MEMORANDUM BFB #17-06

TO: New Mexico Counties and Municipalities

FROM: Rick Lopez, Director
Local Government Division

DATE: February 17, 2017

SUBJECT: Fiscal Year 2017-18 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.

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 continuing fiscal challenges, 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) 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 Document: June 1, 2017 [submission extensions cannot be granted]
- Budget Resolution: optional at this date
- Property Tax Resolution: June 1, 2017 (changes to the operating mill levy)

**LGD**
- Interim Approval Letter: July 1, 2017

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

FINAL Budget Deadlines:

**Counties & Municipalities**
- Budget Document: July 31, 2017
- Budget Resolution: **REQUIRED on July 31, 2017**
- Budget Supporting Schedules: **REQUIRED on July 31, 2017**
- 4th quarter report: **REQUIRED on July 31, 2017**
- 4th quarter report Resolution: **REQUIRED on July 31, 2017**

**LGD**
- Final Approval Letter: September 5, 2017

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

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**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](http://www.nmdfa.state.nm.us/bfb-forms.aspx)

**Supporting Schedules**
Required schedules that support the budget document are listed below and can be found on our website:
[http://www.nmdfa.state.nm.us/bfb-forms.aspx](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)
- 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 ensure compliance with NM Statutory caps.

**4th Quarter Report**
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 ending cash (before reserves)
- **Investments** **must be** reported in the investments column
- **Total Transfers** **must always** equal to zero
- **Unaudited Beginning Cash Balances & Adjusted Ending Cash balances** of any fund **cannot be negative** (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 3/12ths 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 located on our website:
[http://www.nmdfa.state.nm.us/Budget_Memos_1.aspx](http://www.nmdfa.state.nm.us/Budget_Memos_1.aspx)

Law 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.
- 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 contact your assigned analyst or the main number at (505)827-4975.

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