MEMORANDUM # BFB-10-05

TO: Municipal and County Finance Officers

FROM: John A. Gallegos, Budget and Finance Bureau Chief
       DFA, Local Government Division

DATE: April 19, 2010

SUBJECT: Fiscal Year 2010-11 Budget Preparation

I. Statutory Authorization:
Section 6-6-2 NMSA 1978 requires the submittal of an annual budget to the Department of
Finance & Administration, Local Government Division (LGD). LGD is also authorized by statute
to prescribe budget and other financial forms to be used by local public bodies.

II. Budget Submittals:
• Local public bodies must develop and submit a proposed (interim) budget to LGD for the
  next fiscal year no later than June 1st. Commission, council or board approval of the
  interim budget by formal resolution is optional. The interim budget is analyzed for any
  necessary corrections or additional information and approved by LGD as an operating
  budget pending approval of a final budget.
• Counties and municipalities must develop and submit a final budget, including a formal
  resolution approved by the governing body, to LGD no later than July 31st for analysis,
  any necessary corrections, and approval. The final budget submittal is comprised of, at a
  minimum, a revised Budget Request Recapitulation Form (Recap) with updated
  (reconciled) Unaudited Beginning Cash Balances and any supporting documents of the
  interim budget that changed from the interim to the final budget submission.
• Each county and municipality must submit separate interim and final budgets by their
  respective deadlines.

III. Budget Forms:
Budget forms are located on the Local Government Division’s Budget and Finance Bureau
website www.fmb.nmfa.state.nm.us. These forms were developed with active participation from
various counties and municipalities and are currently being utilized by the vast majority (about
97%). These budget forms are required for your budget submissions. Use of any other budget
format is not allowed. This requirement is necessary due to the increasing number of requests
from the Executive and Legislative branches for standard compilations of numerical information
derived from consistent reporting methods.

The budget forms have certain cells that are locked primarily because they are automatically
populated by information already entered in other sections of the budget. The Operating Budget
Supporting Schedules should be the first forms to be filled out followed by the expenditure and
revenue forms for the different fund types. The expenditure and revenue amounts will roll-up into the Recap page. The beginning cash balance must be manually entered on the Recap form.

- **Property Valuation Estimate:**
  In Column B, ‘Final Valuations’, of the Property Valuation Estimate form, indicate either 2009 valuations or 2010 valuations obtained from your County Assessor.
  - If you choose to apply the 2010 property tax valuations, those figures must be the values certified by your County Assessor to the TRD, Property Tax Division.
  - If you choose to apply the 2009 property tax valuations, they can be located on the LGD, Budget and Finance Bureau website. On the website click:
    1. “Property Taxes & Annual Reports”.
    2. “2009 Final Valuations”: Extract the Residential Values, Non-Residential Values, and (if applicable) the Oil & Gas Production Equipment, and Copper Production for your county or municipality and place those values on the appropriate line in Column B.

- Any other methodology you use to calculate property taxes must be described in the Comments section of the Property Valuation Estimate form.

- If your county or municipality intends to increase the imposed property tax mill rate for FY 2010-11, please provide a resolution that states that intent - separate from the resolution that authorizes your budget submittal. Please note that the mill rate must be the same for residential and non-residential properties. **Identify any newly implemented Property Tax Authority (mill rates) in the Comments section.**

For Column C of the Property Valuation Estimate form:

- The Operating Tax Rates are also found in the LGD, Budget and Finance Bureau website - click:
  1. “Property Taxes & Annual Reports”
  2. Under “Certificate of Property Tax 2009”, click the appropriate county of your location, wherein is the Certificate of Property Tax Rates in Mills.
  3. From the “County Operational” line or the “Municipal Operational” line, for your particular county or municipality, extract the residential (“R”) and the non-residential (“NR”) rates and place those rates in Column C. **Note:** The rates in Column C must have six (6) numerals to the right of the decimal point, *e.g.* a rate of 6.113 in the Certificate of Property Tax Rates in Mills becomes .006113 in Column C or 10.650 becomes .010650, etc.
  4. If oil & gas production, equipment and copper are applicable, extract the appropriate rates as described above.

The values in Column D are automatically calculated by formula. Apply the property tax Collection Rate (%), which you can obtain from your county treasurer or from the Budget and Finance Bureau website under “Property Taxes and Annual Report” tab. The Total Production is what can be expected to be collected and budgeted in the General Fund and must reconcile with the revenue detail ‘Property Tax - Current Year’.
Budget Request Recapitulation (Recap):
- All investments are to be shown in the Investments column.
- The Budgeted Transfers Grand Total must always be equal to zero.
- The General Fund Reserve Requirements for municipalities must be 1/12th of budgeted expenditures and for counties must be 3/12ths. Counties must also maintain a reserve of 1/12th of budgeted expenditures of the county road fund. [These reserves must be managed in a manner that will still keep your budgeted reserves at June 30th at the same level(s) as they were initially approved on July 1st, the beginning of the fiscal year. It is alright to use reserves during the course of the fiscal year as long as they are replenished by year-end so that your municipality or county will not experience severe cash flow problems in the succeeding fiscal year.]
- The Adjusted Ending Cash Balance for each fund cannot be a negative number.
- Supporting document totals roll up to the overall totals and Grand Totals.
- Any revisions must be indicated by check mark, as well as Revision No. and Revision Date at the bottom of the recap page. The Recap and supporting budget documents, as approved by your analyst, will be the official approved FY 2010-11 operating budget on file for your county or municipality.

IV. Special Revenue Funds:

- Corrections 201 (counties): 1) Budget distributions from the Administrative Office of the Courts and any other source(s) (excluding Fund 226) under “Correction Fees”; 2) Budget County Detention Facility Reimbursement Act legislative appropriations, which are distributed by the Department of Finance & Administration, under “Miscellaneous”.
- EMS 206 (counties & municipalities): An approval from the Department of Health for previous fiscal year carry forwards is no longer required for budget approval.
- Fire Protection 209 (counties & municipalities): Budget distributions from the Fire Protection Fund (exclude intercepts) under “State–Fire Marshall Allotment”; 2) Budget any other source(s) (excluding GRT Fire Excise Tax Fund 222 for counties) - under “Miscellaneous”.
- Law Enforcement Protection 211 (counties & municipalities): 1) Budget distributions from the Law Enforcement Protection Fund (LEPF) under “State-Law Enforcement Protection”; 2) Budget any other source(s) under “Miscellaneous”. An approval from the DFA, Local Government Division for the previous fiscal year’s carry forward is still required.
- Special revenue funds are legally restricted to expenditures for specific purposes. Transfers to other funds are not allowed. Transfers from non-special revenue funds (e.g. general fund) are typically allowed.

V. Other Important Items:

- Enterprise funds should be self-sustaining. Operating rates and revenue should cover expenditures without having to rely on transfers from the general fund.
- Federal Stimulus Act: If it has been confirmed and documented that your county or municipality is to receive any funding, please budget the amount to be received in the “OTHER MISC. (FUND 299) DETAIL LIST” form. Indicate each separate award in its
own section of that form. In the line that indicates "(enter fund name here)" enter "Federal Stimulus" including the purpose of the award, e.g., "Federal Stimulus – Infrastructure".

- **County Indigent Funds**: According to Section 27-5-6 NMSA 1978, counties that administer Indigent Funds are required to establish a budget for administrative and planning costs. To comply with this statute, such a budget must be established and adhered to by the county. This level of detail does not have to be submitted in the LGD budget forms.

- **Regional Transit Tax**: Certain counties have imposed the Regional Transit Tax. It is distributed by the Taxation & Revenue Department to these counties: Bernalillo, Los Alamos, Rio Arriba, Sandoval, Santa Fe, Taos, and Valencia. The counties then transfer the revenues to the Regional Transit District. This tax is a flow through for these counties and should be budgeted in Trust & Agency Funds, 700.

- With your budget submittal, please include a copy of your amortization schedule(s) for all long-term debt incurred after June 30, 2010. This includes revenue bonds, general obligation bonds, and loans (NMFA, RUS etc.).

- In your cover letter, please include the 1) audit costs, 2) total number of full-time employees (FTEs), 3) grand total salaries, 4) grand total benefits, and 5) percent salary increase included in the budget.

**VI. Conclusion:**

Please establish a very fiscally conservative Fiscal Year 2010-11 budget. Due to the current state of the economy and the uncertainty of some of the tax distributions, the recommendations that were made to your governing body in Memo # BFB-10-04 should receive their serious consideration. All budgets submitted to LGD are binding on the governing officials and funds must be expended in accordance with the approved final budget document.

Please contact your Executive Budget Analyst if you have any questions or require any further information. Thank you.

cc: Rick Martinez, DFA Deputy Secretary
    Sam Qjinaga, LGD Deputy Director
    BFB Executive Budget Analysts
    Bill Fulginiti, NMML Director
    Paul Gutierrez, NMAC Director

Budget and Finance Bureau Mission Statement:

"To assist officials and employees of the local public bodies in New Mexico to maintain budget and fiscal integrity for the benefit of our citizens."