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The Benefits and Costs of City-County Unification: An Analysis of City of Albuquerque and Bernalillo County Finances

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THE BENEFITS AND COSTS OF CITY-COUNTY UNIFICATION

AN ANALYSIS OF CITY OF ALBUQUERQUE AND BERNALILLO COUNTY FINANCES

August 24, 2004

UNIVERSITY OF NEW MEXICO
BUREAU OF BUSINESS AND
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CHAPTER 1

INTRODUCTION

The genesis of this report was a memo from the Cost/Benefit Data Subcommittee to the Albuquerque Bernalillo County Unification Charter Commission recommending that the Commission authorize staff to negotiate a contract for a report on the costs and benefits of unification:

The report should respond to the basic question, “What are the costs and benefits of adopting the proposed unification charter?” by addressing the following sub-questions

1) If the draft unification charter were adopted, what would be the impact of unification on gross receipts and property tax capacity and revenues, bonding capacity and flows (GO and gross receipts), and enterprise fund fee structures.

2) Which City and County functions/services overlap and may be merged into one function? Which are unique and may be maintained as unique in the unified government?

2) How are these services currently funded in Albuquerque, in the unincorporated parts of the County, in the incorporated parts other than Albuquerque? How will they be funded if the charter is adopted?

Where these questions cannot be answered because they depend on decisions to be taken after the adoption of the charter, the report should identify which decisions remain to be taken, which body will be responsible for taking the decision, and whether or not a timetable has been established for taking the decisions.

Where varying decisions are possible, the report should address the potential effect of these decisions on the cost/benefit analysis.

BBER’s proposal for the research may be found in Appendix A. In the course of conducting the research and in conversation with members of the Commission and staff, certain modifications were made to the research design. For example, it proved to be very difficult to put together a consistent set of data on City and County expenditures by purpose and revenues by source to perform the trend analysis and project baseline revenues and expenditures. Other tasks took precedence. On the other hand, in exploring the issue of whether separate service/tax districts might make sense, BBER decided in consultation with staff to take a more in-depth look at service delivery in the East Mountain Area.

The report is organized into chapters which each explore different sets of issues relevant to a consideration of the costs and benefits of unification. Chapter 2 presents the revenue analysis. It provides an in depth analysis of the major tax revenue sources to the City and County and examines how these could be affected by unification and how the new County might move toward equalization of tax rates. The chapter also examines various State and federal revenue sources and explores how these may be affected by unification.

Chapter 3 examines the services provided to residents and businesses within the City limits by the City of Albuquerque and Outside the City limits, in the unincorporated area and in the other municipalities by Bernalillo County. It presents calculations of per capita operating expenditures for different types of services and explores the reasons for differences between the City and the County.

Chapter 4 takes up the question of whether residents and businesses outside the City limits are being subsidized in the services they receive from the County by City taxpayers. The analysis examines both the County's operating budget and the capital program financed by bond sales. The analysis, however, also looks at the City of Albuquerque, analyzing what services they provide and fund countywide as well as the ways in which residents and businesses in the unincorporated area may help pay for these services.

Chapter 5 examines how the overall costs of government may be affected by unification. It presents an analysis of the costs of central administration and central services in both the City and the County and attempts to provide ballpark estimates of what the savings might be in the longer term as well as identifying areas both where costs are likely to be higher in the short term and where an analysis by experts may be required (e.g., information systems). This chapter also examines differences in compensation between the City and the County and explores differences in the benefits offered.

Chapter 6 explores the possibility of setting up a separate service/tax district for all or part of the unincorporated area.

CHAPTER 2

REVENUE ANALYSIS

GROSS RECEIPTS TAX

The gross receipts tax is a broad-based tax for the privilege of doing business in New Mexico. Unlike a sales tax, the tax is imposed on the seller and not the buyer.

Tax Capacity

Table 2.1 provides figures on the taxing capacity of Bernalillo County, the City of Albuquerque, the other incorporated municipalities and the unincorporated area for the gross receipts tax in Fiscal Year 2003. Taxable gross receipts is the tax base. To measure tax capacity, per capita figures are provided both for this tax base and for the revenue generated by a ¼ cent gross receipts tax. Note that Tijeras with its very small population has tax capacity more than double that for other entities, except Corrales, which also has a very small population in Bernalillo County. Los Ranchos tax capacity was roughly half that of the City of Albuquerque. Tax capacity in the unincorporated area compares very favorably with Los Ranchos largely because of Sandia National Laboratories, which as a private contractor-run facility is subject to gross receipts tax.

TABLE 2.1
GROSS RECEIPTS TAX CAPACITY, FY 03
BERNALILLO COUNTY, INCORPORATED MUNICIPALITIES, UNINCORPORATED AREA

	Estimated Population ¹	Taxable Gross Receipts ²	Per Capita	
			Taxable Gross Receipts	Revenue from 1/4 Cent Tax ³
Bernalillo County	577,020	13,775,886,755	23,874	59.69
Albuquerque	467,599	11,440,366,335	24,466	61.17
Corrales	673	21,451,593	31,875	79.69
Los Ranchos de Albuquerque	5,151	57,774,406	11,217	28.04
Rio Rancho	2	82,511,614		
State Fair Grounds ⁴	-	18,090,337		
Tijeras	469	25,929,481	55,346	138.36
Unincorporated Area	103,128	2,128,749,257	20,642	51.60

1. Average of Census Bureau estimates for July 1, 2002 and July 1, 2003.

2. Data on taxable gross receipts compiled from NM Taxation and Revenue Department Report 80.

3. Actual distribution would be less by the 3% administrative fee and more depending on applicable penalties and interest.

4. Taxable gross receipts on activity at State Fair Grounds. 1.225% distribution is paid to Albuquerque.

Taxing Authority and Effort

Taxing authority at the local level in New Mexico is governed by the State Constitution and by State statute. Table 2.2 reviews the local option gross receipts taxes authorized by State statute for counties and municipalities.

The gross receipts tax is the favored revenue source for municipalities. Municipalities have a variety of local option taxes they may impose in addition to the municipal gross receipts tax, where their authority is up to 1.25%. In all municipalities (technically all those that have imposed at least a 0.50% gross receipts tax), the taxpayer currently receives a 0.50% credit against the State gross receipts tax, which is currently 5.0%. Municipalities also receive a 1.225% distribution from the State tax paid within municipal limits. Counties have less gross receipts tax authority. Taxpayers outside of municipal limits are not eligible for a credit against the State tax, and there is nothing comparable in revenues to the municipal distribution.¹ Action by the 2004 Legislature eliminated the municipal 0.5% credit effective January 1, 2005, in order to hold local governments harmless as the State eliminates the gross receipts tax on food and on medical services provided under managed care contracts. On that date the gap between the taxes in effect in unincorporated areas and in municipalities will become that much larger.

¹ There is a County Equalization Distribution detailed in NMSA 7-1-6.16 and 7-20E-9 through 7-20E-11 which is available for counties with a smaller than average per capita share of the gross receipts tax base. This is available only for qualifying counties imposing a county gross receipts tax.

Table 2.2

COUNTY AND MUNICIPAL GROSS RECEIPTS TAX STATUTORY AUTHORITY

Revenue Source	Area ¹	Increments Allowed			Description of Use / Statutory Limitations	Enactment
		Num.	(%)	Total		
County GRT	CW	3	0.1250	0.3750	First increment - general purposes: one-fourth to reserve fund, balance to general fund; second increment - \$1M to indigent care, balance for general purposes; third increment - general purposes.	Governing body; First incr. - voter approval if required, may petition for referendum if not required; second incr. - no voter approval required; third incr. - voter approval required.
Infrastructure	CW	2	0.0625	0.1250	General improvements and infrastructure improvements.	Voter approval
Capital Outlay	CW	4	0.0625	0.2500	Public buildings or facilities, payment of of GRT revenue bonds; can only be used if County GRT and Infrastructure authority has been exhausted.	Voter approval
Emergency Com. & Medical Services	CW	4	0.0625	0.2500	Emergency communications center operations, emergency medical services; can be either county-wide or unincorporated area; imposed for up to ten years from enactment.	Voter approval
Education	CW	1	0.5000	0.5000	School capital projects; max. ten years; only available to certain Class B counties.	Voter approval
Health Care	CW	1	0.0625	0.0625	County medicaid fund.	Governing body
County Hospital	CW	1	0.1250	0.1250	Only certain Class B counties are eligible.	Voter approval
Local Hospital	CW	4	0.1250	0.5000		
County Hospital Emergency	CW	1	0.2500	0.2500	Only certain Class B counties are eligible.	Governing body
Jail	CW	1	0.1250	0.1250		
Environmental	UA	1	0.1250	0.1250	Water, wastewater, sewer, and solid waste facilities; covers unincorporated area only.	Governing body; not subject to referendum unless required by county charter.
Fire	UA	1	0.2500	0.2500	Operational expenses for ambulance services and capital outlays for ambulance and independent fire departments; max. ten years, five years for subsequent enactments; can be 0.25% or 0.125%.	Voter approval
Municipal GRT	M	5	0.2500	1.2500	Municipal government services; first increment to Public Safety, second to basic services, third and fourth to General Purposes (pledged to GRT bonds in ABQ), fifth to roads, transit, and trails.	Voter approval of each increment
Infrastructure	M	4	0.0625	0.2500	Special obligation bonds, infrastructure improvements, general purposes, transit, economic development.	Governing body; increments in excess of the first 0.125% or any increment imposed after July 1, 1998 for economic development must be voter approved.
Capital Outlay	M	4	0.0625	0.2500	Public buildings or facilities, payment of of GRT revenue bonds; can only be used if Municipal GRT and Infrastructure authority has been exhausted and if no Supplemental increments have been enacted.	Voter approval of each increment
Environmental	M	1	0.0625	0.0625	Water, wastewater, sewer, and solid waste facilities.	Governing body; referendum only if required by municipality charter

1. CW = Countywide; M = Municipal; UA = Unincorporated Area

Table 2.3 summarizes the gross receipts tax rates in effect as of July 1, 2004 in each of the taxing jurisdictions and shows the total tax rate in effect for businesses after application of the municipal credit in effect through December of this year. Note that the County Gross Receipts Tax applies in all taxing jurisdictions except the State Fair Grounds, which is on State property and therefore only taxed at the State rate, although the City receives the municipal gross receipts tax distribution on these taxes in recognition of the City services provided. The Municipal Gross Receipts Taxes for Albuquerque now include the public safety tax that went into effect July 1 of this year. The County environmental gross receipts tax only applies in the unincorporated area; municipalities only have 1/16th cent tax versus the 1/8th cent environmental gross receipts tax in the County.

Table 2.3
BERNALILLO COUNTY LOCAL OPTION GROSS RECEIPTS TAXES, JULY 1, 2004

	Municipal			County		Total Local Option		Minus Muni Credit	State GRT	Total Tax Rate
	GRT	Infrastruct	Environ	GRT	Environ	Muni	County			
Bernalillo County										
Albuquerque	1.2500%	0.0625%		0.2500%		1.3125%	0.2500%	-0.5000%	5.0000%	6.0625%
Corrales	1.2500%	0.1250%		0.2500%		1.3750%	0.2500%	-0.5000%	5.0000%	6.1250%
Los Ranchos de Albuq	1.0000%	0.1250%		0.2500%		1.1250%	0.2500%	-0.5000%	5.0000%	5.8750%
Rio Rancho	1.2500%	0.1250%	0.0625%	0.2500%		1.4375%	0.2500%	-0.5000%	5.0000%	6.1875%
State Fair Grounds									5.0000%	5.0000%
Tijeras	1.0000%			0.2500%		1.0000%	0.2500%	-0.5000%	5.0000%	5.7500%
Unincorporated Area				0.2500%	0.1250%	0.0000%	0.3750%		5.0000%	5.3750%

Source: NM Taxation and Revenue Department

Faced with problems in financing needs at the jail as well as additional fire fighters (as the use of volunteers is less and less an option), the County is now giving serious consideration to increasing the gross receipts tax, presumably imposing the third 1/8 cent increment of County Gross Receipts Tax and the first 1/16th cent increment of County Infrastructure Gross Receipts Tax. The new taxes would be imposed countywide. Property taxes, currently at the statutory maximum on the operating levy of 11.85 mils, would be reduced.

Growth in Tax Base

Table 2.4 provides 10 years of history on taxable gross receipts for each of the taxing jurisdictions. Corrales has been growing very fast. Note that tax base growth has been somewhat stronger in the unincorporated area than in the rest of the County. Tijeras has a very small tax base and this base was larger in the exceptional year of 1994 than in any year since. The volatility of construction activity may help to explain the huge year-to-year swings particularly in the smaller communities.

TABLE 2.4
GROWTH IN TAXABLE GROSS RECEIPTS, FISCAL YEARS 1994 - 2003
BERNALILLO COUNTY, CITY OF ALBUQUERQUE, OTHER INCORPORATED AREAS, UNINCORPORATED AREA

Fiscal Years	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	Compound Annual Growth 1994 - 2003
<u>Taxable Gross Receipts in Millions of Dollars</u>											
Bernalillo County	9,375	10,148	10,885	11,244	11,567	11,861	12,382	13,035	13,252	13,776	3.9%
Albuquerque	7,873	8,507	9,150	9,482	9,774	10,006	10,458	10,942	11,049	11,440	3.8%
Corrales	8	10	10	17	13	15	14	16	19	21	10.3%
Los Ranchos de Albuq	54	60	63	71	62	65	57	58	57	58	0.6%
Rio Rancho	-	9	15	50	52	71	78	63	77	83	
State Fair Grounds	15	17	15	16	17	18	28	21	19	18	1.8%
Tijeras	27	2	15	18	19	23	22	22	21	26	-0.2%
Unincorporated Area	1,398	1,540	1,616	1,591	1,630	1,663	1,725	1,913	2,010	2,129	4.3%
<u>Year-Over-Year Growth</u>											
Bernalillo County	6.7%	8.2%	7.3%	3.3%	2.9%	2.5%	4.4%	5.3%	1.7%	4.0%	
Albuquerque	10.4%	8.1%	7.6%	3.6%	3.1%	2.4%	4.5%	4.6%	1.0%	3.5%	
Corrales	29.8%	26.0%	-0.4%	71.4%	-25.8%	18.2%	-5.3%	9.8%	18.9%	13.8%	
Los Ranchos de Albuq	14.1%	10.4%	4.9%	12.4%	-11.5%	3.4%	-11.0%	0.8%	-1.4%	1.1%	
Rio Rancho			69.3%	226.0%	3.8%	37.5%	9.2%	-18.5%	22.0%	6.6%	
State Fair Grounds	-34.7%	-32.8%	-40.3%	13.2%	-19.3%	-9.3%	-17.8%	-42.4%	-10.0%	15.3%	
Tijeras	133.6%	-93.0%	706.6%	18.3%	6.1%	23.8%	-5.9%	0.5%	-4.7%	24.5%	
Unincorporated Area	-11.1%	10.2%	5.0%	-1.6%	2.5%	2.1%	3.7%	10.9%	5.1%	5.9%	

Source: NM Taxation and Revenue Department, Report 80

Effects of Unification

The new urban county should be able to impose all those local option gross receipts taxes that municipalities and counties have statutory authority to impose. Equalizing rates in the unincorporated area and the City of Albuquerque will almost certainly entail imposing municipal gross receipts taxes on businesses in the unincorporated areas, since City businesses are currently responsible for the County gross receipts tax in addition to the various local option taxes imposed by the City. The only County tax they do not pay is the County environmental gross receipts tax.

Should the new urban county impose municipal taxes throughout what is now the unincorporated area, it should receive the 1.225% municipal distribution of State-shared gross receipts taxes on businesses throughout the unified county.² BBER estimates the revenue gain at more than \$26 million annually. This is a clear benefit of unification assuming that the State determines that the distribution is required under state law. The State's General Fund stands to lose dollar-for-dollar whatever additional revenues are distributed to the urban county.

With unification, the new urban county will have a variety of taxing options, and may be able to establish separate taxing districts. This latter possibility will be discussed in the final chapter. Here we assume that tax rates throughout the

² The precedent was set with Los Alamos County when City and County were unified.

urban county will be brought into equality³. Rates in the unincorporated area will have to rise, while rates in the City should fall somewhat. The additional revenue from the expanded municipal gross receipts tax distribution can be applied to hold down the gross receipts tax rate outside the City limits.

Unification provides more options when the half-cent municipal credit is eliminated (Jan. 1, 2005) and taxes paid by businesses in the City go up by a corresponding amount. According to BBER's analysis, with the additional revenues from 1.225% distribution, the new urban county can effectively hold taxes close to current City rates without reducing revenues for government operations (and GRT bond debt service). The County environmental gross receipts tax would need to be extended to businesses in the City. While taxes in the unincorporated area would go up under this scenario, the impact on unincorporated county residents will be lessened to the extent that they make many purchases within the City limits, where taxes would otherwise go up by half a cent on January 1, 2005.

PROPERTY TAXES

Tax Capacity

Table 2.5 below presents figures on net taxable value and property tax capacity per capita for Bernalillo County, for Albuquerque and the other incorporated areas within Bernalillo County and for the unincorporated area.

Note that property tax capacity is almost twice as high in Corrales and Los Ranchos as in the other taxing jurisdictions.

³ It is understood that residents of the unincorporated area will not be responsible for paying debt service on outstanding bonds issued by the City, so there will inevitably be a delay of several years before tax rates can be equalized. With respect to bonds backed by the City's gross receipts tax distributions, only those bonds backed by the municipal gross receipts tax distribution (the first half cent) would be relevant. As of July 1, 2004, the amount of these bonds outstanding was \$8.55 million. Annual debt service on these bonds is estimated at under \$2 million through FY 07 and at less than \$600 thousand between FY 08 and when the last bond is paid off in FY 15. Even the larger figure is only about 3% of the revenues raised annually by the City's half-cent municipal gross receipts tax.

TABLE 2.5
PROPERTY TAX CAPACITY, TAX YEAR 2003 (FY 04)
BERNALILLO COUNTY, INCORPORATED MUNICIPALITIES, UNINCORPORATED AREA

	Estimated Population ¹	Net Taxable Value ²	Per Capita	
			Net Taxable Value	Revenue from 1 Mil
Bernalillo County	581,442	9,633,808,020	16,569	16.57
Albuquerque	471,856	7,857,028,574	16,651	16.65
Corrales	672	18,409,142	27,395	27.39
Los Ranchos de Albuquerque	5,156	153,254,452	29,724	29.72
Rio Rancho	2	3,702,426		
Tijeras	468	6,781,085	14,489	14.49
Unincorporated Area	103,288	1,594,632,341	15,439	15.44

1. Census Bureau estimates for July 1, 2003.

2. Unprotested value as certified by the County Assessor and as reported by the Local Government Division.

Taxing Authority and Effort

Table 2.6 summarizes the property tax rates in effect in the different taxing jurisdictions within Bernalillo County for tax year 2003 (FY 04). Note that the County has in place an operating levy, a debt service levy, the 0.25 mil levy approved by the voters for open space, and a 0.067 mil levy for judgments over \$100,000. These taxes are paid on all residential and non-residential property in Bernalillo County. There is also a State debt service levy that is paid on all properties and a levy for University Hospital. Most property in the County pays a

Table 2.6
BERNALILLO COUNTY PROPERTY TAX RATES, 2003 ¹
Net Taxable Value: \$9,633,808,020

	Albuquerque		Corrales		Los Ranchos		Tijeras		Rio Rancho	Unincorporated	
	Resid	Non-Resid	Resid	Non-Resid	Resid	Non-Resid	Resid	Non-Resid	Non-Resid	Resid	Non-Resid
Total taxable (millions)	5,481.33	2,375.70	16.37	2.04	136.34	16.92	4.39	2.40	3.70	1,195.57	399.07
State											
Debt service	1.520	1.520	1.520	1.520	1.520	1.520	1.520	1.520	1.520	1.520	1.520
Total	1.520	1.520	1.520	1.520	1.520	1.520	1.520	1.520	1.520	1.520	1.520
County											
Operational	7.007	11.600	7.007	11.600	7.007	11.600	7.007	11.600	11.600	7.007	11.600
Debt service	0.830	0.830	0.830	0.830	0.830	0.830	0.830	0.830	0.830	0.830	0.830
Open Space	0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.250
Judgement	0.067	0.067	0.067	0.067	0.067	0.067	0.067	0.067	0.067	0.067	0.067
Total	8.154	12.747	8.154	12.747	8.154	12.747	8.154	12.747	12.747	8.154	12.747
Municipal											
Operational	3.019	3.544	1.869	3.185			0.996	2.225	5.140		
Debt service	7.976	7.976	1.070	1.070					2.074		
Total	10.995	11.520	2.939	4.255	0.000	0.000	0.996	2.225	7.214	0.000	0.000
School											
Operational	0.239	0.500	0.239	0.500	0.239	0.500	0.239	0.500	0.500	varies	varies
Debt service	2.162	2.162	2.162	2.162	2.162	2.162	2.162	2.162	2.162	varies	varies
Cap. Improvement	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000	varies	varies
School Building	3.874	4.344	3.874	4.344	3.874	4.344	3.874	4.344	4.344	varies	varies
Total	8.275	9.006	8.275	9.006	8.275	9.006	8.275	9.006	9.006	varies	varies
Total (State, County, Muni, School)	28.944	34.793	20.888	27.528	17.949	23.273	18.945	25.498	30.487		
Other											
UNMH	6.500	6.500	6.500	6.500	6.500	6.500	6.500	6.500	6.500	6.500	6.500
TVI	2.461	3.000	2.461	3.000	2.461	3.000	2.461	3.000	3.000	varies	varies
TVI Debt service	0.550	0.550	0.550	0.550	0.550	0.550	0.550	0.550	0.550	varies	varies
Total	9.511	10.050	9.511	10.050	9.511	10.050	9.511	10.050	10.050	varies	varies
Grand Total	38.455	44.843	30.399	37.578	27.460	33.323	28.456	35.548	40.537	26.156 - 27.460	30.951 - 33.323

1. Rates are mil levies (tax per \$1,000 of net taxable value).

Source: New Mexico Department of Finance and Administration Local Government Division, Financial and Property Tax Data by County and Municipality, Fiscal Year 2003

variety of public school levies to Albuquerque Public Schools and to TVI, but some pay taxes to other school districts and some do not contribute to TVI. Note that there is considerable variation in property tax effort among the incorporated municipalities. Albuquerque makes extensive use of the debt service levy to support an ambitious GO bond program, while Los Ranchos does not impose a property tax.

Table 2.7 examines the additional operational property tax authority in Bernalillo County, in the incorporated areas and in the unincorporated area, for tax year 2003 (FY04), the latest year for which the data are currently available. The table also presents figures on GO bonding capacity. Note that Bernalillo County is currently at the maximum operational levy allowed under State statute, but that it has substantial unused bond capacity. By contrast, the City of Albuquerque for tax year 2003 had more than 4 mills of unused operational property tax authority. The City makes extensive use of General Obligation bonds to fund its capital program, but still had some \$135 million in GO bond capacity. As a matter of policy, the City keeps GO bond maturities to 10 years or less and is very aggressive in paying off the debt quickly.

Growth in Tax Base

Table 2.8 provides the data relevant for examining the growth in the property tax base in Bernalillo County, in the City of Albuquerque, the other incorporated municipalities, and the unincorporated area over the 10 year period beginning in tax year 1994. During this period, the property tax base in the County grew at 7.0% compound annual rate. This overall annual growth includes both growth in value due to property appreciation (rising real estate values) and growth due to new construction and improvements on existing properties. Growth in residential value was 8.2%, while non-residential value grew at a compound annual rate of only 4.4%. Tiny Tijeras had the fastest rate of growth in overall net taxable value – 13.9%. Albuquerque net taxable value grew at 6.8%, with 8.0% growth in residential valuation and 4.5% growth in non-residential. Los Ranchos had similar growth in residential valuation but non-residential increased at only a 1.4% compound annual rate. The unincorporated area grew at a somewhat higher overall compound annual rate of 7.5%. Residential growth was 9.3%, while non-residential valuation grew at 3.4%.

The historical growth in property tax revenues may not be indicative of what will happen in the future. Legislation passed and signed into law in 2000 puts a 3% annual cap on increases in valuation of individual owner occupied housing that did not change hands once the County achieves an average assessment sales ratio of 85%. Bernalillo County has achieved this status.

TABLE 2.7
PROPERTY TAX REVENUES FROM ENACTED AND MAXIMUM STATUTORY TAX RATES - 2003

	Operating Levy				
	Imposed (Mils)	Current Mil Levy	Available Authority (Mils)	Revenues from Rates in Effect	Est. Additional Avail. Revenues
Bernalillio County					
Operating Levy - Max 11.85 mils					
Residential	11.850	7.257	0.000	49,594,224	0
Non-residential	11.850	11.850	0.000	33,177,910	0
Municipalities					
Operating Levy - Max. 7.65 mils					
Albuquerque - Residential	3.540	3.019	4.110	16,548,122	22,528,249
Albuquerque - Non-residential	3.540	3.544	4.110	8,419,491	9,764,139
Corrales - Residential	5.870	1.869	1.780	30,589	29,132
Corrales - Non-residential	5.870	3.185	1.780	6,506	3,636
Los Ranchos - Residential	0.000	0.000	7.650	0	1,043,000
Los Ranchos - Non-residential	0.000	0.000	7.650	0	129,397
Tijeras - Residential	2.225	0.996	5.425	4,369	23,797
Tijeras - Non-residential	2.225	2.225	5.425	5,328	12,990
Rio Rancho - Non-residential	7.650	5.140	0.000	19,030	0
Unincorporated Remainder					
Operating Levy - Max 11.85 mils					
Residential	11.850	7.257	0.000	8,676,221	0
Non-residential	11.850	11.850	0.000	4,728,939	0
	Debt Service				
	Imposed (Mils)	Revenues from Debt Service	Max. Bonding Authority ¹	Outstanding GO Bonds ^{2, 3, 4}	Avail. Bonding Capacity
Bernalillio County					
Total	0.830	7,705,828	385,352,321	83,915,000	301,437,321
Municipalities					
Albuquerque	7.976	62,667,660	314,281,143	179,195,000	135,086,143
Corrales	1.070	19,698	736,366	385,000	351,366
Los Ranchos de Albuq	0.000	0	6,130,178	0	6,130,178
Tijeras	0.000	0	271,243	0	271,243
Rio Rancho	2.074	7,679	148,097	0	148,097
Unincorporated Remainder					
Total	0.830	1,323,545	63,785,294	13,889,998	49,895,296

1. Maximum bonding authority calculated by multiplying Net Taxable Value (NTV) by statutory maximum 4%.
2. Albuquerque outstanding General Purpose GO bonds as of April 1, 2004.
3. Corrales outstanding General Purpose GO bonds as of December 30, 2003.
4. Calculated using total outstanding GO bonds multiplied by ratio of unincorp. to incorp. NTV.

Sources:
Financial and Property Tax Data by County and Municipality, State of New Mexico, Department of Finance and Administration, FY 2003.
Annual Information Statement, City of Albuquerque, January 23, 2004.
Annual Budget, Bernalillio County, FY 2003-2004

Table 2.8**NET TAXABLE VALUE IN BERNALILLO COUNTY, TAX YEARS 1994 - 2003**

	IN MILLIONS OF DOLLARS										Compound Annual Growth
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	
<u>Albuquerque</u>											
Residential	2,736	3,376	3,470	3,597	3,710	4,466	4,624	4,997	5,264	5,481	8.0%
Non-Residential	1,593	1,654	1,664	1,784	1,982	2,136	2,185	2,293	2,291	2,376	4.5%
Total	4,328	5,031	5,133	5,381	5,692	6,601	6,809	7,290	7,555	7,857	6.8%
<u>Corrales</u>											
Residential	9	11	11	12	12	16	16	16	16	16	6.7%
Non-Residential	1	1	2	2	2	3	3	2	2	2	5.6%
Total	10	13	13	13	13	18	19	18	18	18	6.6%
<u>Los Ranchos</u>											
Residential	68	72	79	86	88	114	117	128	133	136	8.0%
Non-Residential	15	15	18	18	16	18	17	19	18	17	1.4%
Total	83	86	97	104	104	132	134	147	151	153	7.1%
<u>Rio Rancho</u>											
Non-Residential						4	4	4	4	4	
<u>Tijeras</u>											
Residential	1	2	2	2	2	2	2	4	4	4	12.8%
Non-Residential	1	1	1	1	1	3	3	4	2	2	16.4%
Total	2	2	3	3	3	5	5	8	6	7	13.9%
<u>Unincorporated Area</u>											
Residential	536	660	702	757	780	1,021	1,073	1,105	1,147	1,196	9.3%
Non-Residential	297	356	341	360	366	413	416	432	406	403	3.4%
Total	834	1,016	1,044	1,117	1,146	1,434	1,490	1,537	1,554	1,598	7.5%
<u>Bernalillo County</u>											
Residential	3,351	4,121	4,264	4,454	4,591	5,618	5,832	6,250	6,564	6,834	8.2%
Non-Residential	1,907	2,027	2,025	2,164	2,367	2,572	2,624	2,750	2,720	2,800	4.4%
Total	5,258	6,148	6,289	6,618	6,958	8,190	8,456	9,000	9,284	9,634	7.0%

Source: NM Dept of Finance and Administration, Local Government Division

Effects of Unification.

Transition to uniform property taxes within the Urban County means raising mil levies in the unincorporated area. This is because City residents and other property owners already pay all County property taxes as well as City taxes. City residents and businesses currently pay a debt service levy that is almost 8 mils. The City's imposed operating levy is for FY 2004 was 3.544 mils, although with yield control, residential property owners paid 3.019 mils.⁴ An 11-mil property tax increase on a \$100,000 house in the unincorporated area would cost the taxpayer, assuming they take the head of household exemption, about \$341.⁵

⁴ State statute restricts the yield, or the revenue growth from one year to the next, from an imposed operating levy to inflation plus the growth due to new value added as a result of new construction and/or other improvements.

⁵ The formula is (house value * 1/3 - exemptions) * mil rate/1000. There is a veteran's exemption. Here we assume the head of household exemption = \$2000.

However, residents of the unincorporated area will have no responsibility to pay debt service on bonds authorized by City voters prior to unification, so the initial increase as equalized tax rates are phased in is likely to be at most about 3 mils – just under \$100 on a \$100,000 house.

Given the substantial difference in the property tax base between the unincorporated area and the City, the increase in property taxes in the unincorporated area will be much greater than the reduction made possible in the taxes paid by City property owners. Taxes raised by a 1 mil levy in the unincorporated county account for one sixth (16.6%) of total County receipts, while the City's contribution is almost five sixths (81.6%). Thus, unincorporated area taxes would have to increase by almost 5 mils to offset the revenue loss from a 1-mil reduction in City property taxes.

In an earlier study (*City of Albuquerque GO Bond Debt Service Levy and Property Tax Valuation*, 1999), BBER documented a number of problems with property tax assessments in Bernalillo County: To quote from the executive summary,

Fundamental problems exist in assessments. Residential properties on average perhaps 70% of market value, maybe less. Performance seems to have worsened over time. Data on individual residences indicates wide variation in assessment/sales ratios, although no systematic patterns were in evidence in the properties examined. Assessments do not appear to be "fair and uniform", nor do there seem to be procedures in place to move in that direction.

...The value of non-residential, non-public building which have been permitted for improvements and for new construction considerably exceeds the value of improvements picked up by the Assessors Office in subsequent tax years....

.... county-wide valuations for land – residential and non-residential – fell in every year between 1989 and 1996....

One benefit from unification could be an improved property tax assessment program conducted by trained professional staff working under the direction of a highly educated, well trained and experienced professional. The benefit could translate into increased revenues and revenue growth. One hope would be that the property tax, administered with the appropriate tools (e.g., uniform disclosure of current sales prices) and with the objective of achieving assessments that are both current and correct and fair and uniform, might be found less onerous. The State finally has given assessors the information on current property values that they need to do their job. The State has also put in place some rudimentary circuit breakers to limit the impact of rising property values on those with low and fixed incomes. With professional administration at the County level, the property tax might be allowed to take its proper place in the funding of local government services and infrastructure.

It should be noted, however, that improvement at least in residential property tax assessment may be delayed due to the already mentioned 3% annual cap on

reassessment of existing owner-occupied housing. Effectively this law locked in an unfair situation.

OTHER TAXES

County and Municipal Gasoline Taxes

Under state law counties and municipalities each have authority to go to the voters with a one or two cent gasoline tax. In the case of counties, the tax may only be imposed in the area outside municipal boundaries, although there is provision for a joint election in the unincorporated area and in one or more of the municipalities of the county. There was an effort back in 1986 to pass a 2-cent gasoline tax in support of a countywide vehicle emission program and a joint election was held. The tax was defeated. A subsequent effort by the City to gain voter approval for a gasoline tax to be used for transportation purposes also failed. As the statute now reads, a local option gasoline tax would be on the retail sale of gasoline and would be administered and collected by the local government imposing the tax. The state gasoline tax is on gallons distributed to retail and other outlets and not on gallons sold by these outlets. A tax on retail sales could be expensive to administer and enforce. Based on the gallonage reports produced by the Taxation and Revenue Department, a 2-cent gasoline tax would generate something in the neighborhood of \$5 million annually countywide. This assumes that the 2-cent tax is actually collected on a similar volume in gallons as are now reported as distributed to Bernalillo County in a year.⁶ Since distributors to Bernalillo County typically report most of the gallons as being distributed within the City limits (95% or more), the revenue estimate for the City is very close to that for the county.

Section 7-24A-3 establishes the purposes for which a local option gasoline tax may be used:

The proceeds of a county or municipal gasoline tax shall be used for bridge and road projects or public transportation related trails and for expenses of purchasing, maintaining and operating transit operations and facilities, for the operation of a transit authority ..., for operation of a vehicle emission inspection program or for road, street or highway construction, repair or maintenance in the county or municipality.... A county or municipality may engage in the business of transportation of passengers and property within the political subdivision by whatever means it may decide and may acquire cars, motor buses and other equipment necessary for carrying on the business. It may acquire land and erect buildings and equip them with all necessary machinery and facilities for operation, maintenance, modification, repair and storage of any buses, cars, trucks or other equipment needed. It may do all things necessary for the acquisition and conduct of the business of public transportation.

⁶ The gallonage reports by gasoline distributors are unaudited and there has long been concern of over-reporting to Albuquerque or Bernalillo County rather than other jurisdictions in the state.

State statute provides authority for counties and municipalities to issue bonds backed by a local option gasoline tax, provided that the use of the proceeds is consistent with the above.

Lodgers Tax and Hospitality Fee

Under State law (Section 3-38-15) municipalities have authority to impose a lodgers tax of up to 5 percent, and counties have similar authority to impose a tax within unincorporated areas. The same statute (Paragraph D, (3)) specifically requires that municipalities and the county in a Class A County (Bernalillo) must use no less than half of the proceeds of the tax for “advertising, publicizing and promoting tourist-related attractions, facilities and events.” The other half of the revenues may be used to finance specific activities and facilities that our laid out in the statute. The City of Albuquerque has had a 5% lodgers tax in place for many years. In FY 03, this tax generated \$8.3 million in revenues. Of the other incorporated municipalities all or in part within Bernalillo County, Corrales has a 3.5% lodgers tax and Rio Rancho has a 5% tax. Neither Los Ranchos nor Tijeras impose the tax. Nor does Bernalillo County have a lodgers tax in place. Based on total receipts reported for accommodations in the unincorporated Bernalillo County, BBER estimates that a 5% lodgers tax in the unincorporated area would raise at most \$1 million, and probably considerably less.⁷

The City of Albuquerque has financed major construction projects and other improvements at the City’s Convention Center by selling bonds backed by lodgers tax revenues or by gross receipts tax revenues without a lodgers tax pledge but with an expectation that the debt service obligations will be met from lodgers tax. The constraint laid out in Paragraph D (3) has created problems for the City since revenue growth, contrary to expectations when the bonds were sold, has been flat for several years, and there has been a need to tap the City’s general fund to meet debt service on outstanding bonds used to finance convention center projects.

During the 2003 Legislative Session, the City of Albuquerque, as a municipality in a Class A County, was given authority to impose a 1 percent Hospitality Fee on the gross taxable rent for lodging. There are restrictions similar to the lodgers tax on how the revenues may be used. The City Council passed an ordinance (O-04-17) putting in place a 1 percent Hospitality Fee effective July 1, 2004.

A unified urban county should be able to extend both the lodgers tax and the hospitality fee to the unincorporated area.⁸ The revenue gain is difficult to estimate.

⁷ Unlike other jurisdictions, the accommodations industry in the unincorporated area has very large deductions, making it difficult to determine the appropriate base for a lodgers tax.

⁸ There is the matter of outstanding debt on pledged City of Albuquerque lodgers tax and whether the revenues from a tax in the unincorporated area could be used to pay debt service on this debt.

STATE AND FEDERAL SHARED REVENUES

The tables in Appendix B describe respectively the major state-shared and federal-shared revenues currently received by Bernalillo County and the City of Albuquerque, provides an estimate of any potential change in distributions after the urban county is established, and gives the statutory citation. In a number of instances the new urban county stands to receive a county distribution based on the entire urban county as well as a municipal distribution based on this same geography. The specific formulas are typically ratios based on geographic area, on population, or perhaps on road miles maintained. Typically the denominator is all municipalities or all unincorporated areas within counties. With the two areas being combined, they would make up a greater percentage of the total statewide, resulting in an increased distribution. This increase for the Albuquerque-Bernalillo Urban County in state granted revenues comes at a cost to all other areas of the state because they would have a smaller portion of funds to divide among themselves. The situation is rather different from the municipal gross receipts tax distribution, where the urban county's gain (estimated at \$26 million) will be funded dollar for dollar by a reduction in revenues to the State's general fund. Here Albuquerque's gain will be another community's loss. Most of the revenues in question are earmarked for particular programs/purposes and the funding streams may be critical to smaller counties and municipalities. The debates are likely to be politically charged.

The largest potential change comes from the **County Gasoline Tax** distribution where approximately \$1 million additional revenue could be distributed to the urban county by the State. Part of the Gasoline tax is distributed based on the County's proportion of motor fuel sales outside the incorporated areas to the total statewide fuel sales in unincorporated areas. With unification of the City and County, Albuquerque's motor fuel sales would be included in the unincorporated area's total. Adding Albuquerque's motor fuel sales to the County's total changes the County's motor fuel ratio significantly – from 13% of the total, to almost 75%. Similarly, the addition of Albuquerque would increase the percentage of roads maintained by the county relative to the state wide total. The increase in the road mileage ratio increases the distribution of: the **Motor Vehicle Fees**, the **County Government Road Fund**, and the **County Arterial Program**.

The **Local Law Enforcement Protection Fund** makes a distribution to counties and municipalities based on the population. According to the statutes, both a municipal police department and a county sheriff's department in the urban county would qualify for a distribution.⁹ The increase in population for the county due to the inclusion of Albuquerque could increase the amount that it receives by \$20,000. The amount due to Albuquerque would remain unchanged.

⁹ Interestingly, the consolidated Los Alamos County has both, although the elected sheriff has no officers under supervision. The police function is carried out by the police department.

There are some municipal distributions that would increase slightly due to the inclusion of the unincorporated areas of the county with Albuquerque. For example, the **Municipal Gasoline Tax Distributions** based on motor fuel sales and taxable gallons of gasoline would increase by about \$260,000. Albuquerque's gain here could come partly at the expense of Los Ranchos and Tijeras.

While the overall change in revenue is positive for the urban county, it is worth noting that these figures do not consider the additional expenses incurred by combining or expanding services. One example of this is the **Community Block Development Grant**. The urban county would receive approximately \$600,000 more revenue combined than it currently does individually. However, there would need to be considerable expansion to bring up county services to the city's standards. According to Michael Passi with the City of Albuquerque, the cost of increasing services countywide would outweigh the increase in funds. There are also a number of state shared revenues that would not be affected by the formation of an urban county. These are included for completeness.

CHAPTER 3

ANALYSIS OF SERVICE PROVISION

OPERATING COSTS FOR SERVICES DELIVERED TO THE PUBLIC

Data on actual expenditures in FY03 were collected from both the City and the County. Three sources of data were used: (1) spread-sheets from both the City and County on their expenditures by fund and by program/activity in the case of the City and by cost center for the County; (2) the audited financial statements which provide detail on spending (and revenues) by fund, including descriptions of what types of activities supported, and (3) City and County Budget documents, which provided data on actual expenditures for prior fiscal year and which helped identify and quantify spending on specific services.

The costs of central administration and administrative services are discussed in a subsequent section. This section focuses on government services provided directly to households and businesses, e.g., police and fire protection, parks and recreation. Efforts were made to match up city and county services to provide apple-to-apple comparisons. Per capita expenditures for different types of services were then calculated using 2003 population estimates produced by the Census Bureau for the County, the City, other incorporated municipalities and the unincorporated area. Discussions were held with knowledgeable staff in both the City and the County to get behind the numbers and to understand better any differences in responsibilities or in the actual services provided by the City and the County as well as factors affecting the costs of providing services.

The analysis indicates that per capita county costs for basic services – police, fire, transportation and storm drainage, parks and recreation, environmental health – outside the City limits are generally in line and in some cases exceed the City's per capita costs. This does not mean that the level of services provided is necessarily the same or higher. The City has a much larger population to serve, which could result in lower costs due to economies of scale. Population density in the area to be served is also much higher, so the City may be able to deliver services more efficiently. In the unincorporated area the County has the challenge of delivering services to a population that is dispersed in several different directions.

The County pays the City to operate its libraries, and it pays the City to extend bus service into the incorporated area, as it has no transit system of its own. The County does have a solid waste division and shared ownership in a landfill. It runs a transfer station but contracts with the private sector to provide collection and disposal for North and South Valley residents and businesses that pay the vendor directly for the service.

The analysis also indicates that the City spends much more per capita than the County in providing social services to its predominantly urban population. Residents of the unincorporated area and of the other municipality often benefit from these services provided or paid for by the City. In addition to community centers, the City operates multi-service centers where it delivers services like dental care, or provides space for various agencies or non-profit providers. The City runs 7 senior centers; the County contributes money but runs no centers of its own. The City has a range of programs to meet housing needs, and a variety of program to assist individuals with all matter of needs, including substance abuse, as well as numerous programs aimed at helping troubled youth. The County has a housing program but it is more limited in scope. The various other social services it provides are through contracts with various non-profit organizations.

Below we discuss the findings for particular services:

Fire and Emergency Medical Services. In FY 03, Bernalillo County spent \$9.15 million on fire and emergency services in the General Fund, including Fire’s allocated share of the costs for communications and dispatch¹⁰, and from dedicated revenues in various special revenue funds, not including grant funds. The services provided by the Bernalillo County Fire Department were provided almost exclusively to residents and businesses outside the City limits. In the other incorporated areas, both Los Ranchos and Tijeras have their own fire station. Los Ranchos provides its own staff. Tijeras also provides its own staffing, relying primarily on a volunteer force. Both are dependent on the County for dispatch, so only these costs are included for the other municipalities.

County Fire & EMS

Total Costs	Total Outside City	Per Capita Costs		
		County Outside City	Unincorporated	Other Incorp
9,146,854	9,146,854	86.79	87.95	12.23

In FY 03, the City of Albuquerque spent \$45.6 million on fire and emergency medical services, including dispatch. Some services may have been provided to County residents. Indeed, the City has taken over staffing for County Districts 7 and 9, which serve growing areas now within the municipal limits. Assuming only City residents are served, **per capita fire costs in the City in FY 03 were \$97.58**, roughly 11% higher than in the County. The services, which in both cases include training, are comparable. The County is still heavily reliant on volunteers. Total compensation per FTE is about \$54,000 versus \$74,000 in the City. That County costs per capita area as high as they are is therefore surprising until one considers the much lower population density in the

¹⁰ Costs were allocated between the different units within Public Safety based on the number of calls. Fire and EMS account for roughly one sixth of the total calls.

unincorporated area (under 110 people per square miles versus almost 3,000 people per square mile in the City). Response time is critical in fire suppression and in EMS.

Police/Sheriff. In FY 03, the County spent at least \$22.35 million for public safety services provided by the Sheriff's office in the area outside the City limits, including allocated costs for dispatch. This figure does not include 5% of expenditures by the Sheriff's Field Services Division for such countywide services as serving warrants and providing court security, prisoner transfer and extradition. The County Sheriff regularly patrols and provides law enforcement and protection to the other incorporated municipalities. Only Los Ranchos pays for this service.

County Sheriff:

Total Costs	Total Outside City	Per Capita Costs		
		County Outside City	Unincorporated	Other Incorp
22,885,850	22,347,899	204.24	204.73	196.18

In FY 03, the City of Albuquerque spent \$90.5 million from the general and special revenue funds including operating grants on police operations. **The per capita cost of police protection in the City was \$194**, or about 95% of the County costs per capita outside the City limits. At least for the FY95 Budget, total compensation per FTE in the County Sheriff's office is roughly equivalent to pay per FTE for City police. Again, the lower density of the unincorporated area may help to explain why County costs per capita are somewhat higher than those in the City.

Animal Control. Bernalillo County spent almost \$700 thousand in FY 03 on animal control in the areas outside the City limits. **The City spent \$3.75 million, or \$8.03 per capita.** The City runs two animal shelters, one on Lomas and one on the Westside. The City houses animals impounded by the County, charging a fee for each animal brought in.

Animal Control

Total Costs	Total Outside City	Per Capita Costs		
		County Outside City	Unincorporated	Other Incorp
689,710	689,710	6.30	6.30	6.33

Solid Waste. In FY 03, Bernalillo County expenditures on solid waste services for areas outside the City limits totaled \$3.1 million, while the City of Albuquerque spent almost \$36.0 million. **The County's per capita costs for limited solid**

waste services were only \$28.62. The full range of services provided by the City cost \$76.94 per capita.

The much higher level of spending in the City reflects the fact that the City provides the full service from regular door-to-door garbage collection to disposal in the City-owned and operated landfill. The City has a door-to-door recycling program and also operates a network of convenience centers where people may bring large items, like furniture and appliances as well as yard waste, and materials to be recycled. By contrast, the County contracts with Waste Management, Inc. (WMI) for residential collection in unincorporated parts of the County (North and South Valley areas). They have 21,000 residential customers, who pay a monthly bill to WMI for collection and disposal.¹¹ Commercial solid waste collection is handled mostly by WDI, but businesses do have a choice to hire other private trash haulers. WMI operates their own landfill facility and garbage haulers in Rio Rancho, so the County does not have to pay for operation (overhead) costs.

In the East Mountain area, the County's solid waste department has not mandated residents to follow a standardized weekly refuse collection. Instead, there are three independent haulers in the area that haul refuse to the transfer station, which is operated by the County. The East Mountain transfer station also operates a large "green-waste" operation and recycling 7 days a week. Last year, the County allocated \$600,000 to the City to help cover renovation costs at the Montessa Park Convenience Center, which serves many South Valley residents for regular garbage disposal as well as for disposal of large appliances and other items. Many residents of the North Valley take their recyclables and large items to the City's Eagle Rock Convenience Center.

The majority of waste (7,320 tons/ year) from the transfer station is hauled to the Bernalillo/ Tarrant Counties Regional Landfill, which is located eight miles west of Moriarty. On the weekends, waste is hauled to the City's Cerro Colorado Landfill (1,440 tons/ year). Including WDI's site, the county uses only these three landfills. There is another landfill, SW Landfill that is only for construction debris. The County does contract it for clean up days, but that's it.

Environmental Health. The City of Albuquerque Environmental Health Department spent \$10.2 million in FY 03 on a full complement of programs: air quality services, which monitors air quality, works on issues relating to transportation; air pollution management/vehicle inspection and maintenance; consumer health protection, including vector control and health inspections at food and food service providers, pools, spas and body art establishments; environmental services, including groundwater monitoring and mitigation,

¹¹ Monthly rates for county residents are \$10.50 per month. For low-income households, the cost is \$7.50 per month. For indigents or subsidized (by environmental gross receipts tax) households, the cost is \$3.50 per month.

household hazardous waste, and landfill monitoring.¹² Some of these programs, like the air quality programs and vehicle inspection and maintenance, are countywide in scope. Others, like the programs in consumer health protection and environmental services, have their counterparts in programs conducted by the Office of Environmental Health in the County. This office spent \$3.0 million on environmental protection activities in FY 03, including monies spent from the 1/8th cent environmental gross receipts tax. **The County's per capita expenditures on environmental health programs for the unincorporated areas were \$29.21. The City spends \$18.15 per capita.**

Zoning, Building, Planning. The County in FY 03 spent just under \$2.1 million on full service permit, inspection and plan review for buildings as well as electrical, plumbing and mechanical systems, for code enforcement, for land use review and zoning, for land use planning, and for geographic information systems, which is a unit under public works in the County but in planning in the City. Most of the services are provided in the unincorporated area, although the building division has key responsibilities like construction management for public building project. One recent example is the courthouse-remodeling project, which serves the entire county. **The per capita cost of providing these services primarily to the unincorporated area was \$20.75 in FY 03.**

In FY 03, the City spent \$10.55 million on providing a similar set of services. **The City per capita costs were \$22.55**, or about 9% higher than those in the County. Compensation per FTE for these services is about 30% higher in the City than in the County, thus payroll expenses more than accounts for the difference in per capita costs.

Transportation and Drainage. In FY 03, Bernalillo County spent about \$9.6 million on O&M for transportation and drainage, traffic engineering, technical services and technical planning for infrastructure.¹³ Most of this money seems to have been spent in the unincorporated area. Both Los Ranchos and Tijeras have their own street maintenance programs. Assuming the money was primarily spent **in the unincorporated area, the per capita cost in FY 03 was \$93.14.** In the same fiscal year, **the City of Albuquerque spent \$30.0 million, or \$64.85 per capita on transportation and drainage.**

The discrepancy is quite large. Some of this difference is a function of organization: in the County, Technical Planning has additional functions related

¹² Another program of the City's EHD, animal services, is discussed above. The costs for the City do not include the vehicle maintenance program, as the data were unavailable.

¹³ Some of the work done by Technical Planning (\$318 thousand expenditures in FY 03) relates to water and wastewater infrastructure. The unit also is now responsible for water quality monitoring and Underground Storage Tank characterization and remediation, work which in the City is performed by Environmental Health. We have not included the costs for the Geographic Information System (GIS) work done by Public Works, as this unit serves other units in the County and was best included with planning costs for sake of comparability with Albuquerque.

to water and sewer and ground water protection. Technical Services also provides services for other units of County government.

Working with a transportation planner, however BBER was able to verify that the County spends somewhat more per capita on road O&M. The county maintains 716 miles of road, 16% more on a per capita basis than the City. Moreover, some 35% of these roads are gravel or dirt and are simply more expensive to maintain.

Transit. The City of Albuquerque owns and runs the bus system (SunTran) that serves the metro area as well as SunVan, which serves those who may have limitations on mobility as a result of age or disability. In FY 03, the City spent \$15.6 million on transit operations. **That translates to \$33.31 per capita for the Albuquerque population.** The City runs a number of bus routes into the County and received in FY 03 an annual payment from the County of \$926,000. **For this limited service, the per capita costs for the area outside the City were \$8.47.**

Library. The City also runs the library system that serves the whole county, but the County has built libraries serving areas outside the City and has invested in books. For FY 03, the County Budget indicates that it incurred costs of almost \$1.7 million to the City of Albuquerque to run three libraries (including a carryover cost of \$770 thousand), for a per capita cost for the population outside the City limits of \$15.15. However, it is not clear that this was the amount actually received by the City, as the audit shows library services as yielding less than \$1 million. The City costs for library services net of the cost of running County libraries were almost \$7.5 million, including allocated administrative costs for the department -- \$15.95 per capita.

Parks and Recreation. In FY 03, Bernalillo County spent almost \$6.1 million on parks and recreation programs, not including before and after school and summer programs for children nor the programs offered for seniors, primarily at City facilities. This dollar total covered the costs of running seven community centers, managing 324 acres of developed parkland (with ball fields, playground areas, picnic areas, etc.) and 647 acres of undeveloped parkland, plus four pools, six gymnasiums and a variety of special purpose facilities. It also covers the costs of managing the County open space areas. Almost all the facilities are in the area outside the City, although the County has recently built parks within the City that it maintains. Some of the facilities owned and operated by the County are within other municipal boundaries (Los Ranchos), and people from the other incorporated areas clearly make use of County Parks and Recreation facilities and participate in various youth sport programs.

County Parks and Recreation

Total Costs	Total Outside City	Per Capita Costs		
		County Outside City	Unincorporated	Other Incorp
6,058,583	5,937,411	54.26	54.25	54.25

In FY 03, the City spent \$23.8 million on running community centers (under Family and Community Services), maintaining City parks and open space lands, operating pools and gymnasiums and other specialized facilities, running a sports program, and parks design and development (now under Municipal Development). **On a per capita basis, the City spent \$50.84 on parks and recreation services similar to those provided by the County.** These figures do not include the \$460 thousand spend (roughly \$1 per person) on various events on Civic Plaza. Nor do they include any costs for major facilities and programming at the BioPark, the Albuquerque Museum, KiMo Theatre, etc. -- facilities that are enjoyed by people throughout the metro area as well as visitors. These very substantial costs will be discussed in a subsequent section.

Partnership with Schools. Both the City and the County work with the schools to offer before and after-school programs as well as summer recreation programs. The County spent \$1.0 million on these programs in FY 03, or \$9.74 per capita for the unincorporated area. The City spent \$4.9 million, or \$10.54 per capita. The City dollars cover various other programs, like the mid-school initiative and a mentoring program.

Senior Affairs. In FY 03, the County spent \$345 thousand on programs for seniors, excluding senior housing, which is included in Housing below. This works out to a per capita cost for residents of the unincorporated area of \$3.25. By contrast, the City of Albuquerque spent \$13.6 million on programs for seniors. If these costs were spread across City residents, Albuquerque's per capita costs would be \$29.04. However, Albuquerque has the Area Agency on Aging contract for all of Bernalillo County and City programs, including those supported by City funds, are open to participation from people throughout the County. If all county residents were included, the per capita costs would be \$23.54.

The City manages and operates a number of services for seniors, including: seven senior centers, eighteen meal sites (about 800 meals a day), care coordinators (home visits), home repair services and senior sports and activity classes. Their services reach residents in unincorporated areas of the County. Additionally, the department operates a volunteer program and a Foster Grandparents program, both of which have mostly participants that live in unincorporated regions of the County. Each year, the County provides funding of \$345,000 to the Albuquerque Area Agency on Aging to be allocated to the City for senior services.

Housing. In FY 03, the County spent \$1.6 million on operations in its County Housing Authority enterprise fund, with a contribution of \$101 thousand from the General Fund, and \$135 thousand for operations at its Seybold Village Handicapped (Housing) Project. These costs translate to **a per capita housing cost for unincorporated Bernalillo County of \$17.14**. The City of Albuquerque spent \$15.6 million on various housing programs, at **a per capita cost of \$33.30 for City residents**. These figures do not include housing subsidies under Section 8.

The County owns and operates 75 low-income housing units in two developments, both of which are in the County. One development is senior housing and the other is equipped for residents with disabilities. In addition to these units, the County public housing departments provides subsidies for low-income residents (Section 8), and performs home rehabilitation. For east mountain residents, the County provides housing subsidies, but there is little else in the area due to geographic isolation. The County built three affordable housing developments but has since sold them. The staff in the County Housing department is also responsible for performing housing inspections and manages Section 8 certifications.

Albuquerque Housing Services is currently serving about 5,000 families in some capacity. The City owns and operates 950 housing units and also provides home rehabilitation and Section 8 rental subsidies for low-income families. HUD provides the City with operating subsidies. The City also develops affordable housing, with funding from Community Development Block Grant (CDBG) and from the General Fund.

The City allocates funds for a number of emergency shelter and transitional housing services for homeless individuals and families. The City negotiates contracts with a number of community organizations, such as Barrett House, Shelter for Victims of Domestic Violence. A rescue van is also in operation during the winter months. The city also provides transitional housing contracts to Bridges for Women, Casa Milagro and Catholic Social Services. The budget includes allotments for supportive services to the homeless such as health care, art therapy, case management, meals and services for homeless veterans.

Services for residents with special housing needs are contracted with agencies such as NM AIDS Services and Home NM (helps those with disabilities with the purchase of homes).

As is true of the County, some of the City's cost for senior housing is included in the housing budget. The Housing department funds Homemaker Assistance for the elderly (contracted with Presbyterian Home Health Care). Funds for modifications (rails, ramps, etc) for seniors are routed from CDBG to the Department of Senior Affairs.

Other Social Services. Bernalillo County expenditures on social services in FY 03 were \$1.75 million, of which \$1.2 million was from the General Fund and went for contracts with various social service agencies, and \$0.5 million was in operating grants. The County's contribution here works out to \$15.43 per unincorporated area resident. The County Commission allocates funds to a number of non-profit groups providing social services to residents in Bernalillo County. In FY 03, the money went to twenty-six community organizations. These contracts are negotiated and approved by the Board of County Commissioners and are under the charge of the Community Services department. The contracts provide the only funds allocated by the County to social services, not including low-income housing. However, some of these contracts are for agencies that provide transitional housing services. All of the organizations serve families and residents from most parts of the City and County areas (services are not exclusively located in the unincorporated parts of the County).

In FY 03, the City spent \$36.9 million on the range of other social services, with \$12 million coming from General Fund appropriations. Altogether, the City spends about \$79 per City resident on these other programs, with roughly \$25 per City resident coming from the General Fund. Similar to the County, the City contracts with community non-profits to provide social services to residents. However, the City itself provides a wide range of services, as well as supporting staff to plan and apply for grant funding. In addition to the community centers picked up under Parks and Recreation above, the City operates four multi-service centers. These centers house WIC clinics and Maternal and Infant Care Clinics and a variety of other programs run by agencies and non-profits that offer services to low income residents and others in need. The City also runs programs to provide medical and dental services and provides emergency assistance through distribution of food boxes, clothing and referrals for rent and energy assistance.

Many of the same organizations are contracted with as the County, but many of the services (Day care for homeless children, emergency food distribution) are housed in Community Centers.

CAPITAL FACILITIES AND EQUIPMENT

In terms of capital facilities, some of the biggest issues for residents of the unincorporated area relate to water and wastewater and the ways in which policies regarding water and wastewater affect land-use. Despite years of investment – by the Federal Government, by the State, as well as by the City and the County – there remain areas of the County that are served by shallow wells or by water which must be trucked in or perhaps not at all. Meanwhile the pressures of growth push to extend the water service area. The challenges are many. Unification might have sought to bridge the divide that has made it difficult

for the City and County to work together on these issues. The creation of the Water Utility Authority, however, essentially renders the question of the impact of unification with respect to water and wastewater issues moot.

There are other issues:

Transportation and Storm Drainage. The issues faced by the City and the County are very different. County Public Works faces an enormous challenge in the fact that so many roads within the County are still unpaved. (See Table 3.1.) Unpaved roads are much more expensive to maintain. Moreover, 285 miles of dirt and gravel roads in the County have no curb and gutter, or meaningful ways of handling run-off. In an urban area like Albuquerque, unpaved roads create problems of dust and particulates that threaten air quality. Indeed, the Air Quality Board has mandated a ten-year plan to pave the unpaved roads in Bernalillo County. The cost of this plan is well beyond the budget the County spends on road projects. Unification might bring additional resources to a problem that affects everyone but is most extensive in the East Mountain area.

Table 3.1
ROAD INVENTORY FOR UNINCORPORATED BERNALILLO COUNTY
MILEAGE BY LOCATION AND SURFACE

Surface	North Valley	South Valley	North Mountain	South Mountain	Total
Paved	156.15	202.59	68.12	36.24	463.10
Gravel	8.48	16.82	66.79	109.60	201.69
Dirt	16.71	14.64	0.32	19.94	51.61
Total	181.33	234.06	135.24	165.78	716.40
	25%	33%	19%	23%	100%
Paved	86%	87%	50%	22%	65%
Gravel	5%	7%	49%	66%	28%
Dirt	9%	6%	0%	12%	7%
Total	100%	100%	100%	100%	100%

Source: Bernalillo County Public Works Division. 2004 Road Inventory

By comparison, unpaved roads are a trivial problem in the City. Historically, the City has confronted serious problems in terms of inadequate maintenance and repair that resulted in road surfaces close to failure. A dedicated transportation tax has provided the funding critical to dealing with this situation, although the heavy traffic on certain corridors will continue to put a strain on resources, as will the demands for major road construction on the periphery.

Transportation Planner James Merrill examined the funding for transportation as planned in the financially constrained 2025 Metropolitan Transportation Plan for the City of Albuquerque and Bernalillo County. The MTP was approved by State Highway Department and the Federal Highway Administration.

On a per capita basis, the dollars for both capital improvement and Operations & Maintenance (O&M) budgets programmed (for 6 years) and planned (to 2025) for both the City and the County are comparable. Multimodal projects are planned throughout the urban area to the extent to “do what needs to be done” within financial constraints. The dollars in the plan are consistent with what Bernalillo County Public Works and the City of Albuquerque have budgeted per bond cycle contingent on voter ratification in November 2004. They do not address the unpaved road problem, largely concentrated in the East Mountain area.

In sum, it appears unlikely that unification would significantly affect the already established transportation system planning process, as administrated by MRCOG, planned service levels or per capita costs for City and County residents.

CHAPTER 4

WHO GETS AND WHO PAYS FOR SERVICES?

BERNALILLO COUNTY SERVICES FUNDED IN THE OPERATING BUDGET

Methodology

In an effort to determine whether services provided by Bernalillo County outside the City limits are subsidized by City tax-payers and the amount of any subsidy received, we divided County services into three baskets: (1) services delivered primarily to residents outside the City limits, (2) services delivered County-wide, and (3) services which would need to be allocated between the first two baskets.

The list follows:

County-Wide Services

County Clerk
County Assessor
County Treasurer
Corrections Including Juvenile
County Indigent
Probate Court
Sheriff (only transportation of prisoners, extradition)
Social Service Contracts (Some specific contracts)

Unincorporated Area/Other Municipalities

Animal Control
Economic Development & CIP
Environmental Health
Fire (Including allocated communications)
Housing
Library (city contract)
Parks & Recreation
Public Works (Streets and Storm Drainage)
Sheriff (Including allocated communications)
Social Service Contracts
Transit (City Bus Service)
Youth & Senior Services, (Under Parks and Rec)
Zoning, Bldg, Planning

To Be Allocated

Budget & Finance
County Manager/Commission

Information Technology
Fleet & Facilities Management
Legal
General County (Excluding City Bus and City Library)
Human Resources
Public Information Office
Risk Management

For each service area, we determined the FY03 actual expenditures as well as the total of any service specific revenues in both the General Fund and any applicable special revenue funds.¹⁴ The difference between actual expenditures and earmarked and own revenues is the subsidy required from general revenues, primarily gross receipts and property taxes, although other general revenue sources were counted.

Actual expenditures on countywide services were allocated to residents of the City, the unincorporated area, and other municipalities based on population. In talking with County staff we discovered that some services offered outside the City limits are provided to residents of the other incorporated municipalities, sometimes with payment (e.g., Los Ranchos payment for sheriff department services) but frequently without. Where services are provided to residents of other incorporated communities, we again followed the procedure of allocating costs based on population proportions. Any revenues are, of course, counted.

Expenditures for those services (e.g., finance and budget, human resources) that were to be allocated both to County-wide services and to those provided outside the City were allocated based on the proportion of total County General fund and special revenue fund expenditures. Total spending typically correlates with personnel expenditures.

To determine the total amount paid for services by City taxpayers as well as those residing or operating outside the City of Albuquerque, within the unincorporated area as well as in other municipalities, it is necessary to calculate their payments of gross receipts and property taxes, their share of other general revenue sources, of any earmarked revenues, and of charges for services and other miscellaneous revenues associated with the particular services provided. State statutes pertaining to County revenue distributions were consulted to ensure an accurate accounting. We also developed estimates of the amount of gross receipts tax revenues attributed to the City that may have actually been associated with purchases by residents outside the City.

¹⁴ In this analysis we only looked at operating funds and only at governmental funds. This means we excluded enterprise funds, like the solid waste fund. We also excluded internal service funds. The portion of risk management paid out of the general fund is included but not the internal service fund. We generally excluded operating grant funds and capital and debt service funds. We did include grants for juvenile corrections because they seemed to be a critical and on-going contribution to the County's overall effort to meet needs in this area.

County staff has provided figures that will facilitate a similar analysis of the GO bond program.

Analysis of the Subsidies Required from General Revenues, FY 03

Table 4.1 presents the data on Bernalillo County revenues and expenditures by program area, along with the calculated subsidy required from general revenues, primarily gross receipts and property taxes. The programs are grouped per the previous discussion according to whether the services are provided county-wide, to the unincorporated area and perhaps other municipalities, or as central support services, should be allocated between county-wide and areas outside the city. Subsidies from general revenues are needed whenever the revenues generated by the program or designated for the program are insufficient to cover actual costs. Note that countywide services typically generate very little of their own revenues. This is also true of those central services to be allocated.

According to the table, Bernalillo County services to the unincorporated area and other municipalities required a subsidy from general revenues of \$43.1 million in FY 03 and those provided countywide required a \$23.9 million subsidy. Central services, which do not typically generate revenues from outside the governmental entity and must necessarily be supported either from general revenues or from some type of internal service charges or allocation, cost \$27.5 million. Table 4.2 allocates the central service costs between countywide services and services delivered outside the City and indicates the total subsidy each type of service required from general revenues.

Table 4.1
BERNALILLO COUNTY EXPENDITURES AND REVENUES
Required Subsidies from General Revenues

County Units Providing Services County-Wide	Expenditures	Revenues	Difference
County Clerk			
<i>General Fund</i>	2,528,824	22,998	-2,505,826
<i>Special Revenue Funds</i>	294,858	786,888	492,030
Total	2,823,682	809,886	-2,013,796
County Assessor			
<i>General Fund</i>	2,165,115	3,511	-2,161,604
<i>Special Revenue Funds</i>	2,095,293	3,123,778	958,663
Total	4,260,408	3,127,289	-1,133,119
County Treasurer			
<i>General Fund</i>	1,498,069	99,843	-1,398,226
Probate Court			
<i>General Fund</i>	116,281	11,374	-104,907
County Indigent			
<i>Special Revenue Funds</i>	1,010,395	1,000,000	-10,395
Sheriff			
<i>General Fund (transpt prisoners, extradition, etc.)</i>	537,951	Included below	-537,951
Corrections Including Juvenile			
<i>General Fund</i>	19,289,257	313,669	-18,975,588
<i>Special Revenue Funds</i>	2,771,097	3,033,606	262,509
Total	22,060,354	3,347,275	-18,713,080
Social Service Contracts			
<i>General Fund</i>	161,022	0	-161,022
Total General Fund	26,296,519	451,395	-25,845,124
Special Revenue	6,171,643	7,944,272	1,772,628
Grand Total County-Wide	32,468,162	8,395,666	-24,072,496
<hr/>			
County Units Providing Services in the Unincorporated Area	Expenditures	Revenues	Difference
Fire (Incl allocated communications)			
<i>General Fund</i>	7,447,207	85,594	-7,361,613
<i>Special Revenue Funds</i>	1,699,647	1,150,302	-549,345
Total	9,146,854	1,036,101	-8,110,753
Sheriff			
<i>General Fund</i>	20,838,357	693,768	-20,144,589
<i>Special Revenue Funds</i>	1,509,542	567,514	-942,028
Total	22,347,899	1,261,282	-21,086,617
Parks & Rec			
<i>General Fund</i>	6,058,586	1,037,013	-5,021,573
<i>Special Revenue Funds</i>	10,434	2,014	-8,420
Total	6,069,020	1,039,027	-5,029,993
Youth & Senior Services, (Under Parks and Rec)			
<i>General Fund</i>	1,339,544	93,353	-1,246,191
Economic Devt & CIP			
<i>General Fund</i>	151,428	0	-151,428
Public Works			
<i>General Fund</i>	8,417,019	0	-8,417,019
<i>Special Revenue</i>	1,889,962	7,983,273	6,093,311
Total	9,914,436	7,983,273	-1,931,163
Zoning, Bldg, Planning			
<i>General Fund</i>	1,997,613	1,612,152	-385,461
Environmental Health			
<i>General Fund</i>	695,189	85,670	-609,519
<i>Special Revenue Funds</i>	2,316,767	2,316,767	0
Total	3,011,956	2,402,437	-609,519

Table 4.1, continued

BERNALILLO COUNTY EXPENDITURES AND REVENUES, p. 2

Unincorporated Area, continued

City Bus Service				
<i>General Fund</i>	926,340	0	-926,340	
City Library				
<i>General Fund</i>	1,657,713	0	-1,657,713	
Social Service Contracts				
General Fund Programs primarily for unincorp	1,043,631	0	-1,043,631	
<i>Special Revenue Funds</i>	21,441	25,193	3,752	
	1,065,072	25,193	-1,039,879	
Housing				
<i>General Fund</i>	100,748	0	-100,748	
Animal Control				
<i>General Fund</i>	689,710	18,528	-671,182	
Total General Fund	51,363,085	3,626,077	-47,737,008	
Total Special Revenue	7,447,794	12,045,063	4,597,269	
Grand Total Unincorporated	58,810,879	15,671,140	-43,139,739	

Allocated

	Expenditures	Revenues	Difference
County Manager/Commission			
<i>General Fund</i>	1,473,204	0	-1,473,204
Public Information Office			
<i>General Fund</i>	273,280	45,069	-228,211
Legal			
<i>General Fund</i>	1,194,434	48	-1,194,386
Information Technology			
<i>General Fund</i>	6,484,357	0	-6,484,357
Budget & Finance			
<i>General Fund</i>	2,164,062	0	-2,164,062
Risk Management			
<i>General Fund</i>	2,628,722	0	-2,628,722
General County (Excluding City Bus and City Library)			
<i>General Fund</i>	4,673,566	0	-4,673,566
Human Resources			
<i>General Fund</i>	937,984	0	-937,984
Fleet & Facilities Management			
<i>General Fund</i>	7,997,602	263,736	-7,733,866
Total General Fund	27,827,211	308,853	-27,518,358

Table 4.2
CALCULATION OF NET COSTS, COUNTY-WIDE AND OUTSIDE CITY LIMITS

	Net Operating Costs Identified	Net Central Service Costs Allocated Based on Total Expenditures	Total Net Costs
Countywide	24,072,496	9,788,342	33,860,838
Outside City	43,139,739	17,730,016	60,869,755
Total	67,212,234	27,518,358	94,730,593

Calculating the Percent of County Expenditures & Revenues by Area

Once the County’s total expenditures and revenues were distributed to Albuquerque, other incorporated areas, and the unincorporated area, the portion of total costs and total revenues for each area could be estimated. The total expenditure calculated for all areas is \$111,108,650. This was used as the denominator in determining the portion of total costs per area. Similarly, the total revenues countywide, calculated to be \$126,605,270, were used in determining the portion of revenues generated by each area.

Using this method, the portion of total county costs incurred in serving the population in the unincorporated area was estimated to be 68.7% of the total County expenditures, while the portion of revenues generated was found to be 26.5%. The other incorporated areas of the county account for approximately 2.5% of the County’s expenditures and contribute 2.0% of the total revenues. The County spends approximately 28.8% of the total revenues on services provided to Albuquerque, while this area contributes 71.5% of the County’s total revenues. Adjusting the gross receipts tax revenues to account for the unincorporated residents shopping within Albuquerque results in an essentially unnoticeable change to revenue distributions¹⁵. The tables are presented below. Table 4.3 presents revenues and costs as allocated to the City, the other incorporated municipalities and the unincorporated area. The gross receipts taxes are allocated based on the taxable gross receipts as reported by the New Mexico Department of Taxation and Revenue in their Report 80.

¹⁵ The portion of revenues generated by the Unincorporated area increases from 26.51 to 26.84% while Albuquerque’s portion falls from 71.48% to 70.73%.

Table 4.3
TOTAL COUNTY REVENUES AND EXPENDITURES BY AREA
GROSS RECEIPTS TAX DISTRIBUTIONS NOT MODIFIED

Categories	County Unincorporated Portion		Albuquerque Portion		Other Incorporated Areas	
	Revenues	Expenditures	Revenues	Expenditures	Revenues	Expenditures
County-Wide Services ¹						
General Fund	80,675	4,699,831	365,796	21,309,874	4,923	286,814
Special Revenue	1,419,836	1,103,024	6,437,789	5,001,306	86,647	67,314
Unincorporated Area Services						
General Fund	3,358,387	49,479,930	0	0	267,690	1,883,155
Special Revenue ²	12,045,063	7,436,750	0	0	0	11,044
Allocated Services ³						
General Fund	212,219	20,409,143	89,027	6,515,644	7,607	902,424
Property Tax ^{5,6}	11,291,122		56,590,347		1,212,786	
Net Gross Receipts Tax ^{4,5}	4,990,325		26,933,956		429,789	
Total General Fund	19,932,728	74,588,904	83,979,126	27,825,518	1,922,795	3,072,393
Total All Funds ⁷	33,397,627	83,128,677	90,416,914	32,826,824	2,009,443	3,150,751

1. Distributed Evenly Based on Population
2. Includes 1/8 cent Environmental Gross Receipts Tax
3. Distributed based on expenditures
4. Total amount according to Audit Report
5. Distributed based on Calculated percentage according to net taxable value
6. Does not include 1/8 cent Environmental Gross Receipts Tax nor amount going to Indigent Care
7. This does not include Investment Income, Misc income, or payments in lieu of taxes. These have a combined total of \$6,732,790

Table 4.4 presents the percentages of revenues collected and of expenditures for services delivered. Note that while residents and businesses in the City are estimated to pay 72% of the taxes and charges, they are estimated to receive only about 28% of the services. Residents and businesses in the unincorporated area contribute an estimated 27% of the revenues but receive some 72% of the services. The other incorporated municipalities contribute about 1.6% of the revenues, receiving the benefit of services that cost about 2.6% of the County total.

TABLE 4.4
PERCENTAGES OF TOTAL COUNTY EXPENDITURES AND REVENUES BY AREA
GROSS RECEIPTS DISTRIBUTIONS NOT MODIFIED

	Unincorporated	Albuquerque	Other Incorporated	Total
Total Expenditures by area	83,128,677	32,826,824	3,150,751	119,106,252
Percentage of Total Costs	69.8%	27.6%	2.6%	
Total Revenues by area	33,397,627	90,416,914	2,009,443	125,823,984
Percentage of Total Revenues Raised	26.5%	71.9%	1.6%	

Residents and businesses outside the City limits purchase many goods and services within the City on which gross receipts tax is charged. While this is a broad based tax on sellers, economists generally believe that tax will be passed

on to the buyers. Thus, residents and businesses buying taxable goods and services within the City limits will be contributing to the tax revenues credited to the City. Some adjustment should be made to correctly credit these tax revenues to the areas outside the City and remove them from Albuquerque.

The methodology used in adjusting the gross receipts tax revenues involved calculating the taxable gross receipts generated per dollar of aggregate income for each of the areas. Taxable gross receipts per dollar of income is higher for Albuquerque than other areas precisely because Albuquerque is able to export its taxes – to tourists, to people from around the state who come to Albuquerque for medical care, to go to the State Fair, etc, and to people from surrounding areas who continue to do much of their shopping within the City limits. We then took the average ratio – taxable gross receipts per dollar of income --for Bernalillo County as a whole and re-calculated what the gross receipts tax would be for each of the areas within the County and for Albuquerque without this additional spending.

Table 4.5 presents the resultant adjusted totals. Table 4.6 presents the calculated percentages for each area. Note that the results are very similar for the unincorporated area. This is because Sandia National Laboratories is located in the unincorporated area. With Sandia NL present, the tax base per dollar of income in the unincorporated area is reasonably close to the County average. A very different situation occurs in the other incorporated municipalities, where the change in revenues is much greater.

TABLE 4.5

Categories	<u>County Unincorporated Portion</u>		<u>Albuquerque Portion</u>		<u>Other Incorporated Areas</u>	
	Revenues	Expenditures	Revenues	Expenditures	Revenues	Expenditures
County-Wide Services ¹						
General Fund	80,675	4,699,831	365,796	21,309,874	4,923	286,814
Special Revenue	1,419,836	1,103,024	6,437,789	5,001,306	86,647	67,314
Unincorporated Area Services						
General Fund	3,358,387	49,479,930			267,690	1,883,155
Special Revenue ²	12,045,063	7,436,750				11,044
Allocated Services ³						
General Fund	212,219	20,409,143	89,027	6,515,644	7,607	902,424
Property Tax ^{5,6}	11,291,122		56,590,347		1,212,786	
Net Gross Receipts Tax ^{4,5}	5,416,960		25,980,513		956,596	
Total General Fund	20,359,363	74,588,904	83,025,683	27,825,518	2,449,603	3,072,393
Total All Funds ⁷	33,824,262	83,128,677	89,463,472	32,826,824	2,536,250	3,150,751

1. Distributed Evenly Based on Population
2. Includes 1/8 cent Environmental Gross Receipts Tax
3. Distributed based on expenditures
4. Total amount according to Audit Report
5. Distributed based on Calculated percentage according to net taxable value
6. Does not include 1/8 cent Environmental Gross Receipts Tax nor amount going to Indigent Care
7. This does not include Investment Income, Misc income, or payments in lieu of taxes. These have a combined total of \$6,732,790

TABLE 4.6
PERCENTAGES OF TOTAL COUNTY EXPENDITURES AND REVENUES BY AREA
GROSS RECEIPTS DISTRIBUTIONS ADJUSTED FOR SPENDING IN THE CITY

	Unincorporated	Albuquerque	Other Incorporated	Total
Total Expenditures by area	83,128,677	32,826,824	3,150,751	119,106,252
Percentage of Total Costs	69.8%	27.6%	2.6%	
Total Revenues by area	33,824,262	89,463,472	2,536,250	125,823,984
Percentage of Total Revenues Raised	26.9%	71.1%	2.0%	

CITY OF ALBUQUERQUE SERVICES FUNDED IN OPERATING BUDGET

The discussion in Chapter 3 on services provided to residents and businesses by the City and the County found a number of instances in which the City provides services countywide, with perhaps some limited contribution from the County (e.g., senior services, social services, air quality services). In some cases, the City is able to provide services countywide because it receives federal funding for the purpose (e.g., air quality, Area Agency on Aging), but frequently the services provided require tapping general city revenues in addition to federal or state funds. This seems to be particularly true of social services.

However, Albuquerque has invested in a number of major facilities that serve to enhance the life of residents throughout the metro area as well as visitors to the City. These facilities include the Biological Park, which includes the Rio Grande Zoo, the Aquarium and the Botanical Gardens, the Albuquerque Museum, Casa San Ysidro, and the new Balloon Museum, the KiMo Theater, and the South Broadway Cultural Center. There are also various events, like Summerfest. The City also provides an annual subsidy to Explora. The facilities all charge admission as well as charging for special programs.¹⁶ Nevertheless, as Table 4.7 indicates, the amount of general fund subsidy required to operate each of these facilities and hold special events is considerable.

¹⁶ There are also various food and beverage concessions and gift shops, but the City's General Fund derives no concession revenues from these activities; rather these revenues typically go to a non-profit, like the Zoo Society.

**TABLE 4.7
CITY OF ALBUQUERQUE CULTURAL ATTRACTIONS**

	General Fund		
	Expenditures	Revenues	Subsidy
Biological Park	8,899,684	2,881,499	6,018,185
Explora	550,000	-	550,000
Museums	2,005,092	125,315	1,879,777
Community Events	1,312,069	191,543	1,120,526
Kimo	383,232		
South Broadway Cultural Center	468,140		
Summerfest	182,524		
Other Events	278,172		
Total	12,766,845	3,198,357	9,568,488

Sources: Expenditures are per the Financial Statement for FY 03; Revenues are from a detailed revenue worksheet provided by City staff.

CITY OF ALBUQUERQUE REVENUES FROM OUTSIDE THE CITY LIMITS

While Albuquerque provides many services that are utilized by Bernalillo County residents and businesses living outside the City limits, it is also the case that these parties contribute revenues to the City. They contribute when they pay for various services provided by the City, and they also contribute when they buy various goods and services within the City limits that are subject to gross receipts tax. Using the same methodology that was applied in Chapter 4 to adjust gross receipts tax revenues credited to Albuquerque revenues for purchases by people from the unincorporated area and the other municipalities, we estimated how much these people might contribute to Albuquerque’s gross receipts tax revenues assuming taxes currently in place. Our estimate based on tax base figures for FY 03 was \$9.9 million.

BERNALILLO COUNTY CAPITAL PROGRAM FUNDED FROM BONDS

The County funds its capital program with General Obligation Bonds and through the issuance of Gross Receipts Tax Bonds. Table 4.8 was produced by Bernalillo County Finance at the request of the Albuquerque Journal. The table shows the General Obligation Bond issues since 1992 according to whether the proceeds were for projects in the unincorporated area, in the City of Albuquerque or in the other incorporated municipalities. Note that over the 10-year period \$106.9 million, or more than 85% of the total raised, was for projects in the unincorporated area. \$15.5 million, or 12.4% of the money was for projects with

TABLE 4.8

Dated 11/3/92				
				00
				000

Dated 11/8/94				
			corporated	Unincorporated
Road Bond	BC12	12,005,000		12,005,000
Storm Drain Bond	BC21	4,470,000		4,470,000
Library Bond - Books	BC32	1,800,000	1,800,000	
Facilities Improvements - ADA	BC36	1,490,000		1,490,000
Parks & Rec.	BC37	3,650,000		3,650,000
Juvenile Justice Center	BC35	1,300,000	1,300,000	
Sheriff's Bond	BC42	2,500,000		2,500,000
TOTALS		27,215,000	3,100,000	24,115,000

Original Bond Authorization Dated 11/5/96					
Bond Purpose	Fund		Countywide	Incorporated	Unincorporated
Road Bond	BC12	8,870,000			8,870,000
Storm Drain Bond	BC21	2,130,000			2,130,000
Library Bond - Books	BC32	2,000,000	2,000,000		
Public Health - Facilities Impr.	BC34	2,000,000			2,000,000
Parks & Rec.	BC37	3,450,000		1,000,000	2,450,000
Juvenile Detention Center	BC35	1,000,000	1,000,000		
Sheriff's Bond	BC42	2,550,000			2,550,000
TOTALS		22,000,000	3,000,000	1,000,000	18,000,000

Original Bond Authorization Dated 11/3/98					
Bond Purpose	Fund		Countywide	Incorporated	Unincorporated
Road Bond	BC12	11,918,000			11,918,000
Storm Drain Bond	BC21	1,797,000			1,797,000
Library Bond - Books	BC32	1,500,000	1,500,000		
Public Health - Facilities Impr.	BC34	-			-
Parks & Rec.	BC37	3,370,000		1,750,000	1,620,000
Juvenile Detention Center	BC35	-			-
Sheriff's Bond	BC42	1,451,000			1,451,000
Public Works	BC12	1,968,000			1,968,000
TOTALS		22,004,000	1,500,000	1,750,000	18,754,000

Original Bond Authorization Dated 11/7/00					
Bond Purpose	Fund		Countywide	Incorporated	Unincorporated
Road Bond	BC12	11,358,000			11,358,000
Storm Drain Bond	BC21	-			-
Library Bond - Books	BC32	2,000,000	2,000,000		
Parks & Rec.	BC37	1,576,000			1,576,000
Public Safety Bond	BC42	1,706,000	756,000		950,000
Public Health Bond	BC34	360,000			360,000
Total		17,000,000	2,756,000	-	14,244,000

Original Bond Authorization Dated 11/5/02					
Bond Purpose	Fund		Countywide	Incorporated	Unincorporated
Road Bond	BC12	6,414,000			6,414,000
Storm Drain Bond	BC21	2,630,000			2,630,000
Library Bond - Books	BC32	1,000,000			1,000,000
Parks & Rec.	BC37	1,780,000	1,780,000		
Public Safety Bond	BC42	3,006,000	250,000		2,756,000
Facilities Improvements - ADA	BC36	1,170,000			1,170,000
Total		16,000,000	2,030,000	-	13,970,000

	ALL GO BONDS	TOTAL COUNTYWIDE	TOTAL INCORPORATED	TOTAL UNINCORPORATED
Totals:	125,219,000	15,531,000	2,750,000	106,938,000

Percentages:	100.00%	12.40%	2.20%	85.40%
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Source: This document was produced by Bernalillo County Finance

benefits countywide. Given that the unincorporated area accounts for roughly 20% of the total county, they should be allocated one fifth, or \$3.1 million of the monies for countywide projects. This brings the total benefit to the unincorporated area to \$110.0 million, or just under 88% of the total. Looking at the property taxes paid over the past 10 years, the unincorporated area has contributed less than 17% of the revenues raised from the debt service levy, while City property owners have contributed over 81%. Thus, City property tax payers have provided a substantial subsidy to a GO bond program that primarily benefits County residents.

Bernalillo County has also issued gross receipts tax bonds but these bonds have been used exclusively for major capital projects like the jail and the courthouse that serve residents throughout the County. This data is summarized in Table 4.9. The total principal on these bonds is \$200.6 million. The gross receipts tax is the security pledge; however, the County purposely reduced the property tax debt service levy, holding down the amounts available from GO bonds. Indeed, according to Department Directors, the GO bond program was reduced from \$22 million every cycle (2 years) to \$16 million. This is consistent with the data presented above and suggests the need to look at the two programs together.

TABLE 4.9
OUTSTANDING BERNALILLO COUNTY GROSS RECEIPTS TAX BONDS

	Total Debt Service Payments	Total Bond Principal
SERIES 1996 - Clerk's	2,016,808	1,580,000
SERIES 1996B - Jail	131,972,998	61,260,000
SERIES 1997 - Misc	29,283,453	17,925,000
1998 REFUNDING OF SERIES 1996A - Courthouse	107,532,814	53,450,000
SERIES 1999 - SW/Jail	118,692,332	64,340,000
SERIES 2002 - Refunding Courthouse Enhancements	2,474,950	2,100,000
	391,973,355	200,655,000

Source: Bernalillo County Finance

With one-fifth the population, the benefit to the unincorporated area is \$40.1 million. Adding this to the \$110.1 million in GO bonds that have benefited the unincorporated area yields a total benefit of \$150.2 million, or 46.1% of the total. BBER estimates that property tax payers in the unincorporated area paid slightly less than 17% of the property tax used to pay off the GO bonds. Their income is just under 17% of the County total, so we credited them with paying about 17% of the gross receipts tax. **Thus for contributing a little under 17% people in the unincorporated area received about 46% of the benefit of the county's capital program as financed by GO and Gross Receipts Tax Bonds.**

CHAPTER 5

IMPACTS OF UNIFICATION ON OPERATING BUDGETS

CENTRAL ADMINISTRATION AND SERVICES

One of the major benefits cited for consolidation relates to savings in administrative costs due both to economies of scale and the elimination of duplication in service provision. BBER identified a set of programs/cost centers in both the City and the County that provide central services (e.g., budget and finance, legal, human resources, Mayor/CAO and County Commission/County Manager) and determined both historical and budget FY05 costs for these services and the FTE. We also collected figures on salaries and benefits and were able to calculate compensation per FTE. We then interviewed directors and staff regarding the nature of the services provided, the systems used and staffing, exploring differences between the City and the County, trying to identify duplicate services, etc.

Table 5.1 summarizes total spending by comparable central service units in the City and in the County. The text examines each of the functions, noting areas where there might be savings and raising issues.

EXECUTIVE AND LEGISLATIVE FUNCTIONS

The Board of County Commissioners/ County Manager staffing consists of 12 FTE's, including the County Manager, three are deputy managers, two special projects coordinators, and seven clerical support staff. The deputy managers' responsibilities are legislative and administrative: they provide support to the Board of County Commissioners and have the responsibility for a group of county departments. The special projects coordinators manage grants and contracts, coordinate and staff committee meetings, and respond to requests of the Commission and Manager.

In the City, functions are separated. The Mayor's Office has seven FTE's, who all work closely with the Chief Administrative Officer's (CAO) staff, providing constituent services, legislation, research, and special projects. The CAO Department includes the Office of Management and Budget and the City Clerk's Office, both of which have been discussed, as well as the Office of Economic Development and the Office of Emergency Management. Of the remaining staff, two are administrative support (one for the CAO alone), one staff works on constituent services, coordination of legislation development for the Mayor, acts as a liaison to Council Services (CS), and tracks special projects (such as the KiMo Theater and South Broadway Cultural Center). Two people spend a portion of their time on the Mayor's State of the City address and research on national and local issues. Three deputies and the CAO are responsible for the day-to-day

Table 5.1
CENTRAL SERVICE COSTS FOR ALBUQUERQUE AND BERNALILLO COUNTY
FY 05 BUDGET IN \$000s

ABQ/BernCo Division	Budgeted Expenditures, FY 05			Potential Savings Long Term
	ABQ	BernCo	Total	
CAO and Mayor / County Manager	2,341	863	3,204	
Council Services / Board of County Commissioners ¹	1,691	904	2,595	\$1,800 - \$2,700
Clerk ²	1,273	2,878	4,151	415
Management and Budget / Budget ³	1,250	465	1,715	172
Internal Audit	862	71	933	-
Finance Admin	317		317	
County General Services		7,654	7,654	
Accounting ³	2,665	1,128	3,793	303
Treasury ⁴	1,358	1,971	3,329	300
Purchasing ⁵	1,745	522	2,267	187
Information Services / Information Technology ⁶	9,342	5,291	14,633	1,400 - 2,900
Human Resources	2,171	1,132	3,303	330
Legal ⁷	6,247	1,189	7,436	744
Buildings	10,582	5,436	16,018	-
Fleet	9,411	2,281	11,692	1,169
Risk Management Fund / Risk Management ⁸	29,123	3,129	32,252	-
Total Matching Admin.	80,378	34,914	115,292	\$4,900 - \$9,200

1. County figure includes Public Information Office. Savings listed are for executive and legislative function combined.
2. BernCo Clerk administers regular elections; ABQ Clerk only administers special City elections and referenda.
3. Payment and purchase processing (accounts receivables and payables) and payroll preparation are functions of the Budget department in BernCo; these functions have been subtracted and added to BernCo Accounting.
4. BernCo Treasurer acts as property tax collector.
5. City purchasing function includes running the warehouse and also a shop that provides printing services.
6. City Information Services function here is combined with communications. **Functions could cost more in the short-term.**
7. **Legal could end up costing more.**
8. City self insures and County buys insurance. Discrepancy in costs reflects City's performance of certain functions that are have high risk claims (water & sewer, solid waste) and extra dollars going to reduce Risk fund deficit. **Probably no cost savings.**

administration of the City: Chief Public Safety Officer, who is responsible for Police, Fire, Jail; the Chief Financial Officer, who is responsible for Internal departments, such as Risk Management and Finance, and the Chief Operations Officer, who oversees service-providing departments, such as public works and aviation.

Council Services has 18 FTE's to handle three major staff functions: legislative, policy analysis, and constituent services. Four or five staff work on Legislative issues and are responsible for ensuring that all legal requirements of the Council, such as open meeting and publication requirements, are met. Policy analysis has about six staff that draft and review bills, propose policy, and coordinate bills coming from the Mayor and those from the councilors. Constituent services has five staff that schedule meetings and travel for the councilors and are the point of contact for constituents with the councilors. CS will also sometimes be involved in the legislative process if it involves a constituent matter. In addition, CS includes the Director and administrative support staff.

With unification, there would be one government, so it should be possible to consolidate functions and eliminate duplication. The executive and the legislative

branches in the City have roughly the same FTE (17 and 18 respectively), while the County has only 12. Potential savings reasonably lie in the one-third to one-half range – between \$1.8 and 2.7\$ million. This recognizes the need to cover the much larger City population as well as the population outside the City limits.

Accounting. The City of Albuquerque Accounting Division handles accounts receivable, accounts payable, payroll, fixed asset accounting, special assessments, and financial reporting. Altogether, Accounting has 36 FTE for FY 05. The County's Accounting Office handles several of the same functions, but both accounts payable and payroll are handled by the Budget Office. It appears that some of the work handled by the financial reporting staff in the County are currently performed by the City Economist or by the bond unit in the Treasury Division. Altogether, the County appears to have about 21 FTE working on these functions.

Financial reporting is probably the one area in accounting where unification might result in some significant savings but BBER estimates these savings at less than 10%. Clearly there could be major savings on the capital side. The City is about to invest \$12 million in a new financial reporting system. The last time the County purchased a new system it was an identical system.

Budget. The County Budget Office has three people involved in the budget. Remaining staff essentially does the accounting functions of accounts payable and payroll (see above). The City Office of Management and Budget has 12 FTE for FY 05. The City now does performance based budgeting. The analysts prepare and monitor the budget. The City has one person who handles the revenues, including estimating the gross receipts tax and providing disclosure on the City's bonds. While there is some overlap in City and County line departments, the County has certain functions under State law and the City has assumed a key role in certain other areas, like social services.

Clerk. The County Clerk has two major functions: Elections and Records. Of the 48 staff members (49 budgeted FTE) approximately 16 are permanently assigned to each function. The remaining staff apparently float between the functions. During major elections the entire staff is devoted to election administration. Several temporary workers are also hired during this time. Off-year elections and smaller elections that take place throughout the year are administered exclusively with elections staff.

The Records function consists of marriage licenses, real estate transaction records, maps and plats, and liquor licenses. In addition, the County Clerk is responsible for the Records Center, which houses and manages county and city records and documents. Finally, the Boards and Commissions Office of the County Clerk provides support to Labor-Management Relations Board, Personnel Board, and Board of Ethics in the form of taking meeting minutes, setting up meetings and rooms, etc.

The Office of City Clerk has the same major functions as the County Clerk, but the election function is on a more limited scale, as the office only administers municipal and special elections, and the City Clerk primarily handles City records. The City Clerk's office has only 17 FTE.

As is true in the County, elections take up a lot of time during election years, up to 50% of time during months leading up to election and 100% of time right before the election. The City Clerks Office works with the County to use machines and access voter registration records in preparation for City elections.

The City Clerk's Office maintains municipal records (such as contracts, complaints, meeting minutes).

While there is some overlap in functions, the County Clerk has much broader responsibilities. There might be some savings possible in terms of staff handling elections, as county and municipal elections occur at different times, and there might be savings in terms of the records function.

Information Services/Technology. City Information System Division (ISD) has four major units. 1. Operations, which runs applications, both mainframe and servers. This unit provides mainframe support for financial programs and printing of assessors bills to the County. 2. The Help Desk, which provides customer support. When the city buys computers, it purchases a three-year agreement for PC support through the vendor. Nevertheless, ISD still has constant backlogs, as there is huge demand for PC support and web-based delivery of city services. 3. Applications, which provides some application development. Typically, however, the Applications unit helps modify commercial off-the-shelf applications for city use. 4. The Systems and Technical unit consists of programmers who run the machines and maintain City GIS, run the network and provide PC and desktop support.

About 25% of budgeted staff is allocated to each of the above functions (17 FTE each). In addition to the budgeted FTE's, there are four people responsible for the City telephone systems, and six for the radio systems (such as for fire, police, public works, etc.).

County Information Technology (IT) has about the same level of staffing as the City. The County does not have its own mainframe computer and uses the City's. The functions performed are generally the same, but County IT provides more of its PC support in-house rather than through arrangements with vendors. Some economies may be possible over the longer term, presumably after the compatibility issues are addressed, but staff throughout both the City and County are only becoming more dependent on computers. The challenges for ISD and IT staff – in terms of keeping up with the technology, creating, maintaining and

protecting computer and communications systems, and providing technical services and support to City and County staff – continue to grow.

One issue that needs to be analyzed is the compatibility of City and County systems. BBER staff received different accounts depending upon the official with whom they spoke. On the one hand, BBER staff was told that the network and infrastructure are not readily compatible between the City and County. Each entity has its own servers but they would need to acquire and set-up a single system under a merged department. The basic infrastructure, such as cables and fiber optics, are also completely separate and would need to be connected, presumably over a long period of time. On the other hand, researchers were told that networks (routers, cables, fiber optics, etc.) are very compatible and easy to connect. The city and county currently move data back and forth without any problems. Some applications are currently the same between the City and County (such as finance, HR, payroll, and utility billing); other applications would probably need to be merged over time. The databases are standardized in Oracle, and would not need to be changed. Email systems are different, but this is not a major issue, and the systems could stay different under a single government.

Human Resources. For FY 05, the County has 18 FTE budgeted for this operation and the City has 30. City Human resources handles four functions: 1. employment; 2. classification; 3. research, testing, and training; and 4. insurance and benefits. County Human Resources does not handle employment, leaving this to departments, but performs the other functions. There is clearly duplication of effort and there should be possibilities to realize savings through consolidation in the long run. Initially, staff in both departments will have the very difficult assignment of reviewing job classifications across the City and County and coming up with a uniform and fair classification system as well as recommendations for bringing the County pay scale in line with the City pay scale. They will also have responsibilities in terms of how to mesh benefit systems. Personnel issues always need to be given priority and they pose great challenges for unification.

Internal Audit. The main function of this office in the City is preparing financial reports and conducting audits. This office also provides some advisory services to city employees and officials, participates in advisory roles on committees, and conducts occasional special studies. With a 2004 ordinance, an additional task is to respond to whistle-blowers.

Current staff include the Director, an administrative assistant, audit manager, information technology audit specialist, budget auditor, four principal auditors, two senior auditors, one audit supervisor (approved for FY05), for a total of 12 FTE's, three of which are considered supervisory, one clerical. If the city audit department assumed county responsibilities, they would do all the work in house (as opposed to contracting out, as is currently done in the county). This would add 1 – 2 FTE's to the budget. The county budget for internal audit is currently

\$71, 497, so there is likely to be little if any change in total expenditures for audit across city and county.

Legal. County Legal, which is budgeted at \$1.2 million for FY 05, is staffed by five full-time attorneys, two paralegals, one legal administrator, and one assistant. One attorney is a liaison with the NMCIA; another works exclusively with land use cases, which are not covered by insurance. The office handles litigation, including all legal action stemming from zoning, animal control, liquid waste, etc., and negotiates and drafts the county's legal documents, including contracts, ordinances and resolutions, and collective bargaining agreements. Some work is done on contract with outside attorneys (about \$500,000 of total department budget). This work deals primarily with condemnations, bonds, public works, and tax protests. Some work is done in conjunction with the City on joint boards (such as Joint Water and Sewer).

City Legal, budgeted at \$6.25 million with 76 FTE, currently has 36 attorneys reporting to the City Attorney and one to the Department of Municipal Development. Increases in the legal staff and the budget have been at least partially driven by the plethora of suits filed against the City. The City has found it generally less expensive to have their own lawyers than to contract for legal services. The breadth of the services the City provides in a growing urban area and in an increasingly litigious society probably accounts for why the legal staff is as large as it is. As is true with risk management (see below), there may well be no savings from unification.

Purchasing. City Purchasing has three basic units: (1) Purchasing, which involves the procurement of goods and services (16 people, three dedicated buyers, one to aviation one to solid waste, and one to public works, with the balance assigned to a commodity); (2) Office Services, which involves copying, printing, and mail distribution for the whole City (4 staff); and (3) Warehousing and surplus property (7 staff, including one buyer).

County purchasing has as its main function the procurement of goods and services and the coordination of RFP's and bids (e.g. for construction projects).

Total staff is 14 staff, including the director, two procurement administrators (one for public works, facilities and fleet management and one for CIP), four senior buyers, two buyers, two procurement technicians, and three financial specialists. In the County, buyers are assigned a department and deal with all of the purchasing, RFP's, and bids for that department. This is very different from the commodity-based system used in the City.

In the purchasing area there is likely to be some duplication of effort, with some cost savings possible in the longer run. Initially there would be the challenge of merging units that are structured quite differently.

Risk Management. The City uses a self-insurance strategy to cover the costs of risk. City risk management is divided into five divisions:

1. **Torts and Other Claims**– One senior staff and four claims adjusters; claims involving property damage, personal injury (non-city employees), etc. If a claim is eventually brought as a lawsuit, the city legal department handles litigation.
2. **Workers' Comp** – One senior staff and four claims adjusters; system is set up to avoid litigation. Claims begin by referring employees to the health center, which is run by Presbyterian Hospital. Adjusters then handle and track claims.
3. **Finance Section**– Collects funds from each department that becomes the insurance pool (reserves).
4. **Loss Prevention**– Used to be a more centralized safety office. Now coordinates with safety/training people in many of the individual departments. Much of the actual training (for OSHA, etc.) takes place on the department level and is not centralized with in the Risk Management Division. There does exist an executive safety committee that works with individual departments to monitor safety programs. Staff is one architect and two people who look at safety issues and track OSHA reports.
5. **Drug Testing** – Some employees are mandated by federal law to undergo drug testing. The city's role is coordination. SED Labs, which is the only lab certified to perform such drug tests, gathers and tests samples. Random tests and post-accident tests are performed.

Only one major area of risk is insured through private vendors: buildings. City-owned cars and the jail used to be insured through vendors but the high deductible associated with these policies made the insurance not cost effective. There doesn't seem to be any regularly scheduled review process for evaluating the cost of self-insurance against private insurance.

It is currently city policy to not place judgments over \$100,000 on the tax roles. The assumption is that doing this would lower the reserves needed and this would imperil the city's bond rating.

The city self-insures by actuarially assessing each department's risk for the year. This assessment is based on outstanding claims against each department and an estimate of future claims. The total assessed risk for the city is \$29.4 million. The police department has the highest total risk assessment at \$8.7 million, but Public Works has the largest based on the size of the department; the assessed risk for Public Works is \$13,444 per FTE compared to a city-wide average of \$5,896 per FTE.

A few city departments are of particular interest because they involve functions that the county does not have or (in the case of the Metro Detention Center) are jointly funded. The total fiscal year 2005 assessment (with percentage of total city assessment) for these departments is reported in Table 5.2. Note that these departments together account for \$13.3 million of Risks FY 05 Budget. Of course, one of these departments is Corrections. The County's payment to the City for running the jail includes half of the amount reported. So the County's total risk costs are roughly \$1.6 million higher than shown.

The City is in the midst of a plan to reduce their deficit (and build up reserves) over the next few years. Total deficit reduction for FY 2005 is \$2,310,972. The Police department is the largest contributor to the reserves (\$824,403), followed by Water and Sewer (\$197,302), Planning (\$182,405), Refuse (\$177,255), Corrections (\$145,310), and Transit (\$139,366).

Subtracting the \$13.3 million in risk costs for services not provided by the county and the \$2.3 million that City departments are paying to eliminate an old deficit brings City risk costs down to \$13.8 million, or \$29.61 per capita. We will see that these costs are in line with what the County pays.

Table 5.2
RISK ASSESSMENT AND DEFICIT REDUCTION FOR SELECTED CITY DEPARTMENTS AND FUNDS

	Assessed Risk	Percent of Total City Assessment	Contribution to Reserves for Deficit Reduction	Percent of Total Deficit Reduction
All Departments and Funds	29,410,103	100.0%	2,310,972	100.0%
Corrections and Detention	3,282,839	11.2%	145,310	6.3%
Water and Sewer Fund	4,296,032	14.6%	197,302	8.5%
Refuse Fund	2,338,279	8.0%	177,255	7.7%
Transit Fund	1,882,618	6.4%	139,366	6.0%
Cultural Services	680,807	2.3%	82,243	3.6%
Aviation Fund	774,174	2.6%	69,211	3.0%
	13,254,749	45.1%	810,687	35.1%

Source : City of Albuquerque, FY 2005 Budget Documents (Management and Budget Office)

County risk management uses insurance from the NM County Insurance Authority to cover the majority of risk topics. The department has three main functions:

1. **Claims Management** – claims are generated through a 24-hour hotline, paperwork is prepared and sent to Santa Fe and tracked. Claims specialists meet with claims adjusters (at the NMCIA). Not every claim can be investigated; only those that the department feels it can reduce the losses are investigated. Health and injury claims (such as Workers' Comp.) are sent to medical director as soon as possible so any treatment or medical tests can be performed. The medical director is independent of the RM; it is coordinated through the CIA. All claims are paid out of insurance pool; no in-house financing of claims and few claims are put on tax rolls due to large coverage in excess of 80 million in deductibles. The judgments that go on the tax rolls are those resulting from special events cases (which lack adequate insurance coverage).
2. **Safety and Loss Control** – An outcome of the claims investigation process is recommendations, from either RM dept. or supervisors reporting the claim, on how to prevent such claims in the future. Any training needed as a result of the claim is then coordinated. All OSHA-required training is also performed within the department. They do not hire outside people; one or two people in the department coordinate the training.
3. **Insurance Purchasing** – Department purchases insurance through CIA in three pools: Workers' Compensation, Property, and Public Safety. Premiums for the insurance are paid out of the BC08 Risk Management Fund and have been decreasing due to decreases in claims issued by BCRM. Money paid to the pool but not used in settling claims is paid back to the city from NMCIA. This money does not go to the RM department but is paid back to the General Fund and used across the county.

The vast majority of the department's staff time is devoted to claims management. Two staff devote 100% of time to claims management, at least three other staff spend some time with claims. The vast majority of the department's budget, however, is spent on insurance premiums. Operation costs of the department are kept low because of in-house OSHA and other training, size of department, and provisions from insurance (i.e. Medical doctor, Deductibles, Claims management, etc).

The risk assessment is not calculated actuarially (like the city). The amount paid to the NMCIA pool is based on the number of employees, amount of equipment, and size of facilities. As a result, the amount of risk attributed to each department is simply a function of these variables for that department, and not the actual level of risk (that may be evident from past claims, for example).

A few major differences between the city and county are apparent:

- **Insurance Method** – Self-insurance in the city vs. NMCIA pooled insurance for the county. Both entities claim that their method for insuring is most cost effective for them. Representatives from neither entity would speculate about which method might be best for the single urban government.
- **Risk Assessment Method** – Actuarial assessment for each department by the city vs. calculated assessment based on size, equipment, and number of employees for the county.
- **Safety and Training** – Decentralized training programs in the city vs. all training occurring through the RM department at the county.

While the County's costs for risk management appear to be much lower -- \$3 million versus \$29 million -- much of the difference is explained by high claims history for several functions that the County does not have. In addition, the City is currently in the process of assessing departments at higher rates in order to eliminate a deficit in the Risk fund. **With these adjustments, on a per capita basis, County costs for risk management are \$30.34 versus \$29.61 for the City.** This is an important finding. Otherwise, unification might have meant higher costs for risk management.

Treasurer. The City Treasurer's Office performs three major functions: (1) collection of taxes and fees, including business licenses, solicitors' permits, liquor licenses, collection of Lodgers' Tax, zoning and building permits, etc.; (2) administration and investment of money, including the preparation and reconciliation of deposits and the management of cash sites (about 200, half of which deal with their own deposits); and (3) manage the City's municipal bond program, acting as financial advisor to departments and council, doing long-term financial planning, involvement in bond issuance transactions and managing relationships with investors and underwriters.

According to the Treasurer, the office has three main functions: tax collection, investing and distribution of funds, and delinquencies. Approximately ten staff are assigned to each function with five administrative staff under the Treasurer. The County Treasurer's main responsibilities revolve around the property tax, which this office administers and collects for all the taxing jurisdictions within Bernalillo County. While both offices have a collection and an investment function, generally, there does not appear to be much overlap in the work actually performed by the two offices.

ANALYSIS OF DIFFERENCES IN PAY

Many of those we interviewed mentioned that County workers are paid considerably less than their counterparts in the City. The differences occur both in base salaries and in benefits. Consolidation would require some effort to equalize pay for similar work under similar conditions and benefit packages. Our

analysis focused on differences in total compensation – salary plus benefits – per FTE between units with seemingly comparable functions providing similar services.

Overall, as budgeted for FY 05, salaries plus benefits for the City are some 22.4% higher per FTE than for County General Fund agencies.¹⁷ County salaries plus benefits total \$66.7 million, so cost of bringing County General Fund personnel up to a level comparable with the City could be as much as \$15 million, and there in all likelihood would be a need to upgrade salaries and benefits for non-general fund personnel. This is a crude estimate. The following observations are based on an examination of data provided by budget staff in both the City and the County:

- Pay in positions within central administration (including the finance functions, human resources, and legal as well as elected officials and their support staff and top administrators) is considerably lower per FTE in the County – about \$20 thousand less. Top administrators in the City appear to be paid considerably more than their counterparts in the County. (See figures on FY 03 actuals presented in Table 5.3.)
- Pay is comparable between the Albuquerque Police Department and the Sheriff’s Office but not for the two Fire Departments.
- Pay in County is much lower for Parks and Recreation.

Table 5.3

PAY DIFFERENTIALS IN CENTRAL ADMINISTRATION, FY 03 ACTUALS

ABQ/BernCo Division	ABQ			BernCo			Difference
	FTE	Total Salary and Benefits	Total Compensation per FTE	FTE	Total Salary and Benefits	Total Compensation per FTE	
CAO and Mayor / County Manager	20	1,980,364	99,018	12	840,173	70,014	29,004
Clerk (1)	19	851,116	44,796	49	1,750,922	35,733	9,062
Management and Budget / Budget	12	1,019,121	84,927	18	894,992	49,722	35,205
Council Services / County Commissioners	18	1,532,574	85,143	10	436,416	43,642	41,501
Accounting	36	2,068,682	57,463	12	670,769	55,897	1,566
Treasury	21	1,135,299	54,062	37	1,732,571	46,826	7,236
Purchasing	16	953,517	59,595	15	787,590	52,506	7,089
Information Services / Information Technology	69	5,269,470	76,369	68	3,641,967	53,558	22,811
Human Resources	30	1,878,875	62,629	18	964,995	53,611	9,018
Legal	62	4,327,634	69,801	9	659,754	73,306	-3,505
Risk Management Fund / Risk Management	28	1,989,873	71,067	8	407,175	50,897	20,170
Total Matching Admin.	331	23,006,525	69,506	256	12,787,326	49,950	19,556

City and County Employee Benefits

The City and the County have the same medical and dental plans, but provide different matching contributions. In fact, the City negotiates the health care plans

¹⁷ The City’s FY 05 General Fund Budget includes internal service and special revenue funds in addition to the General Fund. The salary information received has similar coverage and excludes the City’s enterprise funds except Transit.

for the county. The county contributes 75% towards medical insurance while the City contributes 83%. This 8% difference between contributions amounts to an average of \$17 per employee.¹⁸ For dental insurance, the city contributes 83% of the costs compared to 52% in the County. The difference results in an average additional cost of between \$4 and \$7 per employee. Both County and City employees contribute 3.29% of their wages towards the Public Employees Retirement Association and the local governments pay 19.01%. The City and County currently work together to negotiate the health care costs and are jointly studying the rising cost burden of insurance.

The County contributes 52% towards group term life insurance, and group term disability while contributing 30% towards voluntary supplemental life. The City pays 100% of the costs for a basic life insurance policy, and allows employees the option of a supplemental life insurance policy at their own expense. The county also offers a cafeteria plan that allows employees to deduct their insurance premiums out of their payroll before taxes are calculated on their income. Legal services are offered to County employees at a discounted rate and there is an Employee Assistance Program to address personal problems, which is paid for entirely by the county. All benefits are available to union and non-union employees.

Union Benefits

The City contracts with seven unions, most of which offer extra benefits such as a clothing or tool allowance, incentives for longevity with the union and seniority preferences. The City does not pay any additional contributions for benefits to unions with the exception of the retirement for the Police, Fire and Corrections unions. These three unions have contracted for an earlier retirement rather than the standard 25-year city retirement plan. The City's contributions for the Public Employees Retirement Association (PERA) are different among these groups. Instead of the 19.01% that the City pays for non-union employees, the City contributes 18.5% for the Police Union, 33.40% for the Fire Union, and 22.21% for the Corrections union.

The County currently has four unions, which are contracted similar to the City in that the County does not pay additional contributions for benefits to unions excepting the retirement for Fire and Sheriff unions. The County contributes 35.45% towards PERA for the Fire Union, and 34.8% for the Sheriff Union.

For both the City and the County the Police/Sheriff Union and the Fire Union only pay Medicare taxes of 1.45%, instead of the 7.65% that is required by all other union and non-union employees.

¹⁸ There is a variance depending on the insurance coverage chosen by the employee. For coverage of the employee only the difference is close to \$9 for an employee, spouse, and children the difference is \$27.

CHAPTER 6

DO DIFFERENT SERVICE DISTRICTS MAKE SENSE?

City of Albuquerque residents and businesses pay most County taxes but their counterparts in the unincorporated area obviously do not generally pay City taxes. If taxes throughout the new urban county are to be equalized over time and the same amount of revenue is to be generated, city taxes may fall slightly, while, taxes in the unincorporated will have to rise by quite a bit¹⁹.

COULD THE UNINCORPORATED AREA BECOME OF SEPARATE SERVICE/SEPARATE TAX DISTRICT?

The alternative would be to create different taxing districts with different rates of taxation and levels of services in different areas of the unified urban county. For example, one might have an urban district, to include the City and possibly parts of the unincorporated area, in which a higher level of government services – urban services – are financed by higher taxes, and a rural district, where there is a different standard and generally lower levels of service financed by lower taxes. However, with or without separate service and tax districts, it is assumed that all area-to-area subsidies are to be eliminated and all areas of a unified county must cover the full costs of the services that they receive.

This raises an initial baseline question -- are residents in different parts of the unincorporated area currently paying their own way, and, if not, how much would their taxes need to rise to do so?

From the analysis presented in Chapter 4, we know that overall residents in the unincorporated area receive services that are heavily subsidized from taxes collected within the City of Albuquerque. Indeed, we estimated the amount of the subsidy required to be \$49.7 million. Given the tax base in the unincorporated area in FY 2003, raising this amount would require a 2.3 cent gross receipts tax or about 31 mils in property tax or some combination of the two – an impossible gap to cover. However, unification will give the unincorporated area a municipal gross receipts tax distribution that it does not currently receive – the State shared 1.225% distribution, estimated to be about \$26 million. This could be the source of more than half the money needed. Of course, there would still be about \$23.7 million to cover. Raising the gross receipts tax rate to the rate currently in place in the City would cover all but about \$3.7 million of the gap. An increase in the

¹⁹ Residents outside the City are not responsible for debt incurred by City residents, so the debt service levy needed to pay debt service on already authorized GO bonds would not be imposed outside the City limits. Residents of the unincorporated area would only be responsible for meeting debt service on GO bonds authorized through bond elections in which they participate in the future. Thus over time the mil levies in the unincorporated area would come into equality with those in the current city limits.

property tax of 3.544 mils (the amount currently imposed in the City) would be slightly more than sufficient to cover this gap²⁰.

The above only looks at operating costs. In the last section of Chapter 5 we determined that the unincorporated area derives about 46% of the benefit from the County's capital program as funded by both GO and gross receipts tax bonds although it contributes less than 17% of the costs. The annual debt service on all these outstanding bonds is about \$22.6 million. The Unincorporated area contributes about \$3.8 million but derives 46% or \$10.4 million of the benefit, leaving a gap of \$6.6 million. To cover this gap would require a property tax of 4.1 mils. The City has in place a debt service levy of almost 8 mils.

From these calculations it looks like the Unincorporated Area could raise sufficient revenues to cover both operating and debt service costs of the services it is provided by the County. Tax rates in the unincorporated area, however, would be only marginally lower than current rates in the City. Moreover, the above analysis does not at all address the question of whether higher taxes might be needed to pay the costs of services provided by the City to residents and businesses in the unincorporated area.

In conclusion, it would seem that rather than forming a separate tax district just to receive the same level of services currently received from the County, the unincorporated area would be better served by the gradual equalization of tax rates throughout the new urban county. The equalized tax rates could actually end up being lower than those required to recover the full costs of providing services to the unincorporated area.

WOULD A SEPARATE SERVICE AREA FOR THE EAST MOUNTAIN AREA MAKE SENSE?

A separate service district does not make much sense for the unincorporated area as a whole. It may make more sense for a particular sub-area. The East Mountain area is a reasonable candidate. The Sandia and Manzano Mountains provide a visual and a physical barrier between the East Mountain area and the City and areas in the Rio Grande Valley. The interstate up Tijeras Canyon is the major connecting link. The topography and vegetation is different. The land use and water issues are very different from the North and South Valleys. The East Mountain area is part of a different air shed. Below we review some of the differences in service delivery by the County.

²⁰ The analysis does not formally consider the 3% administrative fee that must be paid on local option taxes above the first half cent municipal gross receipts tax. It is also not clear how yield control would be applied in establishing the operating mill levies for the unincorporated area.

Public Works Roads and Drainage

Two O&M facilities serve the EM area, one serving the north mountains, the other the south mountains. Each facility has about six people assigned to it. Of the 716 miles of road in the unincorporated areas, about 300 are in the EM area. About 64 percent of these roads are unpaved (compared to about 14 percent in the Valleys). Unpaved roads are approximately four times as expensive to maintain as paved roads.

Signage and signals maintenance works out of Broadway facility. The number of signs (of the 11,000 to 12,000 signs in the unincorporated area) in the EM is proportional to the miles of roads. Three traffic technicians out of the Broadway facility maintain all signage and signals in the county.

Drainage has mostly been focused in the Valleys where they are developing more extensive drainage systems. No plan currently for the EM, but given the area's geography it would be expensive.

The different types of road surfaces in the EM is probably the biggest issue in terms of cost of services. With the new air quality standards, issues of dust abatement will need to be addressed. This is complicated by the fact that many common solutions require water, which is in short supply in EM. The long-term solution is paving, but the paving needs would take years to meet even assuming the County's entire GO transportation program went for this purpose.

Solid Waste

In the East Mountain area, the County's solid waste department has not mandated residents to follow a standardized weekly refuse collection. Instead, there are three independent haulers in the area that haul refuse to the transfer station. The nature of the terrain, the weather and large distances between residences make it costly and difficult for the County to manage weekly collection. The commissioners have allowed the department to keep this arrangement since it would be cost-prohibitive to mandate it, as in the North and South Valley areas. There are about 5,000 customers in the area. The East Mountain transfer station also operates a large "green-waste" operation and recycling 7 days a week.

There is one transfer station in the EM with seven people assigned, including one supervisor. Unlike the rest of the unincorporated area, the county has no mandatory solid waste collection. Residents and businesses may contract with one of three private haulers. Many residents just bring waste to the transfer station and it is trucked to the Torrance Co. landfill, of which Bernalillo Co is part owner. Major equipment consists of a greenway grinder ("The Beast"), two trucks and trailers, two front-end loaders, three roll-off trucks. The two new trucks and

trailers are larger than before and reduced the number of trips to the landfill from about eight per day to one or two. Equipment maintenance is now provided (via chargebacks to the county) by County Fleet and Facilities services.

The total operating budget for the transfer station for FY 2005 is \$415,319, more than half of which is for personnel costs. The transfer station is significant but it is only a portion of the cost of serving the East Mountain area, as there are also costs associated with hauling waste from the transfer station to the landfill and then there are costs related to landfill operations. The overall budget for Solid Waste in FY 05 is \$3.4 million.

Sheriff's Department

The department operates one station in the EM area located in Tijeras. Currently about 27 deputies are assigned there, which is a little lower than the 35, which is more normal. Deputies cover three eight-hour shifts per day, with a minimum of five assigned during the day and swing shifts (four deputies and one sergeant); fewer may be assigned during the graveyard shift. There is also always one detective on call.

Some deputies not assigned to the EM station spend time in the area (traveling through, for example) and make traffic stops, arrests, etc. It is estimated that this comprises no more than about two hours of total deputy time each day.

Reported crimes occur in the EM disproportionately less than the EM area's population. The EM area has about 16.6 percent of county's unincorporated population; most categories of crime in the EM area are between zero and ten percent of the unincorporated county total. (Note: A better reflection of the cost of servicing the EM area might be the number of calls for service that deputies respond to. A request for this data was sent to the Sheriff's department, but a response has not yet been received.)

Though there is no formal agreement, the EM station is also responsible for patrolling Tijeras as a matter of course.

Fire Department

The department operates 4 fire districts in the east mountain area and there is one independently operating fire district in the Village of Tijeras. There are a total of 8 fire stations not including the independent fire district. Staffing for the stations varies depending on level of activity and or events in the districts (for example: during the 4th of July weekend, staffing is ramped up to near full capacity in case of fires due to fireworks or other accidents).

Bernalillo county has two types of volunteer firefighters: (1) district volunteers that volunteer their time for a specific station only in their district, and only respond to

major calls, (2) shift volunteers that sign up for 24 hour rotating shifts and float from station to station. Shift volunteers are harder to track as a volunteer can live in Tijeras but work in a station in Los Ranchos. Currently the east mountain area has 11 district volunteers operating (3 in district 6 and 8 in district 11). There are 55 shift volunteers working for Bernalillo county, however it is not possible to quantify their contribution to East Mountain area alone as they float their hours around from station to station. Figures provided by the County Fire Chief indicate that the East Mountain area has about 28% of the volunteers and about 26% of the paid shift staffing in the entire unincorporated area.

All firefighters for the county attend the same training paid for out of the BC11 and BC24 funds.

The majority of East Mountain area fire and rescue vehicles are four-wheel drive due to the terrain. Vehicles in the rest of Unincorporated Bernalillo County are not.

Each of the districts backs each other up depending on the severity of calls. For very severe calls, east mountain vehicles might respond to calls in the rest of unincorporated Bernalillo or vice versa.

Parks Department

Bernalillo county operates a number of facilities and undeveloped land in the East Mountain area including, 2 community centers, ball fields, picnic areas, and multipurpose parks, and gymnasiums. The County operates fewer parks facilities on the East side than the national average due to the larger average lot size of homes and the proximity of the National Forest.

Bernalillo County has added a pool to the East Mountain Area master plan at the request of residents. However the biggest obstacle to overcome is the high price of water in the East Mountain Area for all of their operations. East mountain area water providers are not setup for large water users as in city limits. Some have progressive water structures that hinder the effectiveness of operations.

The approximate cost of Bernalillo County East Mountain facilities including operations, salaries, and maintenance is \$611,000. The current budget for all of Bernalillo County Parks operations is \$7.6 million. The percent of EM operations out of total BCPR budget is 8.04%.²¹

²¹ BCPR spends roughly \$150,000 on water for all facilities in the EM. \$101,130 is spent on water used at the Los Vecinos and Vista Grande Community Centers. The Entranosa Water Cooperative, and the Village of Tijeras supply water for those facilities. Water billed by the Entranosa Water Coop was \$96,549 or roughly 64% of the total \$150,000 spent on water in the EM area by BCPR. By comparison, BCPR spends roughly \$900,000 on all other BCPR facilities in the Albuquerque vicinity.

Housing

For east mountain residents, the County provides housing subsidies, but there is little else in the area due to geographic isolation.

Seniors

According to County staff, the East Mountain area poses particular problems for delivering services to seniors. Seniors are less likely than other age groups to travel to access services, so all services must be brought to them, resulting in high transportation expenses. Finding employees who are willing to work part time in the East Mountain area has proven to be difficult.²²

In sum, evidence regarding the suitability of a separate service and tax district in the East Mountain area is inconclusive. Without more detailed investigation, it is not possible to accurately estimate the cost of improvements to the East Mountain's unpaved roads, the true costs of emergency and social services, and the revenue generating capacity of the area. However, given the available information, while it may be possible for the East Mountain area to raise the revenues necessary to fully fund the costs of local services, it is unlikely that the area would be able to generate the revenues that would be needed to offset the subsidies that the area currently receives from the City and other parts of the County.

²² Email discussion with Suzanne Gutierrez, County Parks and Recreation Dept.

Appendix A

UNIVERSITY OF NEW MEXICO BUREAU OF BUSINESS AND ECONOMIC RESEARCH PROPOSAL

ANALYSIS OF THE BENEFITS AND COSTS OF CITY COUNTY UNIFICATION

The Albuquerque-Bernalillo County Unification Commission has requested the Bureau of Business and Economic Research to develop a proposal for an analysis of the benefits and costs of City-County Unification.

The Bureau of Business and Economic Research (BBER) proposes to do an analysis of the benefits and costs of City-County Unification. The narrative below describes the research tasks involved:

Research Tasks

Task 1. Review other studies. Assemble data from the City and the County as well as from BBER's Data Bank on revenue sources, revenues, and expenditures.

Task 2. Undertake preliminary data analysis. This analysis will include but will not necessarily be limited to the following:

1. Creation of analytical models on gross receipts and property taxes to facilitate "what if" analyses. Models will include City, other incorporated municipalities, Unincorporated County, and the County.
2. Create base case. Project revenues and expenditures for City, County and Unincorporated area assuming no change in government.
3. Analysis of current funding for County-wide and Unincorporated area services. Analyze funding sources for all County-wide services (e.g., County Clerk, Indigent Care). Calculate how much general tax revenue is absorbed in providing these services. Analyze funding for services in the unincorporated area. Analysis will take into account existing City-County agreements.
4. Determine current costs of providing services (i.e. per capita) in City versus Unincorporated Area. This would be a first cut, designed to raise questions for further analysis.
5. Identify and to the extent possible quantify administrative costs in City and County under current structure of government.
6. Using information put together in 2-5 begin to put together an analytical model to facilitate "what if" analyses of expenditures assuming unification

is implemented.

Task 3. Get behind the numbers. Undertake more qualitative analysis of what is happening on the ground. This may involve interviewing key individuals involved in service delivery. It may involve participating as an observer in focus groups.

Task 4. Complete analysis of benefits and costs and put together presentations. First presentation will be to the Sub-Committee, followed by a presentation to the full Commission.

Task 5. With guidance from the Commission, put together final report.

APPENDIX B

STATE AND FEDERAL-SHARED REVENUES FOR BERNALILLO COUNTY AND THE CITY OF ALBUQUERQUE

TABLE B.1 STATE-SHARED FUNDS

State-Shared Revenues	County (C), Municipal (M)	Description of possible change in funds	Applicable Statute	Potential Change ¹
Motor Vehicle Fees	C	The county receives a distribution of the vehicle transaction fees based on the mileage of count roads maintained compared to the total. The amount received from the state would increase if it could include Albuquerque's road mileage in the equation.	66-6-23	92,000
Motor Vehicle Fees	C, M	The balance of the funds from 66-6-23 is distributed based on total registration fees for the county. The incorporated municipalities are then distributed a piece of the county's distribution based on net taxable value plus assessed value. The amount received according to this statute should not change in aggregate.	66-6-23.1	-
County Arterial Program	C	The formula to receive funds is based on road mileage maintained by a county. There would be an increase in revenue from the state if the County and City road miles were used.	67-3-28.2	232,800
Municipal Arterial Program	M	Funds are distributed based on the project. There are no exclusions or limitations stating that the municipality must be incorporated. Los Alamos has received funds in the past. Albuquerque would probably still qualify to receive funds.	67-3-28.2	-
County/Municipal Co-op Funds	M, C	Funds are distributed based on the project. There are no exclusions or limitations stating that the municipality must be incorporated. The new are should be eligible to receive State Co-op funds.	67-3-28	-
Gasoline Tax	C	There is a possible gain in revenue because the distribution is based on the proportion of taxable motor fuel sales outside of incorporated municipalities, which would increase to include Albuquerque under the unification.	7-1-6.9	1,026,000
Gasoline Tax	M	The statutes do not specifically limit the municipal distribution to incorporated municipalities. The state revenues may increase for the municipal distribution as well. ²	7-1-6.9	173,000
Gasoline Tax - Municipal Roads	M	Municipal Road Fund distribution is based on the gallonage in the municipality. If it is increased to include Bern. County's unincorporated amount, the total revenue would increase.	7-1-6.27	91,000
Gasoline Tax - County Government Road Fund	C	Distribution is based on the proportionate share of county roads maintained to the total. The amount is also based on the greater of \$.21*population OR the proportionate share that the taxable gallons of gas is to the total times 50% - which ever is greater. The amount the county receives could be affected if the county's share of taxable gallons of gasoline * 50% is greater than .21*population. There is a cap set at 1/12 of the total taxable gallons of gasoline	7-1-6.26 B - D	645,422
Local Law Enforcement Protection Fund	C, M	The unit would gain money if it continues to have a sheriff and a police department. The amount distributed is based on population, and while the police department would not have an increase, the county funds would be increased because the added population would put them in a larger class.	29-13-4	20,000
Sheriff's Funds	C, M	The county sheriff receives compensating fees for services. They can also expense their mileage. The statutes specifically state the funds are collected by the "sheriff" if there is no sheriff in the new city/county area they may loose the ability to charge these fees.	4-44-16	-

TABLE B.1 continued

STATE-SHARED FUNDS

State-Shared Revenues	County (C), Municipal (M)	Description of possible change in funds	Applicable Statute	Potential Change ¹
DWI	C,M	The city receives funding based on their proposed and approved programs. The County may also receive money based on proposed programs. The county receives a set amount based on county class and population (county-wide). The county also receives money based on a percentage that is an average of two ratios. The first is the taxable gross receipts in the county for retail industries to the state-wide total. The second ratio is the number of alcohol related injury crashes in the county to the state total. This should not change with unification.	11-6A-6; 11-6A-3	-
Cigarette Tax Act - County and Municipal Cigarette Tax Fund	C, M	Revenue goes to the General Fund. The distribution is based on portion of sales in each separate area to the total. There should be no change in aggregate revenue due to consolidation	7-12-16.	-
Cigarette Tax - Recreation Fund	C, M	Revenue goes to a special Recreation fund. Is based on the portion of cigarettes sold in each separate area to the total. There would be no change in aggregate revenue due to consolidation	7-12-15.	-
Fire Protection Funds	C, M	The rates are the same for the county and municipal fire stations. Assuming they would all maintain the same class rating when unified, then there would be no change in revenue.	59A-53-3-4	-
Emergency Medical Services	C, M	The distributions are based on a formula defined in the NM Registry. There is a distribution based on the county's population as well as the area of land. There is also funding based on need. The limit is \$20,000 per district.	24-10A-6	-
Forest Reserve	C	This is based on the proportion of acres of forest reserve in each county. This will not change.	6-11-2.	-

1. Numbers rounded to nearest thousand

2. Note: Los Alamos City/County does receive both distributions.

**TABLE B.2
FEDERAL-SHARED FUNDS**

State-Shared Revenues	County (C), Municipal (M)	Description of possible change in funds	Applicable Statute	Potential Change ¹
Community Development Block Grant (CDBG) ^{2,3}	C, M	The city receives funding directly from the Federal Government because they are an entitlement area. The County receives money indirectly from the State who distributes funding for the non-entitlement areas. There would be an increase in funding due to the increase in population. There is doubt as to whether the increased revenue would be enough to increase level of services in the Unincorporated County to that of the City.	Housing and Urban Development (HUD) H.R. 728, Department of Justice	600,000
Local Law Enforcement Block Grants	C, M	This distribution is based on the percentage of Type 1 Violent Crimes relative to the total which should not change due to unification	Department of Justice	-
Weed and Seed	C, M	Areas must apply for grants, not based on city/county status. There are two areas in Albuquerque currently receiving funding; one area also serves Bernalillo County Residents. Funding availability should not be affected	Department of Justice	-
Brownfield Grants	C, M	Albuquerque and Bernalillo are currently reviewing funds jointly for two projects. Funding is based on the application and proposed projects, not based on a set formula	Environmental Protection Agency (EPA)	-
Federal Highway Administration (FHWA)	C, M	Federal-aid highway funds are generally apportioned by statutory formulas to the States. They are generally restricted to roads open to the public and not functionally classified as local. Exceptions to this include planning and research activities, bridge, bicycle and pedestrian safety improvements that may be done on any public road; transportation enhancement activities, the recreational trails program, and the Federal Lands Highway Program. An applicant should consult the office or official designated as the single point of contact in his or her State for more information on the process the State requires to be followed in applying for assistance, if the State has selected the program for review. An environmental impact assessment is required for most projects under this program, although the level of review varies with the project. According to John Hartman at the City, this money goes first through MRCOG and then is distributed to Albuquerque and other areas.	FHWA 23 U.S.C. 101	-
Congestion Mitigation and Air Quality (CMAQ)	C, M	This is grant money given to states or local governments on a discretionary basis for raising the ambient air quality standards. The funds can be used for the operating costs of traffic monitoring, management, and control systems, such as integrated traffic control systems, incident management programs, and traffic control centers. CMAQ funds are for projects and programs in air quality, non-attainment and maintenance areas for ozone, carbon monoxide, and small particulate matter, which reduce transportation related emissions. According to Bruce Rizzieri with MRCOG, all the money that Albuquerque & Bern. County do not directly apply for or receive funds for this program from the Federal Government. There should be no effect on these funds.	FHWA & Federal Transit Authority (FTA)	-

TABLE B.2 continued
FEDERAL-SHARED FUNDS

State-Shared Revenues	County (C), Municipal (M)	Description of possible change in funds	Applicable Statute	Potential Change ¹
Metropolitan Planning		Distribution of funds within states. -The distribution within any State of the planning funds made available to agencies under paragraph (3) of this subsection shall be in accordance with a formula developed by each State and approved by the Secretary which shall consider but not necessarily be limited to, population, status of planning, attainment of air quality standards, metropolitan area transportation needs, and other factors necessary to provide for an appropriate distribution of funds to carry out the requirements of section 134 and other applicable requirements of Federal law. According to Bruce Rizzieri this money does not go directly to Albuquerque. MRCOG administers all funds through this program.	US Code: Title 23 Chapter 1 Subchapter I Sec. 104.	-
EPA Surveys, Studies, Investigations and Special Purpose Grants	M	EPA awards grants and cooperative agreements supporting Surveys, Studies, and Investigations based on unsolicited proposals and competitive applications submitted in response to EPA solicitations, considering relevance and likelihood of success of proposed projects. May be required to go through the state point of contact for review. Ability to receive this type of funding should not change under unification	EPA, 42 U.S.C. 7401, 33 U.S.C. 1251, 7 U.S.C. 136, 15 U.S.C. 2601	-
Head Start	M	Formula and Matching Requirements determine money to be allocated to the states. The state then distributes the money to the localities based on projects and need. There should be no change in Albuquerque/Bernalillo County's eligibility for these funds.	Department of Health and Human Services	-
Special Programs for the Aging, Title III	M	Formula Grants - The Administration on Aging awards funds through a statutory formula to State Agencies on Aging. State agencies approve and award funds to substate level organizations which they have designated. State grants awarded based on approval of State Plan, and intrastate funding formula for States with area agencies. According to the Director of the AoA for the Albuquerque area, the program currently serves all of Bernalillo County. The City contributes much more than the county and generally it is more costly to administer services to county citizens due to lack of transportation facilities. There should be no change in service level for citizens, and no anticipated change in funding provided.	Administration on Aging, Department Of Health and Human Services	-

1. Numbers rounded to nearest thousand
2. An estimate from Michael Passi in the City. The exact increase would take an enormous amount of effort to calculate.
3. For the City CDBG funds are Federal Shared, however for the County they are State Shared.

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