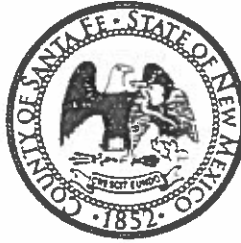


**Henry P. Roybal**  
*Commissioner, District 1*

**Miguel M. Chavez**  
*Commissioner, District 2*

**Robert A. Anaya**  
*Commissioner, District 3*



**Kathy Holian**  
*Commissioner, District 4*

**Liz Stefanics**  
*Commissioner, District 5*

**Katherine Miller**  
*County Manager*

## **MEMORANDUM**

**To:** Santa Fe County Board of County Commissioners

**From:** Carole Jaramillo, Finance Division Director

**Via:** Katherine Miller, County Manager

**Date:** May 27, 2015

**Re:** Resolution 2015 - \_\_\_\_ A Resolution to Adopt the Santa Fe County Fund Balance, Reserve, and Budget Contingencies Policy (Carole Jaramillo/Finance Division)

## **ISSUE**

The County Manager's Office and Finance Division are seeking approval of a formal cash reserve policy. The policy defines various types of fund balance and establishes the level of fund balance to be maintained, the order of fund balance use, revenue stabilization and other contingencies to be committed, the process for committing fund balance and using committed fund balance. The policy also authorizes the County Manager and Finance Director to establish necessary standards and procedures for policy implementation.

## **BACKGROUND**

Best practices dictate that the County develop and implement a formal reserve policy wherein the types and amounts of reserves are outlined. The Government Finance Officers Association (GFOA) has established best practices for determining the appropriate level of unrestricted fund balance. Further, the Government Accounting Standards Board (GASB) pronouncement 54 requires that the fund balance be segregated by defined classifications: non-spendable, restricted, committed, assigned and unassigned.

It is essential that governments maintain adequate levels of fund balance to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures). Fund balance levels are also a crucial consideration in long-term financial planning.

In addition, credit rating agencies monitor the overall levels of fund balance as well as the unrestricted fund balance to evaluate creditworthiness. During the most recent bond issuance

process which took place in April, 2015, Santa Fe County was advised by S & P that a formal reserve policy may assist the County in attaining an improved bond rating; AA+ to AAA.

### **SUMMARY**

The County Manager's Office and Finance Division are seeking approval of a formal cash reserve policy to define various types of fund balance and establish formal guidelines for using and committing fund balance.

---

# THE BOARD OF COUNTY COMMISSIONERS OF SANTA FE COUNTY

RESOLUTION NO. 2015 - \_\_\_\_\_

---

## A RESOLUTION ADOPTING THE SANTA FE COUNTY FUND BALANCE, RESERVE, AND BUDGET CONTINGENCIES POLICY

---

WHEREAS, the Government Finance Officers Association (GFOA) best practices recommend that governments establish a formal policy on the level of unrestricted fund balance that should be maintained; and

WHEREAS, governments are subject to risks associated with economic downturn, natural disaster and other unanticipated events; and

WHEREAS, it is essential that governments maintain adequate levels of fund balance to mitigate current and future risks; and

WHEREAS, credit agencies monitor levels of fund balance and unrestricted fund balance to evaluate a government's continued creditworthiness; and

WHEREAS, during the recent bond issuance process, it was recommended by the credit rating agency that Santa Fe County establish a formal reserve policy, the result of which may be to improve the County's credit rating.

NOW, THEREFORE, BE IT RESOLVED, that the Board of County Commissioners of Santa Fe County hereby adopts the Santa Fe County Fund Balance, Reserve, and Budget Contingencies Policy attached hereto as Exhibit A.

PASSED, APPROVED, AND ADOPTED this 9<sup>th</sup> day of June, 2015.

BOARD OF COUNTY COMMISSIONERS  
OF THE COUNTY OF SANTA FE

---

Robert A. Anaya, Chairperson

ATTEST:

---

Geraldine Salazar, County Clerk

APPROVED AS TO FORM:



\_\_\_\_\_  
Gregory S. Shaffer, County Attorney

---

# **Santa Fe County Fund Balance, Reserve, and Budget Contingencies Policy**

## **Table of Contents**

Overview	1
Purpose	1
Applicability and Administration	1
Definitions	1
Policy	3
Establishing Reserve Levels	3
Minimum Reserves	4
Order of Resource Use	5
Budget Contingency	5
Committing Fund Balance	5
Assigning Fund Balance	5
Use of Reserves	5
Implementation and Review	6
Miscellaneous	6

**EXHIBIT**

**A**

## I. Overview

Fund Balance is the accumulated difference between assets and liabilities within governmental funds. A sufficient Fund Balance allows the County to meet its contractual obligations, provide funds for new and existing programs established by the Board, mitigate negative revenue implications of federal or state budget actions and economic downturns, fund disaster or emergency costs, provide funds for cash flow timing discrepancies, and fund non-recurring expenses identified as necessary by the Board. Establishing Reserve requirements will help the County manage the financial impact of major, nonrecurring or unforeseen expenditures on the County's annual operating budget. Additionally, this policy will establish requirements for replenishing Reserves if their depletion is authorized.

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, recommends that local governments establish a formal policy relating to the accounting and financial reporting of governmental Fund Balances. This policy defines the level of unrestricted Fund Balance that Santa Fe County shall strive to maintain for all government funds that support operations. This policy is intended to maintain the County's credit rating and a prudent level of unrestricted Fund Balance as Reserves to ensure the continued delivery of County services.

## II. Applicability and Administration

This policy shall apply to all funds that support recurring operational expenditures, including the General Fund, some Special Revenue Funds and Enterprise Funds. The Reserve and other requirements established in this Policy are in addition to any Fund Balance requirements or constraints imposed by law, contract, or other sources outside this policy. This policy does apply to Debt Service Funds, the requirements of which are set forth in State law and bond documents.

This policy shall be administered on behalf of the Board by the County Manager, the Finance Director, and the Budget Administrator. By this policy, the Board delegates the authority to assign Fund Balance to the Finance Director with oversight and approval by the County Manager.

## III. Definitions

**A. Board:** The Board of County Commissioners of Santa Fe County.

**B. Governmental Funds:** Governmental funds are often referred to as "source and use" funds. These are the funds through which most governmental functions typically are financed. The fund types included in this category are general, special revenue, capital projects, debt service, and special assessment funds.

**C. General Fund:** The General Fund provides funding for the operations of Elected Offices and County Departments that deliver ongoing services to County residents.



**D. Special Revenue Funds:** Funds used to account for revenue derived from specific taxes or other revenue sources that are restricted by law or administrative action to expenditure for specified purposes.

**E. Capital Improvement Funds:** Funds include state appropriations, capital outlay gross receipt taxes and bond proceeds for road, fire, water and waste water, open space, facilities, and other capital projects.

**F. Debt Service Fund:** Fund accounts for all principal and interest payments on the County's debt.

**G. Designee(s):** Person authorized by the Board of County Commissioners to perform the responsibilities as outlined under this policy.

**H. Enterprise Funds:** Funds used to account for the financing, operation and maintenance of activities expected to be self-supporting within County government and that are exempt from GASB Statement No. 54. At the time of adoption of this policy, there are three Enterprise Funds for: (i) the operation of the Regional Planning Authority; (ii) the water and wastewater utilities; and (iii) the Santa Fe County Housing Authority.

**I. Fund Balance:** Fund balance is defined as the difference between the assets and liabilities of a fund. It is used as a measure of the amount available to budget or spend in the future.

**J. Fund Balance Classifications:**

1. **Nonspendable:** Represents amounts that are not in a spendable form, cannot be spent, or are required by legal or other contractual reasons to be maintained intact.
2. **Restricted:** Amounts that are constrained by external providers, creditors, grantors and other governments, constitutionally, or through legislation.
3. **Unrestricted:** The total of Committed, Assigned, and Unassigned Fund Balance.
4. **Committed:** Spendable, non-restricted Fund Balance that has been committed by Resolution or by Ordinance adopted by the Board (highest decision making level). Committed amounts remain committed unless removed by Board action.
5. **Assigned:** Assigned Fund Balance is the portion of the spendable, non-restricted Fund Balance that reflects the County's intended use of resources, as determined by the Finance Director.
6. **Unassigned:** Fund Balance that does not fall within any other Fund Balance Classifications. Only the General Fund can have unassigned Fund Balance.



**K. Unanticipated Expenditure:** An expenditure for a specific purpose for which there is no or insufficient appropriation or which will cause an appropriation to be insufficient that is necessitated by a change in federal or state laws, rules or regulations, a court order, judgment or decree, a public emergency, an industry-wide price, rate or premium increase, or any other event that takes effect or occurs after final adoption of the annual budget and that could not have been reasonably anticipated prior to the final adoption of the annual budget.

**L. Unanticipated Revenue Loss:** Estimated revenue which is rendered not receivable because of a change in federal or state laws, rules or regulations, a court order, judgment or decree, or other circumstance or event that takes effect or occurs after final adoption of the annual budget and could not have been reasonably anticipated prior to final adoption of the annual budget.

**M. Non-Recurring Item:** An expenditure that has not occurred in the previous two years and is not expected to occur in the following year.

**N. Reserve:** Reserve refers to that portion of the Unrestricted Fund Balance within a fund that is established and recognized in accordance with this policy, so as to provide stability, respond to unplanned events or opportunities, and other purposes.

## IV. Policy

### A. Establishing Reserve Levels:

In establishing the Reserve level for each fund, the Board has considered and, will in the future consider, the following factors:

1. The predictability of revenues and the volatility of expenditures (e.g. higher levels of Unrestricted Fund Balance may be necessary if significant revenue sources are subject to unpredictable fluctuations or if operating expenditures are highly volatile).
2. Exposure to significant one-time costs (e.g., disasters, immediate capital needs, State budget cuts, etc.).
3. Possible dependency of other funds upon General Fund resources (e.g., deficits in other funds may require that a higher level of unrestricted fund balance be maintained in the General Fund).
4. The need to provide temporary resources in the event of an economic downturn while expenditure reductions are implemented.
5. Planned/unplanned capital asset purchases.
6. Accumulation of compensated absences.





7. Contingent liabilities, such as:
  - a. Lawsuits; and
  - b. Environmental Cleanup.
8. Potential revenue reductions.
9. Significant growth (in the next three to five year).

**B. Minimum Reserves:** These Reserve requirements are in addition to any Fund Balance requirements or constraints imposed by law, contract, or other sources outside this policy.

1. General Fund - The following Reserves within the general fund shall be maintained, except as otherwise determined by the Board:
  - a. *Contingency Reserve*: Equal to 10% of the total general fund operating budget for the fiscal year, including transfers. The purpose of the Contingency Reserve is to mitigate the impact of an Unanticipated Revenue Loss or to meet the need for an Unexpected Expenditure of such severity that budgeted contingencies are not sufficient.
  - b. *Disaster Recovery Reserve*: Equal to 10% - 15% of Unrestricted Fund Balance in the general fund as of prior fiscal year end as reflected in the County's Comprehensive Annual Financial Report (CAFR). The purpose of the Disaster Recovery Reserve is to respond to natural or human caused disasters and emergencies of such severity that budgeted contingencies are not sufficient.
  - c. *Uninsured Loss Reserve*: Equal to 5% - 10% of Unrestricted Fund Balance in the general fund as of prior fiscal year end as reflected in the County's Comprehensive Annual Financial Report (CAFR). The purpose of the Uninsured Loss Reserve is to cover losses not covered by the County's general liability and other insurance policies.
  - d. *Major Infrastructure Repair and Replacement Reserve*: Equal to 10% - 15% of Unrestricted Fund Balance in the general fund as of prior fiscal year end as reflected in the County's Comprehensive Annual Financial Report (CAFR). The purpose of Major Infrastructure Repair and Replacement Reserve is to provide resources for unanticipated repair or replacement of existing infrastructure, including, but not limited to, furniture, fixtures and equipment.
2. Special Revenue Funds - The County shall maintain in any special revenue fund that supports staff and/or ongoing operations a minimum Reserve of 10% of the current fiscal year's operating budget for that fund. This requirement will not apply to grants or other funds supported by non-recurring sources.
3. Enterprise Funds - For Utility operations, the County shall maintain a minimum Reserve of 50% of the current fiscal year's operating budget for Utility operations. All other enterprise funds shall maintain a minimum reserve of 10% of the current fiscal year's operating budget for that fund or comply with any restrictions / requirements mandated by major funding sources, e.g., Housing & Urban Development.





**C. Order of Resource Use:**

1. When expenditures are to be made for purposes for which both restricted and unrestricted amounts are available, restricted amounts will be reduced to zero first.
2. When expenditures are to be made for purposes for which amounts in any of the spendable fund balance classifications could be used, committed amounts will be reduced to zero first, assigned amounts will be reduced to zero second, and then unassigned amounts shall be expended.

**D. Budget contingencies:** Each of the budget contingencies described herein shall be established each year in the County's annual budget. If the County Manager authorizes expenditures from the budget contingency between Board meetings, the County Manager shall report the expenditures and justification for them at the next Board meeting.

1. Operating Contingency. The County shall include a minimum \$750,000 Operating Contingency in each year's operating budget. The Operating Contingency may be used to meet Unexpected Expenditures.
2. Emergency Contingency. The County shall include a minimum \$3.0 million Emergency Contingency in each year's operating budget to be used in the event of emergencies, such as wildfire, drought, flooding, extreme snow events, and severe economic circumstances (e.g., the Great Recession of 2009).

**F. Committing Fund Balance:**

The Board has the authority to set aside funds for a specific purpose. Funds shall be set aside as a Committed Fund Balance by passage of a resolution or ordinance. The Board must pass all Committed Fund Balance resolutions prior to June 30th of the applicable fiscal year. If the actual amount of the commitment is not known by June 30th, the resolution must set forth the process or formula to be used to calculate the actual amount as soon as information is available. The County Manager or the County Manager's designee shall complete the process as outlined in the reserve commitment resolution without further action needed from the Board.

**G. Assigning Fund Balance:**

Any fund balance may be assigned by the Finance Director with oversight by the County Manager. Such assignments cannot exceed the available (spendable, non-restricted, uncommitted) Fund Balance in any particular fund.

**H. Use of Reserves:**

If an event or occurrence takes place that necessitates use of any of the Reserves as established in this policy, the following process shall be followed:



1. The Board shall take formal action at a regularly scheduled or special meeting of the Board to budget and authorize use of Reserves.
2. The event or occurrence which has necessitated the use of Reserves must be described and must fall within one of the defined uses of the committed Reserves.
3. A justification of need and an analysis of existing budget as it pertains to such need must be presented.
4. A plan with timelines to replenish the full amount taken from the Reserve must be presented.

---

## **V. Implementation and Review**

Upon adoption of this policy, the Board delegates to the County Manager and Finance Director the authority to establish any standards, procedures, and timelines which may be necessary for its implementation. The Finance Division shall review this policy at least annually and make any recommendations for changes to the Board.

## **VI. Miscellaneous**

This policy is not intended to, and does not, create any right or benefit, substantive or procedural, enforceable at law or in equity by any party against the County, its officers, employees, or agents, or any other person.

Nothing in this policy precludes the Board from establishing additional or more stringent Fund Balance, Reserve, or budget contingency requirements in the County's budget or through other appropriate Board action.

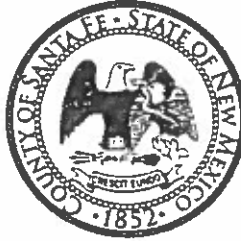




**Henry P Roybal**  
Commissioner, District 1

**Miguel Chavez**  
Commissioner, District 2

**Robert A. Anaya**  
Commissioner, District 3



**Kathy Holian**  
Commissioner, District 4

**Liz Stefanics**  
Commissioner, District 5

**Katherine Miller**  
County Manager

## ***MEMORANDUM***

**Date:** May 27, 2015

**To:** Board of County Commissioners

**From:** Carole Jaramillo, Finance Director

**Via:** Katherine Miller, County Manager

**Re:** Resolution No. 2015-\_\_\_\_, A Resolution Adopting the Final 2015-2016 (FY 2016) Budget (Carole Jaramillo / Finance Division)

---

### **ISSUE**

The Finance Division is requesting approval of the FY 2016 Final Budget.

### **BACKGROUND**

On May 26, 2015 the Board of County Commissioners approved the FY 2016 Interim budget. The FY 2016 Interim budget was developed based upon recommendations presented during the May 12, 2015 planning session which included staff compensation, new FTE's, fixed asset renewal and replacement, expanded programming, and development of funding pools for various needs. The Finance Division has completed preparation of the FY 2016 Final Budget which includes changes from the approved FY 2016 Interim budget. Changes are:

- Reduction of health insurance premiums to reflect actual changes to health insurance premiums (the Interim budget contained a 5% increase to health insurance premiums; the actual increase was 3%).
- Additional funding of \$50,000 for youth programs.
- Funding for Rio Arriba County's emergency communications center in the amount of \$50,000.
- Budget for previously allocated capital projects (as approved by the BCC on February 24, 2015).

A formal presentation of the budget will be given at the BCC meeting on June 9, 2015.

## **SUMMARY**

The Finance Division is requesting approval of the resolution adopting the FY 2016 Final Budget.



# **THE BOARD OF COUNTY COMMISSIONERS OF SANTA FE COUNTY**

## **RESOLUTION NO. 2015 - \_\_\_\_**

---

### **A RESOLUTION ADOPTING THE FINAL BUDGET FOR FISCAL YEAR 2015-2016 (FY 2016)**

---

WHEREAS, the Board of County Commissioners (BCC) of Santa Fe County, the governing body in and for the County of Santa Fe, State of New Mexico, held an official, regular meeting on May 26, 2015, for the study and review of the Interim Budget for Fiscal Year 2015-2016 (FY 2016), with recognition of sources and uses of funds of said budget; and

WHEREAS, the meeting on May 26, 2015, was duly noticed in compliance with the Open Meetings Act, NMSA 1978, Chapter 10, Article 15, and County Resolution No. 2015-59; and

WHEREAS, the Interim Budget was duly approved at the May 26, 2015, meeting; and

WHEREAS, in preparing the Final Budget for Fiscal Year 2015-2016 (FY 2016), the County Finance Department made changes to the budget based upon BCC direction at the May 26, 2015, meeting as well as technical changes; and

WHEREAS, the Final Budget for Fiscal Year 2015-2016 (FY 2016) was presented to and considered by the BCC at its official, regular meeting on June 9, 2015, which meeting was duly noticed in compliance with the Open Meetings Act, NMSA 1978, Chapter 10, Article 15, and County Resolution No. 2015-59.

NOW, THEREFORE, BE IT RESOLVED, that the BCC hereby (i) adopts the Final Budget for Fiscal Year 2015-2016 (FY 2016), beginning on July 1, 2015, and ending on June 30, 2016, and (ii) respectfully requests approval of the adopted Final Budget by the Local Government Division of the New Mexico Department of Finance and Administration.

PASSED, APPROVED, AND ADOPTED this 9<sup>th</sup> day of June, 2015.

BOARD OF COUNTY COMMISSIONERS  
OF SANTA FE COUNTY

---

Robert A. Anaya, Chairperson

ATTEST:

\_\_\_\_\_  
Geraldine Salazar, County Clerk

APPROVED AS TO FORM:

  
\_\_\_\_\_  
Gregory S. Shaffer, County Attorney





Henry P. Roybal  
Commissioner, District 1

Miguel M. Chavez  
Commissioner, District 2


Robert A. Anaya  
Commissioner, District 3



Kathy Holian  
Commissioner, District 4

Liz Stefanics  
Commissioner, District 5

Katherine Miller  
County Manager

To: Board of County Commissioners of Santa Fe County  
From: Gregory S. Shaffer, County Attorney   
Via: Katherine Miller, County Manager  
Date: June 2, 2015  
Re: **A Resolution Concerning the Investigation and Possible Pursuit of Potential Claims of the County Under Water Services Agreements**

**Issue:** Customers under Water Services Agreements (“WSAs”) with Santa Fe County (“County”) may have breached their WSAs by not paying all fees and other contractual payments due. The above-referenced resolution would authorize the County Attorney to investigate such potential claims and pursue litigation, if necessary, to collect amounts due. It would also authorize the County Manager to negotiate and execute so-called tolling agreements, which have the effect of tolling the statute of limitations during settlement negotiations. Tolling agreements allow the parties to talk without worrying that their underlying claims might be barred by law due to the lapse of time.

**Background:** Prior to adoption of Santa Fe County (“County”) Resolution No. 2006-57 (“A Resolution Adopting a Santa Fe County Line Extension Policy and Water Service Policy”), the County had entered WSAs with various individuals and companies (collectively, “Customers”). The WSAs generally required Customers to pay standby or other fees and contractual payments to the County in exchange for the County’s commitment to provide water service to the Customer and other consideration. It appears that one or more Customers may not have paid all fees and other contractual payments due under their WSA. The County has hired a contractor to research existing WSAs of record at the County to determine their status and whether any outstanding fees or other contractual payments are owed to the County. This research may reveal that the County is owed money by one or more Customers.

The proposed resolution would authorize the County Manager to execute tolling agreements, so as to allow settlement negotiations to happen without the County’s claims being compromised due to the passage of time. (Any settlement would have to be approved by the Board of County Commissioners (“BCC”), unless the BCC delegated authority to County staff to negotiate and execute settlement agreements through future BCC action.) It would also authorize the County Attorney to pursue litigation in the event the Customer refuses to enter into a tolling agreement or if doing so is necessary to protect the County’s claims (e.g., a tolling agreement cannot be negotiated prior to the expiration of the statute of limitations).

**Recommendation:** Approve the proposed resolution.

# **THE BOARD OF COUNTY COMMISSIONERS OF SANTA FE COUNTY**

## **RESOLUTION NO. 2015 - \_\_\_\_\_**

---

### **A RESOLUTION CONCERNING THE INVESTIGATION AND POTENTIAL PURSUIT OF POTENTIAL CLAIMS OF THE COUNTY UNDER WATER SERVICES AGREEMENTS**

---

**WHEREAS**, prior to adoption of Santa Fe County ("County") Resolution No. 2006-57 ("A Resolution Adopting a Santa Fe County Line Extension Policy and Water Service Policy"), the County had entered into Water Services Agreements ("WSA") with various individuals and companies (collectively, "Customers"); and

**WHEREAS**, as reflected in Resolution No. 2006-57, "the form of water service agreements ... varied widely," but many of them required Customers to pay standby or other fees and contractual payments to the County in exchange for the County's commitment to provide water service to the Customer and other consideration; and

**WHEREAS**, it appears that one or more Customers may not have paid all fees and other contractual payments due under their WSA; and

**WHEREAS**, the County has hired a contractor to research existing WSAs of record at the County to determine their status and whether any outstanding fees or other contractual payments are owed to the County; and

**WHEREAS**, in recognition of the risk that the County's potential contractual claims against Customers for breach of their WSAs may become time-barred, in whole or in part, unless the County either commences suit on its claims or enters into an agreement to toll the statute of limitations ("Tolling Agreement") during settlement negotiations, the Board of County Commissioners ("BCC") of the County desires to delegate authority to the County Attorney and County Manager to investigate and take appropriate action in response to potential claims, as set forth herein.

**NOW, THEREFORE, BE IT RESOLVED**, that the BCC hereby authorizes, directs, and delegates:

A. to the County Attorney, the County Attorney's staff, and contractors working under the County Attorney's direction the authority to (1) investigate the County's

potential claims under all existing WSAs and; (2) initiate and prosecute, in the name of the BCC, all appropriate litigation and any ancillary proceedings against Customers who refuse to pay amounts due under the WSA or refuse to enter into Tolling Agreements or as may otherwise be required to preserve the County's claims; and

B. to the County Manager to negotiate and execute on behalf of the County Tolling Agreements with Customers, so as to allow settlement negotiations to be explored before litigation is commenced.

**PASSED, APPROVED, AND ADOPTED THIS 9th DAY OF JUNE, 2015.**

**BOARD OF COUNTY COMMISSIONERS  
OF SANTA FE COUNTY**

\_\_\_\_\_  
Robert A. Anaya, Chair

**ATTEST:**

\_\_\_\_\_  
Geraldine Salazar, Santa Fe County Clerk

**APPROVED AS TO FORM:**

  
\_\_\_\_\_  
Gregory S. Shaffer, Santa Fe County Attorney







