dollars up to a certain threshold, that being the individual stop-loss threshold. The assumption in these numbers is that that threshold would be $125,000. Similarly, we've assumed a pooling point within the illustrative insured plan cost numbers that has $125,000 threshold, and the difference between insured versus self-funded, insured you basically write a check to the insurance carrier and then you forget about it. Whatever happens is the insurance carrier's risk. They're totally at risk from dollar one, whereas with the self-funded plan there's some risk to the County but that's mitigated with the use of specific and aggregate stop-loss coverage.

The results here, you'll note that the first two years, 2012 and 2013, were actually in the red, whereas in 2014 and 2015 estimated costs on a fully insured basis, separate from the state, would have been more favorable to the County. And over the four-year period it would have been roughly $1.387 million in favor of the County had the County been separated from the state.

Two things to circle back on the numbers and the cost assumptions here. Express Scripts is the pharmacy benefit manager and we have no way to link up claim dollars associated with large medical claimants, so the claim dollars that were assumed to at $125,000 or more that were prevented in this whole exercise began functioning exactly like what a self-insured plan would look like. Large medical claimants, people with large medical claims typically have potentially large prescription drug claims. Those prescription drug claims, since we couldn't link the data to the individuals, we didn't give any claim cost credit for prescription drugs. So the claim cost numbers are arguably higher than what they otherwise would have been, and we believe that, on the insured plan, in those first couple of years that had we been able to pull in those prescription claim dollars attributable to large claimants and give them credit for those, those deficits would have disappeared and probably would have been in the green. Similarly on the self-funded columns those would have been a little bit greener had we been able to pull in that data.

The other aspect with regards to the first 18 months of the plan, the state, as you may know, rather than passing increase in costs off in terms of increasing the funding rates, the state actually, during that 18-month period that we've had in the study here, they were actually dipping into reserves to cover those increases in anticipated costs. So had the state done, rather than relying on reserves, had they increased funding during those 18 months, the dollar amount that would have been paid to the state would have been a little bit higher, which would have meant that those deficit years in 12 and 13 would have been in all likelihood positive years.

That aspect isn't – while being important for the first couple of years, in the overall analysis is probably a wash but I just wanted to point that out in case there was some question on why there would have been a deficit in those first couple of years.

Are there any questions or thoughts on that as we go through this? Very good. Thank you. I'll continue on.

The next page 4 shows some considerations for separating from the state and possibly the number one consideration, other than financial, is that it allows for the County to set up their plan design to better meet the needs of County employees. You have your own choice of carriers and you'd have your own choice of how you want to divvy up the employee cost share philosophy. You'd have better and more timely access to claims data costs. We just talked about the historical data, suggesting that there's possible cost savings involved. Now, given your size, 700 to 800, 900 people covered under the plan, there's greater potential for claims fluctuation in any given year, although the size of the County does afford some degree of predictability with appropriate use of stop-loss protection.

Another aspect to consider is administration, meaning the increased oversight and ongoing administrative effort of having responsibility for your own benefits plan. Now, in our conversation with the folks in HR it actually may be – being on your own actually may be less than or equal to the current administrative effort with the state. Now, for the County Manager and the Deputy County Manager and some other folks, there's probably going to be more responsibility, more meetings, more time spent with me talking about what your plan cost expectations are going to be in the coming year and the years after that, whereas, right now, you're basically told – you receive a letter from the state saying here's what your funding rates are going to be for next year. Here's what your plan's going to be. Here's the plan design. Have a swell day.

So there would be some more administrative effort on their part. The County would have the ability to self-fund. The last and maybe a very important aspect here is the one-time fee for separating from the state upon withdrawal. I'll talk more about the rationale for this in just a bit. Those dollars are not included in this analysis at this point. They could in theory be built into your first year of funding upon separation and based on a December 31, 2016 separation date, those costs are estimated to be between $613,000 and $663,000. The reason I don't have a better answer for you is because those termination costs are based on your actual paid claims over the last 24 months while you were with the state, and it's basically the equivalent of the average of one month over that

24-month period, plus an administrative cost.

And that termination cost – it's not a penalty per se but what it contemplates is there are claims for services received while you were covered under the state program that are going to be paid after the County separates from the state. So that's what those dollars are intended to cover. Okay?

On page 5, some of the benefits of being self-funded as opposed to fully insured, you would have even a greater degree of control and flexibility over your plan design to best meet the needs of the County employees. Insured plans are typically filed under the state and they're very rigid in terms of how they're set up. Under self-funding or being self-insured, you have a lot more flexibility as to how you set up your plan design. You're not necessarily locked into the filed plans that are available through the carriers. Again, you would even have a greater degree of timely access to your claims data in getting claims information on a monthly basis if not a weekly basis. And lastly is cost. On a self-funded plan you're anticipated that it will eliminate the marginal risk and profit charges that are built into a fully insured plan. There are improved cash flow and interest earnings opportunities and it avoids the health insurer fee under healthcare reform, which, to be fair, has been suspended for 2017, but those dollars automatically increase your costs by 2.5 to 3 percent over and above your otherwise expected costs, simply because of that health insurer fee. And again, that's only for fully insured plans.

Page 6 refers to some of the key considerations with regard to being self-funded, those being fiscal oversight and establishing and maintaining adequate reserves is a paramount pillar, if you will, of being self-funded. There are basically two intended uses of fund reserves. Number one would be to anticipate and fund unpaid claims and expenses in the event of plan termination, similar to what I was talking about where you separate from the state, there's going to be claim dollars that are payable after termination. Generally, when an employer goes to a self-funded circumstance they don't go any other direction. In my mind, employers who do this have expressed satisfaction with having done so and realistically, the only reason that a plan would terminate would be in the event the business goes out of business, or in the case of, God forbid, national healthcare, in which case group plans, the necessity would go away and employers would fold up their group plans in favor of national healthcare.

The other and probably more important aspect of fund reserves is to offset unexpected claim fluctuation during any given plan year and so once those dollars are set aside those would be available to pay for plan years in which claim costs and expenses were greater than what were originally anticipated. Reserve fund buildup is included as part of the self-funding budget projections and process and it doesn't necessarily rely on a one-time cash infusion and I'll show you a quick example in just a moment of how that in theory shakes out.

Lastly, your fund reserves are maintained through appropriate policy and annual adjustments within the rate-setting policy, so each year I'll be here talking with the folks at the County talking about, okay, what are our expectations for next year and what does the budget look like and how do we need to react to meet that budget?

Reserve policies, again, a key to fiscal oversight. There's really no one rule fits all. Reserve policy or strategy is based on the employer's comfort level with self-funding.

There's no legally required reserve standard and there's no industry standard as far as reserve policy. Most public employers do have a reserve target that's in excess of the pure estimated incurred but not reported or you'll hear the term IBNR claims expense payable in the event of plan termination. That IBNR is essentially approximately one month's worth of claims, plus claim cost administration of those claims, about nine percent of annual paid claims.

Some sample public employer reserve policies or strategies are shown at the bottom of page 7. Some employers implement a base reserve of the pure IBNR, plus claim fluctuation margins, somewhere in the range of maybe five to ten percent, making the reserve target or strategy somewhere in the range of 14 to 19 percent. Other employers take on a more conservative approach and they look more in the range of 25 to 30 percent of expected claims, which would generally fund the gap between expected claims and aggregate threshold where the insurance carrier liability would kick in if clams really went askew of projections.

On page 8 we've prepared a sample illustrative cash flow and a reserve buildup model. And we started out with actual numbers that we know. So 2015, had the County hit the ejector button and moved away from the state effective 1/1/2015 here's what likely would have happened. The funding, based on what you paid to the state was $7.33 million. Net effective paid claims, $5.1 million. But remember, I mentioned that claim dollars paid during any given plan year, some of those dollars are attributable to the prior plan year, and so that first year, when and if you make the decision to separate from the state, your slate is wiped clean and your responsibility starts with those claim dollars. In this illustration, starting with services received in 2015.

Now part of the claim dollars, that $5.1 million, those were for services received back in 2014. Those are the state liability, and the actual numbers on that for 2014 claims paid in 2015 amount to roughly $525,000. That's why you're paying that amount of money to the state upon plan termination. Okay? The estimated non-claim cost during that plan year, about $1,385,000. Total plan expenses, just under $6 million. So if you compare the $6 million to the funding during 2015, that difference is about $1.35 million, that's your reserve buildup for that first year, and that reserve figure of $1.35 million as compared to your claims is about 26 percent of claims. So you're just about at a target reserve figure of 25 percent, not quite to the 30 percent that Ms. Miller had expressed, more in line with her comfort level.

In 2016, if we assumed no budget increase to your funding and if we assumed a cost increase of the medical plan to be in the 7 to 7 ½ range the end result would have been a positive balance of about $347,000, meaning that the cumulative reserve buildup of the first year of $1.35 million plus the $347,000 equals $1.7 million, and that $1.7 million as compared to projected claims is about 31 percent so we're right on track of where you would want to be if your reserve target is approximately 30 percent.

In 2017 if we assume a four percent budget increase and again, the 7 ½ to 8 percent increase in your plan costs, the year-end result is about $109,000 surplus, making your cumulative reserve buildup of about $1.8 million or 31 percent of expected claims.

In 2018 and 2019, we've assumed 7 ½ percent increases to budget in each of those plan years and increases in plan costs in the range of 7 ½ to 8 percent in each of those years. The result on a year-end basis, about $109,000 in 2018 and $109,000 in 2019, and in each of those years the reserve buildup on a cumulative basis, $1.9 million and just over $2 million in 2019, reserves as a percent of projected claims working out to approximately 30 percent, so it's an example of how you want to approach your budgeting practice to make sure that you're coming out at year end with a reserve balance of about 30 percent of your projected claims.

Page 9 is a sample list of clients in New Mexico who with Gallagher's assistance have made the move from insured to self-funded and I'll call your attention to the middle three clients – the City of Rio Rancho, Georgia O'Keeffe Museum and Los Alamos County. Those are clients with whom I deal directly with and so I have a lot of contact personally. And particularly, with regard to the City of Rio Rancho and Los Alamos County is those are the two employers who most closely resemble size-wise Santa Fe County. And I've taken the liberty to get in touch with the folks at Rio Rancho and also Los Alamos County and I've got permission to have any of you folks at the County here talk about their experience in going from insured to self-funded and they can talk you through what their heartache was and their concerns and how it actually worked out for them. So I can give you that contact information as you wish.

Pages 10 and 11, we talk about stop-loss coverage. Page 10 references individual stop-loss and the example I've given, and just to circle back, individual stop-loss coverage is, as the name implies, protects the plan against claims attributable to any one individual. And in this example, let's say we have a premature birth. The claim cost was $200,000. The first $125,000 would be Santa Fe County's liability. The overage of that, the difference between the $125,000 and the $200,000, or $75,000 would be paid for by the stop-loss carrier. So that wouldn't hit your pocketbook at all.

Now, $125,000 was the magic there, well, it just happens to be what the City of Rio Rancho and Los Alamos County have had their stop-loss thresholds set at for a number of years. If you decide that you want to be a little more risky you can increase that threshold. It will cost you less dollars in terms of stop-loss premium, but at a cost of having more claim dollars going to your overall claims. The other direction, if you want to go with, say, $100,000 of specific stop-loss level you can take less potential liability the cost is going to be greater but the end result of that would be there would be less claim dollars filtering into the claim deposit that you actually have to fund.

Page 11 talks about aggregate stop-loss. Again, as I mentioned, some folks call this sleep insurance. It's fairly inexpensive and it protects, as the name implies, the overall plan against claim costs being greater than what were originally expected. On a group the size of the County we typically don't see the purchase of aggregate stop-loss coverage as having merit and as an example, during 2015 claims would have had to have been about three-quarters of a million dollars higher in order for the County to have received any value for having aggregate stop-loss coverage. Something to think about for the first year or two but most employers after that first couple of years they get into the groove of things, they feel very comfortable with self-funding. They're comfortable with their reserve level and they get rid of their aggregate stop-loss coverage.

Public employers, as the last bullet indicates, typically manage their yearly claim fluctuation through development of an adequate reserve policy and management. So with that I'll turn it back over to Ms. Miller.

CHAIRMAN CHAVEZ: Commissioner Stefanics.

COMMISSIONER STEFANICS: Thank you, Mr. Chair and thank you for the presentation. I have a couple comments about this. First of all, I hope that the Board would agree with me that if we made any changes we would do no harm to the employees. I think that when an individual or a family goes through a catastrophic illness, disease or treatment it can really affect the overall health and stability of that family, and I would like to make sure that we would come to some agreement about that.

This might be the right time to talk about doing this. I know that we considered it in other years but I do believe that due to the current status of the state budget and sources of revenue at the state that the employee benefits at the state level are going to be targeted and I believe that the state employee health will be targeted. Even if there's only a one percent increase this year I do believe there is going to be some adjustment made to the types of benefits. So if other people were interested in doing this, this might be the right time to consider it. I do think – well, I'll just stop there. Thanks.

CHAIRMAN CHAVEZ: Commissioner Holian.

COMMISSIONER HOLIAN: Thank you, Mr. Chair. Actually, I would like to get some feedback from our County Manager as to what her take on this is.

MS. MILLER: Mr. Chair, Commissioner Holian, actually, it gave us a lot more comfort – HR, Finance, the Manager's Office, we have been through this presentation and information with Gallagher and definitely we have more comfort getting another year of actual data than the three we had last year when we did this. Additionally, I think with the difficulties we've had working with the state administration on the state's plan it also gave us a little bit of comfort that it might not be as much more work as we initially thought. I can say that staff has had to do a lot of work and spend a lot of time, particularly Sonia in HR, dealing with reconciling our payments to the state. It's been kind of a non-stop effort and as much effort as that's taking we thought it might not be as cumbersome as we thought. We wouldn't be taking on as much more work.

Additionally, one of the questions last year about creating our reserve fund, I think we have an ability, and I asked him to actually make that slide to show you how quickly we could build up to a 30 percent, which is pretty conservative. And therefore even if we funded a reserve up front we could pay ourselves back to the general fund pretty quickly. So I think those three things, compared to last year not having as much information and knowing whether we would be at that place has put us in a position – I think Carole, Bernadette, myself, Tony, all of us looking at it saying I think it is a good time to consider it.

The other thing we thought too were some of the comments that Commissioner Stefanics said. While we just got information yesterday that the state plan is increasing only one percent – we thought it might be three to five – so we're pleased that it's only one percent, but we don't know what might be coming down the road and it might be a good time for us to go ahead and take this step and get ourselves in a good position to self-insure. Aside from that I don't have a crystal ball that we wouldn't have some difficulties. I think Commissioner Stefanics and I were talking a little bit. I would like to talk to the entities of a similar size, talk to their managers, talk to their HR, Finance, see what kind of difficulties they experienced and whether they're glad that they've made that transition and whether they plan to stay and if not if they've had a less than positive experience, what their actual difficulties were.

But I think it's worth – I think actually the information would indicate it's not a bad move for us.

COMMISSIONER HOLIAN: Thank you. I appreciate your take on that and I certainly am willing to consider this. I like the idea of being able to customize our own self-funded plan and I think that it would be a good next step to talk to the other entities that have gone to a self-funded plan. Thank you.

MS. MILLER: Mr. Chair, also, one of the things – and I said it kind of kiddingly to Carole. I said we've kind of stepped up our wellness plan, our own internal stuff that we've done with employees over the last couple years. I said I wonder if that had anything to do with lower claims because we've got a fitness challenge, but in all honesty, we have opportunities to do more for our employees along the line of wellness and fitness and things that might help keep our claims lower.

CHAIRMAN CHAVEZ: I guess the only thing that would change – we don't know how the market trends would change so the 30 percent reserve might have to be revisited if we go in that direction. So having the reserve I think seems to be one of the critical pieces if we're going to self-insure.

MS. MILLER: Mr. Chair, I think that is true and like I said, discussions were, we're pretty conservative. I think that Santa Fe County is conservative relative to making sure we have good reserves, so we'd want to have maybe a higher than industry standard reserve. I think it's just prudent to do so. So I think that's one thing. But also looking at this, the projections on doing that reserve buildup, if you'll notice, that's with a 7 ½ percent increase in the out years and that's according to Mike, an industry standard that it's been. So we're looking at kind of an industry standard as we look out over the long term as well.

CHAIRMAN CHAVEZ: So if you painted a different picture and we were not following industry standards, what would that 30 percent need to change to? It would be higher, not lower.

MS. MILLER: Mr. Chair, no, I was saying actually I think for the County, what we're seeing is our claims have not been at 7 ½ percent increase necessarily, and the state's benefited from the fact that our claims have not been going up at 7 ½ percent. But what Gallagher was showing in 18 and 19 was that claims would be going up, cost of claims would be going up 7 ½ percent as well as costs for the plan itself going up at 7 ½ percent. And still with that, we'd have a 30 percent reserve.

CHAIRMAN CHAVEZ: And you're comfortable with that.

MS. MILLER: Yes. I think if we had a really bad year you might have to have a couple years where you have a larger increase in order to fund, to bring the reserve back but that's something that we have control of versus – you could take it from another source if you wanted, rather than increasing the premiums to the employees. Whereas with the state, when they had a bad year we just get whatever increase they give us. And so we have control over how we might replenish reserves if we end up taking a hit in a particular year. The County Commission could decide how to replenish those reserves, whether you want to do it over a longer time and not have as large of an increase in premiums, or whether you wanted to just fund it from a different source if we had other reserves and you want to take from, say, the uninsured – we have uninsured loss reserves, you might choose to take it from there versus – when the state has lower reserves, has a bad year, their only way to make that up, really, is through increasing premiums to all the participants in the plan. And we had – I think it was about 15 percent in one year as a result of that.

So you see in the two years where we didn't have as much of an increase, they didn't increase the premiums that much but their reserves went way down and how they made that up at the state level was to push a 15 percent increase to all participants in the plan. And we had no choice. We just get what they give. Whereas we could make those increases either more gradual, find other ways. We can manage it year to year with our own control versus what the state decides.

CHAIRMAN CHAVEZ: Any other questions? Commissioner Roybal? Okay. So I think we're done with questions.

MS. MILLER: We need to go back.

CHAIRMAN CHAVEZ: So we're going to go back to the agenda and you have some more presentation that you want to do, Carole?

IV. E. FY 2017 Expense Requests

MS. JARAMILLO: Mr. Chair, Commissioners, yes. If we can return to slide #12 of the primary presentation. It should be following all the appendices to Mr. Rohr's presentation. I have just summarized what we know about the FY 17 expense requests, some of our assumptions. So for FY 17 the budget kickoff, departments were instructed to maintain a flat budget. These have all been submitted, these budgets from the departments and the office but they have not been fully analyzed.

We did find, as Katherine mentioned, that the notice that the state insurance premiums will increase by one percent, so we factored that into our expense budget for next year. We are going to budget a 25 percent increase to our multiline law enforcement Worker's Comp. We typically do use that amount. Sometimes it's more than we need. Last year it wasn't necessarily as much as we needed, so we'll stick with 25 percent on that. That's an increase of $800,000 to the overall budget.

We are also going to increase the set-asides for our deductible payments, all of our deductible amounts, or many of them anyway increased for our multiline and law enforcement liability this year. We did ask NMAC to do an analysis using our past claims and applying what our new deductible amounts are to give us an idea of what we should be budgeting for that. That's going to look like an increase very conservatively of $500,000 to the insurance deductible. We're hopeful that that won't all be used but we do like to have it all set aside just in case.

PERA had no increased contributions. This year our investment in employees is being requested or recommended anyway to of course budget for any bargaining unit, any negotiated changes to compensation from the bargaining unit contracts. We are going to request continuation of funding for New Mexico EDGE and our tuition assistance program. Of course we're also going to return the summer intern program to the County's programming.

There were 24 FTEs requested that were either classified or term and 11 temp employees requested. Those are outlined on the slide #13. The total cost of that request is $1.6 million; that includes benefits. Two of those requested FTEs are actually PRNs currently that are requesting to be classified to a full-time term position.

We received $6.2 million in requests for asset renewal and replacement and that's summarized as IT requests and related, is about $600,000; other equipment and machinery, about $700,000; heavy equipment, $2.1 million; furniture and fixtures, about $100,000; other fixed assets, $400,000; and vehicle requests of $2.3 million. Those items are the subject of what's being reviewed by the committees and discussed with the departments and offices and we will be getting the committee recommendations for you for the next budget study session on each of those.

On slide #13 is an eye test that shows what the FTE requests were. It's hard to put all that onto one slide. I do apologize. I'll summarize it for you. We had three classified FTEs requested from ASD; one temp and two terms from CSD – that was the request to reclassify the PRNs to term; Growth Management asked for one classified position; Public Safety/Fire asked for six classified and ten temp for the wildland; RECC asked for four classified; Public Works asked for one term and one classified; and the Sheriff asked for six classified FTEs. I apologize there's no total on that spreadsheet. The total is $1,643,515, including benefits.

COMMISSIONER HOLIAN: Mr. Chair.

CHAIRMAN CHAVEZ: Yes.

COMMISSIONER HOLIAN: Carole, on the wildland-urban interface technicians, those are an increase in the number of people that we have in that position, correct? Or are these completely new in some way?

MS. JARAMILLO: Those are to re-fund the temporary positions that we have this year.

COMMISSIONER HOLIAN: Okay. Thank you.

IV. F. FY 2017 Budget Priorities and Issues

MS. JARAMILLO: Okay, if we move onto slide #14. FY 17, we have what we've recognized as our operating budget priorities thus far. We continue with the open space and trails master planning and maintenance of those assets, facilities maintenance, water planning and utilities expansion, we have our youth programs, senior services, energy efficiency and renewable energy programs, programming and operational funding for new facilities, Pojoaque Rec Complex, Stanley Cyclone, Max Coll Community Center and Jacona transfer station. Some of those we've already started to have operational expenditures this year but they haven't been a full year; next year they will be a full year of expenses.

Road maintenance is always a priority, wildland urban interface program, economic development initiatives and then modification to some of our health programming.

MS. MILLER: And Mr. Chair, Commissioners, this would be a good time for us to ask you if there's anything – because a lot of these are continuations from prior years that have come up in discussions in prior year budget process. And then I want to point out the modifications to health programming that we're referring to there is that we have from what happened at the state legislature when they took one-twelfth of our healthcare assistance funds, leaves us with recurring revenue in what I'd call the former indigent fund of about $1.3 million or so per year. The rest of that goes to the state.

But then we have our cash reserves in that fund that we've been concerned about actions at the state in several of the reports from LFC, kind of indicating, oh, look at what kind of cash balances the counties have in these funds and we're short in Medicaid so maybe we should scoop that money up. What we intend to do is bring back in this budget process some initiatives that we've either currently been funding or some newer ones to try to use that one-time money, to start to use some of that so it's not all taken by the state if taken at all.

CHAIRMAN CHAVEZ: So would this be specifically related to our County *Health Action Plan* in implementing more of that, being more aggressive in implementing that plan?

MS. MILLER: Mr. Chair, exactly what we are trying to do. Some of the contracts we currently have, expanding those, looking at multi-year plans with those as well as looking at how we can better situate the County to – the providers in the county to access Medicaid funds for services that they provide that maybe they aren't currently doing. So some of these initiatives that we currently have, how we could get those to be more aligned to getting Medicaid funding for it.

So it's taking what we do have in our Health Action Plan but also looking at creating a better network of care, comprehensive care and finding other funding sources at the federal level since we're not going to have that recurring source anymore.

COMMISSIONER HOLIAN: Mr. Chair.

CHAIRMAN CHAVEZ: Yes.

COMMISSIONER HOLIAN: I have a question. So on this particular slide, how much are we devoting in our operating budget to economic development initiatives, this year as compared to last year, for example?

MS. JARAMILLO: Mr. Chair, Commissioner Holian, we actually have not analyzed the economic development budget request yet. That hearing isn't schedule for – I can't even remember when it's scheduled to be honest, so before it happens we'll be analyzing that request. I'm not sure. But typically we do have about – I think it's about $700,000 in that budget, and then we also have funds available for our LEDA programs that we established in FY 16.

COMMISSIONER HOLIAN: Okay, so we'll probably maintain it pretty much as it has been. Correct?

MS. MILLER: Mr. Chair, Commissioner Holian, yes. What we're going to try to do is look at those contracts that we have recurring, at funding those type of initiatives but also some of the one-time or short-term initiatives. We don't have necessarily a recurring revenue source that goes into the economic development fund, but what we have had are some infusions into the economic development fund based upon repayments of loans or even some grants that we had to get it started. And so what we've been trying to do is balance out the non-recurring sources that are in the economic development fund with some of the recurring and see if we can make a good leveraging of those resources.

COMMISSIONER HOLIAN: Thank you.

CHAIRMAN CHAVEZ: Commissioner Stefanics.

COMMISSIONER STEFANICS: Thank you. There's a couple things I'd like to mention. Commissioner Chavez and I were at the National Service Awards luncheon and it was primarily seniors from all the different senior centers in the city and the county who were there. And we were approached, individually and together, about not providing enough senior transportation in the county, and that the City was receiving requests from our seniors for transportation. Now, we do provide transportation for our seniors to do medical visits but they are asking that we expand that. And so I just wanted to put that out.

I would think that in terms of our health monies, our indigent funds and other allotted funds that not only our plan and our goals should be considered but the emphasis on substance abuse and behavioral health as two separate areas. We know that behavioral health has been decimated in the state. It's really bad. But the substance abuse initiatives we've been having, although very small for Santa Fe County, they have been very successful. So if there's some way to expand some of the ideas and the programming and substance abuse, that would be great.

I see you have on here open space and trails master planning and maintenance. It seems to me that we never have enough money for open space maintenance, and I know it can't come out of one pot of money; it has to come out of general funds, so maybe we could look at whether we're keeping up with what we have. Maybe we need temporary employees in that arena. I'm not sure.

I hope we will continue support for the libraries. I know you have youth programs and community centers here but our libraries, I would like to see that they don't totally disappear. And on the youth summer programs, had you started thinking about how much money? I see it's on the list but I know it cuts through both fiscal years as well.

MS. MILLER: Mr. Chair, Commissioner Stefanics, I think we have about $225,000 in the current year budget. We're doing that funding announcement now for this summer which will start in June and cover the contracts through the rest of the summer, and then we also, in addition to that funding we do about $130,000 to the different Boys and Girls Clubs within our housing facilities.

COMMISSIONER STEFANICS: And that's separate from the intern program.

MS. MILLER: And then that's separate from the summer intern program. So probably all three combined get us around $400,000 I think that we do for the youth programs. But as we build the budget we'll look at what more we could do in the other summer youth programs because we have had more interest throughout the year of entities calling us that have not been doing it. That's one that was built up and then during the economic downturn we had cut it out and then we kind of brought it back in gradually each year. So I don't know how much more the budget will allow for us to do that, and we struggle with – we don't like entities to get too dependent on it and then not have the funds if we have financial difficulties. So we try to do it in a way that's geared towards summer programs, not somebody's annual operating budget.

COMMISSIONER STEFANICS: Well, I've already been contacted, and I forwarded it to you and to Legal, an individual who's in law school looking for a summer intern program. So I know that people are interested at all levels, whether they're high school, college or further.

Now, on road maintenance, are you perceiving something flat or are you perceiving something additional? Because we will never have enough money for all the road problems that we have in the county.

MS. JARAMILLO: Mr. Chair, Commissioner Stefanics, we did request that all the budgets remain flat. The road maintenance budget has been, over the last several years, increasing and it's kind of topped out right now. They seem to be doing as much as they have the manpower to do, as I understand it, so I don't believe we'll be asking for an increase in those. We do continue to get grants, however, for road maintenance like the LGRF grant and the – the acronym has left me. But those are road maintenance grants that we continue to ask for and provide the match for through some of our other sources.

MS. MILLER: And Mr. Chair, Commissioner Stefanics, one thing that isn't in here is this is our operating budget but we also are going to have, when we finish this we'll be looking at our major capital budget. This is not our major capital budget, but on our GO bond and capital outlay GRT planning that we need to do. This year is a year for a GO bond question in November. So we would be bringing forward – I think we're looking at a $20 million – and we have to look at the property. We're meeting with the financial advisers but what we had discussed last year was around a $20 million question this year. I have to see what property values have done and what our current debt service would look like if we add another $20 million of bond questions, but typically we have a good portion of that as roads, road improvements.

So I think – this is kind of off the top of my head, my last discussion I think with Public Works group, we were looking at around $10 million for roads, $5 million for water and wastewater and $5 million for open space. And then that might tweak depending on what projections are on our ICIP at the top of the list. But I just wanted to point out that that was probably one of our biggest – it was $19 million for roads in our last GO bond question in 2012 of which we finished all of those projects except the major one which was the southeast connector in there.

COMMISSIONER STEFANICS: Thank you very much, Mr. Chair.

CHAIRMAN CHAVEZ: So I have a question on facilities maintenance. You have three bullet points but the County owns about 80 buildings that we're responsible for maintaining so this must be just a short list?

MS. JARAMILLO: Mr. Chair, this is a short list. These were some of the priorities that were identified as needing more immediate maintenance. They are primarily ongoing from last year with the addition of the fire stations this year.

MS. MILLER: And Mr. Chair, to add to that, these are ones that really didn't get a lot of funding in the past. So like fire stations really didn't receive much in the way of other County funds and they would use just their district funds or fire allocations. And so now they've been kind of brought into the planning for more repairs with the hold-harmless GRT, and same with public housing sites. We know that there's issues with the landscaping and some of the sidewalks and things like that that need some maintenance. This isn't necessarily for the actual houses themselves but the external infrastructure. And then same with some of the community centers. They're older and they just haven't had much of an infusion of County funds into them. Typically those things have relied on state appropriations.

CHAIRMAN CHAVEZ: So that leads me to my next question because I know that we have – there was a threat this last session that the state legislature would sweep money back into the general fund for projects that had not been started or completed. And so where is that in the mix? Especially on road maintenance because I think most of the money that we were carrying over was for road maintenance?

MS. MILLER: Mr. Chair, actually I think some of the ones that we have, and the big one that we're moving on as quickly as we can was the – we have about two appropriations equally around $600,000 for the fairgrounds, and that's to build the infrastructure at the fairgrounds, for water, wastewater and a new extension office. And part of the reason that one didn't get going quick enough is that we had not completed the funding to do a full project. That's one.

And then the other one that's out there I think is another STB for the La Cienega waterline extension. I think those are – and there might be some smaller ones. There was – in Chimayo there was one for improvements to the senior center up there, so we're working on that. Now, we've received though several hundred thousands this current year and that was for fire stations. We had Chimayo fire station – can't remember them all off the top of my head, Edgewood. There were several fire stations that we received appropriations for and we haven't even received those grants yet. Those are severance tax bonds.

I think the issue with the state, they did not do any bills to pull back capital funding but what I think they're doing is they're really looking – if they end of up having a special session or a need to plug a budget gap, they can't really use severance tax bonds to do that, to plug the gap there but what I think they're going to look at is if you're not spending the money and we have projects that we need to finish at the state level, and we can supplant severance tax bonds for general fund money and then pull back general fund money, that's essentially what happened six years ago – six, seven years ago when there was a budget problem.

But it's quite an undertaking for the legislature to do a bill that pulls back capital projects that have already started. They didn't get that far; they just talked about it. But it hasn't been done.

CHAIRMAN CHAVEZ: All right. So then I guess for us, we're kind of in a holding pattern. We don't have to be too concerned right now.

MS. MILLER: Mr. Chair, I think we need to be concerned about getting appropriations that we have spent.

CHAIRMAN CHAVEZ: First.

MS. MILLER: And those are a major focus with the Projects staff to get those – and Procurement, to get those contracts out for the fairgrounds and the –

CHAIRMAN CHAVEZ: So that in a way is kind of setting our priorities. Because if we lose that money we lose those projects and I think we're going to lose possible – we're not going to look at going into future sessions if we're asking for money that –

MS. MILLER: Mr. Chair, that's true. That's a different – it doesn't have anything really to do with our operating budget. It has to do with how we would approach our capital budget though. So we'll be coming to you as soon as we finish the operating budget for proposals for capital budget for questions that we want to take to the voters in November for general obligation bonds, and then also how we want to allocate future year capital outlay GRT.

COMMISSIONER STEFANICS: Mr. Chair, when you're finished.

CHAIRMAN CHAVEZ: I'm done. Go ahead.

COMMISSIONER STEFANICS: So Mr. Chair, Commissioners and Ms. Miller, in the future presentations I hope we will be discussing any increase to employee compensation.

MS. MILLER: Mr. Chair, Commissioner Stefanics, that is something that we will be looking at. I can say that we do have some concerns that we don't have a lot of recurring revenue to work with on that issue but we will, as we build the budget, we'll be looking at how do we balance any new FTE requests along with providing some kind of cost of living increase for County staff.

V. Possible Direction from the Board of County Commissioners on FY 2017 Budget

A. Balancing Needs and Priorities

CHAIRMAN CHAVEZ: So I think we've kind of covered balancing needs and priorities to some extent. We're not going to finalize it today because we have other study sessions scheduled in the future, but I want to be sure that we've covered that, and then we have one other item which is future study sessions. So going back to the agenda, did everyone have enough time to make comments on this item here? And we can work with staff in between also if we have any questions or if we need information we can work with staff between now and the next study session.

MS. JARAMILLO: Absolutely.

V. B. Additional Budget Study Session

CHAIRMAN CHAVEZ: So then we can move on to – you had some dates for the next study session, Carole?

MS. JARAMILLO: Mr. Chair, yes. We were hoping to have our second budget study session on May 10th, which would be the same day as the regularly scheduled BCC meeting, the first meeting in May, to have another budget study session.

CHAIRMAN CHAVEZ: Okay.

IV. D. Health Insurance Plan Information (cont.)

MS. MILLER: Mr. Chair.

CHAIRMAN CHAVEZ: Yes.

MS. MILLER: The only thing I would like to ask is would the Board like us to proceed with – let me go back to that slide.

CHAIRMAN CHAVEZ: Oh, for the self-insured?

MS. MILLER: Yes. Because I think there are some next steps and I want to make sure that we –

COMMISSIONER STEFANICS: So while they're looking for that, Mr. Chair, on this topic, Ms. Miller, when does the current state plan change? In July or next January?

MS. JARAMILLO: Mr. Chair, Commissioner Stefanics, the increase will take place on July 1st. I don't know if there will be changes to the actual plan but we would have to give notice to the state. I believe it's in September if we intend to –

COMMISSIONER STEFANICS: September or January. Okay.

MS. JARAMILLO: Yes.

CHAIRMAN CHAVEZ: So we have next steps on page 12, discussion and request direction on the Santa Fe County employee benefit program, market conditions. I think these are next steps but not what you're looking for, because you want direction on whether we do self-insured or we stay with the state insured plan.

MS. MILLER: Mr. Chair, I think it's under the last bullet, is formal RFP. It would be appropriate if the County wishes to proceed with separation from the state. From what I understand and Tony might be the best person to give you the time frame on this is because when we did the RFP last year, we did do an RFP. I think we started the process in May. Perhaps I can wait until the next regularly scheduled BCC meeting at the end of April to ask that question and get formal direction, but if I recall we did it in May in order to get the proposals from the healthcare providers. I think we just really want to know if the Commission is comfortable with us doing that because we would be doing it with the intent, if the results are good to separate from the state's plan.

CHAIRMAN CHAVEZ: So the question to us is are we comfortable with the conceptual approval to proceed with the separation from the state for our insurance purposes. Is that accurate?

COMMISSIONER HOLIAN: Yes. And my question is do you need a motion?

TONY FLORES (Deputy County Manager): So, Mr. Chair, for clarification, we have about a three-week window before we could actually get the RFP on the street. We had the RFP last year out for 90 days. That would allow us enough time to get adequate responses back. I think last year we received 13 different proposals from providers to have those evaluated, then bring a recommendation forward and then start negotiations. We need to have this completed no later than the end of July. So backing that date up, I'd recommend that we get a motion, if the Board so desires, to move forward with an RFP.

COMMISSIONER HOLIAN: Mr. Chair, so moved.

COMMISSIONER STEFANICS: I'll second.

COMMISSIONER ROYBAL: Second.

CHAIRMAN CHAVEZ: There's a motion and three seconds. Can we be more specific on the motion for the record? Because a motion is a motion but –

COMMISSIONER HOLIAN: The motion is for a formal – to move forward with a formal RFP on the health benefits.

COMMISSIONER STEFANICS: For the purpose of creating a self-insured health program.

CHAIRMAN CHAVEZ: That's crystal clear. So we have a motion and multiple seconds. Any further discussion? Hearing none.

The motion passed by unanimous [4-0] voice vote.

CHAIRMAN CHAVEZ: And I guess we should let Commissioner Anaya know as soon as possible that we're moving in this direction so we don't blindside him.

VI. Adjournment

Having completed the agenda and with no further business to come before this body, Chair Chavez declared this meeting adjourned at 1:47 p.m.

Approved by:

Miguel Chavez

Board of County Commissioners
Miguel Chavez, Chair

ATTEST TO:

Geraldine Salazar

GERALDINE SALAZAR
SANTA FE COUNTY CLERK

Respectfully submitted:

Karen Farrell

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

SFC CLERK RECORDED 05/11/2016

COUNTY CLERK · SANTA FE COUNTY NEW MEXICO · GERALDINE SALAZAR

BCC MINUTES
PAGES: 25

COUNTY OF SANTA FE)
STATE OF NEW MEXICO) ss

I Hereby Certify That This Instrument Was Filed for Record On The 11TH Day Of May, 2016 at 01:12:39 PM And Was Duly Recorded as Instrument # 1793254 Of The Records Of Santa Fe County

Witness My Hand And Seal Of Office
Geraldine Salazar
Deputy Laura Hernandez County Clerk, Santa Fe, NM

COUNTY CLERK · SANTA FE COUNTY NEW MEXICO · GERALDINE SALAZAR