MEMORANDUM

DATE: December 10, 2008

TO: New Mexico Local Government Public Bodies

FROM: Robert Apodaca, Director, Local Government Division
       Department of Finance and Administration

SUBJECT: Potential Budget Shortfalls FY 2008-09

Due to the current national economic crisis and the negative financial trends that are occurring in New Mexico, it is likely that projected revenues for the current fiscal year are not going to be sufficient to sustain budgeted expenditures, which may also deplete ending fiscal year cash balances. This very serious concern has prompted the Executive and Legislative branches to look at ways of cutting back on budgeted expenses in order to operate within newly projected reduced tax revenues. Both the Governor and the Legislature have been assessing the impacts of reduced tax revenues at the state and local government levels.

The Executive has implemented the following cost saving measures, which you may want to consider as you address local revenue reductions, if you already haven’t done so:

1. As a matter of prudent fiscal practice, adopt and apply a formal policy that will strictly disallow recurring expenditures from non-recurring revenues and cash balances such that reserve requirements cannot be met.
2. Consider implementing an immediate 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.
3. Consider implementing an immediate freeze on all employee salaries for the remainder of the current fiscal year and for the entirety of the upcoming fiscal year, except for those governed by union contracts currently in place. Union contracts currently under negotiations should take into consideration the need to freeze salaries at the currently negotiated level. This is not meant to cast any aspersions on the quality of the work performed by employees. However, it is very difficult to fund salary raises from very limited or declining funding sources.
Memo to Local Public Bodies  
December 10, 2008

4. Consider implementing a process by which new contracts that affect the General Fund take into consideration the likelihood of a significant reduction in recurring revenue.

5. Have all department and program managers identify and implement further reductions in their respective Fiscal Year 2008-09 operating budgets.

6. Make every effort to collect and maximize revenues.

7. Implement other effective cost-saving practices and reductions that you can identify and share legitimate innovative practices with other local public bodies and state government.

8. **Implement, by formal resolution, revenue and expenditure reductions through your mid-year budget adjustment resolution(s), ensuring that year-end general fund reserves will be sustained at the required levels for counties and municipalities, which will be needed to help sustain your Fiscal Year 2009-10 operating budget.**

I realize that these recommendations will be difficult and unpopular. However, it is necessary to take immediate action before counties, municipalities and special districts are faced with a severe financial crisis that might necessitate employees being placed on a 32-hour work week or laid off through a reduction in force.

Remember that an approved budget by DFA does not guarantee that your revenues will materialize. Local public bodies need to track their revenues, project future collections conservatively, and reduce budgets accordingly.

Please know that my staff and I are ready to assist you in any way we can. There have been some changes in analyst assignments. Please refer to the attached Executive Budget Analyst schedule to verify your assigned analyst.

cc: Rick Martinez, DFA Deputy Secretary  
Frank Rendon, LGD Deputy Director  
John Gallegos, Budget & Finance Bureau Chief  
**BFB, Executive Budget Analysts**  
Bill Fulginiti, NMML Director  
Paul Gutierrez, NMAC Director