

FY/05 BUDGET SYNOPSIS

The FY/05 budget reflects both Administration and Council priorities. An unusual level of cooperation between the Administration, Council members, staff and union leaders has been achieved in this year's preparation of the Financial and Performance Plans.

The Five-Year Forecast

The Five-Year Forecast prepared in December 2003 estimated future revenues and expenditures for the General Fund and the subsidized funds for the present fiscal year, FY/04, and for FY/05 through FY/08.

The Five-Year Forecast projected the General Fund unreserved fund balance for the current fiscal year would be positive at \$17.4 million (plus \$2.2 million reserved from the IRB settlement) and recurring revenues would exceed recurring expenses by \$5.8 million. Much of this was due to the improvement in revenues in FY/03 and FY/04, and reversions created by the efforts by departments to reduce expenditures. In FY/05 the gap between General Fund recurring revenues and expenditures was projected to be \$14.7 million, producing an unreserved fund balance of negative \$10.1 million.

The \$10.1 million FY/05 projected gap had six major causes. First, the adopted recovery plans that worked well in FY/03 and FY/04 contained significant non-recurring portions. The suspension of a transfer to storm drainage projects provided General Fund capacity in FY/04, but had to be restored in FY/05. Positions frozen in prior years were filled and

became recurring expenses in FY/05. Fund balances from FY/03 and FY/04 move forward to FY/05, but are not recurring. FY/04 also contains increases in one-time revenue, such as the IRB settlement. Second, FY/05 expenditures were assumed to significantly increase with the opening of new facilities. The Five-Year Forecast estimated cost of operating CIP coming-on-line in FY/05 was \$15.5 million. This is an unusually large amount and was due in part from prior year's construction and opening delays as well as the need to purchase small capital items, such as furnishings. Third, the cost of the Administration's initiatives assumed in the forecast was \$4 million, primarily in the Cultural, Environmental Health, Planning and Legal departments. Fourth, "catch-up" expenditures were projected to increase to pay for positions coming off of grants, particularly in the Police Department, and to put police cruisers on a five year replacement schedule. Fifth, the increase in APD officers funded by the quarter cent public safety tax was assumed to be in excess of the 1,000 officer target for FY/05. Finally, there are several recurring costs that are growing faster than the rate of inflation, most notably employee healthcare and worker's compensation insurance.

Closing the Gap

Budget hearings revealed several areas that could be reduced to close the \$10.1 million gap that had been forecast in December 2003. Analysis of actual data from February 14, 2004 revealed a General Fund vacancy rate of 7.75%, well above the FY/04 budgeted salary savings rate of 0.5%. The proposed FY/05 General Fund budget increases the salary savings rate to 3.5% for all departments except Fire, Police,

Metropolitan Detention Center, Mayor, Chief Administrative Officer, Council Services, and Internal Audit which remain at 0.5% and Senior Affairs that is set at 1.5%. The increase in the salary savings rate created approximately \$4.4 million in additional capacity. The cost of operating CIP coming-on-line was dramatically reduced to \$7.8 million, creating a similar amount in savings from the Five-Year Forecast

level. The operating grants transfer was \$505 thousand less than anticipated in the Five-Year Forecast. Finally, the additional \$5.6 million in General fund appropriations to bring the APD fleet onto a five-year replacement schedule as assumed in the Five-year Forecast was

eliminated. The savings was sufficient to not only close the projected \$10.1 million FY/05 gap, but also to provide sufficient capacity to support raises for employees.

Revenue and Expenditure Aggregates

The budget is built on the assumption that available revenue will increase 8.7% over the estimated actual level for FY/04. Expenditures in the FY/05 general fund budget are 13.7% greater than the estimated actual spending level for FY/04. The growth in expenditures is supported by a large fund balance carried forward from FY/03.

The new quarter cent GRT was implemented July 1, 2004 and is expected to produce \$27.6 million in additional revenue dedicated to specific spending purposes. The underlying growth rates of revenue and expenditure are modest, with recurring revenue increasing at 2.7% and spending at 4.7%. Revenue from the new quarter cent tax is recurring and provides a basis for the final favorable balance in which recurring revenue exceed recurring expenditures by \$4.7 million. All capital expenditures are considered non-recurring.

The large growth rate in both revenues and expenditures is primarily the result of the passage of the quarter cent public safety tax.

General Fund Revenue and Expenditure Aggregates				
	GENERAL FUND (\$000's)	APPROVED BUDGET FY/05	\$ CHANGE From FY/04 EST ACTUAL	% CHANGE From FY/04 EST ACTUAL
REVENUE		393,124	31,421	8.7%
	Total Recurring	390,438	37,207	10.5%
	1/4 Cent	27,600	27,600	
	Recurring minus 1/4 Cent	362,838	9,607	2.7%
	Nonrecurring	2,686	(5,786)	
EXPENDITURES		401,803	48,563	13.7%
	Total Recurring	385,768	40,898	11.9%
	1/4 Cent	24,549	24,549	
	Recurring minus 1/4 Cent	361,219	16,349	4.7%
	Nonrecurring	16,035	7,665	
RECURRING REVENUE – RECURRING EXPENDITURE		4,670		

Significant Spending Initiatives

The proposed budget increases expenditures \$48.6 million above the FY/04 estimated actual expenditure level, and \$51 million above the original FY/04 budget. Expenditure expansions are sorted and presented by category: technical adjustments, adopted issue papers, compensation, public safety quarter cent tax programs, and CIP coming-on-line.

Technical Adjustments. The incremental cost of technical adjustments made in the proposed

budget account for a decrease in cost of \$3.3 million, primarily due to a continued suspension of the transfer to storm drainage projects, which has sufficient balances for FY/05 projects. In the enterprise funds, technical adjustments reflect the increased cost of benefits and risk seen in the general fund. Solid waste was able to reduce the transfer to capital as a \$5.8 million NMFA loan will be used to purchase equipment. Major elements contained in general fund technical adjustments are listed below:

General Fund Technical Adjustments (\$000's)	
Employee Benefits (Health Insurance)	4,200
GF Risk and Workers' Comp.	2,200
Early Retirement (CS)	565
GF Debt Service & Lodgers Tax transfer	802
Decrease Transfer to Operating Grants	(505)
Storm Drainage portion of Basic Services Trfr suspended again in FY/05 (PW)	(3,252)
Subsidized transfer to Fund 282 (PW)	171
Firefighters PERA for full year	700
Fd 730 (computer replacement)	2,000
Duplicate 1/4 Cent Issues (F&CS)	(1,900)
Transfer to Transit Operating Fund	(111)
City Elections	(302)
Salary Savings and Other Adjustments	(4,411)
Eliminate Convention Center Department	(3,440)

Adopted Issue Papers. The list below identifies the issues and department funded as

well as the total amount of the funding provided in both the General Fund and other funds.

Adopted General Fund Issue Papers (\$000's)	
Unification Election (CAO)	250.0
Council Services	200.0
Tricentennial (CSD) from IRB Settlement Reserve	100.0
Tricentennial - Reserved	600.0
Concert Band Funding (CSD)	5.0
Center for the Theatre (CSD)	25.0
Kimo Theater (CSD)	100.0
Lo Maduro de la Cultura (CSD)	17.0
Music Festival (CSD)	261.7
Veteran's Memorial Events (CSD)	5.0
Panda Bear Exhibit (CSD)	98.0
Botanical Garden Manager (CSD)	70.5
Taylor Ranch Library 44 to 56 hrs/wk (CSD)	253.1
Spanish Exhibition at Museum (CSD)	127.0

Adopted General Fund Issue Papers	
(\$000's) Cont'd	
Explora (CSD)	750.0
Decrease Euthanasia/ Increase Adoption/Staffing (EHD)	900.0
Household Hazardous Waste (EHD)	91.0
Environmental Engineering Svcs. (Methane) (EHD)	50.0
Animal Control Reserve Officer Program (EHD)	20.0
Convention Ctr. Contract (DFAS)	2,041.1
Fiscal Agent Fees (DFAS)	133.0
Audit Supervisor (IA)	73.0
Inspector General (IA)	250.0
Safe Cities Strike Force (Legal)	163.5
Increase Staffing to Reduce OT (MDC)	344.1
Urban Forest (PR)	143.7
Sports Official Pay Increase (PR)	71.1
Swimming Pool Needs (PR)	129.0
Serve Baseball Teams w/Sportsplex Closing (PR)	50.0
Quality Parks & Trails System moved to DMD (PR)	(1,527.0)
LITTER/Proactive Code Enforcement (Planning)	445.3
Upgrade of one Code Enforcement Officer to Supervisor status (Planning)	21.0
4th street Corridor (Planning)	150.0
Attrition cadet classes (APD)	496.9
Reduce PSAs (APD)	(288.4)
Increase Communication Staff (APD)	80.0
Pedestrian Street Lighting (PW)	100.0
LITTER/Street Sweeping (PW)	259.8
KIVA Permitting Software (PW)	75.0
Director/Finance staff (PW)	200.0
Shop Equipment (PW - Fleet Maint.)	85.0
Rapid Bus (44,578 Hrs.Transit)	1,834.4
Rapid Bus Support (26,280 Hrs -Transit)	645.0
Trolley Service Pilot Program (6 mos. Funding)	75.0
APS Title 1 Program (F&CS)	66.0
Community Center Staffing Needs Survey (F&CS)	50.0
Construction Inspector 3 Positions (DMD)	86.1
Security Officers (1st & Gold) (DMD)	98.3
Silver Ave. Planting Strips (DMD)	9.0
Quality Parks & Trails System moved from Parks & Rec. (DM)	1,527.0
MCJCC Contract Funding (City Support)	69.0
Compensation Increases	8,060.5

Adopted Enterprise Fund Issue Papers	
(\$000's)	
Double Eagle II Control Tower (AV)	150.0
Open Convenience Centers 7 Days/Week (SWD)	29.4
Increase curbside recycling to every week (SWD)	220.0
Transfer to Debt Service Fund 655 (SWD) due to NMFA loan	(190.0)
Transfer to Corrections Fund 260 (SWD) for an additional guard for litter program	45.0
Compensation Increases	4,711.3

Changes in Employment: Full time positions are reduced by a total of 201 from the FY/04 approved level. The transfer of the Joint Water and Sewer Authority resulted in a decrease of 515, 314 positions were created. Refer to Personnel Summary section and Full Time Compliment by Department section in the Appendix for detail changes in positions by department.

Compensation: Compensation increases in the FY/05 budget appear in two funding categories: technical adjustments and issue papers. General Fund technical adjustments include \$4.2 million and enterprise fund technical adjustments of \$1.7 million for the increased cost of employee health and dental insurance. In FY/04 the City increased the share of health and dental cost it would pay for employees from 80% to 83%. In FY/05, the City will continue to

pay 83%. The cost increase is the result of a 11.4% increase in the cost of insurance coverage, which translates to the equivalent of a 1.75% employee compensation increase. Adopted issue papers include recurring pay increases for all permanent City employees. The increased compensation is outlined in the table below.

Police Officers in APD (including cadets), and Open Space are budgeted for a total increase of 5.65% in base compensation and insurance benefit coverage cost. A two-year compensation agreement is expected, rising to a total increase of 6.55% in FY/06, with insurance cost increases of 1.75% of salary, and a base compensation increase of 4.8%. All other employees are budgeted for a total increase of 4.95% in FY/05 and an identical amount in FY/06.

**FY/05 APPROVED BUDGET
INCREMENTAL COST OF COMPENSATION FOR FY/05 AND FY/06
CALCULATED AS COLAs -- Differential Rates, 2 Yr Contract**

Percentage Increases	FY/05			FY/06			2 Yr. Total
	Base Comp.	Insurance	Total	Base Comp.	Insurance	Total	
APD, Open Sp & Aviation Sworn	3.90%	1.75%	5.65%	4.80%	1.75%	6.55%	12.20%
Fire Sworn	3.20%	1.75%	4.95%	3.20%	1.75%	4.95%	9.90%
All Other Series	3.20%	1.75%	4.95%	3.20%	1.75%	4.95%	9.90%

General Fund Impact	FY/05			FY/06			2 Yr. Total
	%	Effective Date	\$	%	Effective Date	\$	
APD and Open Space Sworn	3.90%	07/01/04	2,167,817	4.80%	07/01/05	2,668,082	4,835,899
Fire Sworn	3.20%	07/01/04	1,254,979	3.20%	07/01/05	1,254,979	2,509,958
All Other Series	3.20%	07/01/04	4,637,663	3.20%	07/01/05	4,637,663	9,275,326
Absorb Insurance Cost	1.75%		4,195,277	1.75%		4,195,277	8,390,554
Total Cost			12,255,736			12,756,001	25,011,737

Enterprise Funds Impact	FY/05			FY/06			2 Yr. Total
	%	Effective Date	\$	%	Effective Date	\$	
Aviation Sworn	3.90%	07/01/04	82,237	4.80%	07/01/05	101,215	183,453
Fire Sworn	3.20%	07/01/04	0	3.20%	07/01/05	0	0
All Other Series	3.20%	07/01/04	2,968,652	3.20%	07/01/05	2,968,652	5,937,304
Absorb Insurance Cost	1.75%		1,660,383	1.75%		1,660,383	3,320,766
Total Cost			4,711,272			4,730,250	9,441,523

**FY/05 APPROVED BUDGET
 INCREMENTAL COST OF COMPENSATION FOR FY/05 AND FY/06
 CALCULATED AS COLAs -- Differential Rates, 2 Yr Contract**

TOTAL IMPACT	FY/05			FY/06			2 Yr. Total
	%	Effective Date	\$	%	Effective Date	\$	
APD, Open Sp & Aviation Sworn	3.90%	07/01/04	2,250,054	4.80%	07/01/05	2,769,298	5,019,352
Fire Sworn	3.20%	07/01/04	1,254,979	3.20%	07/01/05	1,254,979	2,509,958
All Other Series	3.20%	07/01/04	7,606,315	3.20%	07/01/05	7,606,315	15,212,630
Absorb Insurance Cost	1.75%		5,855,660	1.75%		5,855,660	11,711,320
Total Cost			16,967,008			17,486,251	34,453,259

The Management non-bargaining series received a flat 3.2% raise in FY/05 and an equal raise in FY/06. The Management bargaining series received an across the board COLA of .53% with longevity of \$25 per pay period for employees with five to less than ten years of service; \$50 per pay period for ten to less than 15 years; \$75 for 15 to less than 20 years; and \$100 for employees with 20 or more years (up from \$85).

Police officers old contract had longevity activate after ten years with an increase every two years up to 20 years. The new contract has longevity after four years increasing every year until ten years. After ten years it increases every two years up to 20 years. The steps were collapsed from seven to two in FY/05 and then down to one in FY/06.

Corrections officers went to a 20 year retirement and elected to reduce their PERA contribution by 3.2% in FY/05 and FY/06. Animal control officers and security officers collapsed from nine steps to seven and received a 2.23% COLA.

Firefighters collapsed from five steps to four. Top-step firefighters will receive a 4% out-of-step longevity pay (employees moving to this top step will not be eligible). In FY/06 the agreement collapses the four steps to three. All wild land certified firefighters will receive \$15 per pay period.

Clerical series employees will receive a 3% raise and approximately 60 employees will receive super longevity. FY/06 will provide a 3.2% raise for all C-series employees.

Transit drivers agreed to eliminate steps four and six resulting in a 9.33% increase for those moving from step four to five and those from step six to seven. All other steps receive a 2.8% COLA in FY/05. In FY/06, step three will be eliminated. This will result in a 9.99% increase for drivers moving from step three to five. All other steps will receive a 2.4% increase.

General Fund Public Safety Quarter Cent Tax Programs. In October 2003, voters approved the Public Safety Quarter Cent Gross Receipts Tax. The legislation specified that 34% of the tax was to be used for APD projects, 6% for corrections and detention, 34% for emergency preparedness/AFD, and 26% for crime prevention and intervention. A spreadsheet which moved with the legislation estimated FY/05 spending to total \$26 million. The FY/05 budget exceeds that amount by \$49 thousand. The list below details the General Fund appropriations totaling \$24.5 million, and the \$1.5 million reserve for future corrections and detention related centralized processing appropriations. Plans for centralized processing must be developed and approved by the Albuquerque Bernalillo County Government Commission.

General Fund Public Safety Quarter Cent Tax Appropriations	
Total Quarter Cent Appropriations (\$000's)	24,549.4
Heavy Tech Rescue - 15 Cadets to 6 mo Firefighters (FR)	737.8
Station 21 - Engine - 15 Cadets to 6 mo Firefighters (FR)	745.3
Station 21 - Ladder - 15 Cadets to 6 mo Firefighters (FR)	751.4
Land Acquisition - Station 5 (FR)	100.0
Landscaping - Station 21 (FR)	100.0
Fire Academy Renovation (FR)	400.0
3 Engines, 1 Ladder, 1 Rescue, 21 Sedans, 1 Command Veh, 3 pickups (FR)	2,707.0
Purchase Various Equipment (FR)	1,292.5
6-New Firefighters for Communication and Quality Assurance (FR)	484.9
4-New Firefighters for Training (FR)	359.2
3-New Firefighters for Field Op Center, CIP, Risk Safety (FR)	281.7
2-New Firefighters for Wildland Investigations and Logistics (FR)	188.8
Timekeeper for Time Management Control & Contract for RMS (FR)	71.4
Expansion Cadet Class - 45 Officers (APD)	3,847.5
Replacement of 85 Patrol Vehicles (APD)	3,570.0
Replacement of 39 non-Patrol Vehicles (APD)	1,521.0
Shooting Range Facility Upgrade (APD)	190.9
Law Enforcement Equipment (APD)	500.0
Provide Mental Health Services (F&CS)	1,860.0
Provide Substance Abuse Services (F&CS)	2,440.0
Family Violence Prevention & Intervention (F&CS)	500.0
Gang Intervention (F&CS)	1,200.0
Partner with Public Ed (F&CS)	700.0
Quarter Cent Centralized Processing (Reserved)	1,500.0

General Fund CIP Coming-On-Line. In the Five-Year Forecast OMB staff estimated CIP coming-on-line would require \$15.5 million. Departments requested \$10.3 million for CIP coming-on-line in FY/05. The budget funds \$7.85 million of these requests. Some of the

requests were reduced as more realistic opening dates were assumed. Other requests were eliminated when departments discovered they were able to meet some non-recurring need by using FY/04 available funds. Funded requests are detailed below:

General Fund CIP Coming-On-Line	
Total CIP Coming-On-Line (\$000's)	7,847.6
Balloon Museum (CSD)	996.5
Museum Expansion (CSD)	347.3
Erna Ferguson (CSD)	497.3
Citizen Services Operating Staff (DFAS)	1,908.0
Animals of Africa (CSD)	998.2
Period Farm (CSD)	193.7

General Fund CIP Coming-On-Line Cont'd

Taylor Ranch Community Center. (F&CS)	544.3
East San Jose Community Center (F&CS)	95.6
La Mesa Child Dev. Center (F&CS)	179.2
Manzano Mesa Child Development Center (F&CS)	298.3
Westside Sobering Services (F&CS)	69.2
Open Space Projects (PR)	686.0
Parks (PR)	503.0
Westside Transit Facility (TD)	384.6
Others (less than \$100K each)	146.4

**FY/05 OPERATING BUDGET
TOTAL RESOURCES**

Total available resources for FY/05 of \$786.2 million is \$91.5 million or 10.4% less than the \$877.7 million estimated sixteen months ago for the originally approved FY/04 budget. The primary reason for the decline is the creation of the Albuquerque/Bernalillo Water Utility Authority. The Authority is now a separate entity and revenues and expenses are not included in the city's budget.

Gross Receipts Tax (GRT) makes up 36% of total resources in FY/05. This has increased from 28% in the FY/04 original approved budget. The increase is due to the smaller enterprise share and the introduction of the new quarter cent public safety tax. The GRT experienced weak growth from FY/99 to FY/02. In FY/02 growth was near zero, due to the economic downturn both nationally and locally. Additionally, there is some erosion of the tax base as the surrounding cities neighboring communities develop retail and other business. Indian Gaming and Internet sales have also had a negative impact on revenue from this source. Growth has turned and was 4.6% in FY/03 estimated actual for FY/04 is 5.6% and the FY/05 approved budget estimates growth at 13.2%. The FY/05 estimate includes the

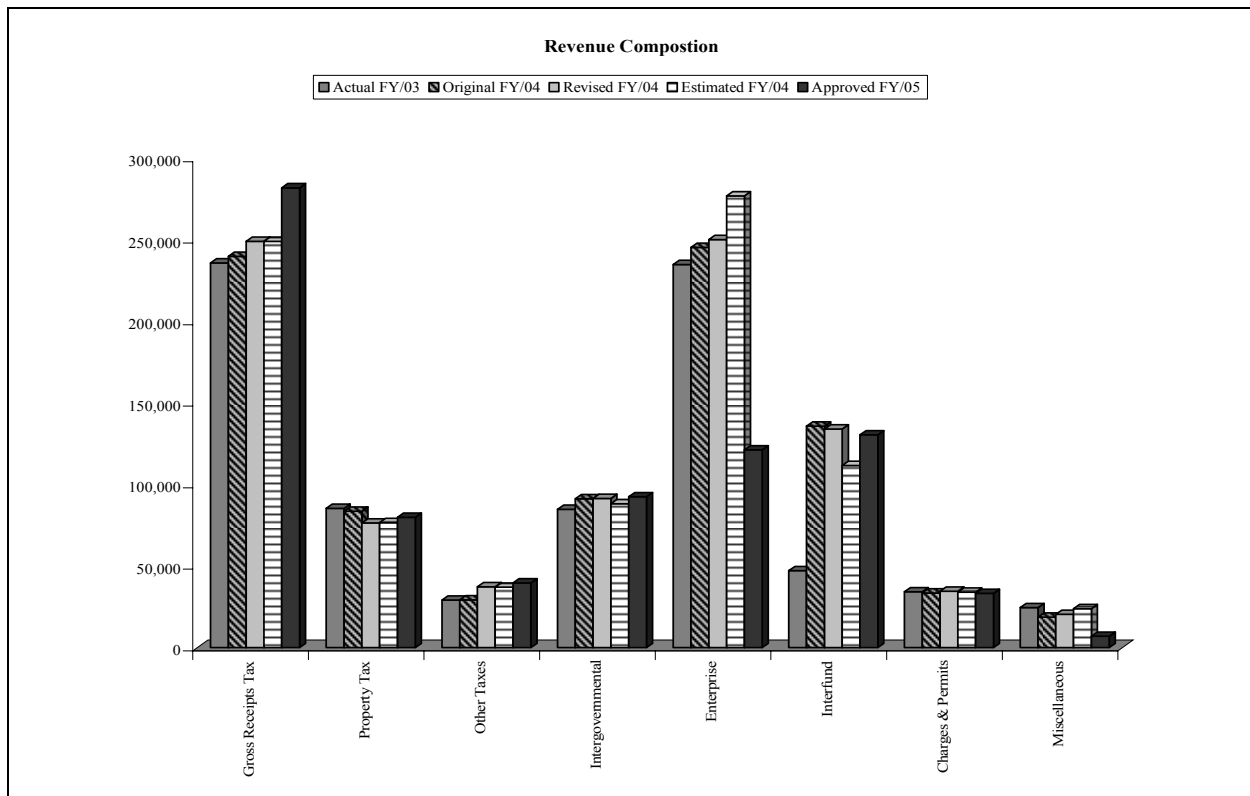
additional quarter cent tax for public safety. The underlying growth rate is only 3.4%.

Enterprise revenues are another major source of revenue. The various enterprises the City operates generate 15% of the revenue, down from 28% due to the creation of the water authority. The City operates solid waste collection and disposal, a transit system, parking lots and parking structures, four golf courses, and an international airport and a small airport as enterprise funds. Estimated FY/04 revenues are 18% above FY/03. In FY/05 the revenues in the approved budget decline 56% from the estimated FY/04 revenues due to the formation of the water authority.

Property taxes make up only 10% of City revenues. The bulk of property taxes are imposed by referendum and used to retire bonds for capital projects.

GRT, enterprise revenues and property taxes make up about 61% of total revenues. Other revenue sources include intergovernmental revenues including grants, interfund transactions, various relatively minor tax sources, admission fees to various City operated facilities such as the Zoo and Aquarium, and fees to builders for inspection, permits, etc.

TOTAL RESOURCES (INCLUDING FUND BALANCE) AFTER INTERFUND ELIMINATIONS AND ADJUSTMENTS



	Actual FY/03	%of Total	Original FY/04	%of Total	Revised FY/04	%of Total	Estimated FY/04	%of Total	Approved FY/05	%of Total
Gross Receipts Tax	236,013	30%	240,059	27%	249,230	28%	249,230	28%	282,043	36%
Property Tax	85,429	11%	83,708	10%	76,411	9%	76,641	9%	79,933	10%
Other Taxes	29,118	4%	29,265	3%	37,278	4%	37,083	4%	39,721	5%
Intergovernmental	84,759	11%	91,241	10%	91,572	10%	88,266	10%	92,476	12%
Enterprise	234,978	30%	245,519	28%	250,314	28%	277,103	31%	121,323	15%
Interfund	47,224	6%	135,807	15%	134,170	15%	111,641	12%	130,528	17%
Charges & Permits	34,208	4%	33,430	4%	34,611	4%	33,922	4%	33,189	4%
Miscellaneous	24,489	3%	18,671	2%	20,439	2%	23,851	3%	6,974	1%
Total Revenue	776,218	100%	877,700	100%	894,025	100%	897,737	100%	786,187	100%

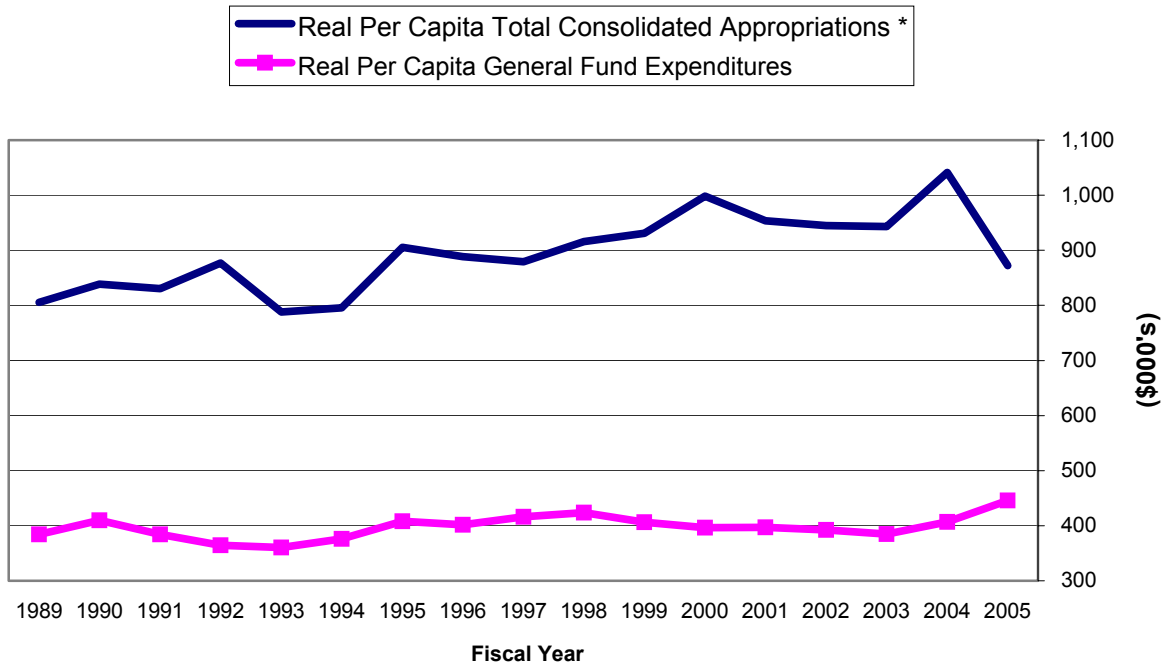
Note: GRT includes state shared, Intergovernmental includes Federal Grants, County and State Shared revenue minus GRT; miscellaneous includes fines and forfeits and miscellaneous appropriated fund balance. Detailed information is provided in the Appendix.

HISTORICAL PERSPECTIVE OF CITY APPROPRIATIONS

As a rule of thumb, a government's spending must keep up with increases in cost (inflation) and increases in the population to maintain the level of city services. Growth in total citywide appropriations had substantially exceeded this benchmark. However, the growth in GF

Real consolidated total appropriations include appropriations from all funds (general, enterprise, special revenue, debt service and internal service) after interfund eliminations. Real per capita consolidated total appropriations increased 10.2% from FY/88 to FY/05 for an

Real Per Capita Total Consolidated Appropriations and General Fund Expenditures



* Consolidated appropriations are appropriations from all funds after interfund eliminations
2004 represents estimated actual, 2005 the approved budget.

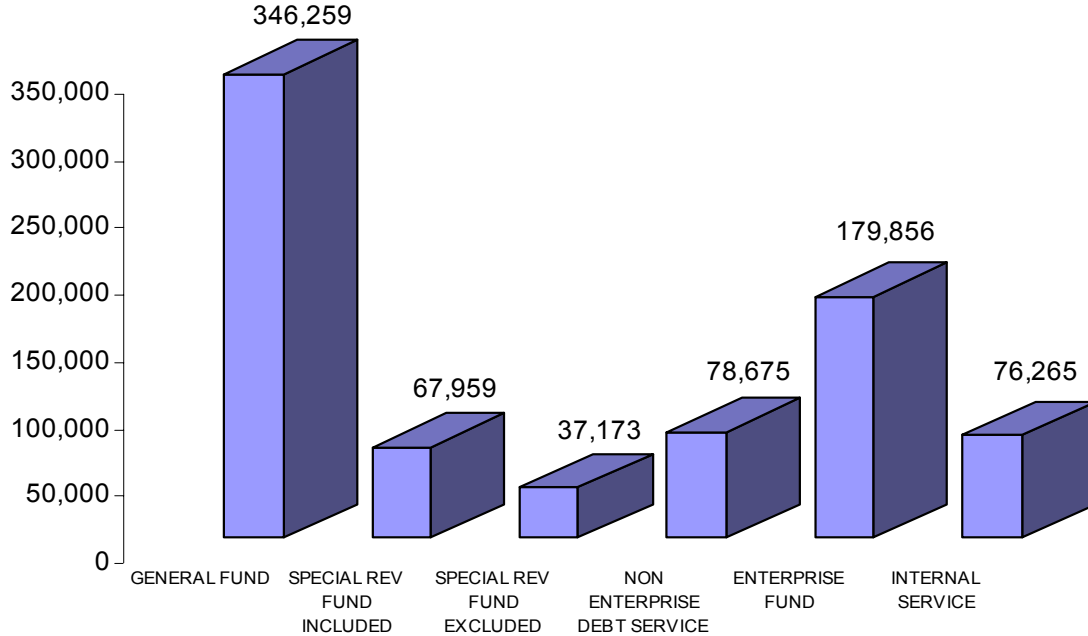
expenditures has barely kept pace. In FY/05 the addition of the quarter cent public safety tax, allows for an increase of city services as the expenditure growth exceeds the inflation rate and population growth.

For the period FY/88 to FY/05 inflation, as measured by the Consumer Price Index, increased 65%, for an average of 3.0% a year. In the same period of time, population within the City of Albuquerque increased by 24.7%, for an annual average of 1.3%. The following chart plots real per capita (adjusted for inflation and population growth) appropriations and expenditures.

average annual growth rate of 0.6%. The increase is limited again due to the exclusion of the Water Authority in FY/05. General Fund real per capita expenditures showed only a slight increase of 15.2% over the entire period FY/88 to FY/05. On an annual basis, this is growth of only 0.84% per year, indicating that General Fund expenses increased only slightly faster than population plus inflation. The bulk of this gain was picked up in FY/04 with a shift of one-mil in property tax to the general fund and in FY/05 with the introduction of the quarter cent tax for public safety.

SPENDING BY GOAL

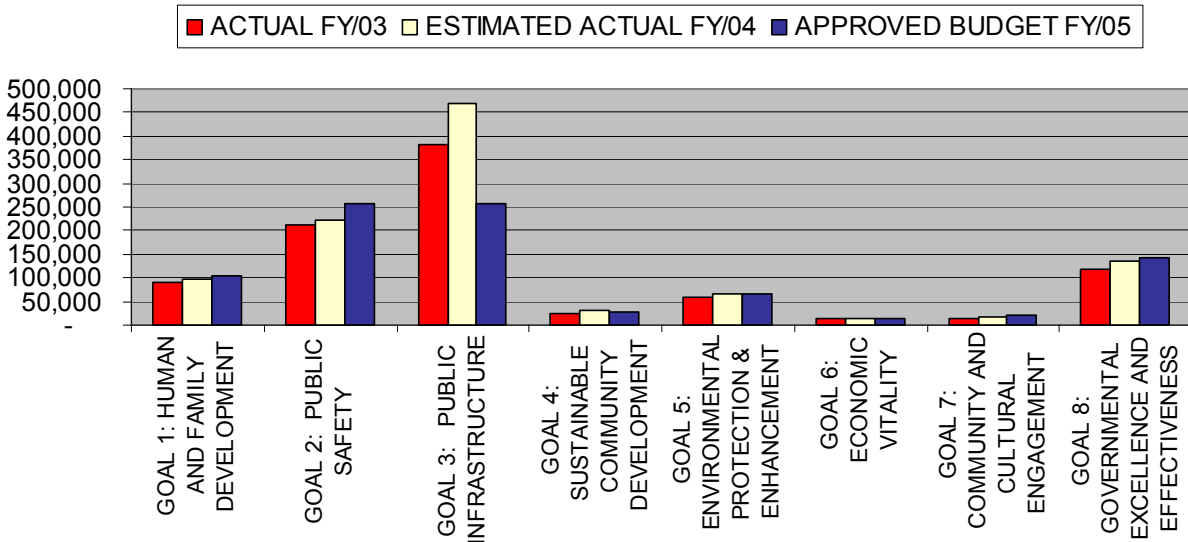
FY/05 Appropriations by Fund Type all Funds
Total \$786,187
(\$000's)



The entire operating budget of the City of Albuquerque can be examined by goal. Since appropriations are made at the program strategy level, and program strategies are placed in one of eight City goals, expenditure histories by goal

can assist in understanding the relative funding. A table outlining a three year funding history of each goal by program strategy can be found in the appendix.

GOAL APPROPRIATION HISTORY



Goal 1: Human and Family Development included programs in the Cultural Services, Family and Community Services, Parks and Recreation and Senior Affairs departments. Roughly 40% of the funding is from the General Fund, 65% from special revenue (grant) funds and 5% from the golf enterprise.

Goal funding experienced a \$9.5 million increase in the FY/05 budget over estimated actual spending in FY/04 primarily in the program strategies of early childhood education, health and social services, mental health services, community recreation and public libraries Program funding expanded in a effort to provide social and community services to a growing population.

Goal 2: Public Safety includes the Environmental Health, Family and community services, Fire, Legal, Metropolitan Detention Center, and Police Departments. The majority of the funding for this goal is provided from the General Fund, with a small contribution from special revenue funds as the County contributes 50% of detention center operating costs.

Goal 2 budgets for all funds increased by \$35.4 million in FY/05. The quarter cent public safety tax funded the bulk of the financial expansion. In addition to funding in the neighborhood policing and central support services program strategies to place a larger number of police officers on the street and the replacement of police vehicles, an increase in the investigative services strategy was also funded. The Fire Department expanded the emergency response program strategy by \$12.8 million, as well as the logistics program strategy. Social service programs to reduce crime were expended with the public safety tax. The expanded program strategies focused on substance abuse treatment and prevention, and youth gang reduction.

Goal 3: Public infrastructure includes program strategies in the Aviation, City Support Functions, Municipal Development, Public Works and Transit Departments. Aviation is a very large enterprise fund and City Support is responsible for making the General Fund debt service payments. State funding for roads is reflected in this goal.

Funding was significantly reduced when water and sewer utility operations were moved to the Albuquerque Bernalillo Water Utility Authority.

The move cut the total goal operating budget in half from \$419.5 in estimated actual spending in FY/04 to \$210.2 million in FY/05.

Goal 4: Sustainable Community Development includes program strategies in Family and Community Services, Parks and Recreation, and Planning. The majority of the funding for this goal comes from the General Fund with grants in Family and Community Services providing the some support. Overall, funding for this goal is reduced primarily due to reductions in the Community Development Fund to more accurately reflect spending in the Total Neighborhood Crime Reduction program strategy.

Goal 5: Environmental Protection and Enhancement includes program strategies in Environmental Health, Parks and Recreation, and Solid Waste Departments. The largest funding source for this goal is the enterprise revenue from the Solid Waste Utility.

Funding is increased modestly from the estimated actual expenditure level in FY/04, reflecting the sustained effort to restore the grand cottonwood Bosque that runs through the heart of the City. Although there were significant new initiatives in Solid Waste Utility rates were not raised.

Goal 6: Economic Vitality is the smallest goal with respect to total funding and includes programs in the Aviation, Chief Administrative Officer, City Support Functions, Family and Community Services and Finance and Administration Departments. The largest element in this goal is the Convention Center which is now managed as a contract in the Finance Department and accounts for the variety of revenue collected and dedicated to the purposes of the center.

Funding is slightly increased primarily due to an influx of new funding as the 1% Hospitality Fee is imposed on lodgers. The revenue from the fee will be used to purchase necessary capital for the Albuquerque Convention Center and promote tourist related events within the City.

Goal 7: Community and Cultural Engagement includes program strategies in the Chief Administrative Officer, Cultural Services and Senior Affairs Departments. The primary funding source is the General Fund.

Funding expanded by \$5.2 million over the estimated actual spending level in FY/04. Increased funding is provided to prepare for a possible addition of a panda at the biological park, expansions at the Albuquerque Museum and increased funding for Explora! Additionally, the volunteerism program strategy at Senior Affairs drives the overall increase.

Goal 8: Governmental Excellence and Effectiveness contains program strategies in the Chief Administrative Officer, City Support Functions, Council Services, Finance and Administrative Services, Human Resources, Legal, Mayor's Office, Municipal Development, Office of Internal Audit, and Public Works

Departments. Internal service funds collected for the provision of telephone and radio services as well as the employee contributions to health insurance are reflected in the internal service funds within the goal. General Fund appropriations finance the various administrative services provided to City operations.

Funding increased significantly reflecting the increase in employee health insurance. Additionally, funding for computer acquisition was restored this year. Risk costs, especially workers compensation claims costs, added to the increased cost of providing these internal services to City operations.

FY/05 OPERATING BUDGET BY GOAL, DEPARTMENT AND FUND

GOAL/DEPARTMENT	% of Total	General Fund	Special Rev Funds Approp	Spec. Rev Funds Not Approp	Non Enterprise Debt Service Funds	Enterprise Funds	Internal Service Funds	Net Transfers	TOTAL
Goal 1 - Human and Family Development									
Cultural Services		10,854	133	46					11,033
Family & Community Svcs.		23,787		16,783		35,519		(947)	75,142
Parks and Recreation		4,237	290	74		4,520		(1,055)	8,066
Senior Affairs		4,502		4,286					8,788
Sub Total	13.1%	43,380	423	21,189	0	40,039	0	(2,002)	103,029
Goal 2 - Public Safety									
CAO Dept.				147					147
Environmental Health		5,647							5,647
Family & Community Svcs.		6,599		871					7,470
Fire Department		58,257	1,100	216					59,573
Legal		899							899
Metro Detention Center		21,541	44,150	2,368				(22,890)	45,169
Police Department		108,504	892	5,454				(41)	114,809
Sub Total	29.7%	201,447	46,142	9,056	0	0	0	(22,931)	233,714
Goal 3 - Public Infrastructure									
Aviation						86,847		(19,046)	67,801
City Support Functions		1,427			78,675			(1,427)	78,675
Municipal Development		9,182			8,487			(7,890)	9,779
Public Works		20,559	5,046					(968)	24,637
Transit Department		15,889		1,374		28,387		(17,496)	28,154
Sub Total	26.6%	47,057	5,046	1,374	87,162	115,234	0	(46,827)	209,046
Goal 4 - Sustainable Community Development									
Family & Community Svcs.				2,768					2,768
Parks and Recreation		13,136							13,136
Planning		12,523		272					12,795
Sub Total	3.7%	25,659	0	3,040	0	0	0	0	28,699

FY/05 OPERATING BUDGET BY GOAL, DEPARTMENT AND FUND

GOAL/DEPARTMENT	% of Total	General Fund	Special Rev Funds Approp	Spec. Rev Funds Not Approp	Non Enterprise Debt Service Funds	Enterprise Funds	Internal Service Funds	Net Transfers	TOTAL
Goal 5 - Environmental Protection & Enhancement									
Environmental Health		2,741	2,749	1,958				(113)	7,335
Parks and Recreation		2,659	3,883					(2,659)	3,883
Solid Waste				344		50,163		(7,945)	42,562
Sub Total	6.8%	5,400	6,632	2,302	0	50,163	0	(10,717)	53,780
Goal 6 - Economic Vitality									
Aviation						30			30
CAO Dept.		1,125							1,125
City Support Functions		834						(834)	0
Family & Community Svcs.		204		9					213
Finance & Admin. Svcs.		2,041	10,932					(6,016)	6,957
Sub Total	1.1%	4,204	10,932	9	0	30	0	(6,850)	8,325
Goal 7 - Community & Cultural Engagement									
CAO Dept.		1,273							1,273
Cultural Services		19,225	1,046						20,271
Senior Affairs				936					936
Sub Total	2.9%	20,498	1,046	936	0	0	0	0	22,480
Goal 8 - Governmental Excellence & Effectiveness									
CAO Dept.		2,963							2,963
City Support Functions		14,363						(6,253)	8,110
Council Services		1,891							1,891
Finance & Admin. Svcs.		15,346	2,000	173			31,072	(1,367)	47,224
Human Resources		2,171					37,982	(205)	39,948
Legal		5,348							5,348
Mayors Office		728							728
Municipal Development		10,163	5,500			2,971		(6,920)	11,714
Office of Internal Audit		1,185							1,185
Public Works							9,411	(710)	8,701
Grants Indirect Overhead								(698)	(698)
Sub Total	16.2%	54,158	7,500	173	0	2,971	78,465	(16,153)	127,114
TOTALS	100.0%	401,803	77,721	38,079	87,162	208,437	78,465	(105,480)	786,187

FINANCIAL POLICIES

Long-term financial policies are contained in state statute, the city charter provisions, city ordinances and administrative instructions. Five major policies are described by the various laws and instructions cited below. A final policy regarding the need to match nonrecurring revenue with nonrecurring appropriations is described but is not found in law or formal rule.

The adopted budget is balanced and subsequent action will preserve the balance. Balance is defined as resources equal to or in excess of expenditures for each fiscal year.

STATE STATUTES:

6-6-6. Approved budgets; claims or warrants in excess of budget; liability.

“When any budget for a local public body has been approved and received by a local public body, it is binding upon all officials and governing authorities, and no governing authority or official shall allow or approve claims in excess thereof, and no official shall pay any check or warrant in excess thereof, and the allowances or claims or checks or warrants so allowed or paid shall be a liability against the officials so allowing or paying those claims or checks or warrants, and recovery for the excess amounts so allowed or paid may be had against the bondsmen of those officials.”

BUDGET ORDINANCE PROVISIONS:

§ 2-11-7 Budget – Contents and Format.

“(C) The budget proposal shall not propose expenditures in excess of resources anticipated to be available to the city for the fiscal year for which the budget is proposed. If new programs are proposed, a detailed recommendation and justification of the program shall be provided which must include the estimated annual costs of the program and the source of revenues and other resources for financing the program. All new programs must be

identified as such in the budget proposal.”

§ 2-11-15 Budget Amendments by Council during Fiscal Year.

“Upon its own initiative or upon a recommendation by the Mayor, the Council may amend the budget during the fiscal year to which it applies. No amendment to the budget shall be made without a public hearing prior to the meeting at which action is taken on the proposed amendment. Amendments to the budget effect the pertinent fiscal year’s Performance Plan, which effect shall be estimated by Administration staff and incorporated into the Plan. No amendment to the budget shall result in total authorized expenditures that exceed resources to be available for the fiscal year to which the budget is applicable.”

ADMINISTRATIVE INSTRUCTIONS:

AI 2-20 Budgetary Control Responsibilities.

“City services will be delivered as efficiently as possible and well within the resources available. Service levels will be adjusted to reasonable expectations based on the revenues appropriated.”

“Program Strategies are the level at which appropriations are made. It is at this level that managers must ultimately be responsible for controlling expenditures.

All employees with budgetary control over a Program Strategy must accomplish their tasks within the approved budget. All personnel decisions and all expense decisions must be made within that framework. It is unacceptable, for an employee with budgetary control to spend in excess of the appropriated budget.”

City goals and objectives are established and integrated into the budget process.

CHARTER PROVISIONS:

ARTICLE IV. Council.

Section 10. Council Duties.

“(b) Establish and adopt by ordinance or resolution five-year goals and one-year objectives for the city, which goals and objectives shall be reviewed and revised annually by the Council;”

“(d) Review, approve or amend and approve all budgets of the city and adopt policies, plans, programs and legislation consistent with the goals and objectives established by the Council;”

ARTICLE V. Mayor.

Section 4 Duties of the Mayor.

“(f) Formulate the budgets of the city consistent with the city's goals and objectives, as provided in this Charter;”

ARTICLE VII. The Annual Operating Budget.

Section 1. Mayor to Formulate.

“The annual operating budget of the city should be formulated by the Mayor, in consultation with the Council and consistent with the goals and objectives of the city, as provided in this Charter and by city ordinance.”

BUDGET ORDINANCE PROVISIONS:

§ 2-11-1 Intent.

“(B) To implement these City Charter provisions, §§ 2-11-1 et seq. a process for adopting goals and objectives which will be valuable in themselves and also will be major factors in determining funding for City programs and improvements in the operating budget and the capital improvements budget.”

“(C) To adopt a goals and objectives process that encourages active citizen participation, that is linked to the budget process, and that encourages performance measurement.”

Council participates in the development of the Mayor's proposed budget.

CHARTER PROVISIONS:

ARTICLE VII. The Annual Operating Budget.

Section 2. Council Representative to Participate.

“A representative of the Council shall be allowed to participate in all meetings and have access to all information relating to the formulation of the budget.”

BUDGET ORDINANCE PROVISIONS:

§ 2-11-6 Preparation of City Budget; Departmental Requests; Budget Proposal.

“(B) Each year, between the first day of December and the first City Council meeting in January, the Mayor, or his appointed representative, shall hold a series of meetings, not less than two in number, with the City Council to discuss the preparation of the budget for the next fiscal year.”

“(C) During the preparation of the proposed City Budget by the Mayor, he shall furnish any requested information on departmental requests to the staff of the City Council and shall cooperate with City Council staff so that it may monitor the budget process and prepare preliminary analyses and other information for the City Council.”

The public reviews and has an opportunity to comment on the proposed budget

CHARTER PROVISIONS:

Section 4. Public Hearings.

“During the sixty days of deliberation by the Council, the Council shall hold at least three public hearings on the proposed budget. The Mayor, or the Mayor's representative, shall be present at the hearings on the proposed budget to answer questions about the budget.”

BUDGET ORDINANCE PROVISIONS:

§ 2-11-5 Participation of the Council in Public Presentations on Budget Related Matters.

“The public shall be encouraged to participate in the city budget review and adoption process. The Council and the Mayor are encouraged to discuss budget and budget-related policy issues at community forums. Whenever the Mayor expends public funds to inform the public about his proposed budget or budget-related programs, the Council shall be invited to participate in such forum. The Mayor shall extend the invitation to the City Council through the President of the Council.
(Ord. 35-1994)

§ 2-11-10 Consideration of Budget Proposal by the Council.

(A) After receiving the budget proposal from the Mayor the Council shall schedule at least three public hearings on it. As a result of its deliberations and the information gathered at the public hearings, the Council may amend the budget proposal at any time within 60 days from the date it is received from the Mayor. If the Council fails to approve a budget proposal, unamended or amended, within that time limit, the budget proposal as submitted by the Mayor is deemed approved.

Adequate general fund reserves shall be held equal to 8.33% of budgeted expenditures, and maintained if the budget is amended.

ADMINISTRATIVE INSTRUCTIONS:

AI 2-13-1A (Revised) Establishing a General Fund Reserve for The City of Albuquerque

“To protect the City from shortfalls in revenues due to changes in the economy and unanticipated fiscal needs or emergencies, it is prudent to establish a reserve in the general fund of the City equal to one-twelfth (1/12 or 8.333%) of the budgeted expenditures for each fiscal year. The general fund reserve shall not be available for appropriation.”

“The reserve reflected in the approved general fund budget for each fiscal year shall be adjusted when total General Fund appropriations are increased or decreased by 1% or more. If total adjustments to General Fund appropriations are less than 1%, the fund balance may be modified at the discretion of the administration to reflect the change in appropriations.”

Nonrecurring revenue should not be used to support recurring expenditure. Nonrecurring revenue produced from a one-time event, such as a change in reserve policy. Nonrecurring expenditures include studies, capital projects, capital outlay, computer equipment, buildings, land and one-time expenditures to pay off a loan, prior year litigation expenses or other similar expenses.

THE LONG TERM VIEW: CITY OF ALBUQUERQUE FIVE-YEAR GOALS

The five-year goals are of priority importance to the welfare of the City. The goals address improving the physical characteristics of City, guiding the City's growth and meeting human needs. The Albuquerque Progress Report and the City/County Comprehensive Plan are guiding documents for developing the goals. The Mayor and City Council collaborate to establish the goals.

Each goal is a statement that summarizes a set of related results or outcomes as defined by desired community or customer conditions. A goal can be a description of what Albuquerque would be like if the goal were achieved. Goals are achievable and lend themselves to measurement; they are broad but not vague. Goal measurement is based on tracking the changes in specific desired conditions.

Pursuant to the City's budget ordinance, the goal setting process was conducted in 2002. In June, at the second Goals Forum, citizens developed a vision for our community and identified Albuquerque's desired future. The Indicators Progress Commission (IPC) met throughout the summer of 2002 with citizen volunteers from the Goals Forum to draft proposed five-year goals and desired community conditions. These recommendations were

substantially adopted in Enactment Number 133-2002. The IPC has produced the Albuquerque Progress Report 2004, based upon these goals. The progress report helps us understand the progress we are making toward what we want Albuquerque to be like. The goals serve as the basis of the FY/05 Finance and Performance Plans that together from the budget.

Adopted 2002 Vision Statement, Five Year Goals, and Desired Community Conditions

Vision Statement:

Albuquerque is a thriving high desert community of distinctive cultures coming together to create a sustainable future.

GOAL AREA <i>GOAL STATEMENT</i>	DESIRED COMMUNITY or CUSTOMER CONDITIONS
<p style="text-align: center;">Human and Family Development</p> <p style="text-align: center;"><i>People of all ages have the opportunity to participate in the community and economy and are well sheltered, safe, healthy, and educated.</i></p>	<ol style="list-style-type: none"> 1. Residents are literate and educated and engaged in the educational processes. 2. All levels of government, educational institutions, and the community collaborate to ensure that youth achieve desired educational outcomes. 3. Residents are healthy and have access to health care, mental health care, and recreation. 4. Safe, decent and affordable housing is available. 5. The community collaborates to support the responsible social development of youth. 6. Families are healthy and stable. 7. Senior citizens live and function in optimal environments.
<p style="text-align: center;">Public Safety</p> <p style="text-align: center;"><i>Citizens are safe, feel safe and secure, and have trust and shared responsibility for maintaining a safe environment.</i></p>	<ol style="list-style-type: none"> 1. Residents feel safe in their neighborhoods, schools, and the community. 2. Residents are safe from crimes against persons and property. 3. Drivers, cyclists, and pedestrians operate knowledgeably, safely, and courteously, so that travel on city streets is safe. 4. Residents, including youth, and public safety agencies work together to prevent crime and respond to life safety issues in order to create a safe community. 5. Domestic animals are responsibly cared for and provided safe and healthy home environments. 6. The community is prepared to respond to emergencies, natural disasters, catastrophic acts and other events that threaten the health and safety of the public.

<p style="text-align: center;">Public Infrastructure</p> <p><i>Ensure that all existing communities are adequately and efficiently served with well planned, coordinated, and maintained sewer, storm, water and road systems and an integrated multi-modal regional transportation system. Ensure that new development is efficiently integrated into existing infrastructures and that the costs are balanced with the revenues generated.</i></p>	<ol style="list-style-type: none"> 1. A reliable water system meets health and safety standards 2. Wastewater systems meet quality standards. 3. The storm water systems protect lives and property. 4. Technological infrastructure, is accessible to all. 5. Residents have safe and affordable transportation options that meet the public's needs. 6. The street system is well designed and maintained.
<p style="text-align: center;">Sustainable Community Development</p> <p><i>Guide growth to protect the environment and the community's economic vitality and create a variety of livable, sustainable communities throughout Albuquerque.</i></p>	<ol style="list-style-type: none"> 1. Parks, open space, recreation facilities, and public trails are available, accessible, and strategically located, designed and maintained. 2. Neighborhoods with civic and commercial destinations within walking distance are an available choice. 3. Medium to high-density neighborhoods that contribute to a more compact urban form are an available choice. 4. The downtown area is vital, active, safe, and accessible.
<p style="text-align: center;">Environmental Protection and Enhancement</p> <p><i>Protect and enhance Albuquerque's places and natural environment — its mountains, river, Bosque, volcanoes, arroyos, clean air and underground water supply.</i></p>	<ol style="list-style-type: none"> 1. Air, land, and water systems protect health and safety. 2. Water resources are sustainably managed, conserved & protected to provide a long term supply & drought reserve. 3. Solid wastes are produced no faster than natural systems and technology can process them. 4. Open Space, Bosque, the River and Mountains are preserved and protected. 5. Residents participate in caring for the environment and conserving natural resources.
<p style="text-align: center;">Economic Vitality</p> <p><i>Achieve a vital, diverse, and sustainable economy in which businesses and residents have opportunities for success.</i></p>	<ol style="list-style-type: none"> 1. The economy is diverse and broad-based. 2. The economy is vital, prosperous and consistent with local and regional resources. 3. There are abundant, competitive career oriented employment opportunities.
<p style="text-align: center;">Community and Cultural Engagement</p> <p><i>Residents are fully and effectively engaged in the life and decisions of the community to:</i></p> <ul style="list-style-type: none"> • <i>promote and enhance our pride, cultural values and resources; and,</i> • <i>ensure that Albuquerque's community institutions are effective, accountable and responsive.</i> 	<ol style="list-style-type: none"> 1. Residents are active participants in civic and public affairs. 2. Residents participate in community organizations and sporting and cultural events. 3. Residents are well informed of current community conditions. 4. Residents appreciate, foster, and respect Albuquerque's arts and cultures.

Governmental Excellence and Effectiveness

Government is ethical and accountable; every element of government contributes effectively to meeting public needs.

ELECTED AND APPOINTED OFFICIALS

1. Leaders work together for the good of the community.
2. Leaders cooperate and coordinate with the other governments in the MRCOG region.
3. Government and its leaders are responsive to changing community and customer conditions.

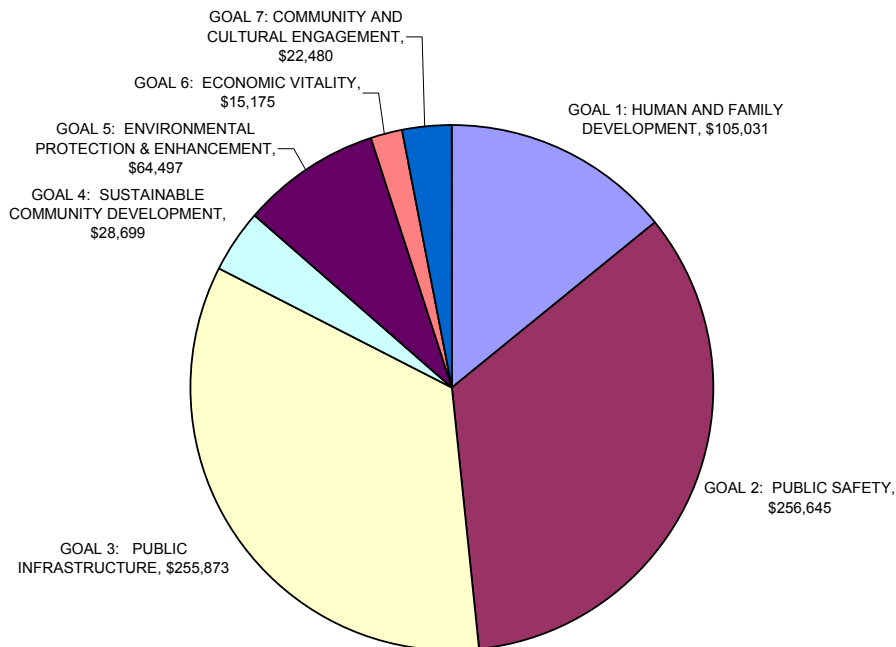
ALL LEVELS OF GOVERNMENT

4. Customers conveniently access city services and officials.
5. Customers can participate in their government by accessing information about services, policies, community conditions, regulations, etc.

INTERNAL SERVICES

6. Financial assets are maximized and protected, and analyzed and reported accurately, understandably, and usefully.
7. City assets are protected while responding fairly to inappropriate City actions.
8. Products, services, and materials are obtained efficiently, fairly, and in a timely manner.
9. City services, operations, and finances are measured and audited, as needed, and meet customer needs.
10. Competent, well-trained motivated employees contribute to the achievement of City goals and objectives.
11. The work environment for employees is healthy, safe and productive.
12. City staff is empowered with information and have information processing capacity.
13. Rights of way are obtained and managed and their use maximized for the public's benefit with fair compensation for use.
14. City real property is effectively obtained and managed in the public's interests, & disposed of when public purpose has changed.
15. City fixed assets, property, and infrastructure meet City goals and objectives.

APPROVED BUDGET FY/05



**OBJECTIVES:
SHORT-TERM INITIATIVES
GUIDING THE DEVELOPMENT OF THE ANNUAL BUDGET**

The objectives are tied to the goals process and prescribed in the budget ordinance. They are the specific steps taken by the City for achieving goals. For the most part, objectives are tangible products rather than the activities that produce the products. Objectives are the results of explicit strategies to achieve the goals. An objective describes in specific and measurable terms the results a program is expected to achieve toward a certain goal. Each objective is believed to be attainable within a fiscal year or two consecutive fiscal years.

Objectives are cooperatively developed with the City Council and Mayor providing input to the objectives initially proposed by City departments. The objectives are contained in a resolution passed by the City Council and signed by the Mayor. Below is a list of all approved objectives for FY/05 by goal. Objectives that require funding are reflected in the adopted issue papers in the FY/05 budget. Once adopted, progress is reported at mid-year and year-end. The budget ordinance guides this process.

BUDGET ORDINANCE PROVISIONS:

§ 2-11-3 Process and Sequence for Establishing Goals and Objectives.

“(D) Process to determine one-year objectives. The purpose of this phase is to establish measurable objectives to

carry out the five-year goals by integrating such objectives into the annual City budget.

(1) The City Council and the Mayor shall develop annual objectives consistent with the five-year goals. These objectives may have up to a two year implementation cycle. New objectives will be contained in a biennial new priority objectives resolution beginning for Fiscal Year 2003. Regarding the resolution for Fiscal Year 2004 and biennially thereafter, objectives will be updated based on progress made in the first year and contained in a revised priority objectives resolution.

(2) The City Council shall hold at least one public hearing, meeting as the Committee of the Whole, at which the public can propose objectives and comment on proposed or revised objectives respectively for the coming year.

(3) The City Council shall annually adopt or revise and adopt objectives aimed to accomplish each of the goals and objectives to be reflected in the operating and capital budgets of the city.”