

Memorandum

To: Santa Fe Board of County Commissioners

From: Teresa C. Martinez, Finance Director

Via: Katherine Miller, County Manager

Date: April 26, 2011

Re: *Financial report for the quarter ending 03/31/2011*

ISSUE:

Enclosed is a report summarizing the financial activities of the County through the quarter ending March 31, 2011

BACKGROUND:

The following is intended to summarize financial activity on a quarterly basis for the General fund and those funds classified as “troubled funds” which include Fire and Corrections Funds as well as the Health Division. Please note that the classification of a “troubled fund” status is very much tied to the current economy and the program(s) strong reliance on gross receipt tax revenue.

GENERAL FUND

Net Activity: The third quarter revealed total year-to-date revenue collections of \$40,060,504 and year-to-date expenditures of \$35,554,233 resulting in a positive operational variance (surplus) of \$4,506,271.

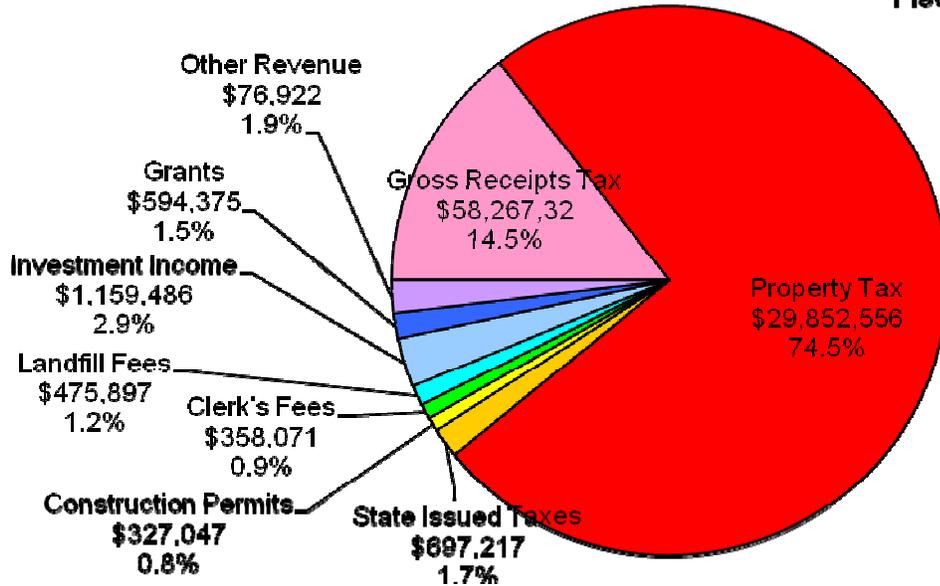
Revenues: The General Fund witnessed increased collections over the budgeted amount(s) for animal licenses, wireless communication fees, animal pound fees, landfill fees, printing and copying charges, rental fees, and archaeological review fees. We also witnessed decreased collections materializing less than the budgeted amounts for microfiche fees, map sales, investment income and grant reimbursements.

Compared to the Prior Year: In total, general fund revenue collections are down 11.5% when compared to revenue collected in FY 2010 for July through March. This is attributable to lesser state and federal grants and investment income. Investment income is down by \$715,514 when compared to budget and is down \$566,865 when compared to the previous fiscal year. Additionally, the General Fund was reimbursed a total of \$4.2 million from bond proceeds for water rights acquisitions.

Compared to the Budget: Total revenue collections materialized at 73% of the budgeted amount through March 31, 2011. There are revenue line items that are better than budgeted as well as those that are under budget through March 2011. Some of the revenues are significantly under budget, but are also cyclical in that the collections do not materialize until the latter part of the fiscal year. Improvements were noted on the third quarter report, e.g. business licenses have a due date in March and collections totaled \$183,390. This amount is up \$102,110 from December.

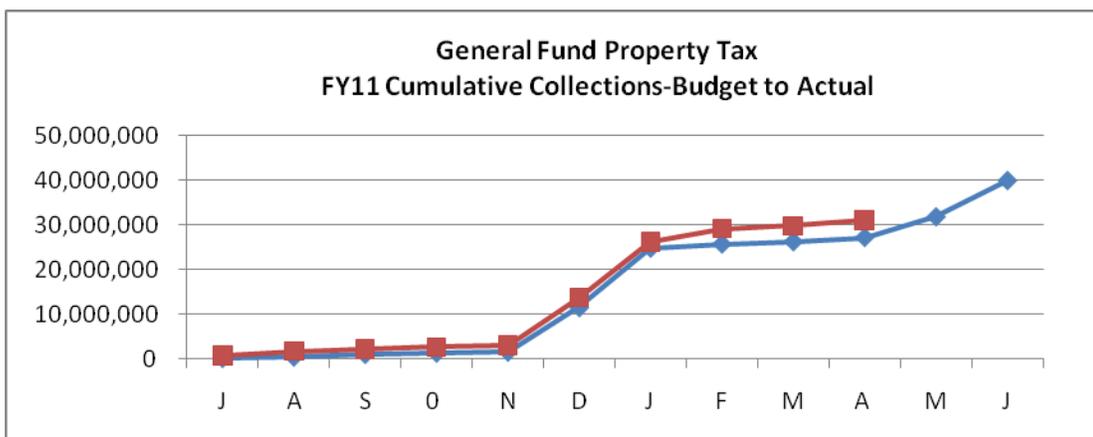
The charts below identify the major revenue sources for the General Fund. Also included are charts reflecting specific activity for property taxes and gross receipt taxes.

**Percentage of Total Revenue
General Fund
Fiscal Year 2011**

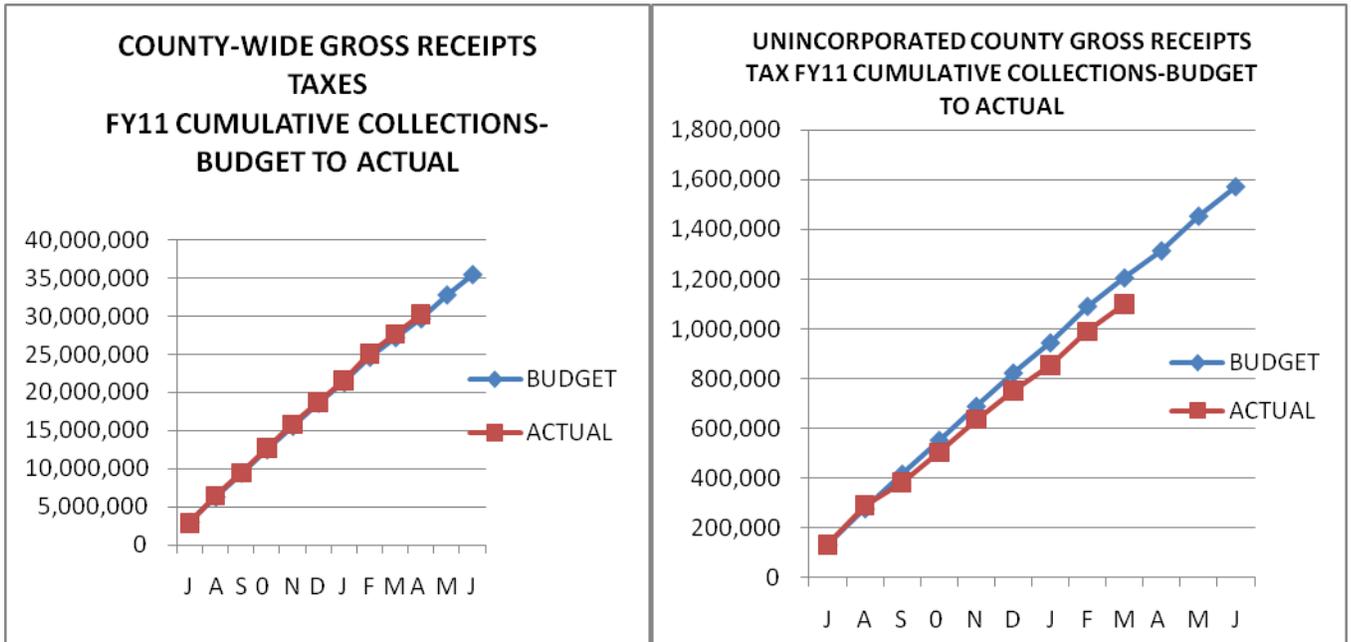


The investment income collections will more than likely not materialize at the level budgeted for FY 2011. As revenues overall continue to meet budget or fall just under budget Finance will process a resolution with any necessary budgetary adjustments (up or down) in May as we approach the fiscal year end.

Property tax collections are better than budget at this time. It is important to note that the December, January, May and June collections for the property tax budget are material (\$34.9 million of total budget \$38.0 million) and usually gauge whether or not additional cuts are necessary. At this time we are not recommending additional cuts. Finance will continue to monitor collections and keep the BCC updated each month. Also keep in mind that the Treasurer's Office still has two staff members dedicated to the collection of delinquent taxes. To this point, delinquent taxes collected by assigned staff total \$1.7 million for the County.

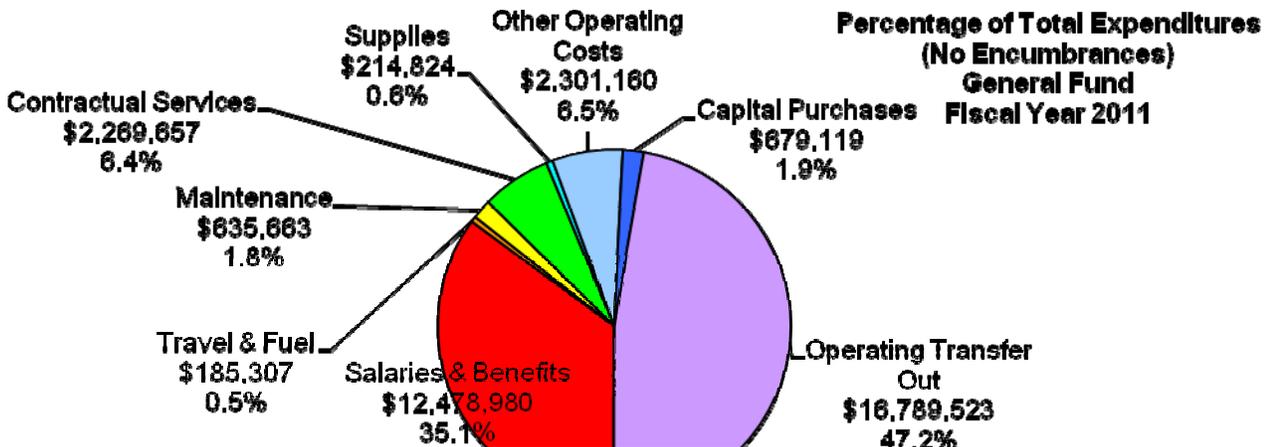


Total cumulative gross receipt collections were slightly higher than budget. The total gross receipt collections equal \$28,779,109, which is \$355,695 over the budgeted amount of \$28,423,414. FY 2011 gross receipt tax collections are down 1.7% from budget and down 4% from the previous year's actual collections for the same time period.



Expenditures: Santa Fe County expended a total of \$35.5 million for all General Fund expenditure categories. The largest share of the County's general fund budget is comprised of salaries and benefits with a budget of \$18.8 million and actual expenditures of \$12.5 million.

All General Fund expenditure categories are under budget through March 31st with salaries and benefits being the largest expenditure at 46% of the total budget. Overall, the County has expended a total of 56% or \$35,554,233 of the \$62,991,137 budget.



Troubled Funds:

During FY 2010, the County classified several funds as “troubled funds”. This classification was assigned to these funds largely because they are supported by revenue sources such as gross receipt taxes, fee charges and grant funding. These funding sources have experienced significant downturns in this recessed economy. The troubled fund status ensures that we closely monitor revenue sources and expenditures, and forecast potential shortfalls and threats to cash. For purposes of this report, detailed information will be provided for the Fire and Corrections Funds. Summary information shall be provided for the Health Division and the RECC, with similar discussions for funds that have associated staff and no recurring funding source.

FIRE FUNDS:

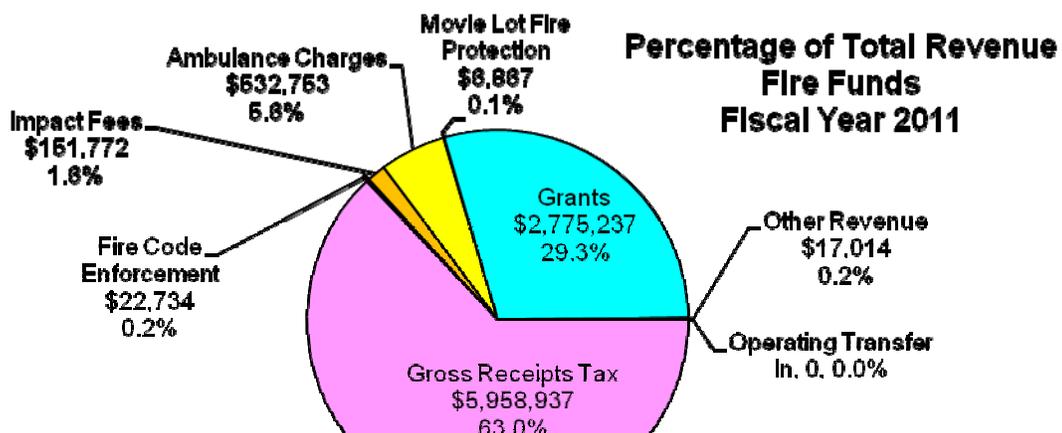
Net Activity: The third quarter revealed total year-to-date revenue collections of \$9,465,314 and year-to-date expenditures of \$9,039,980 resulting in a positive operational variance (surplus) of \$425,334.

Revenues: The Fire Funds witnessed increased collections over the budgeted amount(s) for movie lot fire protection, state grants, and joint power agreements (JPA’s). The Fire Funds also witnessed decreased collections materializing less than the budgeted amounts for fire code enforcement fees, impact fees, and ambulance charges. (The reference of Fire Funds includes all funds relative to the operations of the Fire Division and include the EMS fund, Fire Protection fund, Impact Fee fund, Fire Excise Tax Fund, Fire operations fund and any corresponding bond funds).

Compared to the Prior Year: In total, Fire Funds revenue collections are up 1.1% when compared to revenue collected in FY 2010 for July through March. The gross receipts tax that supports Fire Operations is down 3.7% from FY 2010.

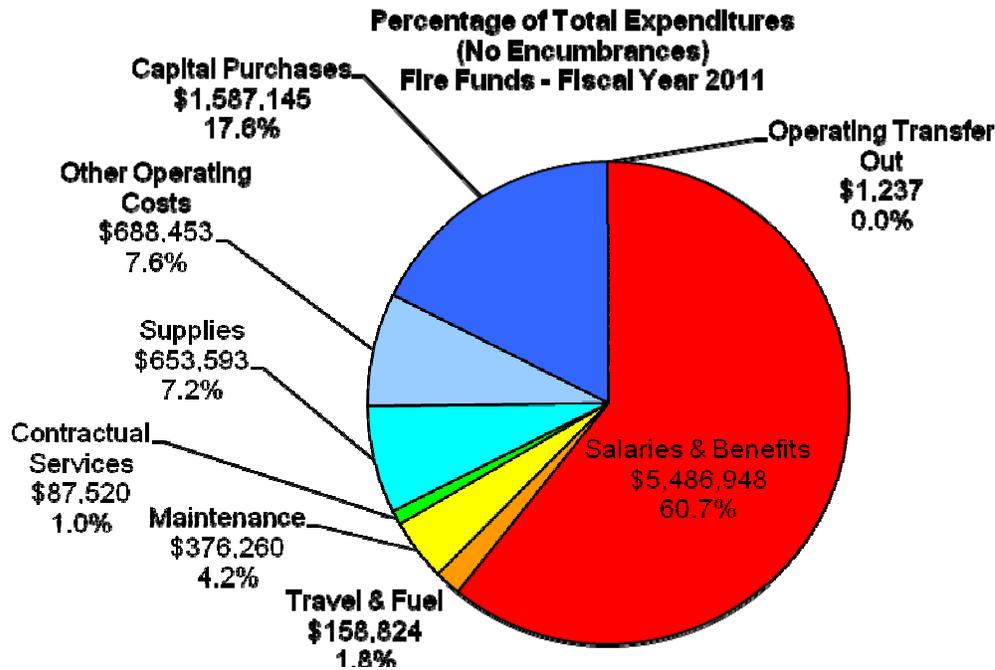
Compared to the Budget: Total revenue collections materialized just at 74% of the budgeted amount through March 31, 2010. Gross Receipt tax collections are very slightly better than budget at 52.5% through March. This includes \$43,680 in receipts from the “sunsetted” Fire Excise Tax that continues to come in from late filings and penalties which is not budgeted.

The chart below identifies the major revenue sources for all Fire Funds:



Expenditures: The Fire Funds expended a total of \$9.0 million for all expenditure categories. The largest share of the Fire Funds budget is comprised of salaries and benefits and capital purchases. Salaries and benefits total \$8.7 million of the total budget and witnessed actual expenditures of \$5.5 million. Capital purchases total \$17.8 million of the total budget and witnessed actual expenditures of \$1,587,145.

All Fire Funds expenditure categories are under budget through March 31st with the largest expenditure categories of salaries and benefits at 28% of the total budget and capital purchases at 57% of the total budget. Overall, the Fire Division has expended a total of 29% or \$9,039,980 of the \$31,073,281 budget.



CORRECTIONS FUNDS:

Net Activity: The third quarter revealed total year-to-date revenue collections of \$17,488,857 and year-to-date expenditures of \$19,665,105 resulting in a negative operational variance (shortfall) of \$2,176,248.

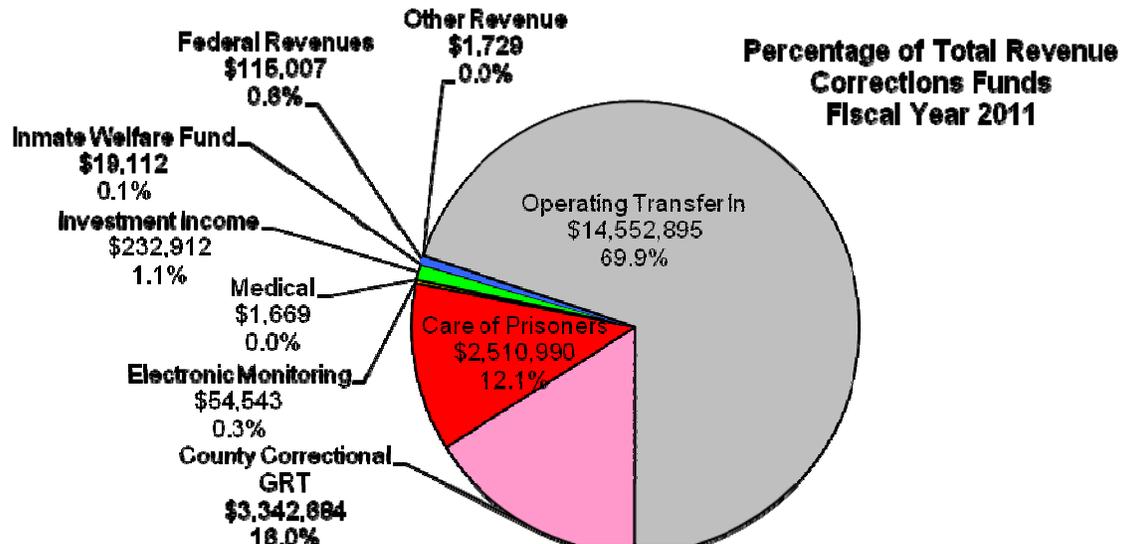
Revenues: The Corrections Funds witnessed decreased collections materializing less than the budgeted amounts for care of prisoner charges and electronic monitoring charges. (The reference of Corrections Funds includes all funds relative to the Corrections operations, which are the County Correctional Gross Receipt Tax fund, the Corrections Operations fund and the Debt Service fund).

Compared to the Prior Year: Charges for Service Revenue (including Care of Prisoners) in Fiscal Year 2011 is down through March by 9% or \$248,150 from the same period in FY 2010. Through March the Correctional Gross Receipts Tax is down 3.9% from the same period in FY 2010.

Compared to the Budget: Total revenue collections of \$2,935,962 (without operating transfers in of \$14,552,895) materialized at 55% of the budgeted amount through March 31, 2011. Total revenue collections including operating transfers in totaled \$17,488,857 and materialized at 81% of the budgeted amount. Gross Receipt tax collections are just better than budget at \$3,342,684 or 78.19% through March. Past discussions by the County have included reductions to the overall corrections budget, which would

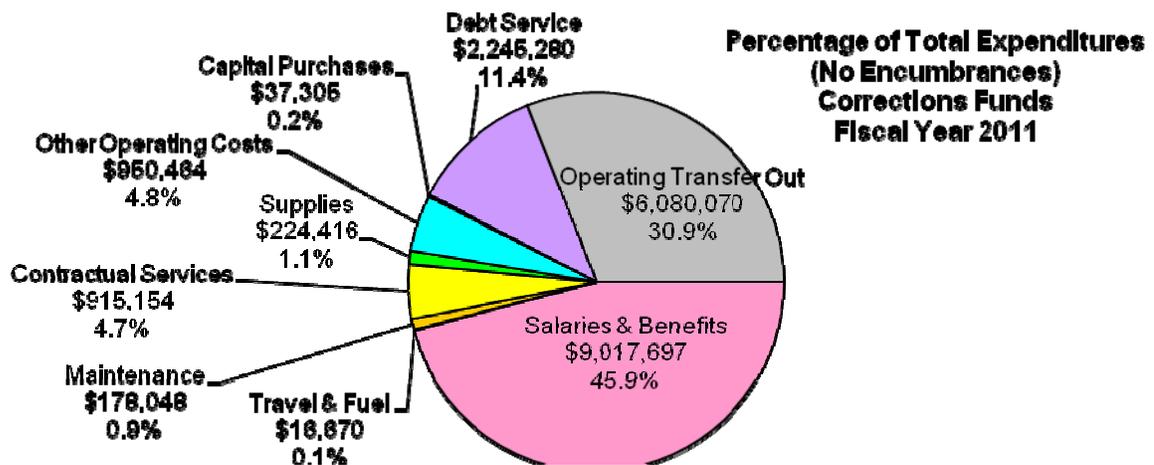
involve the closing of programs. Other options included declaring a level of operation and the common knowledge that the operations would always require a certain level of support from other funds. These discussions will continue as we approach the FY 2012 budget study session and the submission of the interim budget.

The charts below identify the major revenue sources for the Corrections Funds:



Expenditures: The Corrections operations expended a total of \$19,665,105 for all expenditure categories. The largest share of the Corrections Funds budget is comprised of salaries and benefits, which total \$14 million of the total budget and witnessed actual expenditures of \$9 million.

All Corrections Funds expenditure categories are under budget through March 31st with the largest expenditure categories of salaries and benefits at 51% of the total budget. Overall, the Corrections Department has expended a total of 71.6% or \$19,665,105 of the \$27,465,367 budget. Please note that included in the total budget numbers is the debt service component that totals \$2,251,380.



OTHER TROUBLED FUNDS:

Serious discussion has centered on the operations of the Health Division, the RECC, the jail medical component and the County's Sole Community Provider Commitment payment for the last several fiscal years. Mainly due to the fact that all program components as they exist today have surpassed the available funding sources. The GRT's are no longer sufficient to carry County programs and the SCP payment.

The lack of sufficient resources has in the past, and will in the future, impact the programs supported by the General Fund, EMS and Indigent GRT's as well as the Fire operations. In previous years, the County has been fortunate to have cash balances sufficient to carry the programs. To this end, the County made a difficult decision to commit a reduced SCP commitment of \$2.1 million versus the \$6.8 million committed in FY 2011.

The County has several programs that lack in sufficient secured funding or have no dedicated funding source. The Health Division has a total of \$2.4 million of non-grant funded health programs. The RECC has a total budget of \$3,406,525 and includes a total of 49 FTE's, 45 funded and 4 frozen positions. The RECC has relied on the EMS tax and EMS cash reserves for funding. The medical component itself is not sustained by a dedicated funding source. Ultimately, the generation of care of prisoner revenue should sustain the corrections operations including the medical component. Lastly, the Affordable Housing and Open Space programs have assigned staff and no real secure source of funding.

UPDATE OF BUDGET CUTS MADE BY COUNTY MANAGER'S OFFICE (JUNE 8th):

The budget cuts have continued for the most part with exception given to the filling of several frozen positions and the maintenance of some take-home vehicles that were initially earmarked for reduction. The summary below provides an update as to what level the budget cuts will be maintained at:

STATUS OF FY 2011 BUDGET CUTS PRESENTED IN FY 2011 FINAL BUDGET

Actions Taken by County Manager	FY11 Approved Budget Reduction	Revised Est. Savings	Variance
Hard Freeze Positions	1,400,000	1,239,092	(160,908)
Non-Personnel Related Cuts by Directors	967,000	908,892	(58,108)
Eliminate all Travel & Seminars (exc. statutorily required)	210,000	174,766	(35,234)
Reduce Salary of Employees Earning >\$80K	121,000	106,682	(14,318)
Cut Temps & Casual	103,000	45,043	(57,957)
Eliminate Take Home Vehicles (exc. SO and Fire)	22,500	3,000	(19,500)
Eliminate Cell Phones (staff exc. SO, Fire and Dept. Dir.)	73,000	28,000	(45,000)
Change Employee Uniform Vendor and Process	37,000	37,000	0
Restructure Satellite Offices	51,000	26,000	(25,000)
Reduce or Terminate Contract Services	50,000	50,000	0
TOTAL FROM ACTIONS TAKEN BY THE COUNTY MANAGER	3,034,500	2,618,475	(416,025)
Board Directives/Cuts Not Materializing	FY11 Approved Budget Reduction	Revised Est. Savings	Variance
Move staff out of leased Office Space	128,620	50,032	(78,588)
Transition of Services to CSV - Medical Director	45,000	0	(45,000)
Transition of Services to CSV - Pharmaceuticals	268,000	249,680	(18,320)
Espanola Ambulance Service	66,000	33,000	(33,000)
Boys & Girls Club	50,000	35,000	(15,000)
TOTAL BOARD DIRECTIVES/CUTS NOT MATERIALIZING	557,620	367,712	(189,908)
TOTAL CUTS NOT MATERIALIZED	3,592,120	2,986,187	(605,933)

CLOSING:

The Finance Division is not recommending any additional cuts at this time. Budget hearings in preparation for FY2012 were just completed. Finance will compile all the budget requests and capital requests as received for FY 2012. A budget study session with the BCC is tentatively planned for May 10th. The interim budget must be completed and submitted to DFA by May 31st.