

# SANTA FE COUNTY

## RESOLUTION NO. 2008 – 47

### A RESOLUTION ESTABLISHING AND IMPLEMENTING BUDGET POLICY

**WHEREAS,** the County seeks to implement policies and procedures regarding the County budget processes and terminology.

**WHEREAS,** the State of New Mexico, Department of Finance and Administration has established guidelines for government entities in regard to local government budgets;

**WHEREAS,** the attached policies and procedures (exhibit A) address criteria for budget development and management, and good budget processes,

**NOW THEREFORE BE IT RESOLVED** by the Board of County Commissioners of Santa Fe County that Exhibit A is hereby adopted as the policies and procedures of Santa Fe County governing the County's budget process.

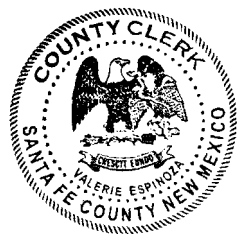
**APPROVED, ADOPTED AND PASSED** this 25<sup>th</sup> day of March, 2008.

**BOARD OF COUNTY COMMISSIONERS**



*Valerie Espinoza*  
Valerie Espinoza, County Clerk

*Jack Sullivan*  
Jack Sullivan, Chairman



Approved as to Form

*Stephen C. Ross*  
Stephen C. Ross, County Attorney

**Finance Department Approval**

*Teresa C. Martinez*  
Teresa C. Martinez, Finance Director

COUNTY OF SANTA FE )  
STATE OF NEW MEXICO ) ss

BCC RESOLUTIONS  
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I Hereby Certify That This Instrument Was Filed for Record On The 26TH Day Of March, A.D. , 2008 at 15:17 And Was Duly Recorded as Instrument # 1519957 Of The Records Of Santa Fe County

*Marcelle Lopez*  
Deputy  
Witness My Hand And Seal Of Office  
Valerie Espinoza  
County Clerk, Santa Fe, NM

**TITLE: SANTA FE COUNTY BUDGET POLICY****I. PURPOSE**

- A. To standardize basic budget terminology utilized in Santa Fe County.
- B. To define budget preparation and management processes and the expense and capital budgets that are thereby produced, and to integrate State of New Mexico Department of Finance and Administration budget submission rules into County policy.
- C. To define budget contingencies, set-asides, fund reserves and the use of fund surpluses.
- D. To define the budgeting of debt obligations and to integrate State-set debt limits into County policy.
- E. To define the derivation of budgeted revenue and the tracking of actual revenue against the budget.
- F. To define the development of County Organizational goals, objectives and performance measures in the budget process.

**II. SCOPE**

This policy applies to all County government organizations and elected offices collecting revenue or maintaining an expense or capital budget in Santa Fe County, and to entities and persons responsible for developing and managing any portion of the Santa Fe County budget.

**III. GENERAL DEFINITIONS**

For purposes of this policy the following general definitions apply

**Budget** – the written expression of an organization or program’s objectives and the resources required to achieve them, and the monetary sources available to support those resources.

**Capital Budget** – a budget for the acquisition of assets in excess of \$3,000 and with a lifetime greater than the fiscal year in which they will be acquired. Capital budgets may be for the duration of one or several fiscal years.

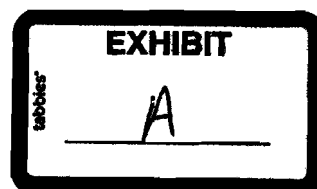
**County** – Santa Fe County, New Mexico, usually referred to as “the County” in this policy.

**Debt Obligation** – principal, interest, and lender fees associated with County indebtedness in the form of bonds or capital loans.

**DFA** – Local Government Division of the State Department of Finance and Administration.

**Expense Budget** – a cost center budget of personnel, materials and services, capital expenditures, and debt obligation payments for a single fiscal year.

**Encumbrance** – Future expenses associated with current legal obligations such as purchase orders. Encumbrances existing at the end of a fiscal year and carried over to the next fiscal year are budgeted in a **Prior Year Budget**.



**Fiscal Year** – An annual period beginning on July 1 and ending on June 30 of the following calendar year.

**Fund Reserve** – The cash balance of a fund at the end of a fiscal year, less outstanding payables and encumbrances carried over to the following fiscal year. Specific fund reserve amounts are required by the State for the general and road funds.

**Revenue** – Monetary receipts by the County, comprised of taxes, charges and fees for services, payments by other governmental entities in the form of grants, or agreements, fines and payments as the result of legal proceedings.

**Sources** – Revenue plus transfers from other funds, plus cash reserves. All monetary sources that fund a particular budget.

**Uses** – Expenses plus transfers to other funds. All monetary uses in a fund that account for the disposition of fund sources. In a fund budget, uses equal sources.

#### IV. POLICIES AND PROCEDURES

A. **BALANCED BUDGET:** The Santa Fe County budget is balanced in that cash balances for each fund at the end of the fiscal year must not be less than zero, or less than a reserve amount that meets statutory requirements, and where recurring expenses are generally sourced with recurring revenue. A statement as to whether the budget is balanced or not shall appear in the Fiscal Year budget documents.

B. **RECURRING AND NON-RECURRING COST AND REVENUE:** Santa Fe County will strive to pay for all recurring expenditures with recurring revenue. Recurring expenditures are costs that support continuing services and programs. Recurring revenue is that revenue which is expected to be maintained or increase from year to year. Examples of recurring revenues are as follows:

- Property Taxes
- Gross Receipts Taxes (except in the final year of collection)
- Fees and Charges of a continuing nature

Non-recurring expenditures are costs that support one-time efforts or services and programs that can reasonably be terminated at the end of a fiscal year. Non-recurring sources are income of a temporary nature, not expected to continue. Examples of non-recurring sources are as follows:

- One-time revenues and cost recoveries
- Investment income resulting from extraordinary principal or interest rates
- Retained Cash in excess of reserve requirements

Though not formally so designated in the budget document, Grants and services performed through Joint Power Agreements (JPA) are treated as non-recurring as their associated programs will cease operation at the end of the grant or JPA period, unless renewed by the grantor or continued and funded with recurring County revenue by Board of County Commissioner action.

The County will avoid budgetary practices that balance current expenditures at the expense of meeting future year expense requirements, such as postponing expenditures or accruing future year revenue to the current fiscal year.

### C. FISCAL YEAR BUDGET PREPARATION

The Santa Fe County Fiscal Year Budget preparation process shall consist of activities that encompass the development, implementation, and evaluation of an annual plan for the provision of services and capital assets. The process should help decision makers make informed choices about the provision of services and capital assets and to promote stakeholder participation in the process, and in doing so, should:

- (1) Incorporate a long-term perspective;
- (2) Establish linkages to broad organizational and County goals;
- (3) Focus budget decisions on results and outcomes;
- (4) Involve and promote effective stakeholder communication, and;
- (5) Provide incentives to government management and employees.

Early in the Budget preparation process there shall be provided an overall financial status of the County and of its key funds, including an analysis of available financial resources. This brief analysis should discuss the current financial status, the immediate future status, and long-term trends.

County departments and elected offices shall prepare budgets consisting of organizational statements of services and accomplishments, objectives and performance measures, a baseline budget supporting existing services, and budgets for new and expanded services. Capital project budgets shall be updated as to project appropriations, descriptions of projects, current status, and planned and actual start and end dates for their various construction stages.

Organizational budget requests shall be reviewed in budget hearings which include the requesting organizations, Finance and Budget, and the County Manager or designated representative. The hearings shall be made available to interested members of the public and to members of the Board of County Commissioners.

A budget overview with requests and the County Manager's recommendations shall be provided to the Board of County Commissioners in a workshop setting where they may question and converse with those involved in the preparation and recommendation process.

Staff changes and increases that are part of the Fiscal Year budget shall be approved by the Board of County Commissioners. Funding above level of service baseline budgets shall be disclosed to the Board of County Commissioners who shall recommend its disposition.

The Board of County Commissioners shall by Resolution, approve the Interim and Final Santa Fe County budgets prior to their submission to the State of New Mexico Department of Finance and Administration.

#### D. INTERIM AND FINAL FISCAL YEAR BUDGETS

The Santa Fe County Interim and Final Budget Documents are fund-based budgets prepared using State of New Mexico Department of Finance and Administration (DFA) forms. The Interim Budget will be submitted to the DFA by June 1 preceding the fiscal year, and the Final budget shall be submitted to the DFA by July 31, after the beginning of the Fiscal Year.

Changes to the Interim Budget may be made up to June 30, preceding the fiscal year that is the subject of the budget. As of July 1, the Interim Budget and any Commissioner-approved changes shall become the Final Budget that shall be entered into the County's financial data system in time for accounting transaction processing on July 1.

The Board of County Commissioners shall approve the Final Budget prior to its submission to the State DFA on July 31.

#### E. SANTA FE COUNTY PUBLIC BUDGET DOCUMENTS

It is the goal of Santa Fe County to publish each Fiscal Year a public budget document in hard-copy and also to make the document available to the public on the County website in substantially the same format as the printed document. The Santa Fe County public budget document shall:

1. Summarize the major changes in priorities or service levels from the current year and the factors leading to those changes.
2. Articulate the priorities and key issues for the new budget period.
3. Identify and summarize major financial factors and trends affecting the budget, such as economic factors; long-range outlook; significant changes in revenue collections, tax rates, or other changes; current and future debt obligations; and significant use of or increase in fund balance or retained earnings.
4. Provide financial summary data on revenues, other resources, and expenditures, and provide sources and uses data by fund for at least a three-year period, including prior year actual expense, current year budget or actual expense and the budget for the subject year of the document.
5. Define a balanced budget and describe state and local requirements for balancing the budget. State if the budget is balanced or not, and if the budget is not balanced, explain why not.
6. Clearly define the basis of accounting used for budgetary purposes.
7. Contain the following in supplementary sections:
  - a. *Form of Government*. The roles of elected and appointed officials should be identified.
  - b. *Geography and Demographics*: The County's location, displayed by means of a map, demographics, and economic data.
  - c. *Community Profile*. A County community profile providing background concerning the setting under which the government operates, and a brief timeline or short historical narrative of the County.

## F. CAPITAL EQUIPMENT BUDGETS

1. **DEFINITION:** Capital Equipment is comprised of movable items with an acquisition price of \$3,000 or more and a useful life extending beyond the fiscal year in which they are purchased. Equipment in this sense includes tools, office machines, desks, furniture, and vehicles (each of which is identified with a unique line item code).
2. **BUDGETING CAPITAL EQUIPMENT:** The Fiscal Year budget process timeframe for capital equipment shall coincide with the budget process for expenses.
3. **GENERAL FUND CAPITAL PACKAGE:** The approved list of General Fund and Road Fund capital equipment shall be budgeted in a non-departmental "Capital Package" cost center. As the items in the Capital Package are purchased, budget will be transferred from the Capital Package to the budget of the purchasing organization.
4. **EQUIPMENT BUDGETS IN OTHER FUNDS:** Capital equipment in funds other than the General Fund and Road Fund is usually directly budgeted in the purchasing organization's budget.
5. **NON-ITEMIZED CAPITAL EQUIPMENT BUDGETS:** The budget for capital equipment where there is no approved list of items to be purchased, shall be in a non-departmental set-aside cost center.

## G. CAPITAL PROJECT BUDGETS

1. **DEFINITION:** Capital Projects are acquisitions, purchases or construction costs of fixed assets with a value of more than \$3,000 and a life beyond the fiscal year in which they were acquired or produced. Capital Projects include road, utility, and facility construction efforts, and acquisition of land, buildings or water rights. Their funding may come from State appropriations, County bond proceeds, or Gross Receipts taxes dedicated to capital efforts.
2. **BUDGETING ENTIRE CAPITAL PROJECTS:**
  - a. It is a goal of Santa Fe County to establish budgets for entire capital projects under the following circumstances:
    - (1) As State appropriations for specific projects are made to the County.
    - (2) As uses of bond proceeds and dedicated Gross Receipts Taxes are determined.
  - b. It is a goal of Santa Fe County to include in entire Capital Project budgets the following:
    - (1) The funding source (code and title of a State appropriation, or the bond or tax that funds the project).
    - (2) A project cost center code other than a generic revenue-driven code.
    - (3) A description of the project including the mode of acquisition and construction; and a description of the programs or services, and the service providers supported by a completed facility.
    - (4) An estimate of annual County maintenance costs for the completed project, and programmatic costs for a completed facility.

- (5) Planned project start and completion dates, minimally for the project as a whole.
- (6) An explanation of a project hold if additional funds are required beyond those appropriated for the project before construction can commence.
- (7) The project budget in annual (Fiscal Year) segments. An entire project budget may span several fiscal years.
- c. Entire Capital Project Budgets may be approved by the Board of County Commissioners through a Resolution or as a part of the annual approval of a fiscal year budget.

### 3. BUDGETING CURRENT OR UPCOMING FISCAL YEAR CAPITAL PROJECT SEGMENTS.

Santa Fe County shall produce an annual Fiscal Year Capital Project Budget. The Fiscal Year Capital Project Budget shall include all State appropriated projects as well as projects funded from bond appropriations and any active projects funded from Capital Outlay Gross Receipts Tax, applicable to the fiscal year being budgeted.

- a. Current or upcoming Fiscal Year portions of capital project budgets shall be incorporated into the Fiscal Year budget approved at the beginning of a fiscal year or by a budget amendment during the year through Board of County Commissioner Resolutions. These are comprised of:
  - (1) Portions of appropriations or bond and tax proceeds budgeted in the current or upcoming fiscal year.
  - (2) Re-budgeted unexpended carryovers from prior fiscal years.
- b. Encumbered project costs at the end of a fiscal year which are selected to be carried over to the next fiscal year shall be budgeted in a "Prior Year Budget", similar to encumbered costs carried over in expense budgets.

### 4. GENERIC PROJECT BUDGETS

Generic Project Budgets are revenue-driven lump sum budgets for capital categories with no defined projects. These budgets shall be treated as set-asides, and expense against Generic Project Budget cost codes shall not be permitted until the budget is committed to distinct projects.

## H. CONTINGENCIES AND SET-ASIDES

Contingencies shall be budgeted for unplanned emergency expenses. Set-asides shall be budgeted for cost areas where definitive budgets have not been defined. Expenditures directly from contingency or set-aside cost codes are not permitted.

### 1. General Fund Contingency

Santa Fe County shall strive to include in the General Fund Operating budget annually a contingency account equal to 3% of the General Fund total expenditures, less debt service, inter-fund transfers and capital. This contingency will expire at the end of each fiscal year and balances will not be brought forward to the next fiscal year.

2. Set-Asides

Certain non-departmental "Set-Aside" budgets shall be created in a Fiscal Year budget in the following cases:

- a. Potential costs of future labor negotiations, salary actions, building moves, etc.
- b. Un-appropriated moneys wherein there are resources without an approved definitive budget.

I. DEBT

Santa Fe County shall confine long-term borrowing to capital improvements or projects that cannot be financed from current revenues. The County will not use long-term debt for current operations. The County will strive to use debt financing for acquiring or constructing major non-recurring items with a useful life exceeding that of the debt instrument. Debt financing may also in times of low interest rates be utilized to "refund" or replace higher interest debt instruments with those of a lower interest, thereby saving the County interest costs.

1. Types of Debt

Santa Fe County typically is involved with the following types of debt:

- a. General Obligation Bonds (GOB) for facilities, open space, roads and water rights and projects. These are voter-approved instruments paid through additional property tax assessments. The life of a GOB debt instrument is from 10 to 30 years.
- b. Revenue Bonds for facilities, typically supported by Gross Receipts taxes or a specific revenue deriving from the facility. The life of a Revenue Bond debt instrument is from 10 to 30 years.
- c. State of New Mexico Finance Authority (NMFA) debt, generally for the purchase of significant equipment or buildings. The life of a NMFA debt agreement is from 3 to 5 years, and is supported through State deductions from Gross Receipt Tax revenue receipts.

2. Maximum Allowable County Debt

County debt limits are mandated by State of New Mexico statute, NMSA 1978, Section 6-15-1 to 28.

- a. Total revenue bond principal and interest must be 140% supported by the prior fiscal year actual Gross Receipts tax revenue for the fund involved.
- b. Outstanding total Principal on General Obligation Bonds (which is paid through property taxes) may not exceed 4% of assessed property values.

3. Bond Rating Agencies

Santa Fe County shall maintain good communications with bond rating agencies regarding its financial condition. The County will follow a policy of full disclosure on every financial report and borrowing prospectus.

4. Refunding

When applicable, the County shall review its outstanding debt annually for the purpose of determining if the financial marketplace will afford the County the opportunity to refund an issue and lessen its debt service costs. In order to consider the possible refunding of an issue, a Present Value savings of three percent over the life of the respective issue at a minimum is an objective of the County.

5. Debt Information in the Santa Fe County Budget Document

The Santa Fe County public budget document for each fiscal year shall contain the following debt information.

- a. A listing of each debt instrument with beginning of fiscal year principal.
- b. An analysis of current debt and County debt limits.
- c. A bond debt service detail showing principal and interest required in each year of indebtedness for each debt instrument.
- d. A summary schedule showing the fiscal year indebtedness for each debt instrument, and total county debt.

J. RESERVES AND FUND SURPLUSES

Santa Fe County shall maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures.

1. Reserve Minimums

- a. General Fund: The General Fund un-appropriated fund balance will be maintained in an amount greater to or equal to 25% for the annual General Fund Budget. (Mandated by the State Department of Finance and Administration)
- b. Road Fund: The Road Fund un-appropriated fund balance will be maintained in an amount greater than or equal to 1/12 (8.33%) of the annual Road Fund Budget. (Mandated by the State Department of Finance and Administration)
- c. Other Operating Funds: All other funds directly supporting operations of County organizations or functions shall have an un-appropriated fund balance greater or equal to 1/12 (8.33%) of their annual budgets.

2. Operating Emergency / Natural Disaster reserve

The County shall strive to establish and then maintain a reserve of \$1,000,000 for working capital in the event of a natural disaster or operating emergency.

3. Use of Surpluses

On an annual basis, after the year-end audit has been completed, the Finance staff shall produce a schedule of all fund surpluses and deficits, with projections of reserve requirements and a plan for the use of excess surpluses for the current year.

It is the intent of Santa Fe County to use all surpluses generated to accomplish three goals; (a) meeting reserve policies, (b) avoidance of future debt, and (c) reduction of outstanding debt. Any surpluses realized in the General Fund at year-end shall be used first to meet reserve policies. The County will strive to utilize excess surplus for the following purposes:

- (1) Capital Replacement Program
- (2) Retirement or refinancing of existing debt
- (3) Cash payments for Capital Improvement Program projects.

#### K. REVENUE

Santa Fe County will estimate its annual revenues by an objective, analytical process, wherever practical. At the outset of the annual budget development process, revenues for the next fiscal year will be forecast. The forecast will be updated throughout the budget process.

##### 1. Property Taxes.

Property Tax revenue will be recorded monthly and be compared to a monthly budget. Application of property tax revenues to the various tax years will also be tracked monthly in order to determine the collection rate.

The Property Tax revenue budget for the General Fund will be determined from the more conservative of the following means of analysis:

- a. Yield Control Calculation which computes property taxes from residential and non-residential assessed property values.
- b. Trend analysis from at least three years of monthly data.

##### 2. Gross Receipts Taxes

Gross receipts revenue will be recorded monthly and be compared to a monthly budget. Business activity supporting gross receipts taxes will also be recorded monthly. The Gross Receipts Tax revenue budget for each applicable fund will be determined through trend analysis of at least three years of monthly data.

An ongoing record of business activity supporting Gross Receipts Taxes will be maintained from a business activity report which is published monthly by the State Department of Taxation and Revenue. The ongoing record will be used to forecast long-term trends in Gross Receipts Taxes

### 3. Charges and Fees

A monthly record of each charge and fee shall be maintained. Charges and fees shall be reviewed and updated periodically based on factors such as the impact of inflation, other cost increases, the adequacy of the coverage of costs, and current competitive rates.

#### a. Charges and Fees Record:

A Charges and Fees record shall be maintained that contains monthly data for each charge and fee. The County will strive to maintain for each fee, enactment data, fee schedules and their history, the service-providing organizations, and responsible parties for setting fees, and revenue history. The fee detail should state whether the jurisdiction intends to recover the full cost of providing goods and services. It also should set forth under what circumstances the jurisdiction might set a charge or fee at more or less than 100 percent of full cost. If the full cost of a good or service is not recovered, then an explanation of the government's rationale for this deviation shall be provided.

#### b. Annual Review of Fees for Cost Recovery

Santa Fe County will strive to annually recalculate the full costs of activities supported by user fees to identify the impact of inflation and other cost increases. Full cost incorporates direct and indirect costs, including operations and maintenance, overhead, and charges for the use of capital facilities.

## L. PERFORMANCE MEASUREMENT

It is a goal of the County to develop Program and service performance measures and use them as an important component of long term strategic planning and decision making which should be linked to governmental budgeting.

### 1. Annual Budget Preparation – Accomplishments, Goals and Objectives

Each service-providing organization and Grant program shall provide as part of the Fiscal Year budget preparation process, the following as a part of their annual budget request:

- a. Description of services
- b. Prior year accomplishments
- c. Budget Fiscal Year objectives and challenges, and measures of performance
- d. Budget Fiscal Year long term goals

Objectives and performance measures should be identified as external, or touching upon the public perception of the program and the services delivered, or internal or touching upon staff improvement or other factors that enhance the ability to provide services.

## 2. Performance Measures

Measures of performance should:

- a. Identify program outputs that address the amount of service units produced;
- b. Identify program efficiencies that address the cost of providing a unit of service;
- c. Identify program outcomes that address the extent to which the goals of the program have been accomplished

The service descriptions, goals and objectives, and performance measures shall be made available to the public as a part of the printed and web budget document.

## M. BUDGET REPORTING AND REVIEW

Santa Fe County shall compare actual quarterly expenditures to budget and decide on actions to bring the budget into balance if necessary.

1. Expense Reports: A quarterly revenue, expense and fund cash position report shall be published and distributed to County management and Commissioners.
2. Mid-Year Review: A formal review of expense versus budget shall be made with each County Department in the month following the middle of the Fiscal Year.

## N. BUDGET MANAGEMENT

Changes to the budget during the term of the budget shall be controlled administratively or by Board of County Commission action.

1. Changes to the budget which result in an increased or decreased total budget in a given fund shall be enacted through a Board of County Commissioner (BCC) Resolution, usually brought before the BCC for action in its Administrative session in the final week of each month. These budget changes include transfers from one fund to another and increases or decreases in the budgeted revenue and expense of a given fund.
  - a. The submission of budget resolutions to the Board of County Commissioners shall follow the general schedule and deadlines for the submission of resolutions.
  - b. Budget Resolutions that are passed by the Board are incorporated into the budget system by the budget staff.
  - c. Each month, Budget Resolutions that are passed by the Board of County Commissioners shall be presented with a summary list to the State Department of Finance and Administration for their approval.
  - d. Budget Resolutions are permitted from August 1 of a Fiscal Year, to July 31 following the end of the fiscal year. The deadline for submission of a Fiscal Year budget to the State Department of Finance and Administration is July 31, which precludes creation of Budget Resolutions in the month of July of that Fiscal Year.

2. Changes to the budget which do not affect a total fund budget shall be administratively handled as Budget Adjustment Requests (BARs). Such changes include line item transfers within a cost center or transfers between cost centers in the same fund.
  - a. Budget Adjustment Requests (BARs) are submitted to the Finance Department for approval and incorporation into the budget. Approval of a BAR requires signature approval of the Finance Director and certification by the Budget Administrator.
  - b. County organizations may work with the County budget staff to create BARs or Resolutions for changes to the budget.
3. Changes to staff are monitored and budgetarily controlled by the County Budget Division. Such changes include wage adjustments and increases, changes in position titles, transfer of staff between organizations, and the recording of new employees, promotions, and terminations.
  - a. The Budget Division maintains a record of employees with their budgeted and actual salaries. All Personnel Actions are routed through the Budget Division in order to maintain this record.
  - b. Personnel Actions requiring a change in the budget shall be dependent on adoption of related BARs or Board of County Commissioner Resolutions.