MEMORANDUM #BFB-16-04

TO: New Mexico Counties and Municipalities

FROM: Rick Lopez, Director
Local Government Division

DATE: February 29, 2016

SUBJECT: Fiscal Year 2016-17 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, 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.

To meet these requirements, the LGD has developed budget forms (including supplemental schedules forms) which are required to be used and submitted electronically. These budget forms are located on our website:

http://www.nmdfa.state.nm.us/bfb-forms.aspx

PLEASE NOTE:

In light of the challenges presented by the state of New Mexico’s economic downturn, we recommend the following for your consideration:

- 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),
- Implementing an immediate freeze on all 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, and
- Re-evaluating all revenues while being cognizant of any legal, statutory or governmental accounting standard restrictions of use.
INTERIM Budget

- **Submission Deadline:** June 1, 2016 *submission extensions cannot be granted*
- **Resolution** (approved by governing body) is **optional** at this date
- **Property Tax Resolution Deadline:** June 1, 2016  
  (changes to the operating mill levy approved by the governing body)
- **Projected Beginning Cash Balances** as of July 1, 2016  
  (current fiscal year will not be completed at submission time)
- **LGD approval deadline:** July 1, 2016  
  (LGD approval letter will indicate if more information is needed and/or corrections needed)

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

FINAL Budget

- **Submission Deadline:** July 31, 2016
- **Resolution** (approved by governing body) is **REQUIRED** on July 31, 2016
- **ALL Supporting Schedules** are **REQUIRED** on July 31, 2016
- **Beginning Cash Balances** as of July 1, 2016  
  (balances that tie to the ending cash balances on 4th quarter report [ending June 30, 2016])
- **4th quarter report as of June 30, 2016** is **REQUIRED** on July 31, 2016
- **4th quarter report Resolution** (approved by governing body) is **REQUIRED** on July 31, 2016
- **LGD approval deadline:** September 6, 2016

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

The following provides further directions on 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](http://www.nmdfa.state.nm.us/bfb-forms.aspx)

**Supporting Schedules**
Schedules support budgeted amounts.
- **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)
- **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)*

**NOTE:** in addition, all counties **must submit** "County Elected Official Salary Schedule"

Supporting schedules forms are located on our website:
[http://www.nmdfa.state.nm.us/bfb-forms.aspx](http://www.nmdfa.state.nm.us/bfb-forms.aspx)
4th Quarter Report (June 30, 2016)
This report 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 as of June 30, 2016 ending cash (before reserves)
➤ Report all investments in the investments column
➤ Total Transfers must always equal to zero
➤ Unaudited Beginning Cash Balances & Adjusted Ending Cash balances of any fund cannot be a negative number (including funds that are awaiting grant reimbursements)

LGD RESERVES:
General Fund Reserve Requirements:
• Muni Reserve is 1/12th of total budgeted expenditures
• County Reserve is 3/12th of total budgeted expenditures

County Road Fund Reserve Requirements:
• County Reserve is 1/12th of total budgeted expenditures

HOLD-HARMLESS GRT:
Hold-harmless GRT line items have been established on the most current LGD forms (located on the website). However, if you are using older versions of the LGD forms, you will need to create these GRT line items within the forms.

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:
http://www.nmdfa.state.nm.us/Budget_Memos_1.aspx

LAWS ENFORCEMENT PROTECTION FUND:
Budget the Law Enforcement Protection Fund (LEPF) distributions under “State-Law Enforcement Protection” within the LEPF Fund. LEPF funds should be expended to zero each fiscal year. However, if there is a balance remaining at the end of the previous fiscal year, approval from LGD is required prior to spending.
The LEPF Carryover Request Form is located on our website:
http://www.nmdfa.state.nm.us/bfb-forms.aspx

Contact your assigned budget analyst for any questions or call the main number at (505)827-4975.

xc: BFB Analysts
Sanjay Bhakta, Deputy State Auditor
Bill Fulginiti, NML Executive Director
Steve Kopelman, NMAC Executive Director