

July 1, 2006

BOARD OF COUNTY COMMISSIONERS

Alan B. Armijo, Chair

Teresa L. Córdova, Ph.D., Vice Chair

Deanna Archuleta, Member

E. Tim Cummins, Member

Michael Brasher, Member

Dear Commissioners:

THE FISCAL YEAR 2007 AND 2008 BIENNIAL BUDGET supports organizational goals of improving and sustaining the quality of life for residents, making local government more effective and efficient, and protecting the interests of its citizens. The decisions made within this biennial budget plan outline the future of the County's service delivery systems, its financial future, and the quality of life for its citizens.

This plan balances revenues and expenditures for each year of the biennium and conforms to State of New Mexico Department of Finance and Administration (DFA) requirements. What follows is a summary of how the County arrived at this point.

IMPROVING THE QUALITY OF LIFE IN CHALLENGING TIMES

On July 1, 2006 Bernalillo County became sole operator of the Metropolitan Detention Center (MDC). For the past thirty year, under a Joint Powers Agreement (JPA), the City of Albuquerque (COA) was responsible for the daily operations of the facility and the detention of adult offenders. The City and County each equally contributed to and participated in all direct and indirect costs of operating and maintaining the MDC. However, debt service payments and reserve requirements were the sole responsibility of the County. The Albuquerque Bernalillo County Government Commission (ABCGC), a joint committee of City and County officials, governed over all MDC policy matters and resolved differences over the budget.

In April of 2005, the County was notified of the COA's intent to cancel the JPA. The level of funding from the City for operation of the MDC was questionable and many meetings were held to resolve the issue at hand. Upon the COA notification, the County began the budget planning for a facility that

has historically experienced a 10 percent average increase year over year in operating costs. In Fiscal Year 2006 the City and the County each budgeted \$24,138,400 for the operating costs of MDC. Final 2006 year-end expenditures will not be provided to the County until the City audit is complete.

The Fiscal Year 2007 and 2008 biennial budget includes \$12,500,000 in funding from the COA for each year of the budget. The total approved Fiscal Year 2007 operating budget for MDC is \$54,862,532 and includes \$2,770,802 of operating funding for the addition of the new Health Services Unit (HSU). Excluding the new unit, the MDC operating budget increased 8 percent from FY2006 to FY2007.

While the road ahead is challenging, the path we forge for the future is crucial and is best exemplified by the past when foresight resulted in the construction of the current MDC facility. Overcrowding at the old downtown facility resulted in the Board of County Commissioners approving a revenue bond issue for

jail construction in 1996. The outcome was a state-of-the-art detention facility completed in 2003 that houses over 2,100 detainees of all classifications. Strategic infrastructure was put into place that allows the facility to expand to a capacity of 5,000 detainees. Every avenue will be explored in the effort to reduce costs and improve efficiencies. One such effort currently in place is the Community Custody Program (CCP). The program allows rigorously screened and intensively supervised inmates to return to their home, job and neighborhoods. Costs associated with CCP are far less than traditional incarceration.

An additional efficiency was realized by the County several months prior to assuming responsibility of the MDC facility. The issuance of a Request for Proposal (RFP) for medical, dental, mental health, and psychiatric services for the Metropolitan Detention Center resulted in an annual cost savings of approximately \$1.6 million in the fiscal year 2007 budget as compared to the prior year.

The Fleet-Facilities Department will assist MDC in all accident management activities and will work in conjunction with Risk Management to determine how accident management can improve fleet operations. The Fleet-Facilities Department has also established policies and procedures for preventive maintenance, replacement guidelines and vehicle utilization criteria that will ultimately result in improved employee safety and additional cost reductions.

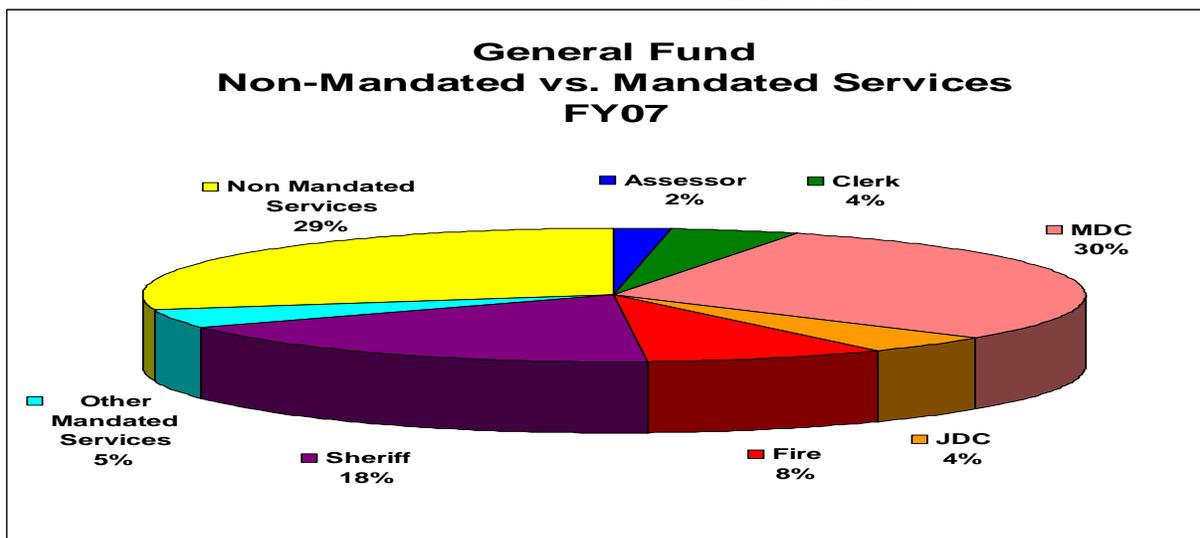


Metropolitan Detention Center (MDC)

COUNTY MANDATED & NON-MANDATED SERVICES

In addition to operating MDC, the County continues to meet citizen requests for enhanced services, continued compliance with State and Federal mandates, e.g., Treasurer, Assessor, Clerk, and to act in accordance with unfunded mandates, often an unintended consequence of federal or state administrative action. Major mandates affecting Bernalillo County in recent years include; housing of state prisoners in county jails; indigent health care; voting machine requirements; and federal mandates such as storm water regulations and dust mitigation on County roads.

Bernalillo County faces tough challenges in sustaining its current programs in the face of these high expectations. In fiscal year 2007, 71 percent of the General Fund budget is committed to meeting County mandates. Realizing the vision for a sustainable county, while improving quality of life for everyone, meant that difficult decisions were necessary to address the challenges ahead and a broad range of other issues in an integrated manner. With ample foresight, sound management, and direction from the Board of County Commissioners, the staff met the challenge. The culmination of a balanced two year budget for Fiscal Year 2007 and Fiscal Year 2008 are testaments to this fact.



STRATEGIC GOALS AND OBJECTIVES

The roadmap for the development of this biennial budget plan was made possible through the incorporation of an underlying process of on-going strategic thinking and strategy development. It was through the strategic planning process that the required policies specific to this budget plan were determined.

In planning for the future, the Board directed its efforts to turning its values and vision into reality. It engaged the community so the Board's work would reflect the community's values. Bernalillo County is a constitutionally mandated entity, deriving powers from the Federal and State governments. In recognition of its responsibilities to the citizens of Bernalillo County, the elected officials and employees pledge the following:

Develop and articulate Bernalillo County goals

- **Goal #1** Courteously and equitably administer all programs, ordinances and laws;
- **Goal #2** Provide efficient and effective services;
- **Goal #3** Foster open communication between County Government and the citizens of Bernalillo County;
- **Goal #4** Maintain a professional administration through the application of sound personnel and management practices;

Align Bernalillo County resources to attain the goals

- Identify the linkages between citizen satisfaction, employee capital development, efficiency enhancement and revenue growth;

Adopt policies to support achievement of Bernalillo County goals

Revenue Policies

- Maintain diversified and stable revenue sources to shelter the County's resources from fluctuations and minimize the effect of economic downturns;

Operating Budget Policies

- Focus on the Board's highest priorities and fund only those items that the County can sustain financially;
- Adopt and maintain a balanced biennial operating budget and an integrated six-year capital improvement budget;

Capital Improvement Policies

- Prepare a six-year CIP every two years to guide the County's state and federal funding requests and to develop the General Obligation Bonds presented to voters and to form the County's component of New Mexico's Infrastructure Improvement Plan;
- Evaluate and rank CIP projects based on factors such as committed funding, need, timeliness, operating budget impact and service area;

Debt Policies

- Match capital needs with economic resources on an annual basis to ensure that the proposed level of debt issuance does not place a constraint on maintenance of the County's excellent credit worthiness; (AA+ bond rating by Standard and Poors');
- Maintain debt at a level considered manageable by the rating agencies based upon current economic conditions, including among others, population, per capita income and assessed valuation;

Reserve Policies

- Maintain at least 3/12 of budgeted fund expenditures in a reserve for subsequent year expenditures to maintain an adequate cash flow until the next significant property tax collection;

Establish an accountability framework that measures progress toward goal achievement

- Schedule quarterly budget reviews with departments to review progress of goals and objectives and budget revenues and expenditures;
- Report results, acknowledge success and set an appropriate course of action when improvement is needed;

Build an effective leadership team

- Strengthen current talent, boost productivity, improve retention, align the organizational priorities with strategic competencies;
- Creation of a Bernalillo County Supervisor Training and Education Program (STEP) designed to develop future leaders of Bernalillo County.

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In addition to the established goals, each year Bernalillo County establishes key legislative lobbying priorities for the next legislative session. For the 2007, 48th Legislative Session, Bernalillo County is continuing with a theme of opposing legislation that proposes revenue reductions; adversely affects

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funding sources; and diminishes the County's regulatory authority.

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As challenges arise, Bernalillo County continues to make the necessary adjustments to maintain its long-term strategic management focus.

ECONOMIC FACTORS

Bernalillo County is surrounded by wide, open vistas and bordered by national forest and Native American Trust lands. In its center exists a thriving community with more than 600 thousand residents, a solid economic base and an unparalleled quality of life. The County maintains over 700 miles of roads, as well as trails and storm sewers and also provides many community services through parks, community centers, sports facilities, little league fields and social service programs.

Two major interstates, I-40, a major route from Los Angeles to the East Coast, and I-25, which runs from Mexico through Denver and on to Canada, intersect at the center of Metro New Mexico in Bernalillo County. The area is also served by mainline rail and direct air service, creating an incredible infrastructure network for market access.

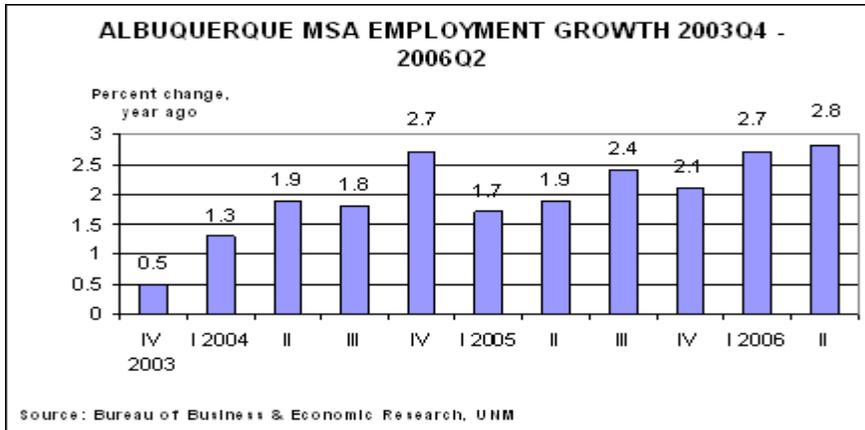
ECONOMIC PERFORMANCE

New Mexico is the fifth largest state in land area; 121,589 square miles and the state's most populated county, Bernalillo County, grew 8.6 percent since the 2000 census and current population estimate is 603,562. The Albuquerque Metropolitan Statistical Area (MSA), which includes Bernalillo County and three neighboring counties (Sandoval, Tarrant and Valencia counties) has been on a path of accelerating expansion, with non-agricultural employment growth continually increasing since the beginning of 2006. Non-farm employment growth posted a 2.8 percent increase during the first quarter of 2006.

New Mexico seasonally adjusted first quarter unemployment rate was 4.6 percent. The economy added a total of 22,133 jobs (net) between the first quarters of 2005 and 2006. New Mexico personal income growth for the entire year in 2005 was 7.0 percent, 10th nationally. The government, health services industries and construction industry added a total of 13,000 jobs between them.

Federal, state and local government added 3,900 jobs from a year ago. Local government includes Indian tribes and their casinos. Construction employment continues to see rapid growth, up 9.1 percent on the year, adding 5,000 jobs. Housing remained strong, posting a 12.0 percent gain in total housing unit permits. Another sector doing well is the information industry, which added 767 jobs, the majority of which were in the film industry. The natural resources and mining sector has experienced job growth due to sustained higher prices for oil and natural gas. Job growth currently stands at 10.2 percent over the year, adding 1,700 jobs.

MSA first quarter unemployment rate, non-seasonally adjusted was 4.6 percent. Non-farm employment was up 2.7 percent in the first quarter in 2006 compared to the prior year. The Albuquerque MSA added over 10,000 jobs (net) between the first quarter of 2005 and 2006. Personal income growth was estimated at 5.9 percent for the first quarter. The majority of the new jobs came from four of thirteen sectors; construction, government, retail trade and health care. The information sector is reflecting a period of rapid expansion. That sector is expected to add hundreds of jobs during the next two years.

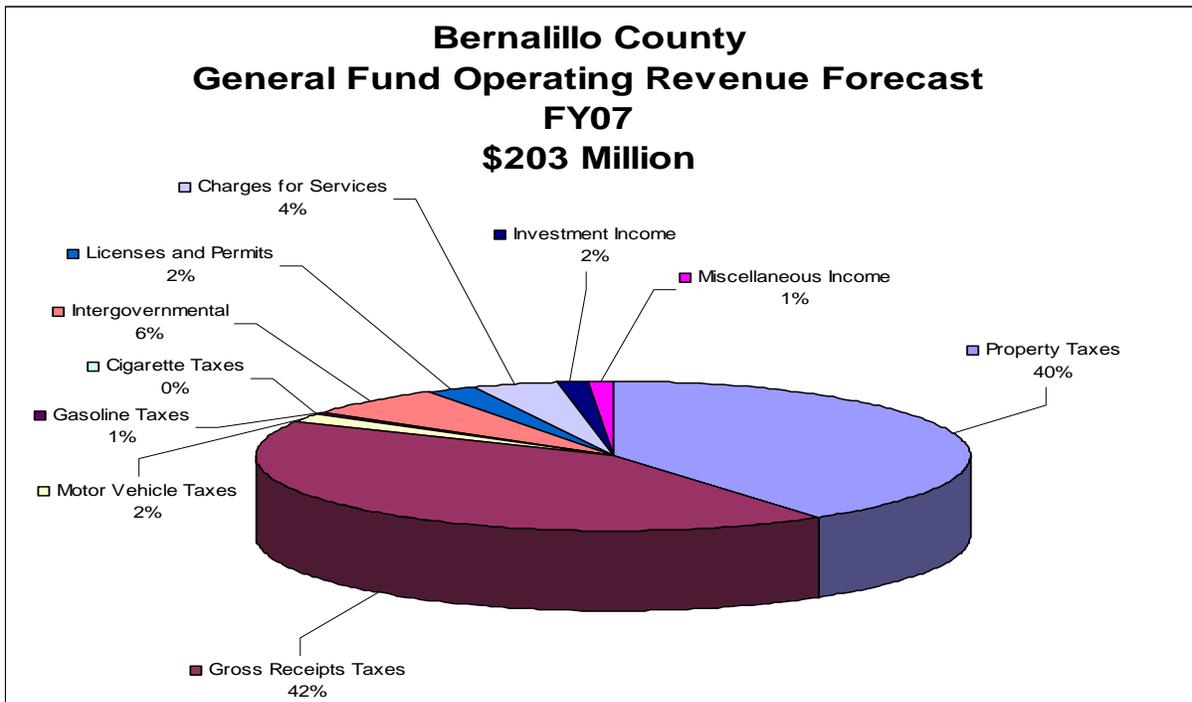


ECONOMIC OUTLOOK

According to forecasts by the University of New Mexico's Bureau of Business and Economic Research, the New Mexico economy will continue to experience non-farm employment growth during the next four quarters averaging 2.7 percent. Growth will then slow to near 2.0 percent into 2009. Non-farm employment growth is expected to reach 2.6 percent in 2006 and 2.3 percent in 2007 and dropping to 2.0 percent in 2008 and 2009. Nationally, non-farm payroll growth is expected to reach 1.5 percent in 2006 and 1.4 percent in 2007. New Mexico personal income is projected to increase 6.1 percent this year

and 5.5 percent in 2007. New Mexico personal income growth is expected to closely mirror the national rate in the remaining months of 2006 and in 2007. Sources of projected new job growth in Bernalillo County include: Tempur-Pedic, Eclipse Aviation and Verizon Wireless. The construction of the Tempur-Pedic plant in Bernalillo County is well underway. The over 800,000 square foot facility was constructed at a cost of \$56 million and the company will eventually provide 300 jobs. The indicators seem to agree that the economy is on solid footing.

FINANCIAL OVERVIEW



RESOURCES

The total available resources for FY07 are \$612 million, including revenues of \$471 million and estimated cash balances of \$141 million. Steps have been taken to ensure that appropriate reserves are in place at the end of the fiscal year. The General Fund operating revenue budget is estimated at \$203 million, which does not include Tax and Revenue Anticipation

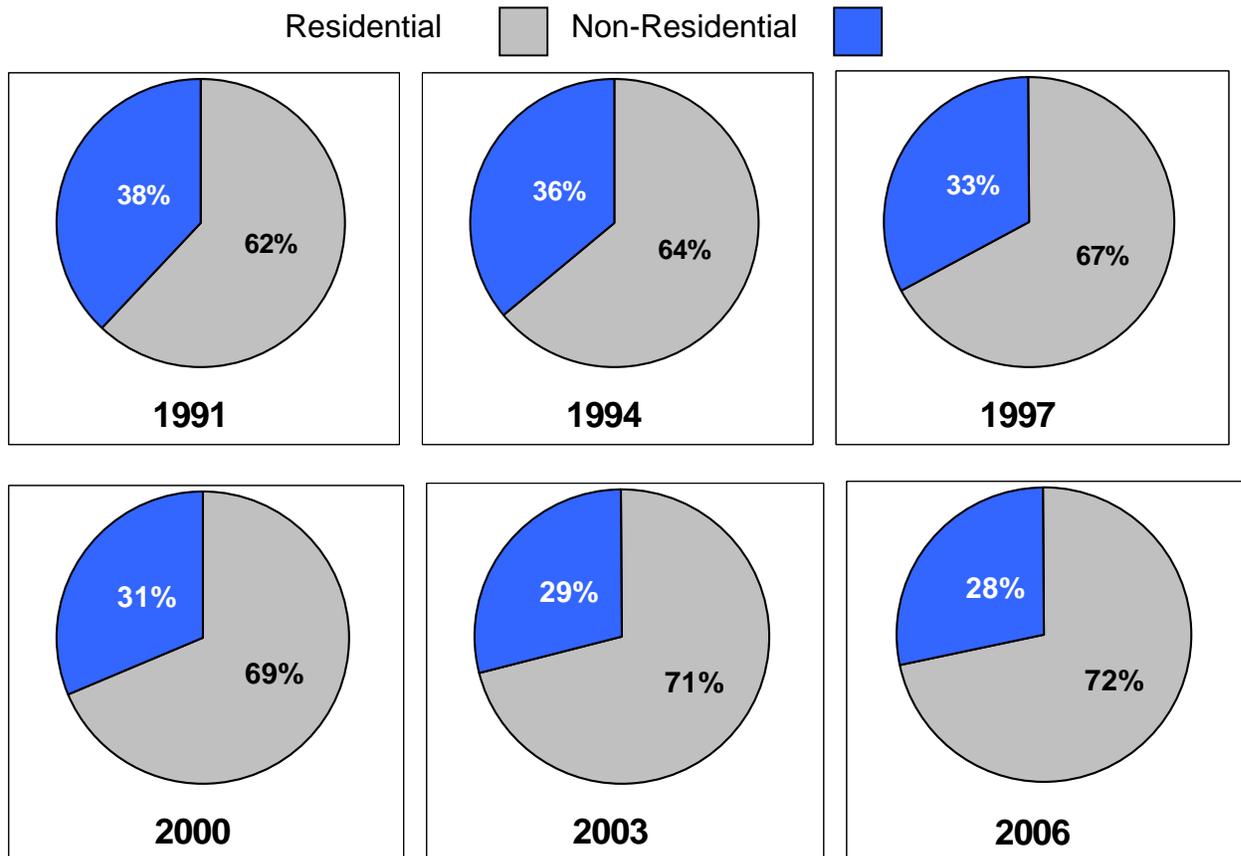
Note (TRAN) proceeds and other non-recurring revenue. The analysis of revenues, in particular, gross receipts tax revenue comprising 42 percent of the General Fund operating budget and property tax revenue comprising 40 percent of the General Fund operating budget was thoroughly reviewed.

Property Tax

Property tax revenue has grown by an average of over 7 percent annually during the past six years due to the growing population and economic development. The property tax burden has shifted significantly to homeowners since the current tax system was put in place in the mid-1980's. In 1991 non-residential property comprised 38 percent of the net taxable valuation, but in the wake of several property revaluations, this figure has dropped to 28 percent in the 2006 tax year. In response, the Assessor conducted

a countywide non-residential property appraisal. The process began in June 2004 and continued through February 2005. In the 2006 tax year, the property base grew by 6.5 percent. Property revaluations represented a 1 percent increase. New construction grew 3 percent. Tax on revalued property is limited by the yield control formula. New construction represents a direct source of new tax revenue for Bernalillo County.

COMPOSITION OF NET TAXABLE VALUATION 1991 – 2006

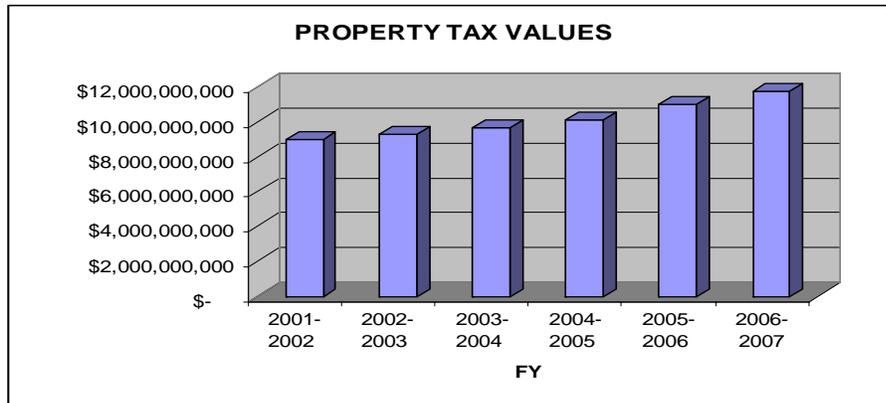


By statute, operational property tax rates are subject to the yield control formula. This statute limits the annual tax revenue increase resulting from rates certified by DFA for existing residential and non-residential property to the lower of five percent or the inflation rate. Beginning in 2001, the valuation of a residence that did not change hands in the prior year may not increase by more than 3 percent annually (excluding any increase due to physical changes to the property). This covers rental properties as well as owner-occupied residences.

Bernalillo County assesses residences at market value. The Assessor determines market value by the sales-comparison approach, which matches a property's value to that of similar properties. One-third of that amount is the taxable value, but taxable value may be further reduced by exemptions. Under New Mexico

property tax law there are two categories of individual property taxation exemptions and several categories of institutional and governmental exemptions. Individual exemptions are available for heads of families and qualifying veterans. Institutional exemptions are available for governmental agencies, schools, churches and special status exemptions.

The general operating tax rate imposed by each governmental unit for residential property is the same rate that is imposed for nonresidential property. Section 7-37-7 NMSA 1978 ("Tax Rates Authorized; Limitations") provides for \$11.85 per \$1,000 of net taxable value of property allocated to each county in New Mexico. Bernalillo County has 0.95 mills of property tax authority remaining. 0.95 mills of property tax would yield approximately \$10 million per year.



Tax Year	Fiscal Year	Property Tax Values	% Change
TY01	FY01/02	\$ 9,000,268,429	n/a
TY02	FY02/03	\$ 9,284,129,807	3.15%
TY03	FY03/04	\$ 9,633,808,020	3.77%
TY04	FY04/05	\$ 10,091,960,621	4.76%
TY05	FY05/06	\$ 11,002,745,292	9.02%
TY06	FY06/07	\$ 11,715,540,463	6.48%

Gross Receipts Tax

The gross receipts tax (GRT) in Bernalillo County as of July 1, 2006 is 5.6875 percent. It is projected to generate 42 percent of the General Fund's revenues in fiscal 2007 and 2008 and is the County's largest source of operating funds. The tax is broad-based, including services and the sale of property. Over time, total GRT collections have demonstrated a steady growth pattern. There was an increase of approximately 7.4 percent in GRT revenue in FY 2006 compared to an increase of 4.7 percent in the previous year.

In October 2005 the Board of County Commissioners approved the adoption of the ordinance to implement a 1/8 percent Correctional Facility Gross Receipts Tax countywide. With the presentation of this item Bernalillo County began planning for the possibility of operating the MDC without financial assistance from the City of Albuquerque. The resulting GRT on July 1, 2006 of 5.6875 percent is lower than most cities and counties in New Mexico and many major cities in the nation. With this enactment, the County's dependence on more economically sensitive GRT's will increase; however, the maintenance of sizable reserves alleviates this risk. In addition, the County's

emphasis on economic development will yield more gross receipts tax in the future. Overall, Bernalillo County has realized steady GRT growth, even during recent recessionary periods.

The County is exploring every avenue available to access all available Federal, State and grant funds and will continue to seek efficiencies and cost saving

Government Tax Rates Within New Mexico

- Las Cruces 7.1250%
- Santa Fe 7.6250%
- Rio Rancho 6.6875%
- Taos 7.5000%
- Belen 7.1875%
- Farmington 7.0000%
- Las Vegas 7.3125%

During the 2006 legislative session NMSA 7-20E-18 known as the County Health Care Gross Receipts Tax was amended to allow an implementation of up to 2/16 percent Gross Receipts Tax. The County Health Care Gross Receipts Tax can be implemented for the following:

1. The first 1/16 percent Healthcare Gross Receipts Tax must be dedicated to support the county-supported Medicaid fund. This payment is required from each County in New Mexico. Currently, the University of New Mexico Hospital (UNMH) makes the required payment to the State of New Mexico on behalf of Bernalillo County. UNMH will be relieved of this obligation to make this payment of approximately \$10 million per year. The proposed agreement

measures and make every effort to minimize the impact to the budget and current services.

In addition to the aforementioned measures, research occurred in order to compare the County's tax rate with other like governments inside and outside the state.

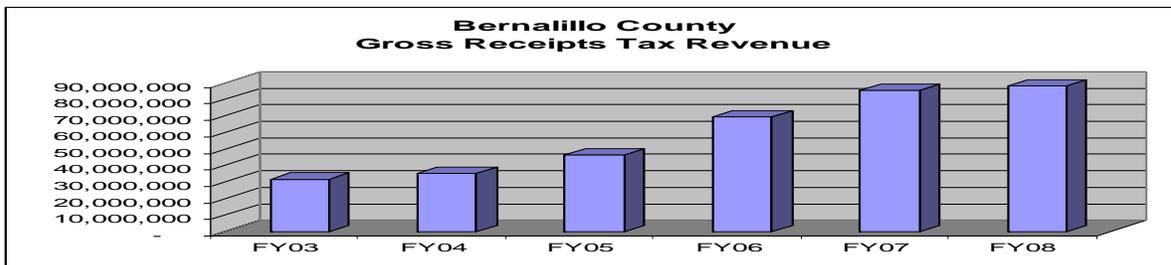
Government Tax Rates Outside New Mexico

- El Paso 8.25%
- Los Angeles 8.25%
- Tempe 8.10%
- Phoenix 8.10%
- Dallas 8.25%
- Denver (sales) 7.60%
- Denver (food/bev/liquor) 8.10%
- Colorado Springs 7.40%
- San Antonio, Texas 8.125%

between UNMH and Bernalillo County is to ensure that additional funds available to UNMH from adoption of this Ordinance are used for indigent health care.

2. The second 1/16 percent Indigent Healthcare Gross Receipts tax can be imposed for a period that ends no later than June 30, 2009. Revenue from the second 1/16 percent gross receipts tax must be dedicated to the support of indigent patients.

The addition of the 2/16 percent Indigent Health Care Tax would increase the GRT rate to 5.8125 percent on January 1, 2007. The new tax would generate \$5 million in fiscal year 2007 and \$10 million in fiscal year 2008.



Current economic conditions and foresight by the Commission allow the County to continue to maintain core services and include funding for MDC, however, prudent long term fiscal planning dictates that the

County remain conservative, focus on the Board's highest priorities and fund only those items the County can sustain financially.

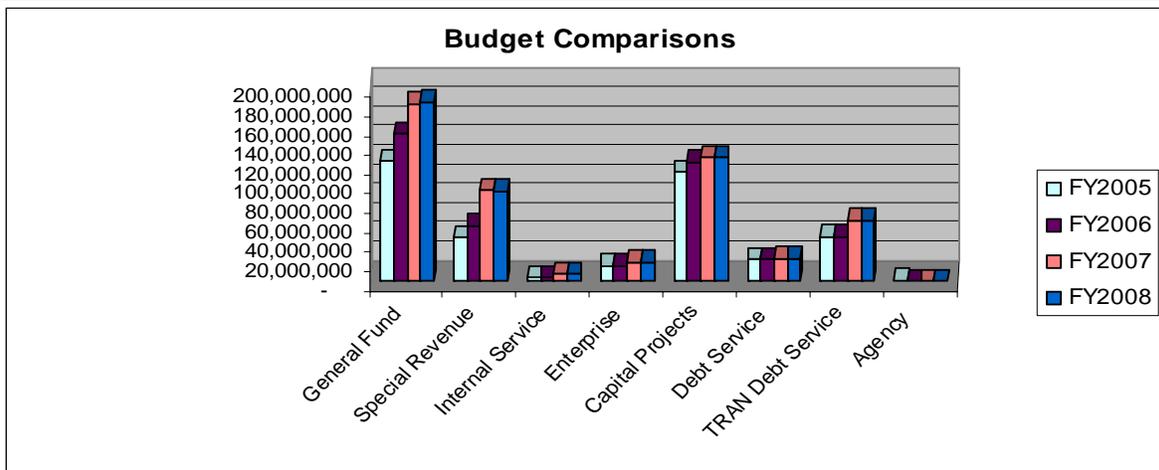
EXPENDITURES

The total financial program for Bernalillo County is \$521 million for the fiscal year ending June 30, 2007. This year's appropriations represent an increase of \$31 million or 17 percent over the previous year. The majority of the [0]increase is due to the incorporation of the MDC budget. The increase to the General Fund budget is approximately 20 percent. Departments submitted flat budgets for fiscal years 2007 and 2008

and operating budget requests for fiscal years 2007 and 2008 are limited to base budgets for fiscal year 2006 with exception of mandatory employee benefit requirements, MDC operational needs and continuation of programs approved by the County Commission in prior years.

Comparison of Original Adopted Budgets

Fund Type	FY2005	FY2006	FY2007	% Change	FY2008	% Change
General Fund	124,546,351	152,859,269	183,617,737	20.12%	185,783,064	1.18%
Special Revenue	45,294,106	57,844,878	94,275,296	62.98%	92,935,021	-1.42%
Internal Service	3,830,722	3,830,772	7,596,091	98.29%	8,009,381	5.44%
Enterprise	16,709,238	16,709,238	19,900,189	19.10%	20,174,978	1.38%
Capital Projects	113,411,088	123,100,447	128,387,169	4.29%	128,387,169	0.00%
Debt Service	22,605,270	22,817,155	23,925,565	4.86%	23,769,412	-0.65%
TRAN Debt Service	45,898,904	45,900,000	62,700,000	36.60%	62,700,000	0.00%
Agency	690,957	469,057	323,200	-31.10%	323,200	0.00%
Totals	372,986,636	423,530,816	520,725,247	22.95%	522,082,225	0.26%



Prudent use of debt is one way the County will moderate the effect of instability. State Statutes limit the aggregate amount of the County's general obligation debt to 4 percent of the County's reported net taxable valuation. In FY07, the County's

outstanding General Obligations bonds total \$79 million, which represents 17 percent utilization of bonding capacity.

THE RISING COST OF PUBLIC SAFETY

Public Safety costs over the past ten years have been at or over 50 percent of the County General Fund budget and the demand continue to exceed available resources. The result of growth and the incorporation of MDC is an additional 7 percent growth in the public safety budget. Operating costs for full operation of the Metropolitan Detention Center (MDC) and the Health Services Unit (HSU) total \$55 million. In fiscal year 2007, the public safety budget comprises 57 percent of the General Fund budget. Jail costs have increased at a rate of 10 percent each year and with the addition of the 126-bed Health Services Unit at MDC, costs will continue to increase. A conservative 5 percent increase in operating costs for MDC and the HSU is included in the FY08 budget.

In addition, jail expansion discussions are currently taking place and unless significant efficiencies are implemented, jail bed, growth, and costs will continue to consume a larger portion of the budget. In addition to the jail there are many other needs including:

- The Sheriff's Department must be able to maintain its fleet, radio and mobile computing systems and other equipment in addition to maintaining the necessary staffing growth as the population increases;
- The Fire & Rescue Department has increased its staffing by 48 since fiscal year 2005. An additional 12 fire fighters were approved in each year of this biennial budget. However,

the need continues in order to provide better response to fire and medical emergencies. These additional firefighters, together with improved equipment and increased availability of water sources will move the County towards lower Insurance Service Organization (ISO) ratings, which in turn will result in lower property insurance rates;

- Transitioning to wireless communications, global positioning and Enhanced 911 systems also require needed resources to improve interoperability between Law Enforcement, Fire Service and support groups like Public Works, etc. in the event of a major disaster;
- Without the efforts being made by the Juvenile Detention Center regarding detention reform, the public safety costs would even be greater. Continued support for juvenile detention reform is absolutely critical.

The underlying goal behind funding these programs is to improve safety, mobility, and the quality of life of our citizens, in turn having a positive affect on the local economy. Available funds, taxing capacity, and debt capacity are analyzed regularly. Funding availability may require deferral of some projects placed on the CIP beyond the years in which they are initially programmed for accomplishment.

STAFFING

Many County funded programs and agencies will continue to receive funding but without any increases. The approved County budget calls for no layoffs, but it contains no funding for recurring raises for Bernalillo County's employees. Balancing the fiscal years 2007 and 2008 biennial budget resulted in the following:

- Foregoing of recurring employee cost of living raises
- Implementation of a 6 month selective hiring freeze
- Reduction of term employee funding

This budget involved a tremendous amount of sacrifice. Bernalillo County understands the importance of offering competitive salary and benefits that will help attract and retain the best and brightest employees. As the current fiscal issues subside, the County will have the opportunity to pursue long-term strategies that will improve fiscal stability. The following adjustments were approved in the fiscal years 2007 and 2008 budget:

- A 4 percent one time non-recurring payment was offered to non-represented and bargaining groups;
- Offers of employment to over 500 MDC City employees. All individuals who operated the jail were City employees who faced a layoff or loss of employment as a result of the City's withdrawal from the Joint Powers Agreement;
- Honoring of the longevity of employment of MDC employees in a manner that was as close to their wages, hours, benefits, terms, and conditions of employment as possible;
- MDC funding totaling \$1,528,000 to provide 33 employees for the mental health unit;

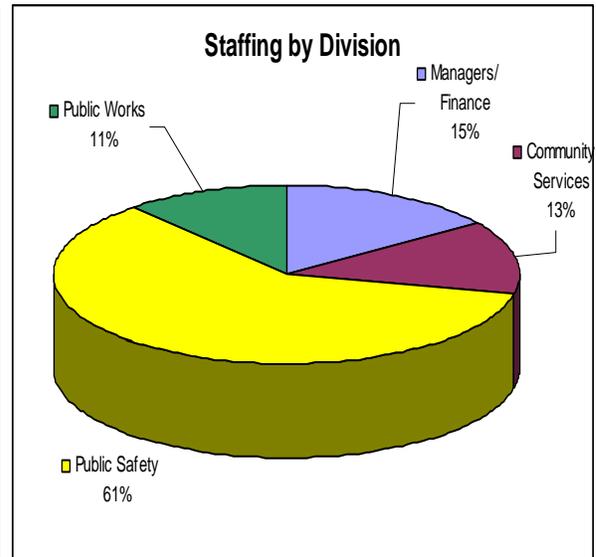
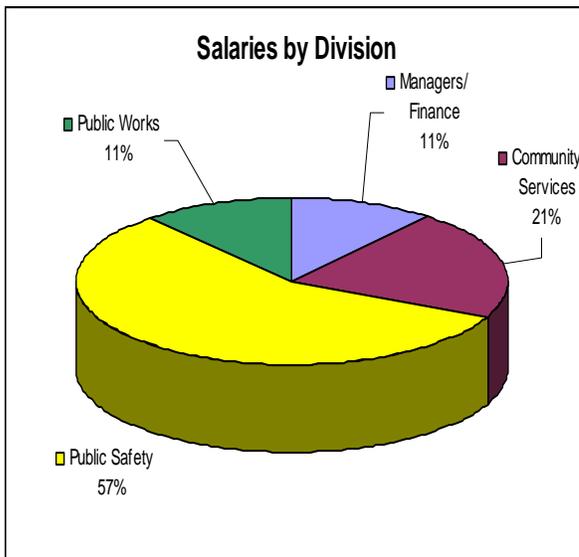
- Addition of 17 full time equivalent positions for overhead support of MDC totaling \$1,096,942, which is included in the MDC operating budget;
- Adjustments to fund a 10 percent health insurance premium increase in the amount of \$713,466, worker's compensation increase of \$232,796, unemployment compensation of \$206,640, and \$10,913 in Union Allowance line item adjustments;
- Phase in of 12 firefighters in the amount of \$400,000. A staffing plan for the Fire Department was approved by the County Commission in fiscal year 2005. Total firefighter position increase within the past 2 years, including the addition of 12 in FY07, is 60 full time equivalent positions;
- Incorporation of 26 employees for the Metropolitan Assessment Treatment Services (MATS) program and 22 employees for the Alternative Treatment Program (ATP) and the conversion of a term funded position to permanent status. The program and positions, prior to Fiscal Year 2007, had been funded through contractual services accounts;
- Conversion of two term positions to permanent positions, Engineering Technician and Health Educator in the Environmental Services GRT Special Revenue Fund, which required additional annual funding of \$7,500.
- Conversion of the following General Fund temporary and term positions to permanent status. The work requirements of these positions are on-going commitments of effort and retaining the staff is important to the department mission, the additional required annual funding is \$30,354;
- Probate Court Data Entry Clerk term position to permanent for the Probate Court Office. Additional annual conversion cost is \$9,960;
- Human Resources Programmer Analyst term position to permanent. No additional funding required;
- Accounting Department Financial Administrator term position to permanent. No additional funding required;
- Parks & Recreation Land Management Administrative Officer part time regular position to full time regular position. Additional annual conversion cost is \$8,552;
- Parks & Recreation Community Center Recreation Coordinator part time regular position to full time regular position. Additional annual conversion cost is \$3,609;
- Annual operating costs totaling \$94,179, including funding for positions, for the Before and After School and Summer Recreation Programs at Northstar Elementary School. The program is projecting revenues of \$80,000 for a net cost to the County of \$14,179;
- Sheriff's Department contracts: \$60,000 is requested for a term social worker;
- Parks & Recreation Administrative Assistant Senior from part time to full time regular position. Additional annual conversion cost is \$8,233.

The fiscal year 2008 budget plan includes the addition of 12 firefighters bringing the total firefighters added since fiscal year 2005 to 72, resulting in a 63 percent staffing increase.

As with all other cities and counties across the nation, rising employee health insurance costs have become a major issue in recent years. The upward trend in health insurance premiums in fiscal year 2007 is projected at 12 percent and dental insurance is 7 percent. In addition, the County's expense for insurance will be considerably higher in fiscal year 2007 due to the addition of the MDC employees and support staff.

In an effort to assist employees with the rising cost of insurance premiums the County offered increased employer contribution rates of 5 percent in 2005 and an additional 5 percent in 2006 to all bargaining units. Insurance rates are expected to increase an additional 12 percent in fiscal year 2008. With the addition of 24 firefighters in 2006 and premium increases the employer cost of insurance increased \$1,276,096 or 22 percent from fiscal year 2005.

The County is very aggressive in providing training in health and safety laws to prevent or correct conditions that create hazards to County property and the lives of County employees or reduce worker morale or efficiency. Employees are encouraged to support and participate in efforts and activities to help reduce and eliminate injuries and losses by practicing good safety principles. In addition, the County realizes it must continue to provide a competitive, comprehensive compensation package that will attract and retain qualified employees. Forecasted recurring revenues will be monitored, cost efficiency measures taken, legislative changes pursued to improve the financial picture and to provide improved pay incentive package for the employees that is justly deserved.



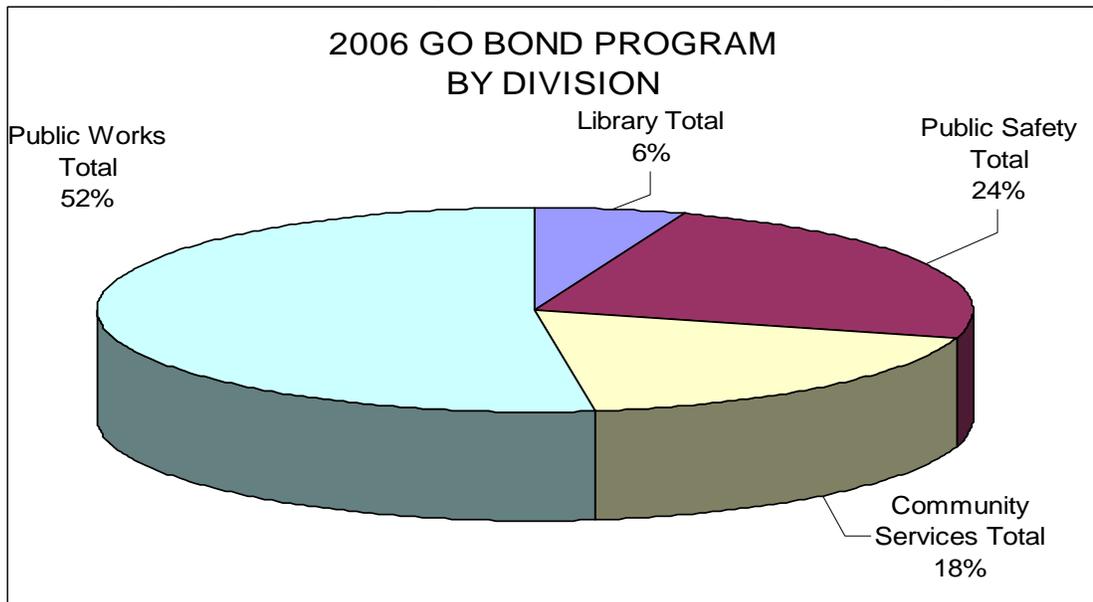
CAPITAL IMPROVEMENTS

Without increasing the mill levy, \$18 million will be available for capital improvement projects for the 2007-2008 General Obligation (GO) bond cycle. The 2007-2012 Capital Improvements Plan (CIP) for Bernalillo County is an inventory of existing and proposed capital projects. The County prepares a six-year CIP every two years.

The recommended 2006 General Obligation Bond Package was developed from the priority project list. A complete listing of six-year CIP projects is included in the plan under Public Safety, Parks, Open Space, Public Works and CIP (a division of Community Services) sections. Public input and participation into the program was encouraged and solicited through

various methods. Each Commission District hosted neighborhood meetings. Additionally, handbooks describing the process were mailed to neighborhood associations and made available Countywide at public libraries, community centers, and on Bernalillo County's website.

Requests received from neighborhood associations and individuals were forwarded to the County departments for internal review, prioritization and potential incorporation into the 2006 CIP. These requests were submitted to the CIP Committee for final evaluation. In November 2006, GO Bonds in the amount of \$18 million will be presented to voters. Bond allocation by division is presented below.



HIGHLIGHTS

WATER CONSERVATION

On the regional front, Bernalillo County staff are working closely with the Albuquerque Bernalillo County Water Utility Authority (ABCWUA) and the community to develop the proposed 40-Year Water Conservation Plan. Successful water conservation at County facilities will reduce operational costs and reduce the need for acquiring additional water rights in the future. Key components of the program developed for County facilities include retrofitting high-flow fixtures, an educational program for employees, xeriscaping, improved maintenance and leak detection, and water conservation design standards for new facilities.

The County and its residents recognize the need for water conservation due to the limited water supply and a rapidly growing region. The purpose of the Water Conservation Plan is to reduce water use in the unincorporated areas of the County and preserve water supply into the future. Public input directed the Plan development by emphasizing the importance of educating the community, of considering the uniqueness of various areas of the County, and of the County's setting a good example by using water efficiently at its own facilities. The Plan will also estimate the resources required during different phases of implementation, and will serve as a guide for the water conservation ordinances that will define the Plan.

INDIGENT HEALTH CARE

Nearly 46 million Americans do not have health care coverage and the County Commission recognizes the need to address one of our Country's greatest problems. State law requires counties to provide health services to the public at large. Finding the means to provide the additional funds needed by the County's health care institutions has been heavily debated in New Mexico. In December 2005, Governor Richardson held a health care summit to address the needs of the University of New Mexico Hospital (UNMH), located in Bernalillo County. UNMH receives and administers \$1 million per year in County Indigent Funds. Mill Levy funding of approximately \$71 million per year is provided for the operation and maintenance of UNMH. An annual deficit of \$43 million was identified by UNMH and the University of New Mexico (UNM) Board of Regents.

The Bernalillo County Commission extensively reviewed and participated in countless discussions regarding the significant health care issues at hand. Based on these discussions, a Notice of Intent to implement a 2/16th percent Healthcare Gross Receipts Tax was approved by the County Commission on June 27, 2006. Each 1/16th percent tax will raise an estimated \$10 million annually. Revenue from the 1st 1/16th cent gross receipts tax must be dedicated to support the county-supported Medicaid Fund. Implementation of this tax will allow UNMH to apply this funding toward its deficit for taking care of indigent patients. The \$10 million from the second tax would go to the county's health-care programs, including state-mandated public health programs. Funding for this initiative was not included in the July 1, 2006 budget. A separate agenda budgeting and outlining the plan for utilization of these funds will be presented at a future meeting of the County Commission.

SOUTH VALLEY HEALTH COMMONS

State statute also requires Bernalillo County to provide suitable quarters for the State Health Department, including office space for the district health officer and administrative staff, office space for physician personnel, clinic space for patients and waiting space for patients, their friends and families. In keeping with this requirement, Phase I of the new South Valley Health Commons (SVHC) is complete. The South Valley Health Commons facility will be an integrated health care campus providing a full range of primary care services to underserved populations in the South Valley of Bernalillo County.

The SVHC will provide facilities for First Choice Community Healthcare (FCCH), NM Department of Health and its Women, Infants and Children (WIC) Program, and UNMH's Family Practice and Psycho-Social Rehabilitation Programs. Phase II construction includes a 41,000+ square foot building with offices for on-site physicians, nurse practitioners and visiting specialty physicians. This project is funded through general obligation bonds and state and federal grant appropriations.

METROPOLITAN DETENTION CENTER HEALTH SERVICES UNIT

Alcohol and drug dependency is a life threatening illness that impacts every aspect of a person's life, destroying relationships, negatively affecting one's vocation, causing long-term health problems, destroying dreams, while eating away at a person's resolve to seek help. Recognizing this social issue and a desire to improve the quality of life for its citizens, the Bernalillo County Board of County Commissioners approved the purchase and renovation of the 47,000 square foot building formerly known as Charter Hospital. At the Metropolitan Assessment Treatment Services (MATS) facility patients will receive short-term detoxification, up to 30-day recovery treatment services, continued outpatient treatment, case management and supportive services. The County will take the program one step further by

constructing a 48-bed transitional housing facility on the MATS six-acre site. This 4 to 6 month program will provide continued substance abuse treatment, case management, job search assistance and other supportive services.

The County also is seeking to add a medical component to the MATS facility that will serve clients in all program components eliminating the need to take these individuals to local emergency rooms and freeing up scarce emergency beds for those in need of true emergency medical services. This additional component allows the program to provide continued substance abuse treatment services to low-income uninsured Bernalillo County residents in both the incorporated and unincorporated areas. Funding for operation of the MATS facility and services comes from the Local DWI Grant Program of the State of New Mexico.



he Metropolitan Assessment Treatment Services (MATS) Facility

TECHNOLOGY

The County has developed a strong strategic plan with a clear vision. It has internalized its vision by adopting strategic plans dealing with technology requirements for today and tomorrow. In June 2006, representatives of the Government Finance Officers Association (GFOA) completed and presented an Enterprise Resource Planning (ERP) Needs Assessment report to County management. For existing information systems, GFOA assessed current performance and expectations against end-user needs and developed short term and long term plans for improvement. Based on this information, the decision to proceed with the ERP acquisition process and RFP development was made. The RFP release date will occur in October 2006 and the scheduled go-live date on the new system is planned for July 1, 2008.

The employees who do the daily work of running our departments are the same people who will be essential to implementing an ERP system. The employees with the most knowledge will be needed for the majority of the project. Priorities will conflict between the demands of the department and the demands of the project. The most effective solution we have seen is

hiring or contracting with additional resources to serve as backfill for key office personnel. Admittedly, a new employee cannot do everything that an experienced employee normally does; however, research indicates that organizations who do not hire backfills inevitably struggle in their ERP implementation.

Bernalillo County must move away from old hardware-software and must change the internal system. The move from mainframe and obsolete architectures is necessary to improve business process efficiency and the need for better transparency and quality of information. Careful planning during the budgeting process has resulted in the necessary funding availability to help the project teams make better decisions on timing and allocation of resources.

ROAD PROJECTS

Planning for adequate infrastructure, especially roads to meet community needs, is well underway with many of the County's road projects including Isleta Boulevard. This \$22 million construction project improves Isleta Boulevard from Bridge to Rio Bravo in Bernalillo County's South Valley. Phase I,

extending from Bridge Boulevard to Arenal was completed in August of 2003. The Phase II project will consist of improvements from Arenal to Rio Bravo. The length of the Isleta portion of the project is approximately 1.8 miles. The project will add drainage infrastructure including curb and gutter, and detention ponds to remove storm water from the roadway. Sidewalks and bike lanes will be constructed as will street lighting to enhance roadway safety.

The projects listed are just a few of the many initiatives underway. Together with your support our employees have done an outstanding job in meeting the established goals and continue to provide a wide array of cost efficient and effective services for our citizens. There will continue to be challenges ahead, however, the budget plan before you allocates resources in order to address the challenges and moves the County forward.

CONCLUSION

The County's responsiveness to emerging economic and public safety challenges, its careful long-range planning and its vision for the future are key factors in Bernalillo County's fiscal health. The County's strong bond rating recently reaffirmed the strength of its fiscal management.

This budget summary is intended to provide a general overview of the contents of the Biennial 2007 and 2008 budget document and to highlight some of the more significant program changes and policy issues addressed in the budget document. The sections that follow provide more detailed information about the County's organizational structure, its goals and objectives, and operating budgets for each department.

Bernalillo County, along with other local governments, are being asked to meet the demand for better services to more customers with fewer resources - all the while providing timely and effective

service to constituents. Accountability, speed to action, customer satisfaction, and performance measurements are critical operational considerations.

Bernalillo County remains firm in its commitment to contend with the public's expectations of improved quality of life, convenient service delivery and improved performance.

The adopted budget is the culmination of the diligent efforts of many people. The deputy county managers, department directors and County staff members who participated in the planning and execution of the budget deserve a sincere "thank you" for their time and assistance with this well-received effort.

Finally, a note of thanks goes to the County Commission for their leadership on the many critical issues and for the time they devoted to the budget process.

Sincerely,

Thaddeus Lucero
County Manager