



‘Hold harmless’ reduction puts dent in coffers

In mid-May, a special meeting of the Gallup City Council focused on the preliminary budget adoption for Fiscal Year 2019.

City manager Maryann Ustick shared a PowerPoint presentation outlining the total city budget, key revisions from the draft budget on the general fund, and funding for various projects highlighted as corrections or additions to the budget.

“The total budget is over \$99 million and that includes all of our enterprise funds, transfers and grants. Pretty soon, it will be at \$100 million,” she said.

Ustick focused on the general fund and said it was the most challenging part of the budget due to the \$800,000 in lost revenues from hold harmless subsidies.

Former Gov. Bill Richardson’s 2005 decision to eliminate food and medicine taxes had a negative impact on Gallup.

Initially, Gallup and other cities in the state were held harmless from the tax elimination and

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Written by By Rick Abasta Sun Correspondent
Friday, 01 June 2018 08:01

received state subsidies to compensate for the lost tax revenues.

Due to the economic climate and need to balance the budget, state legislators decided to eliminate the subsidy.

Since 2014, the city lost \$200,000 annually from the state legislature's phase out of hold harmless subsidies over a 15-year period. On July 1, the city will see a loss of \$1 million.

Ustick explained hold harmless in detail during an interview, in which by the end of the phase-out period, Gallup is going to have a loss of \$3.2 million annually.

"(Hold harmless) is about \$3.2 million a year in our general fund. That's a lot of money," she said.

The state legislature gave cities the authority to raise gross receipts taxes by .375 without the vote of the electorate.

Gallup, Ustick said, is already one of the highest taxed cities with respect to gross receipts at 8.3125 percent.

"If the city implemented the increase, we would be at 9.06 percent, second only to Taos," she said. "In a poverty-ridden area, which desperately needs economic development.

"If we increased taxes, we would be going in reverse," she added.

The total city budget is \$99,242,875. The balanced FY 2019 general fund budget is \$27,744,112 and includes \$553,169 from the fund balance.

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“That money will be used for one-time capital improvements, so it’s not being used as recurring costs,” she said.

Estimated general fund cash reserves amount to \$8,474,493.

“It may change simply because we’ll probably have some budget adjustments come before you before June 30. But still, it’s a healthy fund balance, probably at 30 percent (of general fund),” she said.

Ustick highlighted key revisions that included budget increases for municipal court, cemeteries, recreation, parks, animal control and health insurance.

The city clerk budget was decreased by \$9,000 due to a duplicate entry.

During discussions on key revisions to the draft budget, Ustick said \$36,000 was added to Red Rock Park budget for building maintenance.

The park budget was also increased by \$6,000 for maintenance of the grounds and roadway and \$2,000 to cover rental equipment.

“Have we calculated the approval the council gave with the increase to rate fees?” asked Mayor Jackie McKinney.

Ustick said it included, but the unexpected expensive projects from the past years affected the budget. This included city wastewater issues in Red Hills and the north side.

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New positions were also added to the FY 2019 budget. A human resources administrator position was funded for six months, starting January 2019 at \$33,750. This position includes salary plus benefits.

A library/archivist position was also funded at \$51,000, including salary and benefits for six months. The library director will seek outside grants to fund position and the council will revisit position status in January 2019.

An estimated \$150,000 cost for the parks master plan was not included in the preliminary budget, but staff recommended it to be funded by the general fund because of improvements to parks and facility standards and possible grant funding opportunities.

Ustick said this primarily was because the project was a one-time cost.

The council anticipates wrapping up the budget and any changes by the first part of June.

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