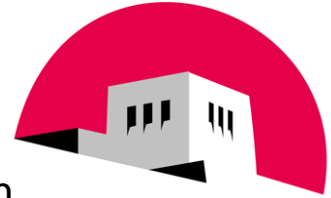


SOUTH VALLEY INCORPORATION FEASIBILITY STUDY

REVISED
October 2008

UNIVERSITY OF NEW MEXICO
BUREAU OF BUSINESS AND ECONOMIC RESEARCH
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Albuquerque, New Mexico



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Lee A. Reynis, Ph.D.
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Note on Errata

An error was discovered in the calculation of total per capita expenditures in Table 5.4, which appears on page 79, and also as Table ES.2 on page xiv of the executive summary. This revised version of the report corrects the error and also makes minor revision to the accompanying references in the text, respectively on pages 78 in the document and xiv in the executive summary.

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EXECUTIVE SUMMARY

The area proposed for South Valley incorporation is a vast area on the City of Albuquerque's southwestern flank with a population conservatively estimated to be just over 50,000 in 2007.¹ While the South Valley incorporation area accounts for just under half (45%) of the population in unincorporated Bernalillo County and was almost 8% of the county's total population in 2000, as estimated by the Bureau of Business and Economic Research (BBER), the area is underserved in terms of private sector economic activity. In 2006, average monthly private wage and salary employment in the South Valley area amounted to 7,700, or 2.9%, of the average for all of Bernalillo County.

Determining the financial feasibility of a South Valley municipality requires developing estimates of the revenues that might be raised, and this in turn requires a careful reading of New Mexico statutes to see what the City may be entitled to and what authority it has under State law, as well as estimating the tax bases and the levels of activity against which fees and charges for services will be assessed. Of course, it is also critical to determine how much it will cost to provide various municipal services to the South Valley. In this exercise, it is useful to look at other municipalities – the revenues they raise, the amounts spent on providing services -- as well as taking a very careful look at service provision to the South Valley by Bernalillo County and any associated revenues.

We have chosen to focus on the costs and revenues associated with operating a municipal government and are concerned with identifying and estimating recurring revenues that may be used to meet on-going expenditures. Without question, a new municipality will need at some point to make investments in infrastructure and facilities; it will need to repair or replace roofs, to resurface roads; it will need to purchase vehicles and equipment. The new municipality has bonding capacity based on the net taxable value within its borders, and there are numerous grant and loan programs that may be tapped to finance capital outlay. Many municipalities finance capital outlay from accumulated fund balances. Our focus on operations is not to minimize the importance of being able to finance capital outlay, but a municipality must have sufficient recurring revenues to meet payroll and its other operating expenses.

¹ The area originally proposed for incorporation is 107 square miles. However, under State law, an incorporating community must have density of one person per acre. This requirement resulted in the proposed incorporation area being reduced by about 40 square miles, but the boundaries have yet to be determined. Since the area includes substantial lands that are sparsely populated range lands or not in production, it is assumed that neither the population nor the economic activity numbers will be affected significantly.

Recurring Revenue Options

The workhorse in terms of financing municipal government in New Mexico is the gross receipts tax, which accounts for some 70% of municipal general fund revenues. Unfortunately, the South Valley incorporation area economy presents some important limitations in terms of the current gross receipts tax base: (1) the area is underserved by private sector businesses, particularly retail trade and professional and business services; (2) incomes in the area are generally lower than in the rest of the county, so there is less disposable income to be spent on goods and services subject to tax; and (3) employment is dominated by jobs in the construction industry at a time when the housing industry is depressed and business investment in structures appears no longer to be increasing.

Incorporating as a municipality, however, offers some significant advantages in terms of financing government. Most important, as a municipality the South Valley will receive a 1.225% distribution of state-shared gross receipts taxes. Assuming that the new municipality receives this distribution and all those other revenue distributions from the State to which it is entitled as an incorporated municipality,² the new City will have operating revenues of almost \$8.7 million without imposing any taxes and without committing to offer particular services. Once it demonstrates that it is providing police and fire services, the new City will be eligible for other distributions, potentially yielding over \$400 thousand. Under State statute, the new municipality will have authority to impose a number of local option gross receipts taxes as well as authority to impose property taxes, franchise taxes, a lodgers' tax, and local option gasoline taxes, to mention the most important taxes. It will be able to establish license and permit fees and to charge for a variety of municipal services, including rents for the use of City facilities. If operating a municipal court, it would be able to charge and collect fines. The City will be potentially eligible for a variety of State and federal grants, both for operations and for one-time projects and capital outlay.

As indicated above, the gross receipts tax is absolutely critical to a municipality's ability to provide municipal services. To test the financial viability of a South Valley municipality, BBER first examined its gross receipts tax capacity and made comparisons with other communities which included Albuquerque and eight other large municipalities. All municipalities receive a 1.225% distribution from the State, so the comparisons were made using the revenues generated by this distribution. First, consider the City of Albuquerque. The estimated per capita receipts from the state-shared distribution of gross receipts taxes for Albuquerque in FY 07 were \$358 versus the \$168 estimated for the South Valley – more than twice as much. The City of Albuquerque has a much greater tax capacity than does the South Valley area proposed for incorporation. This is not a surprise. Albuquerque has a very large and diversified economy. It is and continues to be the commercial center for the state and also for communities within the Albuquerque metropolitan statistical area. The City has been aggressive in annexing areas with promising commercial prospects so

² Including distributions of cigarette taxes, gasoline taxes, motor vehicle fees, law enforcement protection fund, and fire funds.

as to generate more gross receipts tax revenues, and has effectively pursued this strategy south of Central Avenue and into the South Valley.

The eight other major New Mexico municipalities chosen for comparison are Alamogordo, Carlsbad, Clovis, Farmington, Hobbs, Las Cruces, Rio Rancho, and Roswell. There is substantial variation across these municipalities in terms of their gross receipts tax capacity: the two oil and gas producing communities, Hobbs and Farmington, had state-shared gross receipts tax revenues per capita in FY 07 of over \$500, while Carlsbad, Clovis, Las Cruces and Roswell all fell in the \$250 to \$310 per capita range. At the low end was Alamogordo, with per capita receipts of \$183 and Rio Rancho, with \$185 (\$159 in FY 06). The new South Valley municipality, with estimated receipts of only \$168 per capita, would fall into this bottom tier.

There are a number of striking parallels between the South Valley and Rio Rancho. Like the South Valley, Rio Rancho borders Albuquerque and historically has had very limited gross receipts tax capacity because of limited retail and commercial development. Like the South Valley, Rio Rancho has a history of over-dependence on construction. Also like the South Valley, Rio Rancho's economic strength has been in manufacturing and other export-oriented activities not subject to gross receipts tax. Only recently has the City of Rio Rancho been able to grow its commercial and retail sectors. Rio Rancho is part of Sandoval County, which has had very limited resources compared with Bernalillo County to fund its operations. Yet the City of Rio Rancho has somehow been able to provide the range of needed municipal services.

From this one comparison, it would appear that the new municipality should have sufficient tax capacity to provide municipal services – but just barely. The new City will be at a further disadvantage in terms of generating gross receipts tax revenues from local option taxes because the distributions it receives from any of these taxes, unlike the 1.225% distribution, will not include State payments to cover the food and medical deductions that went into effect in 2005.³

In determining revenues beyond the State-shared distributions, it is necessary to make assumptions about taxes and fees. For purposes of analysis, we assume that the new municipality imposes the same local option gross receipts tax as the City of Albuquerque (1.0625%), a 5 mill property tax, the maximum liquor license tax of \$250, and is able to negotiate a 3% tax on average with utilities for the use of right of way within the South Valley. We assume the mandatory business registration fee is set at the maximum of \$35. Altogether, from the State-shared distributions and from the additional revenue sources just mentioned, the new City would generate over \$20 million in revenues, which translates to over \$400 per capita. There are many possibilities for additional revenues, as can be seen in the comparisons with other communities.

³ Municipalities that had local option gross receipts taxes in place when the law providing food and medical deductions went into effect were held harmless and receive distributions from the State to offset any revenue loss.

The City of Albuquerque's operating revenue per capita (\$830, after adjusting to the City's current gross receipts tax rate which went into effect July 1, 2008) is more than twice the \$400 plus thus far estimated for the South Valley. Albuquerque, from the same gross receipts taxes imposed as are assumed for the South Valley, would generate \$305 more per capita. They generate about \$20 million more from various taxes and payments in lieu of taxes, \$12 more from various State-shared distributions, \$24 more from license and permit fees, and \$64 per capita from four revenue sources not yet included in our estimate: charges for services, fines and forfeitures, interest on investment and miscellaneous, which includes rental on City property.⁴

The total operating revenues identified for the same eight New Mexico municipalities vary from a low of \$430 per capita in FY 07 for Alamogordo to a high for the same year of \$1,560 for Hobbs – all higher than the roughly \$400 estimated for the South Valley so far. Receipts per capita for Carlsbad, Clovis, Las Cruces and Roswell in 2007 varied from \$617 in Clovis to over \$900 in Las Cruces and Roswell. Rio Rancho's receipts per capita were over \$700, almost \$100 per capita more than Clovis despite a more limited gross receipts tax base. The detail is informative. Rio Rancho was able to increase substantially its overall operating revenues by a combination of strategies that include imposing more local option gross receipts taxes, having a higher operating property tax levy, negotiating franchise fees with utilities, charging user fees and collecting fines and forfeitures.

Can the South Valley generate sufficient revenues to support a municipal government? In order to answer this question, we first need to have a reasonable estimate of how much it will cost to provide services to the South Valley on an on-going basis – the recurring, or operating costs. BBER approached this task by first estimating the current costs to Bernalillo County of providing municipal-type services to the South Valley.⁵ Not included in this analysis was the cost of government administration, such as personnel and finance, as such costs for the County include the costs of administering county-wide programs like adult and juvenile corrections and the Assessor's Office. We then estimated per capita governmental operating costs for the City of Albuquerque and the eight large New Mexico municipalities discussed above. Scrutinizing both sets of estimates, BBER prepared independent estimates of the costs of providing services.

⁴ Note that this amount includes some \$9 million that the City received from its controversial program to penalize those who run red lights and are caught by camera. This program alone added \$17 to per capita City of Albuquerque revenues in FY 07, but legislation passed by the 2008 Legislature will reduce the fines and also the amounts that the City may keep.

⁵ The municipal-type services included were animal services; emergency communications; fire and rescue; sheriff; public works; fleet–facility management; zoning, building, and planning; environmental health; parks and recreation; social services; housing; library; and bus service. While not a general fund service, we examined solid waste. Water and sewer services are provided by the Albuquerque Bernalillo County Water Utility Authority and were not considered, although such services are critical to the South Valley. As briefly discussed in Chapter 4, the County does subsidize some of the costs of hooking South Valley residents to either or both water and sewer service.

Bernalillo County Costs and Revenues Associated with Serving the South Valley

To estimate Bernalillo County's cost of providing services to the South Valley, BBER started with the total actual general fund expenditures for each program, broken down into compensation, different categories of operating expenses, capital outlay, and carry-overs for fiscal years 2004 to 2007,⁶ as well as information on South Valley facilities and infrastructure. We also collected information on full time equivalent employment (FTE) and on the revenues generated by each program from fees and charges for services. We then spoke with representatives from each department about how best to allocate costs, FTE, and revenues to the South Valley incorporation area. In some cases, the department representatives were able to give us detailed data from which to make our estimates. When this was not possible, we consulted with the department about an appropriate measure to use to most closely approximate the South Valley percent of the total budget.

Table ES.1 on the next page provides the resultant total and per capita estimates of expenditures and associated revenues for each service area. Note that the total costs are \$31.4 million, or \$626 per capita, and that the associated revenues, which are primarily fees and charges for services, are \$2.9 million, or \$58 per capita. The estimated costs of Bernalillo County's provision of municipal-type services to the South Valley obviously exceed the operating revenues (\$400 per capita) thus far identified from taxes and state-shared distributions. And these figures do not include the costs of government administration. The estimated program revenues from South Valley activity help but are hardly sufficient to fill the gap.

The following section describes the adjustments made to the Bernalillo County estimates.

BBER-Estimated Costs for Providing Services to the South Valley Municipality

In further developing the cost estimates, BBER then looked at other New Mexico municipalities, starting with the City of Albuquerque. Not surprisingly, total Albuquerque general fund expenditures per capita (\$793) exceed BBER estimates of Bernalillo County's spending on providing services to the unincorporated South Valley. What is surprising is that the difference is not greater. First, expenditures on City administration, including Mayor, Council, financial services, legal services and human resources, totaled \$87 per capita. None of these costs are included in the South Valley estimates. Second, the City of Albuquerque numbers include \$44 per

⁶ Figures on actual expenditures and for total program revenues for FYs 04-06 were per the *Bernalillo County Biennial Budget Fiscal Years 2007 and 2008*, available in hard copy or on the County's website, http://www.bernco.gov/upload/images/budget/budget_2007_2008/budget_2007_2008.htm. We also made some use of the preliminary *Bernalillo County Biennial Budget Fiscal Years 2009 and 2010*. Bernalillo County provided detailed figures on actual expenditures for FY 07.

**Table ES.1 Estimated Bernalillo County Costs and Revenues for Providing
Municipal Services in the South Valley, FY 07**

	Estimated Cost (000s)	Per Capita	Estimated Revenues Offsets (000s)	Per Capita
Population		50,145		50,145
Police	11,937	238	61	1
Fire	4,604	92	22	0
Communications	1,986	40	0	0
Animal Control	587	12	21	0
Environmental Health	443	9	73	1
 Parks & Recreation	 2,787	 56	 517	 10
Youth & Seniors	498	10	97	2
Social Services	510	10	0	0
Housing	102	2	0	0
Library	600	12	0	0
 Zoning, Building, & Planning	 1,376	 27	 1,616	 32
Public Works	2,675	53	516	10
Fleet/Facilities Management	2,094	42	0	0
Bus Service	1,200	24	0	0
	<u>31,399</u>	<u>626</u>	<u>2,923</u>	<u>58</u>

UNM BBER Estimates

capita for cultural services, which include costs for major facilities like the Rio Grande Bio Park and the Albuquerque Museum. Third, the Albuquerque numbers include \$75 per capita for various social programs versus the \$22 identified for Bernalillo County's effort in the South Valley. These three categories alone amount to \$186 per capita in additional expenditures (\$168 after revenues) and more than explain the difference between the City and the County. Of interest, the City spent about \$276 per capita on police, versus the \$270 BBER estimates for the South Valley sheriff function (\$238 per person plus \$32 for sheriff communications). The City spends more on fire and rescue services including communications but less on parks and recreation. There are minor differences in other services, some positive, some negative.

BBER also put together expenditure information on other major New Mexico cities. As with revenues, there is considerable variation in expenditures, with the two oil and gas communities leading the pack with per capita expenditures in excess of \$1,000. Las Cruces spending was \$733 per capita in FY 07, or a little less than Albuquerque. Alamogordo is on the very low end with per capita spending in the general fund of only \$250. For the remaining four communities, per capita general fund spending is in the \$500-600 range.

Public safety other than fire is the major expenditure for all these communities. We assume most of this goes for police, although some cities have a jail and/or juvenile correction facilities. Carlsbad, Clovis, Farmington, Hobbs, and Roswell were in the Albuquerque and current South Valley ballpark, each spending \$240 per capita or more on this function, while Las Cruces and Rio Rancho spent closer to \$188 per person in general fund monies. These two cities would be worthy of more attention to see how they are able to contain general fund expenditures in this area, but the particular set of forces operating on the South Valley may necessitate higher levels of spending.⁷ As Table ES.2, below, which summarizes BBER's estimates of the costs of providing services to the South Valley incorporation area shows, BBER is assuming \$250 per capita will be required for law enforcement. The Bernalillo County estimates of \$100 per capita for fire (taking into account communications), and \$12 per capita for animal services seem reasonable, so BBER retained these estimates.

In terms of government administration, spending for most of the communities is somewhere in the neighborhood of \$70 per capita, or a bit lower than Albuquerque, but it may be possible to run government with considerably less, say \$50 per capita. This is an area where the new City might do well initially to hire a very limited number of people with critical expertise, hiring additional people only when the need is demonstrated and the individual skills match those required. Good management practices will be key to keeping costs in line.

Not all the eight large municipalities have entries in the Local Government Division reports for community development and zoning, building, and planning, but \$25-30 per capita seems reasonable, so we kept the Bernalillo County estimate. The new municipality should, like Albuquerque and Bernalillo County, be able to recoup much of its expenditures in this area through fees, particularly building inspection fees, and charges for services, but we find the FY 06 and FY 07 revenues to be inflated by the building boom and have included a pre-boom-level estimate in our revised revenue estimates, to be presented in the subsequent section.

In terms of public works expenditures, communities vary in how much of their street operations and maintenance and other operating costs are in the general fund versus the Municipal Street and other road funds used for keeping track of revenues and expenditures, operations, and capital outlay.⁸ BBER believes the underlying Bernalillo County estimate of \$25 per capita for street and storm operations and maintenance (O&M) is reasonable. Estimated FY 07 Bernalillo County South Valley

⁷ See, for example, the discussion on crime and law enforcement in BBER's companion report, , *The Transition from Unincorporated Community to Municipality in the South Valley*, by Joshua Akers, pp. 21-2.

⁸ BBER has followed New Mexico local government road-related spending and revenues for the New Mexico Transportation Department for many years. While communities receive gasoline and motor vehicle distributions as well as having access to a variety of grant programs, a general fund subsidy is almost always required to cover the on-going costs associated with operations and maintenance, traffic engineering, and traffic safety; but the actual programmatic expenses do not always show up in the general fund.

expenditures on infrastructure planning and implementation are close to \$30 per capita, which seems very high. The City of Albuquerque spends less and their figures include all the major cultural attractions as well as parks and recreation. A figure of \$10 per capita is more reasonable, although the commitment could be less, particularly at start-up. The fleet-facilities management estimate for the South Valley of \$42 per capita seems quite high, given that only about \$6 per capita is now spent on O&M for South Valley facility maintenance and custodial services and that the vehicle fuel and maintenance costs for fire, police, and roads and sewer are included in the operating costs for those service units. The Bernalillo County cost estimates for the remaining services are reasonable, although we lowered slightly the estimate for bus service, given the infrequency of service on South Valley routes compared with route 10 along 4th Street in the North Valley.

If we take the above modified figures and leave estimates for other services unchanged, the total is \$30.1 million, or \$605 per capita, which would put the South Valley at the high end in the group of four large New Mexico cities with general fund spending between \$500 and 600 per capita. (See Table ES.2.) There are areas where costs could be shaved further, e.g., social services, housing, youth and senior programs, but it will probably be difficult to get the total much below \$25,000, or \$500 per capita without gutting essential services.

Table ES.2. BBER-Revised Cost Estimates for Providing Services to the South Valley

	Estimated Cost (000s)	Per Capita
Population		50,145
Administration	2,507	50
Police	12,536	250
Fire	5,015	100
Animal Control	587	12
Environmental Health	443	9
Parks & Recreation	2,787	56
Youth & Seniors	498	10
Social Services	510	10
Housing	102	2
Library	600	12
Zoning, Building, & Planning	1,376	27
Public Works	1,755	35
Fleet/Facilities Management	333	10
Bus Service	1,100	22
	30,149	605

UNM BBER Estimates

Extending the Revenue Estimates

Having analyzed municipal services in more detail, we are now in a position to add fees and charges for services to the revenues thus far estimated for the South Valley. Table ES.3 provides a revised set of estimates that include these new revenue sources. We have purposely been conservative in making these estimates, assuming pre-boom levels of activity and rates currently in place in Bernalillo County. Nevertheless, inclusion of these revenue sources increases total revenues identified for operations by almost \$2.0 million, or \$40 per capita.

**Table ES-3. Estimated Governmental Revenues
for the South Valley Municipality**

	Revenues \$000s	Per Capita Revenues	Comments
Population¹		50,145	
Local Taxes			
GRT-Local Option²	7,000	139.6	Same rate as Albuquerque
Property Taxes³	2,876	57.4	5 mills for operations
Franchise Tax	1,350	26.9	75% of COA per capita
Liquor License Tax	5	0.1	\$250 * count of liquor licenses
State-Shared			
Gross Receipts Tax	8,439	168.3	
Cigarette	2	0.0	
Gasoline Tax-Regular	108	2.2	
Gasoline Tax-/Road	59	1.2	
Motor Vehicle Fees	47	0.9	
Licenses & Permits			
Business Registration	18	0.3	
Business Licenses	86	1.5	Current level Bernalillo Co.
Building Permits	650	13.0	Pre-boom development activity
Environmental Health	73	1.5	Current level Bernalillo Co.
Charges for Services			
Engineering Fees	100	2.0	Pre-boom development activity
Planning & Zoning	60	1.0	Current level
Streets & Highways	150	3.0	Estimate based on current level
Parks & Rec	480	9.6	Current aquatics, sports & community centers
Misc	150	3.0	Current levels
Fines & Forfeitures			Depends on willingness to have municipal court
Miscellaneous			
Rental of City Property	25	0.5	less than half of COA income
Interest earnings			depends on fund balance
Other			
TOTAL	21,678	431.9	
State-Shared -- Service required -- deposit in separate fund			
Law Enforce Protection	102	2.0	Provide service, \$600 per officer
Fire Protection	295	5.9	Provide service
EMS	20	0.4	Provide service
Corrections Fees	-	-	Bernalillo Co. provides services
GRAND TOTAL	22,095	440.2	

1 Preliminary estimate by BBER before conducting census.

2 Assumes 1.0625% in place (1.000 cent municipal gross receipts plus 0.0625% infrastructure gross receipts tax).

3 Assumes 5 mill levy

BBER estimates.

A gap remains between estimated recurring costs (\$30 million, \$25 million if costs can be shaved further) and revenues. There are a variety of other revenue options:

- **Impose additional gross receipts tax.** If the new City were to impose another quarter cent gross receipts tax, the tax would raise an additional \$1.6 million (\$32 per capita). The overall tax rate (7.0%) would be comparable to or lower than many surrounding communities.
- **Impose additional property tax.** The new City would have 7.65 mills of operating property tax authority. Rio Rancho and Belen have both imposed the maximum operational levy of 7.65 mills, although the actual rates paid are lower, reflecting yield control. Each additional mill utilized beyond 5 mills would generate an estimated \$575 thousand in revenues, or \$11 per capita. The burden on the property owner who lives in a house valued for property tax purposes at \$100,000 would be \$31 per mill, assuming the owner avails him/herself of the head of household exemption.
- **Encourage appropriate development of commercial/retail base within the South Valley municipal limits to serve better local residents and to provide tax revenues for the new municipality.** The South Valley is underserved. The proposed 80 acre shopping mall on South Coors with 525,000 square feet of retail space promises additional recurring gross receipts tax revenues in excess of \$1 million (\$20 per capita) depending upon the types of stores which actually open. Revenues from construction may help in the short-term but such revenues are probably already counted in the South Valley's gross receipt tax base.
- **Encourage residents and businesses to buy locally, so that the dollars stay within the community and the new City gets the revenues.** Some communities, e.g., Artesia a number of years ago, have actually run campaigns to educate citizens on the importance of buying locally.
- **Consider operating a municipal court. Fines collected could be distributed to the general fund.** BBER did a small survey of large municipalities with judicial expenditures per the New Mexico Local Government Division report. Some communities, like Carlsbad, Clovis and Rio Rancho, did appear to generate more revenues for the General Fund than was spent. However, the revenue gains were relatively small if only the general fund is considered, and there were other communities, like Roswell, where expenses exceeded general fund revenues. There would need to be more compelling reasons than general fund revenues to assume this additional area of responsibility.
- **Use the transition period to accumulate general fund balances to meet at minimum a 5% reserve against appropriations.** The interest earnings on these accumulated reserves will provide another recurring revenue source. A five percent reserve on an operating budget of \$30 million would be \$1.5 million and at 3% would raise \$45,000 on a recurring basis.

- **Pursue state and federal assistance to meet objectives.**
- **Pursue annexation of South Valley lands annexed by the City of Albuquerque and islands of unincorporated Bernalillo County within these areas.** If the new City were successful in annexing areas of the South Valley currently within the City of Albuquerque and those pockets of unincorporated Bernalillo County within the City's annexed lands, the revenue gains are conservatively estimated to be \$2.0 million for gross receipts taxes and over \$0.5 million from a 5 mill property tax. However, with an estimated 4,000 additional people, the per capita revenues would be only \$454, or \$14 more per capita.

Can the South Valley Generate Sufficient Revenues to Support a Municipal Government?

BBER has viewed this as a question of whether the new municipality would have sufficient recurring revenues to meet recurring expenditures for municipal services. BBER is prepared to answer this question in the affirmative, but it is a very qualified "yes". The South Valley does appear to have sufficient gross receipts tax capacity to provide municipal services assuming local residents and businesses would support the new government's effort to use this capacity and put in place gross receipts tax rates at least as high as the City of Albuquerque and probably closer to those in place in Rio Rancho. In addition, the new municipality would have to use its operating property tax authority (probably at least 5 mills) and it would need to pursue aggressively other options to raise revenues, specifically fees and charges for services, while ferreting out and applying for various grants and other forms of intergovernmental assistance to fund priority initiatives.

As is discussed in BBER's companion report, *The Transition from Unincorporated Community to Municipality in the South Valley*, new municipalities rarely if ever have the resources to assume the responsibilities for financing all those municipal-type services previously provided by the county government on day one. Some phased sharing of different types of responsibilities is the norm and would need to be negotiated. It is important to note that residents and businesses in the South Valley would continue to pay almost all the same taxes to the County that they currently pay. The only major exception is the environmental gross receipts tax, a one-eighth cent tax that currently generates, by BBER estimates, \$850 thousand for the County from South Valley activity.

It is critical that the new South Valley municipality be given some time to transition into the responsibilities of being one of the largest municipalities in New Mexico. Bernalillo County would seem to have much to gain and very little to lose by continuing to provide some basic services to the residents of the South Valley. The expectation is that the fledgling municipality would proceed to put in place the revenue sources necessary to fund priority services in the manner and at levels judged to be appropriate and would at the same time move to shoulder more and

more of the associated service costs. Among other things, during this transition period, the new municipality should attempt to accumulate fund-balances to provide prudent reserves against unforeseen revenue short-falls or other emergencies. Such balances could be used to meet unanticipated needs for capital outlay, e.g., to repair a leaking roof, or to deal with infrastructure deficiencies.

For the longer term, the new City should give serious attention to policies that will create a vibrant South Valley economy that will employ local residents and enable residents and businesses locally to meet many of their needs for goods and services. This is not to minimize the importance of having a growing economic base that will bring dollars into the community from elsewhere (even though their sales may not be taxable). The new City would also do well to extend its municipal boundaries to incorporate those South Valley areas that the City of Albuquerque has annexed, as these areas already contain a concentration of retail and other commercial activity. Annexing these areas and the islands of unincorporated Bernalillo County within them would give the South Valley a larger tax base and would help ensure a growing tax base in the future. Annexing these areas would also promote better service delivery, including responses to emergencies, than the patchwork of jurisdictional boundaries that exists today.

INTRODUCTION

The area proposed for South Valley incorporation is a vast area on the City of Albuquerque's southwestern flank with a population conservatively estimated by the Bureau of Business and Economic Research (BBER) to be just over 50,000 in 2007.⁹ Determining the financial feasibility of a South Valley municipality requires developing estimates of the revenues that might be raised, and this in turn requires a careful reading of New Mexico statutes to see what the City may be entitled to and what authority it has under State law, as well as estimating the tax bases and the levels of activity against which fees and charges for services will be assessed. Of course, it is also critical to determine how much it will cost to provide various municipal services to the South Valley. In this exercise, it is useful to look at other municipalities – the revenues they raise, the amounts spent on providing services -- as well as taking a very careful look at service provision to the South Valley by Bernalillo County and any associated revenues.

BBER has chosen to focus on the costs and revenues associated with operating a municipal government and to identify and estimate the recurring revenues that may be used to meet on-going governmental expenditures. Without question, a new municipality will need at some point to make investments in infrastructure and facilities; it will need to repair or replace roofs, to resurface roads; it will need to purchase vehicles and equipment. The new municipality has bonding capacity based on the net taxable value of properties within its borders, and there are numerous grant and loan programs that may be tapped to finance capital outlay. Many municipalities finance capital outlay from accumulated fund balances. Our focus on operations is not to minimize the importance of being able to finance capital outlay, but a municipality must have sufficient recurring revenues to meet payroll and its other operating expenses.

Similarly, we have chosen to focus on municipal services typically financed with general fund revenues. We have not looked at water and sewer services because such services are currently provided by the Albuquerque-Bernalillo County Water Utility Authority.¹⁰ However, when these services are provided by a municipality, the provision is typically treated not as a governmental service but as an enterprise, with fees and charges for services to recover program costs, both operating and capital. Thus, although we provide information on Bernalillo County's provision of solid waste service to the South Valley, the operation is treated as an enterprise, properly

⁹ The area originally proposed for incorporation is 107 square miles. However, under State law, an incorporating community must have density of one person per acre. This requirement resulted in the proposed incorporation area being reduced by about 40 square miles, but the boundaries have yet to be determined. Since the area includes substantial lands that are sparsely populated range lands or not in production, it is assumed that neither the population nor the economic activity numbers will be affected significantly.

¹⁰ The issue of the relationship between the new municipality and the Water Utility Authority is discussed in BBER's companion report, *The Transition from Unincorporated Community to Municipality in the South Valley*, pp. 32-34.

accounted for in an enterprise fund, and not as a service supported by general fund revenues.

The organization of the report deserves some mention. Chapter 1 provides a preliminary estimate of the South Valley population and presents aggregate data on the economy of the South Valley, making comparisons with Bernalillo County as a whole. The data presented in summary form are the same as those used in calculating the gross receipts tax base.

In Chapter 2, we take a close look at municipal revenues. Specifically, we examine the State-shared receipts to which the new municipality would be entitled and estimate the revenues likely to flow to the South Valley from these various distributions. We also examine the authority the new municipality would have under New Mexico law to impose taxes as well as to collect fines, fees and charges for services. We provide estimates of the tax base and of the revenues that might be collected, depending upon the taxes actually imposed. However, we do not attempt to estimate revenues from fees and charges for services, as such estimates need to be tied to service delivery.

Chapter 3 extends the analysis of municipal revenues to make comparisons with other municipalities – Albuquerque and eight of the largest New Mexico municipalities in terms of population, specifically, Alamogordo, Carlsbad, Clovis, Farmington, Hobbs, Las Cruces, Rio Rancho and Roswell. The analysis gives particular focus to revenues from the State-shared 1.225% gross receipts tax distribution, but also discusses the use made of non-tax revenue sources.

Chapter 4 provides an in-depth analysis of Bernalillo County's provision of municipal-type services to the South Valley that includes, for each service area, the estimated costs and associate revenues from fees and charges for services by program, estimates of full time equivalent (FTE) County staff involved in providing services, and, as available, information on facilities and equipment. The data on costs include breakouts for personnel, operating expenditures, capital outlay, and carryovers.

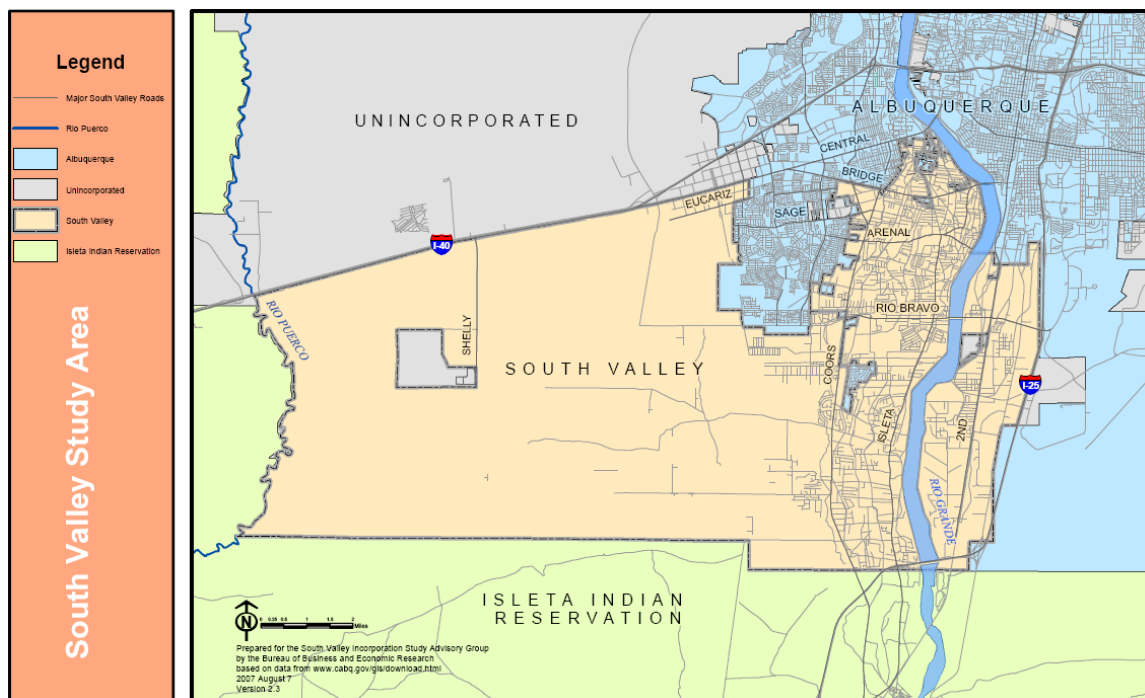
Chapter 5 extends the analysis in Chapter 4, making comparisons with Albuquerque and the eight municipalities mentioned above, in an effort to develop credible estimates of the costs of providing governmental services to the South Valley and of the revenues that might reasonably be raised from fees and charges for these governmental services. The chapter provides a more complete picture of both the costs of providing services and the recurring revenues that could be tapped to finance service provision.

CHAPTER 1

SOUTH VALLEY INCORPORATION AREA: LAND AREA, POPULATION, ECONOMY

Map 1.1 provides a map of the area proposed for incorporation as the new South Valley City. As the map depicts, the proposed new municipality runs west from I-25 to the Rio Puerco and north from the Isleta Indian Reservation to I-40/Central, falling south of Central in the area which the City of Albuquerque has annexed and then from the river down to Arenal, which forms the northern boundary to the east of the river.

Map 1.1. Area Proposed for South Valley Incorporation



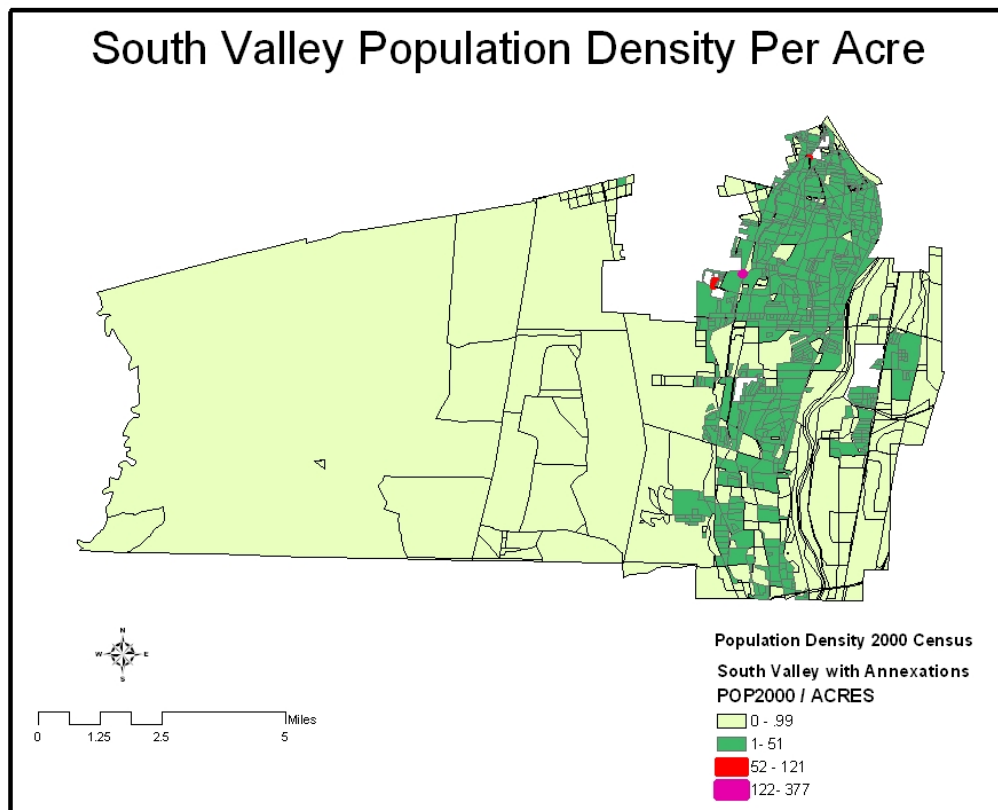
Population and Demographics

The proposed South Valley incorporation area is a vast area on the City of Albuquerque's southwestern flank with a population conservatively estimated by the Bureau of Business and Economic Research (BBER) to be just over 50,000 or 45% of the unincorporated area population in 2007.¹¹ The population has been relatively

¹¹ BBER's Population Estimates Program demographers provided the estimates and will be doing the census. A preliminary examination of aerial photographs of the area suggested there might be

stable over time, with population growth during the 1990s averaging 1.3% per year. The population is concentrated in the lands between the Rio Grande river and Coors corridor. Population density in the western two thirds of the area is less than 1 person per acre; this is also true of many areas to the east of the river. See Map 1.2.

Map 1.2. Population Density per Acre within Proposed Incorporation Area



Some 78% of those residing in the South Valley incorporation area self-identified as Hispanic or Latino in the 2000 Census. The South Valley population is generally younger than the state as a whole and considerably younger than Bernalillo County, with over 34% under 20 years of age in 2000 versus 31% for the state and 28% for Bernalillo County. The population 65 and older accounted for less than 9% of the South Valley population in 2000. This contrasts with 11 to 12% for both the state and Bernalillo County.

South Valley Incorporation Area Economy

While the South Valley incorporation area accounts for just under half of the population in unincorporated Bernalillo County and was almost 8% of the county's

additional housing units. There is some question about whether the population on Pajarito Mesa is adequately reflected in the totals.

total population in 2000, the area is underserved in terms of private sector economic activity. In 2006, private wage and salary employment in the South Valley area amounted to 7,700, or 2.9%, of the 270,000 average monthly employment in all of Bernalillo County.¹² And that is after a period in which employment at South Valley establishments appears to have grown more rapidly than was true county-wide.

Table 1.1 reports BBER estimates of South Valley wage and salary employment based on employment reported by those employers with establishments identified as being in the South Valley in 2006. We are only reporting five years of data out of concern that the database may leave out some employers who have gone out of business and were not among the employers listed in 2006. The growth overall is quite strong, with recent evidence of slowing. The changes seem to be consistent with those for Bernalillo County. The higher growth rates, positive and negative, are a reflection of the fact that the economy is small and a change of a few jobs can translate into a large percentage change.

Table 1.1. Wage and Salary Employment by NAICS Sectors, South Valley Incorporation Area, 2002-06

	2002	2003	2004	2005	2006	% Annual Growth	
						2006	2002-06 ^a
Agric, Natural Resources	61	64	65	62	72	15.9%	4.2%
Construction	1,821	2,192	2,584	2,784	2,758	-0.9%	10.9%
Manufacturing	597	645	673	660	672	1.8%	3.0%
Wholesale Trade	514	602	654	676	701	3.7%	8.1%
Retail Trade	806	798	707	811	885	9.2%	2.4%
Trans, Whsg, Utilities, Info	635	626	723	666	646	-3.0%	0.4%
Financial Activities	144	188	215	223	200	-10.6%	8.4%
Prof & Bus Service	293	336	421	437	399	-8.7%	8.1%
Ed & Health Care	506	658	657	675	711	5.3%	8.9%
Leisure & Hospitality	605	691	587	574	578	0.7%	-1.2%
Other Services	98	105	110	110	118	7.6%	4.8%
	6,081	6,906	7,395	7,677	7,740	0.8%	6.2%

a Compound annual growth

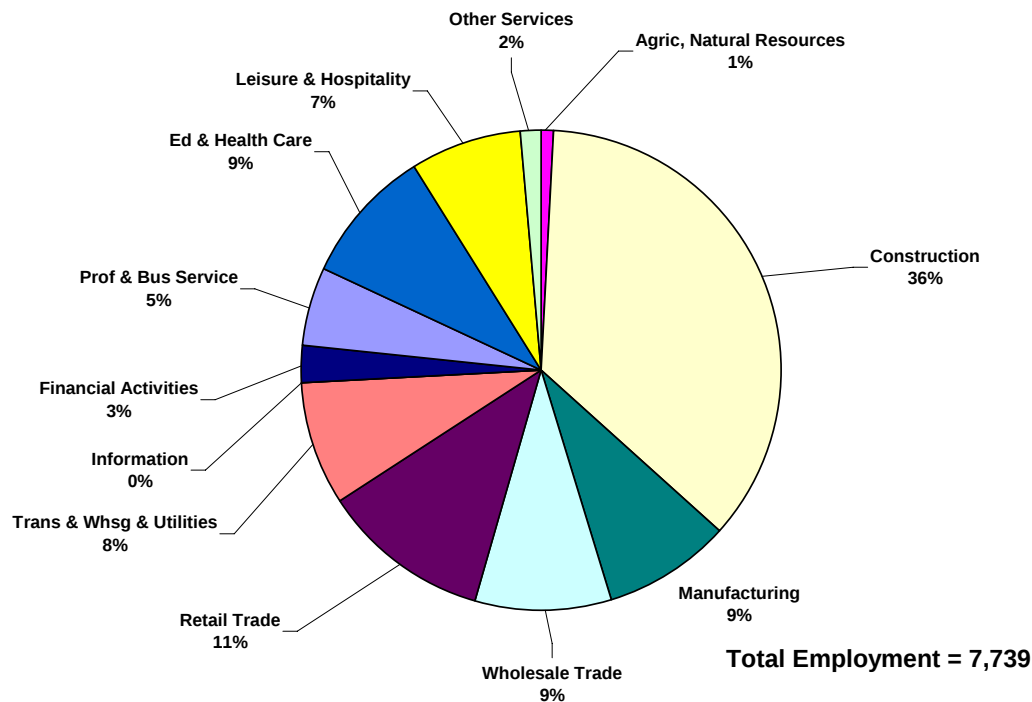
Source: UNM BBER from ES 202 Employer File from NM Dept. of Labor

Figure 1.1 is a pie chart based on the same data for 2006. The dominance of the construction industry is striking, 35.6% of employment versus only 10% county-wide; but it must be remembered that on a per capita basis there are almost three times as many private sector wage and salary jobs in the county as in the South Valley. As shown in Table 1.2, compared to the county, the South Valley has relatively more of its employment in agriculture, manufacturing, wholesale trade, and transportation, warehousing and utilities. Having a strong and growing retail sector is important for communities that are dependent on gross receipts tax revenues. Unfortunately, the

¹² Estimate is based on the Employer File for the ES-202 data on employees covered for unemployment insurance. BBER has had access to this data as a result of a confidentiality agreement negotiated with the New Mexico Department of Labor. The file for 2006 included the geographic coordinates of employer establishments.

City has annexed heavily south of Central and into areas where major retail activity is located, including the Wal-Mart on Coors.

Figure 1.1. Composition of South Valley Wage and Salary Employment, 2006



Source: NM Dept of Workforce Solutions, ES-202 Employer File

Table 1.2. Percentage Industrial Composition of Private Sector Employment, South Valley and Bernalillo County, 2006

	South Valley	Bernalillo Co
Agric, Natural Resources	0.9%	0.1%
Construction	35.6%	10.0%
Manufacturing	8.7%	6.0%
Wholesale Trade	9.1%	4.8%
Retail Trade	11.4%	14.1%
Trans & Whsg & Utilities	8.3%	3.1%
Information	0.0%	3.1%
Financial Activities	2.6%	6.0%
Prof & Bus Service	5.2%	22.2%
Ed & Health Care	9.2%	14.5%
Leisure & Hospitality	7.5%	12.7%
Other Services	1.5%	3.4%
Total	100.0%	100.0%

Source: UNM BBER from NM Department of Workforce Solutions, *Quarterly Census of Employment and Wages*, 2006, and from ES 202 Employer File.

The file which was used for estimating employment in the South Valley incorporation area also includes information on wage and salary disbursements, from which it is possible to estimate the annual earnings of workers at South Valley establishments. Average annual earnings at South Valley establishments in 2006 were \$28,812 versus \$37,440 for Bernalillo County as a whole. It should be noted that these figures do not include self-employment, which for Bernalillo County is about 17% of total employment.¹³ For Bernalillo County as a whole, the US Bureau of Economic Analysis estimates 2006 proprietor's income averaged just under \$19,000.

The South Valley incorporation area economy presents some important limitations in terms of gross receipts tax base today: (1) the area is underserved by private businesses, particularly retail trade and professional and business services; (2) incomes in the area are generally lower than in the rest of the county, so there is less disposable income to be spent on goods and services subject to tax; (3) employment is dominated by jobs in the construction industry at a time when the housing industry is depressed and business investment in structures has about run out.

However, the incorporation area also holds considerable promise.

Population and Economy for Albuquerque Annexed Areas within South Valley

The areas that the City of Albuquerque has annexed below Central and into the historic lands of the South Valley had population close to 4,000 in 2007. Total wage and salary employment in this area is estimated to have been about 950 in 2006, with almost two-thirds of the jobs in retail trade, which sector includes the Wal-Mart on Coors. Accommodations and food service was the next largest sector, accounting for over 13% of total jobs. These jobs are all in restaurants.

Future Prospects for the South Valley Incorporation Area

One of the major advantages of incorporation is that the new City would have more say in what happens with respect to development and land use in the area and would be able to implement its own economic development policy. The City of Albuquerque would no longer be able to annex developing commercial areas and potential tax base in the South Valley.

BBER's demographers are currently expecting that population in the area will grow at a rate of 0.9% per year. This is a bit slower than BBER's 2003 projections for Bernalillo County as a whole, and the growth estimate may be raised after the team completes the population census required for incorporation.

¹³ Figures on number self employed and proprietors' income from US Bureau of Economic Analysis, Regional Economic Information System, Table CA04. April 2008.

As reported in Table 1.1, the economy grew relatively quickly after 2001, but the dominance of the construction industry suggests that recent growth has been meager and possibly negative. The South Valley economy's strength appears to be in basic industries, including manufacturing, transportation, warehousing and public utilities, and wholesale trade. Like Rio Rancho for many years, the area is underserved in terms of retail and business and professional services. Rio Rancho has recently had considerable success in attracting commercial development and this has paid off in terms of diversifying and growing the City's gross receipt tax base. Annexation of those South Valley lands annexed by the City of Albuquerque and the surrounded islands of unincorporated Bernalillo County would seem to be important to the new City's economy and to the growth of its tax base. The South Valley Wal-Mart has a number of other retail and service providers on site, including a McDonald's, and their presence along with the associated traffic may be expected to attract other commercial development into the same area.

CHAPTER 2

SOUTH VALLEY INCORPORATION AREA: POTENTIAL MUNICIPAL REVENUES AND OTHER FINANCING RESOURCES

This chapter identifies and, where possible, quantifies the revenues that could be generated by different revenue sources that the new South Valley municipality would be authorized to impose under New Mexico law. The first section provides information on the New Mexico gross receipts tax, which is by far the most important revenue source for New Mexico municipalities. The second section examines the property tax options open to the new municipality. The third section examines other authority that the new municipality would have to raise revenues, including additional taxing authority, authority to impose license and permit fees, authority to charge for services, and authority to impose fines and penalties. The next two sections examine different possibilities for intergovernmental assistance. The first discusses various State-shared revenue distributions, including gasoline taxes, motor vehicle fees, and law enforcement fund distributions. The second describes in a general way the myriad of state and federal grant and loan programs and other forms of assistance for which the new municipality may be eligible. The final section of the chapter specifically addresses ways of financing municipal infrastructure and other capital outlay.

As is discussed in BBER's companion report, *The Transition from Unincorporated Community to Municipality in the South Valley*, new municipalities rarely if ever have the resources to assume the responsibilities for financing all those municipal-type services previously provided by the county government on day one. Some phased sharing of different types of responsibilities is the norm and would need to be negotiated. After all, residents and businesses in the South Valley would continue to pay almost all the same taxes to the County that they currently pay. The only major exception is the environmental gross receipts tax, a one-eighth cent tax that currently generates \$850 thousand for the County from South Valley activity, by BBER estimates.

Gross Receipts Tax

The gross receipts tax is the major revenue source for New Mexico municipalities, accounting typically for some 70% of their general fund revenues. The tax is for the privilege of doing business in New Mexico, with the tax liability falling on the seller and based on their receipts from local operations (versus a sales tax on the buyer based on their purchases). The base, taxable gross receipts, is very broad, with limited exemptions and deductions. The new South Valley municipality would have authority under State law (Section 7, 9D, NMSA 1978) to impose municipal local option gross receipts taxes. Table 2.1 summarizes this authority. The exhibit

Table 2.1. Municipal Local Option Gross Receipt Tax Authority

Revenue Source	Statutory Authority			Description of Use / Statutory Limitations	Enactment	Applicable Statute
	Tax Increments (%)	Number of Increments	Total Authority (%)			
Municipal Gross Receipt Tax	0.125 or 0.25	up to 12	1.5000	Governmental purposes. Proceeds may be dedicated.	Governing body subject to negative referendum or by positive referendum	NMSA 7-19D-9
Municipal Infrastructure	0.0625	4	0.2500	General purposes, infrastructure improvements, payment of special obligation bond purposes, transit, economic development projects as defined in the Local Economic Development Act (LEDA) or in Statewide Economic Development Finance Act.	First 0.125%, governing body with no referendum; increments in excess of the first 0.125% or any increment imposed after July 1, 1998 for economic development must be voter approved.	NMSA 7-19D-11
Capital Outlay	0.0625	4	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	NMSA 7-19D-12
Environmental	0.0625	1	0.0625	Water, wastewater, sewer, and solid waste facilities.	Governing body; referendum only if required by municipality charter	NMSA 7-19D-10
Quality of life gross receipts tax	0.0625	4	0.2500	Cultural programs and activities provided by a local government and to cultural programs, events and activities provided by contract or operating agreement with nonprofit or publicly owned cultural organizations and institutions.	Voter approval of each increment	NMSA 7-19D-14
Municipal higher education facilities gross receipts tax	0.0625	4	0.2500	Acquisition, construction, renovation or improvement of facilities of a four-year post-secondary public educational institution or bonds for facility	Voter approval of each increment. City must be in Class B county, have 50,000 or more population and \$2 billion or more net taxable value.	NMSA 7-19D-15

New Mexico Statutes and Court Rules/Statutory Chapters in New Mexico Statutes Annotated 1978/CHAPTER 7 Taxation /ARTICLE 19D Municipal Local Option Gross Receipts Taxes

provides information on the total authority available for each type of tax as well as the increments in which it may be imposed. There are some restrictions regarding use and these are detailed in the "Description of Use" column. The entries under "Enactment" indicate whether the tax may be imposed by the governing body of the municipality, whether such a tax so imposed is subject to a negative referendum, and whether a positive referendum may be held or is required.

In addition to the revenues raised from local option gross receipts taxes, the new City would receive a State-shared distribution of gross receipts taxes of 1.225% of taxable gross receipts reported by businesses operating within the municipal boundaries.

To estimate potential gross receipts tax revenues to the new municipality, BBER made use of data from the New Mexico Department of Workforce Solutions on employment and wages of businesses operating at locations within the proposed municipal boundaries for 2006. This data was then aggregated by industry. Total receipts/sales were estimated from reported payroll using the *2002 Economic Census*, and taxable gross receipts were then approximated based on the ratio of taxable to total receipts by industry from the New Mexico Taxation and Revenue Department's Report 80. Using figures from the Bureau of the Census data on non-employers, BBER also estimated the taxable gross receipts for non-employers operating in the South Valley.

Table 2.2 reports estimated values both for taxable gross receipts and for tax revenues for the unincorporated South Valley area that would be included in an election to incorporate. The table includes the calculations of taxable gross receipts for non-employers. The total gross receipts tax revenues from the State-shared distribution are estimated to be \$8.4 million. If the total local option gross receipts

Table 2.2. Estimated Taxable Gross Receipts and Gross Receipts Tax Revenues, Calendar 2006

In \$ thousands	Estimated Taxable Gross Receipts		Estimated Gross Receipts Tax Revenues				
	With Food & Medical Deduction	Without Food & Medical Deduction	State-Shared 1.2250%	Municipal GRT 0.5000%	Additional 0.1250%	Additional 0.0625%	Total if Local = 1.0625% ^a
South Valley Employers	656,576	638,323	8,043	3,192	774	387	14,718
South Valley Non-Employers	32,299	31,147	396	156	38	19	721
Total for Proposed Incorporation Area	688,876	669,470	8,439	3,347	812	406	15,439

a. This is the city imposed rate in the City of Albuquerque as of July 1, 2008.

BBER Calculations, Based on Estimated 2006 Activity

taxes were the same as the City of Albuquerque, the total revenue to the new municipality from the gross receipts tax is estimated to be \$15.4 million.

The columns in the table need some explanation. Beginning January 1, 2005, receipt from sales of food and certain receipts for medical services became eligible for a gross receipts tax deduction. To hold local governments harmless from the effect of this policy, the State makes distributions back to local governments of what would have been collected on these sales. However, while all municipalities are eligible to receive these distributions of the State-shared revenue, municipalities only receive these distributions on those local option municipal gross receipts taxes that they had in place as of January 1, 2007.¹⁴ Municipalities are also subject to a 3% administrative fee on local option gross receipts taxes after the first 0.5% municipal gross receipts tax. The total revenue calculations assume that the new municipality opts to impose a total of 1.000 cents of its authority under the municipal gross receipts tax as well as the first sixteenth of a cent (0.0625%) increment of infrastructure gross receipts tax. As a variety of options are possible, the table includes the calculated amounts for each eighth and sixteenth cent tax that is imposed above the first half cent. All figures in the table are based on 2006 activity. While municipalities typically enjoy positive growth in their gross receipts tax base over time, the recent declines in the housing industry are so extreme that some municipalities, like Albuquerque, had a flat or declining tax base in FY 08.

BBER compared the estimates for calendar 2006 to the tax base for unincorporated Bernalillo County, excluding receipts from Sandia National Laboratory and other scientific research and development activity, and determined that the figures reported here look reasonable.

Businesses within the new municipal boundaries would be subject to State and County gross receipts taxes as well as the local option municipal gross receipts taxes discussed above. The State tax is 5%. As of July 1, 2008, Bernalillo County had in place three-eighths of a cent (0.4375%) of County gross receipts tax and an eighth cent (0.125%) each of a County health care and a jail gross receipts tax. The County also has a 0.125% environmental gross receipt tax, but this tax is only collected in the unincorporated area. Inside a municipality then, the County gross receipts taxes total 0.6875%, while in the unincorporated area the tax is 0.8125%. If the new municipality were to impose 1.0625% of its authority, the total tax rate would be 6.750% versus the 5.8125% currently in effect in unincorporated Bernalillo County. This is identical with the rate in Albuquerque, slightly higher than Tijeras, where the rate is 6.6875%, but lower than Los Ranchos, with a rate of 6.8125, Rio Rancho, Bernalillo County, where the rate exceeds 7.0%, Rio Rancho, Sandoval County, where the rate is 6.9375% and lower than any of the incorporated areas of Valencia County, which all have rates in excess of 7.0%.

¹⁴ See A. (2) under Section 7-1-6.46 NMSA 1978. Distribution to municipalities; offset for food deduction and health care practitioner services deduction.

Incorporation would impose some loss of revenue on both Bernalillo County and on the State of New Mexico, which would then have to make a 1.225% distribution to the new municipality. Bernalillo County stands to lose revenues from its environmental gross receipts tax, with the loss estimated to be about \$850 thousand. The State will have to share some of the receipts from its 5% gross receipts tax, making the 1.225% distribution to the South Valley and it will need to hold the South Valley harmless from the impacts of the food and medical deductions when it makes this distribution. The State stands to lose over \$8.4 million.

Property Taxes

Under State statute, a municipality has authority to impose up to 7.65 mills for operating purposes. This tax may be imposed by the governing body without any referendum, although Bernalillo County has an open space levy from its maximum operating authority that the County has determined, as a matter of policy, must be approved by the voters. Table 2.3 lays out the relevant statutory and constitutional provisions that limit local government authority to impose property taxes. The table indicates maximum authority. Other provisions, such as yield control, would limit the amount of revenue actually raised by adjusting mill levy downward from the imposed levy.

Table 2.3. Local Government Authority to Impose Property Taxes

Municipalities				
Revenue Source	Authority	Description of Use / Limitations	Enactment	Applicable Law
Operational Levy	7.65 mills	General purposes; subject to yield control	Governing body approval	NMSA 7-37-7B3, 7-37-7.1 (yield control)
Debt Service Levy	Outstanding GO bonds cannot exceed 4% of total assessed valuation; single debt limitation of 12 mills	Debt service on GO bonds	GO bonds approved by voters	NMSA 7-37-7C1, NM Constitution Article IX, Sec. 13
Judgment Levy	Judgments in excess of \$100,000	Pay for a tort or workers' compensation claim; only amount in excess of \$100,000 can be paid by the levy	Commission enacted with DFA approval	NMSA 7-37-7C3, 41-4-25B4
Counties (Bernalillo)				
Revenue Source	Authority	Description of Use / Limitations	Enactment	Applicable Law
Operating Levy	11.60 mills	General purposes and open space; subject to yield control	Commission approval	NMSA 7-37-7B1, 7-37-7.1 (yield control)
Open Space	0.25 mills	Open Space; set aside as portion of total operating levy authority.	Voter approval; sunsets 2006	7-37-7C2
Debt Service Levy	Outstanding GO bonds cannot exceed 4% of total assessed valuation.	Debt service on GO bonds	GO bonds approved by voters	NMSA 4-49-7, 7-37-7C1, NM Constitution Article IX, Sec. 13
Judgment Levy	Judgments in excess of \$100,000	Pay for a tort or workers' compensation claim; only amount in excess of \$100,000 can be paid by the levy	Commission enacted with DFA approval	NMSA 7-37-7C3, 41-4-25B4

New Mexico Statutes and Court Rules/Statutory Chapters in New Mexico Statutes Annotated 1978/CHAPTER 7 Taxation
New Mexico Statutes and Court Rules/Constitution of the State of New Mexico

It is important to note that Bernalillo County property taxes are the same regardless of whether the property is in an incorporated municipality or outside. Thus, any property tax imposed by the new South Valley municipality would be in addition to those levied by Bernalillo County as well as to those taxes levied by the State, Albuquerque Public Schools, and other taxing jurisdictions. Table 2.4 documents the property taxes in place in 2007 for jurisdictions that overlap with the

Table 2.4: Certificate of Tax Rates, Bernalillo County, 2007

NET TAXABLE VALUE: \$12,948,306,965												
MUNICIPALITY: TAXABLE VALUE: CATEGORY:	Albuquerque 7,606,727,108 12 In R	Albuquerque 3,129,477,766 12 In NR	Los Ranchos 169,240,785 12 In R	Los Ranchos 24,269,301 12 In NR	Tijeras 6,209,838 12 In R	Tijeras 2,773,106 12 In NR	1,440,216,624 12 Out R	485,279,750 12 Out NR	Rio Rancho 8,318,585 R1-A NR	100,213 8T NR	62,761,682 24 Out R	12,932,207 24 Out NR
State Debt Service	1.221	1.221	1.221	1.221	1.221	1.221	1.221	1.221	1.221	1.221	1.221	1.221
Total State	1.221	1.221	1.221	1.221	1.221	1.221	1.221	1.221	1.221	1.221	1.221	1.221
County Operational	6.183	10.800	6.183	10.800	6.183	10.800	6.183	10.800	10.800	10.800	6.183	10.800
County Debt Service	0.888	0.888	0.888	0.888	0.888	0.888	0.888	0.888	0.888	0.888	0.888	0.888
Open Space	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100
Judgement	0.016	0.016	0.016	0.016	0.016	0.016	0.016	0.016	0.016	0.016	0.016	0.016
Total County	7.187	11.804	7.187	11.804	7.187	11.804	7.187	11.804	11.804	11.804	7.187	11.804
Municipal Operational	2.970	3.544			0.858	2.176			2.484			
Municipal Debt Service	7.976	7.976	1.000	1.000					2.060			
Total Municipal	10.946	11.520	1.000	1.000	0.858	2.176			4.544			
School District Oper	0.238	0.500	0.238	0.500	0.238	0.500	0.238	0.500	0.500	0.500	0.336	0.500
School District Debt	4.308	4.308	4.308	4.308	4.308	4.308	4.308	4.308	4.308	7.159	7.159	7.159
School Dist. Cap. Improv	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000	1.964	2.000
HB 33, School Building	3.813	4.344	3.813	4.344	3.813	4.344	3.813	4.344	4.344			
Total School District	10.359	11.152	10.359	11.152	10.359	11.152	10.359	11.152	11.152	9.659	9.459	9.659
Total State, County, Municipal, & School	29.713	35.697	19.767	25.177	19.625	26.353	18.767	24.177	28.721	22.684	17.867	22.684
Other:												
UNM Hospital	6.400	6.500	6.400	6.500	6.400	6.500	6.400	6.500	6.500	6.500	6.400	6.500
CNM CC Oper	2.442	2.945	2.442	2.945	2.442	2.945	2.442	2.945	2.945			
CNM CC Debt Service	0.550	0.550	0.550	0.550	0.550	0.550	0.550	0.550	0.550			
Total Other	9.392	9.995	9.392	9.995	9.392	9.995	9.392	9.995	9.995	6.500	6.400	6.500
GRAND TOTAL	39.105	45.692	29.159	35.172	29.017	36.348	28.159	34.172	38.716	29.184	24.267	29.184
Where Applicable:												
Cattle Indemnity	10				MRGCD	Res:	3.97		AMAFCA	Res:	0.167	
Sheep and Goats	10					Non Res:	4.96		AMAFCA	NonRes:	0.438	
Dairy Cattle	5				Edgewood				AMAFCA	Debt:	0.675	
Equine	10				SWCD	Res:	0.922					
Bison	10					Non Res:	1					

New Mexico Local Government Division, Tax Year 2007

South Valley (included in the “12 Out” column) and existing municipalities within Bernalillo County. Rates are separately reported for residential (“R”) and non-residential (“NR”) properties.

To estimate the property tax base for the South Valley, BBER purchased from the Bernalillo County Assessor’s Office a disk for Tax Year 2007. The data on the disk were used separately to calculate the net taxable value of real property – land and improvements – in the areas of the South Valley designated as unincorporated, City annexed and unincorporated islands. We also obtained the *Abstract of Property Reported for Taxation – Tax Year 2007*. Finally, BBER staff worked with staff in the Property Tax Division of the New Mexico Taxation and Revenue Department to identify and value centrally-assessed properties within the unincorporated Bernalillo County. While efforts were made to contact each of the firms with centrally-assessed property in the South Valley, they could provide us with no estimates, only qualitative information relating to what might be in the South Valley versus elsewhere, so the figures provided are BBER estimates based on these discussions.

Table 2.5 provides the estimates both of the property tax base and of the revenues that could be raised from the maximum operating levy, as well as from a 1 mill and a 5 mill levy. The table includes an estimate of general obligation bonding capacity. Note that the maximum operating revenue, assuming the 2007 tax base, is \$4.4 million. A 1 mill levy would raise \$575 thousand; a 5 mill, \$2.9 million.

Table 2.5. Net Taxable Value of Unincorporated South Valley Properties, Estimated Taxes, and General Obligation Bonding Capacity

	Unincorporated South Valley		
	Residential	Non-Res	Total
Net Taxable Value, Tax Year 2007			
Locally Assessed			
Real Property	364,793,297	146,451,121	511,244,418
Personal, Mobile Homes, Livestock	6,559,000	6,559,000	13,118,000
Centrally Assessed Corporate		50,906,000	50,906,000
Net Taxable Value	371,352,297	203,916,121	575,268,418
South Valley Muni Revenues			
Operating Levy			
Maximum = 7.65 mills	2,840,845	1,559,958	4,400,803
Per Mill	371,352	203,916	575,268
5 Mill Levy	1,856,761	1,019,581	2,876,342
GO Bonding Capacity *			23,010,737

*Does not include General Obligation indebtedness for the construction or purchase of water and sewer systems.

Based on information provided by the Bernalillo County Assessor's Office and that reported in the *Abstract of Property Reported For Taxation, Tax Year 2006*

Other Revenue Authority

Municipalities in New Mexico are strictly limited in their taxing authority to that authority expressly provided by law.¹⁵ In addition to the gross receipts tax and property tax authority discussed above, municipalities have authority to impose a lodgers' tax, a gasoline tax, and a liquor license tax. They can also impose franchise fees, are required to have a business registration program, can impose various business and regulation licensing fees and permits, can charge for various services provided, and can impose a limited number of fines and penalties.

Gasoline Tax. Cities are provided with authority to impose a 1 or 2 cent municipal gasoline tax under the County and Municipal Gasoline Tax Act (Section 7-24A). According to Section 7-24A-3, the proceeds of the 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 established by the Municipal Transit Law..., for operation of a vehicle emission inspection program or for road, street or highway construction, repair or maintenance in the county or municipality. The proceeds of a county or municipal gasoline tax may be pledged for the payment of bonds issued pursuant to the County and Municipal Gasoline Tax Act. . . .

While there have been efforts to impose a local option gasoline tax, to our knowledge none have been successful.¹⁶ There are three obstacles: first, the law requires a positive referendum; second, for many communities the potential revenues are limited; and third, the local government would be totally responsible for administering and enforcing the tax, the activities for which would subtract from the revenues collected. The amount of revenue that might be raised by the South Valley from such a tax is relatively small, if the gallonage reported as delivered for unincorporated Bernalillo County is at all indicative. In FY 03, the most recent year for which data was available, only 13 million gallons were reported as delivered outside of municipal boundaries versus 242 million within Albuquerque.¹⁷ This would gross only about \$130 thousand for a 1 cent tax and \$260 for a 2 cent tax for all unincorporated Bernalillo County, and one would have to cover costs of administration, which are not trivial. The tax would be on retailers and not distributors as under the State Gasoline Tax Act. According to Section 7-24A-12, Collection of Municipal Gasoline Tax, every "person selling gasoline at retail" would be required, under 7-24A-7.1 "to register with the county or the municipality, as appropriate, as a seller of gasoline at retail," and would be required, under 7-24A-12, to "file a return on forms provided by and with the

¹⁵ This is laid out explicitly in Section 3-18-2 NMSA 1978 Prohibition on municipal taxing power.

¹⁶ The City of Albuquerque and Bernalillo County twice put a measure before the voters, the first time in 1986 and the second time a few years later. The measure failed both times.

¹⁷ The data on the gasoline tax gallonage reported by jurisdiction are not audited on a regular basis. Among revenue estimators, there are suspicions that distributors are less than careful in reporting where the gasoline is distributed.

information required by the municipality and shall pay the tax due” Enforcement could also be a challenge.

Lodgers’ Tax. The Lodgers’ Tax Act (3-38-13 NMSA 1978) provides authority for municipalities to impose up to a 5% occupancy tax on lodging establishments operating within the municipal boundaries. By statute (3-38-15 D), and depending upon the percentage tax imposed and whether or not the municipality is in Bernalillo County, a certain proportion of the tax receipts “shall be used only for advertising, publicizing and promoting tourist-related attractions, facilities and events”. Eligible uses of tax proceeds include: “collecting and otherwise administering the tax”; one-time and on-going costs associated with tourist-related facilities, attractions or transportation systems”; “debt service on revenue bonds authorized in the Lodgers’ Tax”, “providing police and fire protection and sanitation service for tourist-related events, facilities and attractions”. There is also a **Hospitality Fee** authorized under Section 3-38A-3 and used by Albuquerque to raise revenues to defray costs of the Convention Center in particular. Unfortunately, the South Valley has negligible lodging activity, at least as can be discerned from employment data.

Liquor License Tax. Under Section 7-24-1 through 7-24-16, municipalities may impose a liquor license tax of up to \$250 annually upon the privilege of holding a State license under the Liquor Control Act (60-3A-1) to operate within the municipal boundaries an establishment that sells liquor as a retailer, dispenser, restaurant, club, or an organization that has a canopy license. If there were 20 establishments selling liquor within the municipal limits – a not unreasonable number based on the data reported in the Census Bureau’s *Zip Business Patterns* – the revenue yield could be as much as \$5,000 annually.¹⁸

Franchise Fees. Under Section 3-42-1, the new municipality would have authority to “grant, by ordinance, a franchise to any person, firm or corporation for the construction and operation of any public utility.” The franchise can be for no more than 25 years. Effectively, the municipality is granting the public utility a right to use municipal right of way for purposes of construction and utility operations. The ordinance typically specifies a “fee” for use of municipal right of way (e.g., 3% of the utility’s gross receipts from sales within municipal boundaries). The franchise becomes effective 30 days after the ordinance is passed, assuming there is no successful petition for a negative referendum.

In the event that the County already has a franchise agreement in place with a particular utility and has at least begun construction in “good faith”, then the new municipality is required under Section 3-42-2 to honor the previous agreement and grant the utility a franchise for the maximum term. According to Dan Mayfield, Bernalillo County Deputy County Manager, the County is limited under State statute

¹⁸ Based on data for 87105 and 87121 but primarily 87105. See Census Bureau, *Zip Business Patterns* (http://www.census.gov/epcd/www/zbp_base.html)

in negotiating franchise agreements and they only have one agreement in place, a Cable TV agreement with Comcast.¹⁹

Franchise taxes can be a major revenue source.²⁰ In FY 06, Roswell collected \$3.3 million in franchise tax revenues, while Hobbs collected \$1.4 million. A 2% tax on total receipts in 2006 from utilities and telecommunication companies operating in unincorporated Bernalillo County would have raised over \$3 million, with perhaps \$1.4 million possible for the South Valley.²¹ The applicable franchise tax base and tax percentage would have to be negotiated with each utility. Telecommunications franchise fees may have a different basis, e.g., linear feet of fiber-optic cable. Without telecommunications, the franchise taxes for the entire unincorporated area would be closer to \$2.5 million and with \$1.2 million for the South Valley.

Business Licensing and Regulation Fees. Under Section 3-38-1 NMSA 1978, municipalities have authority to license or regulate businesses not otherwise exempted and to charge a fee that bears a reasonable relation to the costs of regulation. The governing body needs to declare by law that this regulation is “conducive to the promotion of the health and general welfare of the municipality.” It is under this statutory provision that the City of Albuquerque regulates and charges fees for building inspection, restaurant inspection, food processing inspection, swimming inspection, animal licensing, etc. From these various licensing and permit fees the City generated over \$11 million in FY 07, or more than \$20 per resident. These revenues are critical to the City of Albuquerque’s ability to cover many of the costs of business regulation.

Business Registration Fee. Under State law Section 3-38-3, municipalities are required to (“shall”) put in place an ordinance that charges “a business registration fee on each place of business conducted within a municipality that is not licensed by the municipality under Section 3-38-1 NMSA 1978.” The maximum fee is \$35 per year. The State’s purpose here is to have all local businesses registered with the municipality, so that the local list of registered businesses can be used in enforcing the gross receipts tax. Based on the Census Bureau’s *Zip Business Patterns* for zip codes 87105 and 87121, there are probably several hundred enterprises in the South Valley that would be subject to this fee and not to other business license fees. With 500 businesses, gross revenues would be \$17,500, but there would be costs of setting up the program as well as on-going costs of administration and enforcement.

Municipal Court Fines. Where the municipality has a municipal court, a fine of up to \$500 (and up to \$999 for conviction of operating a motor vehicle while under the influence of liquor or drugs and up to \$999 per day for conviction of violating an industrial user wastewater pretreatment ordinance) may be imposed on parties

¹⁹ Personal communication, July 1, 2008.

²⁰ A tax is not authorized in the statute providing authority to grant an ordinance, but the authority to charge a fee is implied by Section 3-38-1.

²¹ Based on total gross receipts reported for utilities and telecommunications in New Mexico Taxation and Revenue Department, Report 80, quarterly reports, 2006.

convicted of violating City ordinances, with the fines going to the City's general fund. Maximum fines must be set by ordinance. (Section 3-17-1C NMSA 1978).

User Charges. Under Section 3-18-1H NMSA, which establishes general powers for municipalities, a City may "establish rates for services provided by municipal utilities and revenue-producing projects, including amounts which the governing body determines to be reasonable and consistent with amounts received by private enterprise in the operation of similar facilities." Municipalities may charge for the range of services provided, including participation in sports and recreation programs, rental of facilities, curb cuts, and admission to events and facilities.

Impact Fees. Municipalities have authority under the Development Fees Act (Section 5-8-1 to 42 NMSA 1978) to impose impact fees, although there is a specific process that must be followed in doing so. As defined in the Act,

"impact fee" means a charge or assessment imposed by a municipality or county on new development in order to generate revenue for funding or recouping the costs of capital improvements or facility expansions necessitated by and attributable to the new development.

Impact fees may be used for capital improvements or facility expansions with a life expectancy of 10 or more years that are owned and operated by or in behalf of the municipality, including storm drainage and flood control facilities; roadway facilities; police and fire stations and equipment (costing more than \$10,000); parks and recreation areas, facilities and equipment; open space trails; water and waste water treatment facilities; water collection, treatment and distribution facilities; and wastewater collection and treatment facilities. The fees collected are unavailable for operations and must be closely accounted for so that they would be used only for capital improvements within the service area from which the revenues were collected.

State Revenue Distributions

In addition to the State-shared gross receipts taxes, there are a number of other State distributions to municipalities for which the new South Valley municipality would be eligible. The narrative which follows discusses each of these distributions. The distributions from State taxes are considered first. The revenue estimates from each of these sources are tabulated below.

Table 2.6. Estimated State Revenue Distributions

	SV Activity % of Unincorporated	Estimated Revenues
Road-Related		
Gasoline Tax -- General	45%	108,000
Gasoline Tax -- Road	45%	58,500
Motor Vehicle -- General	property taxes	18,000 ^a
Motor Vehicle -- Road	net taxable value	27,000
Cigarette Tax		
Cigarette Tax Distribution	45%	1,260
Recreation Fund	45%	900
Tied to Provision of Services		
Police		
Law Enforcement Fund	Providing Services plus \$600 per officer	30,000
Fire and Emergency Medical		
Fire Protection Fund -- Stations	4 Stations	295,000 ^b
Emergency Medical	4 Stations	20,000
Corrections		
Local Government Corrections Fund		0 ^c
Total State Distributions		558,660

a Calculated in conformance with State statute. Actual distributions appear to be lower. Assumes 5 mil levy.

b Bernalillo County received \$51,389 for each of these stations, for a total of \$205 thousand. The amount estimated is per the schedule in State statute.

c Assumes new muni will rely on Bernalillo County for corrections.

BBER Estimates based on State Statute and Unincorporated Bernalillo County activity as estimated from data related to distributions available from NM Taxation and Revenue Department and the Local Government Division of the Department of Finance and Administration.

Gasoline Tax Distributions. Municipalities receive two distributions from the State gasoline tax, which is currently 17 cents per gallon. The first is the old municipal gasoline tax distribution under Section 7-1-6.9. The statute requires that 10.38% of the net receipts of the State gasoline tax be set aside for distribution to counties and municipalities, with 10% designated for counties and 90% for municipalities. The distributions from this pot to a municipality are based on the gasoline distributed within the municipality relative to the total gasoline distributed to all municipalities. Assuming the South Valley accounts for 45% of the gallons distributed to unincorporated Bernalillo County,²² BBER estimates that this distribution would generate about \$108 thousand annually for the new municipality.²³ It should be

²² While the estimate is subject to refinement, the South Valley accounts for about 45% of the population in the unincorporated area, by BBER estimates.

²³ Figures based on FY 06 gasoline tax distributions, as reported by the New Mexico Local Government Division Fiscal Management Bureau on their webpage <http://fmb/dfa/state.nm.us>.

noted that higher gasoline prices may be expected to reduce the revenue yield from this unit tax.

The second revenue source is the municipal road distribution which is from 5.76% of gasoline tax receipts per Section 7-1-6.27. Three types of municipalities are distinguished: (1) "floor municipalities" whose calculated distribution would be less than the guaranteed floor amount; (2) municipalities with more than 200,000 people in class A counties (Albuquerque); and (3) "full distribution municipalities", of which the new South Valley municipality would be one. Full distribution municipalities are allocated 85% of the total receipts designated for the municipal road distribution and their actual distribution amounts depend on the gallons distributed to them in the previous fiscal year as a fraction of the total gallons for all municipalities in that year. Using FY 06 data, we estimate that the South Valley could receive as much as \$58,500, assuming gallons distributed to the South Valley are proportionate to its population, or about 45% of the unincorporated area.

It should be noted that as a municipality, the South Valley might be able to push for more careful accounting of gallons distributed, but this is not an area that the Tax and Revenue Department is likely to prioritize for audit staff.

Cigarette Tax. Section 7-12-13 NMSA 1978 imposes an excise tax on cigarettes and sets the tax rates. Section 7-1-6.11 lays out the distributions of cigarette taxes. Counties and municipalities receive two distributions from cigarette taxes: a cigarette tax distribution and a recreation fund distribution. While cigarette tax distributions may be used for any lawful purpose, recreation fund distributions must be put in a recreation fund and used (7-12-15B) "for recreational facilities and salaries of instructors and other employees necessary to the operation of such facilities. Such recreational facilities shall be for the use of all persons, and juveniles and elderly persons shall not be excluded."

The cigarette tax distributions are laid out in Section 7-1-6.1. Municipal and county cigarette tax distributions are from a fund that monthly receives 2.69 percent of "the net receipts, exclusive of penalties and interest, attributable to the cigarette tax". The recreation fund distributions are 1.35 percent of the net receipts. For municipalities, the amounts of these two distributions each depend on the ratio of cigarette tax revenues collected within the municipal boundaries to total cigarette tax receipts statewide.²⁴ Counties receive distributions based on cigarette tax revenues collected outside the municipal boundaries relative to the total statewide. Thus, the distributions to Bernalillo County should be indicative of the maximum the new municipality might expect to receive. In FY 07, Albuquerque received \$253 thousand from the cigarette tax distribution and \$179 thousand from the recreation fund.²⁵ By

²⁴ Sections 7-12-16 and 7-12-15 NMSA 1978.

²⁵ New Mexico Department of Finance and Administration, Local Government Division, Budget and Finance Bureau web page on financial distributions and trends:
<http://fmb.nmdfa.state.nm.us/content.asp?CustComKey=202786&CategoryKey=203232&pn=Page&DomName=fmb.nmdfa.state.nm.us>.

contrast, all of unincorporated Bernalillo County generated only \$3,805 from the cigarette tax distribution and only \$1,902 from the recreation fund distribution. It would appear that the new municipality's revenues from this revenue source would be very limited as long as most cigarette sales within Bernalillo County continue to be at Albuquerque establishments.

Motor Vehicle Fees. Article 6 of Section 66 NMSA 1978 establishes the vehicle registration, driver license and other fees to be collected by the Motor Vehicle Division and deposited into the motor vehicle suspense fund. Section 66-6-23 lays out distributions to be made from this fund. The remainder in the fund after these distributions is to be distributed to municipalities and counties according to formulas laid out in Section 66-6-23.1 NMSA 1978.

There are two distributions for which a municipality is eligible. The first is a street distribution that "shall be used for the construction, maintenance and repair of streets within the municipality and for payment of paving assessments against property owned by federal, county or municipal governments." The amount set aside for each county depends on the county's share of total motor vehicle registration fees. The amount to each municipality depends on the ratio of the net taxable value of the municipality relative to the total net taxable value for all municipalities in the county. So, even without using the property tax, the new municipality would be entitled to these distributions. The estimated revenues from this distribution are \$27 thousand.

The second distribution is the general fund distribution. This one depends on the property tax revenues of the municipality relative to the sum of property tax revenues to the county and to all municipalities within the county. If the new South Valley municipality had in place a total of 5 mils, the revenues that would accrue to the new municipality are estimated to be \$18 thousand, assuming that the actual distribution is in conformance with State statute. The actual distribution to Albuquerque in 2006 was considerably below that calculated by applying the formula.

Law Enforcement Protection Fund Distributions. According to Section 29-13-3, "Ten percent of all money received for fees, licenses, penalties and taxes from life, general casualty and title insurance business pursuant to the New Mexico Insurance Code [59A-1-1 NMSA 1978], except for money received from the health insurance premium surtax..." are paid into the law enforcement protection fund for distribution to police/sheriff departments in municipalities, counties, universities, and tribal governments. The monies are intended "for use in the maintenance and improvement of those departments in order to enhance the efficiency and effectiveness of law enforcement services and to sustain at a reasonable level the payments available to the surviving eligible family members of a peace officer killed in the line of duty."

Under Section, 12,-13-9, the South Valley would qualify for \$30,000 annually based on population (class 2: 20,001 – 160,000) plus \$600 for "each police

officer...employed full time”, assuming he or she is certified by the Law Enforcement Academy or otherwise authorized per Section 29-1-11.

Fire Protection Fund Distributions. Chapter 59A, Article 53 NMSA 1978 provides “for distribution of funds from the fire protection fund ...to incorporated cities, towns and villages, and to county fire districts, in proportion to their respective needs, for use in operation, maintenance and betterment of local fire departments, to the end that the hazard of loss by fire and fire insurance rates may be reduced and the public safety thereby promoted.” The State fire marshal makes a determination and certifies needs for counties and municipalities annually before the end of May. To be eligible for funding, the incorporated municipality must have “maintained an official fire department created by and regulated in accordance with a duly enacted ordinance for a period of at least one year prior to the date of certification and possess fire equipment and apparatus in serviceable condition to respond to a fire incident.” The amount of funding is determined by Section 59A-53-4, depending on the number of fire stations and substations located in the municipality. For example, the first main station receives \$82,592 and the first substation \$30,606, with decreasing amounts for each additional station/substation to be supported. Funds may be used

only for the maintenance of its fire department, the purchase, construction, maintenance, repair and operation of its fire stations, including substations, fire apparatus and equipment, and the financing or refinancing thereof, the payment of insurance premiums on fire stations, substations, fire apparatus and equipment and insurance premiums for injuries or deaths of firefighters as otherwise provided by law . . . no money shall be expended from the fund for any purpose relating to the water supply systems... nor for purchase, rental, installation or maintenance of fire hydrants nor for any other appurtenances relating to the distribution or use of the water supply system. Funds ... may also be expended for the expense of any firefighters for attending any fire schools and conventions approved by the marshal (Section 59A-53-8).

There are four fire stations in the South Valley (Fire Stations 2, 3, 4 and 8) that should be eligible for funding under this distribution. Following the current statute, the South Valley should be eligible for \$295 thousand. In FY 05, Bernalillo County received \$51,389 for each of these stations, for a total of \$205 thousand.

Emergency Medical Services (EMS) Distributions. The Emergency Medical Services Fund Act (24-10A-1 NMSA 1978) makes “money available to municipalities and counties for use in the establishment and enhancement of local emergency medical services, statewide emergency medical services and trauma services in order to reduce injury and loss of life.” The Injury Prevention and Emergency Medical Services Bureau of the New Mexico Department of Health administers the fund, which receives legislative appropriations as well as “gifts, grants, fees or bequests”.

In any fiscal year, at least 75 percent of “the money in the fund shall be used for the local emergency medical services funding program to support the cost of supplies and equipment and operational costs other than salaries and benefits for emergency medical services personnel”, while no more than 22 percent “may be used for emergency medical services system improvement projects, including the purchase of emergency medical services vehicles, local and statewide emergency medical services system support projects, the statewide trauma care system program and the emergency medical dispatch agency support program” and no more than 3% may be used by the Bureau for administrative costs.

In FY 06, the four fire stations in the South Valley, 2, 3, 4 and 8, received respectively \$20,000, \$20,000, \$12,847, and \$12,112, or a total of just under \$65 thousand in distributions from the EMS Fund. However, the Albuquerque Fire Department received only \$20,000 and the fire departments in Tijeras and Los Ranchos received less. It is unclear how much money might be made available to the new municipality.

State and Federal Assistance Programs

In addition to the distributions discussed above, there are a number of local assistance programs such as grants and loans which come directly from State departments or are administered by the State for the federal government. The Local Government Division of the New Mexico Department of Finance and Administration publishes an annual list of available programs and funds in the *Catalog of Local Assistance*, which is available from the Local Government Division.²⁶ This catalog contains descriptions of the programs, departments offering these programs, sources of funding, and application deadlines. Though many of these funds are for emergency situations such as fires and floods, other programs fund training, equipment purchases, senior programs, drug prevention programs and community-based programs.

A summary of the various types of state and federal assistance programs that are administered by state agencies is given in Appendix A. Not fully reflected in this list is the Community Development Block Grant program (CDBG). These funds may be used for a range of projects including infrastructure investment, housing rehabilitation, and economic development. The funding is typically one-time and for a particular project. CDBG funds are awarded on a competitive basis to New Mexico counties and municipalities that apply for funding. The program is administered by the Community Development Bureau of the Local Government Division. This same Bureau has responsibility for administering State appropriations to local governments for capital outlay.

²⁶ 402 Don Gaspar, Santa Fe, NM 87501, Phone: 505-827-4950. Information on different programs may also be found on the LGD website: <http://local.nmdfa.state.nm.us/>.

It should be noted that communities with a population of 50,000 or more are eligible to apply directly for federal funding rather than competing with other New Mexico communities.²⁷

Resources for Capital Outlay: Infrastructure, Facilities & Equipment

The revenue sources discussed above can generally all be used to meet capital needs. Smaller communities often save for big projects by accumulating balances in their general fund, perhaps moving them to a special revenue or capital fund for the project itself.²⁸ There are possibilities in terms of State appropriations for capital outlay and also for funding from severance tax bonds. Many federal and state grant and loan programs are specifically designed to meet one time needs and allowable expenses may include facilities and equipment. In New Mexico, the New Mexico Finance Authority has four major programs for funding infrastructure and other capital outlay, and many communities, large and small, avail themselves of this facility. The new City would have some capacity to issue general obligation bonds (see discussion under property tax above), and it has authority under State law to issue revenue bonds backed by gross receipts tax revenues, although this particular revenue source is likely to be needed for operations. Depending upon the purposes for which the bond proceeds are used, the interest paid on the bonds to investors may be exempt from federal and State taxation, meaning lower financing costs. The new City would have to establish its credit rating as an issuer.²⁹ There are transaction costs to selling bonds, as the sale typically requires an underwriter and specialized legal counsel.

²⁷ See discussion in BBER's companion report by Joshua Akers, *The Transition from Unincorporated Community to Municipality in the South Valley*.

²⁸ Transferring the money to either a capital fund or a special revenue fund should facilitate accounting for project expenses that extend beyond one fiscal year.

²⁹ One option, utilized for example by small school districts, has been to place their bonds with local financial institutions rather than trying to go to market. This option has also been used upon occasion for small projects by big issuers like the City of Albuquerque.

CHAPTER 3

RESOURCES FOR FUNDING THE NEW SOUTH VALLEY MUNICIPALITY: COMPARISONS WITH OTHER NEW MEXICO MUNICIPALITIES

This chapter builds on the information provided in the previous chapter in an effort to determine whether over time the new municipality is likely to have sufficient tax capacity and other revenues to run government. The first section presents a preliminary estimate of the revenues available from key revenue sources. The second section looks specifically at the revenues generated for operations by the City of Albuquerque. The third section looks at operating revenue generation by other large New Mexico municipalities. The final section provides preliminary the evidence regarding revenue potential and the financial feasibility of the South Valley municipality.

Revenues for Funding a South Valley Municipality

In the previous chapter, the revenue options open to the new South Valley municipality were discussed and potential revenues from many of these sources were estimated. Table 3.1 pulls together these estimates into a single table. The gross receipts tax estimates were based on economic activity in the South Valley incorporation area in calendar 2006, the latest year for which BBER had data on employment and earnings by establishment. In unincorporated Bernalillo County, the tax base grew by 3.6% between calendar 2006 and FY 07. There are reasons to believe that the rate of increase for the South Valley during the same period may have been less and could have even been negative. Significantly, as was noted above, a very large proportion of South Valley wage and salary employment is in construction. Statewide and in the Albuquerque area, the downturn in housing, as reflected in the year-over-year change in the number of units permitted, dates from mid-2006, with year-over-year decreases for single family housing now in the neighborhood of 50%. Non-residential building and non-building activity continued to evidence strength beyond the turning point for housing, but 2007 activity was generally below a year earlier. Moreover, what happens in construction has effects on other sectors, most notably retail and wholesale trade, real estate, rental and leasing, and professional and business services, affecting architects and engineers among others. The above suggests the wisdom of using the more conservative 2006 numbers.

The local option gross receipts tax estimate assumes that the new City decides to impose the same percentage currently in effect in Albuquerque. As noted earlier, this imposed rate is lower than the local option gross receipts tax rates of some other municipalities in Bernalillo County and considerably lower than Rio Rancho and all the municipalities in Valencia County.

Table 3.1. Estimated FY 07 Revenues for Key Revenue Sources, Proposed South Valley Incorporation Area

	Revenues \$000s	Per Capita Revenues
Population ¹		50,124
GRT-State Shared	8,439	168
GRT-Local Option ²	7,000	140
Property Taxes ³	2,876	57
Franchise Tax	1,350	27
Liquor License Tax	5	0
Cigarette	2	0
Gasoline Tax-Regular	108	2
Gasoline Tax-/Road	59	1
Motor Vehicle Fees	47	1
Law Enforce Protection	30	1
Fire Protection	295	6
EMS	20	0
Corrections Fees	-	-
Licenses & Permits	18	0
Other	-	-
TOTAL	20,248	404

1 Preliminary estimate by BBER before conducting census.

2 Assumes 1.0625% in place (1.000% municipal gross receipts plus 0.0625% infrastructure gross receipts tax).

3 Assumes 5 mill levy

BBER estimates. For methodology, see text.

The property tax estimates assume the new City imposes a 5 mill levy. On a house valued for property tax purposes at \$100 thousand and assuming the owner takes the \$2,000 Head of Household deduction, a 5 mill levy would require an annual property tax payment of \$157. The property owner would, of course, continue to pay the property taxes imposed by Bernalillo County, Albuquerque Public Schools, etc. A 5 mill imposed operational levy is higher than either Tijeras or Los Ranchos have in place but lower than Rio Rancho (7.65 mills imposed) and the Valencia County communities of Los Lunas and Belen (each 7.65 mills). Albuquerque has a lower operating levy (imposed is roughly 3.5 mills) but makes considerable use of its debt service levy, which is just under 8.0 mills.

The franchise tax estimate assumes that the new City is able to negotiate a 3% tax on average with utilities for the use of right away within the South Valley.³⁰ Bernalillo County has in place only one franchise agreement with Comcast for cable television, but the new municipality would have broader authority than a county under State law

³⁰ This is roughly what the City of Albuquerque has in place. According to City economist Jacques Blair, the City of Albuquerque has franchise agreements with the following rates: Gas 3%, Cable 5%, Telecom 3%, Electric 2%, and Water Authority 4%.

to negotiate franchise agreements with utility companies. The estimate is purposely conservative, estimated at 75% of the City of Albuquerque's revenues per capita, because the tax base will require negotiation. License and permit fee revenues only include the mandatory business registration fee. There are many possibilities for additional revenues here. We have not assumed any charges for services, although such user fees are a critical source of income to many communities. Similarly, we have assumed no revenues from fines and penalties, although these can bring in substantial revenues. The new City would have to operate a municipal court in order for the fines to flow to the City rather than to the State.

Comparison with City of Albuquerque

Table 3.2 presents actual data on FY 07 City of Albuquerque revenues and per capita revenues for the same set of revenue sources as presented for the new South Valley City. (To facilitate comparison, the South Valley estimates are presented to the right.) We have broken out payments-in-lieu-of-taxes, which are assessed by the City on the Water Authority and the City's own enterprise funds, which include a franchise fee component for use of City right of way. We have excluded from charges for services all the administrative charges to other funds that recover for the costs of services provided these funds. Note that the revenue per capita is more than twice that estimated for the South Valley. Revealing is the estimated per capita receipts from the State-shared distribution of gross receipts taxes – \$358 versus \$168.³¹ The distribution is 1.225% of taxable gross receipts and for all municipalities, new as well as old, this distribution should include a payment to cover the food and medical services deduction. The City of Albuquerque simply has a much greater tax capacity than does the South Valley area proposed for incorporation. This is not a surprise. Albuquerque has a very large and diversified economy. It is and continues to be the commercial center for the state and also for communities within the Albuquerque metropolitan statistical area. The City has been aggressive in annexing areas with promising commercial prospects so as to generate more gross receipts tax revenues, and has effectively pursued this strategy south of Central Avenue and into the South Valley.

Despite a substantially lower imposed property tax operating levy, the City of Albuquerque generates slightly more (about \$2 per capita) from this revenue source than would the South Valley from a 5 mill levy. Note that Albuquerque raises about \$64 per capita from four revenue sources for which we have not yet included any estimates for the South Valley: charges for services, fines and forfeitures, and interest on investment and miscellaneous, which includes rental on City property.³² It raises some \$25 per capita more than the South Valley by charging for various

³¹ Albuquerque had a higher gross receipts tax rate in place in FY 06, so we cannot easily compare total receipts per capita.

³² Note that this amount includes some \$9 million that the City received from its controversial program to penalize those who run red lights and are caught by camera. This program alone added \$17 to per capita City of Albuquerque revenues in FY 07, but legislation passed by the 2008 Legislature will reduce the fines and also the amounts that the City may keep.

Table 3.2. Operating Revenues, City of Albuquerque and South Valley, FY 07

	City of Albuquerque Revenues		South Valley Revenues	
	\$000s	Per Capita	\$000s	Per Capita
Population ¹		526,366		50,124
GRT-State Shared	188,323	358	8,439	168
GRT-Local Option	152,823	290	7,000	140
Property Taxes	30,883	59	2,876	57
Franchise Tax	18,909	36	1,350	27
Payments in Lieu of Taxes	5,112	10	-	-
Liquor License Tax	204	0	5	0
Cigarette	462	1	2	0
Gasoline Tax	6,986	13	167	2
Motor Vehicle Fees	1,524	3	47	1
DWI Fines	275	1	-	-
Grants- other governments	601	1	-	-
Law Enforce Protection	600	1	30	1
Fire Protection	1,390	3	295	6
EMS	-	-	20	0
Corrections Fees	-	-	-	-
Licenses & Permits	13,049	25	18	0
Charges for Services²	19,715	37	-	-
Fines & Forfeitures	9,198	17	-	-
Interest on Investment	4,050	8	-	-
Miscellaneous	870	2	-	-
TOTAL	454,975	864	20,248	404

1. Preliminary estimate by UNM BBER.

2. Excludes administrative charges to other funds.

Source: City of Albuquerque, NM Local Government Division, BBER estimates for South Valley

licenses and permits beyond the business registration fee, which has negligible revenues to the South Valley.

A comparison with the City of Albuquerque is instructive in several ways: it points out the importance of growing the economy and the gross receipts and property tax bases as well as of preventing future annexations of prime South Valley commercial real estate. However, it also illustrates the importance of other revenue sources, specifically fees and charges for services, to funding municipal government operations.

Comparison with Other Large New Mexico Municipalities

The City of Albuquerque provides an interesting and instructive contrast with the proposed new South Valley municipality, but it is useful to examine the experiences of other large municipalities in New Mexico. Table 3.3 provides comparable data for

Table 3.3. Operating Revenues for Other Large New Mexico Municipalities

	Alamogordo		Carlsbad		Clovis		Farmington		Hobbs		Las Cruces		Rio Rancho		Roswell	
Revenues, in \$000s	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007
GRT-State Shared	6,966	7,057	7,260	7,919	8,620	8,360	24,318	25,872	15,681	18,298	-	30,653	11,393	14,367	10,861	11,753
GRT-Local Option	2,843	2,880	7,982	7,910	7,110	6,642	12,900	13,691	15,720	18,352	53,024	28,071	14,912	18,631	12,745	13,792
GRT-Environ	355	360	-	-	416	412	-	-	-	-	5,951	6,763	672	457	-	-
Property Taxes	1,915	2,056	1,646	1,655	1,119	1,153	1,116	1,237	1,237	1,329	1,553	1,552	6,208	7,288	3,152	3,270
Ad Valorem Oil & Gas	-	-	-	-	-	-	879	206	328	382	-	-	-	-	-	-
Franchise Tax	955	928	762	768	953	929	707	2,571	1,419	1,423	3,618	3,808	2,374	2,753	3,325	1,638
Liquor License Tax	-	-	8	-	10	-	20	16	10	9	-	102	10	12	13	13
Cigarette-(2 cents)	54	48	62	48	62	47	85	101	95	70	35	145	33	40	93	66
Gasoline Tax-Regular	355	543	268	408	343	525	581	841	407	620	962	1,489	355	481	395	589
Gasoline Tax-Road	208	-	173	-	215	-	391	-	250	-	578	-	223	-	251	-
Motor Vehicle Fees	160	161	99	93	103	128	-	239	413	390	447	459	241	266	183	182
Law Enforce Protection	68	66	59	61	60	64	93	89	68	69	138	196	89	94	80	80
Fire Protection	486	94	234	280	295	370	252	308	488	-	311	389	224	280	377	475
EMS	-	-	20	-	20	-	16	-	20	20	30	20	20	19	52	40
Corrections Fees	198	219	182	169	-	-	-	-	143	196	-	-	140	201	104	100
Licenses & Permits	709	603	184	230	296	381	128	129	205	222	4,280	-	370	364	54	494
Administrative Fees	69	185	-	-	-	-	-	-	-	-	7	-	-	-	0	1
Other	1,422	1,325	2,567	2,288	2,609	2,281	6,179	4,509	3,985	5,236	5,573	9,901	10,314	10,321	11,156	9,756
TOTAL	16,764	16,527	21,508	21,829	22,231	21,291	47,665	49,811	40,469	46,617	76,507	83,547	47,578	55,572	42,842	42,250

	Alamogordo		Carlsbad		Clovis		Farmington		Hobbs		Las Cruces		Rio Rancho		Roswell	
Revenues Per Capita	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007
Population ¹	37,956	38,462	25,721	25,832	34,101	34,535	43,967	44,404	29,733	29,892	88,388	91,335	71,607	77,716	46,087	46,316
GRT-State Shared	184	183	282	307	253	242	553	583	527	612	-	336	159	185	236	254
GRT-Local Option	75	75	310	306	208	192	293	308	529	614	600	307	208	240	277	298
GRT-Environ	9	9	-	-	12	12	-	-	-	-	67	74	9	6	-	-
Property Taxes	50	53	64	64	33	33	25	28	42	44	18	17	87	94	68	71
Ad Valorem Oil & Gas	-	-	-	-	-	-	20	5	11	13	-	-	-	-	-	-
Franchise Tax	25	24	30	30	28	27	16	58	48	48	41	42	33	35	72	35
Liquor License Tax	-	-	0	-	0	-	0	0	0	0	-	1	0	0	0	0
Cigarette-(2 cents)	1	1	2	2	2	1	2	2	3	2	0	2	0	1	2	1
Gasoline Tax-Regular	9	14	10	16	10	15	13	19	14	21	11	16	5	6	9	13
Gasoline Tax-Road	5	-	7	-	6	-	9	-	8	-	7	-	3	-	5	-
Motor Vehicle Fees	4	4	4	4	3	4	-	5	14	13	5	5	3	3	4	4
Law Enforce Protection	2	2	2	2	2	2	2	2	2	2	2	2	1	1	2	2
Fire Protection	13	2	9	11	9	11	6	7	16	-	4	4	3	4	8	10
EMS	-	-	1	-	1	-	0	-	1	1	0	0	0	0	1	1
Corrections Fees	5	6	7	7	-	-	-	-	5	7	-	-	2	3	2	2
Licenses & Permits	19	16	7	9	9	11	3	3	7	7	48	-	5	5	1	11
Administrative Fees	2	5	-	-	-	-	-	-	-	-	0	-	-	-	0	0
Other	37	34	100	89	76	66	141	102	134	175	63	108	144	133	242	211
TOTAL	442	430	836	845	652	617	1,084	1,122	1,361	1,560	866	915	664	715	930	912

¹ UNM BBER Population estimates based on 2007 BBER county population estimates, with city proportion assumed to be the same as US Census Bureau estimates for 2006. See <http://www.unm.edu/~bber/demo/bberpopest.htm> and <http://www.unm.edu/~bber/demo/citypopest1.htm>.

NM Department of Finance and Administration, Local Government Division, *State of New Mexico County and Municipal Governments Financial and Property Tax Data Fiscal Year 2006 Annual Report*, same report for fiscal year 2007; City of Las Cruces Budget 2007-08; U.S. Census Bureau, Population Division, Population Estimates Released June 28, 2007; University of New Mexico, Bureau of Business and Economic Research, Population Estimates Program and Mid-Region Council of Governments.

FYs 06 and 07 for seven New Mexico municipalities ranging in population size from 25,000 to 91,000. Not included is Santa Fe, which is unique in many respects.

The data on the revenues of other municipalities deserves some comment. The first revenue source listed is the State-shared gross receipts tax distribution, which, as was discussed above, is reflective of gross receipts tax capacity. Note that there is substantial variation across the municipalities in terms of their gross receipts tax capacity. The two oil and gas producing communities, Hobbs and Farmington had State-shared receipts per capita of over \$500 – well above the per capita yield of Albuquerque and all the other large municipalities. Carlsbad, Clovis, Las Cruces and Roswell all fell in the \$250 to \$310 per capita range for State-shared receipts. At the low end was Alamogordo, with per capita receipts of \$183 and Rio Rancho, with \$185. While both these numbers exceed the \$168 estimated for the South Valley, the difference is not large. Moreover, note that in FY 06, Rio Rancho's per capita distribution was only \$159.

The Rio Rancho case is interesting. This is a community, like the South Valley, that borders Albuquerque and has had very limited gross receipts tax capacity. Yet Rio Rancho operates in Sandoval County, which historically has had far more limited resources than Bernalillo County to fund its operations, and has offered the range of municipal services.³³ Like the South Valley, Rio Rancho has a history of over-dependence on construction. Also like the South Valley, Rio Rancho's economic strength has been in manufacturing and other export-oriented activities on which the gross receipts tax is not paid. Only recently has the City of Rio Rancho been able to grow its commercial and retail sectors.

Note that the total operating revenues identified here vary from a low of \$430 per capita in FY 07 for Alamogordo to a high for the same year of \$1,560 for Hobbs. Receipts per capita for Carlsbad, Clovis, Las Cruces and Roswell in 2007 varied from \$617 in Clovis to over \$900 in Las Cruces and Roswell. Rio Rancho's receipts per capita were over \$700, almost \$100 per capita more than Clovis despite a more limited gross receipts tax base. The detail is informative. Rio Rancho was able to increase substantially its overall operating revenues by a combination of strategies that include imposing more local option gross receipts taxes, having a higher operating property tax levy, negotiating franchise fees with utilities, charging user fees and collecting fines and forfeitures.

Can the South Valley Generate Sufficient Revenues to Support a Municipal Government?

The South Valley does appear (barely) to have gross receipts tax capacity comparable to that of some other large municipalities and may be able to generate

³³ BBER, *Local Governments in the MRGCOG Region: An Analysis of Governmental Revenues and Expenditures*, 1999, which was prepared for the then Middle Rio Grande Council of Governments as part of their 2050 project. One of the interesting findings was the correlation between governmental expenditures for operations and gross receipts tax capacity.

sufficient operating revenues, assuming the residents would support a new government's effort to use its taxing authority, to put in place fees and charges for services, and to go after inter-governmental assistance. But does it have enough revenues to provide municipal services at a level comparable to these communities? Answering this question requires looking at the other side of the ledger and undertaking a careful analysis of the costs to provide municipal services to the South Valley. Chapter 4 presents estimates of how much it currently costs Bernalillo County to deliver municipal-type services to the South Valley. In Chapter 5, we take this analysis further and examine the costs of providing municipal services in Albuquerque and in eight of the largest New Mexico municipalities. This analysis helps us evaluate the reasonableness of the Bernalillo County estimates and provides a basis for developing a revised set of cost estimates.

Chapter 5 also incorporates information gathered from Bernalillo County and from the City of Albuquerque on the revenues raised by different municipal service programs from fees and charges for services. Other revenue options are also explored. This final chapter thus examines the question of how much it may cost to provide services to residents and businesses in the South Valley and discusses options for bringing revenues in line with needed expenditures. As will be seen, Bernalillo County's willingness to continue to provide services in a transition period will be critical.

CHAPTER 4

CURRENT SERVICE PROVISION TO THE SOUTH VALLEY

Bernalillo County has many statutory responsibilities to provide services county-wide, but the County also provides municipal-type services to the unincorporated area and, in some cases, to those areas that have elected to incorporate. BBER attempted to estimate how much it currently costs Bernalillo County to provide municipal-type services to the unincorporated South Valley. The specific County-provided services studied were: animal services; emergency communications; fire and rescue; sheriff; road maintenance; traffic engineering; storm drainage; infrastructure planning and GEO resources; engineering and construction; fleet–facility management; solid waste; zoning, building, and planning; environmental health; parks and recreation; social services; housing, library, and bus services. (For more information about agencies providing other services to the South Valley, see the companion BBER report, *The Transition from Unincorporated Community to Municipality in the South Valley*, by Joshua Akers.)

To estimate the current cost of Bernalillo County's provision of these services to the South Valley, BBER started with the total actual general fund expenditures for each program, broken down into compensation, different categories of operating expenses, capital outlay, and carry-overs for fiscal years 2004 to 2007,³⁴ as well as information on South Valley facilities and infrastructure. (See Appendix B.) We also collected information on full time equivalent employment (FTE) and on the revenues generated by each program from fees and charges for services. The South Valley accounts for an estimated 45 percent of the population in the unincorporated area, but the cost of serving the South Valley relative to the costs for serving the unincorporated area as a whole will be higher or lower depending upon facilities, density and other factors. We therefore spoke with representatives from each department (or program) about the services provided and how best to allocate costs, FTE, and revenues to the South Valley incorporation area. In some cases, the department representatives were able to give us detailed data from which to make our estimates. When this was not possible, we consulted with the department about an appropriate measure to use to most closely approximate the South Valley percent of the total budget. The method used for each service is described in the narrative that follows.

For each service area, we have included the following: a description of the department or program responsible for providing the service; a discussion of the current cost, including any extra costs not captured in the budgetary data and any

³⁴ Figures on actual expenditures and for total program revenues for FYs 04-06 were per the *Bernalillo County Biennial Budget Fiscal Years 2007 and 2008*, available in hard copy or on the County's website, http://www.bernco.gov/upload/images/budget/budget_2007_2008/budget_2007_2008.htm. We also made some use of the preliminary *Bernalillo County Biennial Budget Fiscal Years 2009 and 2010*. Bernalillo County provided detailed figures on actual expenditures for FY 07.

particular challenges to providing the service to the South Valley proposed incorporation area, as well as any revenues generated by the department; and finally, a description of the method used to arrive at the South Valley incorporation area proportion of the total cost. There are two tables for each service: one for operating costs and revenues and one for employment.

A note on the data: fuel and vehicle and maintenance costs for all County departments are covered through the Fleet and Facilities Management Department and are therefore not included in the expenditures discussed below for any departments except for the three for which BBER was able to acquire fuel and maintenance costs: Fire and Rescue, Sheriff, and Road Maintenance. Therefore, cost estimates for the other services are lower than the actual cost of providing each service if the fuel and maintenance were included.

Animal Services³⁵

The Animal Services Department has two sections: Animal Control and Administrative Services. Animal Control is responsible for enforcing animal-related County regulations and for handling stray, dangerous, and dead animals in the areas of the county outside the Albuquerque City limits. Animal Control also issues permits that regulate special cases of pet ownership and works with the Sheriff's Department and the Fire Marshall's Office when animals are involved in situations managed by these departments. Administrative Services supports Animal Control by overseeing dispatching and licensing services in addition to monitoring revenue.

Animal Services' headquarters, which houses all the staff, vehicles, and equipment for the department, is located in the South Valley.³⁶ The department estimates around 75% of the total calls for services come from the South Valley. Seventy-five percent of the total licenses and permits issued in the unincorporated area are estimated to be for South Valley customers. Of the 10 officers from this department, three are assigned specifically to the South Valley and four of the remaining seven officers are "floaters" who may assist in the South Valley as needed. The remaining personnel are not assigned to a geographic area.

A small amount of revenues (\$25 thousand in FY 06 and \$28 thousand in FY 07) for this department is generated from fees for permits and licenses. Animal Services contracts landfill disposal and shelter facilities services with the City of Albuquerque at a cost of around \$75 thousand per year. Based upon the percentage of calls for service originating in the South Valley and the percentage of licenses/permits issued to residents there, BBER assumed the same percentage (75%) of the overall budget for the Animal Services Department as a whole pertains to the South Valley. Thus, BBER estimates that Bernalillo County currently spends an estimated \$420.5

³⁵ Bernalillo County department and program descriptions are taken from the *Bernalillo County Biennial Budget Fiscal Years 2007 and 2008*. Specific information about departments was obtained through conversations with departmental representatives by BBER staff members in June, 2008.

³⁶ For a listing of the facilities and infrastructure in the South Valley, see Table B.1. in Appendix B.

thousand of the total \$566 thousand budgeted for the entire unincorporated area on the South Valley portion. (See Table 4.1, below.)

The Animal Services representative BBER spoke to indicated that providing animal control services to the South Valley area is challenging because of the lack of roads, the rural terrain, and the number of livestock in the area. These issues mean that expensive specialized equipment such as trailers and off-road vehicles are required. The department currently has some of this equipment, but indicated that another 4-wheel drive vehicle is necessary. The department representative said the one 4-wheel drive vehicle currently in their inventory cost \$36 thousand.

Table 4.1. Estimated Costs and Revenues for Providing Animal Services to the South Valley

All Figures in \$000s				
	Bernalillo County		Estimated South Valley ^a	
	FY 06	FY 07	FY 06	FY 07
GENERAL FUND				
Animal Control				
Employee Compensation	470	520	352	390
Other Operating Expenses	36	41	27	31
Total Recurring Expenditures	506	561	379	421
Carry-overs, One-Time, Capital	40	16	30	12
Total Expenditures	546	577	409	433
Revenues ^b	25	28	19	21
Administrative Services				
Employee Compensation	107	109	80	82
Other Operating Expenses	125	113	94	85
Total Recurring Expenditures	232	222	174	167
Carry-overs, One-Time, Capital	41	35	30	26
Total Expenditures	273	257	205	193
Revenues ^b	-	-	-	-
Total Recurring Expenditures	738	783	553	587
Total Revenues	25	28	19	21

a. Costs are allocated to the South Valley based on information provided by Bernalillo County and BBER estimates.

b. General Fund revenues from fees and charges for services unless otherwise identified.

Source: Data are from Bernalillo County Biennial Budget FY 2007-08 and 2009-10; South Valley estimates are based on BBER preliminary estimates of population and interviews with Bernalillo County staff.

Table 4.2. Estimated Animal Services Full Time Equivalent Personnel, June 30

	Bernalillo County		Estimated South Valley ^a	
	FY 06	FY 07	FY 06	FY 07
<u>GENERAL FUND</u>				
Animal Control	12.0	12.0	9.0	9.0
Administrative Services	3.0	3.0	2.3	2.3
Total FTE	15.0	15.0	11.3	11.3

a. South Valley allocation estimates based on information provided by Bernalillo County and BBER estimates.

Source: Data are from Bernalillo County Biennial Budget FY 2007-08 and 2009-10; South Valley estimates are based on BBER preliminary estimates of population and interviews with Bernalillo County staff.

Emergency Communications

Emergency Communications provides emergency dispatch for fire, emergency medical services, and law enforcement to the unincorporated area of Bernalillo County, Tijeras, Isleta Pueblo, Los Ranchos, Sandia Casino, and the Route 66 Casino. A representative of the Emergency Communications Department estimated that 75% of the total calls are from the South Valley,³⁷ which is what BBER used as the South Valley incorporation area allocation percentage. The annual operating costs of this department in FY 07,³⁸ were \$2.7 million, so the South Valley incorporation area proportion of these costs is estimated to be \$1.9 million. Likewise, of the 49 County employees in this department, BBER allocated 36.8 to the South Valley incorporation area. There would seem to be advantages to a new South Valley municipality joining other Bernalillo County jurisdictions in a centralized emergency communications system.

³⁷ The 75% figure may or may not be accurate. The actual breakdown of calls between and among different jurisdictions would need to be scrutinized.

³⁸ FY 07 is the most recent year for which actual expenditure data is available from the County. However, actual revenues for FY 07 were not available at the time of this research; therefore, the FY 07 revenues listed in the tables for each department reflect estimates provided in the FY 07-08 Biennial Budget.

Table 4.3. Estimated Costs and Revenues for Providing Emergency Communications Services to the South Valley

All Figures in \$000s				
	Bernalillo County		Estimated South Valley ^a	
	FY 06	FY 07	FY 06	FY 07
GENERAL FUND				
Emergency Communications				
Employee Compensation	2,285	2,347	1,714	1,760
Other Operating Expenses	305	301	228	226
Total Recurring Expenditures	2,589	2,648	1,942	1,986
Carry-overs, One-Time, Capital	121	41	90	30
Total Expenditures	2,710	2,688	2,032	2,016
Revenues ^b	-	-	-	-
Total Recurring Expenditures	2,589	2,648	1,942	1,986
Total Revenues	-	-	-	-

a. Costs are allocated to the South Valley based on information provided by Bernalillo County and BBER estimates.

b. General Fund revenues from fees and charges for services unless otherwise identified.

Source: Data are from Bernalillo County Biennial Budget FY 2007-08 and 2009-10; South Valley estimates are based on BBER preliminary estimates of population and interviews with Bernalillo County staff.

Table 4.4. Estimated Emergency Communications Full Time Equivalent Personnel, June 30

	Bernalillo County		Estimated South Valley ^a	
	FY 06	FY 07	FY 06	FY 07
GENERAL FUND				
Communications	49.0	49.0	36.8	36.8
Total FTE	49.0	49.0	36.8	36.8

a. South Valley allocation estimates based on information provided by Bernalillo County and BBER estimates.

Source: Data are from Bernalillo County Biennial Budget FY 2007-08 and 2009-10; South Valley estimates are based on BBER preliminary estimates of population and interviews with Bernalillo County staff.

Fire and Rescue

The Fire and Rescue Department consists of three sections: the Fire Prevention Bureau, the Operations Division, the Support Services Division, and the Emergency Preparedness program. The purpose of the Fire Prevention Bureau is to enforce codes and ordinances related to fire and safety. Services provided by the Bureau include building inspections, hazardous material identification, fire investigations, and fire prevention programs, among other services. The purpose of the Operations Division is to educate the public about, prevent, and respond to fire and rescue situations. The Division accomplishes its purpose by providing firefighting and medical assistance in emergency situations. The Support Services Division's mission is to provide administrative support to the other sections of the department. This

support includes handling fleet maintenance and replacement, human resource functions, and financial administration, among other things.

In the Bernalillo County budgets, the Emergency Preparedness program is included with the Fire and Rescue Department. Since this program essentially functions separately from the Fire and Rescue Department and is not usually included with fire department functions in other jurisdictions, BBER has not included the operating costs for this program in the total Fire and Rescue Department operating costs, though the budgetary information is included in the Fire and Rescue Department table (Table 4.5), below. Fuel and maintenance costs for the fire districts in the South Valley incorporation area (provided by the Fleet and Facilities Management Department) are also included in the table and these costs were added to the total operating expenditures.

Of the twelve fire districts in the county, four are located in the South Valley incorporation area.³⁹ These districts each have a fire engine, and three of the four also have rescue vehicles. Each fire district is required to have a paramedic on duty at all times. Thirty-nine percent of the total firefighters and paramedics in the unincorporated area stations are in the South Valley incorporation area, so BBER applied this percentage to the Fire Operations and Support Services divisions' total budgets. BBER applied the South Valley incorporation area percent of the unincorporated area population (45%),⁴⁰ to the Fire Prevention Division's budget, assuming that the services provided by this division are not facility-driven and apply to the residents of the unincorporated area equally.

The total recurring expenditures for Fire and Rescue in FY 07 are \$11.7 million and the South Valley proportion is \$4.6 million, based on the weighted average of the South Valley percents for Fire Prevention, Operations, and Support.

The Fire Prevention program is the only program within the Fire and Rescue Department that generates any revenues, around \$50 thousand per year from fees for inspections. There are several special revenue funds that provide revenues to the Fire and Rescue Department: the Emergency Medical Services Fund, the Fire Districts Fund, and the Energy Research And Development Fund, which provides revenues for Fire & Rescue capital outlay.

The County is actively trying to meet the National Fire Protection Association's Standard 1710, which requires that every engine have four personnel on it. At this point, there are only three per engine across the unincorporated area. If the South Valley incorporates and would like to comply with Standard 1710, they would need to hire more personnel than are currently in place. While the County does train volunteers, according to a Fire Department representative, they tend to be either hired on as paid staff or they "disappear." Therefore, County use of volunteer

³⁹ For a listing of the facilities and infrastructure in the South Valley, see Table B.1. in Appendix B.

⁴⁰ Based on BBER estimates of the South Valley incorporation area and the unincorporated area populations.

firefighters is negligible. (The representative also indicated that other factors could be contributing to the decline in the number of volunteer firefighters, such as a nationwide decline and the fact that urbanized areas tend to have fewer volunteers than rural areas.)

The County Fire Department has mutual aid agreements with the City of Albuquerque and the surrounding Pueblos. The Department representative BBER spoke to said it would be wise for the new municipality to have agreements with its neighboring communities as well, which would need to be re-negotiated.

Other expenses the South Valley should consider are the cost of purchasing new fire vehicles and equipment and the cost of providing its own emergency communications service. The Fleet and Facilities Management Department estimates that new fire vehicles cost around \$120 thousand each. BBER estimates emergency communications service would cost \$302.5 thousand, based on the estimates of fire calls from the South Valley provided by Emergency Communications (15% of total calls).

Table 4.5. Estimated Costs and Revenues for Providing Fire and Rescue Services to the South Valley

All Figures in \$000s				
	Bernalillo County		Estimated South Valley ^a	
	FY 06	FY 07	FY 06	FY 07
GENERAL FUND				
Fire Prevention				
Employee Compensation	434	452	195	204
Other Operating Expenses	17	21	8	9
Total Recurring Expenditures	450	473	203	213
Carryovers, One-Time, Capital	8	13	4	6
Total Expenditures	459	487	206	219
Revenues ^b	55	50	25	22
Fire Operations				
Employee Compensation	9,456	10,378	3,688	4,048
Other Operating Expenses	43	81	17	31
Total Recurring Expenditures	9,498	10,459	3,704	4,079
Carryovers, One-Time, Capital	26	21	10	8
Total Expenditures	9,524	10,480	3,714	4,087
Revenues ^b	-	-	-	-
Fire Support				
Employee Compensation	628	643	245	251
Other Operating Expenses	26	27	10	10
Total Recurring Expenditures	654	669	255	261
Carryovers, One-Time, Capital	4	10	1	4
Total Expenditures	657	679	256	265
Revenues ^b	-	-	-	-
Fuel and Maintenance Costs ^c				
Fuel	NA	28	NA	11
Maintenance	NA	103	NA	40
Total Recurring Expenditures	10,602	11,733	4,162	4,604
Total Revenues	55	50	25	22

a. Costs are allocated to the South Valley based on information provided by Bernalillo County and BBER estimates.

b. General Fund revenues from fees and charges for services unless otherwise identified.

c. Fuel and maintenance costs only available for FY 2007

Source: Data are from Bernalillo County Biennial Budget FY 2007-08 and 2009-10; Bernalillo County FY 2007 Comprehensive Annual Financial Report; South Valley estimates are based on BBER preliminary estimates of population and interviews with Bernalillo County staff.

Table 4.5. Estimated Costs and Revenues for Providing Fire and Rescue Services to the South Valley, Continued

All Figures in \$000s				
	Bernalillo County		Estimated South Valley ^a	
	FY 06	FY 07	FY 06	FY 07
Emergency Preparedness				
Employee Compensation	NA	335	NA	151
Other Operating Expenses	NA	-	NA	-
Total Recurring Expenditures	NA	335	NA	151
Carryovers, One-Time, Capital	NA	-	NA	-
Total Expenditures	NA	335	NA	151
Revenues ^b	NA	-	NA	-
<u>SPECIAL REVENUE FUNDS</u>				
Energy Research and Development Agency ^c				
Total Expenditures	520	458	205	180
Total Revenues	121	151	48	59
Emergency Medical Services ^c				
Total Expenditures	236	227	208	199
Total Revenues	261	226	114	99
Fire Districts ^c				
Total Expenditures	835	928	100	110
Total Revenues	1,833	-	572	-

a. Costs are allocated to the South Valley based on information provided by Bernalillo County and BBER estimates.

b. General Fund revenues from fees and charges for services unless otherwise identified.

c. NON-GAAP budgetary basis

Source: Data are from Bernalillo County Biennial Budget FY 2007-08 and 2009-10; Bernalillo County FY 2007 Comprehensive Annual Financial Report; South Valley estimates are based on BBER preliminary estimates of population and interviews with Bernalillo County staff.

Table 4.6. Estimated Fire and Rescue Full Time Equivalent Personnel, June 30

	Bernalillo County		Estimated South Valley ^a	
	FY 06	FY 07	FY 06	FY 07
<u>GENERAL FUND</u>				
Fire Prevention	7.0	7.0	3.2	3.2
Operations	168.0	178.0	65.5	69.4
Support Services	19.0	14.0	7.4	5.5
Total FTE	194.0	199.0	76.1	78.0
Emergency Preparedness	NA	5.0	NA	2.3

a. South Valley allocation estimates based on information provided by Bernalillo County and BBER estimates.

Source: Data are from Bernalillo County Biennial Budget FY 2007-08 and 2009-10; South Valley estimates are based on BBER preliminary estimates of population and interviews with Bernalillo County staff.

Sheriff

The Sheriff's Department consists of the following units: the Criminal Investigations Division, the Court Services Division, the Field Services Division, the Executive Branch ("Headquarters"), the Metropolitan Air Support Unit ("Metro Air"), and the Support Services Division.

The Criminal Investigations Division is responsible for investigating crimes and is comprised of an administrative staff that provides record keeping and other support services, as well as six specialized sections: Violent Crimes, Sex Crimes/Juvenile, Criminalistics, Narcotics, Gang Unit, and White Collar Crimes. Each section is responsible for investigating crimes that fall under its respective scope, excepting Criminalistics, which supports the other sections by handling and safeguarding evidence during investigations.

The Court Services Division handles civil process, transports and extradites prisoners, and provides court security for both the Second Judicial District Court and the Juvenile Justice Center.

The Field Services Division provides law enforcement response to crimes against persons and property as well as motor vehicle accidents. The Field Services Division also enforces State traffic laws and complies with other requests to provide issue resolution through law enforcement.

Headquarters is responsible for administering the Department's budgets and grants as well as providing direction and leadership and establishing policies and procedures within the Department. Headquarters also provides statistical information through the Crime Analysis Unit and maintains an independent Internal Affairs Unit.

Metro Air provides airborne response to crime scene investigations, patrols traffic corridors, helps track and locate criminals, and also assists Search and Rescue and the Fire Department as needed.

The Support Services Division provides many of the Sheriff Department's day-to-day operational support (payroll, etc.), in addition to handling cadet training, record keeping, warrant-verification and working with the District Attorney's Office to provide efficient communication between the Sheriff's Department and the District Attorney's Office.

The South Valley Command Center is a sub-station located in the South Valley incorporation area at 2037/2039 Isleta Boulevard SW.⁴¹ According to a Sheriff's Department representative, the deputies and detectives assigned to this area command work at this substation and prisoners are brought to the substation to be

⁴¹ For a listing of the facilities and infrastructure in the South Valley, see Table B.1. in Appendix B.

interviewed and given breath tests. The sub-station is open to the public and can be used for public meetings.

The total recurring expenditures for the Sheriff's Department in FY 07 were \$26.7 million, including fuel and maintenance costs for department vehicles. BBER allocated the South Valley percent of the Criminal Investigations using 2006 crimes by beat geography statistics from the Sheriff's Department, which showed that 65% of crime occurred in the South Valley. The remaining divisions' South Valley proportion was determined based upon information given by the Sheriff's Department on percents of Field Services', Headquarters', and Support Services' time and resources dedicated to the South Valley incorporation area. Lacking information on the South Valley incorporation area percent of the Metro Air Division's budget, BBER assigned the weighted average of the South Valley percents for the other Sheriff divisions to this division. The Court Services expenditures and revenues were not included in the South Valley proportion because the services provided by this division apply to the entire county and would not be provided by the new South Valley City.

Table 4.8 shows the County Sheriff's Department expenditures and revenues and BBER's estimates of the South Valley portion of these amounts. As the table shows, around \$1 million in revenues is generated annually by the Court Services and Field Services Divisions (combined). Court Services generates revenues through processing and collection of fees for writs and from the Bernalillo County Metropolitan Court for reimbursement for the use of security officers. As stated above, Court Services' revenues and expenditures were excluded from the South Valley estimates. Field Services collects revenues from the Village of Los Ranchos and other federal task force agencies for law enforcement services. The charges for services to Los Ranchos were subtracted from the County Field Services' total expenditures and revenues before applying the South Valley percentage (50%) to these amounts, because this is not a service the South Valley would provide if it formed its own police department.⁴² The four personnel the County provides to Los Ranchos through this contract were also deducted from the South Valley portion of the total County sheriff personnel before applying the South Valley percentage. The Sheriff's Department also has three special revenue funds: law enforcement protection, sheriff's investigative fund, and law enforcement block grants.

Again assuming that emergency dispatch service would be provided by the new municipality, the cost of providing emergency communications services should be added to the Sheriff Department operating costs. BBER estimates this service would cost a little over \$1.2 million, based on the estimates of sheriff calls from the South Valley provided by Emergency Communications (60% of total calls). Another potential cost to the new municipality is that of vehicle purchases. A Sheriff's Department representative gave BBER detailed information on the vehicles in use in the South Valley, which is shown in Table 4.8., below. The 68 vehicles currently used by the sheriff's department in the South Valley cost nearly \$2 million to purchase and

⁴² The charges for services paid by Los Ranchos in FY 06 and in FY 07 were \$272,637 and \$301,649 (both actuals), respectively.

make ready for service. These vehicles include 56 Ford Crown Victorias used by sworn officers, Community Service Aides, South Area Command Center supervisors, and the South Valley Commander; six Ford Expeditions used by the K-9 unit;⁴³ and six Chevy Impalas used by four sworn officers, the school crossing guard supervisor, and a social worker.

Table 4.7. 2008 Sheriff's Department South Valley Vehicle Inventory

All Figures in \$000s				
Vehicle Type	Number	Purchase	Make Ready	Total
		Cost	Cost	
Marked Ford Crown Victoria	50	\$21.6	\$8.3	\$1,498.7
Unmarked Ford Crown Victoria	6	\$21.7	\$4.8	\$158.9
Ford Expedition	6	\$23.7	\$7.8	\$189.1
Chevy Impala	6	\$17.6	\$1.7	\$115.8
Total	68	\$84.6	\$22.7	\$1,962.4

Source: Bernalillo County Sheriff's Department, June, 2008.

⁴³ The K-9 unit is "assigned to the South Area Command due to the large amount of calls requiring a K-9 unit on scene in the South Valley." (Personal communication with a Sheriff's Department representative. June, 2008)

Table 4.8. Estimated Costs and Revenues for Providing Sheriff Services to the South Valley

All Figures in \$000s				
	Bernalillo County		Estimated South Valley ^a	
	FY 06	FY 07	FY 06	FY 07
GENERAL FUND				
Criminal Investigations				
Employee Compensation	4,329	4,461	2,801	2,886
Other Operating Expenses	90	77	58	50
Total Recurring Expenditures	4,420	4,538	2,860	2,936
Carry-overs, One-Time, Capital	4,357	18	2,819	12
Total Expenditures	8,777	4,556	5,679	2,948
Revenues ^b	-	-	-	-
Court Services				
Employee Compensation	3,294	3,264	-	-
Other Operating Expenses	197	256	-	-
Total Recurring Expenditures	3,491	3,519	-	-
Carry-overs, One-Time, Capital	47	73	-	-
Total Expenditures ^c	3,538	3,592	-	-
Revenues ^b	551	528	-	-
Field Services				
Employee Compensation	13,546	13,480	6,639	6,591
Other Operating Expenses	159	151	78	74
Total Recurring Expenditures ^d	13,705	13,631	6,717	6,665
Carry-overs, One-Time, Capital	29	22	14	11
Total Expenditures	13,734	13,653	6,731	6,675
Revenues ^{b,d}	573	423	150	61
Headquarters				
Employee Compensation	1,128	1,207	587	627
Other Operating Expenses	130	186	67	97
Total Recurring Expenditures	1,258	1,392	654	724
Carry-overs, One-Time, Capital	2	33	1	17
Total Expenditures	1,259	1,426	655	741
Revenues ^b	-	-	-	-

a. Costs are allocated to the South Valley based on information provided by Bernalillo County and BBER estimates.

b. General Fund revenues from fees and charges for services unless otherwise identified.

c. Court Services expenditures and revenues were excluded from the South Valley estimates because these services would not be provided by the new municipality.

d. The estimated South Valley Field Services total expenditures and revenues reflect the subtraction of the charges for services the Village of Los Ranchos pays to the County before multiplication by the South Valley percentage. See report for more information.

Source: Data are from Bernalillo County Biennial Budget FY 2007-08 and 2009-10; Bernalillo County FY 2007 Comprehensive Annual Financial Report; South Valley estimates are based on BBER preliminary estimates of population and interviews with Bernalillo County staff.

Table 4.8. Estimated Costs and Revenues for Providing Sheriff Services to the South Valley, Continued

All Figures in \$000s				
	Bernalillo County		Estimated South Valley ^a	
	FY 06	FY 07	FY 06	FY 07
Metro Air				
Employee Compensation	40	23	21	12
Other Operating Expenses	132	111	69	58
Total Recurring Expenditures	<u>172</u>	<u>134</u>	<u>89</u>	<u>70</u>
Carry-overs, One-Time, Capital	15	27	8	14
Total Expenditures	<u>187</u>	<u>161</u>	<u>97</u>	<u>84</u>
Revenues ^b	-	-	-	-
Support Services				
Employee Compensation	2,709	2,785	1,178	1,212
Other Operating Expenses	422	501	183	218
Total Recurring Expenditures	<u>3,131</u>	<u>3,286</u>	<u>1,362</u>	<u>1,430</u>
Carry-overs, One-Time, Capital	93	45	40	19
Total Expenditures	<u>3,223</u>	<u>3,330</u>	<u>1,402</u>	<u>1,450</u>
Revenues ^b	-	-	-	-
Fuel and Maintenance Costs ^c				
Fuel	NA	161	NA	94
Maintenance	NA	31	NA	18
Total Recurring Expenditures	26,176	26,693	11,681	11,937
Total Revenues	1,125	952	150	61
<u>SPECIAL REVENUE FUNDS:</u>				
Law Enforcement Protection ^d				
Total Expenditures	218	209	100	96
Total Revenues	179	176	82	81
Sheriff's Investigative Fund ^e				
Total Expenditures	445	389	288	252
Total Revenues	489	706	316	457
Law Enforcement Block Grants ^e				
Total Expenditures	224	62	103	28
Total Revenues	224	62	103	28

a. Costs are allocated to the South Valley based on information provided by Bernalillo County and BBER estimates.

b. General Fund revenues from fees and charges for services unless otherwise identified.

c. Fuel and maintenance costs only available for FY 2007.

d. NON-GAAP budgetary basis

e. Accrual budgetary basis

Source: Data are from Bernalillo County Biennial Budget FY 2007-08 and 2009-10; Bernalillo County FY 2007 Comprehensive Annual Financial Report; South Valley estimates are based on BBER preliminary estimates of population and interviews with Bernalillo County staff.

**Table 4.9. Estimated Sheriff Department Full Time
Equivalent Personnel, June 30**

	Bernalillo County		Estimated South Valley ^a	
	FY 06	FY 07	FY 06	FY 07
<u>GENERAL FUND</u>				
Criminal Investigations	55.0	55.0	35.6	35.6
Court Services	35.0	35.0	-	-
Field Services	183.0	183.0	89.5	89.5
Headquarters	17.0	17.0	9.2	9.2
Metro Air	NA	NA	NA	NA
Support Services	57.0	57.0	30.8	30.8
Total FTE	347.0	347.0	165.0	165.0

a. South Valley allocation estimates based on information provided by Bernalillo County and BBER estimates.

Source: Data are from Bernalillo County Biennial Budget FY 2007-08 and 2009-10; South Valley estimates are based on BBER preliminary estimates of population and interviews with Bernalillo County staff.

Public Works

Public Works, as described in this report, includes those services related to roads and storm drainage, including construction and maintenance, as well as engineering and design of this infrastructure. Bernalillo County also includes Fleet and Facilities Management in their Public Works Division, but BBER chose to separate out these services so as to make comparisons to other municipalities easier. The budgetary and employment information for the Operations and Maintenance Department, which includes Road Maintenance, Traffic Engineering, and Storm Drainage, as well as for the Infrastructure Planning and GEO Resources and Technical Services departments are combined in Table 4.10 and 4.11, below, with an accompanying discussion of the data following the table. The revenues for FY 07 shown in the "Total Revenues" line of table 4.10 are based on actual revenue data provided by Public Works' Division Support. BBER did not obtain the same information for FY 06, so no revenue is reported for that year.

Public Works' Division Support Services provides administrative services to the entire division, as does the Information Technologies (IT) program. Expenditures for both of these programs were allocated to the other Public Works units based on each unit's percent of the total division's expenditures. The allocations for Operations and Maintenance, Infrastructure Planning and GEO Resources, and Technical Services are combined in Tables 4.10 and 4.11 and for Fleet-Facilities Management in Tables 4.14 and 4.15.

Table 4.10. Estimated Costs and Revenues for Providing Public Works Services to the South Valley

All Figures in \$000s

	Bernalillo County		Estimated South Valley ^a	
	FY 06	FY 07	FY 06	FY 07
GENERAL FUND				
Road Maintenance Program				
Employee Compensation	1,621	1,764	535	582
Other Operating Expenses	263	485	87	160
Fuel and Maintenance Costs ^b				
Fuel	NA	22	NA	7
Maintenance	NA	38	NA	13
Total Recurring Expenditures	1,884	2,309	622	762
Carry-overs, One-Time, Capital	181	1,135	60	375
Total Expenditures	2,064	3,444	681	1,136
Traffic Engineering				
Employee Compensation	680	613	317	286
Other Operating Expenses	183	78	85	36
Total Recurring Expenditures	863	691	402	322
Carry-overs, One-Time, Capital	29	19	14	9
Total Expenditures	892	709	416	331
Storm Drainage				
Employee Compensation	194	197	126	128
Other Operating Expenses	7	7	5	5
Total Recurring Expenditures	201	204	131	133
Carry-overs, One-Time, Capital	-	0	-	0
Total Expenditures	201	204	131	133
GIS				
Employee Compensation	590	614	217	226
Other Operating Expenses	65	57	24	21
Total Recurring Expenditures	654	671	241	247
Carry-overs, One-Time, Capital	20	38	7	14
Total Expenditures	674	709	248	261
Right of Way				
Employee Compensation	297	333	109	123
Other Operating Expenses	10	9	4	3
Total Recurring Expenditures	307	342	113	126
Carry-overs, One-Time, Capital	3	1	1	0
Total Expenditures	310	343	114	126

a. South Valley allocation estimates based on information provided by Bernalillo County and BBER estimates.

b. Fuel and maintenance costs only available for certain programs and only for FY 07.

Source: Data are from Bernalillo County Biennial Budget FY 2007-08 and 2009-10; South Valley estimates are based on BBER preliminary estimates of population and interviews with Bernalillo County staff.

Table 4.10. Estimated Costs and Revenues for Providing Public Works Services to the South Valley, Continued

All Figures in \$000s				
	Bernalillo County		Estimated South Valley ^a	
	FY 06	FY 07	FY 06	FY 07
Tech Planning				
Employee Compensation	310	336	112	121
Other Operating Expenses	4	(28)	1	(10)
Total Recurring Expenditures	<u>314</u>	<u>308</u>	<u>113</u>	<u>111</u>
Carry-overs, One-Time, Capital	1	0	0	0
Total Expenditures	<u>315</u>	<u>308</u>	<u>113</u>	<u>111</u>
Engineering/Construction				
Employee Compensation	2,030	2,011	746	739
Other Operating Expenses	17	22	6	8
Total Recurring Expenditures	<u>2,047</u>	<u>2,033</u>	<u>752</u>	<u>747</u>
Carry-overs, One-Time, Capital	11	11	4	4
Total Expenditures	<u>2,058</u>	<u>2,044</u>	<u>757</u>	<u>752</u>
Administrative Allocation				
Division Support	421	440	155	162
IT	153	179	59	66
Total Recurring Expenditures	6,844	7,177	2,587	2,675
Total Revenues ^b	NA	1,558	NA	516
<u>SPECIAL REVENUE FUNDS:</u>				
Public Works Grants				
Total Expenditures	3,127	3,690	1,150	1,357
Total Revenues	3,127	3,690	1,150	1,357

a. South Valley allocation estimates based on information provided by Bernalillo County and BBER estimates.

b. Public Works general fund revenues from fees and charges for services provided by Public Works' Division Support and only available for FY 07.

Source: Data are from Bernalillo County Biennial Budget FY 2007-08 and 2009-10; Bernalillo County FY 2007 Comprehensive Annual Financial Report; South Valley estimates are based on BBER preliminary estimates of population and interviews with Bernalillo County staff.

Table 4.11. Estimated Public Works Full Time Equivalent Personnel, June 30

	Bernalillo County		Estimated South Valley ^a	
	FY 06	FY 07	FY 06	FY 07
<u>GENERAL FUND</u>				
Road Maintenance Program	41.0	41.0	13.5	13.5
Traffic Engineering	14.0	14.0	6.5	6.5
Storm Drainage	4.0	4.0	2.6	2.6
GIS	9.0	9.0	3.3	3.3
Right of Way	6.0	6.0	2.6	2.2
Tech Planning ^b	9.0	9.0	3.2	3.2
Engineering/Construction	35.0	35.0	12.9	12.9
Administrative Allocation				
Division Support	6.3	6.3	2.3	2.3
IT	2.1	2.1	0.8	0.8
Total FTE	126.4	126.4	47.7	47.4

a. South Valley allocation estimates based on information provided by Bernalillo County and BBER estimates.

b. Figures differ from Technical Planning totals in the budget due to inclusion of employment allocated to "Infrastructure" in the Full-Time Equivalent County Employees by Function section of the FY 2007 Bernalillo County Comprehensive Annual Financial Report.

Source: Data are from Bernalillo County Biennial Budget FY 2007-08 and 2009-10; South Valley estimates are based on BBER preliminary estimates of population and interviews with Bernalillo County staff.

Road Maintenance. The Road Maintenance program maintains 718 miles of roads in Bernalillo County. Crews perform pothole and other repairs, grading, paving, sweeping, dust control, ice and snow removal. The program also cleans culverts and ditches with the Juvenile Detention Center providing labor for weed and litter removal.

Of the 725 miles of roads in the unincorporated area of Bernalillo County, 236, or 33%, are in the South Valley incorporation area. As Table 4.12 shows, 92% of the road miles in the South Valley are paved, 3% are gravel, and 5% are dirt, as compared to 72%, 23%, and 5%, respectively, in the unincorporated area as a whole.

Table 4.12. Road Miles by Type in Unincorporated Bernalillo County and in the South Valley Incorporation Area

Road Surface	Unincorporated		South Valley		South Valley
	Area	Percent		Percent	Percent
Paved	523.1	72%	216.9	92%	41%
Gravel	163.7	23%	7.9	3%	5%
Dirt	37.8	5%	11.7	5%	31%
Total	724.5	100%	236.5	100%	33%

Source: Bernalillo County 2008 Road Inventory; calculations by BBER.

BBER had access to road width data for the roads in the South Valley area, which we used to calculate the lane miles for the South Valley.⁴⁴ BBER determined that there are 528 paved, 19 gravel, and 25 dirt lane miles in the South Valley incorporation area, all of which would need to be maintained.

According to the Mid-Region Council of Governments, one lane mile of paved road costs \$1.65 million to build or reconstruct and \$825 thousand to rehabilitate (these figures do not include the cost of right of way acquisition, shoulder, median, or sidewalk construction, or other additions.). A County Road Maintenance Department representative told BBER that unpaved roads cost twice as much as paved roads to maintain. This representative also said that the County has recently been moving away from maintaining paved roads, opting instead to replace them because there is not enough funding in their operational budget to support preventative maintenance. BBER was not able to obtain data on the condition of the roads in the South Valley, nor any schedule for maintenance/replacement of roads.

For the purposes of this study, and in consultation with a Road Maintenance program representative, BBER assumed the percent of this program's budget devoted to the South Valley would correlate to the percent of total unincorporated area road miles, which is 33%. Based on this percentage, \$762 thousand of the \$2.3 million in recurring expenditures in FY 07 for the Road Maintenance program occurs in the South Valley incorporation area (see Table 4.10, above).

The Road Maintenance program representative BBER spoke to cautioned that there are additional necessary personnel and facilities that the South Valley would have to either acquire itself or contract out for, including testing, inspection, and design capabilities, the majority of which the County currently does in-house, and a licensed engineer to manage and certify that new construction meets standards (estimated compensation: \$100 thousand per year). Another cost to consider is that of new equipment. Fleet and Facilities Management gave BBER an inventory of the road maintenance equipment used in the South Valley, shown in Table 4.13, below, that shows that the average age of the equipment is 12 years old. According to Fleet and Facilities Management, a new dump truck costs over \$100 thousand.

⁴⁴ Using the Federal Highway Administration's standard lane width of 11 feet (based on information found in the Federal Highway Administration's Knowledge Communities discussion board at <http://knowledge.fhwa.dot.gov/cops/opspublic.nsf/discussionDisplay?Open&id=E5D0A0B273996979852570580046101B&Group=MUTCD%20General&tab=DISCUSSION>), BBER divided the width of each South Valley road by 11 to arrive at a number of lanes for each road, then multiplied this number by the number of miles of each road.

Table 4.13. 2008 South Valley Road Maintenance Department Equipment by Type and Purchase Year

TYPE	YEAR	TYPE	YEAR
Dump Truck	1991	Loader	1978
Dump Truck	1995	Loader	1992
Dump Truck	2002	Loader	2007
Average	1996	Average	1992
Mowing Tractor	1990	Oil Distributor	1994
Average	1990	Average	1994
Sweeper	2000	Water Truck	2000
Sweeper	2004	Water Truck	2001
Average	2002	Average	2001
Motorgrader	1983	Personnel Truck	2002
Motorgrader	1990	Average	2002
Motorgrader	2007		
Average	1993		
All Equipment Average 1996			

Source: Bernalillo County Fleet and Facilities Management, June, 2008

Traffic Engineering. The Traffic Engineering program designs, operates, and maintains traffic control infrastructure, including signals, signs, pavement markings, barriers, and roadway striping. The program is also responsible for installing and maintaining traffic calming devices, the need for and placement of which is determined in consultation with neighborhood groups and through program-administered engineering studies.

The FY 07 operating costs for the Traffic Engineering program are \$691 thousand, with \$239 thousand in revenues from barricading permit fees.⁴⁵ Using data on the number of each type of traffic control infrastructure in the unincorporated area and in the South Valley provided by the Traffic Engineering program, BBER concluded that 47% of the total budget for this program is devoted to the South Valley incorporation area, or \$322 thousand of the total recurring expenditures (see Table 4.10, above).

Again, however, there are activities associated with the provision of traffic engineering services that the County currently provides itself, therefore saving money that the South Valley would need to spend to contract out these activities. A program representative mentioned added costs ranging from hiring staff (including at least one engineer, several signal technicians, and a person trained in timing signals) and buying equipment like a paging system for school flashers, to having to hire out sign-making capabilities, which adds \$2.00 per square foot to the cost of a sign above what the County currently pays because the County has its own sign-making capability.

⁴⁵ These revenues are combined with other Public Works revenues in the "Total Revenues" line of this table.

Storm Drainage Maintenance. The Storm Drainage Maintenance program maintains storm water pump stations, storm sewer lines, and detention/retention ponds. According to a program representative, there are 43 total miles of storm drainage infrastructure in the unincorporated area, 22 miles of which fall in the South Valley incorporation area. This is the data BBER used as a starting-point in figuring out the percent of this program's budget that should be allocated to the South Valley incorporation area. However, other factors led us to increase this percentage.

Drainage has historically been a big problem in the South Valley; not only is the area a river valley, it is also lower than the valley north of it, so runoff from the mountains to the east, the West Mesa, and the City of Albuquerque all converge on it. Compounding the problem is the fact that the accumulating water has nowhere to go because the valley is actually ten feet lower than the river due to river engineering over time, and the current infrastructure cannot handle the extra water.

The infrastructure is coming, however, according to both the County and the Albuquerque Metropolitan Area Flood Control Authority, both of which are collaborating with the Army Corps of Engineers on a \$25 million project set to begin soon. The project involves building a trunk system that has the capability of draining 70-80% of the developed area in the South Valley. However, it will cost another \$100 million to build the infrastructure from the neighborhoods to the trunk, which one representative estimated would be completed in \$5-10 million increments over the next 20 years.

Because the Storm Drainage Department is so small (only four FTE employees), in times of "nuisance ponding," when 4-6 inches of storm runoff accumulates on South Valley streets, personnel from other County units assist in the removal of storm water. The Road Maintenance program in particular helps out, using the County's one pumper to pump the water off of the streets and dump it in either the Middle Rio Grande Conservancy District's irrigation infrastructure or directly into the Rio Grande.

In consideration of the above factors, and assuming that the new infrastructure will not be in place any time in the near future, BBER decided to allocate 65% of the total Storm Drainage budget to the South Valley. Therefore, \$133 thousand of the \$204 thousand total recurring expenditures of the Storm Drainage program in FY 07 are devoted to service in the South Valley incorporation area.

Infrastructure Planning and GEO Resources. The Infrastructure Planning and Geo-Resources (IPGR) Department has three sections: Geographic Information Systems, Right of Way, and Technical Planning. The Geographic Information System (GIS) section is responsible for performing spatial analyses and creating and maintaining databases containing geographic information. The information gathered and maintained by the GIS section is furnished to several other County departments to aid in planning and policy decisions.

The Right of Way section is responsible for obtaining real estate for rights of way in accordance with the County's short- and long-term planning goals. The Right of Way section provides support to other Public Works departments on right of way issues in addition to assisting with other property management-related issues such as appraisal, project design, leasing of County real estate, and condemnation of sub-standard buildings.

The Technical Planning section is responsible for the effective long-term planning of transportation systems as well as providing accurate information regarding the impact of real estate development and changes to transportation infrastructure in terms of public safety and property values.

In calculating the South Valley incorporation area percentage of the total IPGR budget, BBER weighted the South Valley percentage of Road Maintenance, Storm Drainage, and Traffic Engineering by the budgets of each program and applied this percentage to the IPGR budget, because it was assumed that the Technical Planning section is mostly involved with planning for these three functions.

Engineering and Construction. The Engineering and Construction program develops and implements projects that will expand and develop County infrastructure. The program's primary function is to plan, initiate, design, and construct public works projects such as roadways, bridges, water, sewer, and drainage systems. They manage construction contracts, contract administration, design of projects, and coordinate with professional engineering consultants. The program conducts inspections and tests to ensure that all construction work is in compliance with the minimum quality and environmental standards. Other services provided include coordinating projects with utility companies, assisting in the development of capital improvement plans, and providing engineering assistance to other County departments.

As with IPGR, BBER applied the weighted South Valley percentage of Road Maintenance, Storm Drainage, and Traffic Engineering to the Engineering and Construction program budget using the same logic – that these are the functions on which Engineering and Construction focuses.

The "Total Revenues" line of Table 4.10 includes revenues collected through various Public Works-related fees and charges in addition to the \$239 thousand in revenues from barricading permit fees mentioned above in the Traffic Engineering section. These additional revenues include charges for development review, permit fees for the National Pollutant Discharge Elimination System, and excavation, paving, grading, and construction permits.⁴⁶ In FY 07, these other revenues amounted to over \$1.5 million. BBER subtracted out those revenues unrelated to the South Valley before applying the Public Works' South Valley percentage of 33%, resulting in a total estimated revenues for the South Valley of \$516 thousand.

⁴⁶ Revenue information was provided by the Public Works' Division Support Department for FY 07 only.

Fleet-Facility Management

The Fleet-Facility Management (FFM) Department consists of four sections: Computer Automation, Custodial Services, Facilities Maintenance, and Vehicle Maintenance. Computer Automation handles information electronically for the Department, including data on fleet, facility, equipment, and supply inventories, maintenance schedules, and work orders, among other data. Custodial Services provides cleaning, sanitation, and trash removal services for County-owned buildings. Facilities Maintenance is responsible for maintaining County-owned facilities by providing repair, construction, security system installation, and remodeling services. Vehicle Maintenance repairs and maintains all the County-owned vehicles and equipment and collaborates with Risk Management on accident management.

BBER assigned different South Valley incorporation area percentages to most sections of FFM. For the Facility Maintenance section, the percentage equals the percent of the total recurring (excluding carryovers) Facility Maintenance expenditures that was spent on South Valley facilities, data for which was provided by the FFM section. The same percentage was used for Custodial Services.

Calculating the Vehicle Maintenance percentage was more difficult, because the County does not keep track of vehicles and equipment by geography. The FFM Department provided us with data on the costs associated with fuel and maintenance of the fire, sheriff, and road maintenance vehicles, but without data on the other South Valley incorporation area vehicles and equipment costs, BBER could not estimate the total South Valley incorporation area percentage of the Vehicle Maintenance budget. As a proxy, we started with the South Valley incorporation area population percentage (45%), then reduced this percentage down to 35% to account for the fact that vehicles and equipment are not only used in the unincorporated area (which is the denominator in our population estimate).

BBER also did not have access to Computer Automation data, so the percentage of this section's total budget allocated to the South Valley incorporation area was calculated by weighting the percentages of each of the FFM sections minus Computer Automation by the total budgets for each (22%), which is also the percentage we used for the FFM Department as a whole.

The FY 07 revenues generated by Fleet-Facilities Management, shown in the "Total Revenue" line of Table 4.14, totaled \$679 thousand and came from various fees and charges, including reimbursements to the County by the City of Albuquerque for janitorial services and fire vehicles, rent paid to the County by the City for parking lots and the 1 Civic Plaza Eatery, and rent paid to the County by movie production companies for use of County-owned buildings for filming.⁴⁷ As none of these sources of revenue would likely continue for the South Valley, we eliminated them from our estimates of South Valley revenues.

⁴⁷ Ibid.

It should be noted that our estimate for FFM, which accounts for the largest percentage of general fund expenditures of the Public Works Division, may be over- or under-stated due to a lack of data from which to calculate South Valley incorporation area percent estimates.

Table 4.14. Estimated Costs and Revenues for Providing Fleet-Facility Management Services to the South Valley

All Figures in \$000s				
	Bernalillo County		Estimated South Valley ^a	
	FY 06	FY 07	FY 06	FY 07
GENERAL FUND				
Computer Automation				
Employee Compensation	600	622	132	137
Other Operating Expenses	3,119	3,054	686	672
Total Recurring Expenditures	3,719	3,676	818	809
Carry-overs, One-Time, Capital	57	115	12	25
Total Expenditures	3,776	3,791	831	834
Custodial Services				
Employee Compensation	1,286	1,376	116	124
Other Operating Expenses	97	101	9	9
Total Recurring Expenditures	1,383	1,477	124	133
Carry-overs, One-Time, Capital	-	5	-	0
Total Expenditures	1,383	1,481	124	133
Facilities Maintenance				
Employee Compensation	1,239	1,280	111	115
Other Operating Expenses	821	851	74	77
Total Recurring Expenditures	2,060	2,131	185	192
Carry-overs, One-Time, Capital	198	102	18	9
Total Expenditures	2,257	2,233	203	201
Vehicle Maintenance				
Employee Compensation	1,061	1,147	371	401
Other Operating Expenses	1,936	2,025	678	709
Total Recurring Expenditures	2,997	3,171	1,049	1,110
Minus Costs Included in Sheriff, Fire, and Road Maintenance ^c				
Fuel	NA	212	NA	112
Maintenance	NA	172	NA	71
Total Recurring Expenditures	2,997	2,787	1,049	927
Carry-overs, One-Time, Capital	216	288	76	101
Total Expenditures	3,214	3,075	1,125	1,028

a. Costs are allocated to the South Valley based on information provided by Bernalillo County and BBER estimates.

b. General Fund revenues from fees and charges for services unless otherwise identified.

c. Fuel and maintenance costs only available for FY 2007

Source: Data are from Bernalillo County Biennial Budget FY 2007-08 and 2009-10; South Valley estimates are based on BBER preliminary estimates of population and interviews with Bernalillo County staff.

Table 4.14. Estimated Costs and Revenues for Providing Fleet-Facility Management Services to the South Valley, Continued

All Figures in \$000s				
	Bernalillo County		Estimated South Valley ^a	
	FY 06	FY 07	FY 06	FY 07
GENERAL FUND				
Administrative Allocation				
Division Support	107	112	23	24
IT	39	45	8	10
Total Recurring Expenditures	10,305	10,228	2,208	2,094
Total Revenues ^c	130	679	NA	-

a. Costs are allocated to the South Valley based on information provided by Bernalillo County and BBER estimates.

b. General Fund revenues from fees and charges for services unless otherwise identified.

c. FY 07 actual revenues data from Public Works Division Support. FY 06 data not available.

Source: Data are from Bernalillo County Biennial Budget FY 2007-08 and 2009-10; South Valley estimates are based on BBER preliminary estimates of population and interviews with Bernalillo County staff.

Table 4.15. Estimated Fleet-Facility Management Full Time Equivalent Personnel, June 30

	Bernalillo County		Estimated South Valley ^a	
	FY 06	FY 07	FY 06	FY 06
GENERAL FUND				
Computer Automation	8.0	9.0	2.2	2.4
Custodial Services	48.0	48.0	4.3	4.3
Facilities Maintenance	31.0	32.0	2.8	2.9
Vehicle Maintenance	25.0	25.0	5.0	5.0
Administrative Allocation				
Division Support	1.6	1.6	0.3	0.3
IT	0.5	0.5	0.1	0.1
Total FTE	114.1	116.1	14.7	15.1

a. South Valley allocation estimates based on information provided by Bernalillo County and BBER estimates.

Source: Data are from Bernalillo County Biennial Budget FY 2007-08 and 2009-10; South Valley estimates are based on BBER preliminary estimates of population and interviews with Bernalillo County staff.

Solid Waste

Solid Waste is handled in the county's unincorporated area by the Solid Waste Department, the financing of which is accounted for through the BC10 Solid Waste enterprise fund. (However, Solid Waste does utilize the Public Works Division Support, which is financed through the general fund. The allocation of these support services is based upon estimates by a Solid Waste Department representative and the corresponding amounts are included in Table 4.16, below.) The Department's purpose is to provide comprehensive solid waste management services to residents and businesses in Bernalillo County. The Department provides solid waste collection, transfer and disposal, community cleanups, customer service, billing,

education, source reduction and recycling programs. Staff performs contract management, program planning, code enforcement, and a variety of customer and public assistance tasks. Staff operates the East Mountain Transfer Station and monitors the Torrance County/Bernalillo County Regional Landfill.

BBER consulted with a Solid Waste Department representative about the percent of the total budget to allocate to the South Valley. The percent of the curbside collection program's customers residing in the South Valley was suggested as a starting point (67%) and then was reduced by an estimate of the costs to provide the other services Solid Waste handles, namely the transfer station and landfill, which serve the East Mountain area. The final percentage BBER used to calculate the South Valley incorporation area percentage of the Solid Waste budget was 56%.

Table 4.16. Estimated Costs and Revenues for Providing Solid Waste Services to the South Valley

All Figures in \$000s				
	Bernalillo County		Estimated South Valley ^a	
	FY 06	FY 07	FY 06	FY 07
<u>ENTERPRISE FUNDS</u>				
Solid Waste				
Employee Compensation	599	594	335	332
Other Operating Expenses	3,329	3,753	1,864	2,101
Total Recurring Expenditures	3,928	4,346	2,199	2,434
Carry-overs, One-Time, Capital	86	235	48	132
Total Expenditures	4,013	4,581	2,247	2,566
Revenues ^b	3,954	3,838	2,214	2,149
<u>GENERAL FUND</u>				
Administrative Allocation				
Division Support	51	53	29	30
IT	19	22	10	12
Total Recurring Expenditures	3,997	4,421	2,238	2,476
Total Revenues	3,954	3,838	2,214	2,149

a. South Valley allocation estimates based on information provided by Bernalillo County and BBER estimates.

b. General Fund revenues from fees and charges for services unless otherwise identified.

Source: Data are from Bernalillo County Biennial Budget FY 2007-08 and 2009-10; Bernalillo County FY 2007 Comprehensive Annual Financial Report; South Valley estimates are based on BBER preliminary estimates of population and interviews with Bernalillo County staff.

**Table 4.17. Estimated Solid Waste
Full Time Equivalent Personnel, June 30**

	Bernalillo County		Estimated South Valley ^a	
	FY 06	FY 07	FY 06	FY 06
<u>ENTERPRISE FUNDS</u>				
Solid Waste	13.0	13.0	7.3	7.3
<u>GENERAL FUND</u>				
Administrative Allocation				
Division Support	0.8	0.8	0.4	0.4
IT	0.3	0.3	0.1	0.1
Total FTE	14.0	14.0	7.8	7.8

a. South Valley allocation estimates based on information provided by Bernalillo County and BBER estimates.

Source: Data are from Bernalillo County Biennial Budget FY 2007-08 and 2009-10; South Valley estimates are based on BBER preliminary estimates of population and interviews with Bernalillo County staff.

Zoning, Building, and Planning

The Zoning section of the Zoning, Building, and Planning (ZBP) Department ensures compliance with zoning laws, issues zoning permits, authorizes zone changes and special zoning situations, and handles appeals to both the Board of Adjustment and the Board of County Commissioners. The Building section issues building permits and inspects construction plans in the following areas – building, electrical, plumbing, and mechanical. The Building section also enforces building codes and handles abandoned and substandard buildings, in addition to providing construction management services for County property. The Planning section provides plans, performs studies, and drafts ordinances directed toward future land use. The Planning section also processes land use cases and provides administrative support for land use hearings.

BBER used data provided by the ZBP Department to calculate the South Valley incorporation area proportion of the budgets for each section of the Department. This data showed that 45% of the zone change and special permit requests came from the South Valley incorporation area, so BBER applied this percentage to the Zoning section and 60% of the building permits are issued to the South Valley incorporation area, so this percentage was applied to the Building Division. In the absence of data on the Planning section, BBER weighted the two percentages for the other sections by each section's budget and used this percentage (53%) for both the Planning section and the Department as a whole.

Table 4.18. Estimated Costs and Revenues for Providing Zoning, Building, and Planning Services to the South Valley

All Figures in \$000s				
	Bernalillo County		Estimated South Valley ^a	
	FY 06	FY 07	FY 06	FY 07
GENERAL FUND				
Building Division				
Employee Compensation	936	969	562	582
Other Operating Expenses	26	30	15	18
Total Recurring Expenditures	962	1,000	577	600
Carry-overs, One-Time, Capital	2	1	1	1
Total Expenditures	964	1,001	579	600
Revenues ^b	2,801	2,433	1,681	1,460
Land-Use Planning				
Employee Compensation	691	689	366	365
Other Operating Expenses	40	13	21	7
Total Recurring Expenditures	731	702	387	372
Carry-overs, One-Time, Capital	1	3	0	1
Total Expenditures	731	705	388	374
Revenues ^b	41	51	22	27
Land-Use, Review and Code Enf.				
Employee Compensation	827	867	375	393
Other Operating Expenses	36	23	16	10
Total Recurring Expenditures	863	890	391	404
Carry-overs, One-Time, Capital	1	1	1	0
Total Expenditures	865	891	392	404
Revenues ^b	277	286	126	130
Total Recurring Expenditures	2,556	2,592	1,356	1,376
Total Revenues	3,120	2,769	1,828	1,616

a. Costs are allocated to the South Valley based on information provided by Bernalillo County and BBER estimates.

b. FYs 06 and 07 actual revenues from Zoning, Building, and Planning Department.

Source: Data are from Bernalillo County Biennial Budget FY 2007-08 and 2009-10; South Valley estimates are based on BBER preliminary estimates of population and interviews with Bernalillo County staff.

The ZBP Department generates revenues from permit fees. In FY 07, the Building section brought in \$2.4 million in building, plumbing, mechanical, and electrical permits; the Land-Use Planning section had \$51 thousand in subdivision permits; and the Land-Use Review and Code Enforcement section had \$286 thousand in zoning permit and business license fees. The ZBP Department also brought in impact fee revenues, but use of these funds is governed by the Development Fees Act (Section 5-8-1 NMSA 1978) and is primarily for infrastructure; therefore, these revenues are not included in our estimates.

**Table 4.19. Estimated Zoning, Building, and Planning
Full Time Equivalent Personnel, June 30**

	Bernalillo County		Estimated South Valley ^a	
	FY 06	FY 07	FY 06	FY 07
<u>GENERAL FUND</u>				
Building Division	18.0	18.0	10.8	10.8
Land-Use Planning	10.0	10.0	5.3	5.3
Land-Use, Review and Code Enf.	14.0	14.0	6.3	6.3
Total FTE	42.0	42.0	22.4	22.4

a. FTE are allocated to South Valley based on estimated percent of unincorporated population.

Source: Data are from Bernalillo County Biennial Budget FY 2007-08 and 2009-10; South Valley estimates are based on BBER preliminary estimates of population and interviews with Bernalillo County staff.

Environmental Health

The Environmental Health Office issues permits for health- and environment-related projects (wells, restaurants, etc.) and ensures compliance with health and environmental County ordinances by performing inspections of these projects at regular intervals.

A representative of the Environmental Health Office estimated that 50-55% of the Office's activities relate to the South Valley incorporation area, so BBER allocated 52.5% to the Environmental Health budget. Environmental Health generates revenues from permit fees for wells, wastewater systems, and annual permit fees for retail food establishment and public swimming pools. In FY 07, these revenues amounted to \$139 thousand.

The environmental services gross receipts tax is a county-wide 1/8 cent tax used for projects and programs designed to protect the public from environmental health hazards. According to the Environmental Health Office website, the monies generated through this tax are used for "groundwater protection, public education, program planning and development, sewer and water services, and solid waste services", and they are used "as match monies for grants that further the environmental protection measures the County can undertake."⁴⁸ One program this tax funds is the Partners in Improvement and Protection of the Environment, or PIPE, program, which provides financial assistance to low income households to enable them to connect with water, sewer, and septic systems by paying for installation of water and sewer utility services on their property and with abandonment of wells and septic tanks. In FY 08, 95 households in the South Valley used this assistance at a total cost of \$362 thousand. (This includes the cost of the utility expansion charge.)⁴⁹ A Water Resources Program representative said that there are around 100 additional

⁴⁸ From the Environmental Health Office page of the Bernalillo County website: http://www.bernco.gov/live/standalone.asp?dept_id=2330&link_id=3088. Accessed July 17, 2008.

⁴⁹ Specific information about this program and the South Valley expenditures were provided by the Bernalillo County Water Resources Program. The representative BBER spoke with indicated that this year's expenditures were unusually low. Personal communication July 16 and 17, 2008.

households in the South Valley who could qualify for this program. Should the South Valley incorporate, this funding would no longer be available for the PIPE program or the other environmental health programs and projects currently serving this population.

Table 4.20. Estimated Costs and Revenues for Providing Environmental Health Services to the South Valley

All Figures in \$000s				
	Bernalillo County		Estimated South Valley ^a	
	FY 06	FY 07	FY 06	FY 07
<u>GENERAL FUND</u>				
Environmental Health				
Employee Compensation	702	763	368	400
Other Operating Expenses	125	82	66	43
Total Recurring Expenditures	827	844	434	443
Carry-overs, One-Time, Capital	3	3	2	2
Total Expenditures	830	847	436	445
Revenues ^b	142	139	75	73
Total Recurring Expenditures	827	844	434	443
Total Revenues	142	139	75	73
<u>SPECIAL REVENUE FUNDS:</u>				
Environmental Health ^c				
Total Expenditures	2,400	2,140	1,260	1,124
Total Revenues	2,683	2,594	840	840

a. Costs are allocated to the South Valley based on information provided by Bernalillo County and BBER estimates.

b. General Fund revenues from fees and charges for services unless otherwise identified.

c. NON-GAAP budgetary basis

Source: Data are from Bernalillo County Biennial Budget FY 2007-08 and 2009-10; Bernalillo County FY 2007 Comprehensive Annual Financial Report; South Valley estimates are based on BBER preliminary estimates of population and interviews with Bernalillo County staff.

Table 4.21. Estimated Environmental Health Full Time Equivalent Personnel, June 30

	Bernalillo County		Estimated South Valley ^a	
	FY 06	FY 07	FY 06	FY 07
<u>GENERAL FUND</u>				
Environmental Health Total FTE	16.0	16.0	8.4	8.4

a. South Valley allocation estimates based on information provided by Bernalillo County and BBER estimates.

Source: Data are from Bernalillo County Biennial Budget FY 2007-08 and 2009-10; South Valley estimates are based on BBER preliminary estimates of population and interviews with Bernalillo County staff.

Parks & Recreation

The Parks & Recreation Department is divided into the following sections: Administration, Aquatics, Community Centers, Land Management, Special Programs, Sports and Community Fitness, and Youth and Senior Services.

The Administration section oversees the budget for the Parks & Recreation Department by both obtaining funding from various sources and allocating these funds to the different sections within the department. The Aquatics section operates the County's swimming pools, and provides safety services and swimming instruction. The Community Centers section operates the County's community centers, providing not only daily staffing but also a wide range of events, classes, and programs. The Land Management section maintains parks, medians, and open space within the County. The Special Programs section operates the following programs: the Anti-Graffiti program, the Bernalillo County/Intel Computer Clubhouse, Community Pride Events, "Dance, Dance, Dance, It's a Teen Thing!" and the Bernalillo County Family Literacy program. The Sports & Community Fitness section operates fitness facilities throughout Bernalillo County and runs several youth sports programs and camps. The Youth & Senior Services section operates several before and after school programs and summer recreation programs for youth. In addition, this section operates the County's senior centers and provides meals and activities at these centers.

BBER obtained data from the Parks and Recreation Department that allowed us to easily calculate the South Valley percentages of most of the Department's sections. For Aquatics, Community Centers, and Special Programs, the Department gave us the percentage of each section's operating costs devoted to these facilities in the South Valley.⁵⁰ For Sports and Community Fitness and Youth and Senior Services, BBER used the geographic location of the facilities to calculate the percentage of each in the South Valley (75% and 52%, respectively). The percent of the Land Management section assigned to the South Valley was calculated using data provided by this section on open space and park acreage in the South Valley. Finally, BBER weighted the percents for all the sections except Administration by the budgets for each section and used this percent for both Parks and Recreation Administration and the department as a whole.

⁵⁰ For a list of Parks and Recreation facilities in the South Valley, see Table B.1. in Appendix B.

Table 4.22. Estimated Costs and Revenues for Providing Parks and Recreation Services to the South Valley

All Figures in \$000s				
	Bernalillo County		Estimated South Valley ^a	
	FY 06	FY 07	FY 06	FY 07
GENERAL FUND				
Administration				
Employee Compensation	479	440	201	185
Other Operating Expenses	16	22	7	9
Total Recurring Expenditures	495	462	208	194
Carry-overs, One-Time, Capital	13	4	5	2
Total Expenditures	508	466	213	196
Revenues ^b	0	-	0	-
Aquatics				
Employee Compensation	447	341	344	262
Other Operating Expenses	44	41	34	32
Total Recurring Expenditures	492	382	379	294
Carry-overs, One-Time, Capital	14	21	11	16
Total Expenditures	506	402	389	310
Revenues ^b	158	139	121	107
Community Centers				
Employee Compensation	2,384	2,376	834	832
Other Operating Expenses	266	247	93	86
Total Recurring Expenditures	2,649	2,623	927	918
Carry-overs, One-Time, Capital	118	62	41	22
Total Expenditures	2,767	2,685	969	940
Revenues ^b	635	592	222	207
Land Management				
Employee Compensation	1,373	1,366	349	348
Other Operating Expenses	250	254	64	65
Total Recurring Expenditures	1,623	1,620	413	412
Carry-overs, One-Time, Capital	62	91	16	23
Total Expenditures	1,685	1,711	429	435
Revenues ^b	-	-	-	-

a. Costs are allocated to the South Valley based on information provided by Bernalillo County and BBER estimates.

b. General Fund revenues from fees and charges for services unless otherwise identified.

c. NON-GAAP budgetary basis

Source: Data are from Bernalillo County Biennial Budget FY 2007-08 and 2009-10; Bernalillo County FY 2007 Comprehensive Annual Financial Report; South Valley estimates are based on BBER preliminary estimates of population and interviews with Bernalillo County staff.

Table 4.22. Estimated Costs and Revenues for Providing Parks and Recreation Services to the South Valley, Continued

All Figures in \$000s				
	Bernalillo County		Estimated South Valley ^a	
	FY 06	FY 07	FY 06	FY 07
Special Programs				
Employee Compensation	419	482	260	299
Other Operating Expenses	367	310	228	192
Total Recurring Expenditures	787	791	488	491
Carry-overs, One-Time, Capital	119	75	73	46
Total Expenditures	905	866	561	537
Revenues ^b	62	72	38	45
Sports & Community Fitness Program				
Employee Compensation	562	474	421	356
Other Operating Expenses	176	163	132	123
Total Recurring Expenditures	738	638	553	478
Carry-overs, One-Time, Capital	34	13	25	10
Total Expenditures	772	651	579	488
Revenues ^b	227	211	170	158
Youth & Senior Services				
Employee Compensation	771	746	402	389
Other Operating Expenses	204	209	107	109
Total Recurring Expenditures	975	954	509	498
Carry-overs, One-Time, Capital	386	306	201	160
Total Expenditures	1,361	1,260	711	658
Revenues ^b	99	186	51	97
Total Recurring Expenditures	7,759	7,469	3,477	3,285
Total Revenues	1,180	1,200	603	614
<u>SPECIAL REVENUE FUNDS:</u>				
Recreation ^c				
Total Expenditures	3	4	1	2
Total Revenues	2	2	1	1

a. Costs are allocated to the South Valley based on information provided by Bernalillo County and BBER estimates.

b. General Fund revenues from fees and charges for services unless otherwise identified.

c. NON-GAAP budgetary basis

Source: Data are from Bernalillo County Biennial Budget FY 2007-08 and 2009-10; Bernalillo County FY 2007 Comprehensive Annual Financial Report; South Valley estimates are based on BBER preliminary estimates of population and interviews with Bernalillo County staff.

Table 4.23. Estimated Parks and Recreation Full Time Equivalent Personnel, June 30

	Bernalillo County		Estimated South Valley ^a	
	FY 06	FY 07	FY 06	FY 07
<u>GENERAL FUND</u>				
Administration	8.0	8.5	3.4	3.6
Aquatics	6.0	6.0	4.6	4.6
Community Centers	53.0	53.5	18.6	18.7
Land Management ^b	50.0	50.5	12.7	12.9
Special Programs	13.0	13.0	8.1	8.1
Sports & Community Fitness Program	10.0	10.0	7.5	7.5
Youth & Senior Services	5.0	5.0	2.6	2.6
Total FTE	145.0	146.5	57.4	57.9

a. South Valley allocation estimates based on information provided by Bernalillo County and BBER estimates.

b. Figures differ from Land Management totals in the budget due to inclusion of employment allocated to "Open Space" in the Full-Time Equivalent County Employees by Function section of the FY 2007 Bernalillo County Comprehensive Annual Financial Report.

Source: Data are from Bernalillo County Biennial Budget FY 2007-08 and 2009-10; South Valley estimates are based on BBER preliminary estimates of population and interviews with Bernalillo County staff.

Social Services

Bernalillo County funds several programs that provide social services for county residents with an annual family income of less than 80 percent of the Albuquerque Metropolitan Statistical Area median. A wide array of non-profit organizations support families, children, and the elderly by providing services ranging from pre-school and substance abuse prevention to shelter and food for the county's homeless population.

In trying to determine what percentage of the Social Services' budget to allocate to the South Valley, BBER started with poverty statistics and then reduced the percentage to reflect the fact that people above the poverty level are eligible for these programs. BBER used poverty data from the 2000 Census to calculate the percent of all persons in poverty in the unincorporated area of Bernalillo County living in the South Valley incorporation area. BBER first subtracted the number of persons in poverty in the incorporated areas of the county from the Bernalillo County total number of persons in poverty, then divided the number of persons in poverty in the South Valley incorporation area by the number of persons in poverty in the unincorporated area, which resulted in a figure of 87%.⁵¹ To balance out the fact that many Bernalillo County residents participate in these programs who are above the poverty level but below 80 percent of median income, we lowered our South Valley allocation percentage to 70%.

⁵¹ While these services are likely provided to all residents of the county, including those in incorporated areas in the county, many of the organizations providing the services get funding from the incorporated areas as well as from the County. Therefore, we felt comfortable using the unincorporated area as our denominator in our calculations.

Table 4.24. Estimated Costs and Revenues for Providing Social Services to the South Valley

All Figures in \$000s				
	Bernalillo County		Estimated South Valley ^a	
	FY 06	FY 07	FY 06	FY 07
<u>GENERAL FUND</u>				
Social Services Projects				
Talking Talons ^{b,d}	19	-	13	-
YDI, Inc ^{b,d}	414	260	290	182
Hogares ^d	71	114	50	79
All Faiths Receiving ^d	60	42	42	29
Big Brothers/Big Sisters ^d	20	18	14	13
St. Martins Hospitality Ctr ^d	39	-	27	-
A New Day Shelter ^d	57	52	40	37
Cuidando Los Ninos ^d	25	24	17	17
PB&J ^d	64	16	45	11
St. Marks ^d	30	28	21	19
Alb Meals on Wheels ^d	32	37	22	26
Family Focus ^{b,d}	25	-	18	-
Rio Grande H.S. Retention ^{b,d}	14	-	10	-
Neutral Corner ^c	50	-	35	-
Amigos & Amigas ^{b,d}	20	-	14	-
Cornucopia Inc. ^d	8	-	6	-
Isshin Ryu ^c	29	-	20	-
Rehab Services & Vet Prog ^c	-	-	-	-
SET for Health ^d	11	-	8	-
Working Classroom ^{b,d}	25	-	17	-
The Alb Partnership ^d	7	16	5	11
Alb SANE ^d	10	11	7	8
Christina Kent Nursery	-	8	-	6
The Crossroads ^d	25	27	18	19
Roadrunner Food Bank	-	30	-	21
KNME Ready to Learn ^{b,c}	18	-	13	-
Social Support Services	NA	45	NA	32
Carry-overs, One-Time, Capital	NA	229	NA	160
Total Recurring Expenditures	1,075	728	752	510
Revenues ^e	-	-	-	-
<u>SPECIAL REVENUE FUND</u>				
Community Services ^f				
Total Expenditures	22	89	15	62
Total Revenues	118	74	83	52

a. Costs are allocated to the South Valley based on information provided by Bernalillo County and BBER estimates.
b. Funded in both the General Fund and the Payment in Lieu of Taxes fund BC92 in FY 2007.
c. Not funded in FY 2007.
d. Prior year carryover in FY 2007 included in Carry-overs, One-Time, Capital line. (Carry-over detail not available for FY 2006.)
e. General Fund revenues from fees and charges for services unless otherwise identified.
f. NON-GAAP budgetary basis

Source: Data are from Bernalillo County Biennial Budget FY 2007-08 and 2009-10; Bernalillo County FY 2007 Comprehensive Annual Financial Report; South Valley estimates are based on BBER preliminary estimates of population and interviews with Bernalillo County staff.

Housing

The Housing Department administers a U.S. Department of Housing and Urban Development Rental Assistance program, other locally-funded housing initiatives including constructing low-income housing developments, and operates public housing for low-income elderly and disabled county residents at its two public housing facilities: El Centro and Seybold Village. The federally- and locally-funded programs are administered under the Administration section of the Housing Department, which is funded through an enterprise fund, and the public housing is administered through the Public Housing section, which is funded through the general fund.

Both of the public housing facilities operated by this department, as well as the Housing Department Office, are located in the South Valley incorporation area.⁵²

To allocate the South Valley proportion of the Housing Department budget, BBER applied the same poverty percentage used for the Social Service Projects' South Valley incorporation area budget allocation (see the Social Service Projects section, above, for a description of the method used to arrive at this percentage).

⁵² For a listing of the facilities and infrastructure in the South Valley, see Table B.1. in Appendix B.

Table 4.25. Estimated Costs and Revenues for Providing Housing Services to the South Valley

All Figures in \$000s				
	Bernalillo County		Estimated South Valley ^a	
	FY 06	FY 07	FY 06	FY 07
<u>GENERAL FUND</u>				
Public Housing				
Employee Compensation	90	108	78	94
Other Operating Expenses	0	10	0	9
Total Recurring Expenditures	90	118	79	102
Carry-overs, One-Time, Capital	20	22	17	19
Total Expenditures	110	139	96	121
Revenues ^b	-	-	-	-
Total Recurring Expenditures	90	118	79	102
Total Revenues	-	-	-	-
<u>ENTERPRISE FUND</u>				
Administration				
Employee Compensation	1,312	1,340	1,142	1,166
Other Operating Expenses	49	79	42	68
Total Recurring Expenditures	1,361	1,419	1,184	1,234
Carry-overs, One-Time, Capital	0	-	0	-
Total Expenditures	1,361	1,419	1,184	1,234
Revenues ^b	-	-	-	-
<u>SPECIAL REVENUE FUNDS:</u>				
Section 8 Housing Voucher				
Total Expenditures	12,367	12,128	10,759	10,551
Total Revenues	12,308	12,032	10,708	10,468
<u>ENTERPRISE FUNDS:</u>				
Bernalillo County Housing Authority ^c				
Total Expenditures	446	772	388	672
Total Revenues	80	191	70	166
Seybold Village Handicapped Project ^c				
Total Expenditures	169	173	147	150
Total Revenues	40	31	35	27
El Centro Familiar ^c				
Total Expenditures	298	250	259	218
Total Revenues	107	111	94	96

a. Costs are allocated to the South Valley based on information provided by Bernalillo County and BBER estimates.

b. General Fund revenues from fees and charges for services unless otherwise identified.

c. Accrual budgetary basis

Source: Data are from Bernalillo County Biennial Budget FY 2007-08 and 2009-10; Bernalillo County FY 2007 Comprehensive Annual Financial Report; South Valley estimates are based on BBER preliminary estimates of population and interviews with Bernalillo County staff.

Table 4.26. Estimated Housing Services Full Time Equivalent Personnel, June 30

	Bernalillo County		Estimated South Valley ^a	
	FY 06	FY 07	FY 06	FY 07
<u>GENERAL FUND</u>				
Public Housing	3.0	3.0	2.6	2.6
<u>ENTERPRISE FUNDS</u>				
Administrative	30.0	30.0	26.1	26.1
Total FTE	33.0	33.0	28.7	28.7

a. South Valley allocation estimates based on information provided by Bernalillo County and BBER estimates.

Source: Data are from Bernalillo County Biennial Budget FY 2007-08 and 2009-10; South Valley estimates are based on BBER preliminary estimates of population and interviews with Bernalillo County staff.

Library

The South Valley Library, along with the two other libraries located in the unincorporated area of Bernalillo County, is operated by the City of Albuquerque under contract with the County.⁵³ The library staff are City employees and the policies and procedures followed are those of the City. (The Library system is housed in the City's Cultural Services Department.) The staff at the South Valley library currently consists of a branch manager, a librarian, a paraprofessional circulation supervisor, and two twenty hour clerks. Operating the South Valley library 40 hours per week is estimated to cost between \$600,000 and \$750,000. This amount includes staff, supplies, maintenance of the building and grounds, contract custodial and security services, utilities, programming, and other costs. This estimate does not include capital improvements, library materials, computer equipment, technology purchases or annual fees.

BBER opted to use the lower figure (\$600 thousand) in our expenditures calculations for two reasons: one, because the lower figure would amount to 53% of the total budgeted County payment to the City for all County library services, which is closer to the South Valley percentage of the county population; and two, because this figure is closer to the expenditures of the Taos Public Library (\$578 thousand),⁵⁴ which has a similar collection size and population served by it, according to the Albuquerque-Bernalillo County Public Library System representative.

There are a few different ways in which the South Valley could continue to provide a public library as its own municipality. The two most clear-cut options are: 1) the South Valley could continue to contract with the City of Albuquerque to operate the library, and 2) the new municipality could operate the library itself. In either of these situations, the South Valley municipality should expect to pay between \$600 and

⁵³ This narrative is based upon a discussion with an Albuquerque-Bernalillo County Public Library administrator on May 9, 2008..

⁵⁴ According to George R. Jaramillo, Taos Public Library Director. Personal communication, May, 2008.

\$750 thousand to maintain the same level of service currently provided by the South Valley Library.

Bus Service

The County currently pays the City \$1.4 million per year for bus service in the unincorporated areas of the county. There are five routes in the South Valley. Route 51 runs along Atrisco Drive and Rio Bravo Boulevard from Central Avenue to the east side of the river and the railroad tracks. Route 53 runs up Isleta Boulevard starting at Malpais Road in the south and ends at the Alvarado Transportation Center, downtown. Route 54 begins at Central and Unser Boulevard and runs through the neighborhoods along 98th Street and Benavides Road before connecting with Bridge Boulevard to cross the river and ultimately arrive at the Alvarado Transportation Center. Route 155 runs along Coors Boulevard starting at Cottonwood Mall in the north and traveling down to Metzgar Road. Route 222 begins at Coors and Rio Bravo and goes east with stops at the South Valley Rail Runner Station, the Sunport, and the Veterans' Administration Medical Center and terminating at Kirtland Air Force Base.⁵⁵ Each of these five routes runs Monday through Friday, four also run on Saturday (all but Route 222), and one runs on Sunday (Route 155). During the week, most of the routes start running buses between 5:30 and 6:00 am (from stop "A") and finish (last bus to leave stop "A") at either 6:30 pm (routes 51, 53, and 222) or 9:00 – 9:40 pm (routes 54 and 155). The frequency of the buses along these routes varies from 30-35 minutes on the Coors Boulevard route to one hour and 10 minutes on the Sunport/Kirtland route (this route also has limited service during non-peak commute hours). All of the routes allow multiple connections to other routes.

There is only one other ABQ Ride route directly serving the unincorporated areas of Bernalillo County – route 10, which runs north along 4th Street past Alameda. Lacking any more detailed information about the costs of providing bus service along these routes, BBER decided to allocate 5/6ths of the \$1.4 million the County pays the City for bus service to the South Valley proportion (five out of six of the bus routes serving the unincorporated area are in the South Valley). Therefore, the new municipality in the South Valley could expect to pay around \$1.2 million to the City to continue to receive the current level of bus service.

If the proposed regional transit tax (a 1/8 cent gross receipts tax to be paid by residents of Bernalillo, Sandoval, and Valencia counties that will likely be put before voters in November, 2008) is approved, the South Valley municipality could receive increased public transportation services through the Rio Metro Transit District.⁵⁶ The money from the tax would be used to fund some new neighborhood circulator routes, including one in the South Valley that would run from Coors Boulevard at Rio Bravo

⁵⁵ This route is funded through a collaborative agreement between the City of Albuquerque, Bernalillo County, and the Department of Transportation.

⁵⁶ Information about the bus services tied to the regional transit tax came from a Mid-Region Council of Governments representative. Personal communication July 16, 2008.

west along Senator Dennis Chavez Boulevard, north along 114th Street to Central, and then back to Coors. The Rio Metro Transit District would also take over route 222 and would create another route to Kirtland Air Force Base.

CHAPTER 5

THE COSTS OF PROVIDING MUNICIPAL SERVICES TO THE SOUTH VALLEY VERSUS THE REVENUES THAT MIGHT BE RAISED

In the previous chapter, we presented estimates of the costs of Bernalillo County's provision of municipal services to the unincorporated South Valley. In this chapter, we make comparisons with the costs for similar services as provided by other large New Mexico municipalities in an effort to determine reasonable costs for providing municipal services to the South Valley. We then expand the revenue analysis to include fees and charges for services and discuss other options for bringing recurring revenues in line with costs.

Bernalillo County Costs to Serve the South Valley: A Recap

Table 5.1 summarizes the findings regarding Bernalillo County's costs of providing municipal services to the South Valley. Note that the table includes no estimates for such basic governmental functions as legislative/administrative, finance, human

Table 5.1. Estimated Bernalillo County Costs and Revenues for Providing Municipal Services in the South Valley, FY 07

	Estimated Cost (000s)	Per Capita	Estimated Revenues Offsets (000s)	Per Capita
Population		50,145		50,145
Police	11,937	238	61	1
Fire	4,604	92	22	0
Communications	1,986	40	0	0
Animal Control	587	12	21	0
Environmental Health	443	9	73	1
Parks & Recreation	2,787	56	517	10
Youth & Seniors	498	10	97	2
Social Services	510	10	0	0
Housing	102	2	0	0
Library	600	12	0	0
Zoning, Building, & Planning	1,376	27	1,616	32
Public Works	2,675	53	516	10
Fleet/Facilities Management	2,094	42	0	0
Bus Service	1,200	24	0	0
	31,399	626	2,923	58

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resources, nor legal. County responsibilities over and above providing services to unincorporated areas are such that meaningful cost comparisons would be difficult. Even excluding central service costs, the estimated costs of providing services to the South Valley, at \$31.4 million, are clearly well in excess of the \$20.4 million in operating revenues thus far identified in Chapter 2. There are some \$2.9 million in revenue offsets which are non-duplicative of those identified in Chapter 2, but a large gap remains.

Has BBER perhaps over-estimated the costs of serving the South Valley? And, a somewhat different question, could services be delivered less expensively than is now the case? A comparison of service provision costs of other New Mexico municipalities will help to answer these questions.

Comparison with City of Albuquerque

Table 5.2 presents actual FY 07 general fund expenditures for the City of Albuquerque by category of expenditure along with the corresponding revenue collections from fees and charges for services. We have included revenue offsets from the City's capital program for general fund staff who work on capital projects. We have not included the overhead paid by the City's enterprise, internal service, and revenue funds that recovers costs of central services, e.g., accounting, and facilities maintenance. Altogether, such administrative charges totaled \$20.5 million, or \$39 per capita. We also did not include revenue sources which come from several service units (e.g., photocopying, rental of City property) nor those where the source was difficult to determine despite consultation with the *City of Albuquerque Budget*.

Not surprisingly, total Albuquerque general fund expenditures per capita exceed BBER estimates of this spending on providing services to the unincorporated South Valley. What is surprising is that the difference is not greater. The first four categories of expenditure deal with City administration, including Mayor, Council, financial services, legal services and human resources. Together, expenditures on these various central government services totaled \$87 per capita, or \$81 after taking into account associated revenues for providing services. None of these central service costs are included in the South Valley service cost estimates. Second, the City of Albuquerque numbers include \$44 per capita (\$35 after revenue offsets) for cultural services, which include costs for major facilities like the Rio Grande Bio Park, the Balloon Museum, and the South Broadway Cultural Center. Third, the Albuquerque numbers include \$75 per capita (\$71 after revenues) for various social programs versus the \$20 identified for Bernalillo County's effort in the South Valley. These three categories alone amount to \$186 per capita in additional expenditures (\$168 after revenues) and more than explain the difference between the City and the County.

With respect to the important police function, the City spent about \$276 per capita on police, including communications. BBER estimated County costs for the police function in the South Valley at \$270 per person, including the \$238 per person

Table 5.2. City of Albuquerque General Fund Expenditures and Associated Revenues, FY 07

	General Fund Expenditures, FY 07		General Fund Revenues, FY 07	
	(\$000s)	Per Capita	(\$000s)	Per Capita
Population		526,000		526,000
Exec/Legis/Admin	11,793	22	0	0
Finance	23,273	44	813	2
Legal	8,265	16	2,343	4
Human Resources	2,468	5	0	0
Plan, Building & Zoning	13,703	26	12,959	25
Economic Devt	1,781	3	0	0
Police	145,147	276	2,555	5
Fire	62,533	119	517	1
Animal Control	8,940	17	915	2
Environ Health	3,811	7	1,074	2
Human Services	15,937	30	0	0
Senior Programs	4,625	9	363	1
Children's Programs	19,065	36	1,443	3
Housing	255	0	0	0
Streets & Highways	9,951	19	1,007	2
Storm Drainage	2,275	4	0	0
Project Plan & Implem	13,871	26	9,696	18
Cultural Services	23,387	44	4,621	9
Parks & Recreation	22,965	44	2,454	5
Library	11,200	21	385	1
Facilities	11,671	22	0	0
	416,916	793	41,145	78

Source: City of Albuquerque Budget Office, UNM BBER Calculations

allocated from the Sheriff's office and \$32 per person for Communications (80% of the total for this function).

The City spends more on fire and rescue services than the County spends in the South Valley for this service, even after taking into account communications, but less on parks and recreation. There are minor differences in other services, some positive, some negative.

Comparisons with Other Large New Mexico Cities

BBER also put together financial information on other major New Mexico cities, and the data on general fund expenditures is presented in Table 5.3. As with revenues, there is considerable variation in expenditures, with the two oil and gas communities leading the pack with per capita expenditures in excess of \$1,000. Las Cruces spending was \$733 per capita in FY 07, or a little less than Albuquerque.

Table 5.3. General Fund Expenditures of Other Large New Mexico Municipalities

Expenditures, in \$000s	Alamogordo		Carlsbad		Clovis		Farmington		Hobbs		Las Cruces		Rio Rancho		Roswell	
	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007
Executive/Legislative	672	733	865	869	1,265	1,197	202	307	1,122	1,875	1,445	1,445	1,938	2,629	-	-
Fin. Administration	602	604	1,019	982	2,156	964	2,049	1,560	383	418	3,119	5,390	1,701	1,940	2,735	2,520
Com. Development	528	397	138	143	-	-	1,757	2,046	-	-	2,990	2,636	1,503	1,559	-	-
Planning & Zoning	78	77	494	486	-	-	199	243	267	239	-	2,660	710	675	-	-
Public Safety	5,180	6,328	6,184	6,480	7,556	8,391	12,427	13,720	7,767	8,429	15,691	17,043	12,939	14,578	7,741	10,971
Fire & Ambulance	1,066	1,047	3,944	4,107	5,478	6,258	5,948	6,906	4,861	5,919	7,270	8,559	4,233	5,873	6,219	6,391
Public Works	-	-	2,673	-	235	-	-	-	395	499	6,473	7,119	2,761	2,992	-	-
Streets and Drainage	-	-	904	-	284	-	503	612	1,995	2,111	-	-	2,923	2,859	-	-
Parks and Rec	-	-	1,275	-	751	-	6,551	6,838	2,728	2,897	-	2,695	4,476	4,627	2,885	3,586
Library	-	-	644	-	-	-	3,630	3,919	922	907	-	-	1,236	1,428	1,308	1,204
Judicial	-	-	308	-	230	-	6,377	7,239	345	448	1,399	1,251	748	823	392	379
Elections	-	-	43	-	16	-	-	-	10	18	-	-	46	1	11	4
Senior Citizens (GF)	-	-	357	-	-	-	502	561	-	-	-	965	778	809	-	-
Motor Vehicle	-	-	-	-	845	-	2,257	550	293	328	-	-	185	203	-	-
Other	456	448	454	515	949	1,963	3,479	4,487	8,286	8,648	28,229	17,152	78	191	4,664	2,440
TOTAL	8,581	9,633	19,302	13,581	19,764	18,774	45,881	48,989	29,375	32,735	65,171	66,915	36,256	41,186	25,955	27,495

Expenditures Per Capita	Alamogordo		Carlsbad		Clovis		Farmington		Hobbs		Las Cruces		Rio Rancho		Roswell	
	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007
Population ¹	37,956	38,462	25,721	25,832	34,101	34,535	43,967	44,404	29,733	29,892	88,388	91,335	71,607	77,716	46,087	46,316
Executive/Legislative	18	19	34	34	37	35	5	7	38	63	-	16	27	34	-	-
Fin. Administration	16	16	40	38	63	28	47	35	13	14	35	59	24	25	59	54
Com. Development	14	10	5	6	-	-	40	46	-	-	34	29	21	20	-	-
Planning & Zoning	2	2	19	19	-	-	5	5	9	8	-	29	10	9	-	-
Public Safety	136	165	240	251	222	243	283	309	261	282	178	187	181	188	168	237
Fire & Ambulance	28	27	153	159	161	181	135	156	164	198	82	94	59	76	135	138
Public Works	-	-	104	-	7	-	-	-	13	17	73	78	39	39	-	-
Streets and Drainage	-	-	35	-	8	-	11	14	67	71	-	-	41	37	-	-
Parks and Rec	-	-	50	-	22	-	149	154	92	97	-	30	63	60	63	77
Library	-	-	25	-	-	-	83	88	31	30	-	-	17	18	28	26
Judicial	-	-	12	-	7	-	145	163	12	15	16	14	10	11	9	8
Elections	-	-	2	-	0	-	-	-	0	1	-	-	1	0	0	0
Senior Citizens (GF)	-	-	14	-	-	-	11	13	-	-	-	11	11	10	-	-
Motor Vehicle	-	-	-	-	25	-	51	12	10	11	-	-	3	3	-	-
Other	12	12	18	20	28	57	79	101	279	289	319	188	1	2	101	53
TOTAL	226	250	750	526	580	544	1,044	1,103	988	1,095	737	733	506	530	563	594

1 UNM BBER Population estimates based on 2007 BBER county population estimates, with city proportion assumed to be the same as US Census Bureau estimates for 2006. See <http://www.unm.edu/~bber/demo/bberpopost.htm> and <http://www.unm.edu/~bber/demo/citypopost1.htm>.

NM Department of Finance and Administration, Local Government Division, *State of New Mexico County and Municipal Governments Financial and Property Tax Data Fiscal Year 2006 Annual Report*, same report for fiscal year 2007; Rio Rancho Budget and City of Las Cruces Budget 2007-08; U.S. Census Bureau, Population Division, Population Estimates Released June 28, 2007; University of New Mexico, Bureau of Business and Economic Research, Population Estimates Program and Mid-Region Council of Governments.

Alamogordo is on the very low end with per capita spending in the general fund of only \$250. For the remaining four communities, per capita general fund spending is in the \$500-600 range.

Public safety other than fire is the major expenditure for all these communities. We assume most of this goes for police, although some cities have a jail and/or juvenile correction facilities. Carlsbad, Clovis, Farmington, Hobbs, and Roswell were in the Albuquerque and current South Valley ballpark, each spending \$240 per capita or more on this function, while Las Cruces and Rio Rancho spent closer to \$188 per person in general fund monies. These two cities would be worthy of more attention to see how they are able to contain general fund expenditures in this area, but the particular set of forces operating on the South Valley may necessitate higher levels of spending.⁵⁷ BBER is assuming \$250 per capita will be required for law enforcement. The Bernalillo County estimates of \$100 per capita for fire (taking into account communications), and \$12 per capita for animal services seem reasonable, so BBER retained these estimates.

In terms of government administration, spending for most of the communities is somewhere in the neighborhood of \$70 per capita, or a bit lower than Albuquerque, but it might be possible to run government with considerably less, say \$50 per capita. This is an area where the new City might do well initially to hire a very limited number of people with critical expertise, hiring additional people only when the need is demonstrated and the individual skills match those required. Good management practices will be key to keeping costs in line.

The data reported by the Local Government Division in their annual reports for the major municipalities are in some cases incomplete on community development and zoning, building, and planning, but \$25-30 per capita seems reasonable, so we kept the Bernalillo County estimate. The new municipality should, like Albuquerque and Bernalillo County, be able to recoup much of its expenditures in this area through fees, particularly building inspection fees, and charges for services. However, the FY 06 and even FY 07 revenues were exceptionally high, reflecting the building boom. In developing reasonable revenue estimates from fees and charges for services, BBER has utilized pre-construction boom figures. Staffing may also have been up to accommodate the demand for services.

Communities vary in how much of their street operations and maintenance and other operating costs are in the general fund versus the Municipal Street and other road funds used for keeping track of revenues and expenditures, operations as well as capital outlay.⁵⁸ BBER believes the underlying Bernalillo County estimate of \$25 per

⁵⁷ See, for example, the discussion on crime and law enforcement in Joshua Akers, *op.cit.*, pp. 21-2.

⁵⁸ BBER has followed New Mexico local government road-related spending and revenues for the New Mexico Transportation Department for many years. While communities receive gasoline and motor vehicle distributions as well as having access to a variety of grant programs, a general fund subsidy is almost always required to cover the on-going costs associated with operations and maintenance, traffic engineering, and traffic safety, but the actual programmatic expenses do not always show up in the general fund.

capita for street and storm operations and maintenance (O&M) is reasonable.⁵⁹ Estimated FY 07 South Valley expenditures on infrastructure planning and implementation are close to \$30 per capita. This seems very high, and particularly at start-up. The City of Albuquerque spends less and their figures include all the major cultural attractions as well as parks and recreation. A figure of \$10 per capita is more reasonable, although the commitment could be less, particularly at start-up. The fleet-facilities estimate for the South Valley of \$42 per capita seems quite high, given that only about \$6 per capita is now spent on O&M for South Valley facility maintenance and custodial services and that the vehicle fuel and maintenance costs for fire, police, and roads and sewer are included in the operating costs for those service units.

The figure for parks and recreation is based on facilities in the South Valley and should be reasonable. The library is estimated to cost about \$600 to operate. This is the lower end of the range provided and is consistent with the average costs of running libraries in the City. The \$1.2 million figure for what it will cost to maintain current bus service to the South Valley may be high. We were unsuccessful in our efforts to talk with staff in the City Transit Department. The 4th Street bus is the only other bus outside the City limits, but the frequency of service is quite high (20 minutes during rush hour on weekdays). Therefore, we dropped the cost of providing bus service to the South Valley to \$1.1 million or \$22 per capita. We have not specifically addressed the South Valley needs currently met with monies from the environmental gross receipts tax, although we have left other funding for environmental health.

If we take the above modified figures and leave estimates for other services unchanged, the total is \$30.1 million, or \$605 per capita, which would put the South Valley at the high end of the group of four large cities with general fund spending between \$500 and 600 per capita. (See Table 5.4.) There are areas where costs could be shaved further, e.g., social services, housing, youth and senior programs, but it will probably be difficult to get the total much below \$25,000, or \$500 per capita, without gutting essential services.

Since the estimated costs of a South Valley government thus exceed the \$404 per capita in general revenues thus far estimated, it is useful to push the revenue analysis further to incorporate estimates of fees and charges for services based on an analysis of Bernalillo County and City of Albuquerque revenue sources. The analysis is summarized in Table 5.5. The comments on the right provide documentation as to the sources of the estimates. The revenues in the top section of the table are from the general fund, with the possible exception of gasoline and motor vehicle fees, although many communities consolidate their road/street fund activities with those in the general fund for planning and budgeting purposes. The revenue sources at the bottom are those various State-shared distributions discussed in some detail in Chapter 2 that may be used, with restrictions, to finance operating

⁵⁹ This is based on the estimated FY 07 per capita spending for road O&M, traffic safety and storm drainage and allocated administrative support by Bernalillo County. See Table 4.10 on pp. 46-7.

Table 5.4. Cost Estimates for Providing Services to the South Valley

	Estimated Cost (000s)	Per Capita
Population		50,145
Administration	2,507	50
Police	12,536	250
Fire	5,015	100
Animal Control	587	12
Environmental Health	443	9
Parks & Recreation	2,787	56
Youth & Seniors	498	10
Social Services	510	10
Housing	102	2
Library	600	12
Zoning, Building, & Planning	1,376	27
Public Works	1,755	35
Fleet/Facilities Management	333	10
Bus Service	1,100	22
	30,149	605

UNM BBER Estimates

expenditures. While we have previously counted these as operating revenue sources, by law they must be separately accounted for in special revenue funds.

The bottom line is, by conservatively adding revenues from fees and charges for services already collected by Bernalillo County and associated with activities in the South Valley, we were able to add \$1.9 million in revenues and bring the total to over \$22 million, or \$440 per capita. Prudence would dictate the need to keep at least a 5% reserve against unforeseen contingencies. If balances can be accumulated to provide such a reserve, the new municipality will earn interest on these accumulated balances and this interest will provide additional revenues for operation.

Table 5.5. Estimated Governmental Revenues for the South Valley Municipality

	Revenues \$000s	Per Capita Revenues 50,145	Comments
Population ¹			
Local Taxes			
GRT-Local Option ²	7,000	139.6	Same rate as Albuquerque
Property Taxes ³	2,876	57.4	5 mills for operations
Franchise Tax	1,350	26.9	75% of COA per capita
Liquor License Tax	5	0.1	\$250 * count of liquor licenses
State-Shared			
Gross Receipts Tax	8,439	168.3	
Cigarette	2	0.0	
Gasoline Tax-Regular	108	2.2	
Gasoline Tax-/Road	59	1.2	
Motor Vehicle Fees	47	0.9	
Licenses & Permits			
Business Registration	18	0.3	
Business Licenses	86	1.5	Current level Bernalillo Co.
Building Permits	650	13.0	Pre-boom development activity
Environmental Health	73	1.5	Current level Bernalillo Co.
Charges for Services			
Engineering Fees	100	2.0	Pre-boom development activity
Planning & Zoning	60	1.0	Current level
Streets & Highways	150	3.0	Estimate based on current level
Parks & Rec	480	9.6	Current aquatics, sports & community centers
Misc	150	3.0	Current levels
Fines & Forfeitures			Depends on willingness to have municipal court
Miscellaneous			
Rental of City Property	25	0.5	less than half of COA income
Interest earnings			depends on fund balance
Other			
TOTAL	21,678	431.9	
State-Shared -- Service required -- deposit in separate fund			
Law Enforce Protection	102	2.0	Provide service, \$600 per officer
Fire Protection	295	5.9	Provide service
EMS	20	0.4	Provide service
Corrections Fees	-	-	Bernalillo Co. provides services
GRAND TOTAL	22,095	440.2	

1 Preliminary estimate by BBER before conducting census.

2 Assumes 1.0625% in place (1.000 cent municipal gross receipts plus 0.0625% infrastructure gross receipts tax).

3 Assumes 5 mill levy

BBER estimates.

A gap remains between estimated recurring costs (\$30 million, \$25 million if costs can be shaved further) and revenues. There are a variety of other revenue options:

- **Impose additional gross receipts tax.** If the new City were to impose another quarter cent gross receipts tax, the tax would raise an additional \$1.6 million (\$32 per capita). The overall tax rate (7.0%) would be comparable to or lower than many surrounding communities.
- **Impose additional property tax.** The new City would have 7.65 mills of operating property tax authority. Rio Rancho and Belen have both imposed the

maximum operational levy of 7.65 mills, although the actual rates paid are lower, reflecting yield control. Each additional mill utilized beyond 5 mills would generate an estimated \$575 thousand in revenues, or \$11 per capita. The burden on the property owner who lives in a house valued for property tax purposes at \$100,000 would be \$31 per mill, assuming the owner avails him/herself of the head of household exemption.

- **Encourage appropriate development of commercial/retail base within the South Valley municipal limits to better serve local residents and to provide tax revenues for the new municipality.** The South Valley is underserved. The proposed 80 acre shopping mall on South Coors with 525,000 square feet of retail space promises additional recurring gross receipts tax revenues in excess of \$1 million (\$20 per capita) depending upon the types of stores which actually open. Revenues from construction may help in the short-term but such revenues are probably already counted in the South Valley's gross receipt tax base.
- **Encourage residents and businesses to buy locally, so that the dollars stay within the community and the new City gets the revenues.** Some communities, e.g., Artesia a number of years ago, have actually run campaigns to educate citizens on the importance of buying locally.
- **Consider operating a municipal court. Fines collected could be distributed to the general fund.** BBER did a small survey of large municipalities with judicial expenditures per the New Mexico Local Government Division report. Some communities, like Carlsbad, Clovis and Rio Rancho, did appear to generate more revenues for the General Fund than was spent. However, the revenue gains were relatively small if only the general fund is considered, and there were other communities, like Roswell, where expenses exceeded general fund revenues. There would need to be more compelling reasons than general fund revenues to assume this additional area of responsibility.
- **Use the transition period to accumulate general fund balances to meet at minimum a 5% reserve against appropriations.** The interest earnings on these accumulated reserves will provide another recurring revenue source. A five percent reserve on an operating budget of \$30 million would be \$1.5 million and at 3% would raise \$45,000 on a recurring basis.⁶⁰
- **Pursue state and federal assistance to meet objectives.**
- **Pursue annexation of South Valley lands annexed by the City of Albuquerque and islands of unincorporated Bernalillo County within these areas.** If the new City were successful in annexing areas of the South Valley currently within the City of Albuquerque and those pockets of unincorporated

⁶⁰ 3-month treasury bills currently yield about 2%, but rates are forecast by Global Insight to be well in excess of 4% by 2010.

Bernalillo County within the City's annexed lands, the revenue gains are conservatively estimated to be \$2.0 million for gross receipts taxes and over \$0.5 million from a 5 mill property tax. However, with an estimated 4,000 additional people, the per capita revenues would be only \$454, or \$14 more per capita.

Can the South Valley Generate Sufficient Revenues to Support a Municipal Government?

BBER has viewed this as a question of whether the new municipality would have sufficient recurring revenues to meet recurring expenditures for municipal services. BBER is prepared to answer this question in the affirmative, but it is a very qualified "yes". The South Valley does appear to have sufficient gross receipts tax capacity to provide municipal services assuming local residents and businesses would support the new government's effort to use this capacity and put in place gross receipts tax rates at least as high as the City of Albuquerque and probably closer to those in place in Rio Rancho. In addition, the new municipality would have to use its operating property tax authority (probably at least 5 mills) and it would need to aggressively pursue other options to raise revenues, specifically fees and charges for services, while ferreting out and applying for various grants and other forms of intergovernmental assistance to fund priority initiatives.

As is discussed in BBER's companion report, *The Transition from Unincorporated Community to Municipality in the South Valley*, new municipalities rarely if ever have the resources to assume the responsibilities for financing all those municipal-type services previously provided by the county government on day one. Some phased sharing of different types of responsibilities is the norm and would need to be negotiated. It is important to note that residents and businesses in the South Valley would continue to pay almost all the same taxes to the County that they currently pay. The only major exception is the environmental gross receipts tax, a one-eighth cent tax that currently generates, by BBER estimates, \$850 thousand for the County from South Valley activity.

It is critical that the new South Valley municipality be given some time to transition into the responsibilities of being one of the largest municipalities in New Mexico. Bernalillo County would seem to have much to gain and very little to lose by continuing to provide some basic services to the residents of the South Valley. The expectation is that the fledgling municipality would proceed to put in place the revenue sources necessary to fund priority services in the manner and at levels judged to be appropriate and would at the same time move to shoulder more and more of the associated service costs. Among other things, during this transition period, the new municipality should attempt to accumulate fund-balances to provide prudent reserves against unforeseen revenue short-falls or other emergencies. Such balances could be used to meet unanticipated needs for capital outlay, e.g., to repair a leaking roof, or to deal with deficiencies in the infrastructure.

For the longer term, the new City should give serious attention to policies that will help create a vibrant South Valley economy that will employ local residents and enable residents and businesses locally to meet many of their needs for goods and services. This is not to minimize the importance of having a growing economic base that will bring dollars into the community from elsewhere (even though their sales may not be taxable). The new City would also do well to extend its municipal boundaries to incorporate those South Valley areas that the City of Albuquerque has annexed, as these areas already contain a concentration of retail and other commercial activity. Annexing these areas and the islands of unincorporated Bernalillo County within them would give the South Valley a larger tax base and would help ensure a growing tax base in the future. Annexing these areas would also promote better service delivery, including responses to emergencies, than the patchwork of jurisdictional boundaries that exists today.

**APPENDIX A
STATE AND FEDERAL GOVERNMENT ASSISTANCE AVAILABLE
TO NEW MEXICO MUNICIPALITIES: PROGRAMS ADMINISTERED
BY STATE AGENCIES**

Table A.1. State and Federal Government Assistance Available to New Mexico Municipalities from Programs Administered by State Agencies

Agency	Program	Purpose	Type	Availability
Aging	Capital Improvements	Facilities and Equipment	Grant, Service Contract	Variable
Aging	Senior Programs	in-home and community care	Grant, Service Contract	Annual
Aging	Senior Programs	volunteer and companion programs	Grant, Service Contract	Limited by particip
CYFD	Children's Justice Act	improve investigation, etc. child sex abuse cases	Service Contract	Annual
CYFD	Community Based Services	holistic approach to case mgt	Service Contract	Leg appropriation
CYFD	Enforcing Underage Drinking Laws Block Grant	enforcement and development of programs	Grant	Contract
CYFD	Juvenile Accountability Incentive Block Grant	to hold juvenile offenders accountable	Service Contract	Annual
CYFD	Juvenile Justice and Delinquency Prevention	rehabilitation programs	Service Contract	Annual
CYFD	Summer Food Service Program	summer breakfast and lunch for low-income children	Grant	Federal Funds
Cultural Affairs	Historic Preservation Certified Local Governments	state and national historic preservation	Grant, Coop Agree, Techl Contract	Underutil & avail
Cultural Affairs	National Endowment for the Arts Partnership	support development and work of local art orgs	Grant, Service Contract, other	Annual
Cultural Affairs	NM Coalition for Literacy	adult literacy education	Grant, Technical Assistance	Annual
Economic Development	Community Development Revolving Loan Fund	attract development	Grant, Service Contract, other	Revolving basis
Economic Development	Cooperative Advertising Program	assistance with advertising	Grant, Service Contract, other	Revolving basis
Economic Development	New Mexico Mainstreet Program	develop downtown revitalization strategy	Technical Assistance	Annual
Energy, Min & Natl Res	renewable and efficiency projects	reduce energy consumption	Grant, Technical Assist	Variable
Energy, Min & Natl Res	Clean Fuels Transportation	reduce petroleum fuel consumption	Coop Agreement, Techl Assist	Annual
Energy, Min & Natl Res	Endangered Plant Species Program	plan evaluation	Technical Assistance	NA
Energy, Min & Natl Res	Inmate Work Camp Program	use of low security inmates for labor	Coop Agreement, Techl Assist, other	crew availability
Energy, Min & Natl Res	National Recreational Trails Grant	trail corridors for motorized and non-motorized vehicles	Grant	Annual
Environment Dept	Targeted Brownfields Assessment	direct environmental services	Technical Assistance	1st come
Environment Dept	Tire Recycling Fund	environmentally sound methods of tire disposal	Grant, Service Contract, Loan	Annual
DFA Local Govt Div	Law Enforcement Protection Fund	maintenance and improvement of police departments	Grant	Annual
DFA Local Govt Div	Local DWI Grant & Distribution Program	local programs	Grant, Distribution Funds	Annual
DFA Local Govt Div	Community Development Block Grant	suitable living or low and moderate income	Grant, Loan	Annual
General Services	NM State Agency for Surplus Property	allow access to surplus federal & state equipment	Coop Agreement, Techl Assist	on-going
Health	Emergency Medical Services Fund Act	fund pre-hospital care	Grant, Technical Assistance	Annual
Health	Injury Prevention	local injury and violence prevention	Service Contract	Annual
Health	Tobacco Use Prevention and Control	eliminate tobacco use	Grant, Service Contract, other	Annual
Mortgage Fin Authority	Emergency Shelter Grants	improve quality of emergency and transitional housing	Grant, Technical Assistance	Annual
Mortgage Fin Authority	Home Investment Partnership Program	improve home ownership	Grant, Service Contract, other	Annual
Mortgage Fin Authority	Housing Opportunities for Persons with AIDS	resources and incentives for planning	Grant, Technical Assistance	Annual
Mortgage Fin Authority	Low Income Housing Tax Credit	rehabilitation and production of affordable housing	Tax incentive	Annual
Mortgage Fin Authority	Weatherization Assistance	assist low income families	Coop Agreement, Techl Assist, other	Every two years
NM Finance Authority	Drinking Water Revolving Loan Fund	improving water quality	Loan, Technical Assistance	Annual
NM Finance Authority	Public Project Revolving Loan Fund	low interest loans	Loan	Annual
NM Finance Authority	Water/Wastewater Grant Program	water/wastewater improvements	Grant	Annual
Public Education	21st Century Community Learning Centers	expand community learning centers for youth	Grant	Variable
Public Regulation	Fire Protection Fund	reduction of fire insurance rates	Grant	Annual
Public Safety	Byrne Formula Grant	crime suppression	Grant	Annual
Public Safety	Community Assistance Program	lower flood insurance rates	Grant	Annual
Public Safety	Disaster Housing Resources	funding for disaster victims	Grant	on-going
Public Safety	Emergency Management Performance Grant	increase emergency management capabilities	Grant	Annual
Public Safety	Fire Management Assistance	wildfire and disaster prevention	Grant	on-going
Public Safety	Flood Mitigation Assistance	reduce long-term risk of flooding	Grant	Annual
Public Safety	Hazard Mitigation Grant	life and property loss	Grant	on-going
Public Safety	High Intensity Drug Trafficking Area	stopping drug imports from Mexico	Grant	Annual
Public Safety	Pre-Disaster Mitigation Competitive Grant	life and property loss	Grant	Annual
Public Safety	Public Assistance	protective measures, debris removal, etc	Grant	on-going
Public Safety	State Homeland Security Grant	protective the homeland	Grant	on-going

Table A.1. State and Federal Government Assistance Available to New Mexico Municipalities from Programs Administered by State Agencies, Continued

Agency	Program	Purpose	Type	Availability
Tax and Rev	Small Cities Assistance Fund	pays some operating costs	Grant	Annual
Tourism	Cooperative Advertising Program	year-round economic benefit	Grant, Cooperative Agreement	Annual
Tourism	New Mexico Clean and Beautiful	to eliminate litter	Grant, Cooperative Agreement	Annual
Transportation	Community Driving While Impaired Prevention	reduce injury and death from DWI	Grant	Annual
Transportation	Cooperative Agreement Program	improve streets and highways	Cooperative Agreement	Annual
Transportation	Elderly and Disabled Transportation	provide public transportation	Grant	Annual
Transportation	Highway Safety 402 Program	crash, death and injury reduction	Grant, Technical Assistance, other	Annual
Transportation	Municipal Arterial Program	street construction and reconstruction	Cooperative Agreement	Annual
Transportation	New Mexico State Infrastructure Bank	highway projects	Loan	Variable
Transportation	STP/Transportation Enhancement Activities	bicycle, pedestrian, streetscape improvements	Coop Agreement, Service Contract	Annual
Transportation	Surface Transportation Program	construction or repair roads, bridges, hazard mitigation	Coop Agreement, Service Contract	Annual
Transportation	Traffic Safety Education and Enforcement	reduce death and injury from motor vehicle crashes	Grant	Annual

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

Federal Grant Availability

Federal money is distributed to municipalities in New Mexico in different ways. In the case of larger municipalities, cities with over 50,000 people, federal money is directly disbursed for a variety of projects through the Community Development Block Grant (CDBG) program. For cities under 50,000, this money is distributed to these cities by the state. Cities over 50,000 can apply directly to the federal government for funding.

According to the New Mexico Local Government Division, the majority of money distributed to New Mexico communities with a population less than 50,000 people is provided through legislative earmarks. There are opportunities for municipalities to receive federal funds for community development programs through the state, but these funds are limited. Ken Hughes, formerly a management analyst with the Division and in charge of federal programs, said more money is often available to communities with a population over 50,000, which receive money directly from the federal government.

All transportation dollars in the middle Rio Grande pass through the Mid-Region Council of Governments (MRCOG), an entity set up as part of a federal requirement for regions to receive federal transportation dollars. The prioritizing and planning of projects that MRCOG does provides the basis for allocating and distributing funding in the federal transportation bill, or T-Bill. These dollars pass through the New Mexico Department of Transportation.

Another way federal funds are allocated to local municipal projects is through earmarks. These dollars generally pass through a designated State agency before distribution to the municipality.

In telephone and e-mail correspondence with six New Mexico cities, selected by population, BBER learned that the majority of municipal grant funding received is through the state. Often State funding is one-time money approved by the Legislature for specific projects. Federal grants are few and far between and are often planning grants or money for large water and wastewater projects. Another funding option smaller municipalities in New Mexico often employ is utilizing low interest loans from the State to fund larger projects. According to grant administrators, federal CDBG funds administered by the State are small and rarely recurring. A summary of the grants utilized by other New Mexico cities follows.

Alamogordo, pop. 36,609

The City of Alamogordo has utilized the following grants for the corresponding projects:

- ❖ Community Development Block Grant (\$500,000) for sidewalks through the New Mexico Small Cities CDBG non-entitlement program
- ❖ Economic Development Administration (\$350,000) for Airport Business Park infrastructure improvements
- ❖ Environmental Protection Agency grant (\$867,300) to implement a NEPA study for a regional water supply project, plus two grants from the Water Trust Board for the same project
- ❖ Two loans from the New Mexico Finance Authority for Westside infrastructure improvements
- ❖ Keep New Mexico Beautiful grant to implement the Keep Alamogordo Beautiful program
- ❖ Lodger's Tax advertising grant
- ❖ Numerous State capital outlay projects funded by the Legislature, including a tennis complex, the library, a reclaimed water irrigation system, street and ADA improvements.

Carlsbad, pop. 25,410

Grant Administrator Anne Beeson said the City's most common federal funding is transportation earmarks. The City is still receiving flood assistance after flooding issues in 2005. The City actively pursues federal grants, but finds the matching funds difficult to come up with and does not apply if local matching funds are unavailable. The majority of funding outside of tax revenues comes from Legislative appropriations which mainly deal with infrastructure. As for CDBG funds, Beeson said receiving them one year virtually guarantees the City will not receive any CDBG funds the following year.

Clovis, pop. 33,258

Finance Director Don Clifton said his City receives virtually nothing from the federal government with nearly all grant money coming from the state. Clifton said most outside funding comes through Legislative appropriations. Approximately 20 years ago, Clovis received \$6 million federal appropriation to build a wastewater treatment

plant. It received another infrastructure related planning grant in 2006 of \$300,000, Clifton said.

Farmington, pop. 43,573

Finance Manager Steve Ellison said the City relies on grants and appropriations at the state level, but does receive some federal funding. A law enforcement block grant that provided the City with \$100,000 a year for a couple of years and \$50,000 in 2006, ended this year. Farmington receives an FAA grant for its airport and also receives a narcotics grant because the Four Corners is considered a high drug use area. The City recently took out a loan from the New Mexico Environment Department for a sewer project.

Hobbs and Roswell did not respond to inquiries.

Federal grants available for which the South Valley incorporation area may qualify:

- Community Development Block Grants
- Substance Prevention Block Grants
- Project Grants
- Formula Grants
- Co-op Agreements
- Direct Assistance – Specified
- Direct Assistance – Unspecified
- Direct Loans
- Guaranteed Loans
- Uninsured Loans
- Loan Insurance

Federal grant descriptions available at
http://12.46.245.173/pls/portal30/CATALOG.TYP_ASSISTANCE_DYN.show

APPENDIX B
BERNALILLO COUNTY INFRASTRUCTURE AND FACILITIES IN THE
SOUTH VALLEY

BBER had somewhat limited success in gathering information on Bernalillo County infrastructure and facilities in the South Valley. Table B.1., which follows, presents the data we were able to acquire on Bernalillo County lands and facilities by service area. Address, acreage, infrastructure, and condition data are also included, as it was available. The most detailed information was available for parks and recreation. We included information from another database on center isles and medians primarily because there are Public Works costs associated with these amenities.

Table B.1. Bernalillo County Infrastructure and Facilities in the South Valley

Type	Name	Address	Total Acreage	Infrastructure	Condition
Parks and Recreation Facilities					
Joint Use with APS					
Park	Los Padillas Elementary School Game Fields	2525 Los Padillas Rd SW	3.4	trails, soccer, playground 4 tennis courts, 3 soccer fields,	developed, 3.2 acres irrigated
Park	Rio Bravo Park	3900 Isleta Blvd SW	11.4	playground, picnic area	developed, 10.3 acres irrigated
Little League	South Valley Little League	3900 Isleta Blvd SW	9.5	7 Youth Ball fields	developed, 5.7 acres irrigated
Soccer Field	Old Armijo Soccer Field	1021 Isleta Blvd SW	1	Soccer Field	developed, .5 acres irrigated
Pool	Rio Grande High School Pool	2312 Arenal Rd SW	1.5	Pool	developed, .2 acres irrigated
Community Centers					
Community Center	Los Padillas Community Complex	2117 Los Padillas Rd SW	8.2	trails, soccer, gym, community center, playground, pool picnic area	developed, .3 acres irrigated
Community Center	Mountain View Community Complex	201 Prosperity Ave SE	5.3	2 basketball courts, soccer, gym, community center, playground, picnic	developed, .9 acres irrigated
Community Center	Westside Community Complex	1221 Arenal Rd SW	8.7	trails, 2 basketball courts, 2 tennis courts, adult baseball field, soccer, gym, community center, playground, picnic	developed, 3.4 acres irrigated
Parks					
Park	Judge Henry Coors Park	2901 Don Felipe Rd SW	6.4		Undeveloped
Park	Raymac Park	2805 Morton Lane SW	2.4	Volleyball court, full basketball court, playground, picnic area, horseshoe pits	developed, 1 acre irrigated
Park	Denison Polo Park	7001 Coors Rd SW	10	Cowboy Polo	
Park	Nick Vitale Park	1731 Laney Ave SW	0.9	Basketball court, playground, picnic area	developed, .8 acres irrigated
Park	Ambassador Edward L Romero Park	Rio Bravo Blvd and 2nd St SW	3.4		undeveloped
Park	Valle del Bosque Park	480 Sunset Rd SW	11.1	trails, 2 volleyball, youth baseball, 2 playground, picnic area	developed
Park	Larrazolo Park	Larrazolo Rd SW & Atrisco D	7.8		undeveloped
Park	Tom Tenorio Park	2900 Arenal Rd SW	50.6	4 volleyball, 3 adult baseball, picnic area, miniature race car track	developed, 9.5 acres irrigated
Park and Little League	Atrisco Park and Little League	229 Atrisco Dr SW	15.7	basketball court, 5 youth baseball, playground, horseshoe pits	developed, 7.4 acres irrigated
Pools					
Summer Pool	South Valley Pool	3912 Isleta Blvd SW		Outdoor Swimming Pool	
Seniors					
Senior Meal Sites					
Senior Meal Site	Pajarito Senior Meal Site	6080 Isleta Blvd SW	1.2	trails, senior meal bldg, picnic area	developed, .3 acres irrigated
Senior Meal Site	Rio Bravo Senior Meal Site	3912 Isleta Blvd SW	2.1	senior meal bldg, playground	developed, .1 acres irrigated
Senior Meal Site	Armijo Senior Meal Site	1714 Centro Familiar Blvd SW	2.9	Senior meal bldg	developed
Senior Housing					
Senior Housing	Seybold Village Apts.	2204 Centro Familiar Blvd. SW			
Senior Housing	El Centro Apts.-Senior Housing	2210 Centro Familiar Blvd. SW			

Table B.1. Bernalillo County Infrastructure, Facilities and Buildings in the South Valley, Continued

Type	Name	Address	Total Acreage	Infrastructure	Condition
Open Space					
Dairy Farm	Pajarito/Beck	6001 Beck Rd SW	15.4	site of old Beck family dairy farm and alfalfa fields, old milking barn	In-development
Historic Home	Hubble House	6029 Isleta Blvd SW	10.3	On New Mexico Register of Historic Properties	In-development
Dairy Farm and landing strip	Durand Family Farm and Pasture	4812 Isleta Blvd SW	9.9	Alfalfa Farm, pasture, Old P-Patch Landir	In-development
Open Space	Valle del Bosque Open Space	480 Sunset Rd SW	4.8	Once home to Serna Trucking	Open to the public
Albuquerque/Bernalillo County Library System					
Public Library	South Valley Library	3904 Isleta Blvd SW			
Sheriff					
	SV Sheriff's Command Center (New)	2037/2039 Isleta Blvd. SW			
Fire Department					
Fire Station	Fire Station 8	3610 Prince St SE			
Fire Station	Fire Station 2	1701 Arenal Rd SW			
Fire Station	Fire Station 3	3909 Barcelona Rd SW			
Fire Station	Fire Station 4	2811 Don Felipe Rd SW			
Fire Department	Fire Dept. Maint. Shop (FMO)	1120 Coors Rd. SW			
Animal Services					
Animal Care and Regulation	Animal Care and Regulation	1136 Gatewood Ave SW			
Animal Training Center	Animal Training Center	1136 Gatewood Ave SW			
Animal Care and Regulation	Animal Care and Regulation	3211 Coors Blvd. SW Suite D-2			
Housing Authority					
Housing Authority	Administration Office	1900 Bridge SW			
Public Housing	Section 8 Public Housing	1900 Bridge SW			
Health Facilities					
Health Facilities	Stanford Clinic	1111 Stanford Dr. NE			
Health Facilities	SV Mental Health Center	2000 Centro Familiar Blvd. SW			
Health Facilities	SV Health (First Choice)	2001 Centro Familiar Blvd. SW			
Health Facilities	SV Public Health Center Bldg A	2001 Centro Familiar Blvd. SW New Bldg A			
Health Facilities	Los Padillas/SV Health-Dental	2127 Los Padillas Rd. SW			
Public Works					
Office	Office	1120 Coors Rd. SW			
Trailer	Trailer	1120 Coors Rd. SW			
Pump Stations					
Pump Stations	Adobe Acres Pump Station	4023 Isleta			
	hot box, keeps pipes from freezing	429/431 Isleta			
	Irrigation, controller for irrigation	937 Isleta			
Pump Stations	Pump Station	1200 Arenal Rd SW			
	PW	359 Sunset SW light pole			
	Malaiz & 125 Black Mesa	Los Padillas & Isleta			
	Metro Detention Ctr Warehse	5800 Shelly Rd SW			
	Metro Detention Ctr Water treatment	5800 Shelly Rd SW			

Table B.1. Bernalillo County Infrastructure, Facilities and Buildings in the South Valley, Continued

Type	Name	Address	Total Acreage	Infrastructure	Condition
Other Buildings					
Other Buildings	AMISTAD Crisis Center	2929 Barcelona Rd. SW			
Other Buildings	Animal Care and Regulation	3211 Coors Blvd. SW Suite D-2			
Other Buildings	Hubble House Caretaker	6025 Isleta Blvd. SW			
Other Buildings	YDI Office	1710 Centro Familiar Blvd. SW			
Center Isles & Medians					
Center Isles		1007 CA Bridge SW			
Center Isles		1306 Rio Bravo SW			
Center Isles		1415 CA Bridge SW			
Center Isles		1533 CA Bridge SW			
Center Isles		1713 CA Bridge SW			
Center Isles		813 CA Bridge SW			
Center Isles		921 CA Bridge SW			
Median		100 Rio Bravo SW			
Median		120 CA Riverside Dr SW			
Median		1500 Rio Bravo SW			
Median		1600 Isleta SW			

