

Memorandum

To: Santa Fe Board of County Commissioners

From: Teresa C. Martinez, Finance Director

Via: Katherine Miller, County Manager

Date: September 27, 2011

Re: *Financial report for the month ending 08/31/2011*

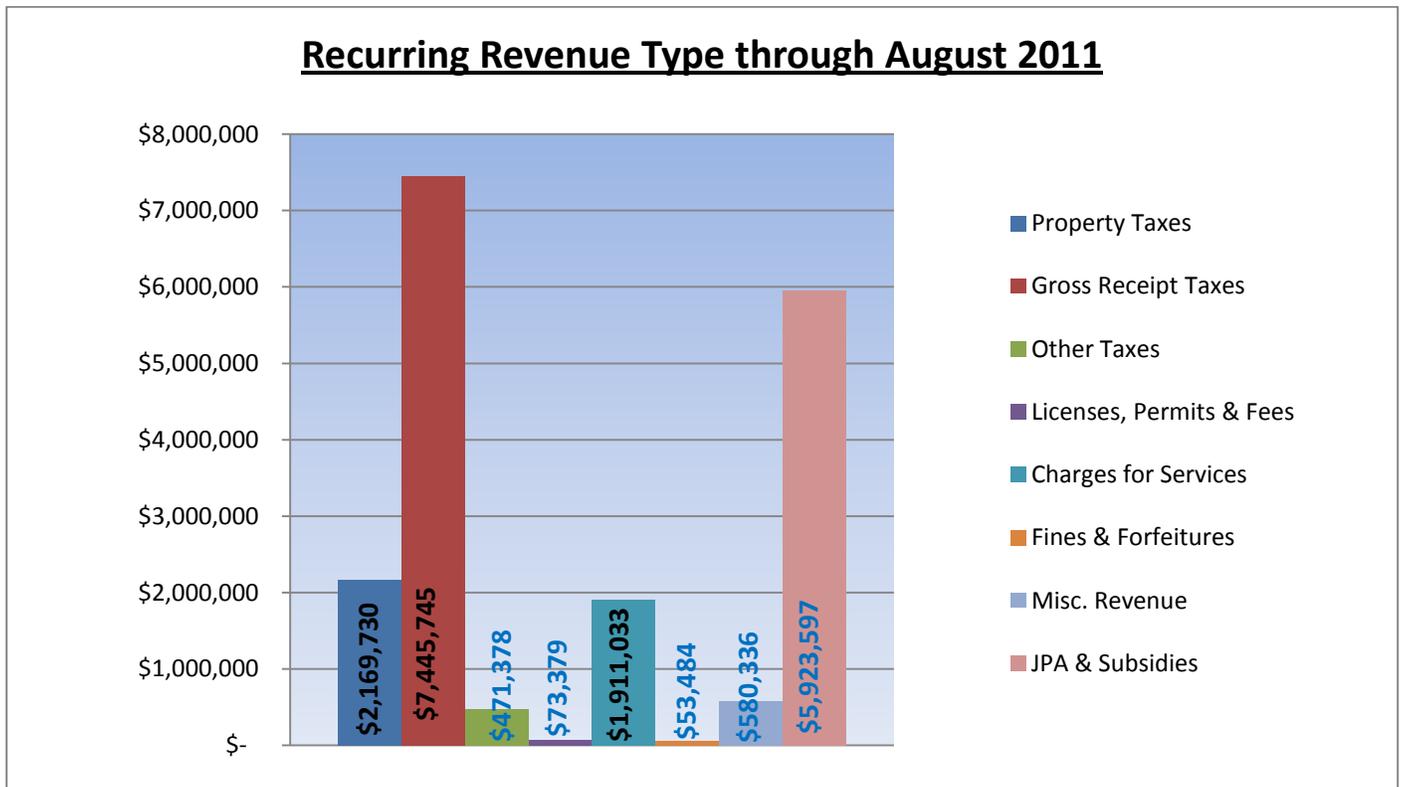
ISSUE:

Enclosed is a report summarizing the financial activities of the County through the month ending August 31, 2011.

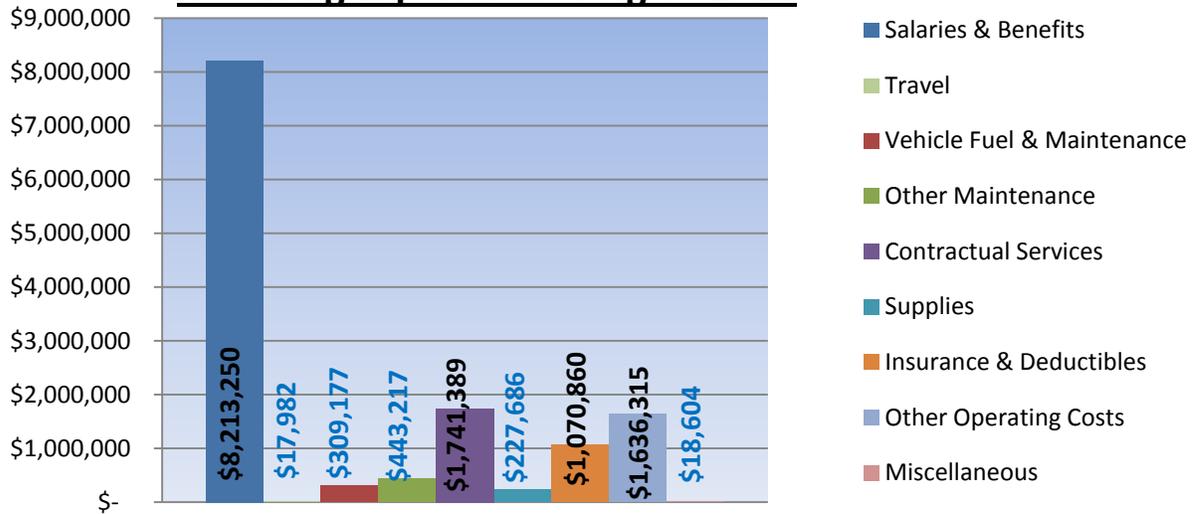
BACKGROUND:

This is a comparison of revenues and expenditures on a recurring versus non-recurring basis. The monthly report will still highlight major revenue sources. Below are several charts that identify 1) the recurring revenue sources, 2) the recurring expenditures and 3) a comparison of the two side by side.

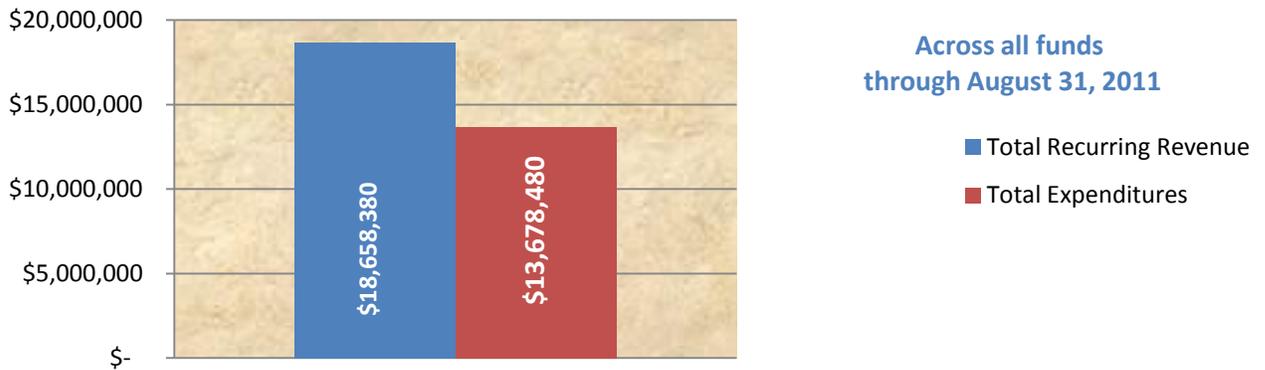
RECURRING VERSUS NON-RECURRING



Recurring Expenditure August 2011



Recurring Revenues versus Recurring Expenditures

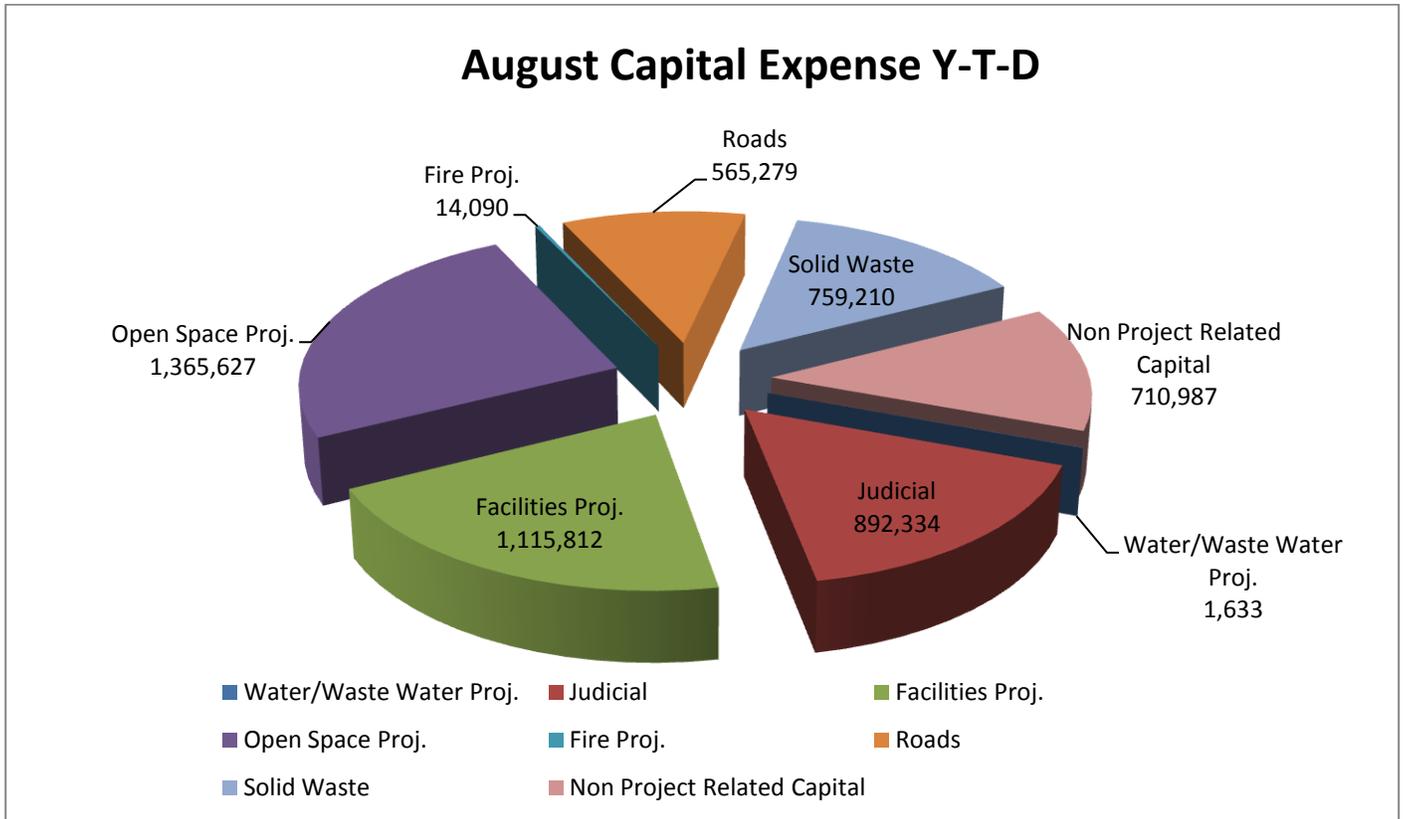


Through the month of August as noted in the above chart, the expenditures of \$13.7 million were supported by the revenues of \$18.7 million. Revenues exceeded expenditures by \$4.9 million. The surplus was mainly due to grant reimbursements drawn in the month of June and reimbursement received in August totaling \$5.9 million. The reimbursements received were for various road projects and economic development efforts.

Major expenditures such as salary/benefits, maintenance and utilities are consistent from month to month regardless of the revenue collections. In order to ensure that the budget is intact, finance staff reviews the monthly budget status expenditure reports to ensure that there are no areas of huge concern this early in the fiscal year. Additionally, the mid-year reviews serve as an additional tool to control such expenditures and ensure that sufficient budget authority is met to complete the fiscal year.

NON-RECURRING EXPENDITURES

The chart below focuses on the capital expenditures incurred through the month of August 2011. The chart is broken down by project category. Non-project related expenditures reflect purchases of equipment. Capital expenditures are non-recurring expenditures funded by non-recurring sources. Such sources include bond proceeds, special appropriations and grants.



Also included for your information are the charts reflecting major revenue sources and collections for July August, and September.

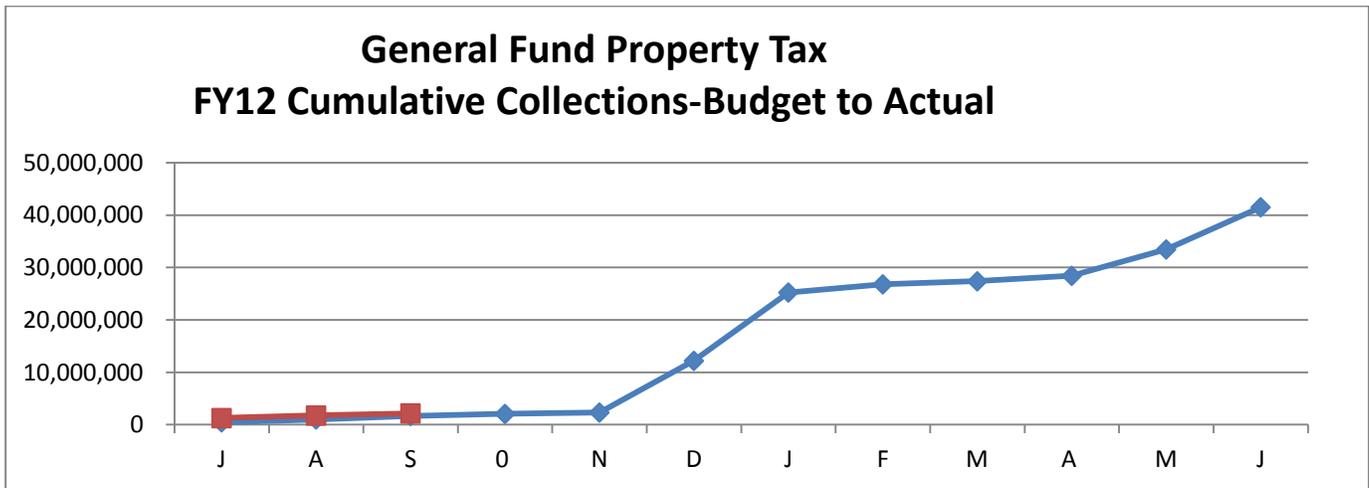
REVENUE:

Property tax is recorded monthly and compared to the actual monthly budget forecasts. Property taxes which constitute 76% of the General Fund revenue are estimated from calculations of existing and new valuations of residential and commercial property, the economic growth rate, as well as trends derived from the monthly receipt data.

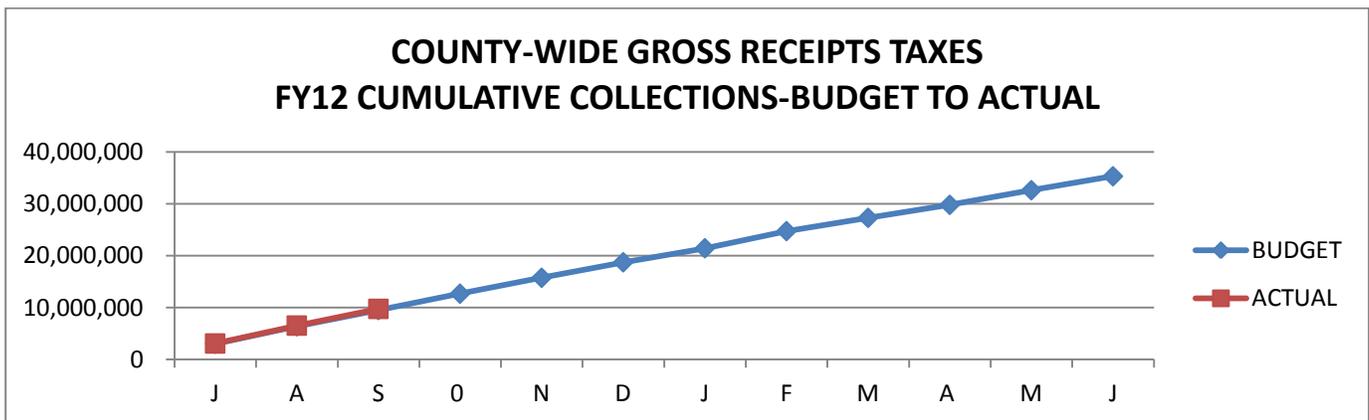
Property tax revenue budget estimates are conservative, as a budget shortfall in tax receipts would have a serious impact on various County operations. Although we are not sure why, we have noted that the actual

collections through September have materialized quite differently than the forecasted monthly budgets. Actual property tax collections of \$2.2 million through the end of September exceed the projected budget of \$1.7 by \$492,582. The property tax collections of \$412K for the month of September fell under the budgeted amount of \$654K by \$242K. However, the surplus collections in July are carrying the August and September shortfalls. The collections are \$9,200 less than the prior year's collections for the same time period.

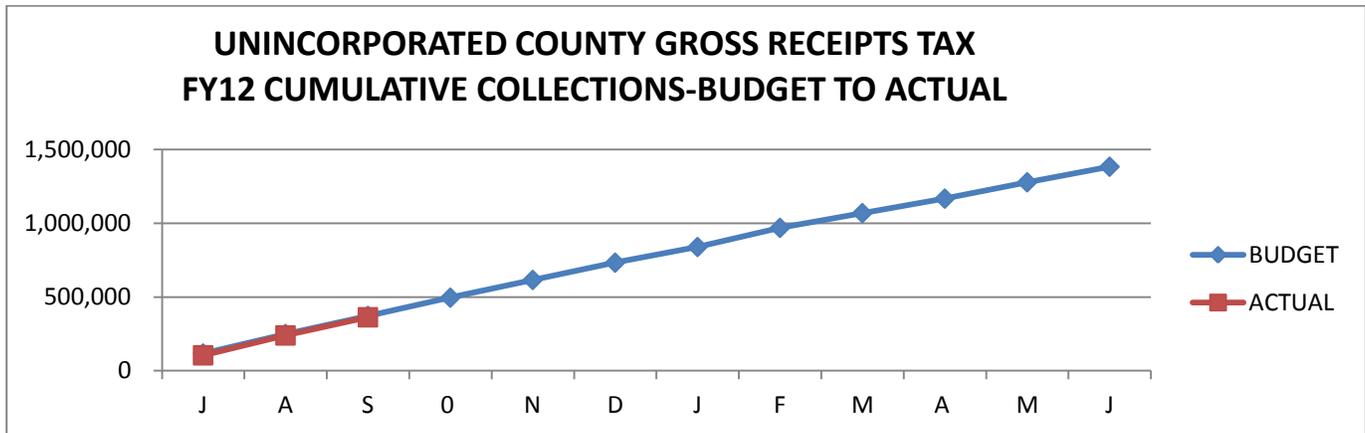
Again, it is important to note that some revenues are cyclical in nature and are collected later in the fiscal year. Property tax collections materialize at their highest levels in the December/January and May/June time periods. The FY 2012 budget has forecasted that a total of \$22.3 million and \$12.7 million will be collected respectively for the high collection periods. (The blue line noted on the chart further below indicates the budgeted amounts by month).



The gross receipts taxes are estimated from trend data and from economic analysis of the business activities in the areas of construction, wholesale, retail and service sectors. Cumulatively, both the county-wide and the unincorporated gross receipt taxes collected through July total \$3.2M, through August total \$3.6M and through September total \$3.3 million. Collections are \$212K greater than or 2% above the cumulative budgeted amount of \$9.9M. Total collections exceed the prior year by \$230K for the same time period.



Lastly, the unincorporated GRT collections fell under budget for July through September by \$9,420. In FY 2012, the unincorporated GRT's were forecasted with a 13% downturn and we are hopeful that the forecasted downturn is sufficient. There are still small amounts of money, mainly penalty and interest, relative to delinquent collections for the sunsetted Fire Excise Tax totaling \$5,055.



UPDATE ON FY 2012 BUDGET CUTS:

The budget cuts made by both management and the BCC have continued as of the last financial report to the Board. These cuts included the frozen positions, smart buying concept, restructured satellite offices, etc. The FY 2012 budget contemplated a fairly flat revenue (versus the reduced revenue in each of the past two years) based upon FY 2011 performance and other indicators that the local economy has leveled out. Some small cuts were made to the FY 2012 operational budgets of programs funded entirely or supported by the general fund or budgets that are reliant upon gross receipt taxes as the primary revenue source.

SUMMARY:

The County has been fortunate that fund/cash balances have built up during years of good revenue yield and have been used to help weather periods of financial stress. Using fund/cash balance to soften the landing is a natural treatment to consider. However, it was the primary goal in FY2012 to balance the budget with a reduced level of cash to support operations. The eventual goal is to eliminate the usage of cash to support operations in FY 2013. The County's use of cash has:

- Helped preserve organizational capacity to provide service.
- Assisted the county in the "wait out" of the economic recession; with the understanding that this treatment can only be used for a finite period of time.

The finance division will continue to monitor recurring revenues which support recurring expenditures. We will continue to evaluate economic trends and ensure that the budget established is sufficient to meet the program/service needs for FY2012. Lastly, we will continue to move forward with the implementation of performance based budgeting.