LGD BUDGET CONFERENCE

NOVEMBER 13TH-15TH 2019

LGD BUDGETING & REPORTING FOR CITIES & COUNTIES

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WHO ARE WE?

We, the Budget & Finance Bureau (BFB), are public stewards hired to ensure and implement New Mexico statues, rules and regulations related to budgets, records, reports and the disbursement of public monies, including transfers between funds, to maintain budget and fiscal integrity for the benefit of the citizens of New Mexico.

Likewise, the Local Governments (MUNICIPALITIES AND COUNTIES) are required to keep all books, compile reports and conform to all rules and regulations adopted by the Local Government Division/BFB and your governing body and/or Commission.

WHY?

CHAPTER 6, ARTICLE 6 OF THE NEW MEXICO STATUES ANNOTATED (NMSA) 1978 REQUIRES THE LOCAL GOVERNMENT DIVISION, BUDGET & FINANCE BUREAU (BFB) TO OVERSEE ALL MONEY RECEIVED OR SPENT BY A LOCAL GOVERNMENT WHICH MUST BE BUDGETED AND ACCOUNTED FOR IN ACCORDANCE WITH NEW MEXICO LAWS

WHAT DO WE DO?

- BFB reviews and approves operating budgets
 - > to assure compliance with state statues
 - properly account for revenues and expenditures
 - to ensure local governments do not exceed available resources and to ensure sufficient funds are budgeted to cover required expenditures

- REVIEW AND APPROVE BUDGET ADJUSTMENTS RESOLUTIONS
 - Budget Adjustment Requests (State BARs)
- REVIEW QUARTERLY FINANCIAL REPORTS
 - To analyze current financial condition to detect financial difficulties early; and to ensure that each entity maintains financial stability
- PROVIDE ASSISTANCE & TRAINING:
 - On state statues, rules and regulations;
 - > BFB prescribed forms, policies and procedures;
 - > Government accounting, budgeting and analysis
- UNDERSTAND OPERATION & PROGRAMMATIC CONTENT OF LOCAL GOVERNMENT
- To advise local governments about efficient and effective ways of dealing with organizational issues

The FINAL APPROVED Budget on file with BFB is the official budget to the tax officials of the state.

LOCAL GOVERNMENTS RESPONSIBILITIES

- Provide for public safety, fire, police and other emergencies
- Provide public health: water, waste water, solid waste and indigent care
- Fulfill objectives and goals of all stakeholders
 - Submit operating budget to BFB for approval;
- Operate within BFB approved budget unless adjustments are needed-which may require BFB approval;
- Submit Quarterly Financial Reports;
- Conform to rules and regulations as required by BFB;
- Comply with reporting requirements that demonstrate accountability to the citizens served by the local public body; and
- Ongoing communication, teaching and presenting the governing body with relevant financial reports showing the revenues, expenditures, budget adjustments, and balances for each fund

What is a Budget?

A Financial plan and/or FORECAST of expenditures and revenues, over a period of time. In this case it is from July 1st to June 30th.

- Monetary Plan
- Communication Tool
- Legally Binding Contract

ONE BUDGET TWO STAGES

INTERIM BUDGET DEADLINE JUNE 1ST FINAL BUDGET DEADLINE JULY 31ST

Interim Budget should be your <u>"FINAL"</u> Budget.

The only changes from the Interim to Final Budget should be the reconciled

June 30th ending cash balances, which become the FINAL

Budget Unrestricted Cash

HOW DO YOU DEVELOP A BUDGET?

• Preparation.....



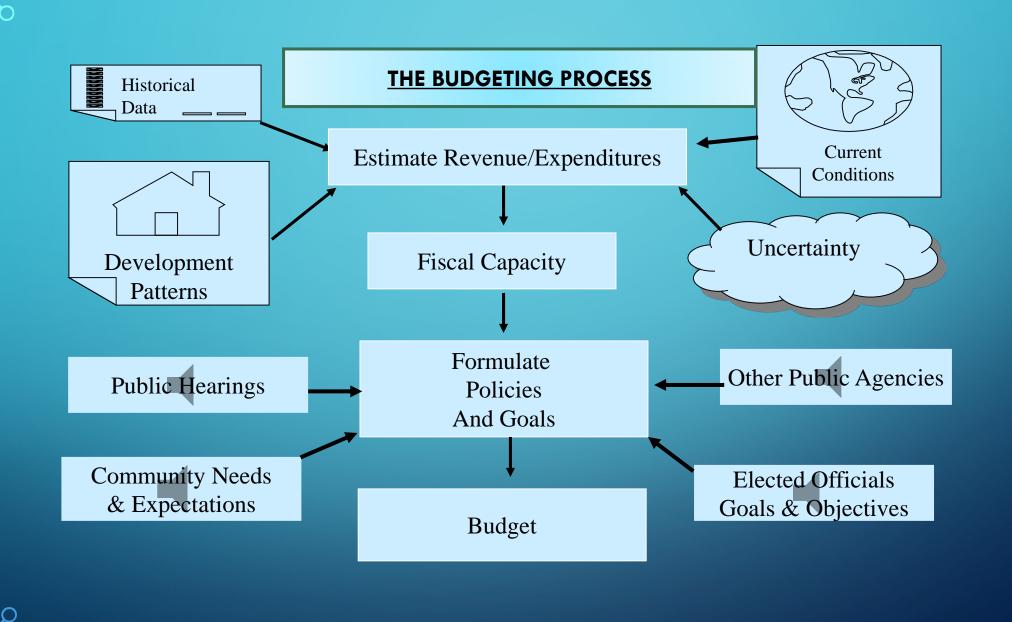
• Approval.....



• Execution.....



• Review





- January- Should begin 6 months prior to fiscal year:
 - > Set-up budget formatted spreadsheet for each fund department, division and account
- **February** Forecast revenues and expenditures, cost analysis, capital budgeting, debt administration and other personnel issues, assessing financial conditions, and economic development:
 - Compare total actual expenditures from previous fiscal year to establish total expenditures and revenue for current fiscal year
 - > Should involve elected officials and department heads to help ensure budgeted expenditures cover department needs & requirement, estimated gasoline increases, utilities, postage, etc.

- March- Send instructions and local budget request forms with the appropriate budget analysis based on previous year actuals to elected officials and department heads:
 - Elected officials and department heads return proposed budget request and justifications to their Finance Department
- **April-** Review elected officials and departmental requests and update revenue estimates and proposed adjustments:
 - Hold workshops with elected officials, department heads, and have hearings for **public input**
 - > Send budget preparation worksheet proposal with attached justifications to elected offices or department heads for final review and comments
- May- Estimate ending cash balance as of June 30th:
 - Finalize budget and submit to governing body for review
 - Recommend approval of budget
 - Prepare budget to submit on the Local Government Budget Management System (LGBMS)
- June- Submit Interim Budget in LGBMS by June 1st

APPROVAL STAGE

- July 1st -BFB budget approval granted
 - > By <u>July 30-</u> Minimum of 1 public budget hearing should have occurred:
 - Final budget with reconciled 4th Qtr.- June 30th, ending cash balance should be the beginning (Unrestricted) cash and the Final Budget should have been approved by the governing body via Resolution-REMINDER 1 BUDGET 2 STAGES
 - ➤ By <u>July 31st</u> the budget should be submitted to BFB on LGBMS, to included all supporting documents as required by BFB
- August Local finance staff must be available to respond to BFB
 questions and make requested revisions to the budget
- **September-** First Monday of September the Final Budget must be Reviewed and certified by BFB
 - ➤ Budget Certification Rule (NMAC 2.2.3)
 - Full Certification- Audits current
 - Conditional Certification-untimely audits

EXECUTION STAGE

- Load BFB certified/approved final budget to your accounting system
- Manage the budget:
 - Accounting, purchasing, debt management, etc.
- Adjust the budget:
 - > Any budget increases to revenue & expenditures (STATE BAR) requires BFB approval
 - Audit adjustments, transfers of cash, both permanent and temporary, between funds
 - > Any transfers of budget within a Fund (LOCAL BAR) does not need DFA's approval

REVIEW STAGE

- Quarterly Reports & Financial Statements:
 - Provide to Governing Body and BFB
 - Submission Dates:
 - September 30th is due October 31st
 - December 31st is due January 31st
 - March 31st is due April 30th
 - June 30th is due July 31st

DFA DOES NOT HAVE THE AUTHORITY TO GIVE EXTENSIONS.

- Annual Financial Audits (Section, 12-6-5; NMSA; 1978):
 - Statutory Requirement Concerning Non-Compliance
 - Independent audit review to determine financial condition and Improve internal operations
 - Submit to Office of the State Auditor
- Corrective action plan-understand the reason for the finding
 - ➤ BFB-2nd Quarter Corrective Action follow-up



FORECASTING REVENUE RECOMMENDATIONS

- Reasonable revenue projections:
 - Property Tax
 - > GRT- historical data, look at your trends
 - New Businesses
 - New enactment tax increase
 - New HB-6-should be budgeted in 42900 Other State Shared Taxes
 - Construction-one time revenue
 - > Build or maintain reserves for emergencies
 - Small City Assistance
 - Small County Assistance
 - County Road Fund
 - Debt Service
 - GO Bond- Property Tax revenues-Voter approval required
 - Revenue Bond-GRT, Gas Tax- re-payment of Debt

Grants- DO NOT budget grant amount until the grant is secured with a grant award letter and DO NOT comingle them with your operations fund

Revenue Timing & Cash Flow Management

- Property Taxes- Typically received in December and May
- Gross Receipt Tax (GRT)- Typically received monthly
 - > New GRT enactments will not be received until the third month
 - > HB 479-De-Earmark Local Options Gross Receipts-Please seek <u>LEGAL</u> consultation and TRD for clarification
 - Deadline to submit to TRD March 31st for an effective date of July1st and September 30th for an effective date of January 1st

Reference FYI-M121 @

http://www.tax.newmexico.gov/Government/local-options-taxes.aspx

- Special appropriations- Determined by statute or grant agreement signoff
- Grant- Reimbursement based (make sure you under stand the grant and the applicable expenditures)
- Fire Marshall Allotment
- Small Cities Assistance

Special Revenues

CANNOT BE USED FOR GENERAL OPERATIONS

Special revenues distributed by LGD/Budget & Finance Bureau:

- County Detention Facility Reimbursement Act, NMSA 1978, 33-38-3B-1 thru 33-3B-4
- Forest Reserve, Secure Rural Schools Act reauthorized 4/16/15 (Sect 524 of P.L.114-10)
- Taylor Grazing Act distributions 43 CFR Pat 4100 and NMSA 1978, 6-11-5 &6-11-6
- Law Enforcement Protection Fund (LEPF), NMSA 1978, 29-13 and Rule 2.110.3 NMAC

Other Special Revenues

- Capital Projects Funds
 - Figure 6 General Obligation (GO) Bond proceeds to be used for purposes approved by the voters
 - Revenue Bond Proceeds
 - > Loan Proceeds

Other Special Revenues

- GRT enacted for a specific purpose
- Federal and State Grants
- Corrections Fees, NMSA 1978 33-3-25 and 35-14-11
- Emergency Medical Services (EMS)
- Fire Marshall Allotment
- E-911
- Road/Street
- Senior Citizens
- DWI
- Lodgers Tax, NMSA 1978, 3-38-13 thru 3-38-24 and Rule 2.105.2 NMAC
 - Submit to Jolene Gonzales: jolene.gonzales1@state.nm.us Questions: 505-827- 4900 (submitted quarterly)
- Legislative Appropriations
- Community Development Block Grant (CDBG)

EXPENDITURES

- What goes into an operating budget:
 - Personnel Cost (largest cost)
 - Daily operating expenses
 - Capital Outlay
 - Debt Service
 - > Intercepts
 - GRT Administration fees
 - Other loans
- Must follow the Procurement Code Process:
 - Per 13-1-95.2-need Chief Procurement Officer (CPO) registered with New Mexico State Purchasing Division

https://www.generalservices.state.nm.us/statepurchasing/onlineprocurement.aspx

- Must follow the Special Revenue guidelines/regulations
 - Lodgers Tax Act
 - Law Enforcement Protection Fund (LEPF)
 - Other Special Revenues & Grants
 - Figure 3. Grants-The purpose of federal and state grants are restricted to approved activities and not related to the "general fund" use

Expenditure Timing & Management

- Monitor expenditures frequently throughout the year; Quarterly report should mirror your internal Financial Statements and be reconciled with the Bank Statements.
- Utilize Budget Adjustment Requests (DO NOT OPERATE IN THE NEGATIVE)
 - BFB interprets Section 6-6-6 to apply to fund balance

What does 6.6.6. mean?

6-6-6. Approved budgets; claims or warrants in excess of budget; liability.

When any budget for a local public body has been approved and received by a local public body, it is binding upon all officials and governing authorities, and no governing authority or official shall allow or approve claims in excess thereof, and no official shall pay any check or warrant in excess thereof, and the allowances or claims or checks or warrants so allowed or paid shall be a liability against the officials so allowing or paying those claims or checks or warrants, and recovery for the excess amounts so allowed or paid may be had against the bondsmen of those officials. History: 1953 Comp., § 11-2-61, enacted by Laws 1957, ch. 250, § 6; 2001, ch. 147, § 3.

Expenditure Timing & Management

- Coverage of all debt service payments
- Communication with internal departments and/or other agencies
- Conservative planning with new tax enactment and new expenditures associated with the enactment

Expenditure Disruptors

- GRT base-closing of major store, oil & gas industry
- Claw backs-monies that need to be paid back (overpayments by federal government, state government, grant unallowable expense or late submission after grant has expired)
- Utility Rate Increases- Electric, gas, insurances, etc.
- 90% of large maintenance emergencies are unforeseen & can be very costly
- Small Cities Assistance reduction amount

What is the difference between a Budget and Actuals?

- Budget is a forecasted financial plan for a period of time:
 - Revenues, expenditures, and transfers budget authority
- Actuals is Year-to-date that has happened rather than things that are planned
 - ➤ If actuals exceed the FINAL budget approval amount a BAR is required at a FUND level this is a STATE BAR requiring BFB approval.
 - Transfers within a fund is a LOCAL BAR that requires your local governing board's approval
 - Quarterly reports are submitted based on 'ACTUALS" Year-to-date, expenditures, revenue and BARS.

What is a Balanced Budget?

- Best Practice-Expenditures should not exceed revenues (Section 6-6-11 expenditures are limited to revenues)
- Fund Level ending cash balance should be zero or a positive
 (NO NEGATIVE CASH BALANCE)
 - > 6-6-6. Approved budgets; claims or warrants in excess of budget; liability.

Budgeting DO's and DON'T'S

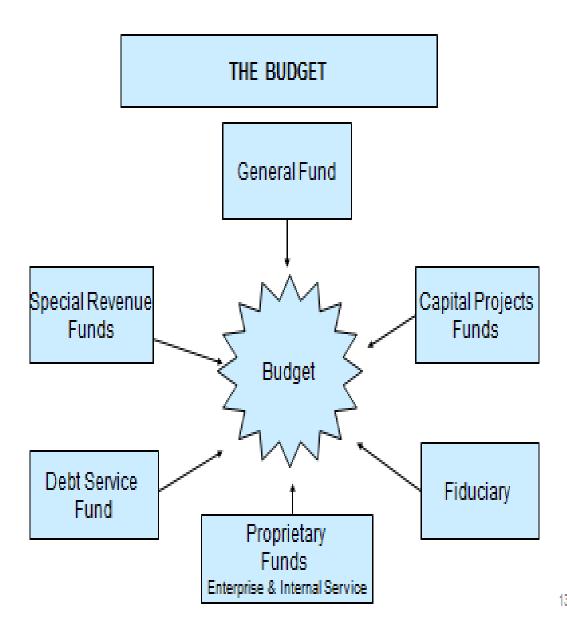
- Never budget recurring cost, such as salary increases, full-time equivalent (FTE)- new position from NON-Recurring (one time) revenues.
- Start a capital equipment reserve; use sales of equipment proceeds to a "Capital Improvement Program" fund
- Put one-time revenue windfalls in a reserve Fund in the event of emergency or Capital Improvements
- Review insurance premium vs. coverage.
- Establish a loss prevention program and avoid actions by the governing body and other public officials which may lead to lawsuits
- Routine review need for programs, projects, departments; consider zero growth budgets
- Try to minimize the number of funds established
- Seek disposition of property approval from BFB
 - > 3-54-2. Sale, exchange and gift of property. municipalities
 - > 13-6. Sale of public property. counties

REQUIREMENTS

- **BUDGET RESOLUTION:** governing body must adopt a budget by resolution and submit to BFB for approval on or before July 31st.
- 4th Quarter Financial Report must be approved by resolution and submitted to BFB for approval on or before July 31st.
- End of Year State BARS must be approved by resolution and submitted on or before July 31st
- Budget Discussions Subject to "OPEN MEETINGS ACT; NMSA, 1978,
 Chapter 10, Article 15
- Budget Hearings-must hold a minimum of one (1) budget hearing
- BFB Cash Balance Reserve Requirements:
 - ➤ County General Fund 3/12th
 - County Road Fund 1/12th
 - Municipal General Fund 1/12th
- Supporting Schedules that RECONCILE with the Budget

SUPPORTING SCHEDULES REVIEW

Budgeting By Fund



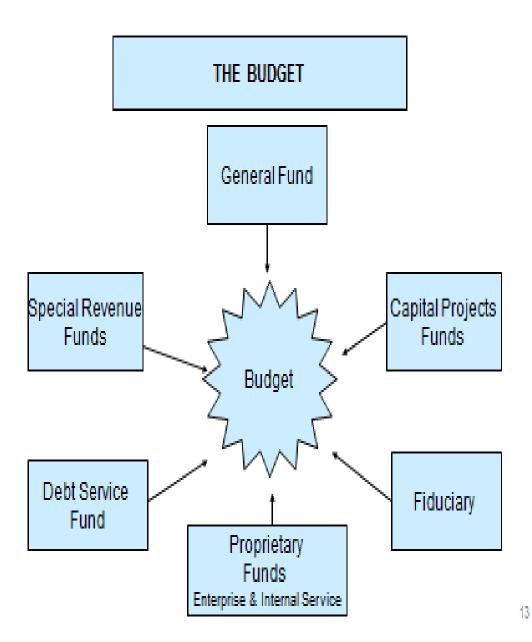
Fund 11000 General Fund – non-restrictive, used for operating purposes

Fund 20000 Special Revenue Funds - account for the proceeds of specific revenue sources that are legally restricted to expenditure for specific purposes

Fund 30000 Capital Projects Funds - account for financial resources to be used for the acquisition or construction of major capital projects

Fund 40000 Debt Service Funds - account for the accumulation of resources for the payment of general obligation and long-term debt principal and interest.

Budgeting By Fund



Fund 50000 Proprietary Funds

Enterprise Funds - account for operations of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, i.e. Electric, Water, Gas, Sewer, Solid Waste Utility-These funds should be self-sustaining.

Fund 60000 Internal Service Funds - account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit on a cost-reimbursement basis. i.e. Risk management, motor pool, etc.

Fund 70000 Fiduciary Funds

Trust and Agency Funds - account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. They include:

- (a) expendable trust funds, (b) nonexpendable trust
- (b) funds, (c) pension trust funds and (d) agency funds.
- (c) i.e. motor vehicle, meter deposits, etc.

QUESTIONS?