



**Greggory D. Hull**  
Mayor

April 22, 2021

Peter Wells, Acting City Manager  
City of Rio Rancho  
3200 Civic Center Circle  
Rio Rancho, NM 87144

**RE: Mayor Hull's Comments to the City Manager's Recommended Fiscal Year 2022 Budget and Capital Program**

Dear Mr. Wells:

In accordance with the City's Charter, I have reviewed your recommended budget, budget message, and capital program for Fiscal Year (FY) 2022, which begins on July 1, 2021.

**The City and the Pandemic**

One year ago, the situation and projections for the City's financial outlook were dismal and uncertain, at best, due to the unknowns of the pandemic. While other communities have not fared very well, Rio Rancho has weathered the pandemic storm exceptionally well. Furthermore, I believe Rio Rancho will be a stronger community as we put the pandemic behind us.

First and foremost, I want to commend all City staff who came to work every day during the pandemic to make sure that operations and essential services never missed a beat. I have truly been amazed by the dedication of City staff and their ingenuity to find new methods to serve the public with pandemic-related restrictions and safety precautions in place. As a result of everything I have noted, important work has been completed during this pandemic year (e.g., General Obligation Bond road improvement projects, residential street crack path and seal), and new projects were kept on track that will be coming online in the near future (e.g., Campus Park, new Senior Center).

The Recommended Budget for FY 22 very much reflects the prudent and conservative approach taken to City spending last year. As a result of this careful decision-making, more local spending, and strong construction-related activity, the City has unprecedented reserve levels. When you factor in federal pandemic relief, the City's financial situation is even stronger.

Because of past actions, I fully support your recommendations to make more investments in personnel, public facility maintenance, public safety resources, and public infrastructure improvements. In fact, because of the City's projected reserve level and financial forecast, I suggest more investment in certain areas, as detailed through my budget comments.

## Reserves and Permanent Fund

The Recommended Budget projects 60.5% (\$38,493,020) in total reserves. The State requires maintaining a minimum of 8.3% (\$5,305,331) in relation to expenditures. The City's historic policy minimum is 15% (\$9,549,595).

I have always advocated for keeping more than 15% in reserves in relation to the City's rainy-day fund, and the long-term uncertainties of the pandemic emphasize the importance of having well-stocked reserves. As such, I support making the City's new, ongoing policy minimum 25%, and that this new policy minimum is formally established through adoption of the FY 22 Balanced/Final Budgets. In FY 22, and as a point of reference, a 25% reserve equates to \$15,915,992.

While my suggestions for the FY 22 Budget draw upon reserves, what would remain in place is well above 25%. Because of this, I fully endorse your suggestion to explore the establishment of a Permanent Fund using reserves. The City has historically struggled to generate revenue to fund public service needs in relation to other communities (see charts below). This is the case because of Rio Rancho's historic tax leakage, the State's structure for local government revenue sourcing, which is predicated upon business activity and sales, and legacy land ownership issues.

REVENUE & EXPENDITURES PER CAPITA				
Top Five Populated New Mexico Cities				
FY20 Adopted Budgets				
City	Estimated Population	General Fund Revenues *	General Fund Expenditures *	Per Capita Expenditures
Albuquerque	560,513	\$614,041	\$608,477	\$ 1,086
Las Cruces	103,432	123,788	111,585	1,079
<b>Rio Rancho</b>	<b>99,178</b>	<b>63,050</b>	<b>59,092</b>	<b>596</b>
Santa Fe	84,683	102,358	102,358	1,209
Farmington	44,372	79,071	79,071	1,782

\* (000's)

Source: U.S. Census Bureau, Community Facts, 2019 Population Estimate

Table prepared by: The City of Rio Rancho Financial Services Department

<b>GROSS RECEIPTS TAXES (GRT) PER CAPITA</b>				
<b>Top Five Populated New Mexico Cities</b>				
<b>FY20 Adopted Budgets</b>				
<u>City</u>	<u>Estimated Population</u>	<u>General Fund GRT *</u>	<u>General Fund Total Revenue *</u>	<u>GRT Per Capita</u>
Albuquerque	560,513	\$413,771	\$614,041	\$738
Las Cruces	103,432	75,509	123,788	730
<b>Rio Rancho</b>	<b>99,178</b>	<b>31,486</b>	<b>63,050</b>	<b>317</b>
Santa Fe	84,683	70,382	102,358	831
Farmington	44,372	56,600	79,071	1,276

\* (000's)

Source: U.S. Census Bureau, Community Facts, 2019 Population Estimate (as July 1, 2019)  
 Table prepared by: The City of Rio Rancho Financial Services Department

Because reserves are one-time money, once it is spent, it is gone. The Permanent Fund makes sense for a portion of the reserves (a minimum of \$10,000,000) because an investment like this does two things at the same time without a tax increase: grows the money over time and generates new revenue annually to fund public service needs. There are very few options available to government to increase revenues for needs that don't require imposing a tax increase on citizens, and to make recurring money from one-time money.

Another advantage of a Permanent Fund is that if the City has financial challenges down the road, the fund would be available to tap if absolutely necessary. Decisions to do so would be made by voters, as a Permanent Fund is established by the voters and changes to funding require voter approval. Also, by establishing this fund, the City, through adoption of Ordinances, could deposit unanticipated revenues into the fund to grow the principal and increase interest yields and available money.

In the near future, I believe the City's Charter Review Committee should submit a Permanent Fund question to the Governing Body for consideration, and this question should be placed on the March 2022 ballot for voter consideration.

**Employees**

While not ideal, the lack of a cost-of-living adjustment in the FY 21 Budget due to unknown financial conditions was appropriate.

I support your recommendation to include a cost-of-living adjustment in the FY 22 Budget due to the City's financial health, and to stay in-line with past market/compensation study recommendations. However, I suggest your 2% across-the-board, all employee recommendation be doubled to 4%.

Each year, it is advised that the City give an annual cost-of-living adjustment in the range of 1.5% to 2%. Because no adjustment was given

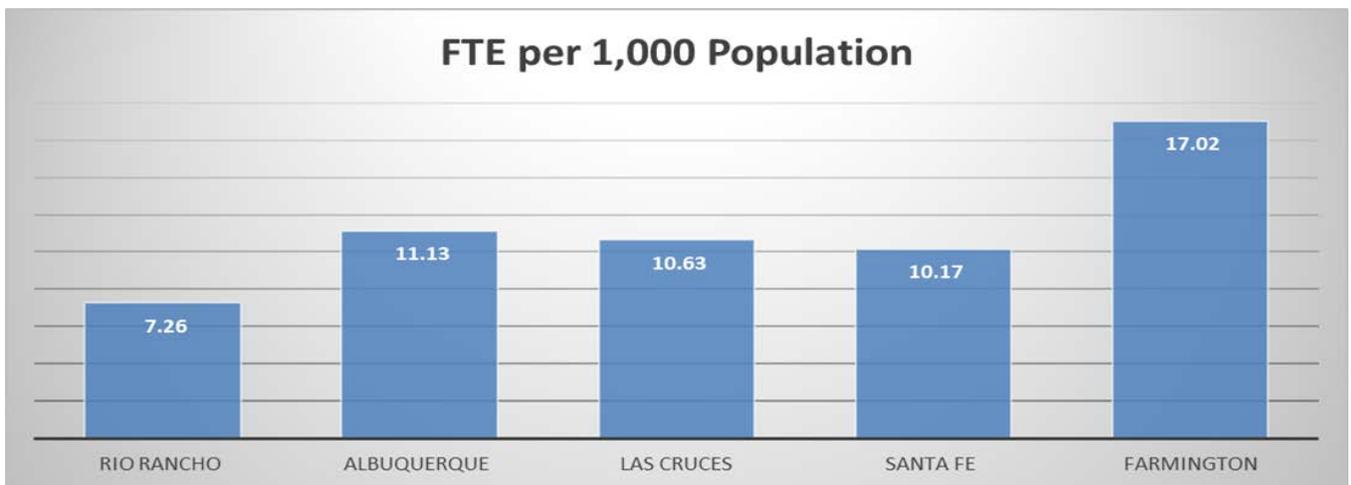
last year, I believe 4% is justified as a catch-up, and to help offset the necessary 5% health cost increase factored into the Recommended Budget.

Without a doubt, the pandemic has shown the true value and importance of public servants. As I have said before, I firmly believe that our employees work harder than those in other communities and have to do more with less. Rio Rancho has, by far, fewer employees than other communities (see charts below), which is yet another reason why we must regularly adjust compensation to retain our workforce.

<b>NUMBER OF EMPLOYEES PER 1,000 POPULATION</b>			
<b>Top Five Populated New Mexico Cities</b>			
<b>FY 20 Adopted Budgets</b>			
<b>City</b>	<b>Estimated Population</b>	<b>All Funds FTE</b>	<b>FTE per 1,000</b>
Rio Rancho	99,178	720	7.26
Albuquerque	560,513	6238	11.13
Las Cruces	103,432	1099	10.63
Santa Fe	84,683	861	10.17
Farmington	44,372	755	17.02

*Source: U.S. Census Bureau, Community Facts, 2019 Population Estimate (as of July 1, 2019)*

*Table prepared by: The City of Rio Rancho Financial Services Department*



By adding an additional 2% to the Recommended Budget for a cost-of-living-adjustment, the recurring annual cost is \$780,720 (across all funds). The City's long-term General Fund revenue projections and reserve levels are sufficient to account for this cost.

I want to be clear that my recommendation for a higher cost-of-living adjustment amount is tied to application across-the-board and the same percentage for all employees. While any amount made available for a cost-of-living adjustment must be confirmed with the City's three unions via collective bargaining, any agreement and disbursement that is not equitable will undo the corrective action approved at Mid-Year regarding market

plan/position grade structure/minimum wage adjustments for personnel. Simply put, breaking something that was just fixed is neither a path that I can endorse nor will support.

I support your recommendation to fund four new positions throughout local government. In particular, I believe the additional Planner position in the Development Services Department is needed and will be extremely beneficial to address growing demands for service from the business and development community, and to work on critical planning documents for the City.

## **Economic Development**

The City's Local Economic Development Act Special Fund was the source used in calendar year 2020 to support the relocation of NTX Bio to Rio Rancho, and up to nearly 130 high-paying jobs. When opportunity presented itself, the City was ready to act, which is precisely why I supported the creation of this special fund several years ago.

Prior to earmarking support for NTX Bio, the fund had approximately \$500,000 available to support projects and economic development efforts. I support your recommendation to replenish this fund in order to be ready to support the next economic development opportunity. My recommendation is to restore the fund level to an even \$500,000. As such, I would like to see \$252,166 added to your recommendation of \$150,000. Reserves should be used as the funding source. As a reminder, by shifting funding from reserves to this special fund, it does not mean that the money will be spent immediately; it is simply a preparation measure for the next opportunity to better the community.

As Rio Rancho, the region, and nation emerge from the pandemic, I firmly believe that more and more economic development opportunities will be available, and this is likely going to mean a need for more resources (consultants, contracted staff, etc.). As such, I am suggesting that \$50,000 is placed into the City Administration professional services budget as a placeholder for to be determined contractor/consultant/partnership opportunities. The funding source is reserves.

I am recommending that the FY 22 Budget should include \$75,000 for an Affordable Housing Study, which should be funded from reserves. Too often, and more and more recently, private sector proposals for multi-family projects that provide options for members of the workforce such as teachers, healthcare, retail, laborers, and public servants are met with opposition.

If Rio Rancho is to transition from historically a bedroom community with more and more job opportunities of all types, a diversity of housing options and price points must and should be available. While some data already exists that suggests Rio Rancho has a shortage of

affordable/workforce housing, unfortunately most discussions surrounding this topic are met by self-serving, red herring, anecdotal, and unsubstantiated feedback. I believe a comprehensive study will verify our need and provide additional information so that the Governing Body and Planning and Zoning Board can make more informed and data-driven decisions in the future.

## **Public Safety**

Public safety has been a priority for the City's Budget during my administration, with approximately 50% of available General Fund resources going to these services. I believe the Recommended Budget will continue this commitment by addressing facility maintenance, equipment, and vehicle needs. A Public Safety General Obligation Bond question on the ballot in March 2022 for voter consideration will further aid maintaining top-notch departments.

In FY 19, using a federal grant opportunity, the Fire and Rescue Department gained six new positions to help keep up with Rio Rancho's growing population. Last year, again taking advantage of a federal grant, two new officer positions were added to the Police Department. These personnel increases were coupled with compensation adjustments through amended and new collective bargaining agreements for our public safety personnel.

To further the investments made in public safety resources, and to account for growth in the community, I recommend funding two new entry-level police officer positions, including the associated new equipment and vehicle costs. An allocation of \$235,000 is needed to cover this expense. The City's long-term General Fund revenue and reserve levels are projected to be adequate enough to account for these new positions.

## **Roads**

When I came into office seven years ago, the City was woefully behind in addressing road maintenance needs, and citizens agreed. More than 90% responded in a survey that roads in Rio Rancho needed to be improved. Compounding matters further was the lack of available money to do more road work and a plan on how to get the necessary resources.

For these reasons, I strongly advocated for placing a General Obligation Road Bond question on the ballot for voter consideration in 2016. Since that time, and through overwhelming voter approval via three different election cycles, nearly \$30,000,000 has been infused into major road repair. At the same time, I pushed for the creation of the Neighborhood Streets Improvement Project (crack patch and seal on residential roads) through an investment in new equipment acquisition and staff training, as well as use of unanticipated revenue.

I fully support your recommendation to fund Phase 6 of the Neighborhood Streets Improvement Project in FY 22, and to allocate additional funding to perform work above and beyond 10 miles citywide divided between the six City Council Districts. Because there are 317 miles of residential roads in the City (173 eligible for crack patch and seal; remainder of residential roads require more costly reconstruction), and Phases 1-6 have addressed more than 60 miles since 2017, I am recommending an additional allocation of \$700,000 for this purpose in FY 22. Paired with your existing recommendation, a total of \$1,500,000 would be available for additional citywide residential crack patch and seal work via a private contractor. Funding at this level would double (20 miles total) the normal, annual amount of work taking place. Because this is a one-time cost, reserves should be used.

As part of the FY 20 Mid-Year Budget, I obtained Governing Body approval to allocate approximately \$1,400,000 to reconstruct/widen King Boulevard from Wilpett Drive to Unser Boulevard and add a sewer line. The goal at that time was to seek the additional funding needed to complete this project as part of the FY 21 Budget. Due to the pandemic, this earmarked funding was shifted to the General Fund Ending Fund Balance in FY 21 to bolster reserves.

Now that City's financial position and outlook has improved, I am once again recommending that funding is appropriated for this project, which will address a roadway need and add infrastructure that can help facilitate retail/commercial development at the intersection of King and Unser Boulevards, where it is desperately needed. Furthermore, this project makes sense as the other portion of King Boulevard (Wilpett Drive to Rainbow Boulevard) was recently improved via Road Bond funding.

Staff estimates that reconstructing/widening King Boulevard from Wilpett Drive to Unser Boulevard will cost \$4,000,000 (\$2,800,000 for the road and \$1,200,000 for the utility-sewer). The complete design for this project will be completed this summer, meaning, with funding in place, work could start this fall. Because of the factors I have noted, I suggest using \$2,800,000 in reserves. The remaining cost of \$1,200,000 should be allocated from the Unreserved Fund Balance of Special Fund 260, which is restricted to acquisition, construction, operation, and maintenance of solid waste facilities, water facilities, wastewater facilities, sewer systems, and related facilities.

I am pleased to see your recommendation to double the annual budget for citywide sidewalk repair. Since prioritizing this need several years ago, progress has been made and available funding will help us chip away at this need even more.

Several years ago, an internal budgeting practice was established whereby in non-General Obligation Road Bond years, \$1,000,000 is prioritized and made available to help tackle a major road project. I am glad to see your recommendation to use this funding in FY 22 for Riverside Drive (Honduras Road to N.M. 528). And, like the King Boulevard project, this is a wise decision as the other section of this roadway has funding via past Road Bond approval. Allocating this funding, which also includes utilities work, will ensure the entirety of this road is addressed all at once.

## **Water/Wastewater**

Your recommended budget and list of capital projects in relation to water and wastewater services continues the City's focus on repairing and maintaining critical infrastructure in order to have a reliable system.

I endorse your recommendation to continue the City's program to replace hundreds of leaking water service lines throughout the community each year. Since 2014, we have made tremendous strides in this area and must continue doing what we can to prevent the waste of our most precious resource as a result of pipe material used by developers decades ago.

I also support maintaining the reserve levels you have recommended for the Utilities Enterprise Fund. As we have seen, which happens throughout the country, water/wastewater infrastructure will have line breaks and other issues. When this occurs, the cost can be substantial. As a result, having healthy reserve levels is always advised in order to be as prepared as we can for the unexpected. Also, building up reserves allows the City to cash-fund projects over time, which I highly endorse whenever possible in order to save on borrowing costs.

## **Quality of Life**

What is not included in the Recommended Budget is funding for the proposed Quality of Life Center in northern Rio Rancho (i.e., Enchanted Hills area). On April 22, 2021, the Governing Body will consider using \$3,000,000 in reserves to acquire, remodel, furnish and equip the space that has been identified.

The existing property would be divided and used for a new branch library location (5,985 square feet), and a multi-purpose quality of life space (5,035 square feet) for youth/adult recreation programs and classes, community meeting space, remote animal adoption location, voting location, public safety outreach location, and community art gallery/performing arts space, among other uses. It has been 13 years since the City added a new quality of life facility (e.g., public pool, library, recreation/community center) to the community.

While I whole-heartedly endorse and support this initiative because it will bring much needed services to a historically underserved area, we must remember that successfully completing this property transaction will reduce the City's reserves shown in the Recommended Budget. Furthermore, while City staff has projected adequate revenues in future years to account for the expense, operating this new facility is estimated to have \$500,000 in annual recurring costs (e.g., personnel, utilities, etc.). This expense will need to be factored into the Final Budget for FY 22, which is adopted in July.

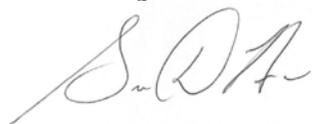
## **Conclusion**

Rio Rancho continues to be recognized nationally as a best place to live. The only way to sustain and improve upon our quality of life is by continuing to make investments in our personnel, public services, and public amenities. Simply put, we cannot become complacent.

I believe your recommended budget and capital plan strikes the proper balance of addressing existing needs, planning for the future, and considering future pandemic financial uncertainty.

I look forward to working with you, other City staff, and my City Council colleagues on finalizing and adopting next fiscal year's budget in the coming weeks.

Sincerely,

A handwritten signature in black ink, appearing to read "Gregory D. Hull". The signature is fluid and cursive, with a prominent "G" and "H".

Greggory D. Hull  
Mayor of Rio Rancho