



June 6, 2010

1:30 – 2:20

Turning One Time Revenue Into Long Term Value

Moderator: **Jeremy Willmoth**
City of Raytown, MO

Speakers: **Michael A. Genito**
City of White Plains, NY

Maria Zuniga
Bernalillo County, NM



Turning One-Time Revenue into Long-Term Value

GFOA 104th Annual Conference

June 6, 2010

Michael A. Genito



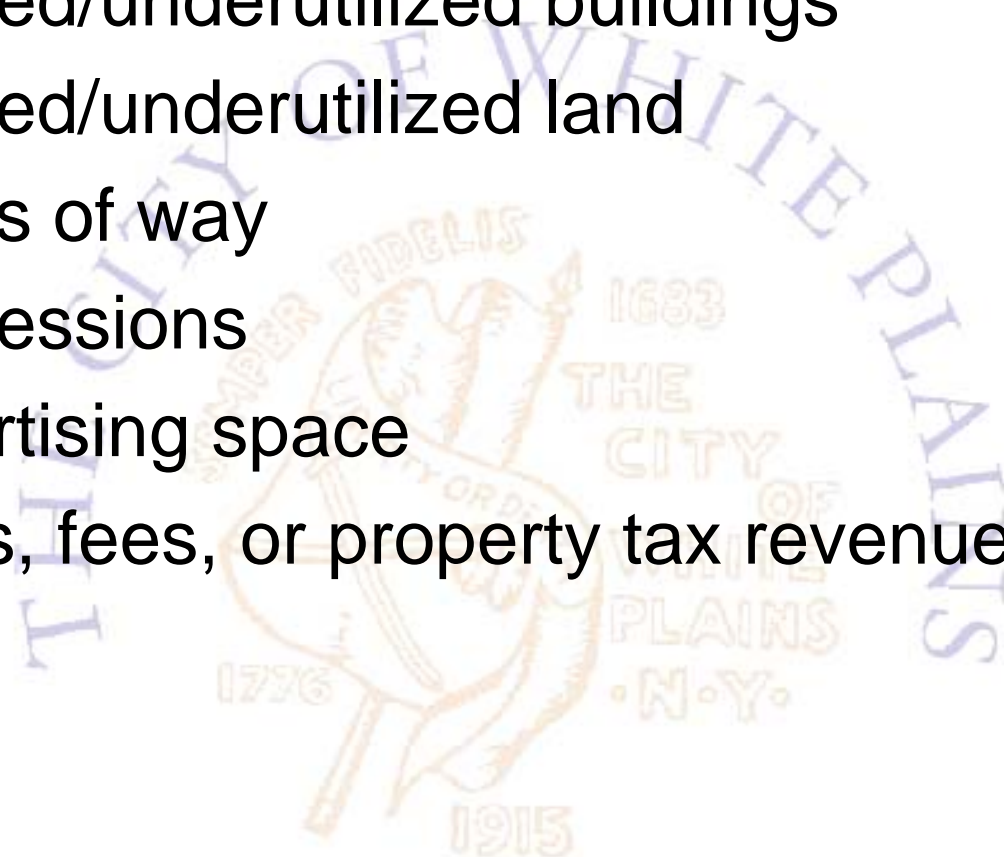
Basic Concepts & Overview

- One-time revenues
- Maximizing asset values
- Providing for both present and future
- Financial sustainability



Maximizing Asset Values

- Unused/underutilized buildings
- Unused/underutilized land
- Rights of way
- Concessions
- Advertising space
- Rents, fees, or property tax revenue

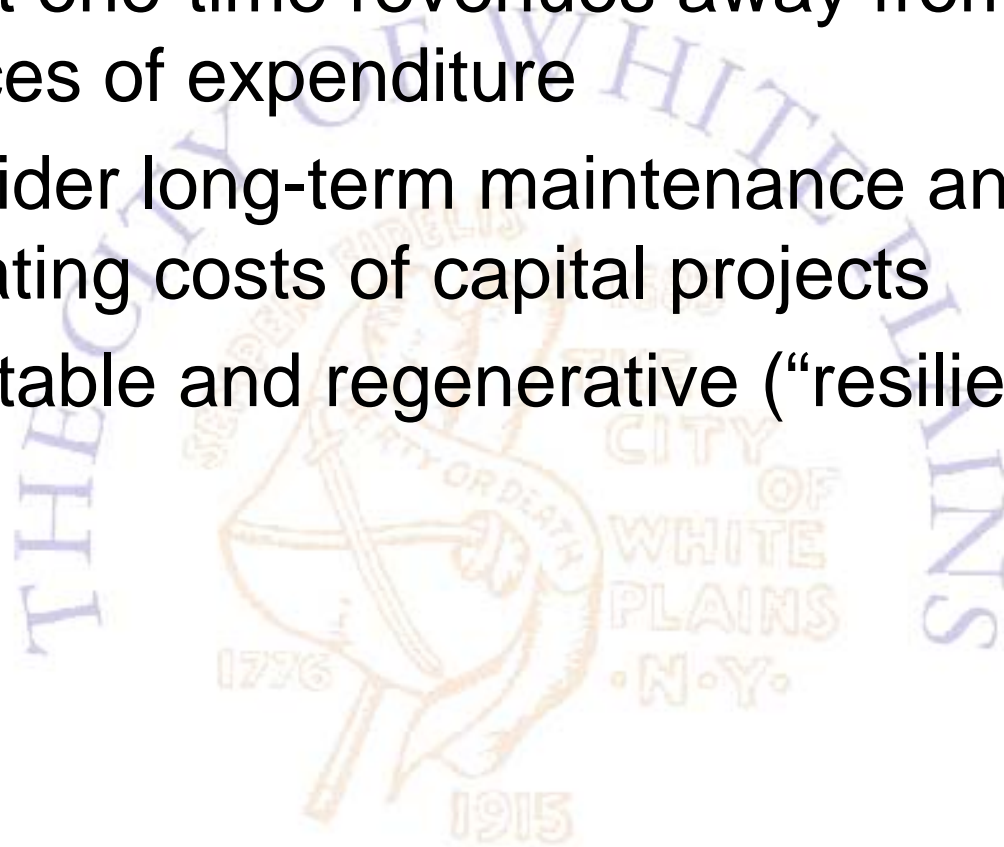


Present and Future Benefits

- Sales of assets
 - Reduces long-term debt and debt interest costs
 - Provides needed capital improvements
 - Places assets back on tax roll
- Rentals/leasing of assets
 - Offsets operating costs
- Provides collateral community benefits
- Enhances quality of life
- Provides economic opportunity

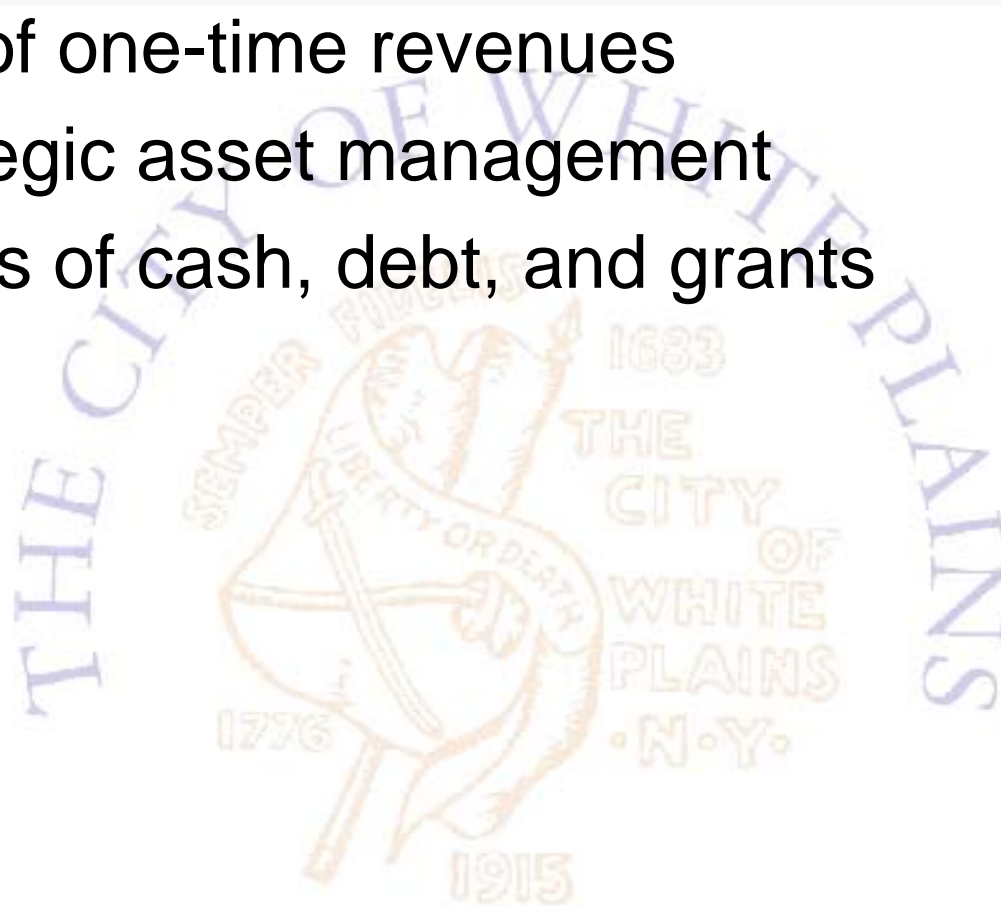
Financial Sustainability

- Direct one-time revenues away from recurring sources of expenditure
- Consider long-term maintenance and operating costs of capital projects
- Adaptable and regenerative (“resilient”)



Best Practices

- Use of one-time revenues
- Strategic asset management
- Nexus of cash, debt, and grants

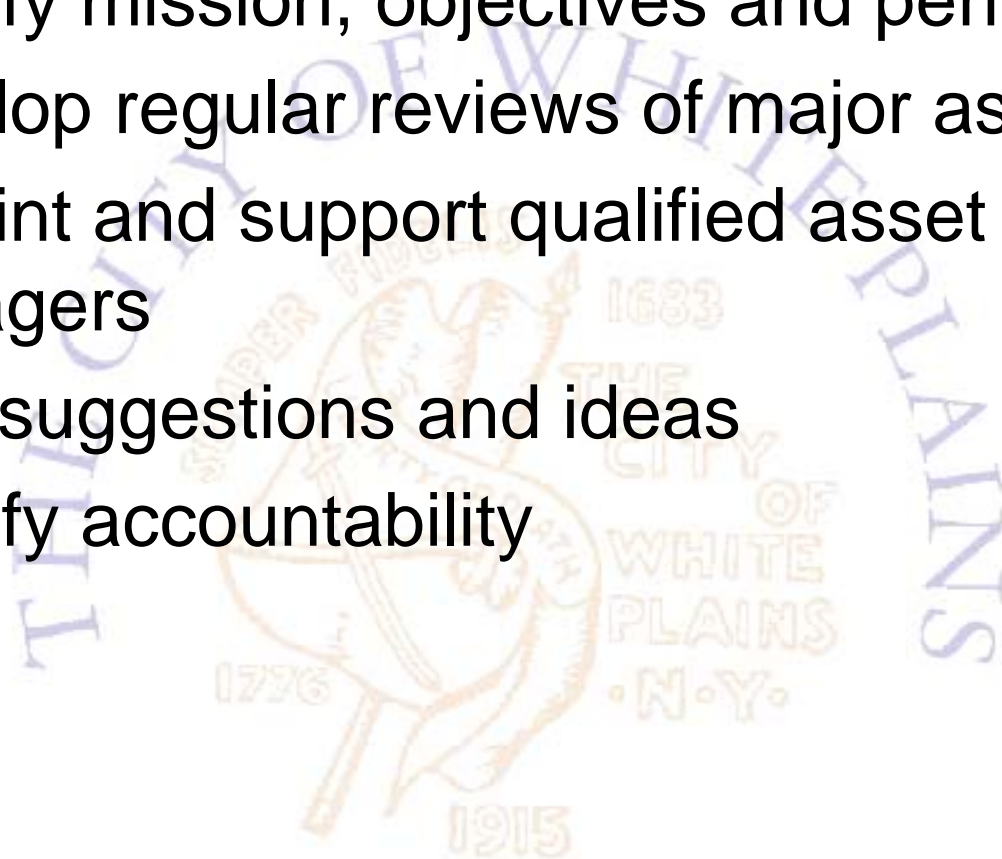


Use of One-Time Revenues

- Discourage the use of one-time revenues for ongoing expenditures. (NACSLB Practice 4.4)
- GFOA Budgeting Best Practice adopts NACSLB recommended budget practices (1998)
- Use one-time revenues to fund one-time expenses. (ICMA PM Magazine, May 2009)
- Don't balance operating budget with one-time revenues (NLC, *Guarding the Public Checkbook*, 2008)

Strategic Asset Management

- Identify mission, objectives and performance
- Develop regular reviews of major assets
- Appoint and support qualified asset managers
- Elicit suggestions and ideas
- Identify accountability



Nexus: Cash, Debt, and Grants

- Quantifying debt based on affordability, limitations, and debt service projections
- Establishing goals for operating budget ("pay-as-you-go") or reserve funds to be spent
- Identifying other funding sources (earmarked revenues, grants, contributions, etc.)
- Quantifying operating costs, savings, and/or revenues from project implementation

What to Consider, What to Avoid

- Legal issues
- Outstanding debt
- Grant financed assets
- Donated assets
- Complicated agreements
- Poorly structured agreements
- Appropriate level of monitoring results

City of Rye, NY 1996

- \$1.2 million planned issuance of sewer debt
- \$1.5 million sale of surplus “Parson’s Estate”
- Proceeds used to finance sewer project
- Estimated debt interest savings: \$1 million
- City property taxes 1996-2010: \$112,000
- Other entities property taxes: \$750,000
- No operating and maintenance costs
- No liability costs or exposure

City of White Plains, NY 2003

- Lease of 1,100 square foot building
- \$77,000 per year + 5% gross sales over \$1.2M
- Tenant pays property taxes
- 10 year term plus 4 consecutive 5 year options
- Five year escalation clauses
- Tenant responsible for costs of operation, maintenance, and liability

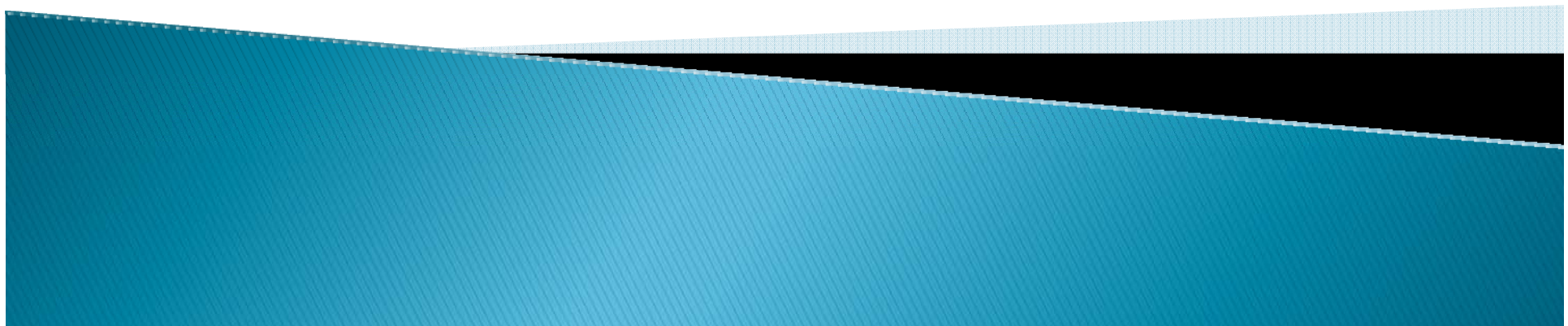
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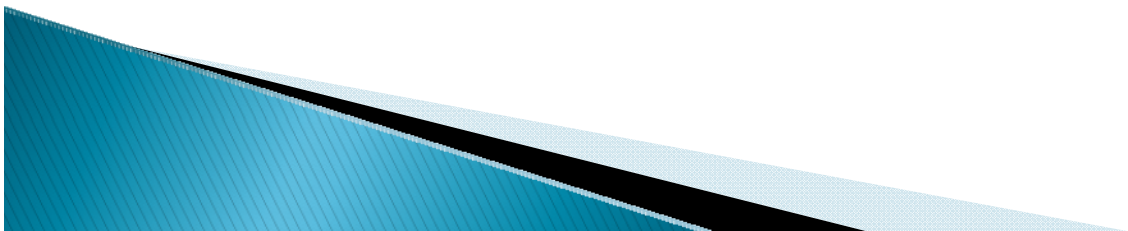


Realizing Long Term Value from One-Time Revenue



Bernalillo County – Biennial Budget

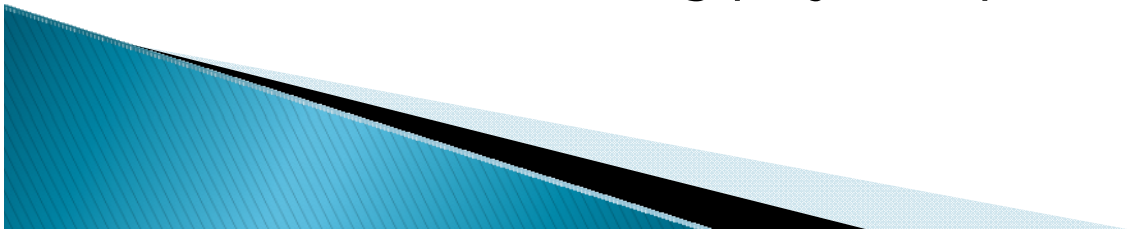
- ▶ 2–Year Budget has helped us:
 - Longer planning horizon
 - Stabilization of funding requests due to longer timeframe for planning
 - Conservative revenue forecasting
 - Gross Receipts Tax Revenues has decreased substantially over the past few years
 - Property Taxes has become predominant source of revenues, again, over the past few years



Bernalillo County – Biennial Budget

▶ Internal budget practices

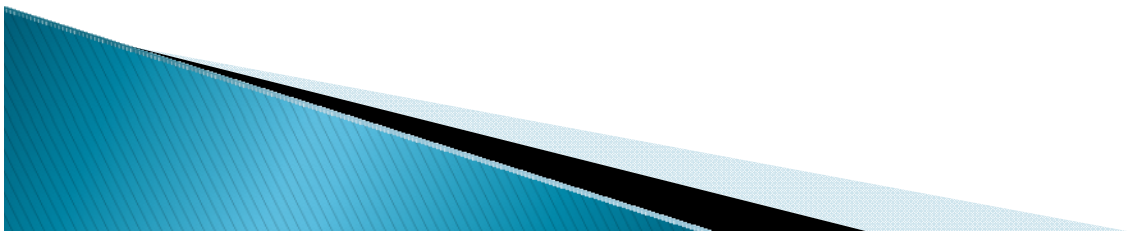
- Budgets for contract increases have been managed centrally
 - As opposed to being put into department's recurring base budget
 - Departments then have to request the funding when the contract is needed during the fiscal year
- Carryover budgets
 - Departments are encouraged to end the year with available budgets that can be requested for:
 - Used for one-time funding needs
 - Non-recurring project expenses



Bernalillo County – Biennial Budget

▶ Salary budgets

- One-time raises instead of recurring raises due to revenue volatility
 - This has helped to keep the base budget stable over the past several years
 - County has achieved a balanced budget with no pay cuts, no furloughs, no program cuts, etc. for the next biennial cycle (FY11 and FY12)



Bernalillo County Budget Headlines

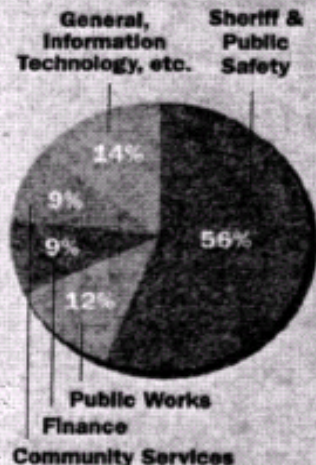
METRO & NM

A4

ALBUQUERQUE JOURNAL

Monday, April 12, 2010

HOW BERNALILLO COUNTY SPENDS YOUR MONEY



SOURCE: Bernalillo County manager's office, basic operational spending

County Spending Flat

No Cuts to Services Planned; Budget Stays Same

BY DAN MCKAY
Journal Staff Writer

County government spending would remain flat next year under a \$215 million budget proposal for basic operations.

There are no tax or fee increases in the budget, no reduced operating hours or social-service cuts and no pay raises for employees, according to county officials.

Bernalillo County relies more heavily on property tax revenue for operations than municipalities do, so its revenue stream is more resistant to the economic downturn. On the

other hand, county revenue is down about 10 percent from its peak a few years ago.

"Staff has done an excellent job in controlling spending and doing more with less," County Manager Thaddeus Lucero said in a written statement to the *Journal*. "No layoffs or furloughs are planned at this time."

The budget proposal covers spending for the next two fiscal years, starting July 1. About \$215 million in spending is projected for the coming year, matching the level of spending expected this year. After that, the budget would climb about 1 percent

to \$217 million.

The largest share of spending would go toward public safety functions, such as the Sheriff's Office, jail system and Fire Department. Almost all of the rest of the money pays for other basic county operations.

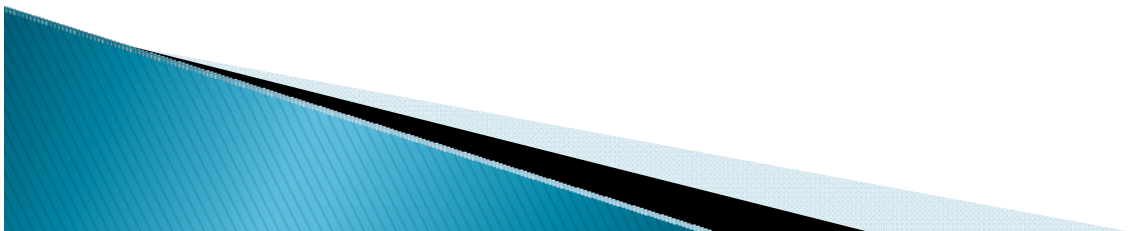
But about \$10 million next year is earmarked for paying down debt used to build the county courthouse, Metropolitan Detention Center and District Attorney's Office.

The proposal goes to the County Commission next month. The county will then send the budget to the state Finance Department for review.

JOURNAL

Bernalillo County – Biennial Budget

- ▶ Salary budgets – City, School Districts, State
 - Contrast of the County’s budget to other local entities
 - City has given recurring raises over past few years, and are now facing pay cuts and furloughs for employees to balance budget
 - State employees also facing furloughs
 - Local school districts and other local governmental entities are cutting employees, programs, etc.



City Budget Headlines

Budget Struggles

Bad News, Good News: City Plan Cuts Pay; Schools Won't Let Many Go



MORGAN PETERSON/JOURNAL
Audience members applaud in support of a speaker during city budget negotiations Monday night. The City Council passed a plan on a 6-3 vote that cuts most city employees' salaries by at least 2 percent and makes deep cuts to some social service programs.

City & School District Budget Headlines

Proposal Called a 'Good Compromise'

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Albuquerque Journal

BY DAN MCKAY
Journal Staff Writer

It's the kind of budget that has something for everyone — to complain about, anyway.

Albuquerque city councilors voted 6-3 late Monday to send the mayor an operating budget that trims most city employees' pay at least 2 percent, makes deep cuts to some social service programs and kills funding for some vacant jobs the administration wants to fill.

Some of the pay cuts would come in the form of unpaid holidays, with the amount varying so higher-paid workers take heavier reductions. Employees paid \$30,000 a year or less wouldn't face any direct wage cuts.



BOB DAVENPORT/JOURNAL

Albuquerque city councilors Don Harris, left, and Michael Cook vote on the city budget Monday night.

"This has been the most difficult and trying budget I've ever been involved in," City Council President Ken Sanchez said. "In this compromise, I don't think anybody will be happy, but

I think that's what a good compromise is."

David Campbell, the top executive under Mayor Richard Berry, wouldn't say

SEE BUDGET ON PAGE A2

APS's Plans For Layoffs Drop From 750 to Five

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BY HAILEY HEINE
Journal Staff Writer

Despite months of hard-wrangling over a \$40-million shortfall at Albuquerque Public Schools, the budget presented to the APS finance committee Monday called for laying off only three to five people.

APS did not say who the laid-off people might be, except that they would be staffers with very specific skills who would be hard to place in other jobs.

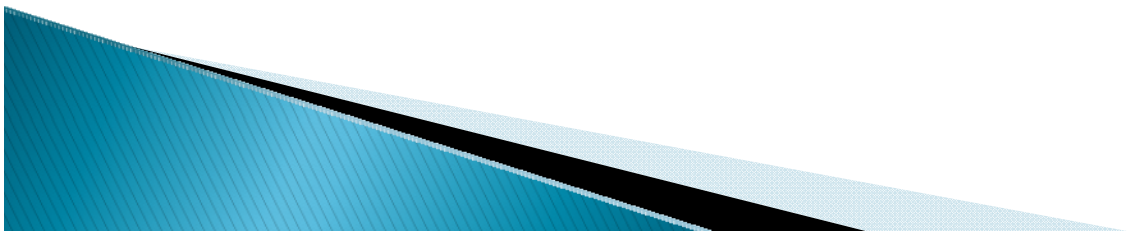
The district originally projected that up to 750 people could be laid off to balance the budget.

The change didn't spring from a sudden windfall but from a gradual fine-tuning of the proposed cuts and an effort to take advantage of retirements and attrition.

SEE APS'S ON PAGE A2

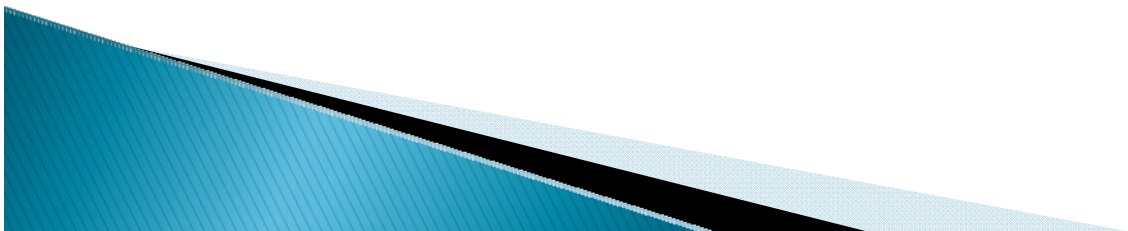
Management Philosophy

- ▶ Directors and the Board of County Commissioners
 - Strong emphasis on NOT spending one-time funding for recurring costs
 - Reinforced over the years
 - Decisions are reflective of this philosophy
 - Carryovers are not typically used for operating costs
 - Committees, such as the Capital Outlay Committee, are in place to facilitate County decision making on major purchases



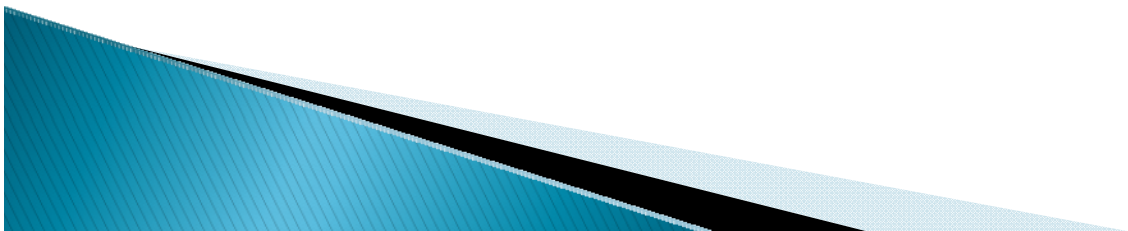
Examples of how the County has utilized one-time revenues to realize long term value

- ▶ ERP Implementation
- ▶ County Owned Fueling Stations
- ▶ VOIP Phones
- ▶ Energy Efficient Facility Purchases
- ▶ Vehicles
- ▶ County Owned Training Facility



ERP Implementation

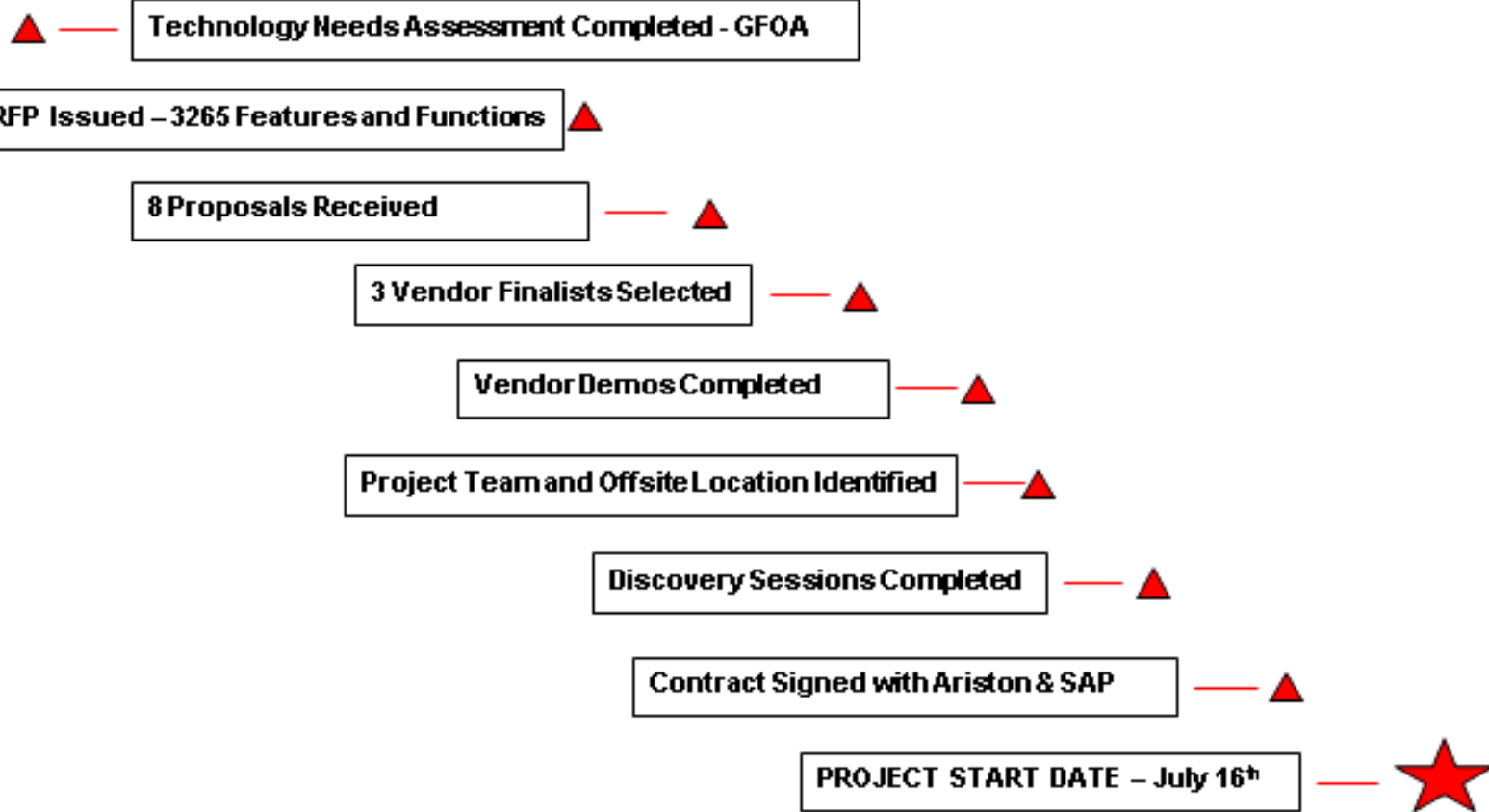
- ▶ How the ERP system was funded:
 - County started saving for new financial system in 1999
 - Built up funding from reserves over the next 5–6 years
 - Budget of approximately \$12 million was in place by the time needs assessment studies were being conducted



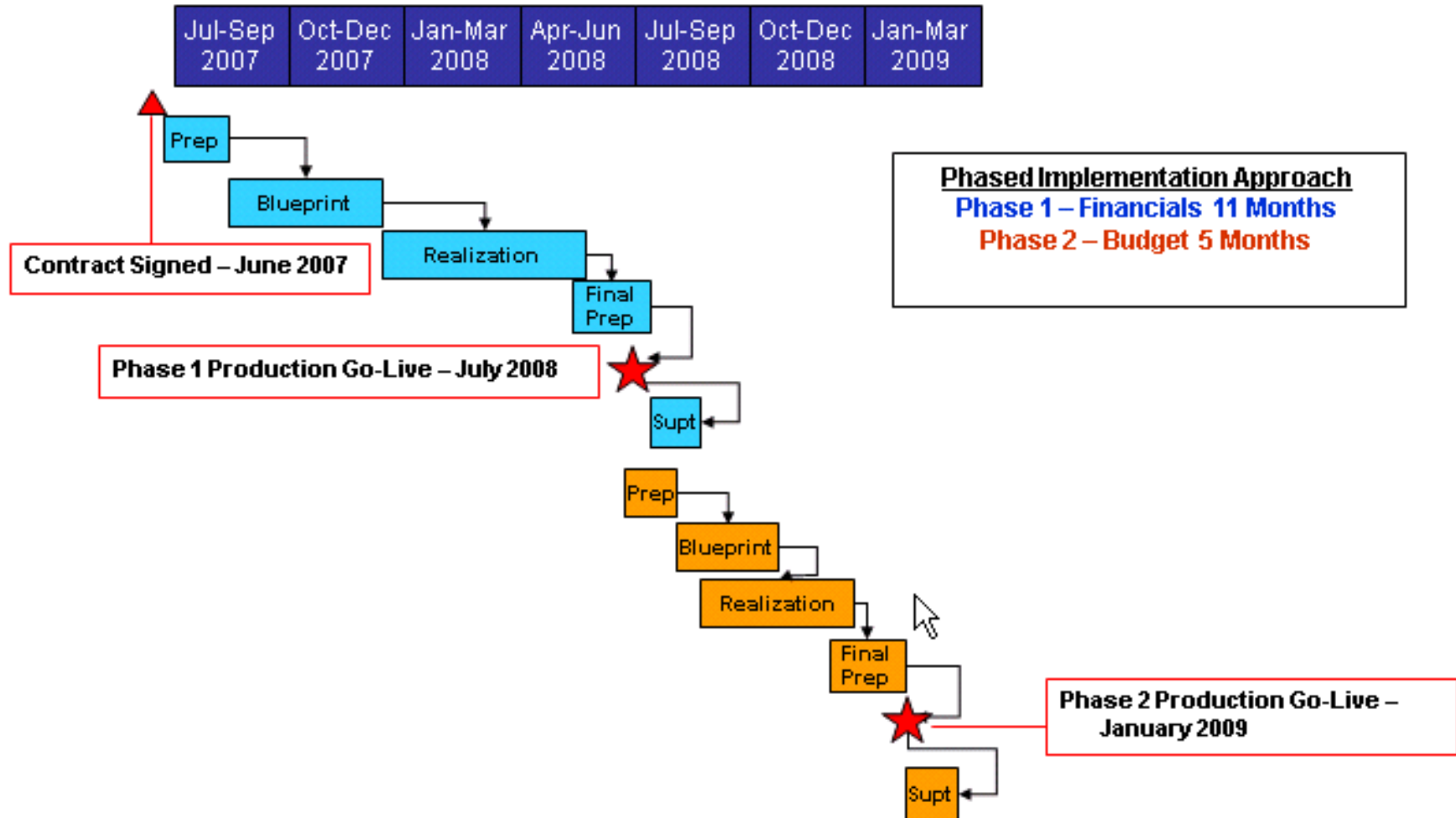
ERP Preparation Timeline

Project History

JUL 2006	AUG 2006	SEP 2006	OCT 2006	NOV 2006	DEC 2006	JAN 2007	FEB 2007	MAR 2007	APR 2007	MAY 2007	JUN 2007	JUL 2007	AUG 2007	SEP 2007	OCT 2007
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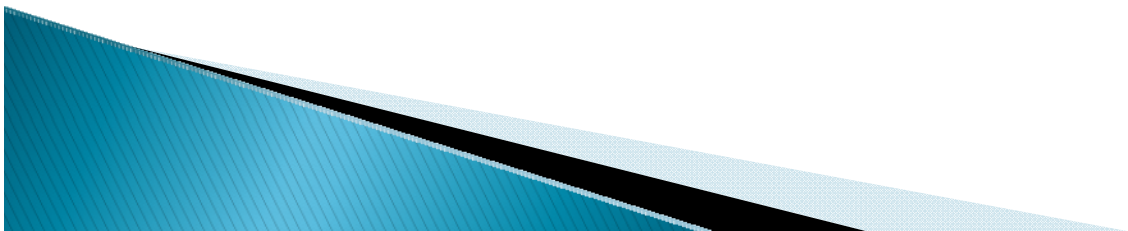


ERP Implementation Timeline



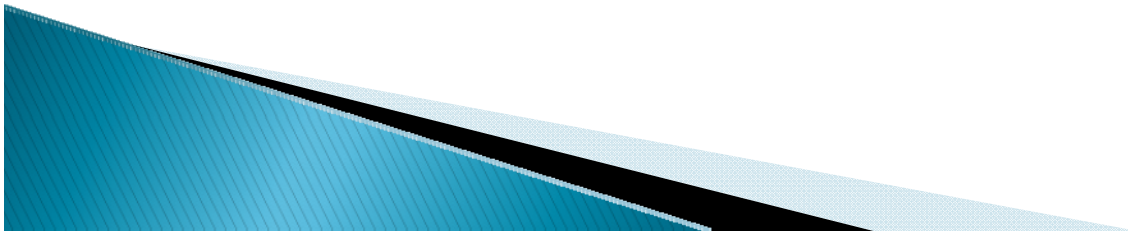
ERP Long Term Value

- Financial and operating data is more accessible to management for expedient decision making
- Timely financial reporting
 - CAFR submitted on-time
 - Budget data readily available
 - Bond ratings



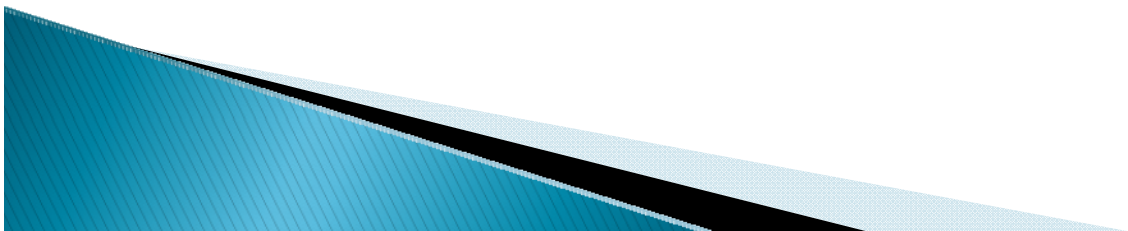
ERP Long Term Value

- Expediency of purchase order issuance
- Electronic payment capability
- Rapid response to vendor inquiries
- More efficient means for the general public to do business and inquire with the County about issues pertaining to citizens (i.e., capital projects).



ERP Long Term Value

- Consolidation of four separate General Ledgers for more efficient operations long term
 - Less time spent by employees reconciling data between various systems
- 500 Users Fully Trained
- 100% of Core System Utilized & Processes documented
- Streamlining of work distribution processes throughout the organization utilizing workflow and self-service
- No Business Interruption – Seamless Transition
- Maintained Positive Public Perception



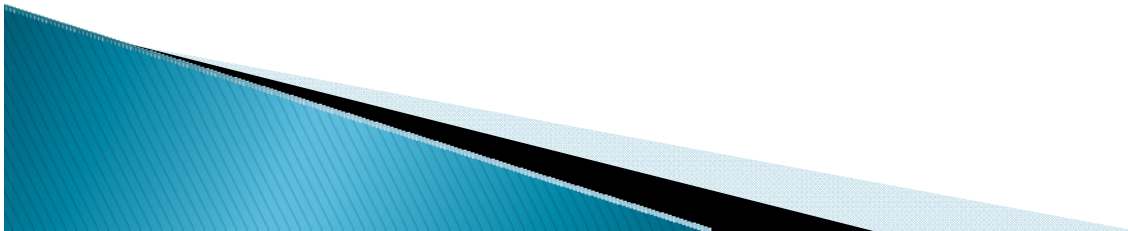
ERP One-Time Funding

- ▶ ERP Budget covered
 - Hardware
 - Software (SAP)
 - Consulting Services for:
 - Implementation (Ariston, now Black & Veatch)
 - Project Management & Oversight (GFOA)
 - Change Management (OCM, LLC. www.ocmlc.org)
- ▶ Funding also covered:
 - Needs Assessment (GFOA)
 - Training for Management/Project Team
 - Contingencies



ERP One-Time Funding

- ▶ ERP System
 - System implementation was successful
 - Long term value to the County as the typical lifespan of a ERP system is 20 years



County Owned Fueling Stations

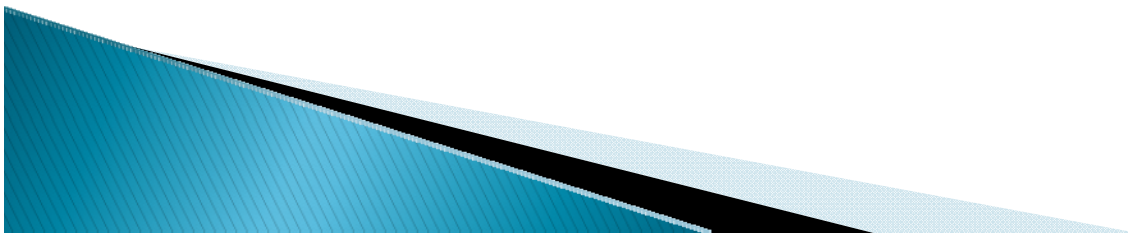
- ▶ **County built vehicle fuel stations utilizing one-time funding**
 - Bond & One-Time General Fund Appropriations were used to construct the stations
 - County owns 3 vehicle fueling sites
 - Stations are located throughout the County



County Fueling Station

Savings from Fueling Stations

- ▶ Average savings is 25 to 30 cents per gallon for unleaded and diesel fuel
 - Some months savings are as high as 50 cents per gallon
- ▶ County's mileage per day is approx. 2,150 for a total of 785,000 miles per year



Utilization of County Owned Fueling Stations

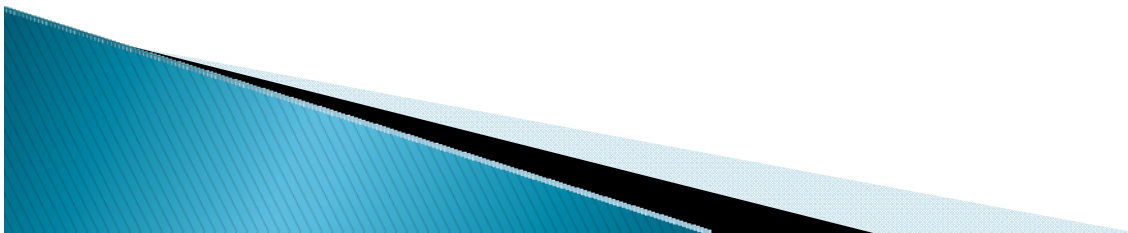
- ▶ In 2005/2006, the County only owned 1 fuel station @ the County yards
- ▶ On-site and off-site (non-County owned) were about equal @ 50% on-site & 50% off-site
- ▶ Today the County owns and operates 3 fueling stations located throughout the County
- ▶ On-site fueling is approx 75% and off-site fueling is 25%

Then

Now

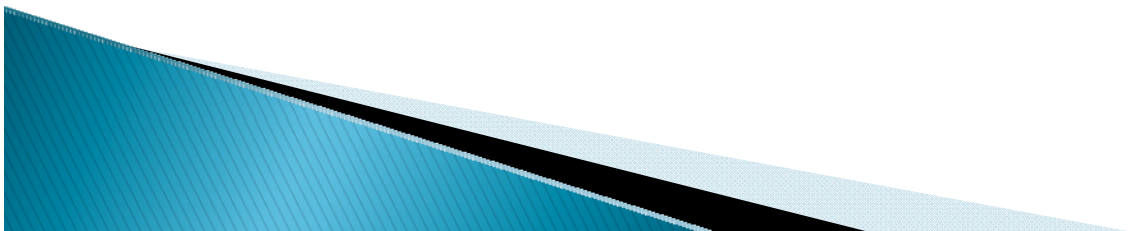
County Owned Fueling Stations

- ▶ Departments that use County owned fuel stations
 - Some departments such as Fleet/Facilities fuel card access is limited to just fueling on-site
 - Public Safety department such as Sheriff & Fire can fuel both on-and off site; although on-site is preferred



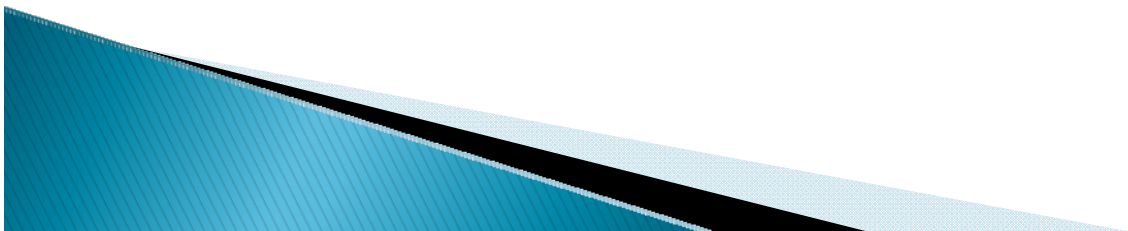
County Owned Fueling Stations

- ▶ County is saving on 75% of its fuel purchases @ 25 to 30 cents per gallon for an annual savings of approximately \$150,000 to \$175,000 per year
- ▶ Savings impact to taxpayer:
 - \$175,000 Annual Savings = .01 Property Tax Mills
= \$0.41 per \$100k in Property Value



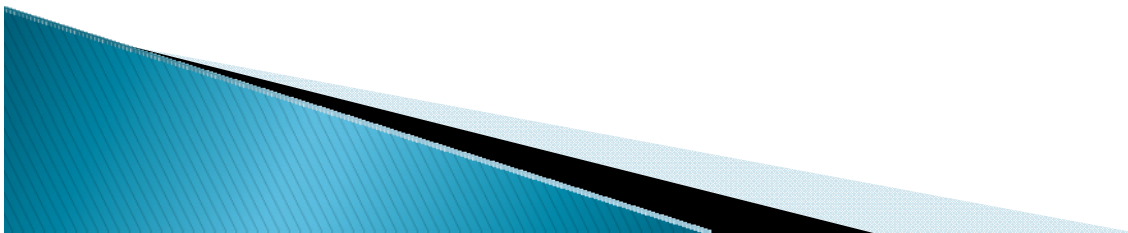
VOIP Phones

- ▶ One-time cost to purchase the phones
 - Paid from departmental budgets
 - Primarily General Fund
 - Non-recurring expense
- ▶ Prior to VOIP phones, County contracted with the City for phone services
 - Cost to the County = \$264,000 annually for phone services



VOIP Phones

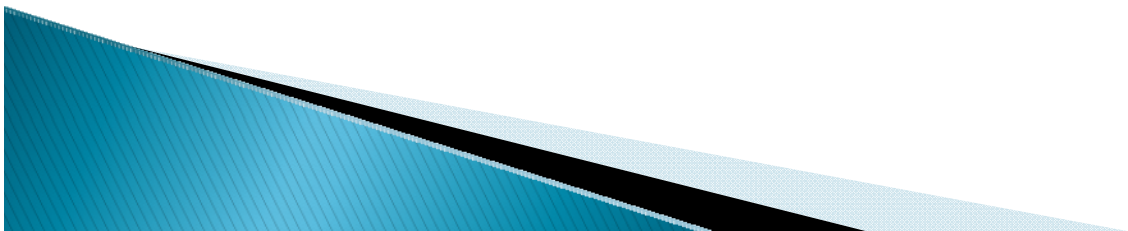
- ▶ Cost of the VOIP phones countywide
 - Recurring cost of the VOIP phones is approx. \$122,000 per year
- ▶ Annual Savings = \$144,000 per year



Energy Efficient Facility Purchases

▶ Water Conservation

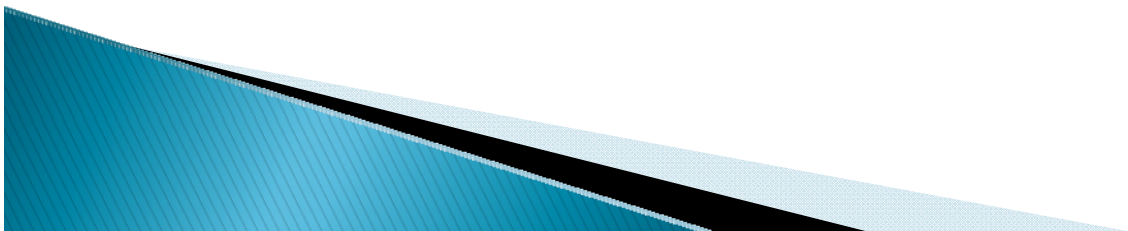
- The County expended \$92,000 to replace all high flow toilets, urinals, aerators and showerheads
 - One-time expense
 - Took advantage of energy rebates
- Recurring Savings is estimated at \$13,000 per year in water costs
- Water savings is estimated at 4 Million gallons of water per year



Energy Efficient Facility Purchases

▶ Water Conservation

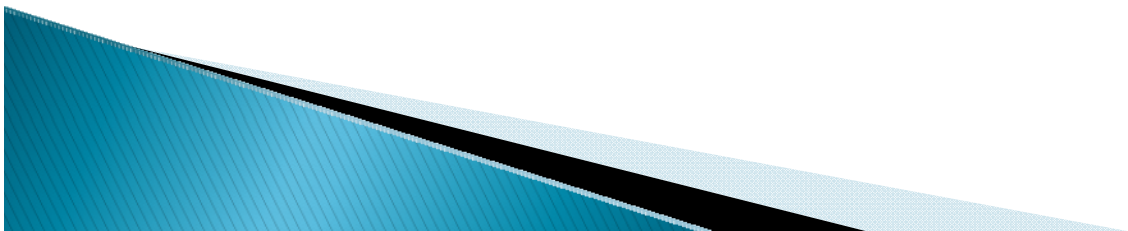
- At Union Station, after High Efficiency Toilets (HETs) were installed
 - The water usage dropped by 50%
 - That building alone had a savings of \$1,000



Energy Efficient Facility Purchases

Building Renovations

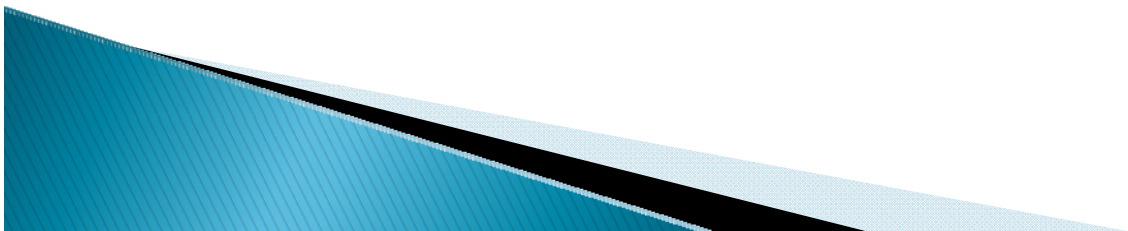
- ▶ When the County renovates a building
 - Consistently replaces inefficient (T12) lighting with more energy efficient (T5) lighting
 - Cost varies according to the number and type of fixtures
 - County can recoup about 20% of the cost of the lighting through a PNM Electric Co. rebate.
- ▶ The new light is 50% more efficient than the old light



Energy Efficient Facility Purchases

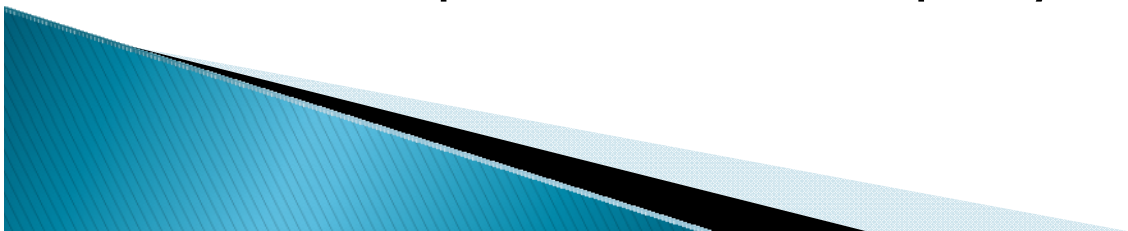
Building Renovations

- ▶ Energy costs for the building are reduced by approximately 20% with the replacement of energy efficient lighting
- ▶ Reduces cooling costs as well as the heat produced by inefficient and old lighting drives up those costs
- ▶ Typically, the payback for switching to energy efficient lighting two years, after that, all the cost savings are additional savings to you organization.



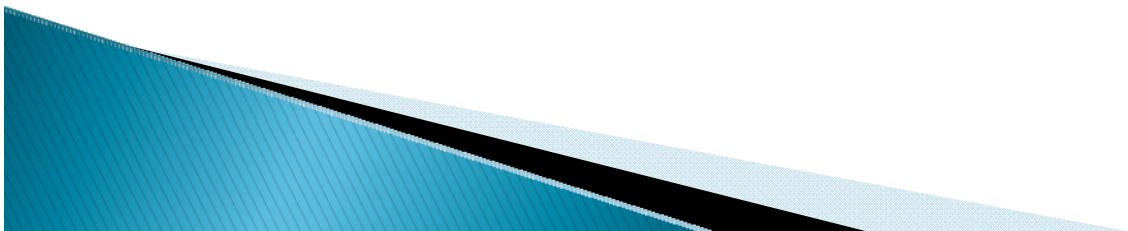
Energy Efficient Facility Purchases

- ▶ Energy Efficient Replacements at County facilities
 - Estimated energy efficient savings measures should save 20% of the energy use for the facility and about 20% of the cost
 - County has a \$3.75 million utility budget
 - For the County, this would translate into a savings of \$750,000 per year, if every building were assessed and retrofitted
- ▶ Savings impact to taxpayer:
 - \$750,000 Annual Savings = .05 Property Tax Mills = \$1.66 per \$100k in Property Value



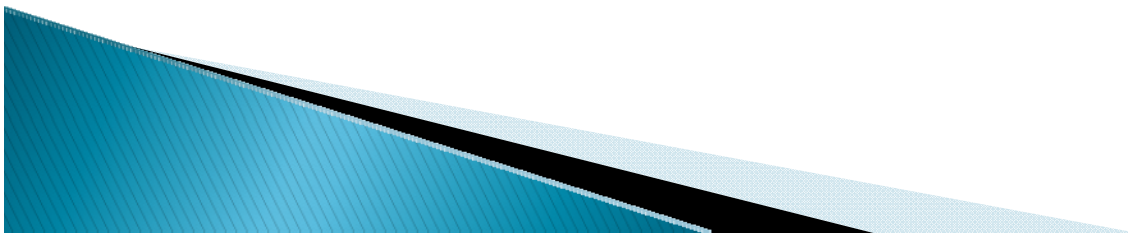
Vehicles

- ▶ Vehicle Replacements
 - Older vehicles, averaging 11–15 mpg, are consistently being replaced with vehicles with an average mile per gallon of 20–22
 - Ford Rangers
 - Ford Focus
 - Ford Fusion
- ▶ Average fuel savings of 11 mpg for 85 vehicles purchased this year would be:
 - 11 mpg savings for 85 vehicles that average 15,000 miles per year is \$39,000



Other Examples of Savings

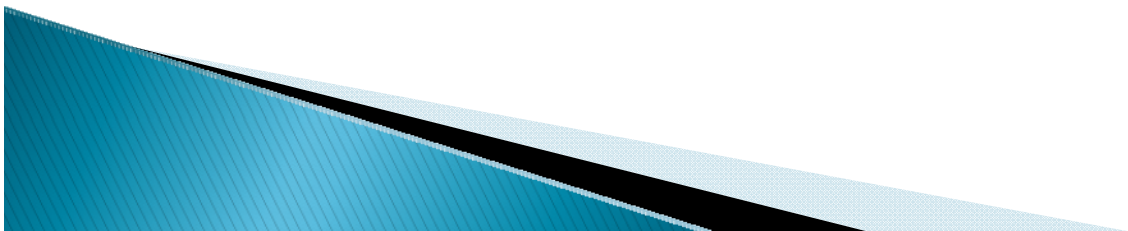
- ▶ County recently spent one-time funding to renovate a County-owned HR Training Facility
 - Will allow training on-site & reduce costs of off-site travel/training



Other Savings

▶ Tool Purchases

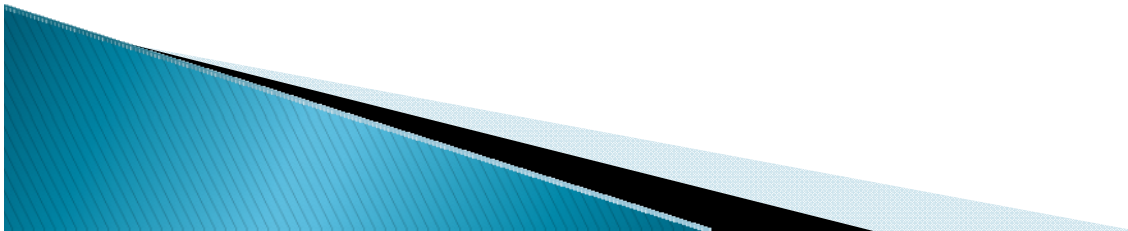
- Purchase of capital tools to reduce outsourcing
- County purchased a tool that County plumbers could use for sewage blockages
- Tool is a specialized camera with a one time cost of \$11,000
- Long term savings by doing this work in-house rather than contracting the work out



Other Savings

▶ Fleet Software

- County purchase of diagnostic software for the fleet mechanics to reduce outsourcing vehicle problems
- The software to diagnose vehicle failures:
 - Two different pieces of software, specific vehicle manufacturers @ approx \$6,000 each
- Long term savings in not outsourcing this work out



Wrap Up

- ▶ County has utilized various sources of one-time revenues, reserves, carryover funding, etc. to achieve long-term savings & value for the County
- ▶ Savings will benefit the County taxpayers for years to come
- ▶ Long-term value from these various items has a ripple effect in terms of efficiencies & effectiveness for County employees & allows us to better serve the Citizens of Bernalillo County

