MEMORANDUM #BFB-12-01

TO: Municipal and County Finance Officers
FROM: John A. Gallegos, Budget & Finance Bureau Chief
DFA, Local Government Division
DATE: May 22, 2012
SUBJECT: Fiscal Year 2012-13 Budget Preparation

I. Statutory Authorization:
Section 6-6-2 NMSA 1978 authorizes the DFA, Local Government Division (LGD) to require each local public body to develop and submit a proposed (interim) budget for the next fiscal year. LGD is also authorized by statute to prescribe budget and other financial forms to be used by local public bodies.

II. Budget Submittals:
- June 1, 2012 is the deadline to submit the FY 2012-13 interim budget to LGD. Commission, council or board approval of the interim budget by formal resolution is optional. The interim budget is analyzed by LGD budget staff for any necessary corrections or additional information and then certified as an operating budget pending approval of a final budget. The interim budget is a legal binding document for operations until final budget approval by LGD; therefore, the financial data submitted in the interim budget should be as current and accurate as possible.
- July 31, 2012 is the deadline to submit an electronic version in LGD format in Excel of the FY 2012-13 final budget to LGD. Hard copy of the final budget is optional. The final budget submittal must include a formal resolution adopted by a quorum of the governing body. In addition, the final budget is comprised of, at a minimum, a revised Budget Request Recapitulation budget summary form (Recap) with updated (reconciled) Unaudited Beginning Cash Balance per Fund type and any revised pages of the interim budget that changed from the interim to the final budget submission.
- The fourth quarter financial report ending June 30, 2012, formally approved by your governing body, must also be submitted with your final budget.

III. Budget Forms:
- Budget forms can be viewed and downloaded from the LGD, Budget & Finance Bureau website: www.nmdfa.state.nm.us/Forms and Pilot_Project_Forms_1.aspx. These forms are required for your budget submissions and their format may not be altered in any way. For the interim budget submittal use of other formats will be allowed, only with the concurrence of your assigned Budget & Finance Analyst.
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- **Note:** There are certain cells in the budget forms that are locked for specific reason. Please DO NOT alter/over-ride. Contact your analyst if there are any issues with the LGD budget forms.
- The detailed pages per Fund type (general, special revenue, capital outlay, etc.) need to be completed individually. Negative amounts may only be entered into “Budgeted Transfers” to indicate transfer(s) out. Do not enter negative amounts for “Investments”, “Budgeted Revenues”, or “Budgeted Expenditures” (since expenditure cell formulas are set up to calculate reductions).
- The expenditure and revenue amounts will roll-up onto the Recap summary page.

IV. **Budget Recapitulation Form (RECAP):**

For the Final Budget:

- The “Unaudited Beginning Cash Balances @ July 1” and “Investments” must be entered manually. **Only short-term (one year or less) liquid “Investments” are to be included in the Recap if you definitely plan to use them during the fiscal year for operations. Otherwise, investments not used for operating budget purposes must be omitted from the Recap.** All investments must still be accounted for in the Investment Schedule of the supplemental supporting schedules that accompany the final budget.
- **Do not comingle short term investments with cash balances either in the June 30th fourth quarter report or in the budget Recap page.** Report them in the “Investments” column of the Recap page. Report any investment income as a revenue and if investments are to be converted to cash and expended, then report in the “Budgeted Expenditures” column.
- The “Budgeted Transfers” Grand Total must always equal to zero.
- “Local Reserve Requirements”: The required applicable reserves are calculated within protected cells in the Recap page. Please DO NOT alter/over-ride. It is alright to use reserves during the course of the fiscal year as long as the reserves are replenished by fiscal year-end so that your municipality or county will not experience severe cash flow problems in the succeeding fiscal year:
  1. One twelfth of budgeted General Fund expenditures for municipalities;
  2. Three twelfths of budgeted General Fund expenditures for counties; and
  3. One twelfth of budgeted Road Fund expenditures for counties.
- Budgets with projected year-end deficits by Fund will not be approved. This applies only to those budgeted Funds listed on the Budget Request Recapitulation. This restriction does not apply to any other funds or sub-fund accounts designated in the county or municipality chart of accounts. If a deficit is projected to occur due to timing issues of reimbursements or some other legitimate reason, please submit the justification in an email to your assigned Budget & Finance Analyst or explain the reason for the deficit in the cover letter that accompanies your budget.

V. **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 forward is not required for budget approval.

Fire Protection 209 (counties & municipalities): Budget the distributions from the Fire Protection Fund 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 the distributions from the Law Enforcement Protection Fund (LEPF) under “State-Law Enforcement Protection”; Budget any other source(s) under “Miscellaneous”. Approval from the DFA, Local Government Division for the previous fiscal year’s carry forward is required. Use the attached “LEPF Carryover Request Form”, which is also available on the LGD website www.nmdfa.state.nm.us/Forms and Pilot Project Forms 1.aspx. The requested carryover balance must be the actual June 30, 2012 balance from the FY 2011-12 LEPF distribution. Please follow the form instructions carefully. The carryover request form must be submitted with the final budget.

Special Revenue Funds are legally restricted to expenditures for specific purposes. Transfers to other funds are not allowed.

VI. Other important items to consider:

- With your final budget submittal, please include a copy of your amortization schedule(s) for all long-term debt incurred after June 30, 2012. This includes revenue bonds, general obligation bonds, and loans (NMFA, NMED, RUS, banks, etc.)

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

- One-time temporary salary increases, otherwise known as bonuses, are allowed only if there has been a documented understanding between management and employee assigning a specific work-related project or task to the employee, which rewards that employee a specific one-time dollar amount upon successful completion of the project or task. General across-the-board “good will” bonuses are not allowed and should not be budgeted.

Please share this memorandum with every member of your governing body, i.e. commissioners, mayors, councilors, trustees, board members.

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

cc: Ryan Gleason, LGD Director
    Sam Ojinaga, LGD Deputy Director
    BFB Budget & Finance Analysts
    Carla Martinez, Deputy State Auditor
    Antonio Corrales, State Auditor’s Chief of Staff
    Bill Fulginiti, NMML Director
    Paul Gutierrez, NMAC Director

Attachment
Department of Finance & Administration / Local Government Division

Law Enforcement Protection Fund Carryover Request Form

***(this form must accompany the final budget submission)***

Entity Name: ____________________________
Contact Name: ____________________________
Contact Title: ____________________________
Contact Phone Number: ____________________________
Contact E-mail Address: ____________________________

I hereby certify that the information presented on this form is true and correct to the best of my knowledge:

Signature ____________________________ Date ____________________________

We hereby request approval from the Department of Finance & Administration / Local Government Division (DFA/LGD) to carryover the following balance from the Law Enforcement Protection Fund (LEPF) distribution:

Current Fiscal Year: FY2011/2012
Total Distribution for Current FY: $0.00
Balance on June 30th:* $0.00

If the carryover is approved, we will be expending the balance in the succeeding fiscal year for the following allowable uses:

Succeeding Fiscal Year: FY2012/2013
(This is the fiscal year that balance will be carried over to)

Allowable Uses (pursuant to LEPF Rule, 2.110.3 NMAC):

*The June 30th balance should only be from the LEPF distribution and not include any other revenue sources. If the June 30th balance is greater than the total distribution amount for the current fiscal year, then the entity has a balance left over from a prior fiscal year’s carryover. Balances can only be carried over for one subsequent year. Therefore, the balance calculated below that is from a prior fiscal year’s carryover must be reverted to the State of New Mexico:

Calculated Reversion Amount

Balance on June 30th: $0.00
LESS Total Distribution for Current FY: $0.00
Reversion Due to State: None

Reversion Instructions

A check made payable to the "State of New Mexico, Department of Finance & Administration" for the Reversion Due to State amount above should be mailed to the following address:

Brenda L. Suazo-Giles, Budget & Finance Analyst
DFA / Local Government Division
Bataan Memorial Building, Suite 201
Santa Fe, NM 87501

If you have questions on this form, please call (505) 827-4127.

Pursuant to the LEPF Rule, 2.110.3.10C, New Mexico Administrative Code, "The distributions from the fund are to be used, not accumulated. Fund balances may be carried over to a succeeding fiscal year only with prior written approval from the local government division."

FOR DFA/LGD USE ONLY:

Approved: ___ Yes ___ No
Approved Carryover Amount: $__________
Department of Finance & Administration / Local Government Division
Law Enforcement Protection Fund Carryover Request Form
Instructions

Please use this carryover request form in lieu of a carryover request letter. This form must accompany the final budget submission.

Entity Name: This is the name of the local government requesting the carryover.

Contact Name: This is the name of the individual best suited to answer any questions regarding the carryover request.

Contact Title: Official title of the contact person.

Contact Phone Number: List the phone number(s) where contact person can be reached.

Contact E-mail Address: List the contact person’s e-mail address if available.

Signature: This should be the signature of the County Sheriff, Police Chief, Finance Officer, or other person authorized to make the carryover request. An original signature should be included, so after form is completed, print it out and ask authorizing official to sign.

Date: Please include the signature date, which will also be regarded as the date of the request.

Current Fiscal Year: This is the fiscal year in which the original LEFP distribution was made.

Total Distribution for Current FY: List the total LEFP distribution amount. Typically, LEFP distributions are received early July.

Balance on June 30th: This is the LEFP distribution balance as of June 30th. The balance should only be from the LEFP distribution. Other revenue sources, such as interest earned or other state grants, should not be included. The balance should be reconciled to ensure accuracy.

Succeeding Fiscal Year: This is the fiscal year that balance is requested to be carried over to. (For example, the balance on June 30, 2012 from the FY11/12 LEFP distribution is requested to be carried over to FY12/13).

Allowable Uses: Please explain how the carryover balance will be expended. All planned expenditures must be allowable per the LEFP Rule, 2.110.3, New Mexico Administrative Code. Sample of allowable uses are the purchase of law enforcement equipment and costs associated with advanced law enforcement training.

Calculated Reversion Amount: This section automatically calculates any reversion due to the state by comparing the June 30th balance to the total LEFP distribution for the current fiscal year. If the June 30th balance is greater, this indicates that the entity has a balance from a prior fiscal year’s LEFP carryover. Section 2.110.3.10C allows the carryover of funds to a succeeding fiscal year with DFA/LGD approval. However, if the approved carryover is not fully expended by the end of the succeeding fiscal year, the balance must be reverted to the state.

Reversion Instructions: If a reversion amount is due to the state, please follow the "Reversion Instructions" on the form.

FOR DFA/LGD USE ONLY: This section is to be used by DFA/LGD to stamp the carryover approval and note the approved carryover amount. DFA/LGD will also include any necessary comments in this area.

Submission Instructions

An original copy of the completed and signed form must be submitted to the entity’s DFA/LGD Budget & Finance Analyst at the same time that the final budget is submitted.

If you have questions on this form, please call (505) 827-4127.