University of New Mexico
Bureau of Business and Economic Research

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A Review of MRGCD Finances

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MRGCD Expenditures

Recurring expenditures = on-going operating costs, including personnel and other operating expenditures that can be expected year after year, e.g., personnel, building and equipment maintenance, office supplies, utilities, fuels.

Non-recurring expenditures = one-time purchases, including expenditures for capital outlay and consulting services, and expenditures that are contingent on decisions of other agencies, e.g., grants. In MRGCD's case BBER has defined non-recurring as including capital outlay ($5,000 plus), grant expenditures, expenditures for consulting services, and contract O&M.

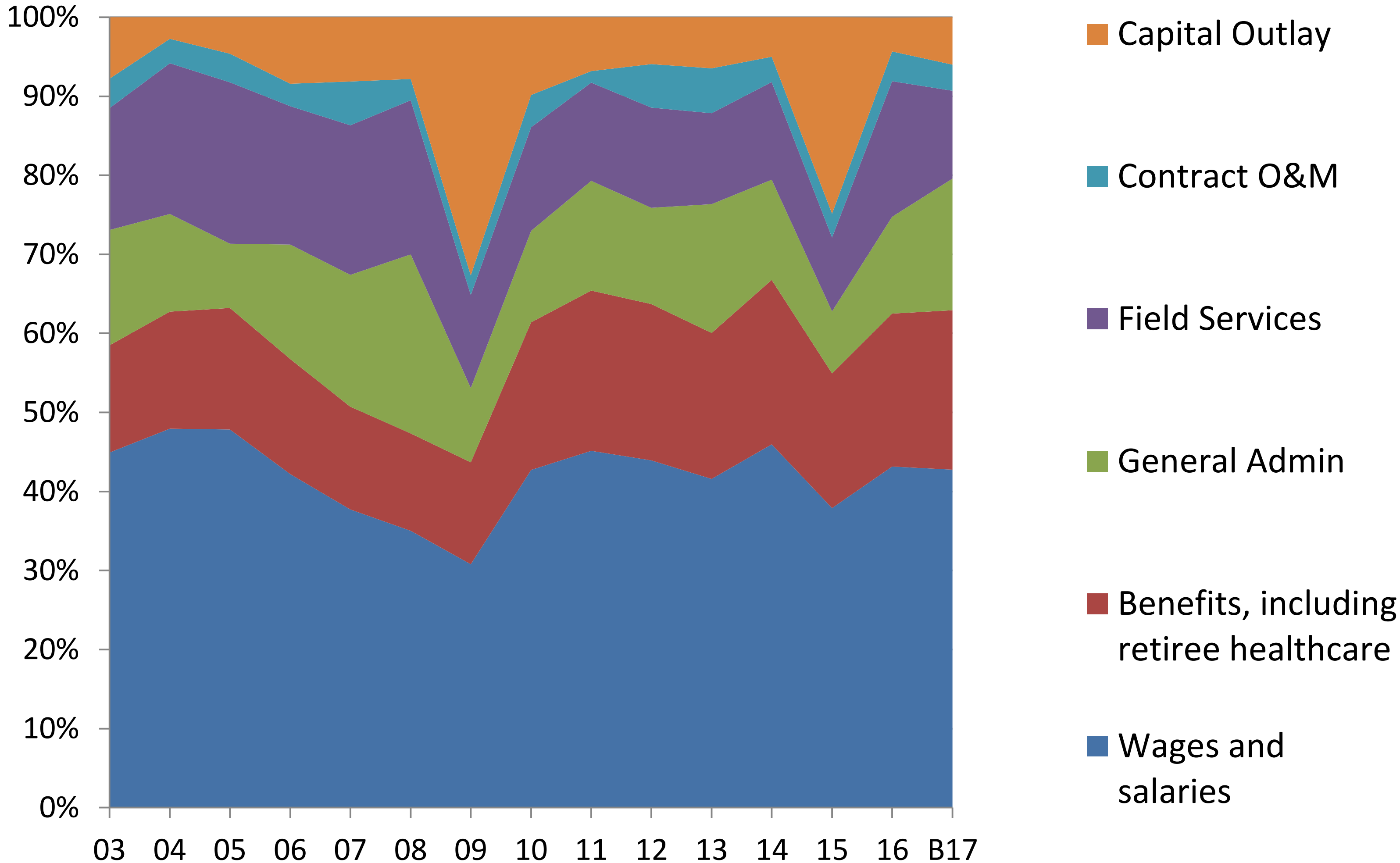
MRGCD Total Expenditures, by Expense Category FY 2006 – Budget FY 2017

Expense Category	2006 ACTUAL	2007 ACTUAL	2008 ACTUAL	2009 ACTUAL	2010 ACTUAL	2011 ACTUAL	2012 ACTUAL	Non-GAAP Budget Basis 2013 AUDIT	2014 AUDIT	2015 AUDIT	2016 AUDIT	Final Budget 2017	Annual Growth FY06-16
Personnel Services	**8,214,791**	**8,158,493**	**8,809,080**	**9,764,841**	**10,208,790**	**10,437,419**	**10,881,773**	**11,250,224**	**11,763,866**	**11,943,256**	**12,087,694**	**12,649,233**	**3.9%**
Wages & Salaries	6,107,031	6,067,938	6,518,962	6,885,040	7,103,713	7,201,112	7,501,458	7,793,016	8,097,904	**8,241,188**	8,343,890		**3.2%**
Benefits	2,068,264	2,024,521	2,213,404	2,764,839	2,980,798	3,093,773	3,229,634	3,324,056	3,522,513	**3,702,068**	3,743,804		**6.1%**
Retiree Health	39,496	66,033	76,714	114,963	124,278	142,534	150,681	133,152	143,449				
General/Admin	**2,092,638**	**2,682,466**	**4,220,553**	**2,105,720**	**1,927,693**	**2,212,967**	**2,077,887**	**3,054,807**	**2,232,574**	**1,707,350**	**2,372,511**	**3,351,124**	**1.3%**
Board Costs	38,971	171,479	40,174	212,556	54,944	347,018	42,427	302,200				298,000	
Consulting Serv	199,290	700,830	2,498,635	264,569	270,596	209,172	265,545	994,599				1,547,330	
Other	1,854,377	1,810,157	1,681,744	1,628,594	1,602,153	1,656,776	1,769,915	1,758,008				1,505,794	
Field Services	**2,532,902**	**3,047,776**	**3,628,158**	**2,627,303**	**2,176,638**	**1,983,610**	**2,165,866**	**2,149,481**	2,177,112	**2,027,748**	**3,312,978**	**2,231,415**	**2.7%**
Grant Expend	663,888	1,011,852	1,608,768	662,453	316,353	54,497	82,791	-				108,000	
Other	1,869,013	2,035,924	2,019,390	1,964,850	1,860,285	1,929,113	2,083,075	2,149,481				2,123,415	
Contract O&M	413,422	**891,197**	**502,380**	**555,330**	**683,569**	**232,972**	**935,796**	**1,069,462**	**559,414**	**654,473**	**726,774**	**668,156**	**5.8%**
Capital Outlay	**1,218,279**	**1,306,764**	**1,451,563**	**7,307,455**	**1,633,711**	**1,087,946**	**1,016,272**	**1,208,462**	**885,871**	**5,405,142**	**834,304**	**1,204,600**	**-3.7%**
Special Projects											**7,813**		
Total Expenditures	**14,472,031**	**16,086,695**	**18,611,734**	**22,360,649**	**16,630,400**	**15,954,914**	**17,077,594**	**18,732,437**	**17,618,837**	**21,737,969**	**19,342,074**	**20,104,528**	**2.9%**
Recurring Expend	12,390,574	13,067,250	13,052,768	14,126,173	14,409,741	14,603,298	15,712,987	16,529,375	16,732,966	16,332,827	18,499,957	17,352,598	**4.1%**

Source: MRGCD internal records, Financial Audits

Note: In FYs 14-16, Audits provided no detail on either General/Admin or Field Services, so total non-recurring expenditures are understated and recurring are over-stated.

Figure 1. Composition of MRGCD Total Expenditures FY 2003 – Budget FY 2017



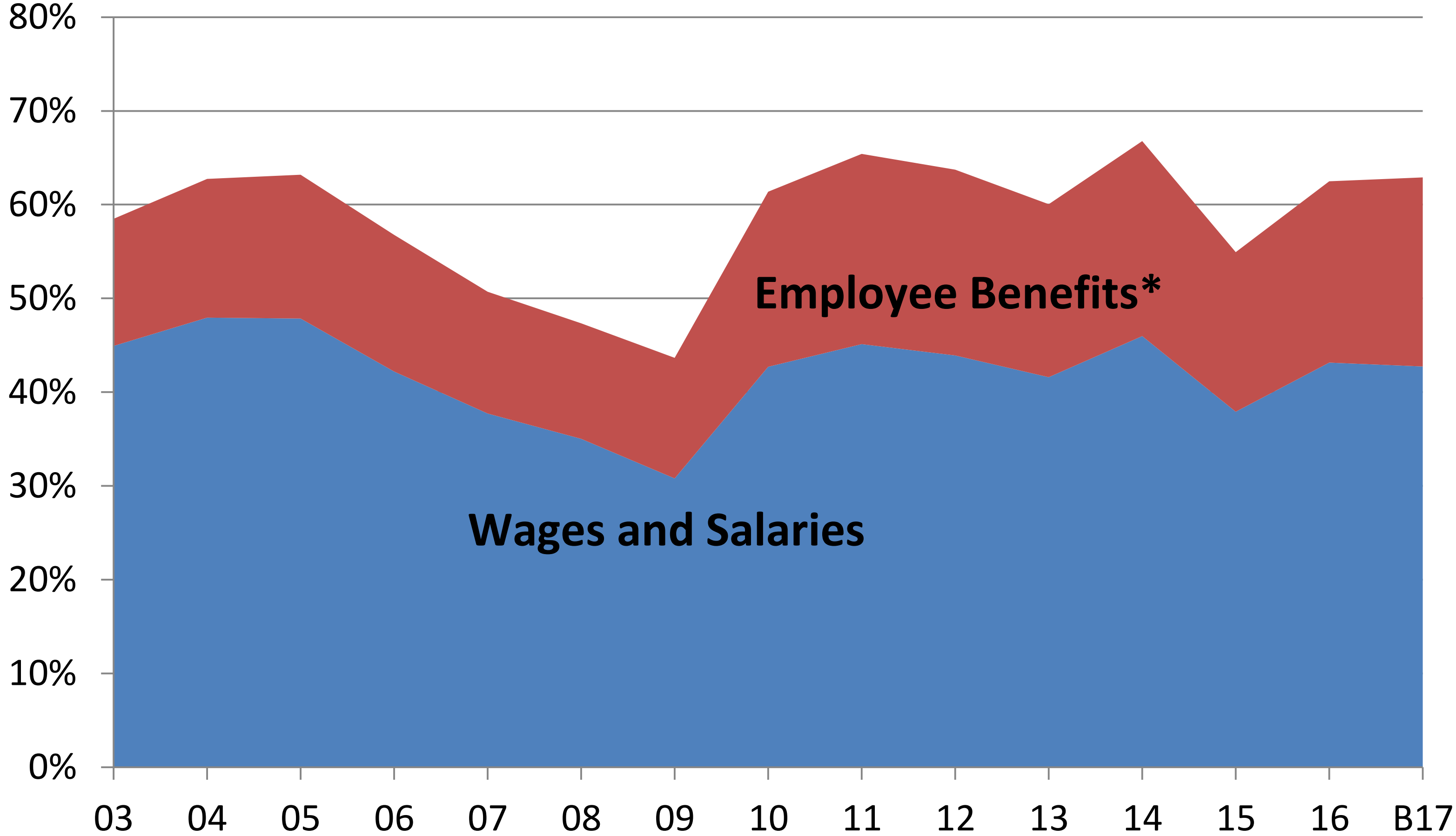
Source: MRGCD internal records, Financial Audits

Capital Outlay Will Grow Sharply in the Future

CAPITAL ITEM	Funds Needed	Period Needed	Amount Needed Annually
Fleet Replacement Light Vehicle Replacement Heavy Vehicle Replacement	$12 M ++	Annually	$ 750 K -$ 1 M
Major & Minor Structures (Efficiency Improvements) **Grants- Plan of 50%**	$ 25 M ++	Annually	$ .5 M - $ 2 M
Corrales Siphon (Replacement)	$ 8 M +	2 yr project	
El Vado 15% of $ 50 M ++ (40 year repayment and/or bond)	$ 15 M ++		repayment spread over 40 yrs w/treasury
ESA Projects (BO Commitments)	$ 8 M +	15 yrs	$ 750 K
Bernardo Siphon - New Structure (Grant -Plan on 50% federal)	$ 10 M	3 yrs	$ 2 M
Buildings/Facilities ($3 M - $5 M)	$ 5 M	7 yrs	$ 700 K
Corps of Engineers - Levees - 25% of $ 350 M (will seek assistance from State 20/80)	$ 87.5 M	18 yrs	$ 5 M
Isleta Diversion Dam	$ 2.5 M	10 yrs	$ 250 K
Note: $250k annualized but may be higher in a given year and less in others	$173 M		

Preliminary estimates provided by David Fergeson

Figure 2. Proportion of MRGCD Expenditures that go for Employee Wages and Salaries and Benefits, FY03 – Budget FY 2017



* Includes Retiree Healthcare

Source: MRGCD internal records, Financial Audits

Labor Cost Comparisons: MRGCD and US

Growth in Expenditures
Between 2006 and 2016

		2006	2016	Compound Annual %
Wages & Salaries				
MRGCD	$ Millions	6.07	8.34	3.24%
US Employment Cost Index		1.210	1.263	2.20%
Benefits				
MRGCD	$ Millions	2.09	3.74	6.00%
US Employment Cost Index		1.021	1.267	2.19%

Sources: MRGCD financial audits, IHS Global Insight , Jan. 2017

MRGCD Revenues

Recurring revenues = revenues from MRGCD taxes and fees, earnings on investments, and other sources that continue year after year and are within MRGCD control.

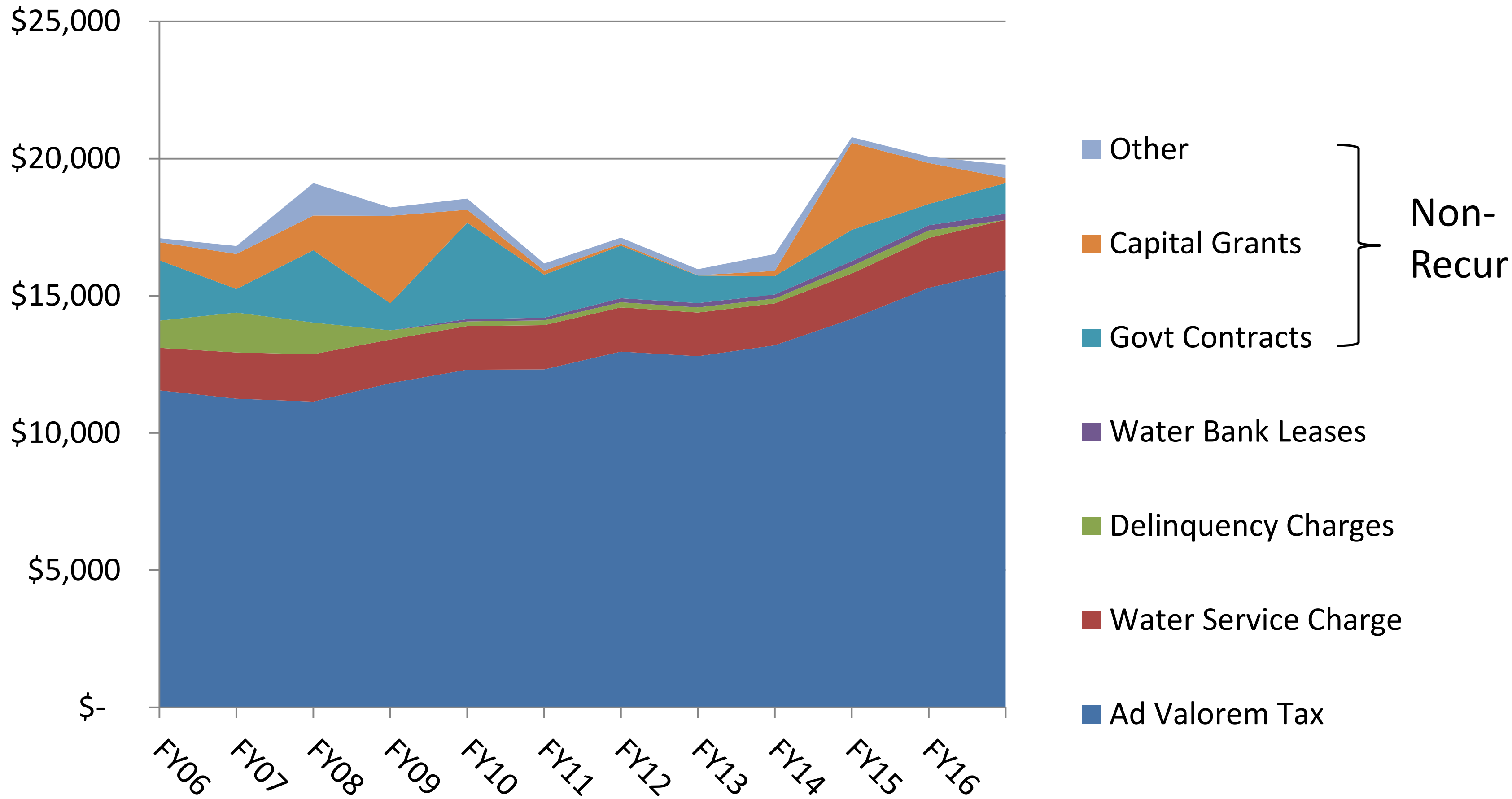
Non-recurring revenues = one-time or occasional revenues that may depend on decisions outside MRGCD. Examples include federal grant revenues specific to a project or grant application. Another type of non-recurring revenues are those resulting from sales of land or other major assets.

MRGCD Total Revenues, by Revenue Source
FY 2003 – Budget FY 2017

	FY06 ACTUAL	FY07 ACTUAL	FY08 ACTUAL	FY09 ACTUAL	FY10 ACTUAL	FY11 ACTUAL	FY12 Audit	FY13 Audit	FY14 Audit	FY15 Audit	FY16 Audit	FY17 Budget	Compound Ann'l 06-16
Ad Valorem Tax	$ 11,553,207	$ 11,246,665	$ 11,147,745	$ 11,817,677	$ 12,302,907	$ 12,312,639	$ 12,967,145	$ 12,799,202	$ 13,197,669	$ 14,160,780	$ 15,285,813	$ 15,944,110	2.8%
Water Service Charge	$ 1,544,191	$ 1,688,069	$ 1,626,570	$ 1,582,976	$ 1,591,683	$ 1,612,547	$ 1,606,739	$ 1,594,435	$ 1,528,734	$ 1,652,999	1,823,242	1,820,632	1.7%
Delinquency Charges	$ 996,630	$ 1,450,103	$ 1,208,095	$ 340,796	$ 166,374	$ 179,133	$ 188,360	$ 181,283	$ 176,268	$ 266,131	268,369		-12.3%
Water Bank Leases	$ -	$ 300	$ 43,748	$ 2,850	$ 89,873	$ 93,403	$ 154,700	$ 160,225	$ 140,364	$ 176,932	187,827	224,770	
Govt Contracts	$ 2,196,028	$ 861,462	$ 1,382,543	$ 978,020	$ 3,512,757	$ 1,572,930	$ 1,905,839	$ 1,006,080	$ 677,096	$ 1,142,812	774,410	1,114,943	-9.9%
Oper &Capital Grants	$ 664,397	$ 1,271,828	$ 391,650	$ 3,194,401	$ 471,806	$ 146,692	$ 74,986	$ 8,758	$ 190,044	$ 3,173,824	1,500,000	188,000	8.5%
Other	$ 147,236	$ 294,749	$ 1,198,765	$ 299,378	$ 407,701	$ 258,350	$ 220,933	$ 217,332	$ 616,355	$ 208,631	227,057	481,500	4.4%
Total Revenue	$ 17,101,688	$ 16,813,176	$ 16,999,116	$ 18,216,097	$ 18,543,101	$ 16,175,694	$ 17,118,702	$ 15,967,315	$ 16,526,530	$ 20,782,109	20,066,718	19,773,955	1.6%
Non-Recurring	$ 2,860,425	$ 2,133,290	$ 2,786,693	$ 4,172,421	$ 3,984,563	$ 1,766,204	$ 1,983,261	$ 1,021,838	$ 872,967	$ 4,324,777	$ 2,300,820	$ 1,342,943	-2.2%
Recurring	$ 14,241,264	$ 14,679,886	$ 14,212,423	$ 14,043,677	$ 14,558,538	$ 14,409,490	$ 15,135,441	$ 14,945,477	$ 15,653,563	$ 16,457,332	$ 17,765,898	$ 18,431,012	2.2%

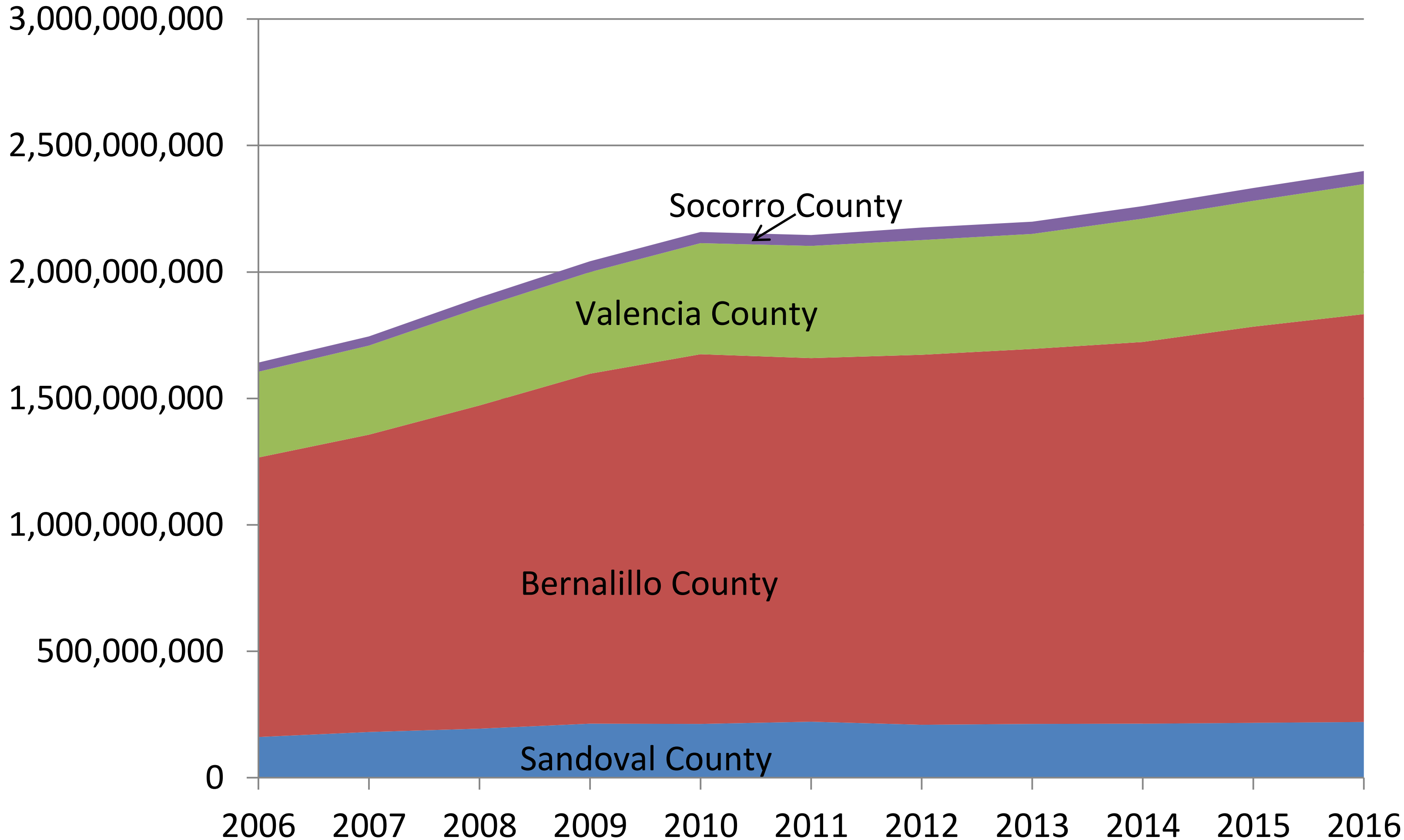
Source: Internal MRGCD records and financial audits

Figure 3. Composition of MRGCD Revenue Growth FY10 – Estimated FY17 in $1,000s



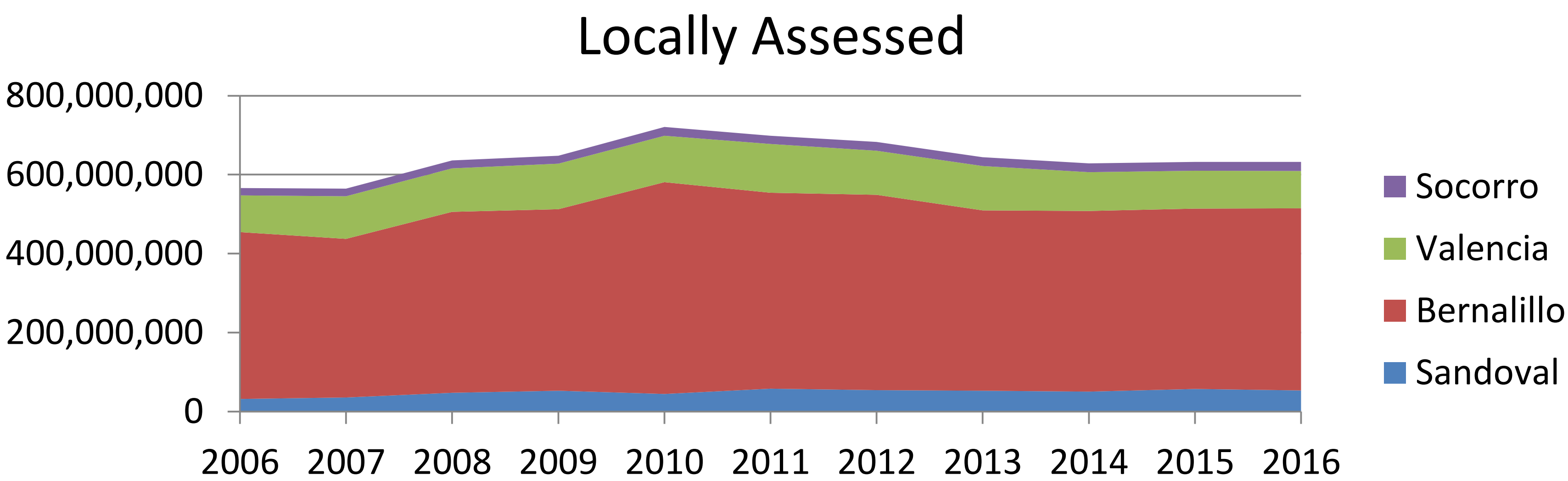
Source of data: Internal MRGCD records and financial audits

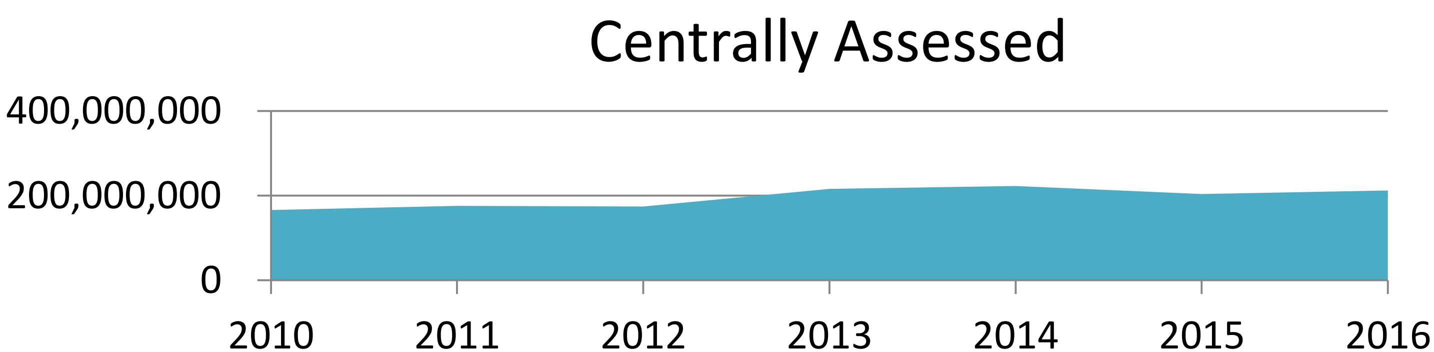
Figure 4. Growth in MRGCD Residential Ad Valorem Base



As indicated in the charts that follow, non-residential activity within MRGCD boundaries accounts for only about one quarter of the overall tax base ($800 m versus $3,200 m in 16).

Figure 5. Growth in MRGCD Non-Residential Ad Valorem Base





Revenue Prospects: Ad Valorem Levy

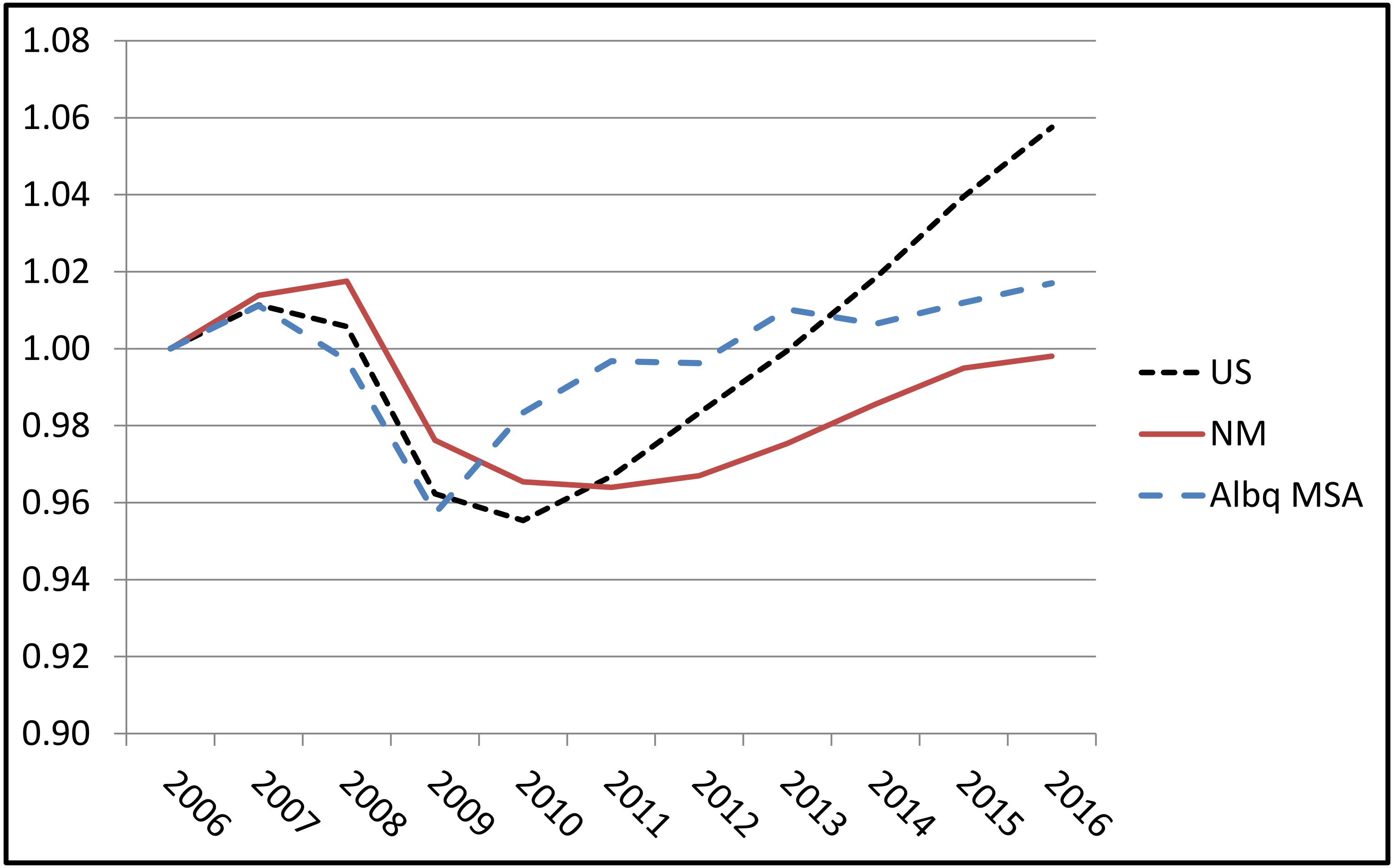
- The non-residential base, including locally and centrally assessed properties, is small and has grown negligibly since 2000.
- The residential base is substantial. Growth in residential property values, due to new construction as well as rising property values, was strong leading up to the Great Recession (2008) but the recovery has been slow in coming.
- The levy has been increased over the past four years, but the rates actually paid by property owners are below the rates paid in 2000. See Figure 6.
- Sluggish growth in the tax base is undoubtedly related to the poor performance of the NM economy, including the the Albuquerque MSA. See Figure 7.

Figure 6. Recent History of MRGCD Ad Valorem Rates

		Ad Valorem Levies	
Tax Year	Fiscal Year	Residential	Non-Res
2000	2001	5.160	6.450
2001	2002	5.040	6.300
2002	2003	5.010	6.260
2003	2004	4.960	6.200
2004	2005	4.980	6.230
2005	2006	4.620	5.770
2006	2007	4.330	5.410
2007	2008	3.970	4.960
2008	2009	3.970	4.960
2009	2010	3.970	4.960
2010	2011	3.970	4.960
2011	2012	3.970	4.960
2012	2013	3.970	4.960
2013	2014	3.970	4.960
2014	2015	4.170	5.210
2015	2016	4.379	5.471
2016	2017	4.598	5.745

Figure 7. Nonfarm Employment Growth in NM and the Albuquerque MSA Compared with US Employment Growth

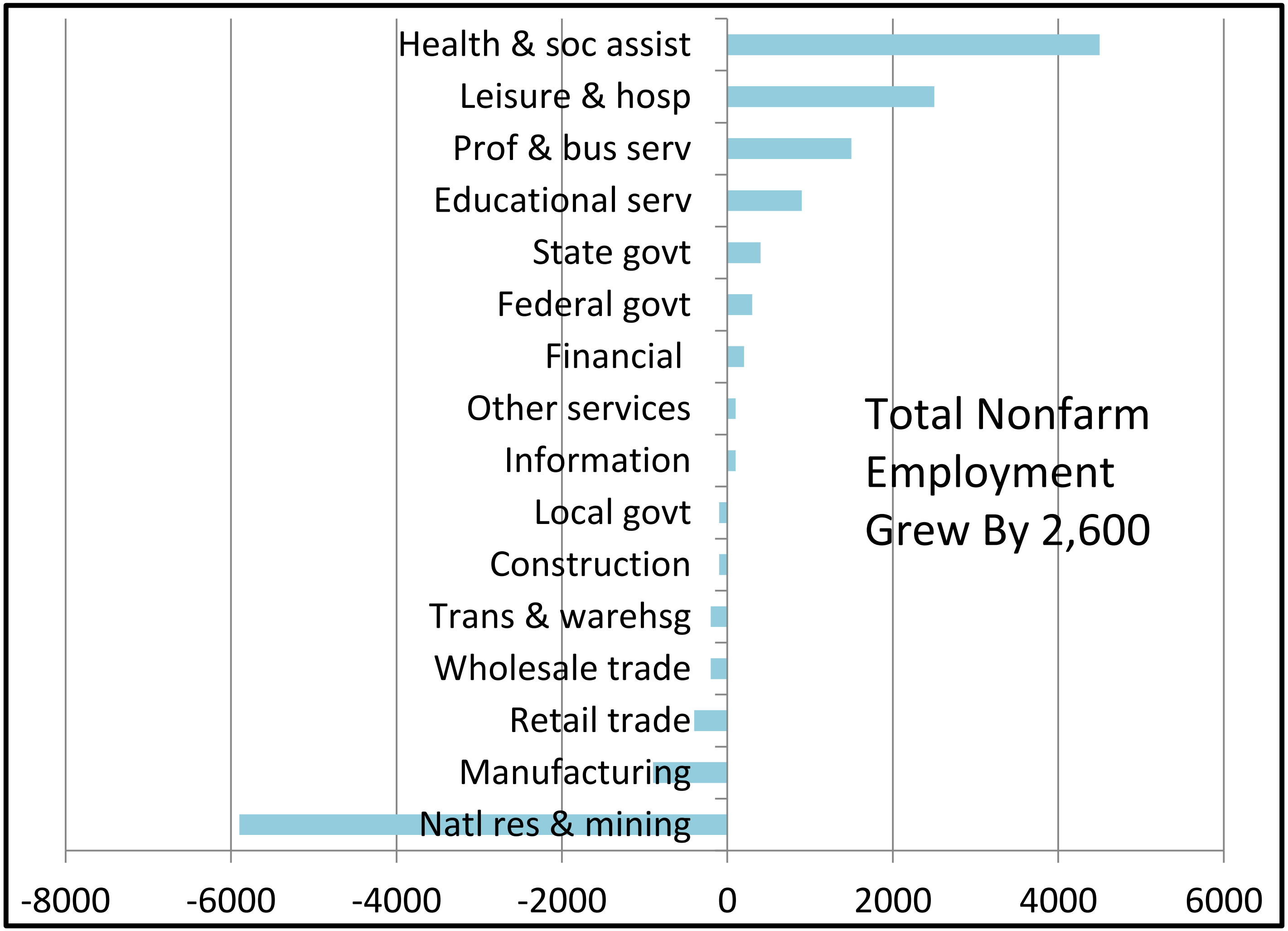
Data series are indexed to values in 2006



- In terms of economic performance, there is recent improvement with NM in March 2017 ranking 35th among the states in year-over-year non-farm employment growth. However, the state still has the highest rate of unemployment among the states (6.7% versus 4.5% for US).
- Health and Social Assistance led the NM economy out of recession and in 2016 employed 117,000. For job growth (and losses) by industry, see Figure 8a. In addition to a shrinking mining sector, which has had a major negative impact on state revenues, manufacturing and both retail and wholesale trade show year-over-year declines. Also shrinking was construction.
- Figure 8b shows similar figures for the Albuquerque MSA,

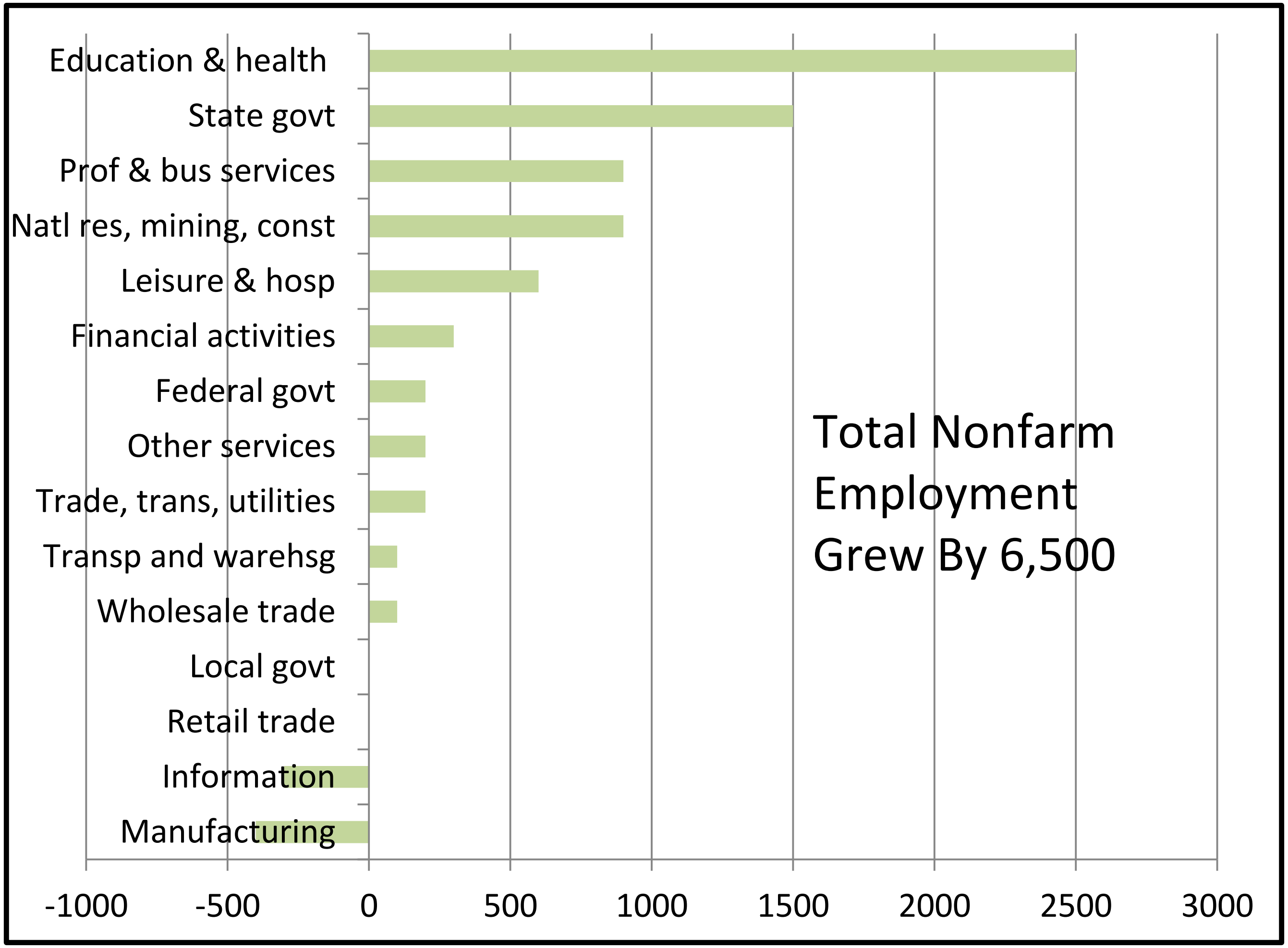
where employment grew by 6,500. The MSAs generally did much better in 2016 than the rural areas, which were hard hit by low prices for oil and natural gas.

Figure 8a. NM Nonfarm Employment Gains and Losses by Sector, 2016



Source: NM Dept of Workforce Solutions

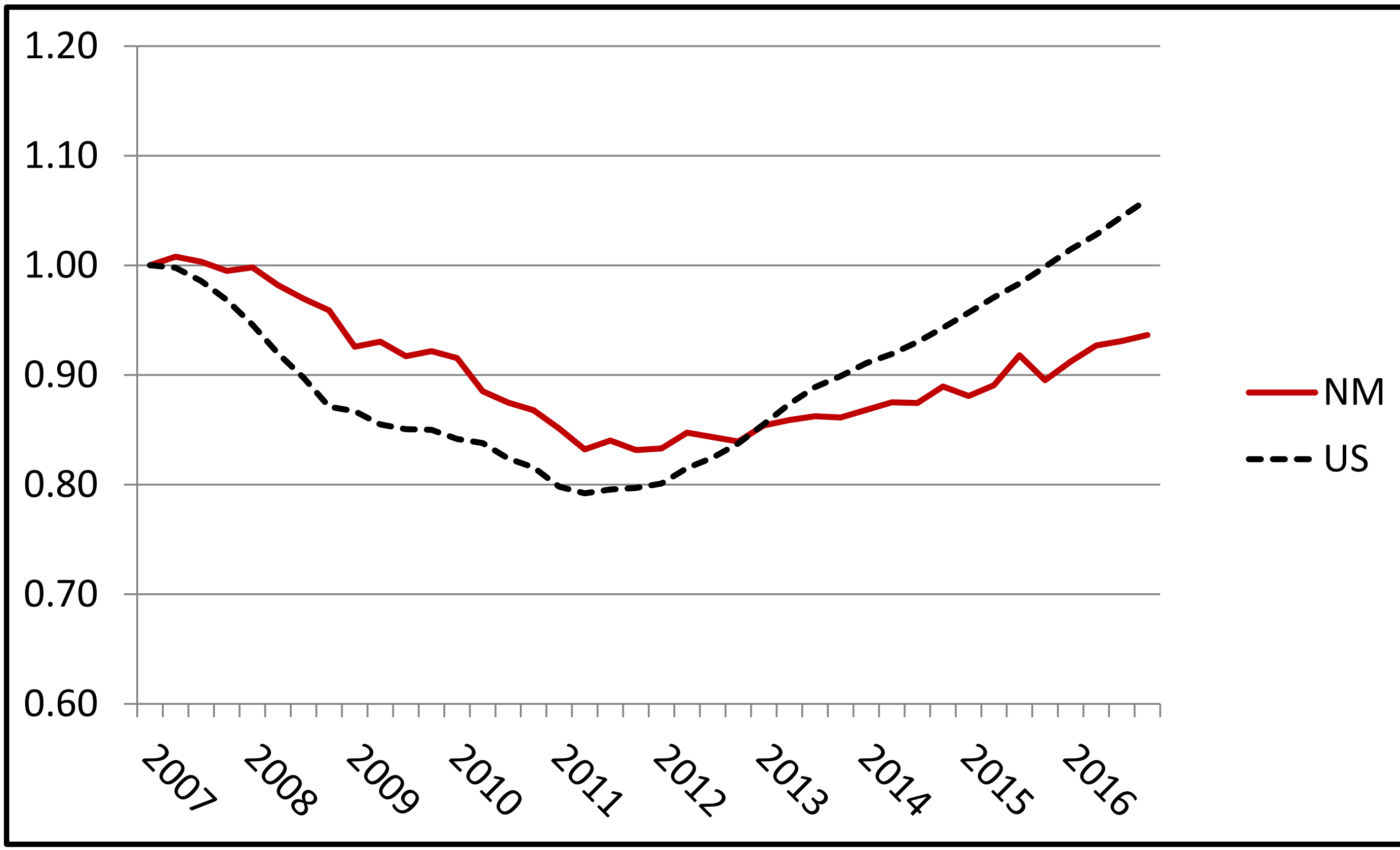
Figure 8b. Albuquerque MSA Nonfarm Employment Gains and Losses by Sector, 2016



- An additional concern for revenue growth from the Ad Valorem tax relates to home prices. The NM market has generally been depressed since the Great Recession. See Figure 9.

- Core inflation has been hovering around 1.5% since 2013. Were this to continue it would constrain costs. IHS Economics, from whom BBER gets its forecasts of the national economy is anticipating higher inflation in the future and a gradual tightening of monetary policy, which will boost interest rates. This might increase ad valorem revenues but it could also make financing a capital program more expensive.

Figure 9. NM and US Housing Prices Compared based on Federal Housing Finance Agency Purchase-Only Indexes, Seasonally Adjusted



Source: Federal Housing Finance Agency. Both series re-indexed to high in 2007.

The state and local economies have stagnated and this slow growth is adversely is affecting MRGCD revenue growth now and in the foreseeable future.

Labor costs could easily outpace revenue growth unless constrained.

Of concern, this is happening at a time when MRGCD needs to increase sharply its spending on capital outlay – buildings and facilities in addition to vehicles and equipment -- where some $173 m in needs have been identified. Meeting these needs will require development of new strategies, including the issuance of bonds.