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MEMORANDUM BFB #21-02

TO: New Mexico Counties and Municipalities

FROM: Donnie J. Quintana, Director *Donnie Quintana*
Local Government Division

DATE: March 15, 2021

SUBJECT: Fiscal Year 2021-22 Budget Preparation & Submission Guidelines

We cordially provide the following guidelines to ensure statutory compliance with Section 6-6-2 NMSA 1978 that 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.

Pursuant to Section 6-6-2.K. NMSA 1978, DFA/LGD requires that Fiscal Year 2021-22 interim budgets for counties and municipalities be submitted on the Local Government Budget Management System (LGBMS). Additionally, budget supporting schedules in the prescribed Excel format will be submitted electronically as attached files via LGBMS.

Also required is the submission of a new Security Access Form (SAF) for each individual within your local government who requires access to the system for Fiscal Year 2021-22. In order to safeguard the data submitted on LGBMS, please be sure to submit a SAF to deactivate the account of anyone that has left your respective agencies.

The Security Access Form (SAF), LGBMS User Guide, LGBMS FAQ document, and other information are available on our website: <https://www.nmdfa.state.nm.us/local-government/budget-finance-bureau/lgbms/>

PLEASE NOTE:

We offer the following recommendations in preparing a balanced interim budget, in the event your local government is facing financial/budgetary challenges:

- 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 Submittal on LGBMS: **June 1, 2021** [*submission extensions cannot be granted*]

Budget Resolution: **optional** at this date

Property Tax Resolution: **June 1, 2021** (changes to the operating mill levy)

LGD

Interim Approval Letter: **July 1, 2021**

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

FINAL Budget Deadlines

For the below identified REQUIREMENTS is July 31, 2021:

Counties & Municipalities

Budget Revisions on LGBMS

Budget Resolution

Budget Supporting Schedules

4th quarter report

4th quarter report Resolution

LGD

Final Approval Letter: **September 6, 2021**

NOTE: Approval of the final budget designates it as a legal binding document. The final budget as approved on LGBMS is the official budget of record for your local government.

Other Required Items:

Resolutions

Sample resolutions for budget and 4th quarter report adoptions are located on our website:

<https://www.nmdfa.state.nm.us/local-government/budget-finance-bureau/budget-forms/>

Supporting Schedules

Required schedules that support the budget are listed below and can be found on our website:

<https://www.nmdfa.state.nm.us/local-government/budget-finance-bureau/budget-forms/>

- 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 which are automatically calculated by LGBMS) and must tie to amounts reported in LGBMS under Object Code 10105 Locally Imposed Reserve.
- Revenue Checklist -lists all GRT imposed increments including intercepted GRT amounts [refer to Memorandum #BFB-19-02 “Guidelines for Reporting Gross Receipts Tax and Various

Intercepts” located on our website: <https://www.nmdfa.state.nm.us/local-government/budget-finance-bureau/budget-memos/> ; however, due to de-earmarking of GRT revenue (enactment of 2019 House Bill 479), local governments have more discretion in budgeting revenue so long as “GRT” LGBMS line items are used for tracking purposes].

- Form S-2 (SCHEDULE OF INSURANCE) - lists all insurance costs.
- Salary Schedule - lists salaries and benefits associated with each budgeted position [Personnel schedules generated from your systems will be accepted].
- County Elected Official Salary Schedule - lists salaries of all county elected officials to review compliance with NM Statutory caps.
- FY22 Co-Muni Budget Work Plan Questionnaire – describes major issues affecting an entity’s FY2021-22 budget and how those factors are being addressed in the budget.

4th Quarter Report

This report will be submitted on the LGBMS Reporting Module, under the “FY2021 Q4” reporting period. A governing body approved resolution approving the 4th Quarter Report is also required and must be attached in the “files” menu of the LGBMS Reporting Module.

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 (LGBMS will flag this as an error)
- Adjusted Ending Cash balances of any Fund **cannot be negative**, including Funds that are awaiting grant reimbursements (LGBMS will flag this as an error)
- County Expenditure Limitations: Pursuant to Section 6-6-7 NMSA 1978, county officials may not expend in excess of 50% of the approved budget for the fiscal year during which the terms of office of any official will expire.

STATE REQUIRED RESERVES (LGBMS will automatically calculate) – Optional Waiver Extended through FY22:

To provide greater budgeting flexibility, we have extended the state required reserve waiver through FY22. The temporary modification to LGBMS allows submittal of budgets not meeting the state required reserves. This is an optional waiver for a local entity that is unable to meet the state required reserves.

General Fund Reserve Requirements:

- Muni Reserve is 1/12th of total budgeted expenditures
- County Reserve is 3/12^{ths} of total budgeted expenditures

County Road Fund Reserve Requirements:

- County Reserve is 1/12th of total budgeted expenditures

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:

<https://www.nmdfa.state.nm.us/local-government/budget-finance-bureau/budget-memos/>

Law Enforcement Protection Fund (LEPF):

[Note: Increases from enactment of 2020 House Bill 184 aren't effective until July 1, 2022 (FY23)]

- Budget LEPF distributions in LGBMS under **Fund 21100 Law Enforcement Protection**, Department 1005 County Sheriff –or- Department 3001 Law Enforcement, **Object Code 47110 Law Enforcement Protection (DFA)**.
- 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. After June 30th but on or before July 31st, please fill out the LEPF Carryover Request Form which is located on our website: <https://www.nmdfa.state.nm.us/local-government/budget-finance-bureau/law-enforcement-protection-fund/>

If you have any further questions, please contact your assigned analyst. Staff contact information can be found here: <https://www.nmdfa.state.nm.us/local-government/budget-finance-bureau/>

xc: BFB Analysts
Brian Colón, State Auditor
AJ Forte, NMML Executive Director
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