MEMORANDUM # **BFB-09-01**

TO: Municipal and County Finance Officers

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

DATE: May 27, 2009

SUBJECT: Fiscal Year 2009-10 Budget Preparation

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**I. STATUTORY AUTHORIZATIONS:**

Section 6-6-2 NMSA 1978 authorizes the DFA, Local Government Division (LGD) to require local public bodies to 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 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. Each county and municipality must submit separate interim and final budgets by their respective deadlines. 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. Supporting interim budget document pages not requiring corrections or changes do not have to be resubmitted as part of the final budget. The updated or corrected pages can be inserted into the interim budget as replacements, which will then serve as the final budget.

Section 6-6-2 NMSA 1978 also authorizes LGD to prescribe budget and other financial forms in LGD’s format. The new budget (and financial reporting) forms are located on the LGD Budget and Finance Bureau website www.fnib.nmdfa.state.nm.us. These are the forms required for your budget submissions. Use of any other budget format is allowed only with the agreement and consent of your Executive Budget Analyst.
II. PROPERTY VALUATION ESTIMATE FORM:

In Column B of the Property Valuation Estimate form, indicate either the 2008 Final Valuations or 2009 valuations obtained from the County Assessor:

- If you choose to apply the 2009 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 2008 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. “2008 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 2009-10, 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 2008”, 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.

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. 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’.
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III. BUDGET REQUEST RECAPITULATION FORM (RECAP):

Investments are included in the Recap only for short-term (one year or less) investment instruments that definitely will be used for operations during the upcoming fiscal year. Otherwise, investments not used for operating budget purposes should not be reported on the Recap. All investments will still have to be accounted for in your LGD periodic financial reports.

Remember – On the Recap:

- The Budgeted Transfers Grand Total must always be equal to zero.
- The Adjusted Ending Cash Balance for each fund cannot be a negative number – unless it can be documented that a definite fiscal transaction e.g. reimbursements, will occur that will reestablish a positive cash balance.
- Supporting document totals roll up to the overall totals and Grand Totals.
- Each revised Recap must be indicated by check mark, as well as Revision No. and Revision Date at the bottom of the page. The final Recap, as approved by your analyst, and supporting budget documents, will be the official approved FY 2009-10 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 previous fiscal year carry forwards is still required. Indicate the LEPF amount being carried forward in your budget cover letter.
V. OTHER IMPORTANT ITEMS:

- **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 and 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 at a more detailed level than that which is called for in the LGD budget forms.

- **Reserves – (Recap)**: Although budgets are being financially strained, the required reserves for counties and municipalities must be budgeted and maintained. Reserves may be used during the course of the fiscal year (which may put them below the required budgeted levels) but they must still be replenished to the required budgeted levels by June 30, 2010.

- Along with your budget submittal, please include a copy of your amortization schedule(s) for all long-term debt entered into after June 30, 2008. This includes revenue bonds, general obligation bonds, and loans (NMFA, RUS etc.).

- In your cover letter, please indicate the specific amount you have budgeted in the Audit line item for audit costs.

VI. RECOMMENDATIONS:

Please establish a very fiscally conservative Fiscal Year 2009-10 budget. Due to the current state of the national economy and the volatility of some of the tax distributions, the following recommendations are made for your consideration. If you have not already done so:

- Adopt and apply a formal policy that will strictly disallow recurring expenditures from cash balances and non-recurring revenues.

- Implement a freeze on all currently vacant employee positions except those that are needed for health and public safety services, i.e. law enforcement, road maintenance, solid waste, and emergency medical services.

- Implement a freeze on all employee salaries except for those governed by union contracts currently in place. If such contracts are currently being planned or even in the negotiating process, stipulate this salary freeze as one of the contract requirements.
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- Formulate a plan to implement a reduction in force or to implement a reduction in work hours in case the revenue situation for your county or municipality worsens.
- Implement a freeze on any new non-essential contracts that affect your General Fund.
- Discontinue providing unappropriated contributions to non-profit organizations, if such has been your practice. This may help you to avoid possible Anti-Donation violations.
- Make every effort to maximize revenues.
- Make every effort to aggressively collect overdue payments in your enterprise funds e.g. solid waste, so that you don’t have to rely on transfers from your General Fund to keep your enterprise funds solvent.
- Implement any other cost-saving practices and reductions that you deem necessary.

Any actions taken with respect to these recommendations must have formal approval of your commission, council, or board.

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

cc: Robert Apodaca, LGD Director
Frank Rendon, LGD Deputy Director
BFB Executive Budget Analysts

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."