



August 2015

Dear Citizens:

I respectfully transmit the budget for the City of Rio Rancho for the fiscal year July 1, 2015 through June 30, 2016. I write this letter with optimism about the future of our community; a city already highly regarded for its public safety, school district, quality of life through parks, recreation, and libraries, and healthcare options.

Development of our community and job creation is on the rise. Some highlights of projects currently under construction range from the Presbyterian Rust Medical Center's \$86 million expansion to a Nusenda Credit Union and a Taco Cabana. In northern Rio Rancho, The Plaza at Enchanted Hills will soon open featuring T.J. Maxx, Bed, Bath & Beyond, Michael's, Kirkland's, Famous Footwear, Maurice's, Rue 21, and more retailers to come in the next phase.

This past fiscal year also marked the opening of several new businesses that will help diversify and fortify the city's economy. These include Rio at Cabezon 24/7 skilled health care facility, a new Dion's, Walmart Neighborhood Market, New Mexico Orthopedics clinic, a 7-11/Alon fueling station and convenience store, Hangar Prosthetics clinic, Clean Machine Car Wash, and several others. These new businesses augment the quality of life of Rio Rancho residents by bringing more retail services closer to our homes and on our commuting patterns.

Rio Rancho has experienced job creation in the customer contact center industry via S&P Data's relocation to the city as well as expansion at Alliance Data, Bank of America, Convergys and Intersections. This industry has played a key role in our community for nearly two decades. These expansions are a testament to our workforce and business environment.

The national, regional, and local housing markets are also showing signs of renewed strength. In Rio Rancho, the first phase of the Solcito subdivision located just off Northern Boulevard is under construction with model homes now open. This is significant as it's the first new subdivision developed in several years. The Mariposa community is being re-launched with new ownership. The Neighborhood by La Vida Llena, a \$50 million senior-living project in the Loma Colorado community, is under construction. At full build-out, it will be home to over 350 residents.

All of these projects are tremendous for Rio Rancho because they mean jobs and revenue generation to fund public services. Activity like this creates a buzz about the community that helps attract more interest from other businesses looking to expand and open new operations or relocate.

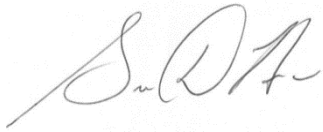
For Fiscal Year 2016, the city budget includes additional funding for critical areas such as public safety, roads, and employee compensation. This includes a new ambulance, 10 new police vehicles, \$1.7 million for the city's required match to access \$7 million in federal funding for the reconstruction of Southern Boulevard, and employee raises in-line with recent pay study recommendations. Another highlight in this year's budget is the creation of a Local Economic Development Fund. By using existing resources for this fund, Rio Rancho's ability to recruit new businesses – both small and large – is aided.

We estimate that the General Fund reserves will exceed the State of New Mexico requirement of 1/12th (8.3 percent) of expenditures and end the year at 17.2 percent, which is above the city's policy target of 15 percent. It is also a tremendous sign that the city's current projections for Fiscal Years 2017-2020 are close to or exceeds the 15 percent threshold as well. Having these reserves is not only a best practice, but is critical due to the somewhat volatile nature of the city's main revenue source, Gross Receipts Tax. As we know, unexpected emergencies can be costly and maintaining healthy fund balances gives the city flexibility and capacity to address these situations.

I want to acknowledge all city staff for their tireless efforts to bring the best public services possible to the community and residents.

On behalf of the Rio Rancho Governing Body and the employees of the City of Rio Rancho, I thank all of the residents and community stakeholders for their support of our great city.

Sincerely,

A handwritten signature in cursive script, appearing to read "G. D. Hull".

Greggory D. Hull, Mayor

August 11, 2015

The Honorable Mayor Gregory D. Hull  
City of Rio Rancho  
3200 Civic Center Circle NE  
Rio Rancho, New Mexico 87144-4501

Mr. Mayor Hull:

In compliance with the City Charter and applicable state statutes, I hereby submit to you the Adopted City Budget for Fiscal Year 2016 (FY2016).

The Budget for FY2016 is a balanced budget and reflects the City's Strategic Goals. We continue to project a balanced five-year General Fund financial plan. This reflects the City's continued efforts to achieve a sustainable long-term budget. In that regard, recurring revenues are projected to exceed recurring expenditures in each of the next five years, and the ending fund balance is projected to exceed the City's 15 percent target this fiscal year.

The FY2016 Budget reflects a local economy that is slowly improving. Various signs suggest that the economy is continuing to recover, including a steadily declining unemployment rate, improving housing market indicators, and overall lower foreclosure activity in the area compared to recent years.

Unfortunately, the growth in revenues has not been strong enough to meet all of the funding needs of the City. Departments continue to have more needs than can be addressed with current resources. This has required allocating the City's limited resources in the most efficient and strategic way possible. City employees have continued to look for ways to limit expenditures and achieve operational efficiencies where possible.

### **Local Economy and Revenues**

The seasonally adjusted unemployment rate for the Albuquerque metropolitan statistical area (MSA) was 5.7 percent in January, down from 5.8 percent in December and down from 6.6 percent a year earlier.

Over the year, total nonfarm payroll employment in the Albuquerque MSA grew by 0.9 percent in January, adding 3,200 jobs. Following benchmark revisions, this month's gain represents the fifteenth month of year-over-year growth for the Albuquerque MSA.

Based on IHS Global Insight's January 2015 baseline forecast, total employment in the Albuquerque MSA is forecasted to grow 1.4 percent in calendar year 2015, adding 5,173 jobs in both the private and government areas. Sectors leading this growth include Healthcare & Social Assistance (3.2 percent), Accommodation & Food Services (1.9 percent), and Construction (3.1 percent).

Based on this economic outlook, General Fund revenue is expected to remain level through FY2017. Future changes in General Fund revenue range from 3.3 percent in FY2018 to 3.8 percent in FY2020. The five-year plan reflects state legislative changes to the Gross Receipts Tax (GRT) "hold harmless" provisions which will be phased out beginning in FY2016. The first-year impact will be approximately \$240,000 and then grow incrementally at 6 percent annually over a 15-year period. By year five the impact will reach approximately \$1.5 million, and by 2030, at full phase-out, the effect will be an estimated \$8.6 million loss in GRT revenue.

State law allows municipalities to impose GRT increments to make up for the phase out of hold harmless funds. Imposing an additional 1/8th percent GRT would generate approximately \$1.1 million in FY2016, while imposing the maximum 3/8ths percent would generate about \$5.8 million by FY2030. Absorbing the phase out of hold harmless revenue without implementing the offsetting GRT increments negatively affects the City's ability to provide services to our citizens. Although not reflected in the proposed budget, this is a policy decision that the Governing Body should consider and discuss in the coming year.

## **Expenditure Highlights**

Overall, City departments were instructed to keep their budgets at FY2014 levels, except as necessary to address the highest priority needs. The Budget includes additional funding for critical areas such as public safety, roads, and employee compensation.

For Public Safety, major items funded include the following:

- One new ambulance
- One new animal control vehicle
- One new gurney and a refurbished cardiac monitor for paramedic services
- Ten new police vehicles funded through a combination of a loan, impact fees, and General Fund transfers
- One new position for the Fire and Rescue Department that will allow reassignment of certain clerical and administrative duties so that Captains can focus on higher priority tasks.

Of note, I have allocated one half of FY2016 revenue from automated traffic enforcement fees (i.e., red light cameras and speed monitoring) to the City's General Fund, with the other half of these funds allocated for police vehicles. Beginning in FY2017, I propose to allocate 100 percent of these revenues for future police vehicle replacements should this program be continued.

For Public Works, the budget includes funding for the following:

- Year four of the Citywide Graphical Information System (GIS) program
- \$1.7 million for the City's required match to access \$7 million in federal funding for the Southern Boulevard reconstruction project
- One new dump truck
- Resources for dust suppressant and soil stabilization activities.

Additionally, the budget includes a 1.5 percent across-the-board salary increase for all employee groups. This increase is intended to follow the recommendation of a 2013 classification and compensation study to move employees up in their salary ranges at least one and a half percent per year. Finally, the budget includes a 5.0 percent increase in healthcare and 10.9 percent increase in dental insurance premiums.

By year-end, anticipated revenues and the budgeted level of spending will provide a reserve fund balance that exceeds 8.3 percent of expenditures, as required by the State of New Mexico. The FY2016 Budget anticipates total reserves of 17.2 percent of expenditures, which exceeds our policy target of 15 percent. Not reflected in the budget, which would impact the FY2016 ending fund balance, is the pending damages award resulting from the impact fee litigation. As this effect cannot be quantified at this time, it was not factored into the development of the FY2016 budget.

## **General Fund Details**

### **REVENUES: \$55,744,767**

The City's single most important revenue source is the Gross Receipts Tax (GRT). The FY2016 GRT revenue estimate of \$27,957,544 includes recurring and non-recurring estimates and accounts for nearly 50 percent of the total General Fund operating revenues. The recurring GRT distribution to the General Fund is projected to increase by approximately \$550,484 or 2 percent from FY15 levels. Non-recurring GRT revenue is expected to produce \$2,084,954, primary related to large commercial construction projects such as the second Presbyterian Rust Medical Center tower, the Plaza at Enchanted Hills, and La Vida LLena retirement center.

Property tax revenue, the second-largest revenue source, is estimated to increase 4.1 percent from FY2015 levels, with an estimated increase of \$587,175. The property tax revenue forecast utilizes the Yield Control Formula established by state statute. The FY2016 revenue estimate incorporates housing permit data and known non-residential construction activity, as well as an inflation factor of 1.0 percent, for a total growth factor of 2.8 percent for residential property tax revenue and 2.6 percent for non-residential property tax revenue.

Franchise fees, the third largest revenue source, are projected to increase slightly by \$146,278 or 4.3 percent over the current year. The majority of the anticipated increase relates to electricity revenue projections.

Total General Fund budgeted revenues for FY2016 are projected to decrease by \$497,479 or 0.9 percent compared to FY2015 revenues. Two main factors account for this decrease. First, beginning in FY2016, activities of the Emergency Communications Center will be accounted for in a new special fund, which requires revenues from participating entities to be shown in that new fund instead of the General Fund. Second, the City does not budget for grant revenues until a signed grant agreement is in place; therefore, the Grants revenue line is much lower than the FY2015 estimated grant revenue, as shown on the General Fund Five-Year Financial Plan Summary.

**EXPENDITURES: \$52,130,249**

Total General Fund expenditures are projected to decrease by \$3.1 million or 5.6 percent, mostly due to moving the costs of the Emergency Communication Center to a new special fund. However, with limited new resources and a required federal match of \$1.7 million for Southern Boulevard reconstruction, the administration was unable to fund many important needs of the departments. As a result, many of those needs had to be postponed but will still need to be addressed in the near future.

**Personnel Services: \$40,557,684**

Personnel Services expenditures account for 78 percent of the General Fund operating budget. The Budget includes a 1.5 percent salary increase for all employees at a cost of \$543,300. Funding for additional positions and upgrades cost an additional \$129,949, comprised of the following changes:

- A new administrative employee for the Fire and Rescue Department (\$53,477)
- A new Special Projects Coordinator for the Municipal Court (\$69,897)
- Two upgraded position for the Development Services Department, Municipal Planner I to Municipal Planner II (\$8,779) and Zoning Specialist to Municipal Planner II (\$2,422)
- A new part-time position to assist the Grants Section of the Financial Services Department, which was possible by shifting more costs to the Community Development Block Grant (CDBG) program and required no additional General Fund resources.

As previously mentioned, the Personnel Services budget includes an increase of 5.0 percent in healthcare and 10.9 percent in dental insurance premiums. These increases are paid 80 percent by the City and 20 percent by employees, resulting in a small increase in employees' deductions from their paychecks. These proposed changes were discussed with the Employee Benefits Committee, who supports the increase.

The City continues to plan for an increasing number of retirees. The FY2016 Budget includes \$744,952 to cover the estimated cash payout or the cost of terminal leave for approximately 37 percent of eligible employees, based on recent trends. Finally, personnel savings continue to be factored into the budget based on the historical average vacancy rate for all City positions.

**Material and Services: \$11,541,106**

The Budget continues to reflect overall reductions or flat budgets in various spending areas, including contracts, supplies, and conference, travel and training. Overall, Materials and Service expenditures in FY2016 are projected to decrease by \$678,592 or 5.6 percent. Reductions for moving the Emergency Communication Center expenditures to a new fund are offset by adding funds for the following activities:

- Building repairs as part of the City's ongoing asset management plan (\$20,650)
- Parking lot repairs across the city parks and recreation center (\$15,000 for materials; labor will be done in house)
- Soil stabilization (\$35,000) and dust suppressant (\$50,000) initiatives for dirt roads
- Performance evaluation software (Guardian tracking \$3,240), in-house training (V-Academy \$11,570), and increases in training supplies and minor furniture and equipment to purchase new AR-15 rifles, all for the Law Enforcement Division of the Police Department.
- Impact Fee Study (\$50,000)

**Capital Outlay: \$31,459**

The budget includes a small General Fund investment in capital equipment. This funding provides for replacement of an auto-scrubber for custodial services (\$6,119), two additional Bluetooth devices for traffic signals on NM528 (\$10,840), and a new paramedic gurney (\$14,500).

**TRANSFERS TO SPECIAL FUNDS: \$5,269,720**

Transfers provide General Fund dollars to other funds to support various activities, as indicated below:

**Local Economic Development Act Fund: \$92,809**

A description of the proposed uses of these funds is provided in the Special Funds section.

**Multi-Purpose Event Center Fund: \$980,145**

This transfer includes the operating and capital subsidies provided by the General Fund for operating the City's event center, including \$55,000 for A/V equipment upgrades; \$7,500 for a concrete ADA ramp; \$15,000 to upgrade a network server; \$20,000 for stairs for team parking; \$15,000 for a copier/fax machine; and \$10,000 for an HVAC variable frequency drive replacement.

**Infrastructure Fund: \$1,765,680**

A description of the proposed uses of these funds is provided in the Special Funds section.

**Promotion and Marketing Fund: \$147,573**

This transfer is made to provide funding for special events managed by the Convention and Visitors Bureau, including the City's annual Pork and Brew event.

**Computer Replacement Fund: \$20,000**

This transfer is made to set aside sources for technology contingencies.

**Equipment Replacement Fund: \$381,005**

A description of the proposed uses of these funds is provided in the Special Funds section.

**Local Government Correction Fund: \$210,000**

This transfer is made to pay for the City's cost of prisoners at the Sandoval County Detention Center that are not covered by the correctional fees levied through the Municipal Court.

**Regional Emergency Communication Center: \$1,645,216**

This transfer represents the City's share of the costs of the regional Emergency Communication Center. A description of this activity and fund is provided in the Special Funds section below.

**ENDING FUND BALANCE: \$8,957,873**

The Reserved Ending Fund Balance is projected to be \$4,344,187 which reflects the state reserve requirement of 8.3 percent of General Fund expenditures. The Unreserved Ending Fund Balance, or the additional fund balance above the State minimum, is \$4,613,686, for a total Ending Fund Balance of \$8,957,873 or 17.2 percent of expenditures. The long-term policy target for the Ending Fund Balance is 15 percent. Should revenue projections for FY2016 continue to meet or exceed expectations, it will allow the City to use a portion of the ending fund balance to off-set planned one-time expenditures in FY2017 and other capital needs.

**Special Funds**

Special funds are established to account for revenue sources that are allocated to specific functions or projects. A complete list of these activities can be found in the Special Fund section of the Budget. Following is a list of significant special fund activities:

**Local Economic Development Act Fund**

New for FY2016, this fund will set aside sources to fund future economic development projects. This financial support, or economic incentive, will be extended through a Project Participation Agreement approved by the Governing Body and will contain corresponding claw-back provisions. The creation of the City of Rio Rancho LEDA fund will increase Rio Rancho's readiness for recruiting economic-base employers. Funding will come from

one-time payments from developers who did not meet certain deadlines or employment levels according to their prior agreements with the City. This fund is independent of the City's ongoing commitment of \$200,000 to the Sandoval Economic Alliance which is reflected in the City Manager's department budget.

#### Promotions and Marketing Fund

Most of the budget in this fund is for the Pork and Brew community event scheduled during the Fourth of July weekend. Expenditures for this event are budgeted at \$147,900, with revenues projected at \$114,000 and a direct General Fund subsidy of \$33,900.

#### Local Government Correction Fund

Correction fees are received for guilty pleas at the Municipal Court and are budgeted at approximately \$250,000. Expenditures from this fund pay for prisoner care provided by Sandoval County, the total cost of which is projected at \$460,000. This activity requires a transfer from the General Fund of \$210,000 to cover the difference.

#### Law Enforcement Fund

Projected resources from a state grant pursuant to the Law Enforcement Protection Fund Act total \$110,400. Funds will be used to purchase supplies and minor equipment in support of law enforcement activities, and to set aside debt service for a new 2016 police vehicle loan that will help fund 10 replacement police vehicles.

#### DWI Vehicle Seizures Fund

Projected sources total \$377,275 and are based on the assumptions of fee and fine schedules presented at the FY2015 Midyear budget.

#### Police Miscellaneous Revenues Fund

This fund includes \$190,000 that represents one-half of FY2016 revenue from red light camera fees to be used to fund police vehicles. Beginning in FY2017, the allocation of red light camera fees will be 100 percent toward police vehicles should this program continue.

#### Fire Protection Fund

Projected resources from a state grant pursuant to the Fire Protection Fund Act total \$660,668. Funds will be used for materials and services in support of fire protection activities, and to pay debt service on the 2007 and 2010 fire apparatus loans, and the 2013 administration building loan.

#### Environmental GRT Fund

This fund accounts for Municipal Gross Receipts Tax revenues to be used for the acquisition, construction, operation, and maintenance of solid waste facilities or water/sewer systems. The budget of \$731,907 is for special waste collections, a loan payment, and capital maintenance to water wells.

#### Higher Education GRT Fund

This fund accounts for Municipal Gross Receipts Tax revenues to be used for the acquisition, construction, renovation or improvement of facilities of a four year post-secondary public education institution. The FY2016 Budget projects \$2,209,253 in revenues and an ending fund balance of \$4,484,511.

#### Municipal Road Fund

This fund is supported by state-shared gasoline tax revenue, estimated at \$578,000 in FY2016. The fund provides for road maintenance supplies and repairs.

#### Regional Emergency Communication Center

New for FY2016, a new joint power agreement (JPA) between the City of Rio Rancho, the County of Sandoval, The Village of Corrales, the Town of Bernalillo, and the Pueblo of Santa Ana, establishes a new special revenue fund to track the expenditures of the regional communication center and to set aside savings for future capital needs. Revenues come from all participating entities, including the City's share which is shown as a transfer from the General Fund.

#### Infrastructure Fund

This fund accounts for major improvements to the City's infrastructure. For FY2016, the City is required to provide a \$1.7 million match to access \$7 million in federal funds for the Southern Boulevard reconstruction project. This match will come directly from the General Fund.

#### Equipment Replacement Fund

A General Fund transfer in the amount of \$381,005 is included in the budget to fund a parks and recreation heavy duty truck (\$35,000); an animal control truck and box (\$51,000); supplemental sources for 10 police vehicles (\$88,000); supplemental sources for a new ambulance (\$50,000); and a public works dump truck (\$120,000).

#### City Facility Improvement/Replacement Fund

Available resources total \$121,940, including cell tower revenues, and will be used to fund park improvements and ADA compliance (\$40,314); Cabezon Park additional upgrades (\$3,864); a gasoline dispenser and pump upgrade at the City's fueling station (\$58,632); Haynes and Rainbow pools partition replacements (\$16,000); and Rainbow pool pump and strainer (\$8,000).

#### Impact Fee - Road Fund

Based on 550 projected single-family starts in FY2016, budgeted revenue is \$222,319. Impact fee revenue will be used for the Sprint Boulevard and Enchanted Hills Boulevard traffic signal project.

#### Impact Fee - Parks Fund

Based on 550 projected single-family starts in FY2016, budgeted revenue is \$69,130. Impact fee revenue will be used for Sports Complex North Park improvements.

#### Impact Fee - Public Safety

Based on 550 projected single-family starts in FY2016, budgeted revenue is \$192,273. Impact fee revenue will be used to fund police vehicles (\$71,700) and an ambulance (\$150,000).

#### Impact Fee - Drainage

Based on 550 projected single-family starts in FY2016, budgeted revenue is \$122,681. The Los Milagros Channel project is budgeted in the amount of \$50,000.

### **Water and Wastewater Utility**

The Water and Wastewater Utility provides service to approximately 33,000 customers. Revenue to fund operations and capital investment is derived from the sale of water and wastewater services, impact fees, and other income. A scheduled water rate increase of 7.8 percent was effective July 1, 2015 and has been included in the FY2016 projection of water and wastewater revenue. This is the fourth of five rate increases originally adopted by the Governing Body in January 2013 and subsequently amended in June 2013 and June 2014. The final rate increase of 7.8 percent is scheduled for July 2016.

The additional funding from the rate increases will benefit the Utility in two ways. First, the City will have adequate resources to fund operating expenses, build much-needed operating and capital reserves, and maintain debt coverage ratios. Second, additional revenues will provide funding for several important capital projects that are critical to maintaining adequate service to the Utility's customers.

In FY2016, the Utility will continue to replace failing polyethylene water service lines installed in the 1980's throughout the City. Replacing these services lines will reduce the number of water leaks, thus saving valuable water resources and reducing maintenance expenses.

The city has entered into a re-negotiated contract with Operations Management International, Inc. effective July 1, 2015 for a period of five years. The contract contains several contract improvements, including incentivized performance, clarified deliverables and processes, and established compliance and maintenance responsibilities. The compensation fee for FY2016 is \$6,828,045 plus a \$90,000 allowance for office, laboratory, and safety supplies for a total of \$6,918,045, excluding applicable gross receipts taxes.

#### **UTILITY REVENUES: \$44,640,184**

Total revenues in FY2016 for the Utility as a whole are projected to decrease a net \$5,856,967 or 11.6 percent compared to the FY2015 Revised Budget due to the following main reasons:

- Water and wastewater revenues are projected to increase \$2,383,276 or 6.2 percent as a result of the July 1, 2015 scheduled rate increase and a projected increase in the Utility customer base. Consumption is estimated to remain at 2014 levels.



- Intergovernmental revenues are expected to decline \$8,539,710. The FY2015 Revised Budget included several state and federal grant awards for various Utility projects; however, the FY2016 Budget does not include any new grant sources.
- Water rights acquisition fees are projected to increase \$383,264 or 13.9 percent primarily due to an increase in the number of water utility accounts.

**UTILITY PERSONNEL SERVICES: \$1,929,367**

The Personnel Services budget for the Utility is projected to increase \$74,157 or 4 percent compared to the FY2015 Revised Budget. The Personnel Services budget reflects the same 1.5 percent salary increase and increased health and dental insurance premiums as the General Fund. The budget also includes the addition of a Utilities Service Specialist to provide more timely and effective customer service. With the additional employee, the Utility will have 34.5 full-time employees.

**UTILITY MATERIALS & SERVICES: \$22,881,143**

The Materials and Services budget is projected to decrease \$4,624,211 or 16.8 percent compared to the FY2015 Revised Budget. The decrease is primarily due to prior-year roll forwards included in the FY2015 Revised Budget that are either not included in FY2016 Final Budget or included at lower expenditure levels. Among these items are SCADA and Security system upgrades, engineering specification development, contract services for Operations Administration, and meter installation and replacement. Additionally, the FY2015 Revised Budget included approximately \$5 million for water service line replacements, while the FY2016 budget includes \$1 million for this purpose.

**UTILITY CAPITAL OUTLAY: \$3,315,670**

Capital Outlay includes new and replacement capital improvement projects. A detailed list of equipment and projects can be found in the Capital Outlay section of the budget document. Funding for capital projects is provided through a combination of Utility operational revenues, impact fees, and loan/bond proceeds. Capital projects budgeted for FY2016 include the following:

- Utility equipment including a new water sampling station, GPS unit, sewer lateral camera, wastewater pumps and a portable gantry used to move large pumps and motors for maintenance (\$266,883).
- Vehicles used for water and wastewater operations to include three pick-up trucks, a John Deere gator, a Skid Steer loader, and a camera inspection truck (\$488,142).
- Well site security, renovations to water storage tanks, and supervisory, control, and data acquisition (SCADA) improvements (\$784,764).
- Purchase of water rights to satisfy the Office of the State Engineer permit requirements (\$1,775,881).

Related to the capital program, the City proposes to issue approximately \$32 million in bonds to refund Series 2007 Joint Utility System Revenue Bonds, and \$25 million in new Utility debt to fund the Rebuild Wastewater Treatment Plant #1 project. The Governing Body also adopted R58, Enactment 15-053 on July 8, 2015 to cash finance the following utility projects:

- Design Re-drill and equip Well #13
- Equip the Advanced Water Treatment/Aquifer Reinjection Facility
- Construct a Recycled Water Tank
- Construct a Booster Station at Tank #8

**UTILITY OPERATING FUND ENDING FUND BALANCE:**

For FY2016, the Utility Operating Fund unreserved ending fund balance is projected to be \$6,510,749, the equivalent of an estimated 100 days cash operating reserve. Based on the estimated revenues and expenditures, the Utility meets the minimum required debt service coverage ratio of 1.15 for parity bonds, with a projected coverage ratio of 1.53 for senior debt and 1.45 for senior and subordinate debt combined.

The City will continue to fund a non-growth capital reserve in the Utility Operating Fund equal to 1.0 percent of the total value of Utility capital assets. The reserve was established pursuant to the financial planning benchmark in the 2012 Rate Study. The reserve stabilizes Utility cash balances from year to year and may be utilized for capital projects as needed through the planning period. At the end of FY2016, the capital reserve is projected to be \$3,614,510.

### Conclusion

In Summary, the FY2016 Budget maintains funding for all City services, allocates new funding for critical capital needs, and provides for a 1.5 percent salary increase for all employees. The last five years have been some of the most fiscally challenging. A reduction in estimated Gross Receipts Tax revenues during the FY2015 mid-year process reduced GRT estimates in the future years of the General Fund five-year plan. This revision of revenue estimates impacted the level of services and number of projects that could be planned. Recent trends show signs of more positive growth in GRT collections. Should these trends continue, some of the unfunded projects can be built back into the five-year plan. Overall, I remain confident that the City is in good financial condition.

I will continue to work with the Governing Body over the coming years to allocate City resources efficiently and strategically to provide the best level of services possible to our citizens.

Sincerely,

A handwritten signature in blue ink, appearing to read "Keith Riesberg", with a long horizontal stroke extending to the right.

Keith Riesberg  
City Manager