MEMORANDUM BFB #18-02

TO: New Mexico Counties and Municipalities

FROM: Rick Lopez, Director
       Local Government Division

DATE: April 19, 2018

SUBJECT: Fiscal Year 2018-19 Budget Preparation & Submission Guidelines

Section 6-6-2 NMSA 1978 requires each local public body to furnish and file with the Department of Finance and Administration (DFA), Local Government Division (LGD) a proposed (interim) budget for the next fiscal year. Furthermore, this statute authorizes the LGD to prescribe the form for all budgets, books, records and accounts for local public bodies.

Submission of the Fiscal Year 2018-19 interim budget will be on the Local Government Budget Management System (LGBMS). Additionally, budget supporting schedules in the prescribed Excel format will be submitted electronically as attached files via LGBMS.

If your local government participates in the pilot group, you will continue to submit Budgets, Budget Adjustment Requests (BARs), and Quarterly Reports on LGBMS for as you have been.

We anticipate access to LGBMS will be available sometime during the week of May 21, 2018. Pursuant to Section 6-6-2K NMSA 1978, DFA/LGD is requiring that county and municipal budgets be submitted on LGBMS. Any county or municipality failing to submit on LGBMS will receive conditional budget approval and will be given ninety (90) days to comply with LGBMS submission requirements.

If you haven’t already, please be sure to submit a Security Access Form (SAF) for each individual within your local government who requires access to the system.

The SAF and other LGBMS resources and information are available on our website: http://www.nmdfa.state.nm.us/lgbms.aspx  (Note: The LGBMS User Guide will be posted by the week of May 21, 2018).

Budget supporting schedules in Excel format are also on our website: http://www.nmdfa.state.nm.us/bfb-forms.aspx
PLEASE NOTE:
In light of the continuing fiscal challenges, we recommend the following for your consideration in preparing a balanced interim budget:

- Adopting and applying formal policy that strictly disallows recurring expenditures from cash balances and non-recurring revenues,
- Implementing an immediate freeze on all current vacant employee positions (excluding health and public safety services positions) as well as increases to employee salaries (excluding union contractual obligations),
- Implementing an immediate freeze on any new non-essential contracts that affect the General Fund,
- Discontinue the practice of providing funds to any non-profit organizations that are not tied to a legislative appropriation

INTERIM Budget Deadlines:

**Counties & Municipalities**
- **Budget Submittal on LGBMS:** June 1, 2018 [submission extensions cannot be granted]
- **Budget Resolution:** optional at this date
- **Property Tax Resolution:** June 1, 2018 (changes to the operating mill levy)

**LGD**
- **Interim Approval Letter:** July 1, 2018

*NOTE:* Approval of the interim budget designates it a legal binding document until the final budget is approved.

FINAL Budget Deadlines:

**Counties & Municipalities**
- **Budget Revisions on LGBMS:** REQUIRED on July 31, 2018
- **Budget Resolution:** REQUIRED on July 31, 2018
- **Budget Supporting Schedules:** REQUIRED on July 31, 2018
- **4th quarter report:** REQUIRED on July 31, 2018
- **4th quarter report Resolution:** REQUIRED on July 31, 2018

**LGD**
- **Final Approval Letter:** September 4, 2018

*NOTE:* Approval of the final budget designates it as a legal binding document.

**Other Required Items:**

**Resolutions**
Sample resolutions for budget and 4th quarter report adoptions are located on our website: http://www.nmdfa.state.nm.us/bfb-forms.aspx

**Supporting Schedules**
Required schedules that support the budget are listed below and can be found on our website: http://www.nmdfa.state.nm.us/bfb-forms.aspx
• Property Tax Calculation Worksheet - calculates projected property tax revenue
• Debt Schedule - lists all outstanding debt (loans, revenue & general obligation bonds)
• S-5 (DETAIL OF NON-BUDGETED RESERVE REQUIREMENTS form) - lists additional reserves (not LGD required reserves) and must tie to amounts reported in LGBMS under Object Code 10105 Locally Imposed Reserve.
• Revenue Checklist - lists all GRT imposed increments including intercepted GRT amounts
• Form S-2 (SCHEDULE OF INSURANCE) - lists all insurance costs
• Salary Schedule - lists salaries and benefits associated with each budget position [personnel schedules generated from your systems will be accepted]
• County Elected Official Salary Schedule - lists salaries of all county elected officials to review compliance with NM Statutory caps.
• FY19 Co-Muni Budget Work Plan Questionnaire – describes major issues affecting an entity’s FY2018-19 budget and how those factors are being addressed in the budget.

4th Quarter Report
This report will be submitted in existing Excel form and must include the following:
• Recapitulation (recap) page (signed by preparer of quarterly report)
• Resolution (approved by governing body)

OTHER:
Items on the Budget Recapitulation (Recap) Page to be aware of:
• Beginning cash on recap page must tie to the 4th quarter report ending cash (before reserves)
• Investments must be reported in the investments column
• Total Transfers must always equal to zero (LGBMS will flag this as an error)
• Adjusted Ending Cash balances of any Fund cannot be negative, including Funds that are awaiting grant reimbursements (LGBMS will flag this as an error)
• County Expenditure Limitations: Pursuant to Section 6-6-7 NMSA 1978, county officials may not expend in excess of 50% of the approved budget for the fiscal year during which the terms of office of any official will expire.

LGD RESERVES (LGBMS will automatically calculate):
General Fund Reserve Requirements:
• Muni Reserve is 1/12th of total budgeted expenditures
• County Reserve is 3/12ths of total budgeted expenditures
County Road Fund Reserve Requirements:
• County Reserve is 1/12th of total budgeted expenditures

Salary Increases:
One-time temporary salary increases (known as bonuses) are not allowed.
See the "July 2, 2008 Memo Performance Bonuses, Retroactive Pay Increases and Bonuses In Lieu of Pay Increases" memo located on our website:
http://www.nmdfa.state.nm.us/Budget_Memos_1.aspx
**Law Enforcement Protection Fund:**

- Budget the Law Enforcement Protection Fund (LEPF) distributions in LGBMS under Fund 21100 Law Enforcement Protection, Department 1005 County Sheriff—or-Department 3001 Law Enforcement, Object Code 47110 Law Enforcement Protection (DFA)
- LEPF funds should be expended to zero each fiscal year.
- If a balance remains at the end of the previous fiscal year, approval from LGD is required prior to spending. Please fill out the LEPF Carryover Request Form which is located on our website: [http://www.nmdfa.state.nm.us/bfb-forms.aspx](http://www.nmdfa.state.nm.us/bfb-forms.aspx)

If you have any further questions, please contact your assigned analyst or the main number at (505)827-4975.

xc: BFB Analysts
   Jack Emmons, Deputy State Auditor
   Bill Fulginiti, NMML Executive Director
   Steve Kopelman, NMAC Executive Director