

# **CITY OF ALBUQUERQUE**

## **Five-Year Forecast Fiscal Year 2006-2010**



**December 2005**



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## **EXECUTIVE SUMMARY**



## EXECUTIVE SUMMARY

The Five-Year Forecast estimates future revenues and expenditures for the General Fund and the subsidized funds for the present fiscal year, FY/06, and for FY/07 through FY/10. The purpose of this report is to identify key trends in revenues and expenditures and to provide information about the financial challenges anticipated over the next few years.

**General Fund Revenues.** The report projects growth in FY/07 General Fund recurring revenues to increase modestly at 2.3% and nonrecurring revenue falling by 31.6%. Total revenues projected for FY/07 are only \$6.4 million above the revised estimate for FY/06. Fortunately, FY/06 revenues are performing better than projected with recurring revenues now expected to bring in \$9.1 million, and nonrecurring \$2.4 million above the budgeted amount. The major areas of unanticipated strength are: Gross Receipts Taxes (GRT), natural gas franchise fee, building permits, and property taxes. The forecast for FY/07 is largely driven by anticipated softness in the national economy with increased energy prices, material shortages, and higher interest rates. The revenue projections are based on forecasts of economic activity prepared by the Bureau of Business and Economic Research at the University of New Mexico for Albuquerque and New Mexico and by Global Insight for the national economy. The City's Forecasting Advisory Committee, including experts from within and outside government, reviews these forecasts and revenue projections prepared by City staff, resulting in the attached projections.

**General Fund Expenditures.** The City's Office of Management and Budget prepares expenditure projections including the costs of projected changes in major areas such as employee health care, fuels and CIP coming-on-line which accounts for operating new facilities. The FY/07 forecast includes the compensation packages negotiated with the various unions during FY/05 and FY/06 and anticipated health insurance increases. For FY/07 no wage growth is assumed but there is an increase in the cost of wages due to annualized costs of the APD expansion class, the compensation package for the firefighters and CIP coming on line. From FY/08 through FY/10 wage growth is based on an inflation factor. Fuel costs include an anticipated increase for FY/06 of \$4.1 million based on current prices and consumption levels. CIP coming-on-line adds \$6.5 million to FY/07 operating costs as significant exhibits open at the Zoo/BioPark, a new core financial system is brought on line, and new medians, parks, trails and the golf academy are maintained. Recurring General Fund expenditures are projected to increase 4.5% or \$18.9 million above the revised FY/06 level. In FY/08 through FY/10 expenditure growth hovers above 3% per year.

**The Challenge in FY/07.** FY/06 enjoys a positive fund balance from unanticipated revenue. The unreserved fund balance is estimated to be \$15.7 million by the end of the current fiscal year. However, the forecast growth in expenditures exceeds the growth in revenue producing a negative unreserved fund balance of \$15.7 million by the close of FY/07 if steps are not taken to reduce spending or increase revenue. Please note that the estimated FY/07 expenditure level does not include any employee raises, new initiatives or positive issues beyond the CIP coming-on-line. Refer to the fund table on page 7.

The FY/06 forecast recognizes as already appropriated: reappropriated encumbrances of \$4.0 million; additional quarter cent public safety tax funds of \$2.4 million; and \$1.5 million in other approved appropriations. The forecast accounts for additional mid-year appropriations of \$1.2 million (contained in the FY/05 year-end clean-up bill) and an additional reappropriated encumbrance of \$338 thousand for APD.

The anticipated FY/07 budget is \$23.5 million above the original FY/06 approved budget of \$446.507 million. The significant increases are due to the following factors with slight adjustments for one-time costs.

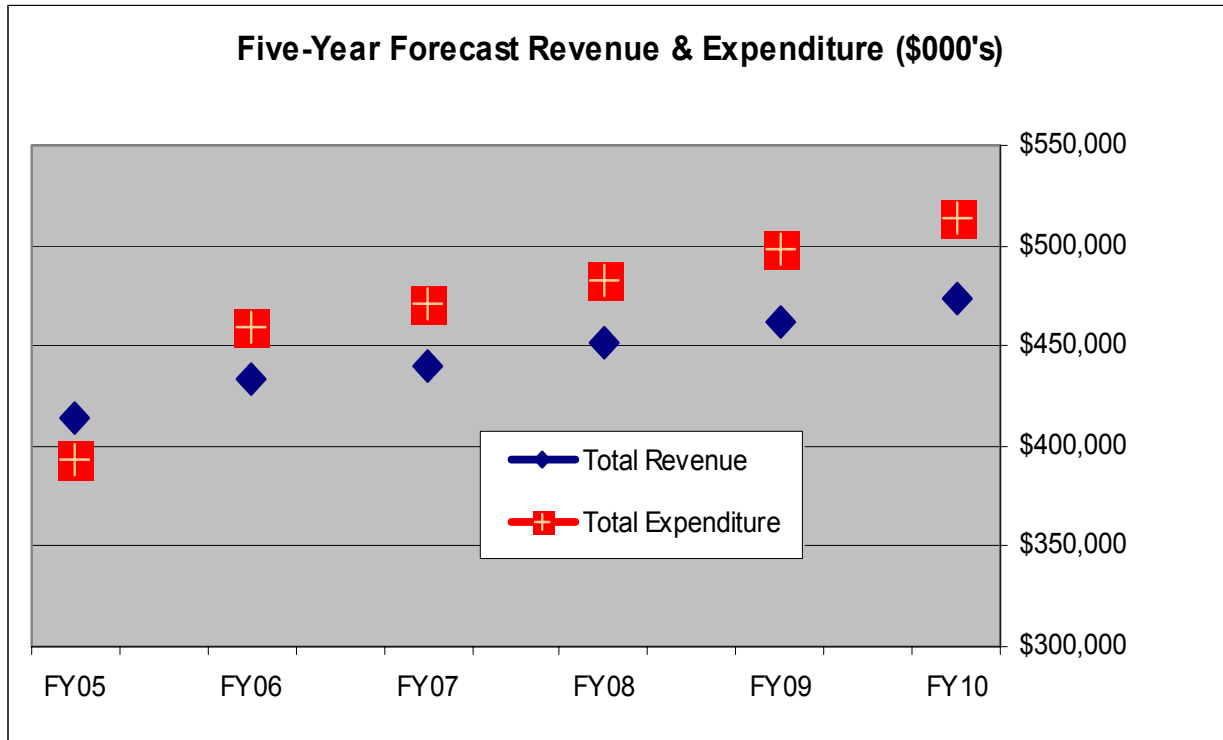
| Itemized FY/07 Increases (\$000's)      |            |
|---|------------|
| Annualized Increase in Wages & Benefits | \$ 7,769   |
| OEB Increase                            | 3,184      |
| Natural Gas Increase                    | 242        |
| CIP Coming on Line                      | 6,484      |
| Campaign Finance                        | 250        |
| Basic Services Transfer                 | 1,610      |
| Parking Services Transfer               | 1,286      |
| Transit Transfer                        | 949        |
| Workers' Comp/Tort & Other              | 911        |
| Debt Service                            | (224)      |
| Vehicle Maintenance                     | 215        |
| Vehicle Fuels                           | 1,541      |
|   | \$ 24,217  |
| <br>                                    |            |
| Anticipated FY/07 Budget                | \$ 470,034 |
| FY/06 Original Budget                   | 446,507    |
|   | \$ 23,527  |

The increase in wages includes the annualized costs for fire rescue 20, the annualized salary for the APD cadet expansion class and annualized costs of FY/06 CIP coming on line and initiatives. The five year forecast is built with a 12% increase in health insurance costs, a 6% increase for dental and vision care and the restoration of the .5% basic life insurance cost. Natural gas and fuel charges are expected to decrease from the FY/06 estimated actuals but still reflect a \$1.8 million increase for the General Fund from the original FY/06 budget level. The transfers for Corrections, Gas Tax Road Fund, Transit, Parking and Open Space include increases in fuel costs as well. CIP coming on line is anticipated to increase the budget by \$6.5 million. The passage of the campaign finance package by voters in October will cost the General Fund approximately \$250 thousand a year. Legislation identifying the Basic Services Transfer calls for an increase of \$1.6 million over the approved FY/06 budget. The transfer for Parking is \$1.3 million higher due to the scheduled debt service and other increased costs and the transfer for Transit is \$949 thousand higher primarily due to increased fuel and maintenance costs. Workers' Compensation costs are anticipated to increase 6% and Tort and Other costs are expected to increase 5% over the FY/06 level and result in a \$911 thousand increase. The General Fund debt service transfer is decreased \$224 thousand and fleet services vehicle maintenance costs for FY/07 are expected to increase by \$215 thousand.

Included in the five year forecast is a Quarter Cent-Central Processing reserve of \$3.457 million. This reserve is likely to be appropriated in FY/07 for arrestee transport



to the Metropolitan Detention Center. The appropriation of this reserve will have no impact on the General Fund available fund balance.



**Risks to the Forecast.** The five-year forecast is always challenging. The exercise seeks to estimate the difference between revenues and expenditures. Obviously, the result will change if revenue receipts, expenditure demands or both deviate from the forecast.

Global Insight assigns a 55% probability to the national economic baseline forecast that underlies this report, 20% to the optimistic and 25% to the pessimistic scenarios. As the national economy changes, City revenue forecasts are affected. This analysis hold expenditure forecasts unchanged in the alternative scenarios.

Growth in internet sales, gaming opportunities, and retail sales beyond the municipal boundary have probably suppressed tax revenues in recent years and changes in state tax laws have eroded the tax base in the past ten years. The state has recognized the problem that local governments face as they change tax policies. In the 2004 session, the legislature eliminated the tax on food and some medical services. To hold the local governments harmless, the state took the cities half cent municipal credit, thus increasing the tax by one half cent on items other than food and medical services. Although the City tax revenue should not be affected, the higher tax rates do affect the City in several ways. It makes it more difficult to institute any additional taxes and increases pressure to reduce taxes. Efforts at the legislature to reduce taxes on services and the “pyramiding” problem will be stronger. Behavior to avoid taxes, by purchasing on the Internet, locating in the unincorporated areas, and organization of contracts to limit taxes will become more prevalent. In the 2005 session, the legislature impacted the City GRT revenues by deducting commercial aviation repairs and instituting an annual three day tax holiday.

**FIVE YEAR FORECAST  
GENERAL FUND - BASELINE SCENARIO  
RESOURCES, APPROPRIATIONS AND FUND BALANCES  
(\$000S)**

|                                       | UNAUDITED<br>ACTUAL<br>FY05 | REVISED<br>APPROP<br>FY06 | FORECASTS       |                 |                 |                  |
|---------------------------------------|-----------------------------|---------------------------|-----------------|-----------------|-----------------|------------------|
|                                       |                             |                           | FY07            | FY08            | FY09            | FY/10            |
| RESOURCES:                            |                             |                           |                 |                 |                 |                  |
| Recurring Revenue                     | 400,744                     | 423,246                   | 433,006         | 445,487         | 456,526         | 467,699          |
| % Chng Recur'g Revenue                |                             | 5.6%                      | 2.3%            | 2.9%            | 2.5%            | 2.4%             |
| Total Non-recurring                   | <u>12,980</u>               | <u>10,612</u>             | <u>7,261</u>    | <u>5,900</u>    | <u>5,940</u>    | <u>5,981</u>     |
| TOTAL REVENUES                        | 413,724                     | 433,858                   | 440,267         | 451,387         | 462,466         | 473,680          |
| % Chng Total Revenue                  |                             | 4.9%                      | 1.5%            | 2.5%            | 2.5%            | 2.4%             |
| BEGINNING FUND BALANCE                | <u>64,786</u>               | <u>85,127</u>             | <u>59,083</u>   | <u>28,941</u>   | <u>(2,224)</u>  | <u>(37,301)</u>  |
| TOTAL RESOURCES                       | <u>478,510</u>              | <u>518,984</u>            | <u>499,351</u>  | <u>480,328</u>  | <u>460,242</u>  | <u>436,379</u>   |
| EXPENDITURES/APPROPRIATIONS:          |                             |                           |                 |                 |                 |                  |
| Recurring Expenditures/Appropriations | 372,246                     | 418,692                   | 437,576         | 453,141         | 468,315         | 483,470          |
| % Change Recurring Appropriation      |                             | 12.5%                     | 4.5%            | 3.6%            | 3.3%            | 3.2%             |
| Non-recurring Exp/App:                |                             |                           |                 |                 |                 |                  |
| One-time Items                        | <u>21,137</u>               | <u>41,209</u>             | <u>32,834</u>   | <u>29,411</u>   | <u>29,228</u>   | <u>29,761</u>    |
| Total Non-recurring                   | <u>21,137</u>               | <u>41,209</u>             | <u>32,834</u>   | <u>29,411</u>   | <u>29,228</u>   | <u>29,761</u>    |
| TOTAL EXPEND/APPROP                   | <u>393,383</u>              | <u>459,901</u>            | <u>470,410</u>  | <u>482,552</u>  | <u>497,543</u>  | <u>513,231</u>   |
| UNADJUSTED FUND BALANCE               | <u>85,127</u>               | <u>59,083</u>             | <u>28,941</u>   | <u>(2,224)</u>  | <u>(37,301)</u> | <u>(76,852)</u>  |
| ADJUSTMENTS:                          |                             |                           |                 |                 |                 |                  |
| Encumbrances                          | (4,302)                     | 0                         | 0               | 0               | 0               | 0                |
| Unrealized Gains on Investments       | 531                         | 531                       | 531             | 531             | 531             | 531              |
| Other Accounting Adjustments          | <u>(502)</u>                | <u>(502)</u>              | <u>(502)</u>    | <u>(502)</u>    | <u>(502)</u>    | <u>(502)</u>     |
| TOTAL ADJUSTMENTS                     | <u>(4,273)</u>              | <u>29</u>                 | <u>29</u>       | <u>29</u>       | <u>29</u>       | <u>29</u>        |
| ADJUSTED FUND BALANCE                 | <u>80,854</u>               | <u>59,112</u>             | <u>28,970</u>   | <u>(2,195)</u>  | <u>(37,272)</u> | <u>(76,823)</u>  |
| RESERVES:                             |                             |                           |                 |                 |                 |                  |
| Quarter Cent - Central Processing     | 1,500                       | 3,457                     | 3,457           | 3,457           | 3,457           | 3,457            |
| IRB Settlement                        | 908                         | 617                       | 617             | 617             | 617             | 617              |
| Special Reserve                       | 2,000                       | 1,350                     | 1,350           | 1,350           | 1,350           | 1,350            |
| 1/12th Operating Reserve              | <u>33,831</u>               | <u>37,957</u>             | <u>39,201</u>   | <u>40,213</u>   | <u>41,462</u>   | <u>42,769</u>    |
| TOTAL RESERVES                        | 38,239                      | 43,381                    | 44,625          | 45,637          | 46,886          | 48,193           |
| UNRESERVED FND BALANCE                | <u>42,615</u>               | <u>15,731</u>             | <u>(15,655)</u> | <u>(47,832)</u> | <u>(84,158)</u> | <u>(125,016)</u> |

## **ECONOMIC OUTLOOK**



## **NATIONAL ECONOMY AND KEY POINTS FROM THE GLOBAL INSIGHT OUTLOOK**

The national economy grew slowly following the recession in 2001, and then in FY/04 a turnaround began spurred, in part, by tax cuts. The third quarter of calendar year 2003 showed an increase of 7% in real gross domestic product (GDP) and increases in employment. FY/04 had real GDP growth of 4.1%, and FY/05 followed with growth of 3.7%. The Federal Reserve Board (FRB) began increasing rates at the beginning of FY/05 on fears of inflation. The recent jumps in oil prices have substantially raised inflation. For FY/05 inflation as measured by the consumer price index (CPI) averaged 3% and for FY/06 it is expected to grow 3.8%. Oil prices (west Texas intermediate) averaged \$23.80 per barrel in FY/02 and grew to \$48.80 per barrel average in FY/05. The average for FY/06 is expected to be \$63.50 per barrel. The highest price was \$67.20 per barrel on Sept 19, 2005. Global Insight (GI) sees these prices tapering off, with \$56.20 per barrel in FY/07 moving down to \$43 per barrel by FY/10. Still inflation remains under control even with the large increases in oil prices. Helped by decreases in the price of oil, GI expects the CPI to increase 1.5% in FY/07 increasing to 2% by FY/10.

The impact of the hurricanes Katrina and Rita will slow growth in the first half of FY/06, but this slowdown will be offset by construction activity in the second half of the fiscal year. The impacts on energy prices are expected to be short-term, but will have a substantial impact on natural gas prices for the FY/06 heating season. Energy spending as a percent of disposable income is expected to increase from 4.8% in early 2005 to 6% at the beginning of FY/06. This ratio is expected to decline back to 4.8% by 2007.

GI also presents risks to the forecast in the form of optimistic and pessimistic scenarios. The pessimistic scenario, assigned a probability of 25%, assumes that the economy will be hit by a stagflation. This assumes that oil prices go higher with oil hitting \$80 per barrel in the middle of FY/06 and decline only to \$55 per barrel. Real GDP declines to 1.4% in the middle of FY/06 and recovers for a couple quarters then drops to 1% for the middle of FY/07. This is driven in part by increases in inflation fed by high oil prices and the weak dollar. Inflation doesn't slow as much as in the baseline with the CPI remaining closer to 3%. The Federal Reserve Bank FRB reacts to inflation pushing up interest rates to 7.4% in 2008. Higher interest rates slow the housing market substantially. Unemployment increases, hitting a high of 6% in 2008. The optimistic scenario where "everything goes right" is assigned a probability of 20%. In this scenario, productivity is stronger than the baseline, helping strengthen GDP and weaken inflationary pressures. GDP has stronger growth driven by productivity increases, which helps both inflation and budget deficits. The optimistic scenario is only slightly better than the baseline, while the pessimistic scenario has a strong impact on the economy. These scenarios are included in the revenue forecast in the Alternative Scenarios section.

## **Gross Domestic Product (GDP)**

In FY/03 the economy rebounded slowly to post a 2.5% growth rate. Growth increased to 4.1% in FY/04 and 3.7% in FY/05. Growth is expected to slow to 3.4% in FY/06 and 3.1% in FY/07. Growth remains at about this level for the remainder of the forecast.

## **Employment and Productivity**

As the economy moved into recession, unemployment jumped from the historically low rates of around 4% from FY/99 to FY/02, to 5.9% in FY/03, and 5.7% in FY/04. Unemployment in FY/05 continued a slight decline to about 5.3% and declines to under 5% in FY/07 and stays at this level for the remainder of the forecast. Employment growth has made some increases recently, but was near zero in FY/04. FY/05 had growth of 1.6% and FY/06 should have growth around 1.5%. Growth is expected to slow only slightly for the remainder of the forecast. FY/04 showed strong productivity growth of 4.7% in output per hour, declined to 2.4% in FY/05 and is expected to stay at this level.

## **Inflation**

As measured by the consumer price index for urban consumers, inflation was low, around 2%, for the period FY/02-FY/04. In FY/05 inflation jumped to 3% driven largely by oil price increases. Continuing this, FY/06 is expected to increase to 3.8%, decline below 1.5% in FY/07, and slowly increase to 2% by the end of the forecast. Inflation is held in check with little wage pressure as employment grows slowly and productivity increases hold costs down.

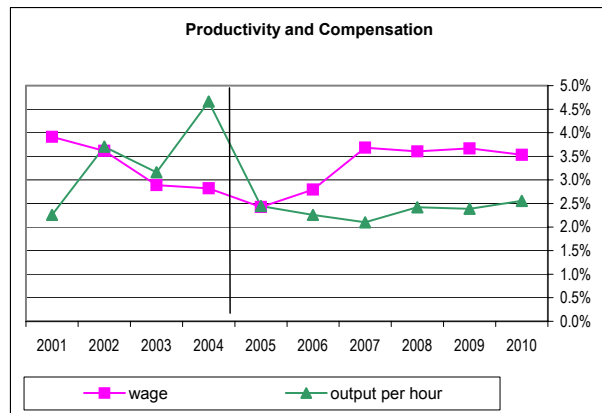
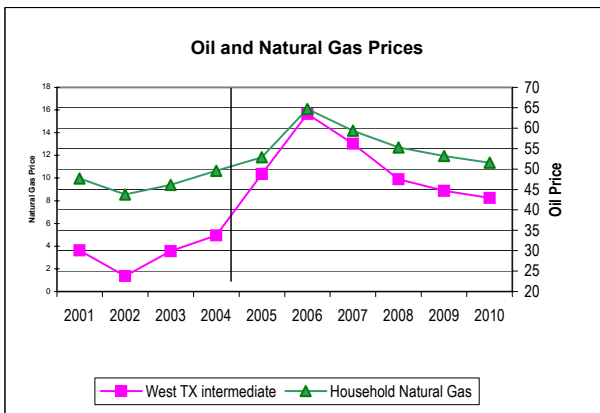
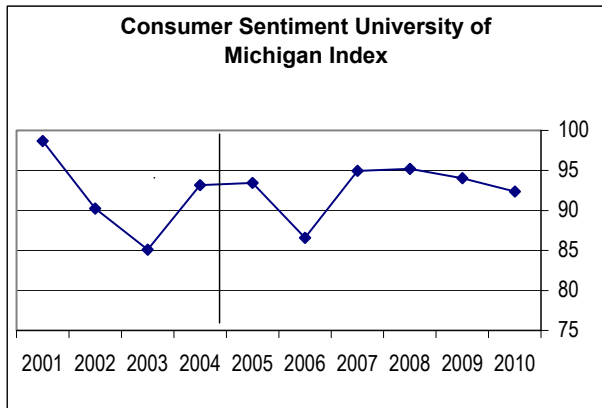
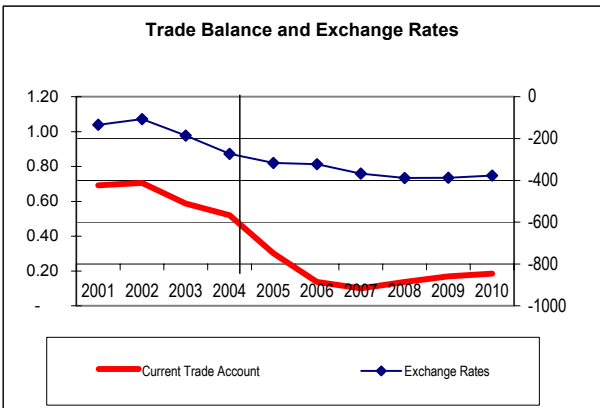
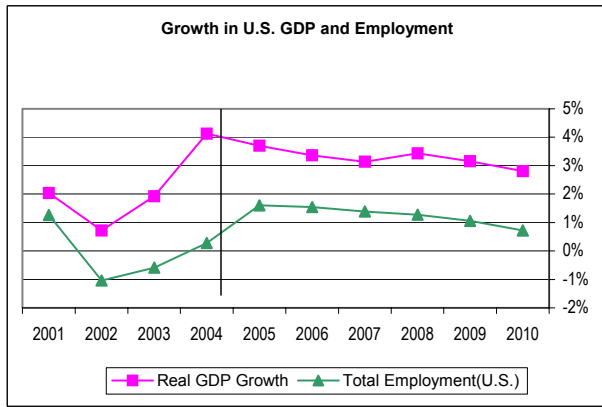
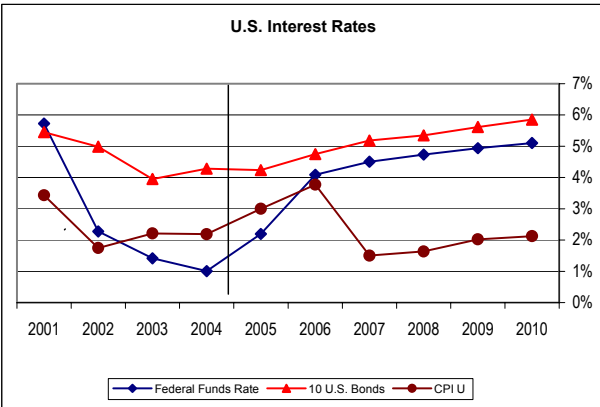
## **Interest Rates**

After cutting the federal funds rate to 1%, the lowest level since the 1960s, the FRB increased rates twice in 2004 and continued to increase throughout FY/05. Rates averaged 2% for FY/05 but were 4% at the end of the fiscal year. It is expected that rates will average 4.1% for FY/06, with the FRB raising the rate by 1/4% at each meeting of the board. By January 2006 rates will be 4.5%. GI sees only moderate increases for the remainder of the forecast, edging up to 4.75% by the end of FY/07 and reaching a high of 5.1% average for FY/10. Long term rates also grow, but slower than the short term rates. The rates are still quite low historically.

## **World Economy**

GI believes that the world economy will continue to grow at a slow rate. The dollar will continue to weaken. The current trade account deficit was \$750 billion in FY/05, and is expected to increase to \$916 billion in FY/07 then slowly come down to \$846 billion by FY/10. Slower growth in the rest of the world would lower export growth, hurt the U.S. economy and increase the existing trade imbalance.

## U.S. ECONOMIC VARIABLES AND FORECAST (FISCAL YEAR) October 2005 Baseline Forecast



## ALBUQUERQUE ECONOMY

The situation in the Albuquerque economy is similar to nation as a whole. Although Albuquerque has increased employment, the growth rates through FY/05 are very moderate. The unemployment rate in Albuquerque increased from around 3% in FY/01 to 5.4% in FY/04. The unemployment rate declined to 5.2% in FY/05 and is expected to edge down to 5.0% in FY/06, and slightly lower for the remainder of the forecast. As with the national economy, the Albuquerque employment rate slows but does not return to the low levels experienced before the recession. Growth of non-agricultural employment is only now starting to reach long term averages.

The classification of industries has changed with a movement from the Standard Industrial Classification (SIC) code system to the new North American Industrial Classification System (NAICS). This system provides a framework for classification of industries that is the same for all of North America and updates some of the definitions for newer industries. While the largest sectors in the Albuquerque economy were trade (retail and wholesale) and services under the SIC definition, these sectors were broken up and the distinctions are now quite different. For instance, retail trade under the SIC classification included eating and drinking establishments. The “eating and drinking” category is now included in the hospitality sector that also includes hotels (this was in the service sector under SIC code). A table at the end of this section provides sector employment numbers for FY/99 to FY/09 by the NAICS categories.

**Trade Transportation and Utilities.** This sector has posted slow growth and from FY/01 to FY/05 lost 125 jobs. The largest piece—retail trade—gained 1,475 jobs but this was almost totally offset by losses in wholesale trade. Transportation and utilities lost 185 jobs in the same period. A large part of this was the loss of approximately 75 workers at the local gas and electric utility in 2003. The forecast has moderate growth in this sector with an average annual growth rate of 1%.

**Manufacturing.** This sector accounted for 8.5% of employment in 1993 declining to 6% in FY/05. Employment peaked in FY/98 at 28,342, declining to 22,617 in FY/05, a loss of over 5,500 jobs. Still the manufacturing sector has held up better in Albuquerque than it has in the U.S. economy. These job losses were due first to the Asian financial crisis of 1998, which hit telephone manufacturing and hurt the local employment of Motorola and Philips. Motorola sold what little manufacturing capacity it had left in 1999 and Philips closed its plant in October 2003. Intel, after expanding in 1995, has held employment rather constant despite a \$2 billion expansion in 2002. The employment declines slowed some in FY/04 but still suffered a loss of 5.6%. In FY/05 employment losses slowed to 0.7%. This is expected to turn in the forecast with FY/06 growth of 1.9%, and FY/07 growth of 4.2% and 1% in FY/08. In FY/09 employment jumps as Eclipse Aviation adds 1500 jobs. The growth is expected to come from outside the computer and semiconductor area. Growth for the entire period averages 2.9%. Growth in manufacturing includes jobs from the TempurPedic mattress factory, Merrilat Industries in Los Lunas, Superior Micropowder, Advent Solar, and American Utilicraft.



Although Intel adds jobs, the computer and electronics sub-sector continues to show job losses.

**Educational and Health Services.** Albuquerque is a major regional medical center. Presbyterian Hospital and its HMO are one of the largest employers in the area. This is one of the fastest growing categories in the MSA economy. In the past 10 fiscal years this sector had average growth of 4.2%. In FY/04 growth was 4.1% and in FY/05 it was 5.9%. In FY/06 growth is expected to slow to 2.9% increasing to 3.1% in FY/07 and then tapering off to around 2% for the remainder of the forecast.

**Leisure and Hospitality.** This category includes eating and drinking establishments as well as hotels and other travel related facilities. Growth was only 1.3% in FY/03 but FY/04 had growth of 2.7%. Lodger's tax for the City showed an increase of almost 5% for the same period, indicating a pickup in travel after a slow period. In FY/05 the sector showed no growth in employment, and decreases in food services employment. The lodger's tax for the City showed growth of 3.2% indicating there is still some growth in the lodging portion of the sector. For the remainder of the forecast this sector is expected to have an average annual growth of only 1%.

**Financial Activities.** This sector includes finance and insurance including credit intermediation. The employment in this sector declined from FY/01 to FY/05, despite an increase of 1.9% in FY/05. Average growth for the sector is expected to be an anemic 0.7% for FY/06 to FY/10.

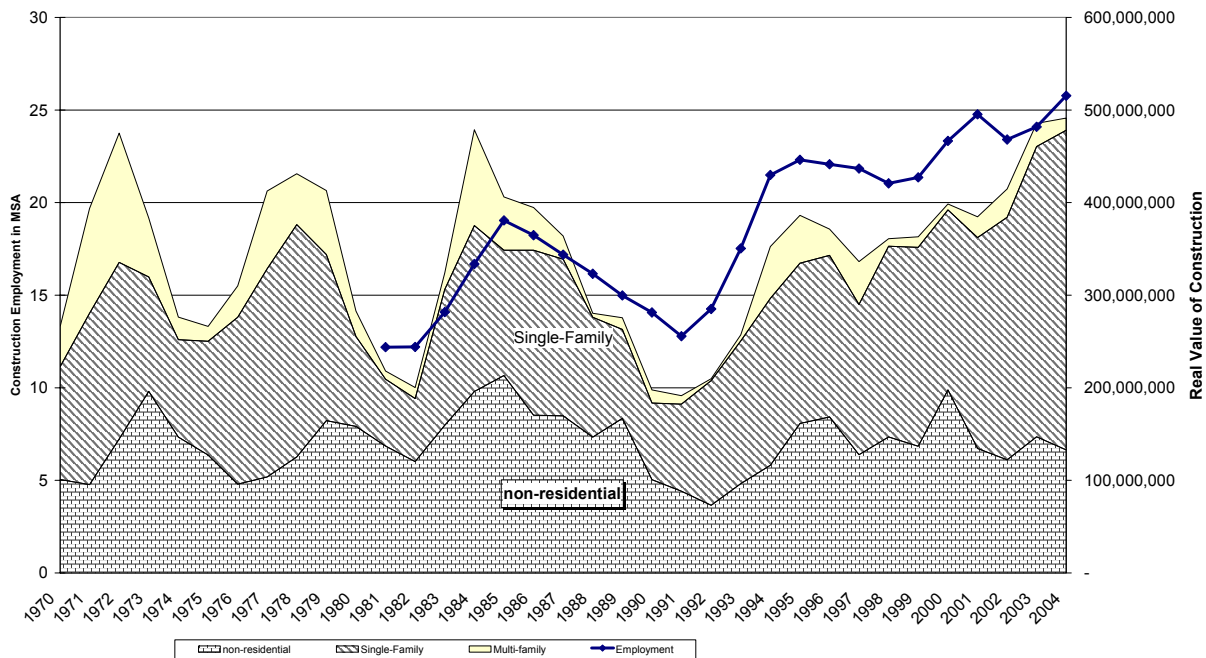
**Professional and Business Services.** This sector includes temporary employment agencies and some of Albuquerque's back-office operations. It also includes Sandia National Labs (SNL). This sector had average annual growth of 3% in the past decade, but suffered declines of 2% and 0.6% in FY/02 and FY/03 respectively. For the period FY/01 to FY/05 growth was only 0.3%, but growth for the forecast period averages 2.6%.

**Information.** This sector includes businesses in publishing, broadcasting, telecommunications, and internet service establishments. This sector was very strong in the 1990s but suffered a decline of 7.5% in FY/03 and 5.1% in FY/04. This trend continues with an expected decline of 3.2% in FY/05. The most recent decline is primarily from layoffs at the MCI call center of about 880 jobs. The sector is expected to rebound and is forecast to grow at an annual average rate of 3.7% in the forecast period.

## Construction

Construction is typically cyclical, with large swings in building and employment. The following chart shows the real value of single-family, multi-family, and non-residential new permits from 1970 to 2004 (deflated by the CPI; 100=1982-84). Four distinct peaks occur in 1973, 1979, 1985 and 1995. There was only a slight decline from the 1995 peak and the real value of construction has exceeded this level. The increase is driven primarily by residential construction. Commercial construction in real terms has remained relatively flat and the total annual value of construction has not reached any of the previous peaks. In the past the cycles were accentuated by large buildups of multi-family housing, in part, to capture tax breaks that are no longer available. After overbuilding, vacancy rates would increase dramatically and apartment building would cease for several years. Since 1995, single-family construction has made up a larger share of total construction and multi-family construction has remained subdued. In 2004 the real value of single family housing increased, but the number of units permitted actually declined about 0.5%. The value of single family permits per home increased by 27%.

Construction Values In City of Albuquerque Deflated by CPI and Construction Employment in the MSA in Thousands

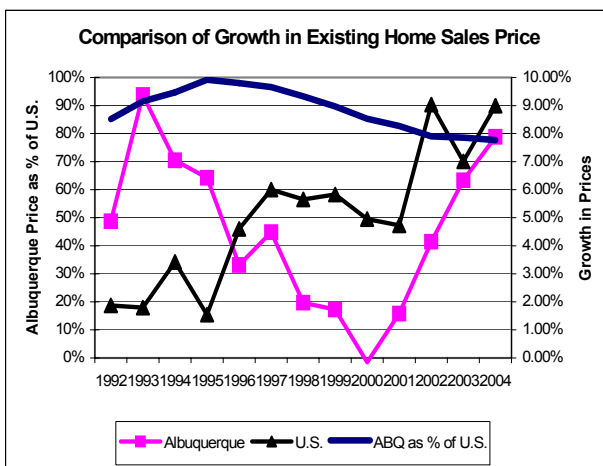
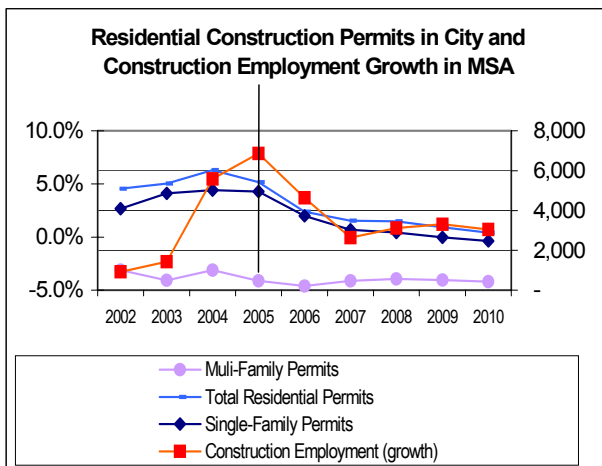
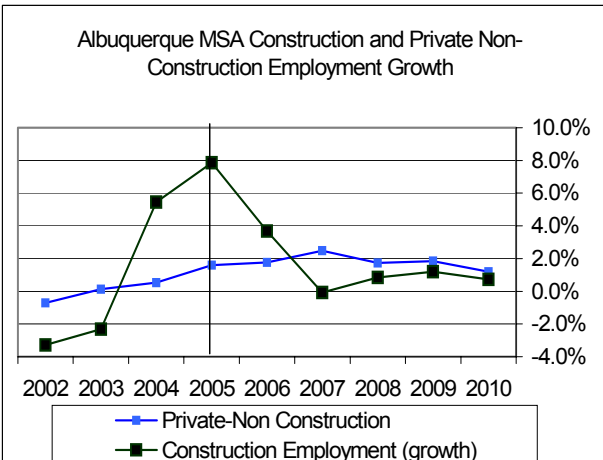
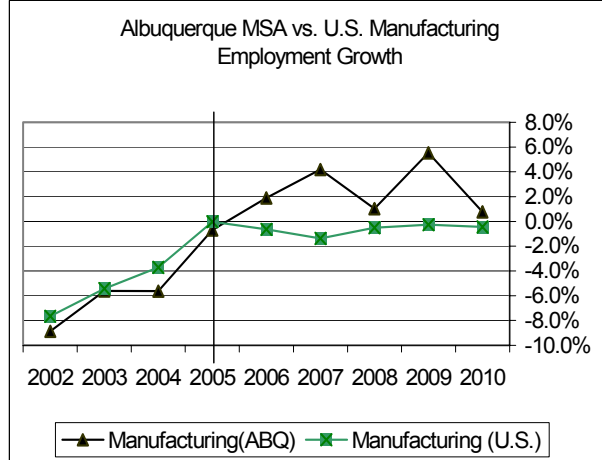
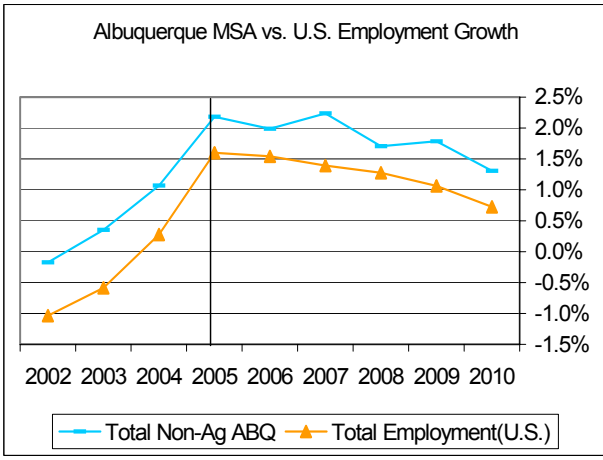
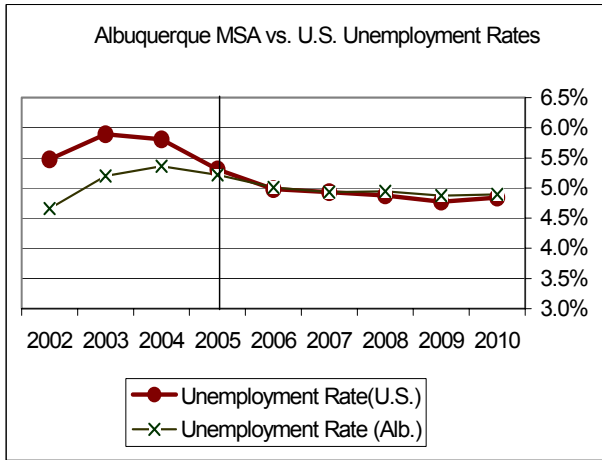


Employment in the construction sector was very strong in 2000-2002, driven, in large part, by the Intel project and the Big-I reconstruction project. The Big-I was completed ahead of schedule in June 2002, and the Intel project was finished in June of 2002. As these jobs were lost we saw a reduction in employment in FY/02 and some additional losses in FY/03. In FY/04 growth was 5.2% and in FY/05 employment exceeded the peak in FY/02, with growth of 7.9%. Growth is expected to slow to 3.7% and then decline by 0.1% in FY/07. The remainder of the forecast has growth around 1%. Even so, the level of employment in the sector remains above historical levels. Permitting at

the City, particularly residential, is expected to decline substantially with building permits declining. Additionally, many of the large roads and City public works projects will be completing or completed by FY/07. Large projects currently under way such as, University Hospital, Coors I-40, and the I-40 widening and repaving will be completed before FY/07. Additionally, the City had a back log of capital projects that was mostly completed in FY/05. The City information on permits does not include several important measures of construction. It does not include projects built by the State of New Mexico, the federal government, construction of roads, or water/sewer systems. All of these projects do generate gross receipts tax revenues.

## LOCAL ECONOMIC VARIABLES HISTORY AND FORECAST

By Fiscal Year BBER FORUM October 2005  
Baseline



**Employment by NAICS Categories (in thousands)**

| FISCAL YEARS                                      | History |         |         |         |         | Forecast |         |         |         |         | Growth 2001<br>to 2005 | Growth 2005<br>to 2010 |
|---|---------|---------|---------|---------|---------|----------|---------|---------|---------|---------|------------------------|------------------------|
|   | 2001    | 2002    | 2003    | 2004    | 2005    | 2006     | 2007    | 2008    | 2009    | 2010    |                        |                        |
| Total Nonagricultural (Does not include military) | 361.783 | 361.150 | 362.417 | 366.283 | 374.267 | 381.712  | 390.249 | 396.894 | 403.983 | 409.263 | 0.9%                   | 1.8%                   |
| Natural Resources And Mining And Construction     | 24.875  | 24.058  | 23.500  | 24.783  | 26.733  | 27.721   | 27.701  | 27.937  | 28.271  | 28.475  | 1.8%                   | 0.7%                   |
| Manufacturing                                     | 28.058  | 25.567  | 24.133  | 22.775  | 22.617  | 23.043   | 24.005  | 24.254  | 25.595  | 25.791  | -5.2%                  | 2.9%                   |
| Computer And Electronics Manufacturing            | 12.350  | 11.258  | 10.408  | 9.592   | 9.150   | 9.060    | 8.927   | 8.724   | 8.591   | 8.593   | -7.2%                  | -1.3%                  |
| Wholesale Trade                                   | 14.075  | 13.592  | 13.233  | 12.925  | 12.658  | 12.743   | 12.768  | 12.768  | 12.776  | 12.749  | -2.6%                  | 0.0%                   |
| Retail Trade                                      | 41.800  | 41.492  | 42.083  | 42.475  | 43.275  | 43.741   | 44.538  | 45.264  | 45.595  | 45.885  | 0.9%                   | 1.2%                   |
| Transportation, Warehousing, And Utilities        | 10.625  | 10.558  | 10.608  | 10.508  | 10.442  | 10.515   | 10.710  | 10.814  | 10.942  | 11.047  | -0.4%                  | 1.2%                   |
| Information                                       | 11.233  | 11.400  | 10.542  | 9.900   | 8.892   | 8.854    | 9.286   | 9.387   | 9.460   | 9.586   | -5.7%                  | 2.0%                   |
| Financial Activities                              | 19.625  | 19.117  | 18.850  | 18.967  | 19.325  | 19.470   | 19.442  | 19.603  | 19.766  | 19.988  | -0.4%                  | 0.7%                   |
| Professional, Scientific And Technical Services   | 26.858  | 26.958  | 27.767  | 28.258  | 29.208  | 30.118   | 31.043  | 31.866  | 32.687  | 33.449  | 2.1%                   | 2.7%                   |
| Management/Administratio/Support                  | 32.225  | 31.000  | 29.892  | 29.858  | 30.642  | 31.426   | 32.698  | 33.875  | 34.492  | 34.833  | -1.3%                  | 2.6%                   |
| Educational And Health Services                   | 38.025  | 40.392  | 42.042  | 43.783  | 46.383  | 47.743   | 49.225  | 50.334  | 51.505  | 52.575  | 5.1%                   | 2.4%                   |
| Leisure And Hospitality                           | 34.025  | 34.392  | 35.308  | 36.250  | 36.258  | 36.764   | 37.397  | 37.653  | 38.169  | 38.434  | 1.6%                   | 1.1%                   |
| Food Services And Drinking Places                 | 26.225  | 26.675  | 27.383  | 28.158  | 27.975  | 28.204   | 28.604  | 28.691  | 29.072  | 29.413  | 1.6%                   | 1.1%                   |
| Other Services                                    | 11.050  | 11.242  | 11.608  | 11.750  | 12.008  | 12.081   | 12.250  | 12.421  | 12.606  | 12.776  | 2.1%                   | 1.4%                   |
| Government  | 69.308  | 71.383  | 72.850  | 74.050  | 75.825  | 77.491   | 79.173  | 80.684  | 82.112  | 83.671  | 2.3%                   | 1.9%                   |
| Local Government                                  | 33.175  | 34.792  | 35.567  | 36.158  | 37.533  | 38.359   | 39.413  | 40.363  | 41.311  | 42.260  | 3.1%                   | 2.5%                   |
| State Government                                  | 22.333  | 22.658  | 23.133  | 23.850  | 24.258  | 24.654   | 25.142  | 25.647  | 26.067  | 26.430  | 2.1%                   | 1.8%                   |
| Federal Government                                | 13.800  | 13.933  | 14.150  | 14.042  | 14.033  | 14.478   | 14.618  | 14.674  | 14.733  | 14.981  | 0.4%                   | 0.9%                   |
| Military Employment, Thousands                    | 6.438   | 6.488   | 6.626   | 6.709   | 6.759   | 6.768    | 6.757   | 6.746   | 6.737   | 6.730   | 1.2%                   | -0.1%                  |

**Economic Variables Underlying the Forecast**

|   | Historical |         |         |         | Forecast |         |         |         |         |
|---|------------|---------|---------|---------|----------|---------|---------|---------|---------|
|   | 2002       | 2003    | 2004    | 2005    | 2006     | 2007    | 2008    | 2009    | 2010    |
| <b>National Variables</b>                             |            |         |         |         |          |         |         |         |         |
| Real GDP Growth                                       | 0.7%       | 1.9%    | 4.1%    | 3.7%    | 3.4%     | 3.1%    | 3.4%    | 3.2%    | 2.8%    |
| Federal Funds Rate                                    | 2.3%       | 1.4%    | 1.0%    | 2.2%    | 4.1%     | 4.5%    | 4.7%    | 4.9%    | 5.1%    |
| 10 U.S. Bonds   | 5.0%       | 4.0%    | 4.3%    | 4.2%    | 4.7%     | 5.2%    | 5.3%    | 5.6%    | 5.8%    |
| CPI U   | 1.8%       | 2.2%    | 2.2%    | 3.0%    | 3.8%     | 1.5%    | 1.6%    | 2.0%    | 2.1%    |
| Unemployment Rate(U.S.)                               | 5.5%       | 5.9%    | 5.8%    | 5.3%    | 5.0%     | 4.9%    | 4.9%    | 4.8%    | 4.8%    |
| Manufacturing   | -7.7%      | -5.4%   | -3.7%   | 0.0%    | -0.6%    | -1.4%   | -0.5%   | -0.3%   | -0.4%   |
| Consumer sentiment index--University of Michigan      | 90.23      | 85.08   | 93.15   | 93.43   | 86.59    | 94.94   | 95.21   | 94.02   | 92.37   |
| Exchange Rates  | 1.07       | 0.98    | 0.87    | 0.82    | 0.81     | 0.76    | 0.73    | 0.74    | 0.75    |
| Current Trade Account                                 | -412.83    | -511.28 | -566.96 | -749.66 | -885.22  | -916.43 | -886.32 | -858.33 | -846.12 |
| wage  | 3.6%       | 2.9%    | 2.8%    | 2.4%    | 2.8%     | 3.7%    | 3.6%    | 3.7%    | 3.5%    |
| output per hour                                       | 3.7%       | 3.2%    | 4.7%    | 2.4%    | 2.3%     | 2.1%    | 2.4%    | 2.4%    | 2.6%    |
| <b>Albuquerque Variables</b>                          |            |         |         |         |          |         |         |         |         |
| Employment Growth and Unemployment in Albuquerque MSA |            |         |         |         |          |         |         |         |         |
| Total Non-Ag ABQ                                      | -0.2%      | 0.4%    | 1.1%    | 2.2%    | 2.0%     | 2.2%    | 1.7%    | 1.8%    | 1.3%    |
| Private-Non Construction                              | -0.7%      | 0.1%    | 0.5%    | 1.6%    | 1.8%     | 2.5%    | 1.7%    | 1.8%    | 1.2%    |
| Construction Employment (growth)                      | -3.3%      | -2.3%   | 5.5%    | 7.9%    | 3.7%     | -0.1%   | 0.9%    | 1.2%    | 0.7%    |
| Manufacturing(ABQ)                                    | -8.9%      | -5.6%   | -5.6%   | -0.7%   | 1.9%     | 4.2%    | 1.0%    | 5.5%    | 0.8%    |
| Unemployment Rate (Alb.)                              | 4.7%       | 5.2%    | 5.4%    | 5.2%    | 5.0%     | 4.9%    | 4.9%    | 4.9%    | 4.9%    |
| Construction Units Permitted in City of Albuquerque   |            |         |         |         |          |         |         |         |         |
| Single-Family Permits                                 | 4,087      | 4,855   | 5,029   | 4,954   | 3,733    | 3,031   | 2,899   | 2,643   | 2,464   |
| Multi-Family Permits                                  | 1,002      | 493     | 1,000   | 466     | 210      | 460     | 557     | 508     | 423     |
| Total Residential Permits                             | 5,089      | 5,348   | 6,029   | 5,420   | 3,943    | 3,491   | 3,456   | 3,151   | 2,887   |

Source Global Insight and FOR-UNM October 2005 Baseline Forecasts

## UPSIDE AND DOWNSIDE REVENUE RISKS

How well the Albuquerque economy performs over the next few years depends partially on what happens at the national and the regional level. The GI and BBER assumptions are the basis for these forecasts. There are also some specific risks to the forecast, both positive and negative. Below is a partial listing that could have a significant positive (upside) or negative (downside) impact on the economy and the city's revenues.

### UPSIDE

- The national economy could grow more rapidly. The GI optimistic scenario has only modest improvements in the short run with inflation and interest rates slightly below the baseline. The probability assigned to this scenario is 20%.
- High tech industry growth comes back faster than expected. Albuquerque lands further major investments by producers of semiconductors and/or other high tech industries and investments by their suppliers and customers. Existing manufacturing operations of all types expand, creating a more diversified manufacturing base.
- Albuquerque succeeds in attracting more investments in regional distribution centers and regional headquarters.
- Construction activity remains at or above current levels. There is a continuance and expansion of high-tech investment and more public sector construction. In migration creates a demand that holds up residential housing.
- Business travel also expands as the economy revitalizes and more business activity occurs.
- Sandia National Laboratories is able to increase current staffing above anticipated levels. We are already seeing jobs move to Sandia. There are many security and anti-terrorism projects at the labs. Additional success in the transfer of technology to the private sector will create more jobs. The construction of the
- Center for Integrated NanoTechnology (CINT) has been completed and the MESA project on the base will continue for several years.

## DOWNSIDE

- The economy continues to grow slowly, and nationally fails to create more jobs. High oil prices choke off consumption and the weak dollar helps fuel inflation.
- Little, if any, in migration occurs. When growth slows the downside of the construction cycle begins. Since the value of construction permits is dominated by residential construction; a slowdown in residential construction will significantly impact total construction. Currently, the value of permits for commercial and public building is weak.
- Large public projects currently under construction will be completed and fewer projects will begin to replace them.
  - The I-40 Coors Interchange, I-40 widening, and University Hospital projects will be completed. Additionally, backlog of City projects associated with the 2 year bond cycle was caught up in FY/05.
- Other impacts on GRT from State laws.
  - Fixing the pyramiding problem in services GRT may reduce revenue.
  - It is not clear how movement to streamlined taxation for internet sales will affect the City.
- Impact fees push residential development away from the City of Albuquerque. Development in unincorporated Bernalillo County and Rio Rancho increases due to impact fees and the higher differential in GRT rates.
- Tourism continues to be weak as people choose not to go on vacations. Business travel to Albuquerque and New Mexico falls sharply. Demand for regional artwork and foods decline.
- The federal push against local franchise fees, particularly in telecommunications, is successful.
- Internet retail sales on taxable items become more prominent and/or the federal government makes all sales on Internet based business non-taxable.
- Increases in retail trade and services in Rio Rancho and Valencia County further erode the tax base in the City.
- There is a risk of losing the indirect cost reimbursement from the Bernalillo-Albuquerque Water Utility Authority as the MOU between it and the City expires.

The section on alternative scenarios explores the effects on City revenues and expenditures of some of these possibilities.





## **REVENUE OUTLOOK**



## PROJECTED REVENUES FOR FISCAL YEARS 2006-2010

The following Baseline Forecast Revenues table includes actual FY/04 and FY/05 receipts, the revised estimates for FY/06, and the baseline forecast receipts for fiscal years 2007-2010. In all cases, the figures reflect the accrual to revenues required for compliance with the tax revenue standard of the Governmental Accounting Standards Board. Directly to the right of the estimates are the rates of growth of the revenue projections. These factors were in many cases based on the economic forecast assumptions summarized in the tables in the previous section. The assumptions and revenue estimating methodology is provided in greater detail in the following table of economic variables.

General Fund revenues in FY/04 had growth of 11.5% due to a 9.2% increase in GRT and the shift of a mill in property tax from debt service to operating. FY/04 recurring growth is somewhat slower at 9.4%. In FY/05 growth was 11.5% led primarily by the addition of the quarter cent public safety tax. FY/06 growth is projected to be stronger than the growth projected with the 2006 budget. Total growth from the FY/05 actual is expected to be 4.9%, rather than the budgeted growth of 3.7%. Total revenue for FY/06 is now expected to be \$11.4 million above the budgeted level. Growth for FY/07 slows dramatically as construction slows, inflation tapers and employment growth remains at moderate levels. The total growth is estimated at 1.5%. GRT growth is only 2.4%, and other revenues are constrained by franchise fee slowdowns and building permit revenue reductions. Recurring revenue increases 2.3% as there are reductions in what had been categorized as one-time revenues.

The long-term baseline forecast anticipates that General Fund recurring revenue growth will be 2.9%, 2.5%, and 2.4% for FY/08-FY/10 respectively.

### Snapshot of Forecast

- 1) Gross receipts. Growth in FY/06 above the estimated budget is driven by the growth in FY/05 and continued strong construction. In FY/06 the full year of the public safety tax provides an additional boost. FY/07 is a year of modest growth of 2.4%.
- 2) Franchises. Natural gas franchise reflects increases in gas prices, while the cable franchise reflects a reduction of \$275 thousand to repay the \$1.1 million loaned in FY/03. QWEST continues to be sluggish.
- 3) Charges for services slow in FY/06 and FY/07 as construction related revenues slow. Revenues for the Balloon Museum were reduced from \$400 thousand to \$50 thousand based on attendance during the Balloon Fiesta.
- 4) Indirect overhead declines by \$1.4 million with transfer of corrections personnel to the county.
- 5) Other sectors grow by selected inflation rates.

More detail on each sector is presented in the following text.

## General Fund Revenue Estimates

**Gross Receipts Tax.** The gross receipts tax (GRT) revenues for FY/05 were somewhat stronger than anticipated pushing up the base for FY/05. The growth in the first quarter of FY/06 was 3.8%, but there were some revenues not distributed to the City in the last month of the first quarter. Construction remains very strong, and retail trade now has growth, though it is modest at 1.8%. The FY/06 budget had assumed underlying growth of 3.1%, but the new forecast estimates growth of 4.8%. Growth in the ¼ cent public safety GRT in FY/06 is 14.9% as only 11 months of revenue was received in FY/05. Growth in FY/07 is only 2.4% as construction slows and growth in inflation and employment remain moderate. In the out years the rate of growth increases in FY/08 to 2.9%, and 3% in FY/09 and FY/010.

The economic models used to forecast GRT use information about the economy from the national GI forecast and the BBER FOR-UNM forecast of the local economy. Gross receipts from construction projects are estimated separately from gross receipts from all other sources. This is done to capture the factors that affect construction.

Local employment and incomes are major indicators of the level of non-construction gross receipts. These represent money that can be spent by local residents. Seasonality has a major impact in addition to changes in employment or income. Christmas spending makes the receipts accrued to December and January (actually on November and December spending) the largest of the year. The models also estimate the impact of changes in state taxation policy. A discussion of state tax policy is contained in the section "Risks to Forecast". Also, the impact of the prescription drugs deduction from GRT is built into the estimates as well as the one-time tax amnesty program which resulted in increased revenues of nearly \$2 million in GRT in November of 1999.

The construction GRT model is based on housing construction and construction employment. Care is taken to account for the difference due to large construction projects such as Intel and the Big-I that have large impacts on GRT revenues for short periods. The estimates of construction values for the forecast are derived from the forecasts of residential housing provided by the BBER. Adding the forecasts for construction and non-construction provides GRT revenues.

**Property Tax.** Property tax revenues for FY/04 reflect that one mill of property tax was shifted from debt service to operations. FY/05 reflects the county assessor's reassessments and new additions to the tax base. Growth for FY/05 and FY/06 reflect known levels, and changes in the mill levy due to yield control. The level of growth for FY/07 is 3%, due to new housing coming on line. The remaining years growth is kept at 2.5%.

**Franchise Taxes.** Franchise taxes in FY/05 were somewhat weaker than estimated. Telecommunications continues to be a drag, and the rate reduction in electricity impacted revenues. Natural gas franchise revenues grew in FY/05 due to an increase in rates as well as increased prices of natural gas. In FY/06 prices of natural gas are expected to increase, raising revenues 30% above FY/05. FY/07 and the out years reflect moderate reductions in the price of natural gas. Electricity remains at the budget

level. Cable revenues are expected to grow about 2.5% annually, with a \$275 thousand per year payment made in each year FY/06 through FY/09 to repay the \$1.1 million one-time receipt from FY/03.

The Water Authority now has a 4% franchise fee. The past years PILOT is included in franchise revenue for historical comparison. The FY/05 revenue was below forecast, due to a wet spring. FY/06 was kept at the budgeted level and allowed to grow at 2% each year, reflecting increases in the number of customers.

QWEST was below the expectations for FY/03, FY/04 and FY/05, despite two rate increases, due to competition from mobile DSL high-speed Internet connections that are not taxed. Revenue is expected to decline by 5% in FY/06 and an additional 3% in FY/07. Revenues are held constant for the remainder of the forecast. Other franchises include other telephone companies with weak revenues being offset by strong revenues for NM Utilities. Long run growth for all of these sectors is based on expected long-term growth in the number of customers.

**Payments-In-Lieu-Of-Taxes (PILOT).** PILOT revenues no longer include revenues from the water/wastewater utility. With the creation of the Water Authority the equivalent of a 4% franchise is now collected. FY/05 and FY/06 reflect increases in GRT tax rates that are used to calculate the PILOT. The remaining years are based on general increase in the number of users.

**Building Permits.** Building inspection permit revenues have held up stronger than anticipated in the past several years. In FY/05 the number of single family permits issued declined, but the value of houses increased by over 20%. Revenues in FY/05 increased 10.4%, primarily based on single family construction. Based on the BBER October forecast revenues were increased from the level forecast in the FY/06 budget. Though increased above the budget, the revenues are reduced 10% from the FY/05 levels. This is based on the BBER forecast and the assumption that single family permits reflect the price per permit attained in the first quarter. FY/07 is also expected to decline an additional 10%. Additional declines occur in FY/08 to FY/10 of 4.4%, 8.8%, and 6.8% respectively.

As a note, major construction projects planned by the state or the federal government, or road projects do not fall under the City of Albuquerque permitting process and the City receives no permit revenue. Gross receipts taxes are paid both by the state and the federal governments on construction projects.

**Other Permits.** Included in this area are revenues from permits and licenses for restaurant inspections, animal control, liquor establishments, business registrations, use of City right of way, and other miscellaneous fees. In FY/05 revenues picked up, in part due to improvements in billing and collections. FY/06 was adjusted up from the approved budget to reflect the FY/05 increase and kept at growth of 1.5% for the remainder of the forecast.

**Other Intergovernmental Assistance.** Other intergovernmental assistance includes state shared revenues (excluding GRT), grants and county shared revenues. This category has declined in recent years due to changes in state policy and where grant

revenue is received. In FY/04 a state corrections tax was reinstated and in FY/05 revenue was received. These revenues are allowed to grow at 1.5% per year.

The other source of intergovernmental revenue is the state shared municipal road gas tax. The other state shared gasoline tax revenue is now reported in the gasoline tax fund. This revenue source declined in FY/04 and was flat in FY/05. The budget for FY/06 is 2.6% below the FY/05 level, and revenues are kept at this level, given the high gasoline prices that will reduce consumption. Future growth is expected to be a moderate growth of 1.5% annually. Wholesale sales of gasoline by the Indian Pueblos have reached the maximum allowed by law and should not have any additional impacts.

**Charges for Services.** Charges for services include fees charged for entry into City venues and services provided to citizens. It also includes some revenues for charges to other governmental entities. In FY/05 revenues increased 1%. Strong growth occurred in many areas, with the majority of increases in engineering fees, record search fees, animal service fees and alarm ordinance fines. Parks and recreation fees were not as strong, nor were legal fees charges to risk management. BioPark revenues remain relatively flat and near budgeted amounts. Another weakness is the loss of over \$1 million in revenue due to a full year of private management of the Convention Center. Growth due to new projects in the City, are broken out in a separate line "Revenue from New projects". These are revenues from new or enhanced venues. The BioPark will have the new Animals of Africa exhibit, Tingley Beach refurbishment, Asian Experience (which assumes a panda). It is assumed that BioPark revenues are increased by \$1 million in FY/07 by adding a \$1 surcharge to help offset the costs of the panda. Also, the opening of the Balloon Museum in FY/06 drew in far less revenue than was expected. The revenue estimate of \$400 thousand in the FY/06 budget is reduced to \$50 thousand. In FY/06 revenues are expected to decline as some of the construction related revenues level off. This continues with FY/07 though the panda will increase revenues by \$1 million. In the out years growth is estimated at 1.5% to account for population growth.

**Internal Service.** Internal service charges have declined as many services provided by the City have been contracted out. In FY/05 there was some increase in engineering related fees that are expected to continue. FY/06 and FY/07 were adjusted up to the FY/05 actual level. The rate of growth assumed from FY/07-FY/10 is the increase in wage and salary compensation as forecast by GI.

**Indirect Overhead.** Indirect overhead was strong in FY/05 due increased capital spending. FY/06 is left at the approved budget level and FY/07 is assumed to decline by \$1.4 million with the county taking over operations and the employees associated with the detention center. The remaining years grow with wage and salary compensation as forecast by GI.

**CIP-Funded Positions.** FY/06 is left at the approved budget level, with no growth in FY/07. The rate of growth for FY/08 to FY/10 is the increase in wage and salary compensation as forecast by GI.

**Fines and Forfeitures.** The FY/06 estimate is adjusted upward to account for revenues from the red-light ordinance. Based on actual receipts for the first 5 months of

the program, revenues were increased from the budgeted level of \$120 thousand to \$692 thousand. These revenues are assumed to remain flat for the remainder of the forecast. Although held at the FY/06 level there is potential for expansion of revenues in this program.

**Interest Earnings.** Interest earnings turned somewhat in FY/05. The Federal Reserve Bank has been increasing rates and this is expected to continue. FY/06 is adjusted upward to reflect increases in rates as is FY/07. In the out years, further increases in interest rates are not expected and growth is assumed to increase with the growth in revenues.

**Other Miscellaneous Revenues.** Other miscellaneous receipts for FY/06 are not changed from the budgeted level. They are held at this level for FY/07 and allowed to grow in FY/08 to FY/10 at the population growth level of 1.5%.

**Interfund Transfers.** Interfund transfers are kept at the level in the approved FY/06 budget. FY/07 is not expected to increase. Future years are estimated to increase by the rate of salaries, as forecast by GI.

GENERAL FUND REVENUE ESTIMATES  
BASELINE FORECAST  
REVENUES in (000's)

|  | Unaudited |         | Budget  |         | Five year |         |         |         | Growth Rates |        |        |        |        |        |       |       |
|--|-----------|---------|---------|---------|-----------|---------|---------|---------|--------------|--------|--------|--------|--------|--------|-------|-------|
|  | FY/04     | FY/05   | FY/06   | FY/06   | FY/07     | FY/08   | FY/09   | FY/10   | FY/03        | FY/04  | FY/05  | FY/06  | FY/07  | FY/08  | FY/09 | FY/10 |
| Gross Receipts Taxe                        | 252,801   | 262,696 | 270,093 | 275,588 | 284,243   | 292,870 | 301,758 | 310,737 | 4.0%         | 7.4%   | 3.9%   | 4.9%   | 3.1%   | 3.0%   | 3.0%  | 3.0%  |
| Non-Recurring GRT                          | 5,000     | 5,900   | 5,900   | 5,900   | 4,000     | 4,000   | 4,000   | 4,000   |              |        |        |        |        |        |       |       |
| GRT (not incl public s:                    | 257,801   | 268,596 | 275,993 | 281,488 | 288,243   | 296,870 | 305,467 | 314,737 | 4.6%         | 9.2%   | 4.2%   | 4.8%   | 2.4%   | 2.9%   | 3.0%  | 3.0%  |
| GRT 1/4 Public Safety*                     |           | 28,923  | 32,421  | 33,235  | 34,033    | 35,066  | 36,130  | 36,130  |              |        |        | 14.9%  | 2.4%   | 3.0%   | 3.0%  | 3.0%  |
| Property Taxes                             | 24,734    | 26,153  | 26,426  | 27,448  | 28,271    | 28,978  | 29,702  | 30,445  | 3.9%         | 49.9%  | 5.7%   | 5.0%   | 3.0%   | 2.5%   | 2.5%  | 2.5%  |
| Telephone Franchise                        | 3,636     | 3,332   | 3,495   | 3,165   | 3,070     | 3,070   | 3,070   | 3,070   | -0.2%        | -7.2%  | -8.4%  | -5.0%  | -3.0%  | 0.0%   | 0.0%  | 0.0%  |
| Electric Franchise                         | 5,798     | 5,728   | 5,904   | 5,728   | 5,843     | 5,931   | 6,020   | 6,110   | 2.4%         | -0.5%  | -1.2%  | 0.0%   | 2.0%   | 1.5%   | 1.5%  | 1.5%  |
| Gas Franchise                              | 4,140     | 4,687   | 4,321   | 6,092   | 5,717     | 5,225   | 5,004   | 4,857   | 48.0%        | 47.4%  | 13.2%  | 30.0%  | -6.2%  | -8.6%  | -4.2% | -2.9% |
| Cable Franchise                            | 3,245     | 3,422   | 3,468   | 3,249   | 3,346     | 3,430   | 3,515   | 3,777   | 29.7%        | -24.1% | 5.4%   | -5.1%  | 3.0%   | 2.5%   | 2.5%  | 7.4%  |
| Other Franchise                            | 876       | 784     | 894     | 794     | 800       | 816     | 832     | 849     | 12.4%        | 39.7%  | -10.4% | 1.2%   | 0.8%   | 2.0%   | 2.0%  | 2.0%  |
| Water Utility Franchis:                    | 5,111     | 4,770   | 5,141   | 5,141   | 5,244     | 5,349   | 5,456   | 5,565   | 2.9%         | 6.9%   | -6.7%  | 7.8%   | 2.0%   | 2.0%   | 2.0%  | 2.0%  |
| Franchise                                  | 22,806    | 22,723  | 23,223  | 24,169  | 24,020    | 23,820  | 23,897  | 24,228  | 44.7%        | 2.6%   | -0.4%  | 6.4%   | -0.6%  | -0.8%  | -0.5% | 1.7%  |
| PILOT                                      | 925       | 1,104   | 1,418   | 1,418   | 1,446     | 1,468   | 1,490   | 1,512   | -84.7%       | 10.9%  | 19.3%  | 28.5%  | 2.0%   | 1.5%   | 1.5%  | 1.5%  |
| Building Permits                           | 10,788    | 11,909  | 9,060   | 10,734  | 9,663     | 9,242   | 8,426   | 7,855   | 54.2%        | 12.2%  | 10.4%  | -9.9%  | -10.0% | -4.4%  | -8.8% | -6.8% |
| Other Licenses/Fees                        | 2,928     | 3,117   | 2,943   | 3,077   | 3,123     | 3,170   | 3,218   | 3,266   | 10.7%        | 10.0%  | 6.4%   | -1.3%  | 1.5%   | 1.5%   | 1.5%  | 1.5%  |
| Gasoline Tax Dists                         | 2,330     | 2,361   | 2,300   | 2,300   | 2,335     | 2,370   | 2,405   | 2,441   | 1.8%         | -6.1%  | 1.3%   | -2.6%  | 1.5%   | 1.5%   | 1.5%  | 1.5%  |
| Other Intergov'l                           | 2,709     | 2,906   | 2,602   | 2,964   | 2,656     | 2,696   | 2,736   | 2,777   | -15.9%       | 32.8%  | 7.3%   | 2.0%   | -10.4% | 1.5%   | 1.5%  | 1.5%  |
| Charges for Services                       | 17,684    | 18,079  | 17,091  | 16,955  | 16,729    | 16,980  | 17,235  | 17,493  | 8.8%         | 3.6%   | 2.2%   | -6.2%  | -1.3%  | 1.5%   | 1.5%  | 1.5%  |
| Revenue from New Projects                  |           |         |         |         | 1,000     | 1,000   | 1,000   | 1,000   |              |        |        |        |        |        |       |       |
| Internal Service                           | 1,032     | 1,071   | 921     | 1,071   | 1,071     | 1,109   | 1,150   | 1,191   | -23.8%       | -22.4% | 3.7%   | 0.00%  | 0.0%   | 3.6%   | 3.7%  | 3.5%  |
| Indirect Overhead                          | 14,144    | 14,933  | 14,112  | 14,112  | 12,691    | 13,149  | 13,631  | 14,112  | -1.3%        | 6.5%   | 5.6%   | -5.5%  | -10.1% | 3.6%   | 3.7%  | 3.5%  |
| Fines and Forfeitures                      | 38        | 220     | 125     | 697     | 697       | 697     | 697     | 697     | 83.2%        | -12.6% | 472.4% | 216.9% | 0.0%   | 0.0%   | 0.0%  | 0.0%  |
| Interest on Invest                         | 427       | 1,590   | 1,800   | 2,200   | 2,300     | 2,367   | 2,438   | 2,512   | -23.4%       | -42.7% | 272.4% | 38.4%  | 4.5%   | 2.9%   | 3.0%  | 3.0%  |
| Other Miscellaneous                        | 1,186     | 693     | 758     | 758     | 758       | 769     | 781     | 793     | -21.2%       | 158.1% | -41.6% | 9.4%   | 0.0%   | 1.5%   | 1.5%  | 1.5%  |
| Interfund Transfers                        | 1,927     | 2,128   | 2,141   | 2,141   | 2,141     | 2,218   | 2,300   | 2,381   | -56.1%       | 27.7%  | 10.4%  | 0.6%   | 0.0%   | 3.6%   | 3.7%  | 3.5%  |
| CIP-Funded Positions                       | 7,356     | 7,217   | 9,091   | 9,091   | 9,091     | 9,419   | 9,764   | 10,109  | 6.1%         | 20.9%  | -1.9%  | 25.96% | 0.00%  | 3.61%  | 3.67% | 3.53% |
| one-time Philips paym                      | 2,246     |         |         |         |           |         |         |         |              |        |        |        |        |        |       |       |
| Total Revenue                              | 371,063   | 413,724 | 422,425 | 433,858 | 440,267   | 451,387 | 462,467 | 473,680 | 4.8%         | 11.5%  | 11.5%  | 4.9%   | 1.5%   | 2.5%   | 2.5%  | 2.4%  |
| Non-Recurring Reveni                       | 10,521    | 12,980  | 8,249   | 10,612  | 7,261     | 5,900   | 5,940   | 5,981   | 4.6%         | 228.8% | 23.4%  | -1.0%  | -31.6% | -18.7% | 0.7%  | 0.7%  |
| Recurring Revenue                          | 360,542   | 400,744 | 414,176 | 423,246 | 433,006   | 445,487 | 456,526 | 467,699 | 4.9%         | 9.4%   | 11.2%  | 5.6%   | 2.3%   | 2.9%   | 2.5%  | 2.4%  |
| * Public Safety tax has 11 months in FY/05 |           |         |         |         |           |         |         |         |              |        |        |        |        |        |       |       |



## **EXPENDITURE OUTLOOK**



## EXPENDITURE ESTIMATING METHODOLOGY

The process for estimating the appropriations of the General Fund and funds subsidized by the General Fund is relatively straightforward. The forecast period covers FY/06 through FY/10. For the current fiscal year ending June 30, 2006, expenses are projected using the original appropriation as a base then adjusting to account for subsequent FY/06 appropriation adjustments (the re-appropriation of FY/05 encumbrances, the additional public safety tax appropriation, additional FY/06 appropriations included in both legislation passed by council and the FY/05 year end cleanup bill and additional anticipated FY/06 fuel costs).

FY/07 numbers were, for the most part, derived independently of FY/06 numbers. The FY/07 forecast was fashioned using the latest available information, including actual payroll information updated to early November with vacant positions assumed fully funded. Additionally, all subsidized funds and internal service funds receiving transfers from the General Fund were analyzed independently before adjustments were made for this General Fund forecast.

The forecast beyond FY/07 is largely driven by the inflation factors applied to the FY/07 numbers used as the base. Those factors, detailed in Table A, are taken from the national forecast scenarios of the WEFA Group except for some changes made to selected rates to better reflect local costs. Three separate scenarios of the national and local economic activity are factored into the methodology to present baseline, optimistic, and pessimistic scenarios of anticipated spending. Table B includes the expenditure and revenue outlook together in a General Fund Table. Table C summarizes those expenses by major category showing the percentage growth in each.

TABLE A

| BASELINE SCENARIO FACTORS                               | SHORT NAME | FACTORS |         |        |        |
|---|------------|---------|---------|--------|--------|
|   |            | FY07    | FY08    | FY09   | FY/10  |
| CPI - All Urban Consumers, All Items                    | CPI-U      | 1.50%   | 1.64%   | 2.03%  | 2.13%  |
| EMPLOYMENT COST INDEX - Wages & Salary, Private Nonfarm | WAGES      | 3.69%   | 3.61%   | 3.67%  | 3.53%  |
| Price Index Consumer Exp Medical Care                   | MEDICAL    | 3.91%   | 3.63%   | 3.57%  | 3.59%  |
| PRICE INDEX - Consumer Expenditures, New Cars           | NEWAUTO    | 1.43%   | 1.16%   | 0.96%  | 0.68%  |
| PRICE INDEX - Consumer Exp, Transportation Services     | AUTOREP    | 2.84%   | 2.58%   | 2.68%  | 2.65%  |
| PRICE INDEX - Consumer Exp, House Oper, Natural Gas     | NATGAS     | -11.83% | -10.39% | -6.11% | -4.84% |
| PRICE INDEX - Consumer Exp, Gasoline & Oil              | FUEL       | -12.10% | -6.11%  | -2.65% | -1.33% |
| PPI - Fuels & Related Products, Electric Power          | ELECT      | 1.35%   | -1.71%  | 0.68%  | 1.25%  |
| PRICE INDEX - Govt Consumption, Noncompensation         | GOVT       | 2.75%   | 2.40%   | 2.43%  | 2.41%  |
| PRICE INDEX - Cons Exp, Tires/Tubes/Accessories/Parts   | TIRES      | -0.25%  | -0.79%  | -0.75% | -0.82% |
| Growth of Gross Receipts Tax Revenue                    | GRT        | 2.40%   | 2.90%   | 3.03%  | 3.03%  |

TABLE B  
 FIVE YEAR FORECAST  
 GENERAL FUND - BASELINE SCENARIO  
 RESOURCES, APPROPRIATIONS AND FUND BALANCES  
 (\$000S)

|  | UNAUDITED<br>ACTUAL<br>FY05 | REVISED<br>APPROP<br>FY06 | FORECASTS       |                 |                 |                  |
|--|-----------------------------|---------------------------|-----------------|-----------------|-----------------|------------------|
|  |                             |                           | FY07            | FY08            | FY09            | FY10             |
| RESOURCES:                               |                             |                           |                 |                 |                 |                  |
| Recurring Revenue                        | 400,744                     | 423,246                   | 433,006         | 445,487         | 456,526         | 467,699          |
| % Chng Recur'g Revenue                   |                             | 5.6%                      | 2.3%            | 2.9%            | 2.5%            | 2.4%             |
| Total Non-recurring                      | <u>12,980</u>               | <u>10,612</u>             | <u>7,261</u>    | <u>5,900</u>    | <u>5,940</u>    | <u>5,981</u>     |
| TOTAL REVENUES                           | 413,724                     | 433,858                   | 440,267         | 451,387         | 462,466         | 473,680          |
| % Chng Total Revenue                     |                             | 4.9%                      | 1.5%            | 2.5%            | 2.5%            | 2.4%             |
| BEGINNING FUND BALANCE                   | <u>64,786</u>               | <u>85,127</u>             | <u>59,083</u>   | <u>28,941</u>   | <u>(2,224)</u>  | <u>(37,301)</u>  |
| TOTAL RESOURCES                          | <u>478,510</u>              | <u>518,984</u>            | <u>499,351</u>  | <u>480,328</u>  | <u>460,242</u>  | <u>436,379</u>   |
| EXPENDITURES/APPROPRIATIONS:             |                             |                           |                 |                 |                 |                  |
| Recurring Expenditures/Appropriations    | 372,246                     | 418,692                   | 437,576         | 453,141         | 468,315         | 483,470          |
| % Change Recurring Appropriation         |                             | 12.5%                     | 4.5%            | 3.6%            | 3.3%            | 3.2%             |
| Non-recurring Exp/App:<br>One-time Items | <u>21,137</u>               | <u>41,209</u>             | <u>32,834</u>   | <u>29,411</u>   | <u>29,228</u>   | <u>29,761</u>    |
| Total Non-recurring                      | <u>21,137</u>               | <u>41,209</u>             | <u>32,834</u>   | <u>29,411</u>   | <u>29,228</u>   | <u>29,761</u>    |
| TOTAL EXPEND/APPROP                      | <u>393,383</u>              | <u>459,901</u>            | <u>470,410</u>  | <u>482,552</u>  | <u>497,543</u>  | <u>513,231</u>   |
| UNADJUSTED FUND BALANCE                  | <u>85,127</u>               | <u>59,083</u>             | <u>28,941</u>   | <u>(2,224)</u>  | <u>(37,301)</u> | <u>(76,852)</u>  |
| ADJUSTMENTS:                             |                             |                           |                 |                 |                 |                  |
| Encumbrances                             | (4,302)                     | 0                         | 0               | 0               | 0               | 0                |
| Unrealized Gains on Investments          | 531                         | 531                       | 531             | 531             | 531             | 531              |
| Other Accounting Adjustments             | <u>(502)</u>                | <u>(502)</u>              | <u>(502)</u>    | <u>(502)</u>    | <u>(502)</u>    | <u>(502)</u>     |
| TOTAL ADJUSTMENTS                        | <u>(4,273)</u>              | <u>29</u>                 | <u>29</u>       | <u>29</u>       | <u>29</u>       | <u>29</u>        |
| ADJUSTED FUND BALANCE                    | <u>80,854</u>               | <u>59,112</u>             | <u>28,970</u>   | <u>(2,195)</u>  | <u>(37,272)</u> | <u>(76,823)</u>  |
| RESERVES:                                |                             |                           |                 |                 |                 |                  |
| Quarter Cent - Central Processing        | 1,500                       | 3,457                     | 3,457           | 3,457           | 3,457           | 3,457            |
| IRB Settlement                           | 908                         | 617                       | 617             | 617             | 617             | 617              |
| Special Reserve                          | 2,000                       | 1,350                     | 1,350           | 1,350           | 1,350           | 1,350            |
| 1/12th Operating Reserve                 | <u>33,831</u>               | <u>37,957</u>             | <u>39,201</u>   | <u>40,213</u>   | <u>41,462</u>   | <u>42,769</u>    |
| TOTAL RESERVES                           | 38,239                      | 43,381                    | 44,625          | 45,637          | 46,886          | 48,193           |
| UNRESERVED FND BALANCE                   | <u>42,615</u>               | <u>15,731</u>             | <u>(15,655)</u> | <u>(47,832)</u> | <u>(84,158)</u> | <u>(125,016)</u> |

TABLE C  
GENERAL FUND  
EXPENSES BY MAJOR CATEGORY  
(\$000's)

|                           | UNAUDITED<br>ACTUAL<br>FY05 | REVISED<br>APPROP<br>FY06 | FORECASTS |       |         |       |         |      |         |      |
|---------------------------|-----------------------------|---------------------------|-----------|-------|---------|-------|---------|------|---------|------|
|                           |                             |                           | FY07      | FY08  | FY09    | FY/10 |         |      |         |      |
| PERSONNEL                 | 232,707                     | 272,232                   | 283,561   | 4.2%  | 293,785 | 3.6%  | 304,552 | 3.7% | 315,304 | 3.5% |
| OPERATING                 | 63,424                      | 65,244                    | 60,448    | -7.4% | 61,688  | 2.1%  | 62,896  | 2.0% | 64,196  | 2.1% |
| CAPITAL                   | 10,971                      | 10,707                    | 0         | na    | 0       | na    | 0       | na   | 0       | na   |
| TRANSFERS                 | 85,771                      | 98,324                    | 104,604   | 6.4%  | 104,923 | 0.3%  | 107,408 | 2.4% | 110,112 | 2.5% |
| ADDITIONAL ITEMS FACTORED | 510                         | 13,394                    | 21,797    | na    | 22,157  | na    | 22,687  | na   | 23,619  | na   |
| GRAND TOTAL               | 393,383                     | 459,901                   | 470,410   | 2.3%  | 482,552 | 2.6%  | 497,543 | 3.1% | 513,231 | 3.2% |

The largest driving force in increasing operational expenses is wages and benefits. The annualized cost for fire rescue 20, the APD cadet expansion class and the costs of CIP coming on line result in an additional \$8.1 million. The expected increase in health and dental costs has an additional impact of \$3.2 million. The cost of natural gas and fuels is expected to increase \$1.8 million above the original budgeted FY/06 level in the General Fund alone. The transfers to Transit, Corrections, Parking and the Gas Tax Road fund will also include increases for fuels. The transfers for Basic Services, Parking and Transit have an additional impact of \$3.8 million while campaign finance will cost \$250 thousand and additional Workers' Compensation and Tort and Other will cost \$911 thousand.

The City's General Obligation Bond Program also contributes significantly to the increase in costs. Capital projects coming on-line in FY/07 will require slightly under \$6.5 million in increased funding. These include opening new facilities, a new financial system (ERP) and maintenance of new parks and medians. Table D details the incremental operational costs anticipated for the listed capital projects. The estimates were extracted from data submitted by departments during the 2005 General Obligation Bond process and then updated by key fiscal staff in the respective departments. While the City's capital program is beginning to focus more on rehabilitation and repair of existing facilities than on new facilities, this forecast assumes some new projects in out-years that will require additional operating dollars.

| TABLE D<br>(\$000's)                     |         |        |         |       |         |
|--|---------|--------|---------|-------|---------|
| Project Title                            | FY/06   | FY/07  | FY/08   | FY/09 | FY/10   |
| Cultural and Recreational Services       |         |        |         |       |         |
| Balloon Museum                           | 1,066.8 | 60.1   |         |       |         |
| Museum Expansion                         | 405.9   | 0.3    | (160.0) |       |         |
| Museum Renovation                        |         |        | 140.6   |       |         |
| Casa San Ysidro                          |         |        | 121.7   |       |         |
| Japanese Garden Phase II – BioPark       | 307.8   | (2.9)  |         |       |         |
| Asian Experience and Panda Bear- BioPark | 411.5   | 932.1  |         |       |         |
| Rio Grande Australian Exhibit – BioPark  | 56.0    | 99.4   |         |       |         |
| South Pacific Ocean Experience – BioPark |         | 626.4  | 169.2   |       |         |
| Elephant Bull Rearing                    |         | 88.7   | 88.7    |       |         |
| Tingley Renovation – BioPark             | 449.5   | (57.0) |         |       |         |
| Renovation Zoo                           |         | 241.9  |         |       |         |
| Insectarium II                           |         |        |         | 240.3 |         |
| African River Exhibit                    |         |        |         | 612.0 | (157.0) |

| <b>TABLE D</b>                                       |         |         |         |         |       |
|--|---------|---------|---------|---------|-------|
| (\$000's)  |         |         |         |         |       |
| Project Title  | FY/06   | FY/07   | FY/08   | FY/09   | FY/10 |
| Environmental Health                                 |         |         |         |         |       |
| Groundwater Remediation (Los Angeles landfill)       | 50.0    |         |         |         |       |
| Bio-disease Laboratory Facility Operating Expense    |         | 164.0   |         |         |       |
| Finance and Administrative Services                  |         |         |         |         |       |
| ERP/E Government                                     |         | 1,089.0 |         |         |       |
| ISD (14 Positions)                                   |         | 800.0   | (125.0) |         |       |
| ISD (Operating)                                      |         | 200.0   |         | (200.0) |       |
| Budget (2 Positions)                                 |         | 200.0   |         | (200.0) |       |
| Accounting (2 Positions)                             |         | 200.0   |         | (200.0) |       |
| Human Resources (2 Positions)                        |         |         |         |         |       |
| Family and Community Services                        |         |         |         |         |       |
| Mesa Verde Comm. Ctr. (F&CS)                         | 16.8    |         |         |         |       |
| N. Doming Baca CC - new facility                     |         |         | 787.0   | (400.0) |       |
| Wells Park CC (Sept CY05) - incr. 10% sq ftge        | 3.4     |         |         |         |       |
| West Mesa (Sep CY05) - 30% inc & HVAC cont & furnish | 264.0   | (250.0) |         |         |       |
| Heights CC (Sep CY05) - 50% inc & HVAC cont          | 16.7    |         |         |         |       |
| Thomas Bell CC Gym                                   |         |         | 50.0    |         |       |
| J. Marshall MSC - Cuidiando CCC                      | 12.7    |         |         |         |       |
| West Mesa CC (August 06) 1 position                  |         | 35.0    |         |         |       |
| Wells Park CC (March 06) 1 position                  |         | 35.0    |         |         |       |
| Municipal Development                                |         |         |         |         |       |
| Security services for Balloon Museum & Tingley Beach | 250.8   | (23.8)  |         |         |       |
| Building Maintenance/Facilities already on line      |         | 273.0   |         |         |       |
| Westside Street Maintenance Facility                 |         | 15.0    |         |         |       |
| Intersection Signalization                           |         | 9.0     |         |         |       |
| Maintenance of New Lights                            |         | 24.0    |         |         |       |
| Private Lights from Developer Process                |         | 15.0    |         |         |       |
| Maintenance of New/Expanded Roadways                 |         | 15.0    |         |         |       |
| Maintenance of New Drainage Systems                  |         | 251.4   |         |         |       |
| Parks and Recreation                                 |         |         |         |         |       |
| Open Space Projects (Parks)                          | 221.5   | (103.0) |         |         |       |
| CIP - Parks, Medians, Trails                         | 208.7   | -       |         |         |       |
| West Mesa Aquatic Center                             | 315.2   | 224.6   |         |         |       |
| Skate Parks  | 50.5    | 44.6    |         |         |       |
| Tennis Complex Operation and Maintenance             |         | 53.6    |         |         |       |
| New Mexico Golf Academy                              |         | 739.2   | (200.0) |         |       |
| New Park Acreage                                     |         | 256.8   | (73.0)  |         |       |
| New Park Acreage/Medians (Outyears)                  |         |         | 200.0   | 200.0   | 200.0 |
| Open Space Visitor's Center                          |         | 88.0    | (24.0)  |         |       |
| Open Space Facility Maintenance                      |         | 129.8   | (57.0)  |         |       |
| Police   |         |         |         |         |       |
| Sixth Area Command                                   |         |         |         |         | 385.7 |
| Transit  |         |         |         |         |       |
| Westside Transit Facility (TD)                       | 360.8   | (25.0)  |         |         |       |
| Seniors  |         |         |         |         |       |
| Palo Duro Fitness Center                             | 144.0   | (50.0)  |         |         |       |
| Water Spray Park                                     | 27.0    |         |         |         |       |
| Los Volcanes Senior Fitness Center                   |         | 84.6    | 84.6    |         |       |
| Total CIP Costs                                      | 4,639.6 | 6,483.8 | 1,002.8 | 52.3    | 428.7 |

Preliminary discussions with the departments indicate a \$17.9 million demand in General Fund resources for expanded and new services. The cost of these services is not included in the five year forecast but Table E is provided for informational purposes only.

| TABLE E<br>(\$000's)   |         |           |         |       |       |
|--|---------|-----------|---------|-------|-------|
| Project Title  | FY/06   | FY/07     | FY/08   | FY/09 | FY/10 |
| CAO  |         |           |         |       |       |
| Office of Volunteerism   | 8.0     |           |         |       |       |
| Election 2005  | 487.8   | (487.8)   |         |       |       |
| IRB Settlement for Office of Economic Development Contractual Services                       | 291.0   | (291.0)   |         |       |       |
| City Support   |         |           |         |       |       |
| Transfer to Vehicle/Equipment Replacement Fund   | 3,778.0 | (3,778.0) |         |       |       |
| Transfer to Solid Waste (War on Weeds)   | 700.0   |           |         |       |       |
| Cultural Services  |         |           |         |       |       |
| Tricentennial - Reserved   | 600.0   | (700.0)   |         |       |       |
| Tricentennial Art Exhibit  | 100.0   | (100.0)   |         |       |       |
| Music Festival (CSD)   | 112.1   |           |         |       |       |
| Twinkle Light Parade   | 50.3    |           |         |       |       |
| Reclassification Library Positions (CSD)   | 91.3    |           |         |       |       |
| Insectarium I  |         | 158.9     | 158.9   |       |       |
| Promotions (CSD)   |         | 150.0     |         |       |       |
| KiMo Feasibility Study   |         | 25.0      |         |       |       |
| SBCC Touring Shows   |         | 50.0      |         |       |       |
| SBCC Lo Maduro de la Cultura   |         | 25.0      |         |       |       |
| Library Additional Hours   |         | 750.0     |         |       |       |
| Library Technology Plan  |         | 50.0      |         |       |       |
| Environmental Health   |         |           |         |       |       |
| HHW Collection Center  | 7.2     |           |         |       |       |
| Contractual Services for Methane Gas   | 25.0    |           |         |       |       |
| Montessa Park Water System   | 30.0    | (30.0)    |         |       |       |
| Intake Specialists   | 159.8   |           |         |       |       |
| General Service Worker   | 35.5    |           |         |       |       |
| Spay/neuter Services   | 60.0    |           |         |       |       |
| Prairie Dog Relocation   | 100.0   | (50.0)    |         |       |       |
| Bio-disease field Surveillance for Pandemic Influenza<br>3 Positions, equipment, and testing |         | 288.0     |         |       |       |
| Bio-disease Laboratory Facility completion   |         | 200.0     |         |       |       |
| Mandatory Spay/Neuter program  |         | tbd       |         |       |       |
| Live Exits: expansion of kennels, increased staffing, add'l adoption center                  |         | tbd       |         |       |       |
| Renewable Energy Landfill Gas/Hybrid System (1 position)                                     |         | 119.5     |         |       |       |
| Household Hazardous Waste - expanded hours, abandoned waste pick up<br>& outreach            |         | 310.0     |         |       |       |
| Increased Food Safety Inspections (1 position, vehicle, computer,<br>operating & overtime)   |         | 102.0     |         |       |       |
| Family and Community Services  |         |           |         |       |       |
| Voucher Funding for Emergency Shelter Services   | 10.0    |           |         |       |       |
| Community Development Funding  | 95.0    |           |         |       |       |
| Annual Subscription SAM Software - Community Centers   |         | 19.0      |         |       |       |
| Finance and Administrative Services  |         |           |         |       |       |
| Increase Contract Svcs for Accounting & Property Tax Fees in Treasury                        | 174.5   |           |         |       |       |
| Call Center  | 1,592.5 |           |         |       |       |
| GIS Support  | 75.9    |           |         |       |       |
| Pass Through Liquour Licence Revenues & Reappropriated Capital Funds<br>(Convention Center)  | 300.0   |           |         |       |       |
| Maintenance agreement escalation GEAC  |         | 20.0      |         |       |       |
| Image payroll files -programming contract  |         | 15.0      |         |       |       |
| Professional Services-increased audit costs  |         | 30.0      |         |       |       |
| Integrate ops/dispatch City-wide (19 positions)  |         | 1,508.6   | (550.0) |       |       |
| Expand Help Desk support (1 position)  |         | 37.5      |         |       |       |
| Wireless Network support (1 position)  |         | 78.5      |         |       |       |

**TABLE E**  
**(\$000's)**

| <b>Project Title</b>  | <b>FY/06</b> | <b>FY/07</b> | <b>FY/08</b> | <b>FY/09</b> | <b>FY/10</b> |
|---|--------------|--------------|--------------|--------------|--------------|
| Hardware/Software Maintenance   |              | 418.0        |              |              |              |
| Remote Control Support (PC & Help Desk) (3 positions)                 |              | 185.0        |              |              |              |
| Human Resources   |              |              |              |              |              |
| Copier Lease for Training & Registration Fees for Job Fairs           | 11.1         |              |              |              |              |
| Evaluation process mandated by MSO and Admin Instr 7-31 & 7-32        |              | 64.0         | (2.1)        |              |              |
| Legal   |              |              |              |              |              |
| Safe Cities Strike Force/DWI Enforcement and Public Access Channel    | 115.3        |              |              |              |              |
| Municipal Development   |              |              |              |              |              |
| Parking Facility Security Officers                                    | 97.3         |              |              |              |              |
| Construction Inspector Positions (DMD)                                | 328.2        |              |              |              |              |
| KIVA Permitting Software (PW)   | 155.0        | (155.0)      |              |              |              |
| Pedestrian Street Lighting (PW)                                       | 68.3         |              |              |              |              |
| Tracking System - Traffic/Streets                                     |              | 250.0        |              |              |              |
| GPS Based Network - Data transfer to Phones & Radios                  |              | 155.0        |              |              |              |
| GIS Based Inventory for Traffic                                       |              | 115.0        |              |              |              |
| Develop Training & Safety Program                                     |              | 55.0         |              |              |              |
| Enhanced Security Officer Training                                    |              | 20.0         |              |              |              |
| Increased Parking Facility Operating Hours                            |              | 155.0        |              |              |              |
| Implement Building Component Replcemnt Plan City/County Bldg Fnd 290  |              | 302.0        |              |              |              |
| (Total: \$420,000; City \$302,000, County \$118,000)                  |              |              |              |              |              |
| Parks and Recreation  |              |              |              |              |              |
| Off Leash Dog Parks   | 126.2        |              |              |              |              |
| Mondo Indoor Track  | 63.0         | 150.0        | (150.0)      |              |              |
| Sports Field Maintenance  |              | 302.8        | (96.0)       |              |              |
| Raft Race   |              | 51.6         |              |              |              |
| Outdoor Basketball Court Upgrades & Leagues                           |              | 5.0          |              |              |              |
| Summer Parks & Recreations Sports Camps                               |              | 59.6         |              |              |              |
| Lifeguard Pay Increase  |              | 180.0        |              |              |              |
| Special Park Maintenance Crew   |              | 170.0        | (41.0)       |              |              |
| Pairie Dog Management Plan  |              | 218.3        | (72.6)       |              |              |
| Urban Forest Plan Implementation                                      |              | 259.2        | (68.5)       |              |              |
| Off Leash Dog Parks Additions   |              | 163.0        | (28.2)       |              |              |
| Park Trash Removal  |              | 298.9        | (190.0)      |              |              |
| Medians, Streetscapes, and Trail                                      |              | 1,041.5      | (166.2)      |              |              |
| Planning  |              |              |              |              |              |
| Special District Plans  | 750.0        |              |              |              |              |
| Police  |              |              |              |              |              |
| Criminal Nuisance Abatement Inspectors                                | 86.2         |              |              |              |              |
| STOP Light Program  | 120.0        | 454.1        | (65.0)       |              |              |
| DWI Seizure Coordinator, Upgrd Evidence Unt Mngr, Crime Lab Staff-DNA | 149.5        |              |              |              |              |
| Equipment for FY/06 Attrition Class                                   | 221.0        |              |              |              |              |
| Evidence Disposition Unit   | 68.9         | (68.9)       |              |              |              |
| Communications Support  | 114.0        | (114.0)      |              |              |              |
| Funding for Victime Assistance Unit                                   | 176.5        |              |              |              |              |
| Overtime for Special Events & Tact Plans                              | 410.0        |              |              |              |              |
| Air Support Unit  |              | 3,500.0      | (3,200.0)    |              |              |
| Communications Staff  |              | 239.1        |              |              |              |
| Civilian Support/Overtime for Officer Expansion                       |              |              |              |              |              |
| Recruiting Budget   |              | 100.0        |              |              |              |
| Quarter Master Function (1 position plus \$90K equipment)             |              | 150.0        |              |              |              |
| Chaplain (1 position)   |              | 70.0         |              |              |              |
| Records (1 position)  |              | 40.0         |              |              |              |
| Public Service Aides (10 positions)                                   |              | 296.9        |              |              |              |
| Fiscal Support Staff (1 position)                                     |              | 68.0         |              |              |              |
| Overtime for sworn personnel  |              | 490.2        |              |              |              |
| IT Plan   |              |              |              |              |              |
| 5 Positions   |              | 400.0        |              |              |              |
| Phase II Implementation   |              | 3,100.0      | (2,900.0)    |              |              |
| Crime Analysis Function (7 positions)                                 |              | 510.0        |              |              |              |
| Senior Affairs  |              |              |              |              |              |



| Project Title  | FY/06    | FY/07    | FY/08     | FY/09 | FY/10 |
|--|----------|----------|-----------|-------|-------|
| Senior Olympics                                      | 25.4     | 16.3     | (49.6)    |       |       |
| La Amistad Meal Site                                 | 10.4     |          |           |       |       |
| Transit  |          |          |           |       |       |
| Maintenance Plan and Vehicle Implementation Schedule |          | 2,650.0  |           |       |       |
| Protection Canopy - Daytona Facility                 |          | 3,000.0  |           |       |       |
| Rehabilitation Study of Yale Street Facility         |          | 25.0     |           |       |       |
| Re-Strip 2nd and 3rd Streets                         |          | 5.0      |           |       |       |
| ABQ Ride Technology Needs Study                      |          | 50.0     |           |       |       |
| Total Positive Issue Costs                           | 11,980.2 | 17,945.8 | (7,420.3) | -     | -     |

There is no FY/07 wage increase built into the five year forecast beyond the compensation negotiated for FY/05 and FY/06. However, it should be noted that adjustments negotiated for longevity in FY/05 and FY/06 will drive up compensation in subsequent years. See Table F for the previous five year history of compensation adjustments by union series.

| UNION                                     | Estimated<br>2006 | 2005 | ** 2004 | 2003 | 2002 | 2001  | Total |
|---|-------------------|------|---------|------|------|-------|-------|
| CPI Urban                                 | 3.4%              | 3.7% | 4.1%    | 2.1% | 2.3% | 3.4%  | 19.0% |
| Blue Collar - Local 624 – AFSCME, AFL-CIO | *                 | *    | 3.2%    | 0.0% | 0.0% | 7.7%  | 14.1% |
| Clerical and Technical – AFSCME 2962      | 3.2%              | 3.2% | 0.0%    | 9.6% | 0.0% | 4.0%  | 20.0% |
| Fire Firefighters Union                   | 3.2%              | 3.2% | 0.0%    | 6.8% | 3.0% | 3.0%  | 19.2% |
| J Series - Security Staff                 | 3.2%              | 3.2% | 0.0%    | 3.3% | 0.0% | 6.5%  | 16.2% |
| J Series - Corrections Officers           | 3.2%              | 3.2% | 0.0%    | 0.0% | 0.0% | 18.8% | 25.2% |
| Bargaining Management                     | 3.2%              | 3.2% | 0.0%    | 1.9% | 6.2% | 5.0%  | 19.5% |
| Non-Bargaining Management                 | 3.2%              | 3.2% | 0.0%    | 1.9% | 6.2% | 5.0%  | 19.5% |
| Albuq. Police Officers Assoc.             | 3.9%              | 3.9% | 0.0%    | 0.5% | 6.5% | 7.2%  | 22.0% |
| United Transportation - Local 1745        | 3.2%              | 3.2% | 0.0%    | 4.9% | 4.2% | 9.2%  | 24.7% |

\* Per Administrative direction  
\*\* Bonus negotiated with unions via MOU dependent upon years of service

The Public Safety Quarter Cent Tax is expected to increase by \$2.0 million dollars in FY/07. This increase is primarily absorbed by increased wages and benefits for the firefighters and APD cadet expansion class. There is a Quarter Cent Central Processing reserve of \$3.457 million. This reserve is likely to be appropriated in FY/07 for arrestee transport. The current method of transport, requiring officers to individually drive to the Metropolitan Detention Center seventeen miles west of downtown Albuquerque is costly in officer time, fuel and vehicle maintenance.



**REVENUES AND EXPENDITURES  
UNDER ALTERNATIVE SCENARIOS**



## **ALTERNATIVE SCENARIOS**

Alternative scenarios help us understand how unanticipated events can influence the local economy and the City's budget. The local economy has a strong direct impact on GRT and construction related revenues.

GI prepares an optimistic and a pessimistic scenario. These form the basis for our scenarios. Added to this are possible local events, primarily losses or gains in employment that are not incorporated in the baseline. These events are presented below in the separate sections on the optimistic and pessimistic scenarios.

### **OPTIMISTIC SCENARIO**

This scenario is based on the GI high growth scenario that is assigned a probability of 20%. This scenario has modest increases in growth led by productivity increases and low inflation.

#### **National Assumptions**

- Real GDP growth is only slightly above the baseline
- Inflation rates are low, wage pressure is held in check by low inflation and productivity increases
- Because of the check on inflation FRB policy is not as aggressive
- The unemployment rate is below baseline at about 5.2%

#### **Local Assumptions**

- Add 75 jobs per quarter to the computer/electronics sector in FY/06
- The national scenario drives up residential building permits and construction employment

#### **Specific Revenue Assumptions**

- Building permits continue with modest growth in the future years
- GRT growth is strong, but model results somewhat limit growth due to low inflation
- Charges for services increase with revenues from newly opened venues

### **OPTIMISTIC SCENARIO FACTORS**

| GLOBAL INSIGHT OPTIMISTIC SCENARIO           |       |        |        |       |       |       |
|--|-------|--------|--------|-------|-------|-------|
|  | 2005  | 2006   | 2007   | 2008  | 2009  | 2010  |
| All Items                                    | 3.0%  | 3.5%   | 1.0%   | 1.3%  | 1.7%  | 1.7%  |
| Employment Cost Index-Wages & Salary         | 2.4%  | 2.7%   | 3.5%   | 3.6%  | 3.7%  | 3.6%  |
| Medical Care                                 | 3.1%  | 3.2%   | 3.4%   | 3.1%  | 3.1%  | 3.1%  |
| New Cars                                     | 0.3%  | 0.4%   | 1.0%   | 0.8%  | 0.5%  | 0.2%  |
| Trasportation                                | 2.3%  | 2.4%   | 2.2%   | 2.3%  | 2.3%  | 2.3%  |
| Natural Gas                                  | 11.2% | -13.5% | -10.9% | -6.6% | -5.3% | -0.6% |
| Gasoline & Oil                               | 17.9% | -14.7% | -6.8%  | -3.1% | -1.6% | 0.0%  |
| Electricity Chained Price Index              | 3.1%  | 0.7%   | -2.2%  | 0.2%  | 0.7%  | 0.6%  |
| PRICE INDEX-Govt Consumption Noncompensation | 4.3%  | 2.5%   | 2.2%   | 2.3%  | 2.2%  | 2.1%  |
| Tires/Tubes/Accessories/Parts                | 1.5%  | -0.7%  | -1.2%  | -1.2% | -1.3% | -1.1% |

|                      | Budget  |         |         |         |         |         | Growth Rates |        |        |       |       |
|----------------------|---------|---------|---------|---------|---------|---------|--------------|--------|--------|-------|-------|
|                      | FY/06   | FY/06   | FY/07   | FY/08   | FY/09   | FY/10   | FY/06        | FY/07  | FY/08  | FY/09 | FY/10 |
| Gross Receipts       | 275,993 | 281,488 | 291,690 | 303,442 | 314,399 | 325,665 | 4.8%         | 3.6%   | 4.0%   | 3.6%  | 3.6%  |
| Public Safety GRT    | 32,421  | 33,235  | 34,440  | 35,827  | 37,121  | 38,451  | 14.9%        | 3.6%   | 4.0%   | 3.6%  | 3.6%  |
| Taxes                | 51,067  | 53,035  | 53,184  | 53,343  | 53,934  | 54,792  | 6.1%         | 0.3%   | 0.3%   | 1.1%  | 1.6%  |
| Shared               | 4,902   | 5,264   | 4,956   | 5,030   | 5,106   | 5,182   | -0.1%        | -5.9%  | 1.5%   | 1.5%  | 1.5%  |
| Permits              | 12,003  | 13,811  | 12,778  | 12,404  | 11,635  | 11,113  | -8.1%        | -7.5%  | -2.9%  | -6.2% | -4.5% |
| Charges for Services | 17,091  | 16,955  | 18,229  | 18,180  | 18,435  | 18,693  | -6.2%        | 7.5%   | -0.3%  | 1.4%  | 1.4%  |
| Intra City           | 17,174  | 17,190  | 16,192  | 16,776  | 17,391  | 18,005  | -5.2%        | -5.8%  | 3.6%   | 3.7%  | 3.5%  |
| Misc                 | 2,683   | 3,655   | 4,452   | 5,253   | 5,336   | 5,436   | 46.0%        | 21.8%  | 18.0%  | 1.6%  | 1.9%  |
| CIP Funded           | 9,091   | 9,091   | 9,274   | 9,609   | 9,961   | 10,313  | 26.0%        | 2.0%   | 3.6%   | 3.7%  | 3.5%  |
| Total Revenue        | 422,425 | 433,724 | 445,195 | 459,864 | 473,318 | 487,652 | 4.8%         | 2.6%   | 3.3%   | 2.9%  | 3.0%  |
| Total non-recurring  | 9,112   | 10,612  | 7,261   | 5,900   | 5,940   | 5,981   | -18.2%       | -31.6% | -18.7% | 0.7%  | 0.7%  |
| Recurring Revenue    | 413,313 | 423,112 | 437,933 | 453,964 | 467,378 | 481,670 | 5.6%         | 3.5%   | 3.7%   | 3.0%  | 3.1%  |

**FIVE YEAR FORECAST  
GENERAL FUND - OPTIMISTIC SCENARIO  
RESOURCES, APPROPRIATIONS AND FUND BALANCES  
(\$000S)**

|                                       | UNAUDITED<br>ACTUAL<br>FY05 | REVISED<br>APPROP<br>FY06 | FORECASTS             |                       |                        |                        |
|---------------------------------------|-----------------------------|---------------------------|-----------------------|-----------------------|------------------------|------------------------|
|                                       |                             |                           | FY07                  | FY08                  | FY09                   | FY/10                  |
| <b>RESOURCES:</b>                     |                             |                           |                       |                       |                        |                        |
| Recurring Revenue                     | 400,744                     | 423,112                   | 437,933               | 453,964               | 467,378                | 481,670                |
| 1/16th GRT Reduction                  |                             |                           |                       |                       |                        |                        |
| % Chng Recur'g Revenue                |                             | 5.6%                      | 3.5%                  | 3.7%                  | 3.0%                   | 3.1%                   |
| Total Non-recurring                   | <u>12,980</u>               | <u>10,612</u>             | <u>7,261</u>          | <u>5,900</u>          | <u>5,940</u>           | <u>5,981</u>           |
| <b>TOTAL REVENUES</b>                 | <b>413,724</b>              | <b>433,724</b>            | <b>445,195</b>        | <b>459,864</b>        | <b>473,318</b>         | <b>487,652</b>         |
| % Chng Total Revenue                  |                             | 4.8%                      | 2.6%                  | 3.3%                  | 2.9%                   | 3.0%                   |
| BEGINNING FUND BALANCE                | <u>64,786</u>               | <u>85,127</u>             | <u>58,950</u>         | <u>33,905</u>         | <u>12,447</u>          | <u>(11,051)</u>        |
| <b>TOTAL RESOURCES</b>                | <b><u>478,510</u></b>       | <b><u>518,851</u></b>     | <b><u>504,144</u></b> | <b><u>493,769</u></b> | <b><u>485,765</u></b>  | <b><u>476,600</u></b>  |
| <b>EXPENDITURES/APPROPRIATIONS:</b>   |                             |                           |                       |                       |                        |                        |
| Recurring Expenditures/Appropriations | 372,246                     | 418,692                   | 437,030               | 451,178               | 466,614                | 481,815                |
| % Change Recurring Appropriation      |                             | 12.5%                     | 4.4%                  | 3.2%                  | 3.4%                   | 3.3%                   |
| Non-recurring Exp/App:                |                             |                           |                       |                       |                        |                        |
| One-time Items                        | <u>21,137</u>               | <u>41,209</u>             | <u>33,210</u>         | <u>30,144</u>         | <u>30,202</u>          | <u>30,133</u>          |
| Total Non-recurring                   | <u>21,137</u>               | <u>41,209</u>             | <u>33,210</u>         | <u>30,144</u>         | <u>30,202</u>          | <u>30,133</u>          |
| <b>TOTAL EXPEND/APPROP</b>            | <b><u>393,383</u></b>       | <b><u>459,901</u></b>     | <b><u>470,240</u></b> | <b><u>481,322</u></b> | <b><u>496,816</u></b>  | <b><u>511,948</u></b>  |
| UNADJUSTED FUND BALANCE               | <u>85,127</u>               | <u>58,950</u>             | <u>33,905</u>         | <u>12,447</u>         | <u>(11,051)</u>        | <u>(35,347)</u>        |
| <b>ADJUSTMENTS:</b>                   |                             |                           |                       |                       |                        |                        |
| Encumbrances                          | (4,302)                     | 0                         | 0                     | 0                     | 0                      | 0                      |
| Unrealized Gains on Investments       | 531                         | 531                       | 531                   | 531                   | 531                    | 531                    |
| Other Accounting Adjustments          | <u>(502)</u>                | <u>(502)</u>              | <u>(502)</u>          | <u>(502)</u>          | <u>(502)</u>           | <u>(502)</u>           |
| <b>TOTAL ADJUSTMENTS</b>              | <b><u>(4,273)</u></b>       | <b><u>29</u></b>          | <b><u>29</u></b>      | <b><u>29</u></b>      | <b><u>29</u></b>       | <b><u>29</u></b>       |
| <b>ADJUSTED FUND BALANCE</b>          | <b><u>80,854</u></b>        | <b><u>58,979</u></b>      | <b><u>33,934</u></b>  | <b><u>12,476</u></b>  | <b><u>(11,022)</u></b> | <b><u>(35,318)</u></b> |
| <b>RESERVES:</b>                      |                             |                           |                       |                       |                        |                        |
| Quarter Cent - Central Processing     | 1,500                       | 3,457                     | 3,457                 | 3,457                 | 3,457                  | 3,457                  |
| IRB Settlement                        | 908                         | 617                       | 617                   | 617                   | 617                    | 617                    |
| Special Reserve                       | 2,000                       | 1,350                     | 1,350                 | 1,350                 | 1,350                  | 1,350                  |
| 1/12th Operating Reserve              | <u>33,831</u>               | <u>37,957</u>             | <u>39,187</u>         | <u>40,110</u>         | <u>41,401</u>          | <u>42,662</u>          |
| <b>TOTAL RESERVES</b>                 | <b>38,239</b>               | <b>43,381</b>             | <b>44,611</b>         | <b>45,534</b>         | <b>46,825</b>          | <b>48,086</b>          |
| UNRESERVED FND BALANCE                | <u>42,615</u>               | <u>15,598</u>             | <u>(10,677)</u>       | <u>(33,058)</u>       | <u>(57,847)</u>        | <u>(83,404)</u>        |

## **PESSIMISTIC SCENARIO**

This scenario is based on the GI pessimistic alternative that is assigned a probability of 25%. This scenario is driven by high oil prices, increases in inflation and weakness in the world economy which limits export growth.

### **National Assumptions**

- Job growth remains below growth in the labor force. Unemployment peaks at 6.5% in the first quarter of 2007
- Consumer confidence plunges, and consumption falls after spending tax refunds of 2004
- Inflation accelerates and the FRB increases rates in 3 points above the FY/06 baseline. Inflation remains above 3% for the forecast and federal funds rates are above baseline for entire forecast.

### **Local Assumptions**

- Eclipse Aviation production doesn't occur until 2009 instead of 2008, and American UtiliCraft employment occurs in 2007 rather than 2006.
- Single-family housing is driven down by the national scenario and higher interest rates
- Construction employment lower based on the weak national scenario

### **Specific Revenue Assumptions**

- Building permit revenues are reduced based on the national scenario and higher interest rates
- Franchise fees are weaker due to slower growth
- Charges for services are reduced with lower revenues from newly opened venues.



## PESSIMISTIC SCENARIO FACTORS

| GLOBAL INSIGHT PESSIMISTIC SCENARIO          |       |        |       |       |       |       |
|--|-------|--------|-------|-------|-------|-------|
|  | 2005  | 2006   | 2007  | 2008  | 2009  | 2010  |
| All Items                                    | 3.0%  | 4.7%   | 2.7%  | 2.5%  | 3.2%  | 3.3%  |
| Employment Cost Index-Wages & Salary         | 2.4%  | 2.9%   | 4.0%  | 3.8%  | 3.9%  | 4.2%  |
| Medical Care                                 | 3.1%  | 3.9%   | 5.7%  | 5.3%  | 5.2%  | 4.9%  |
| New Cars                                     | 0.3%  | 0.8%   | 2.6%  | 2.6%  | 3.0%  | 2.5%  |
| Trasportation                                | 2.3%  | -19.2% | 3.7%  | 3.5%  | 3.9%  | 3.9%  |
| Natural Gas                                  | 11.2% | 49.3%  | -7.7% | -9.3% | -4.3% | -2.8% |
| Gasoline & Oil                               | 17.9% | 59.6%  | -8.4% | -8.4% | -2.2% | -0.7% |
| Electricity Chained Price Index              | 3.1%  | 12.0%  | 2.8%  | -0.3% | 2.3%  | 2.9%  |
| PRICE INDEX-Govt Consumption Noncompensation | 4.3%  | 4.1%   | 3.5%  | 3.2%  | 3.3%  | 3.3%  |
| Tires/Tubes/Accessories/Parts                | 1.5%  | 2.9%   | 1.2%  | 0.8%  | 0.9%  | 0.4%  |

|                             | FY/06          | FY/07          | FY/08          | FY/09          | FY/10          | Growth Rates  |               |              |             |             |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|---------------|---------------|--------------|-------------|-------------|
|                             |                |                |                |                |                | FY/06         | FY/07         | FY/08        | FY/09       | FY/10       |
| <b>Gross Receipts</b>       | 281,488        | 287,590        | 292,689        | 310,236        | 328,834        | 4.8%          | 2.2%          | 1.8%         | 6.0%        | 6.0%        |
| <b>Public Safety GRT</b>    | 33,235         | 34,280         | 35,320         | 36,392         | 36,392         | 14.9%         | 3.1%          | 3.0%         | 3.0%        | 6.0%        |
| <b>Taxes</b>                | 53,115         | 53,270         | 54,012         | 54,749         | 55,293         | 6.3%          | 0.3%          | 1.4%         | 1.4%        | 1.0%        |
| <b>Shared</b>               | 5,264          | 4,956          | 4,983          | 5,009          | 5,036          | -0.1%         | -5.9%         | 0.5%         | 0.5%        | 0.5%        |
| <b>Permits</b>              | 12,604         | 10,737         | 9,625          | 9,374          | 8,859          | -16.1%        | -14.8%        | -10.4%       | -2.6%       | -5.5%       |
| <b>Charges for Services</b> | 16,955         | 16,729         | 17,696         | 17,865         | 18,036         | -6.2%         | -1.3%         | 5.8%         | 1.0%        | 1.0%        |
| <b>Intra City</b>           | 17,190         | 15,769         | 16,365         | 17,003         | 17,703         | -5.2%         | -8.3%         | 3.8%         | 3.9%        | 4.1%        |
| <b>Misc</b>                 | 3,655          | 3,755          | 3,835          | 3,918          | 4,076          | 46.0%         | 2.7%          | 2.1%         | 2.2%        | 4.0%        |
| <b>CIP Funded</b>           | 9,091          | 9,091          | 9,437          | 9,808          | 10,221         | 26.0%         | 0.0%          | 3.8%         | 3.9%        | 4.2%        |
| <b>Total Revenue</b>        | <b>432,598</b> | <b>436,176</b> | <b>443,961</b> | <b>464,354</b> | <b>484,451</b> | <b>4.6%</b>   | <b>0.8%</b>   | <b>1.8%</b>  | <b>4.6%</b> | <b>4.3%</b> |
| <b>Total non-recurring</b>  | <b>11,412</b>  | <b>7,261</b>   | <b>6,700</b>   | <b>6,740</b>   | <b>6,781</b>   | <b>-12.1%</b> | <b>-36.4%</b> | <b>-7.7%</b> | <b>0.6%</b> | <b>0.6%</b> |
| <b>Recurring Revenue</b>    | <b>421,186</b> | <b>428,915</b> | <b>437,261</b> | <b>457,614</b> | <b>477,670</b> | <b>5.1%</b>   | <b>1.8%</b>   | <b>1.9%</b>  | <b>4.7%</b> | <b>4.4%</b> |

**FIVE YEAR FORECAST  
GENERAL FUND - PESSIMISTIC SCENARIO  
RESOURCES, APPROPRIATIONS AND FUND BALANCES  
(\$000S)**

|                                       | UNAUDITED<br>ACTUAL<br>FY05 | REVISED<br>APPROP<br>FY06 | FORECASTS             |                        |                        |                        |
|---------------------------------------|-----------------------------|---------------------------|-----------------------|------------------------|------------------------|------------------------|
|                                       |                             |                           | FY07                  | FY08                   | FY09                   | FY10                   |
| <b>RESOURCES:</b>                     |                             |                           |                       |                        |                        |                        |
| Recurring Revenue                     | 400,744                     | 421,186                   | 428,915               | 437,261                | 457,614                | 477,670                |
| 1/16th GRT Reduction                  |                             |                           |                       |                        |                        |                        |
| % Chng Recur'g Revenue                |                             | 5.1%                      | 1.8%                  | 1.9%                   | 4.7%                   | 4.4%                   |
| Total Non-recurring                   | <u>12,980</u>               | <u>11,412</u>             | <u>7,261</u>          | <u>6,700</u>           | <u>6,740</u>           | <u>6,781</u>           |
| <b>TOTAL REVENUES</b>                 | <b>413,724</b>              | <b>432,598</b>            | <b>436,176</b>        | <b>443,961</b>         | <b>464,354</b>         | <b>484,451</b>         |
| % Chng Total Revenue                  |                             | 4.6%                      | 0.8%                  | 1.8%                   | 4.6%                   | 4.3%                   |
| BEGINNING FUND BALANCE                | <u>64,786</u>               | <u>85,127</u>             | <u>57,823</u>         | <u>22,821</u>          | <u>(20,661)</u>        | <u>(57,930)</u>        |
| <b>TOTAL RESOURCES</b>                | <b><u>478,510</u></b>       | <b><u>517,724</u></b>     | <b><u>494,000</u></b> | <b><u>466,782</u></b>  | <b><u>443,692</u></b>  | <b><u>426,521</u></b>  |
| <b>EXPENDITURES/APPROPRIATIONS:</b>   |                             |                           |                       |                        |                        |                        |
| Recurring Expenditures/Appropriations | 372,246                     | 418,692                   | 438,117               | 457,779                | 472,132                | 494,237                |
| % Change Recurring Appropriation      |                             | 12.5%                     | 4.6%                  | 4.5%                   | 3.1%                   | 4.7%                   |
| Non-recurring Exp/App:                |                             |                           |                       |                        |                        |                        |
| One-time Items                        | <u>21,137</u>               | <u>41,209</u>             | <u>33,062</u>         | <u>29,664</u>          | <u>29,490</u>          | <u>30,023</u>          |
| Total Non-recurring                   | <u>21,137</u>               | <u>41,209</u>             | <u>33,062</u>         | <u>29,664</u>          | <u>29,490</u>          | <u>30,023</u>          |
| <b>TOTAL EXPEND/APPROP</b>            | <b><u>393,383</u></b>       | <b><u>459,901</u></b>     | <b><u>471,179</u></b> | <b><u>487,443</u></b>  | <b><u>501,622</u></b>  | <b><u>524,260</u></b>  |
| UNADJUSTED FUND BALANCE               | <u>85,127</u>               | <u>57,823</u>             | <u>22,821</u>         | <u>(20,661)</u>        | <u>(57,930)</u>        | <u>(97,739)</u>        |
| <b>ADJUSTMENTS:</b>                   |                             |                           |                       |                        |                        |                        |
| Encumbrances                          | (4,302)                     | 0                         | 0                     | 0                      | 0                      | 0                      |
| Unrealized Gains on Investments       | 531                         | 531                       | 531                   | 531                    | 531                    | 531                    |
| Other Accounting Adjustments          | <u>(502)</u>                | <u>(502)</u>              | <u>(502)</u>          | <u>(502)</u>           | <u>(502)</u>           | <u>(502)</u>           |
| <b>TOTAL ADJUSTMENTS</b>              | <b><u>(4,273)</u></b>       | <b><u>29</u></b>          | <b><u>29</u></b>      | <b><u>29</u></b>       | <b><u>29</u></b>       | <b><u>29</u></b>       |
| <b>ADJUSTED FUND BALANCE</b>          | <b><u>80,854</u></b>        | <b><u>57,852</u></b>      | <b><u>22,850</u></b>  | <b><u>(20,632)</u></b> | <b><u>(57,901)</u></b> | <b><u>(97,710)</u></b> |
| <b>RESERVES:</b>                      |                             |                           |                       |                        |                        |                        |
| Quarter Cent - Central Processing     | 1,500                       | 3,457                     | 3,457                 | 3,457                  | 3,457                  | 3,457                  |
| IRB Settlement                        | 908                         | 617                       | 617                   | 617                    | 617                    | 617                    |
| Special Reserve                       | 2,000                       | 1,350                     | 1,350                 | 1,350                  | 1,350                  | 1,350                  |
| 1/12th Operating Reserve              | <u>33,831</u>               | <u>37,957</u>             | <u>39,265</u>         | <u>40,620</u>          | <u>41,802</u>          | <u>43,688</u>          |
| <b>TOTAL RESERVES</b>                 | <b>38,239</b>               | <b>43,381</b>             | <b>44,689</b>         | <b>46,044</b>          | <b>47,226</b>          | <b>49,112</b>          |
| UNRESERVED FND BALANCE                | <u>42,615</u>               | <u>14,471</u>             | <u>(21,839)</u>       | <u>(66,676)</u>        | <u>(105,127)</u>       | <u>(146,822)</u>       |

## Comparison of Scenarios—National and Local Variables

| Indicator/FY   | SCENARIO   |          |             | Difference from Base |             |  |
|--|------------|----------|-------------|----------------------|-------------|--|
|  | Optimistic | Baseline | Pessimistic | Optimistic           | Pessimistic |  |
| <b>Employment -Albuquerque MSA</b>                       |            |          |             |                      |             | <b>L<br/>O<br/>C<br/>A<br/>L</b>                               |
| 2006   | 2.0%       | 2.0%     | 2.0%        | 0.0%                 | 0.0%        |  |
| 2007   | 2.6%       | 2.2%     | 1.8%        | 0.4%                 | -0.5%       |  |
| 2008   | 2.2%       | 1.7%     | 0.5%        | 0.5%                 | -1.2%       |  |
| 2009   | 1.8%       | 1.8%     | 2.2%        | 0.1%                 | 0.5%        |  |
| 2010   | 1.3%       | 1.3%     | 1.5%        | -0.1%                | 0.2%        |  |
| <b>MSA Construction Employment</b>                       |            |          |             |                      |             | <b>I<br/>N<br/>D<br/>I<br/>C<br/>A<br/>T<br/>O<br/>R<br/>S</b> |
| 2006   | 3.7%       | 3.7%     | 3.7%        | 0.0%                 | 0.0%        |  |
| 2007   | 0.4%       | -0.1%    | -1.4%       | 0.5%                 | -1.3%       |  |
| 2008   | 1.5%       | 0.9%     | -1.0%       | 0.6%                 | -1.9%       |  |
| 2009   | 1.3%       | 1.2%     | 2.5%        | 0.1%                 | 1.3%        |  |
| 2010   | 0.6%       | 0.7%     | 1.2%        | -0.1%                | 0.5%        |  |
| <b>Residential Housing Permits-Inside City</b>           |            |          |             |                      |             | <b>L<br/>O<br/>C<br/>A<br/>L</b>                               |
| 2006   | 3943       | 3944     | 3887        | (1)                  | (57)        |  |
| 2007   | 3519       | 3492     | 2661        | 27                   | (831)       |  |
| 2008   | 3484       | 3456     | 2265        | 28                   | (1,191)     |  |
| 2009   | 3179       | 3151     | 2842        | 28                   | (309)       |  |
| 2010   | 2915       | 2887     | 2571        | 28                   | (316)       |  |
| -----  |            |          |             |                      |             |  |
| <b>Real GDP</b>  |            |          |             |                      |             | <b>N<br/>A<br/>T<br/>I<br/>O<br/>N<br/>A<br/>L</b>             |
| 2006   | 0.0%       | 0.0%     | 0.0%        | 0.0%                 | 0.0%        |  |
| 2007   | 4.2%       | 3.1%     | 1.9%        | 1.0%                 | -1.3%       |  |
| 2008   | 4.1%       | 3.4%     | 2.0%        | 0.6%                 | -1.4%       |  |
| 2009   | 3.5%       | 3.2%     | 2.9%        | 0.4%                 | -0.2%       |  |
| 2010   | 3.0%       | 2.8%     | 2.3%        | 0.2%                 | -0.5%       |  |
| <b>Price Index Consumer Price Index-Urban Consumers</b>  |            |          |             |                      |             | <b>I<br/>N<br/>D<br/>I<br/>C<br/>A<br/>T<br/>O<br/>R<br/>S</b> |
| 2006   | 3.5%       | 3.8%     | 4.7%        | -0.3%                | 0.9%        |  |
| 2007   | 1.0%       | 1.5%     | 2.7%        | -0.5%                | 1.2%        |  |
| 2008   | 1.3%       | 1.6%     | 2.5%        | -0.4%                | 0.9%        |  |
| 2009   | 1.7%       | 2.0%     | 3.2%        | -0.4%                | 1.2%        |  |
| 2010   | 1.7%       | 2.1%     | 3.3%        | -0.4%                | 1.2%        |  |
| <b>Interest Rates-Federal Funds Rate</b>                 |            |          |             |                      |             | <b>I<br/>N<br/>D<br/>I<br/>C<br/>A<br/>T<br/>O<br/>R<br/>S</b> |
| 2006   | 3.9%       | 4.1%     | 4.6%        | -0.2%                | 0.5%        |  |
| 2007   | 4.0%       | 4.5%     | 6.1%        | -0.5%                | 1.6%        |  |
| 2008   | 4.2%       | 4.7%     | 7.5%        | -0.5%                | 2.8%        |  |
| 2009   | 4.4%       | 4.9%     | 6.9%        | -0.5%                | 1.9%        |  |
| 2010   | 4.6%       | 5.1%     | 6.3%        | -0.5%                | 1.1%        |  |
| <b>Interest Rates-10 Year Treasury Bond</b>              |            |          |             |                      |             | <b>I<br/>N<br/>D<br/>I<br/>C<br/>A<br/>T<br/>O<br/>R<br/>S</b> |
| 2006   | 4.6%       | 4.7%     | 6.1%        | -0.2%                | 1.4%        |  |
| 2007   | 4.8%       | 5.2%     | 8.1%        | -0.4%                | 2.9%        |  |
| 2008   | 4.9%       | 5.3%     | 6.6%        | -0.4%                | 1.2%        |  |
| 2009   | 5.2%       | 5.6%     | 5.5%        | -0.5%                | -0.1%       |  |
| 2010   | 5.4%       | 5.8%     | 6.4%        | -0.5%                | 0.5%        |  |
| <b>West Texas Intermediate Crude- Dollars per barrel</b> |            |          |             |                      |             | <b>L<br/>O<br/>C<br/>A<br/>L</b>                               |
| 2006   | 60.11      | 63.50    | 74.03       | (3.40)               | 10.53       |  |
| 2007   | 50.96      | 56.16    | 71.70       | (5.20)               | 15.53       |  |
| 2008   | 42.24      | 47.49    | 58.30       | (5.25)               | 10.81       |  |
| 2009   | 39.38      | 44.67    | 55.24       | (5.28)               | 10.58       |  |
| 2010   | 37.63      | 42.92    | 53.50       | (5.29)               | 10.58       |  |

## REVENUE COMPARISON

|                      | Pessimistic -Baseline |               |               |              |               | Optimistic-Baseline |              |              |               |               |
|----------------------|-----------------------|---------------|---------------|--------------|---------------|---------------------|--------------|--------------|---------------|---------------|
|                      | FY/06                 | FY/07         | FY/08         | FY/09        | FY/10         | FY/06               | FY/07        | FY/08        | FY/09         | FY/10         |
| Gross Receipts       | 0                     | -653          | -4,181        | 4,769        | 14,097        | 0                   | 3,447        | 6,572        | 8,933         | 10,928        |
| Public Safety GRT    | 0                     | 247           | 254           | 262          | 262           | 0                   | 407          | 761          | 991           | 2,321         |
| Taxes                | 80                    | -467          | -254          | -341         | -892          | 0                   | -553         | -923         | -1,155        | -1,393        |
| Shared               | 0                     | -35           | -83           | -132         | -182          | 0                   | -35          | -35          | -36           | -36           |
| Permits              | -1,207                | -2,049        | -2,787        | -2,269       | -2,262        | 0                   | -8           | -8           | -8            | -9            |
| Charges for Services | -196                  | -1,198        | -485          | -573         | -664          | 0                   | 500          | 200          | 200           | 200           |
| Intra City           | -134                  | -134          | -112          | -78          | 20            | -134                | 289          | 300          | 311           | 322           |
| Misc                 | 0                     | 0             | 2             | 2            | 74            | 0                   | 697          | 1,420        | 1,420         | 1,434         |
| CIP Funded           | 0                     | 0             | 18            | 44           | 112           | 0                   | 183          | 190          | 197           | 203           |
| <b>Total Revenue</b> | <b>-1,456</b>         | <b>-4,289</b> | <b>-7,627</b> | <b>1,683</b> | <b>10,564</b> | <b>-134</b>         | <b>4,927</b> | <b>8,477</b> | <b>10,851</b> | <b>13,971</b> |

## **REVENUE HISTORY**



## GENERAL FUND REVENUE HISTORY

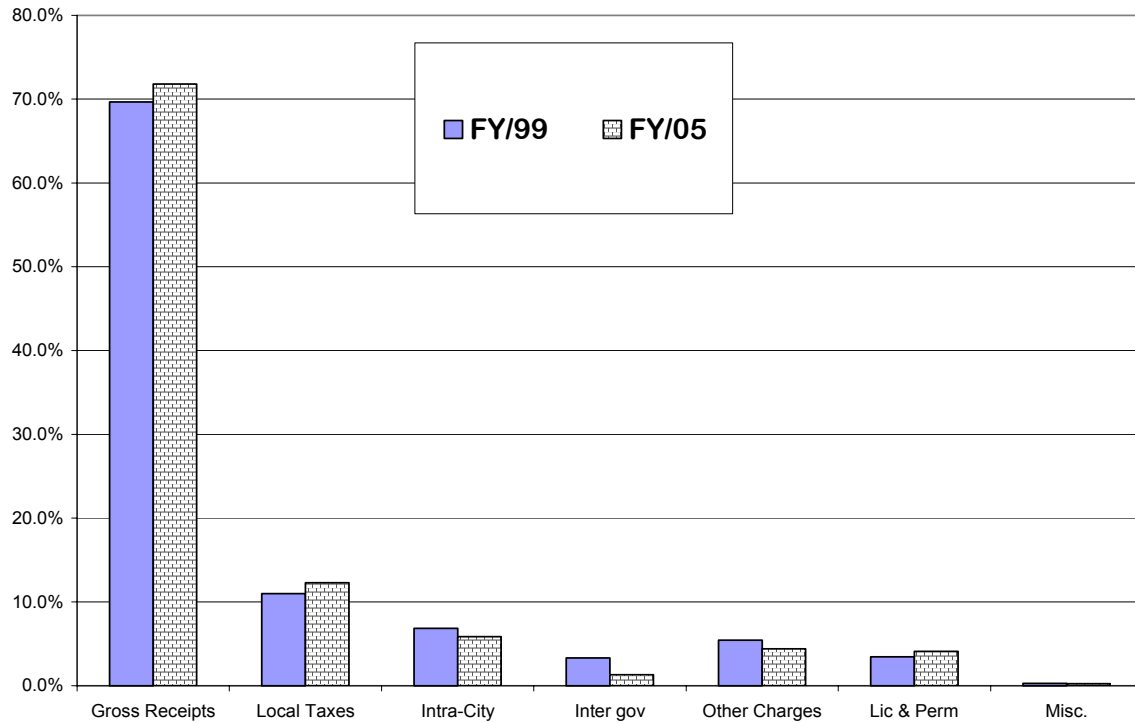
A history of major revenue sources for the General Fund from FY/99 to FY/05 is presented below. These numbers reflect a one-month accrual of tax revenues to comply with the tax revenue standard issued by the Governmental Accounting Standards Board in 1994. Recurring receipts grew at a compound annual rate of 6.2%. The growth is boosted by the addition of a mill in property tax revenue, added in FY/04, and the introduction of the quarter-cent public safety tax in FY/05. After adjusting for additional taxes, the growth in the general fund recurring revenues is only 3.4%.

The bar chart below compares the composition, by major revenue category, of General Fund recurring revenues in FY/99 and FY/05. The City's General Fund has become somewhat more reliant on the gross receipts taxes and local taxes and less dependent on intra-city revenues and charges for services.

The Albuquerque economy expanded rapidly from FY/92 to FY/95. There was a construction boom and many firms and people moved here from California and other locales. The economy began slowing substantially in FY/96. This affected gross receipts tax collections resulting in slow growth from FY/96 to FY/00. In FY/01, growth was somewhat stronger as the semiconductor industry began hiring again. In addition, large projects such as the Big-I reconstruction and the Intel project helped boost construction employment. Unfortunately this rebound was short lived as the national economy went into recession in FY/02. The end of FY/03 showed signs of a resurgence in the economy as employment and GRT revenues grew substantially faster than originally estimated. FY/04 had very large growth in GRT of 9.2%, far exceeding the growth in the underlying economy. FY/05 experienced moderate growth in employment and GRT growth at 4.2% was stronger than the estimate. The Albuquerque and New Mexico economies continued to grow at a moderate pace. The construction industry led the economy with strong employment growth, resulting in growth in construction GRT and construction related revenues such as building permits and engineering fees.

Over the FY/99 to FY/05 period, the General Fund has been affected by several changes in revenue. There were some changes in tax rates. A quarter cent GRT for public safety was added in FY/05 and in FY/04 one mill in property tax was shifted from capital to operations. The largest fee increase was for building permit fees. In FY/03, there was an overall increase in fees of approximately 30%. There are some small new fees for body art inspections, and in FY/05 fines associated with the new red-light ordinance began in June 2005. A new court paid corrections fee was collected in FY/05, two years after the original corrections fee was directed to parking structure construction for the new Metropolitan court house. Since the aquarium/botanic gardens came on line in FY/97 no large venues have opened. The General Fund has lost revenue sources including: the state shared gasoline tax now registered in the Gasoline Tax Road Fund and revenues from the Convention Center. However, the contract for operating the Convention Center has offsetting reductions in expenditures. The specific changes for different revenue categories are discussed below, with gross receipts at the end of the section.

**Shares of Recurring  
General Fund Revenues**



**GENERAL FUND  
HISTORICAL COMPARISON OF REVENUE SOURCES  
(\$000)**

| Revenue Source                     | 99             | 00             | 01             | 02             | 03             | 04             | Unaudited<br>05 | Growth<br>FY99 TO 05 | Compound<br>Annual |
|------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|-----------------|----------------------|--------------------|
| Gross Receipts Taxes               | 206,565        | 214,447        | 224,184        | 225,723        | 236,013        | 257,801        | 268,596         | 30.0%                | 4.5%               |
| Public Safety quarter cent         |                |                |                |                |                |                | 28,923          |                      |                    |
| Property Taxes                     | 13,530         | 15,315         | 15,429         | 15,879         | 16,498         | 24,734         | 26,153          | 93.3%                | 11.6%              |
| Telephone Franchise                | 4,181          | 3,728          | 3,952          | 3,923          | 3,917          | 3,636          | 3,332           | -20.3%               | -3.7%              |
| Electric Franchise                 | 5,869          | 5,351          | 5,660          | 5,693          | 5,829          | 5,798          | 5,728           | -2.4%                | -0.4%              |
| Gas Franchise                      | 1,337          | 1,499          | 2,780          | 1,898          | 2,809          | 4,140          | 4,687           | 250.6%               | 23.3%              |
| Cable Franchise                    | 2,329          | 2,457          | 2,641          | 3,296          | 4,274          | 3,245          | 3,422           | 46.9%                | 6.6%               |
| Other Franchise                    | 445            | 547            | 592            | 558            | 627            | 876            | 784             | 76.1%                | 9.9%               |
| Water Utility Franchise/PILOT      | 4,126          | 3,986          | 4,310          | 4,642          | 4,779          | 5,111          | 4,770           | 15.6%                | 2.4%               |
| PILOT(not including Water Utility) | 764            | 719            | 807            | 807            | 834            | 925            | 1,104           | 44.5%                | 6.3%               |
| Building Permits                   | 5,830          | 5,580          | 6,069          | 6,238          | 9,617          | 10,788         | 11,909          | 104.3%               | 12.6%              |
| Other Licenses/Fees                | 2,306          | 2,431          | 2,654          | 2,405          | 2,662          | 2,928          | 3,117           | 35.1%                | 5.1%               |
| FTA                                | 0              | 0              | 0              | 0              | -              | -              | -               |                      |                    |
| Gasoline Tax Distrs                | 6,958          | 2,295          | 2,337          | 2,438          | 2,040          | 2,330          | 2,361           | -66.1%               | -16.5%             |
| Other Intergov'l                   | 2,886          | 2,849          | 2,017          | 2,425          | 2,481          | 2,709          | 2,906           | 0.7%                 | 0.1%               |
| Charges for Services               | 16,121         | 15,959         | 16,188         | 15,697         | 17,074         | 17,684         | 18,079          | 12.1%                | 1.9%               |
| Internal Service                   | 2,635          | 2,109          | 2,224          | 1,745          | 1,330          | 1,032          | 1,071           | -59.4%               | -13.9%             |
| Indirect Overhead                  | 12,815         | 13,957         | 14,744         | 13,462         | 13,282         | 14,144         | 14,933          | 16.5%                | 2.6%               |
| CIP-Funded Positions               | 4,187          | 3,492          | 3,551          | 5,733          | 6,084          | 7,356          | 7,217           | 72.4%                | 9.5%               |
| Fines and Forfeitures              |                |                |                |                |                |                |                 |                      |                    |
| Interest on Invest                 | 2,088          | 1,876          | 3,229          | 974            | 746            | 427            | 1,590           | -23.8%               | -4.4%              |
| Other Miscellaneous                | 873            | 834            | 531            | 607            | 504            | 3,471          | 913             | 4.7%                 | 0.8%               |
| Interfund Transfers                | 1,398          | 1,468          | 3,663          | 3,436          | 1,509          | 1,927          | 2,128           | 52.2%                | 7.3%               |
| <b>TOTAL REVENUE</b>               | <b>297,243</b> | <b>300,897</b> | <b>317,563</b> | <b>317,581</b> | <b>332,909</b> | <b>371,063</b> | <b>413,724</b>  | <b>39.2%</b>         | <b>5.7%</b>        |
| LESS: NON-RECURRING                | 719            | 2,500          | 1,345          | 3,407          | 3,200          | 10,521         | 12,980          | 1705.3%              | 78.4%              |
| <b>RECURRING REVENUES</b>          | <b>296,524</b> | <b>298,397</b> | <b>316,218</b> | <b>314,174</b> | <b>329,709</b> | <b>360,542</b> | <b>400,744</b>  | <b>35.1%</b>         | <b>6.2%</b>        |



**Local Taxes.** This category includes property taxes, franchise fees, and payment in lieu of taxes (PILOT). This revenue category increased its share of total recurring revenues from 11% in FY/99 to 12.3% in FY/05. Property tax revenues increased at a compound rate of 11.6%, mostly due to large reassessments in FY/01 and the shift of one mill in property taxes to the General Fund in FY/04. Franchise revenues grew 3.7% for the period. The gas franchise revenues increased at a compound rate of 23.3% reflecting the increase of the franchise from 2% to 3% of gross revenues and the increases in gas prices. Electricity experienced a slight decline due primarily to reductions in electric rates over the period. The water utility franchise includes PILOT revenues received prior to FY/05. Though not totally comparable, the franchise agreement of 4% of gross revenues yields revenue of a comparable size to the PILOT paid by the water utility in the past. Growth for FY/05, in the water franchise, was slowed due to wet weather in the spring. PILOT not including the Water Authority, grew at 3.2% with general revenue growth and increase in the rates from the addition of a quarter cent in gross receipts tax.

**Intergovernmental Assistance.** Intergovernmental revenues other than the gross receipts tax accounted for 3.3% of General Fund recurring receipts in FY/99 and 1.3% in FY/05. From FY/99 to present these revenues declined 46.5%. This was primarily due to the state legislature in FY/00 requiring the shared gasoline taxes be kept in a separate fund producing a revenue loss to the General Fund of approximately \$4.6 million. Movement of expenditures for streets in an equal amount made the impact neutral to General Fund balances. The gasoline tax "municipal road" distribution remains in the General Fund, but is faced with slow growth. In FY/99, revenue growth was slow in part due to sales from Indian Pueblos to gasoline wholesalers within the City. The state legislature formalized this with certain restrictions in the 1999 session. Motor vehicle fees have had modest annual growth of 2.5%, yielding \$1.4 million in FY/05. In FY/94, the General Fund received a new revenue source in State-shared revenues from DWI tickets to be used for corrections facilities operations. These revenues were erratic and varied from \$300 to over \$800 thousand per year. FY/00 is the last year the City received this revenue though some revenues owed in FY/00 were received in FY/01. This distribution was then directed to help construct a parking structure for the new Metropolitan Courthouse. Another distribution was put in place by the legislature to begin in FY/04, and in FY/05 the City received revenue of \$451 thousand.

**Other Charges (Charges for Services).** Revenues from other charges accounted for 5.4% of General Fund recurring revenues in FY/99 to 4.5% in FY/05. The opening of the Aquarium/Botanic Gardens during FY/97 provided the General Fund with a significant new revenue source. In its first partial year of operations, the Aquarium/Botanic Gardens generated over \$1.3 million in admissions revenues, but revenue had declined in FY/01 to only \$792 thousand. Increased fees and increased visitation had revenues up to \$1.2 million for FY/03 and \$1.1 million in FY/04 and in FY/05. Zoo revenues, including admissions,

increased in FY/03 with increased fees; revenues increased \$300 thousand to \$1.6 million which was received again in FY/04 and up to \$1.7 million in FY/05. In FY/00 the Zoo concession revenues of approximately \$90 thousand were earmarked for continued use outside the General Fund. In FY/04 the operation of the Convention Center was privatized in mid-year reducing revenue by about \$1.6 million. The full year impact was approximately \$2.2 million, though reduced expenses offset this. Engineering fees increased from \$986 thousand to \$1.6 million in FY/04 and up to \$2.1 million in FY/05. These revenues fluctuate with construction. Revenues from charges for legal services increased in FY/98, with a fee increase that brought revenues up to \$2.1 million. Revenues have tapered off and in FY/03 were only \$1.5 million but increased to \$1.95 million in FY/04 and \$1.7 million in FY/05. This revenue in large part is dependent on vacancies in the legal department and hiring of outside counsel. Charges for police over-time services are an offset to pay officers for private use. It has remained relatively flat at around \$1 million, with modest increases in the overhead rate bringing revenues up to \$1.4 million in FY/05. The creation of the Alarm Fund for FY/04 resulted in increases in the fines that are kept in the General Fund. In FY/05 \$382 thousand was transferred to the General Fund, up from approximately \$150 thousand under the previous ordinance. Additionally, in FY/03 with the opening of the City's new crime lab, Bernalillo County began paying an annual amount of approximately \$550 thousand for crime lab services, up from approximately \$100 thousand. Reimbursements from the County for library services in the unincorporated areas increased slightly from \$912 thousand in FY/97 to \$1 million in FY/04 as the City is not operating any additional libraries for the County.

**Intra-City Revenues.** These are revenues from internal service charges, indirect overhead, CIP-funded positions, and other interfund transfers, excluding PILOT. In FY/99 these accounted for 6.9% of recurring revenues and 5.9% in FY/05. This does not include transfers for the Transportation Infrastructure Tax considered non-recurring. The reduction as a share of revenue is due to both slow growth in indirect overhead and to a reduction in internal service charges. Revenues for CIP funded positions increased substantially in FY/02 to FY/05. These positions are associated with capital projects at the zoo, Tingley Beach, and tax increment funded programs.

Interfund transfers totaled \$3.6 million in FY/03, but \$1.9 million of this was a non-recurring transfer from the police mini-substation fund. Transfers were \$2.1 million in FY/05.

Revenues from internal service charges fell from \$3.6 million in FY/97 to \$1.3 million in FY/03, falling to \$1 million in FY/04. In FY/99 the movement of radio and telephone maintenance to a separate fund reduced expenditures by \$790 thousand. The City has also discontinued the provision of many of its office services, engineering services and surveying services. Engineering and surveying fell from \$1.6 million in FY/98 to \$180 thousand in FY/05.

Indirect overhead revenues in FY/98 were \$12.8 million; in FY/05, this category generated \$14.9 million in revenues for the General Fund. Indirect overhead was limited in FY/03 as positions were reduced or left unfilled in the enterprise funds and other funds paying indirect overhead. Also, the addition of new funds for Air Quality and Radio and Telephone Maintenance has increased this transfer.

**Licensing, Permit Fees and Miscellaneous.** The share for this category was 3.8% in FY/99 and 4.1% in FY/05. License and permit revenues increased at one of the fastest rates of any group of revenues. Building permits lead the way with an annual average of 12.6%. Building permit fees were increased an average of 30% in FY/03 and construction has been strong. Interest earnings are a large source of income that declined in FY/02 to FY/04, and has shown some increase in FY/05 with increases in interest rates.

**Gross Receipts Tax.** The gross receipts tax remains the major contributor to the General Fund making up 71.7% of recurring revenues in FY/05. In FY/05 the City imposed a new  $\frac{1}{4}$  cent tax for public safety. There is a gap from July 1, 1999 to January 1, 2000 when the  $\frac{1}{4}$  cent quality of life tax expired and the  $\frac{1}{4}$  cent transportation tax had not been imposed.

GROSS RECEIPTS TAX REVENUES, FY'S 1999 - 2005

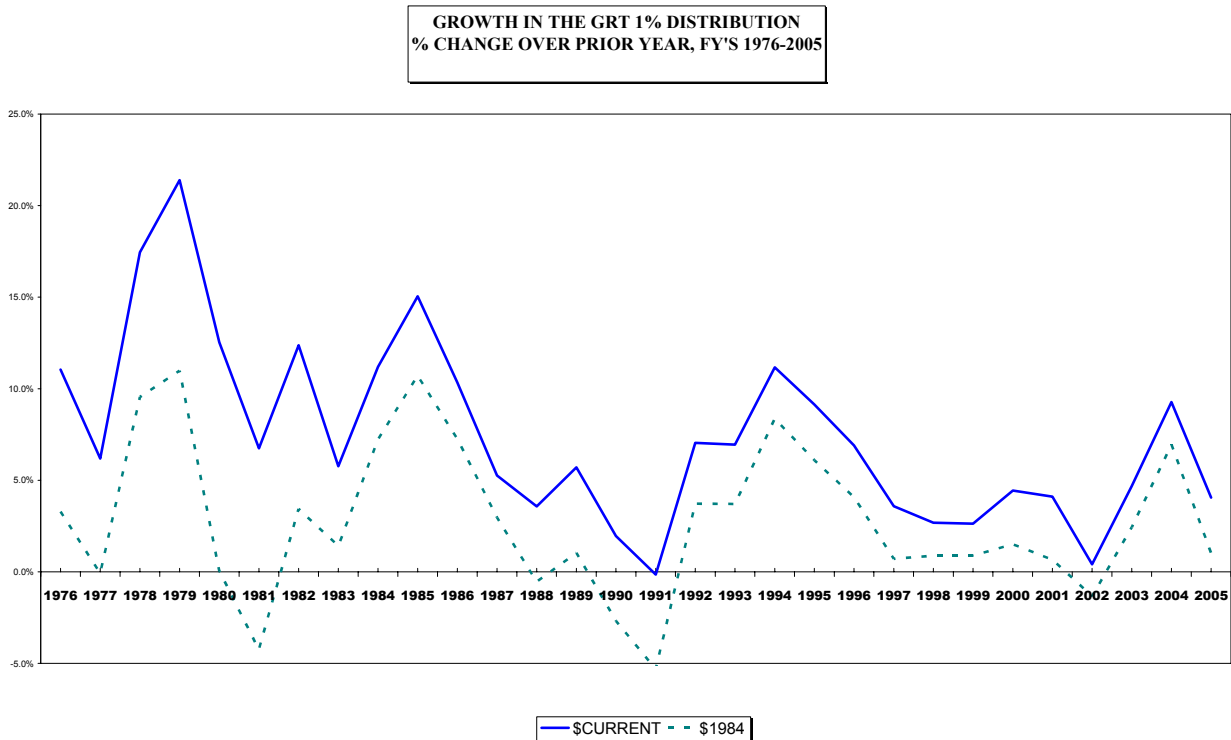
(\$000's)

| DETAIL ON GROSS RECEIPTS:                   | FY 99          | FY 00          | FY 01          | FY 02          | FY 03          | FY/04          | FY/05          | FY'S 99-05<br>PERCENT<br>CHANGE | COMPOUND<br>ANNUAL<br>RATE |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|---------------------------------|----------------------------|
| <b>GENERAL FUND:</b>                        |                |                |                |                |                |                |                |                                 |                            |
| MUNICIPAL IMPOSED 1/2 CENT                  | 50,163         | 51,406         | 54,610         | 55,034         | 57,569         | 62,778         | 65,333         | 30.2%                           | 4.5%                       |
| BASIC SERVICES 1/4 CENT                     | 23,827         | 24,327         | 26,486         | 26,557         | 27,916         | 30,442         | 31,712         | 33.1%                           | 4.9%                       |
| PUBLIC SAFETY 1/4 CENT(8)                   |                |                |                |                |                |                | 28,923         |                                 |                            |
| INFRASTRUCTURE 1/16 CENT (2)                | 5,955          | 6,236          | 6,622          | 6,643          | 6,983          | 7,612          | 7,961          | 33.7%                           | 5.0%                       |
|   | 79,945         | 81,969         | 87,718         | 88,234         | 92,468         | 100,832        | 133,930        | 67.5%                           | 9.0%                       |
| <b>STATE SHARED RECEIPTS</b>                |                |                |                |                |                |                |                |                                 |                            |
| 1% DISTRIBUTION (3)                         | 101,418        | 105,915        | 110,264        | 110,715        | 115,901        | 126,639        | 131,767        | 29.9%                           | 4.5%                       |
| .35%/.225% DISTRIBUTION (3,4)               | 22,823         | 23,835         | 24,822         | 24,915         | 26,082         | 28,499         | 29,653         | 29.9%                           | 4.5%                       |
|   | 124,242        | 129,750        | 135,086        | 135,631        | 141,984        | 155,138        | 161,420        | 29.9%                           | 4.5%                       |
| <b>TOTAL TAX RECEIPTS</b>                   | <b>204,187</b> | <b>211,719</b> | <b>222,804</b> | <b>223,865</b> | <b>234,452</b> | <b>255,970</b> | <b>295,350</b> | <b>44.6%</b>                    | <b>6.3%</b>                |
| <b>PENALTY &amp; INTEREST</b>               | <b>2,379</b>   | <b>940</b>     | <b>1,406</b>   | <b>1,858</b>   | <b>1,562</b>   | <b>1,831</b>   | <b>2,169</b>   | <b>-8.8%</b>                    | <b>-1.5%</b>               |
| <b>TOTAL GENERAL FUND DISTRIBUTION</b>      | <b>206,566</b> | <b>212,659</b> | <b>224,210</b> | <b>225,723</b> | <b>236,013</b> | <b>257,801</b> | <b>297,519</b> | <b>44.0%</b>                    | <b>6.3%</b>                |
| <b>MUNICIPAL IMPOSED 1/4 CENT</b>           |                |                |                |                |                |                |                |                                 |                            |
| QUALITY OF LIFE (5)                         | 0              | 0              | 0              |                |                |                |                |                                 |                            |
| OPEN SPACE & PARK DEVT (6)                  | 23,827         | 2,070          | 0              |                |                |                |                |                                 |                            |
| TRANSPORTATION INFRASTRUCTURE (7)           |                | 10,131         | 26,486         | 26,557         | 27,916         | 30,442         | 31,712         |                                 |                            |
|   | 23,827         | 12,201         | 26,486         | 26,557         | 27,916         | 30,442         | 31,712         | NA                              | NA                         |
| <b>TOTAL GROSS RECEIPTS TAX REVENUES(1)</b> | <b>230,393</b> | <b>224,860</b> | <b>250,696</b> | <b>252,281</b> | <b>263,930</b> | <b>288,243</b> |                | <b>NA</b>                       | <b>NA</b>                  |

The preceding table provides a summary of the GRT from FY/99 to FY/05 as a revenue source for the City of Albuquerque. The locally imposed gross receipts taxes consist of the Municipal imposed 1/2 cent (2 quarters), basic services 1/4 cent, public safety 1/4 cent, infrastructure 1/16 cent and currently the transportation infrastructure 1/4 cent.. Only the transportation infrastructure tax is not in the General Fund. The transportation tax was imposed for ten years beginning in January 2000. Past uses of this quarter cent tax were quality of life and open space, which have expired.

The compound annual growth of gross receipts tax revenues is 6.3% in the period FY/99 to FY/05. Much of this growth is from the 9.2% growth experienced in FY/04 and the addition of the 1/4 cent for public safety, most of the other years had much lower growth than this rate. From FY/98 to FY/2000 the 1/4 and 1/16 cent distributions were affected by the imposition of an additional 2% administrative fee imposed to fund a new computer system for state gross receipts distributions. To look at the growth in the tax base and ignore changes in tax rates and other technical changes it is best to look at the one-percent

distribution. The one-percent distribution had growth of 4.5% in this period. When adjusted for inflation the one-percent distribution had average growth of 1.8%.



The year-over-year growth in the one-percent distribution received as State shared revenues, is charted above in current dollars and inflation adjusted to constant 1984 dollars. The tax mimics the performance of the Albuquerque economy. The gross receipts tax is an "elastic" revenue source as revenues are sensitive to economic growth and inflation. Negative real growth in FY/81, FY/91, and FY/02 correspond to national recessions. Following the slowdown in FY/91 the Albuquerque economy boomed. Construction was strong, lead by the construction at Intel. DOE and military facilities were doing well and manufacturing experienced a boom in the semiconductor industry. In FY/95, the economy began slowing as the Intel project was completed and construction began tapering off. Sandia National Labs began reducing local purchases in 1995 as employment declined from 8,100 in FY/95 to about 6,600 in FY/00. Engineering and management services declined over 3% in 2 years. As about 90% of the semiconductor production in New Mexico was dependent on Asian markets, the Asian financial crisis that began in the fall of 1997 hit New Mexico hard. Major semiconductor manufacturers (Intel, Philips, Sumitomo, Motorola) all had slowdowns and layoffs. Over 2,300 jobs were lost in the manufacturing industry from FY/97 to FY/00. About 500 of these jobs were from Levi Strauss who also was affected by the crisis. Certainly there were secondary affects as producers usually made large local purchases of inputs to their manufacturing process. In FY/01 manufacturing made a bit of a turn and then in FY/02 driven

by the national recession employment declined for three straight quarters. In FY/03 the economy turned and employment grew by about 1%, though manufacturing continued to lose jobs. Manufacturing from FY/01 to FY/04 lost about 4,900 jobs. This included slowdowns at EMCORE, Motorola selling its capacity and Philips shutting down its New Mexico operations. In FY/05 there was some improvement in the economy, but construction remains the strong point and manufacturing remains weak.

The one-percent distribution demonstrates how these events affected gross receipts tax revenues. From FY/97 to FY/99 the real growth in the one-percent distribution was less than 1%. FY/00 was a stronger year at 1.6% real growth. FY/01 again slows to 0.7% growth caused in large part by the higher inflation rate of 3.4%. There was growth of 0.4% in FY/02, resulting in a negative real (inflation adjusted) growth rate. In FY/03 the turn around in the economy is reflected by a nominal 4.7% growth rate (2.4% in real terms). In FY/04 growth exceeded all expectations at 9.2%. This was with 1% growth in employment and low inflation. Some of the growth can be explained by the annexation of existing retail, but much of the growth remains unexplained. In FY/05 growth was 4%, but inflation for the year averaged 3%, making real growth an anemic 1%.

### **Changes to Gross Receipts Tax Base**

Between FY/99 and FY/05 the state legislature has exempted or allowed deductions from the gross receipts tax base for:

- prescription drugs,
- Medicare expenditures,
- movie production costs,
- hospitals including for profits,
- construction materials purchased locally for use on Indian reservations,
- 40% deduction for jet fuels,
- deduction for food and medical services (cities held harmless through ½ cent increase in tax on all other items),
- Commercial airline repairs, and
- Three day gross receipts tax holiday in August.

Finally, as Albuquerque's share of state gross receipts taxable transactions declines, the growth in our gross receipts tax revenues have lagged the state's.

## **ACCURACY OF THE REVENUE ESTIMATES**





## **ACCURACY OF THE REVENUE ESTIMATES**

A summary of information on the accuracy of the General Fund revenue estimates over the past ten years is presented below. The first set of columns reports the accuracy of the 4-month revised estimates, which are prepared in February and March of the year in question in conjunction with putting together the Mayor's Budget for the next fiscal year. The second set of columns present the error of the 6 month revised estimates that are prepared as part of the Five-Year Forecast presented in December during the fiscal year in question. The final set of columns report the error on the original budget estimates prepared in February and March of the prior year. In each case, the figures are presented for the gross receipts tax, for total recurring receipts, and for non-recurring revenues. For FY/00 an additional line was added to account for the loss of \$4.6 million in gasoline tax to the new gasoline road tax fund. CIP-funded positions are excluded from the calculations because expenditures on these positions are always fully reimbursed, with no effect on General Fund balances.

The final table provides information on the accuracy of the revenue estimates by revenue source for FY/05.

**ACCURACY OF THE GENERAL FUND REVENUE ESTIMATES**

*ESTIMATING ERROR (ACTUAL - ESTIMATED REVENUES)*

*(in \$000s)*

|   | MARCH REVISION   |         | FIVE YEAR FORECAST |         | APPROVED BUDGET   |         |
|---|------------------|---------|--------------------|---------|-------------------|---------|
|   | 4 MONTH ESTIMATE |         | 6 MONTH ESTIMATE   |         | 16 MONTH ESTIMATE |         |
|   | AMOUNT           | PERCENT | AMOUNT             | PERCENT | AMOUNT            | PERCENT |
| <b>FISCAL YEAR 2005 (Unaudited Results)</b> |                  |         |                    |         |                   |         |
| Gross Receipts Tax                          | 3,172            | 1.1%    | 3,172              | 1.1%    | 15,476            | 5.2%    |
| Recurring Revenues Less CIP                 | 3,725            | 0.9%    | 4,305              | 1.1%    | 11,903            | 3.0%    |
| Non-Recurring                               | 4,743            | 36.9%   | 4,519              | 35.2%   | 10,164            | 79.1%   |
| <b>FISCAL YEAR 2004</b>                     |                  |         |                    |         |                   |         |
| Gross Receipts Tax                          | 8,571            | 3.3%    | 8,571              | 3.3%    | 17,742            | 6.9%    |
| Recurring Revenues Less CIP                 | 10,125           | 2.9%    | 10,103             | 2.8%    | 17,809            | 5.0%    |
| Non-Recurring                               | -372             | -4.6%   | (921)              | -11.4%  | 4,849             | 59.9%   |
| <b>FISCAL YEAR 2003</b>                     |                  |         |                    |         |                   |         |
| Gross Receipts Tax                          | 4,626            | 2.0%    | 4,647              | 2.0%    | (1,374)           | -0.6%   |
| Recurring Revenues Less CIP                 | 5,139            | 1.6%    | 5,729              | 1.8%    | (5,531)           | -1.7%   |
| Non-Recurring                               | 640              | 20.0%   | (200)              | -6.3%   | 640               | 20.0%   |
| <b>FISCAL YEAR 2002</b>                     |                  |         |                    |         |                   |         |
| Gross Receipts Tax                          | (5,735)          | -2.5%   | (5,735)            | -2.5%   | (8,760)           | -3.9%   |
| Recurring Revenues Less CIP                 | (4,051)          | -1.3%   | (12,496)           | -4.1%   | (16,938)          | -5.6%   |
| Non-Recurring                               | 0                | 0.0%    | 0                  | 0.0%    | 2,707             | 79.5%   |
| <b>FISCAL YEAR 2001</b>                     |                  |         |                    |         |                   |         |
| Gross Receipts Tax                          | (1,555)          | -0.7%   | (1,555)            | -0.7%   | 5,123             | 2.3%    |
| Recurring Revenues Less CIP                 | 880              | 0.3%    | 435                | 0.1%    | 4,592             | 1.5%    |
| Non-Recurring                               | 0                | 0.0%    | 445                | 33.1%   | 645               | 48.0%   |
| <b>FISCAL YEAR 2000</b>                     |                  |         |                    |         |                   |         |
| Gross Receipts Tax                          | 692              | 0.3%    | 5,002              | 2.3%    | (1,253)           | -0.6%   |
| Recurring Revenues Less CIP                 | (141)            | 0.0%    | (3,972)            | -1.4%   | (12,330)          | -4.2%   |
| W/O Gasoline Tax                            | (141)            | 0.0%    | 511                | 0.2%    | (7,847)           | -2.7%   |
| Non-Recurring                               | 0                | 0.0%    | 2,320              | 92.8%   | 2,500             | 100.0%  |
| <b>FISCAL YEAR 1999</b>                     |                  |         |                    |         |                   |         |
| Gross Receipts Tax                          | (2,335)          | -1.1%   | (535)              | -0.3%   | 2,065             | 1.0%    |
| Recurring Revenues Less CIP                 | (2,530)          | -0.9%   | (790)              | -0.3%   | 1,743             | 0.6%    |
| Non-Recurring                               | -196             | -27.3%  | 119                | 16.6%   | 719               | 100.0%  |
| <b>FISCAL YEAR 1998</b>                     |                  |         |                    |         |                   |         |
| Gross Receipts Tax                          | (165)            | -0.1%   | (1,670)            | -0.8%   | (6,770)           | -3.4%   |
| Recurring Revenues Less CIP                 | 2,929            | 1.0%    | 3,352              | 1.1%    | (2,564)           | -0.9%   |
| Non-Recurring                               | 1,121            | 12.3%   | 4,371              | 47.9%   | 4,371             | 47.9%   |
| <b>FISCAL YEAR 1997</b>                     |                  |         |                    |         |                   |         |
| Gross Receipts Tax                          | (1,112)          | -0.6%   | (1,112)            | -0.6%   | 2,388             | 1.2%    |
| Recurring Revenues Less CIP                 | 1,030            | 0.4%    | 1,641              | 0.6%    | 4,516             | 1.6%    |
| Non-Recurring                               | 111              | 3.5%    | 32                 | 1.0%    | 536               | 17.0%   |
| <b>FISCAL YEAR 1996</b>                     |                  |         |                    |         |                   |         |
| Gross Receipts Tax                          | 3,887            | 2.0%    | 3,287              | 1.7%    | 3,287             | 1.7%    |
| Recurring Revenues Less CIP                 | 4,892            | 1.8%    | 4,540              | 1.7%    | 3,822             | 1.4%    |
| Non-Recurring                               | 587              | 17.5%   | 883                | 26.4%   | 1,046             | 31.2%   |

## ACTUAL AND ESTIMATED GENERAL FUND REVENUES FOR FY/05

All figures in \$1,000's

| REVENUE SOURCES:           | UNAUDITED      | ESTIMATES                 |                |               |                          |                |               |                            |                 |               |
|----------------------------|----------------|---------------------------|----------------|---------------|--------------------------|----------------|---------------|----------------------------|-----------------|---------------|
|                            | ACTUAL         | 2nd Revision (March 2005) |                |               | 1st Revision (Dec. 2004) |                |               | Approved Budget (May 2004) |                 |               |
|                            | FY/05          | Estimate                  | Difference     | Percent       | Estimate                 | Difference     | Percent       | Estimate                   | Difference      | Percent       |
|                            | 297,519        |                           |                |               |                          |                |               | 282,043                    |                 |               |
| Gross Receipts Taxes       | 268,596        | 265,638                   | (2,958)        | -1.1%         | 265,638                  | (2,958)        | -1.1%         | 254,443                    | (14,153)        | -5.3%         |
| Quarter Cent Public Safety | 28,923         | 28,709                    | (214)          | -0.7%         | 28,709                   | (214)          | -0.7%         | 27,600                     | (1,323)         | -4.6%         |
| Property Taxes             | 26,153         | 25,410                    | (743)          | -2.8%         | 25,046                   | (1,107)        | -4.2%         | 25,046                     | (1,107)         | -4.2%         |
| Telephone Franchise        | 3,332          | 3,565                     | 233            | 7.0%          | 3,565                    | 233            | 7.0%          | 3,995                      | 663             | 19.9%         |
| Electric Franchise         | 5,728          | 5,904                     | 176            | 3.1%          | 5,904                    | 176            | 3.1%          | 5,904                      | 176             | 3.1%          |
| Gas Franchise              | 4,687          | 4,388                     | (299)          | -6.4%         | 4,388                    | (299)          | -6.4%         | 3,449                      | (1,238)         | -26.4%        |
| Cable Franchise            | 3,422          | 3,367                     | (55)           | -1.6%         | 3,367                    | (55)           | -1.6%         | 3,367                      | (55)            | -1.6%         |
| Other Franchise            | 784            | 894                       | 110            | 14.0%         | 894                      | 110            | 14.0%         | 708                        | (76)            | -9.7%         |
| Water Utility              | 4,770          | 4,927                     | 157            | 3.3%          | 5,144                    | 374            | 7.8%          | 5,144                      | 374             | 7.8%          |
| PILOT (excluding Water)    | 1,104          | 1,113                     | 9              | 0.8%          | 1,113                    | 9              | 0.8%          | 1,113                      | 9               | 0.8%          |
| Building Permits           | 11,909         | 9,786                     | (2,123)        | -17.8%        | 9,784                    | (2,125)        | -17.8%        | 9,177                      | (2,732)         | -22.9%        |
| Other Licenses/Fees        | 3,117          | 2,839                     | (278)          | -8.9%         | 2,971                    | (146)          | -4.7%         | 2,840                      | (277)           | -8.9%         |
| Gasoline Tax Distrs        | 2,361          | 2,300                     | (61)           | -2.6%         | 2,377                    | 16             | 0.7%          | 2,497                      | 136             | 5.8%          |
| Other Intergov'l           | 2,906          | 2,813                     | (93)           | -3.2%         | 2,500                    | (406)          | -14.0%        | 2,834                      | (72)            | -2.5%         |
| Charges for Services       | 18,079         | 16,504                    | (1,575)        | -8.7%         | 16,833                   | (1,246)        | -6.9%         | 16,308                     | (1,771)         | -9.8%         |
| Internal Service           | 1,071          | 921                       | (150)          | -14.0%        | 1,071                    | 0              | 0.0%          | 1,071                      | 0               | 0.0%          |
| Indirect Overhead          | 14,933         | 14,383                    | (550)          | -3.7%         | 14,189                   | (744)          | -5.0%         | 14,189                     | (744)           | -5.0%         |
| Fines and Forfeitures      | 220            | 91                        | (129)          | -58.6%        | 40                       | (180)          | -81.8%        | 5                          | (215)           | -97.7%        |
| Interest on Invest         | 1,590          | 1,500                     | (90)           | -5.7%         | 1,300                    | (290)          | -18.2%        | 1,900                      | 310             | 19.5%         |
| Other Miscellaneous        | 693            | 730                       | 37             | 5.3%          | 593                      | (100)          | -14.5%        | 593                        | (100)           | -14.5%        |
| Interfund Transfers        | 2,128          | 2,126                     | (2)            | -0.1%         | 2,126                    | (2)            | -0.1%         | 2,126                      | (2)             | -0.1%         |
| CIP Funded Positions       | 7,217          | 8,510                     | 1,293          | 17.9%         | 8,815                    | 1,598          | 22.1%         | 8,815                      | 1,598           | 22.1%         |
| <b>TOTAL REVENUE</b>       | <b>413,724</b> | <b>406,418</b>            | <b>(7,306)</b> | <b>-1.8%</b>  | <b>406,367</b>           | <b>(7,357)</b> | <b>-1.8%</b>  | <b>393,124</b>             | <b>(20,600)</b> | <b>-5.0%</b>  |
| <b>LESS: NON-RECUR</b>     | <b>12,980</b>  | <b>8,107</b>              | <b>(4,873)</b> | <b>-37.5%</b> | <b>8,331</b>             | <b>(4,649)</b> | <b>-35.8%</b> | <b>2,686</b>               | <b>(10,294)</b> | <b>-79.3%</b> |
| <b>RECURRING REVENUE</b>   | <b>400,744</b> | <b>398,311</b>            | <b>(2,433)</b> | <b>-0.6%</b>  | <b>398,036</b>           | <b>(2,708)</b> | <b>-0.7%</b>  | <b>390,438</b>             | <b>(10,306)</b> | <b>-2.6%</b>  |

