

Mid-Year Budget Review Fiscal Year 2011/2012

GENERAL DISCUSSION

Otero County's fiscal year begins on July 1 and ends on June 30 of the following year. At the midway point of each fiscal year, it is customary for the Finance Department to prepare a formal presentation on the status of receipts and disbursements to the Board of County Commissioners.

Although the receipts and disbursements are routinely analyzed in detail throughout the fiscal year, this formal process allows opportunity for the data to be presented to interested parties in a summarized and more logical format. Depending on fluctuations in revenues, it could become necessary to amend the spending plan for the fiscal year to compensate for significant reductions in revenues. As Otero County's revenues are projected conservatively, this is rarely, if ever, necessary.

The detail operating budget is necessary to properly conduct the business of the County, but it is not conducive to a thorough understanding by our policy makers and our constituency. This presentation provides an opportunity to present the budget, receipts and disbursements in a format that allows interested parties to gain a better understanding of how our revenues are generated and how they are spent. Furthermore, at the conclusion of even-numbered calendar years when there may be changes in Elected Officials, this presentation also ensures that the statutorily required 50% of the total departmental budget remains available for expenditure by the incoming official.

WHERE THE MONEY COMES FROM

Charts 1 and 2 are intended to give the reader a basic concept of how Otero County's funding is generated while **Charts 3 - 6** show how it is spent.

As we review **Chart 1**, we can see from the heading that Otero County is projecting revenues totaling \$27,486,492 for the current fiscal year. The sources of the total anticipated revenues are classified into six (6) major categories with Property Tax and Other receipts contributing to over 50% of our total revenue base. As the revenue source classified as "*** Other ***" contributes a significant amount to the total revenues, **Chart 2** sub-categorizes the sources of these revenues for further information.

HOW THE MONEY IS SPENT

As we review **Chart 3**, we see that we have budgeted expenditures of \$33,750,787 compared to revenues totaling \$27,486,492 for fiscal year 2011/2012. The decision to adopt a budget planning to spend \$6.26 million more than we are generating in revenues was made with a significant measure of confidence based on three (3) points. First, there was a \$15.2 million cash carry-over from the previous fiscal year available to support the expenses in excess of anticipated revenues. Second, revenues are projected conservatively with the historic actual

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receipts totaling from four (4) to seven (7) percent more than anticipated. Third, the total appropriated expenditures are never spent in entirety. Generally, 20% of the budgeted expenditures are unexpended at fiscal year end.

The budgeted expenditures classified as Public Works, Elected Officials and Administrative Services are further broken down on **Charts 4, 5 and 6.**

In analyzing the data provided on **Charts 3 - 6,** we can see that 63% of all expenditures are dedicated to Detention, Fire & EMS, Roads, Law Enforcement and Health Care.

REVENUE PERFORMANCE AT MID-YEAR

Having provided a rough synopsis of where the money comes from and where it goes, we will now review and discuss where we stand at mid-year on our receipts and expenditures.

Charts 7 - 12 reveal three (3) interesting comparisons in assessing our budgetary performance at midyear. While it is extremely beneficial to see how our revenues and expenditures are performing compared to the budgeted amounts, it is also relevant to review how they compare to the 5-year averages and to the amounts for the prior fiscal year. These additional comparisons allow us to identify any anomalies or potential problems.

Roughly speaking, we would expect to be at about 50% of the anticipated revenues and expenditures at mid-year. However, not all will follow this trend as some occur only once a year. The more significant of these will be discussed later.

Probably the most important aspect of the mid-year budget review is to provide an analysis of how our revenues are performing. As we review **Chart 7,** we see that we have received 51.64% of our total projected revenues as of December 31, 2011.

Payment In Lieu of Taxes (P.I.L.T.) is shown at zero percent as it is received in entirety in June. In contrast, we find Fire & EMS funding reported at 95.35% as it is received almost in entirety during the first few months of the fiscal year. We are not particularly concerned that Grant revenues are reported at only 33.42% received as our budget is not dependent on grant proceeds for routine operating expenses. We further find revenues classified as “** Other **” to be within reasonable tolerances at 46.78% received.

The revenues classified as “** Other **” are further broken down on **Chart 8.** With a few exceptions, these sub-categories are performing as expected. Revenues derived from “Cooperative Road Projects” and “Federal Distributions” are normally received in entirety during the 2nd half of the fiscal year. Although a few of these sub-categories are reporting 30 and 40% received, the net dollar amount is not significant enough to cause much concern.

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EXPENDITURE PERFORMANCE AT MID-YEAR

As we review **Charts 9 - 12**, we quite easily see that expenditures are performing within reasonable tolerances at mid-year.

In reviewing **Chart 9**, two (2) categories make themselves evident. Fire & EMS expenditures are typically well below the 50% mark at mid-year. In an effort to continually upgrade their apparatus and stations, these departments frequently 'save' money for major capital purchases. Therefore, the 27.18% expended at mid-year is normal and no cause for concern.

The primary sources for expenditures classified as "Other" are debt service payments. Interest payments were made in November, but the principal payments are not applied until May. Therefore, there is no concern regarding expenditures being at 27.55% at mid-year.

Moving on to **Chart 10**, we find "Environmental Inspections" at 0% expended. The Board of County Commissioners are considering the creation of this department to assume some of the inspection duties currently handled by the State of New Mexico. This new department has not yet been put into production.

The remaining charts are reporting expenditures consistent with what would be considered reasonable at this point in the fiscal year.

In conclusion, at the midway point of the fiscal year, we find that Otero County's revenues and expenditures are performing as we would expect.

COUNTY-WIDE REVENUE SOURCES

BUDGETED

\$27,486,492

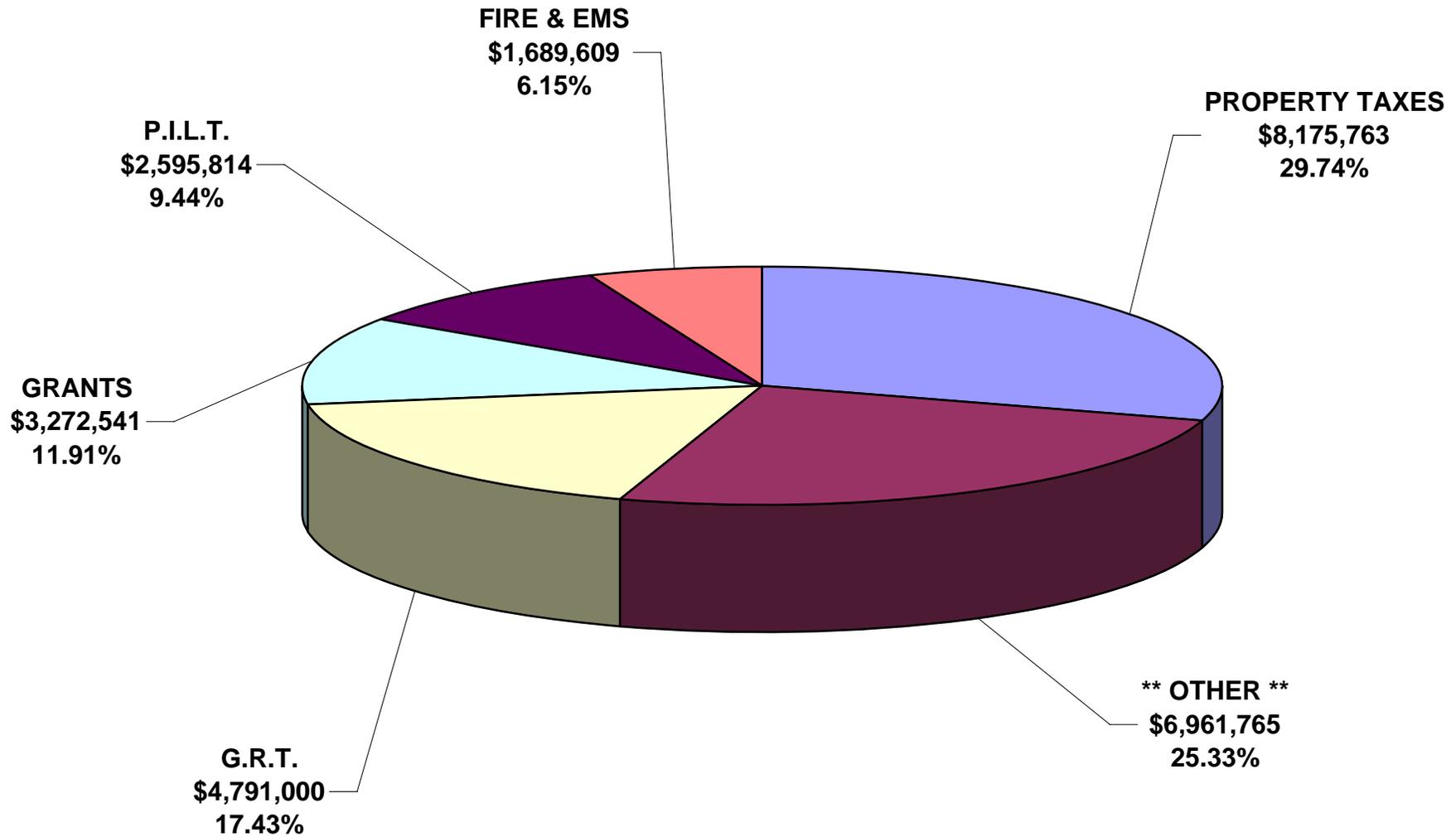


Chart 1

**** OTHER ** REVENUE SOURCES
BUDGETED
\$6,961,765**

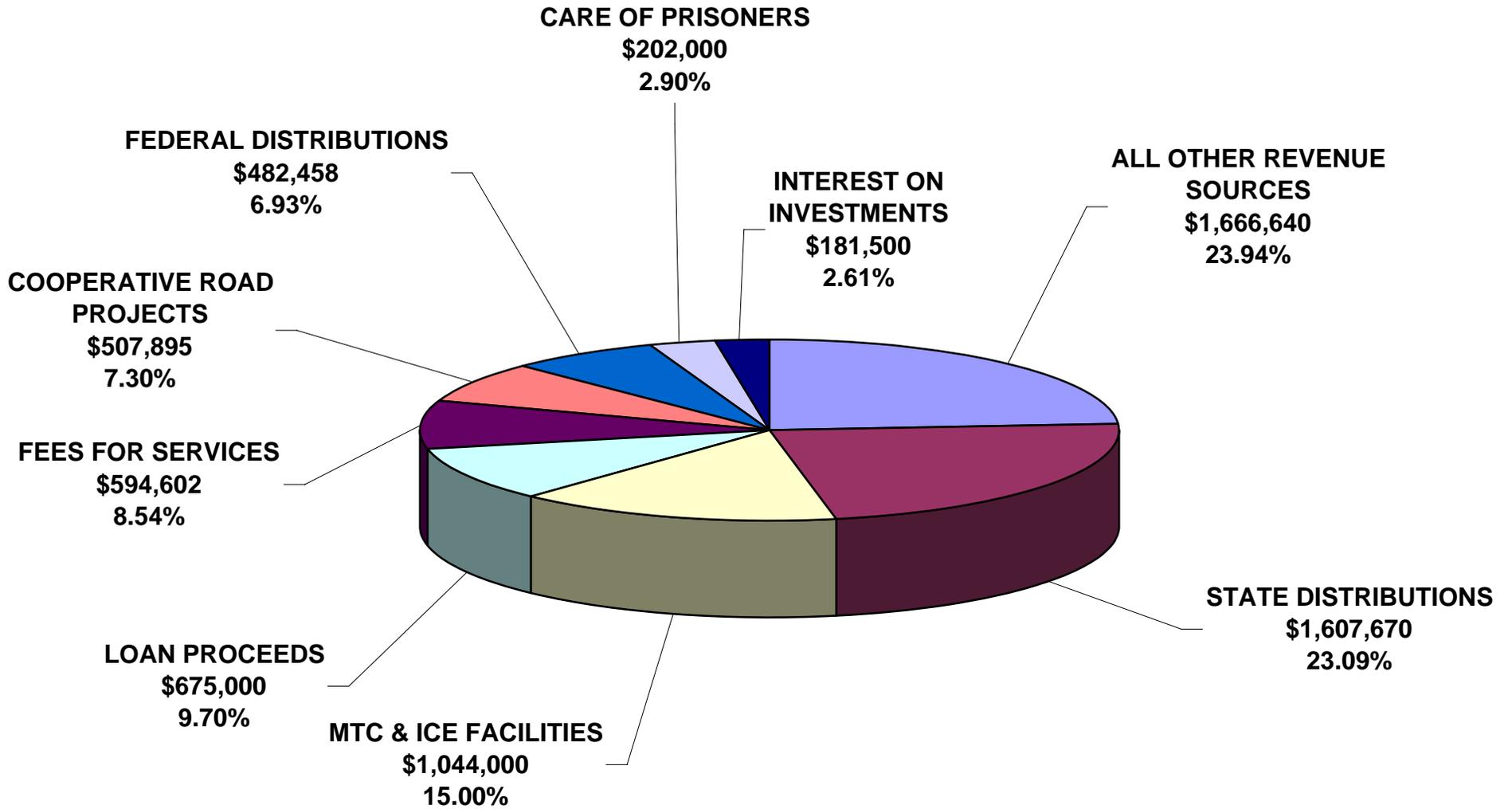


Chart 2

**COUNTY-WIDE EXPENSES
BUDGETED
\$33,750,787**

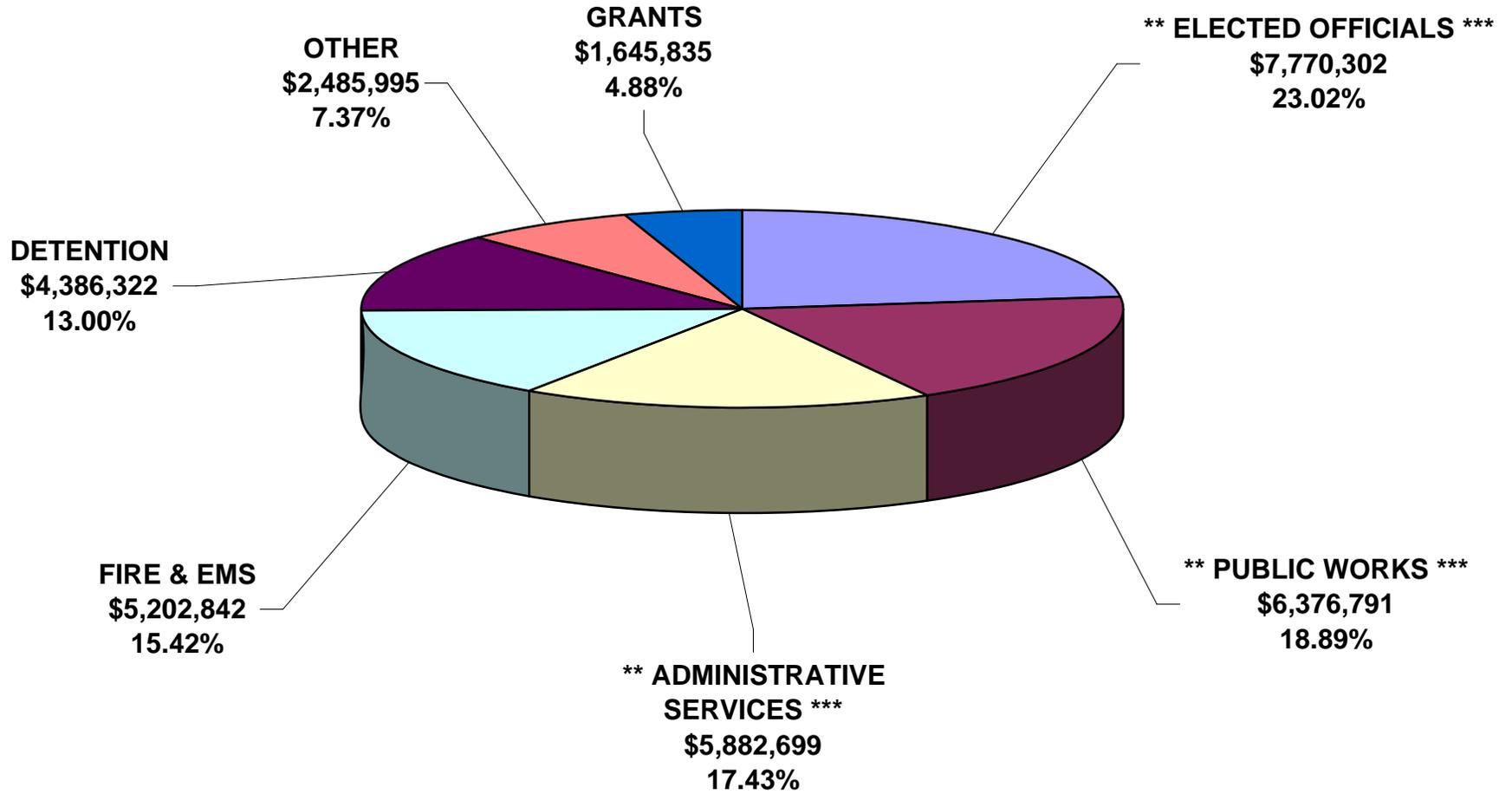


Chart 3

**** PUBLIC WORKS ** EXPENSES
BUDGETED
\$6,376,791**

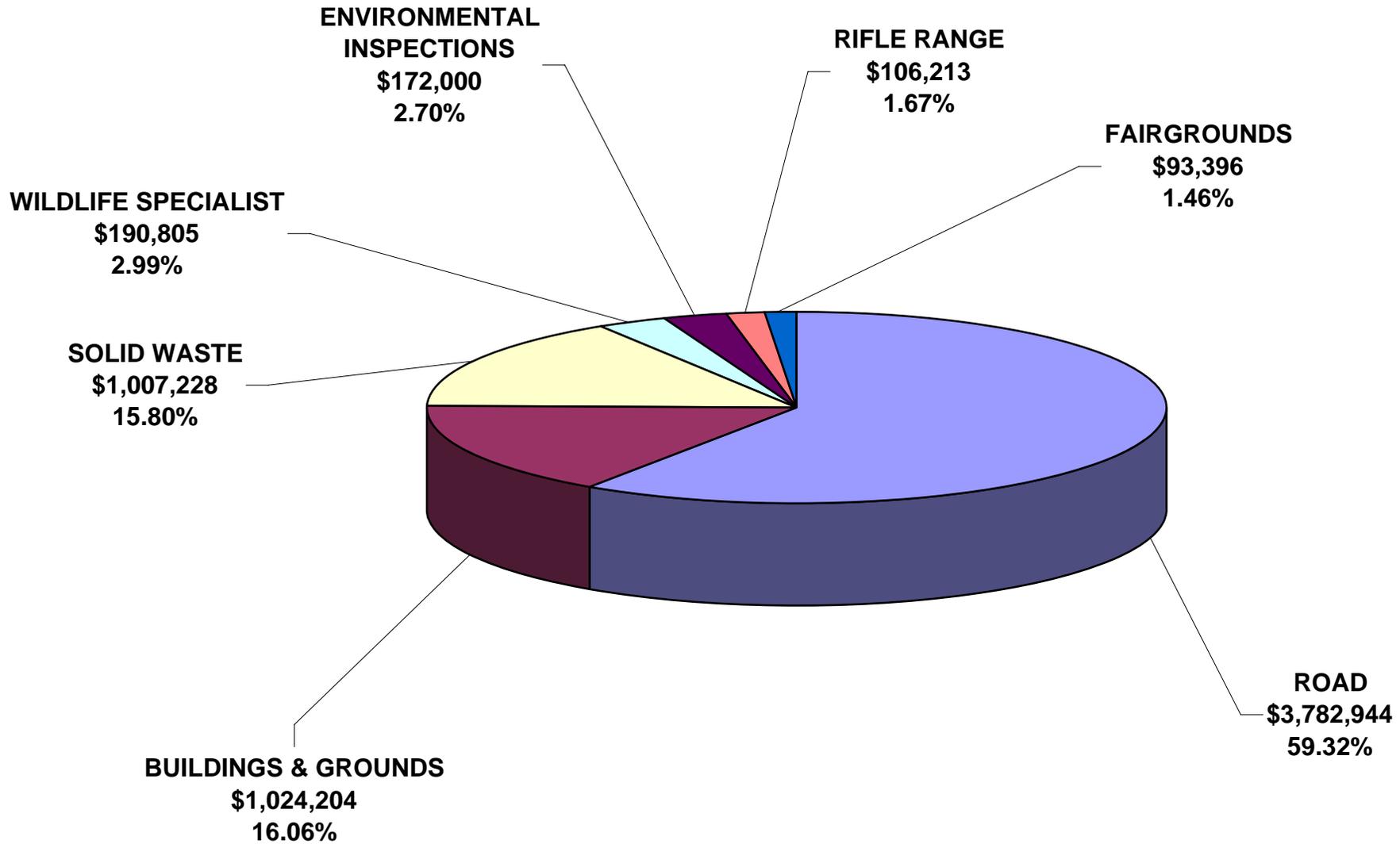


Chart 4

**** ELECTED OFFICIALS ** EXPENSES
BUDGETED
\$7,770,302**

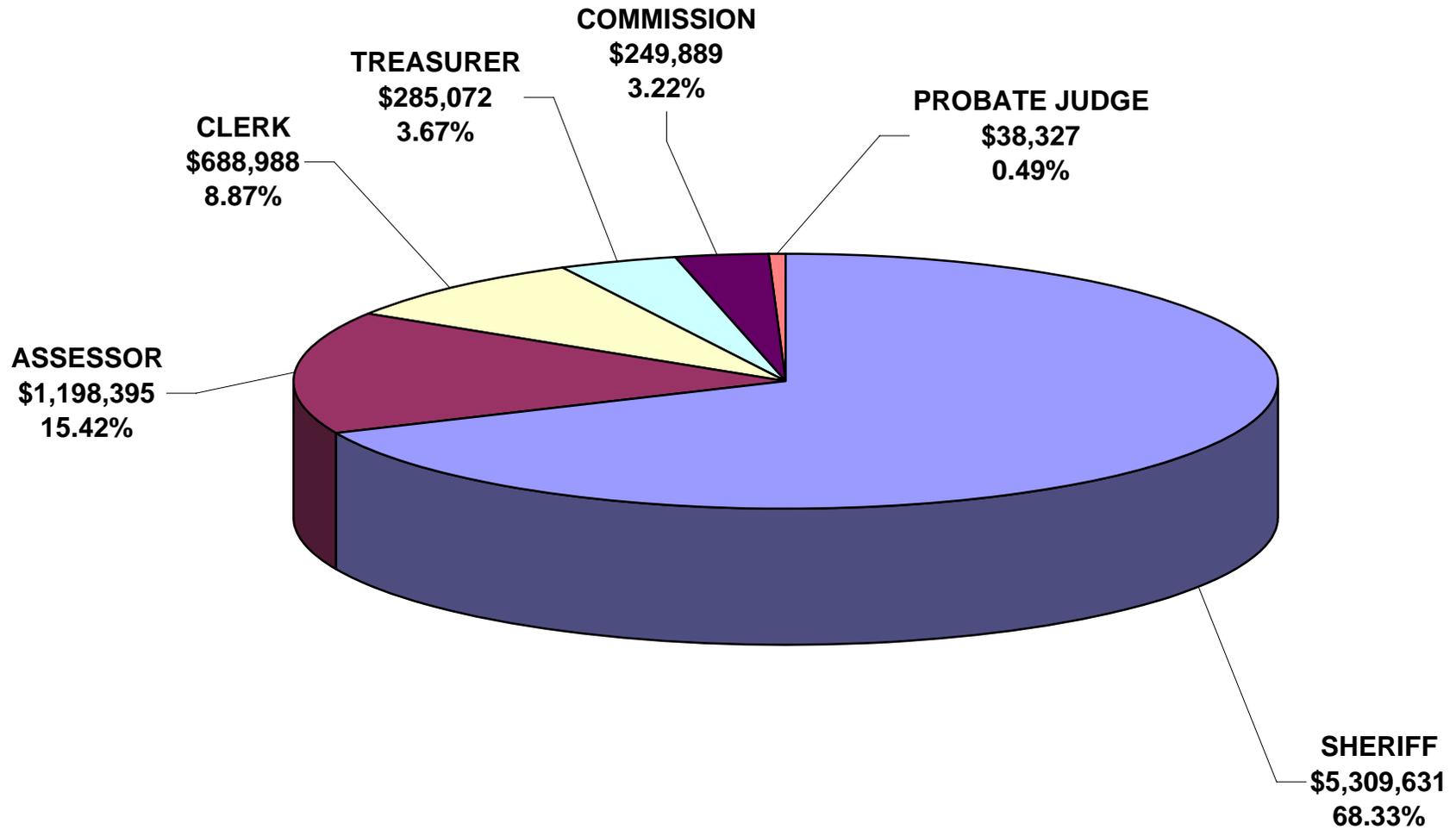


Chart 5

**** ADMINISTRATIVE SERVICES ** EXPENSES
BUDGETED
\$5,882,699**

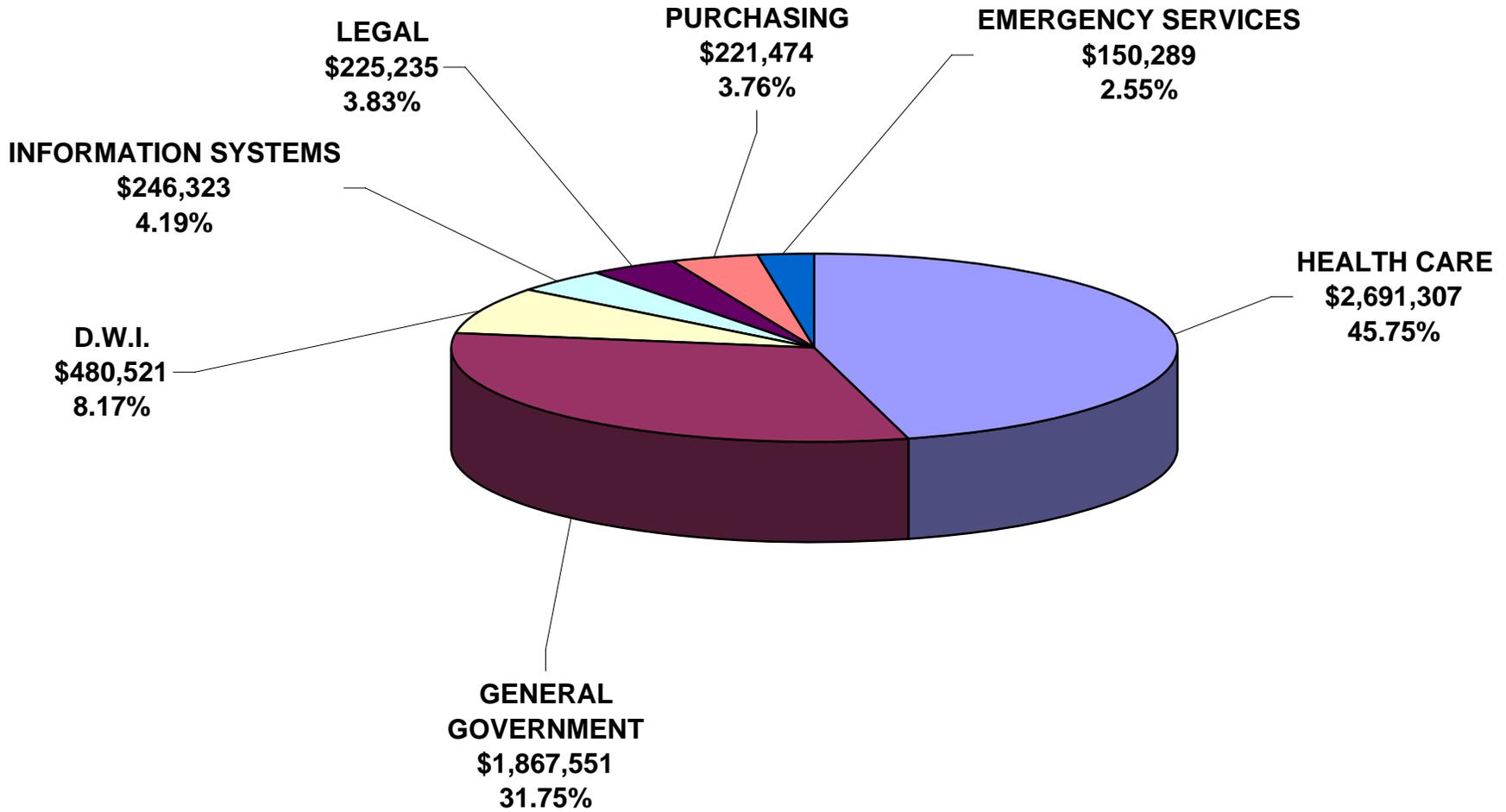


Chart 6

COUNTY-WIDE REVENUES COMPARING YEAR-TO-DATE TO BUDGETED AMOUNT, THIS TIME LAST YEAR AND 5-YEAR AVERAGES

■ CURRENT BUDGET
 ■ RECEIPTS TO DATE
 ■ THIS TIME LAST YEAR
 ■ 5-YEAR AVERAGE

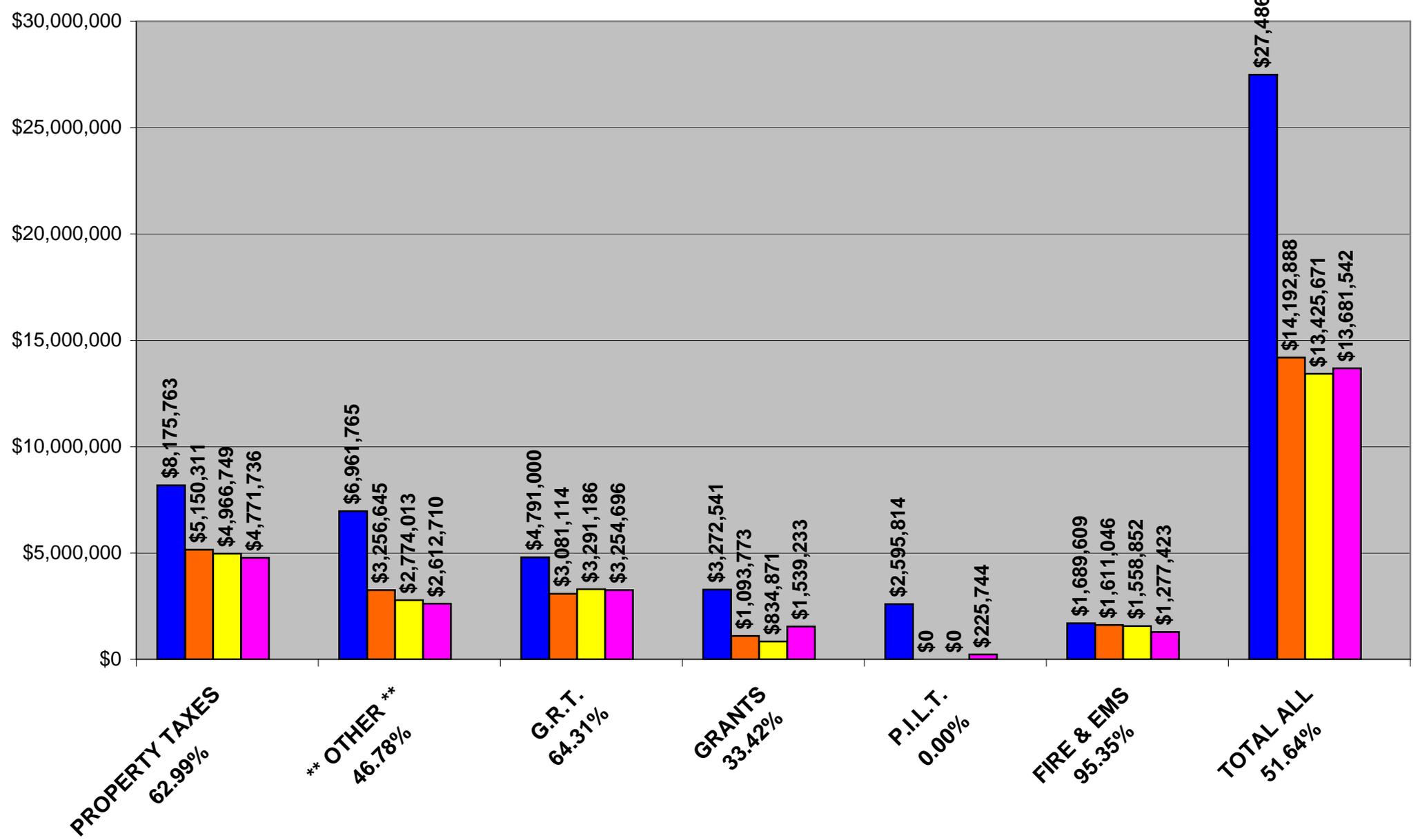


Chart 7

**** OTHER ** REVENUE SOURCES
COMPARING YEAR-TO-DATE TO
BUDGETED AMOUNT, THIS TIME LAST YEAR AND 5-YEAR AVERAGES**

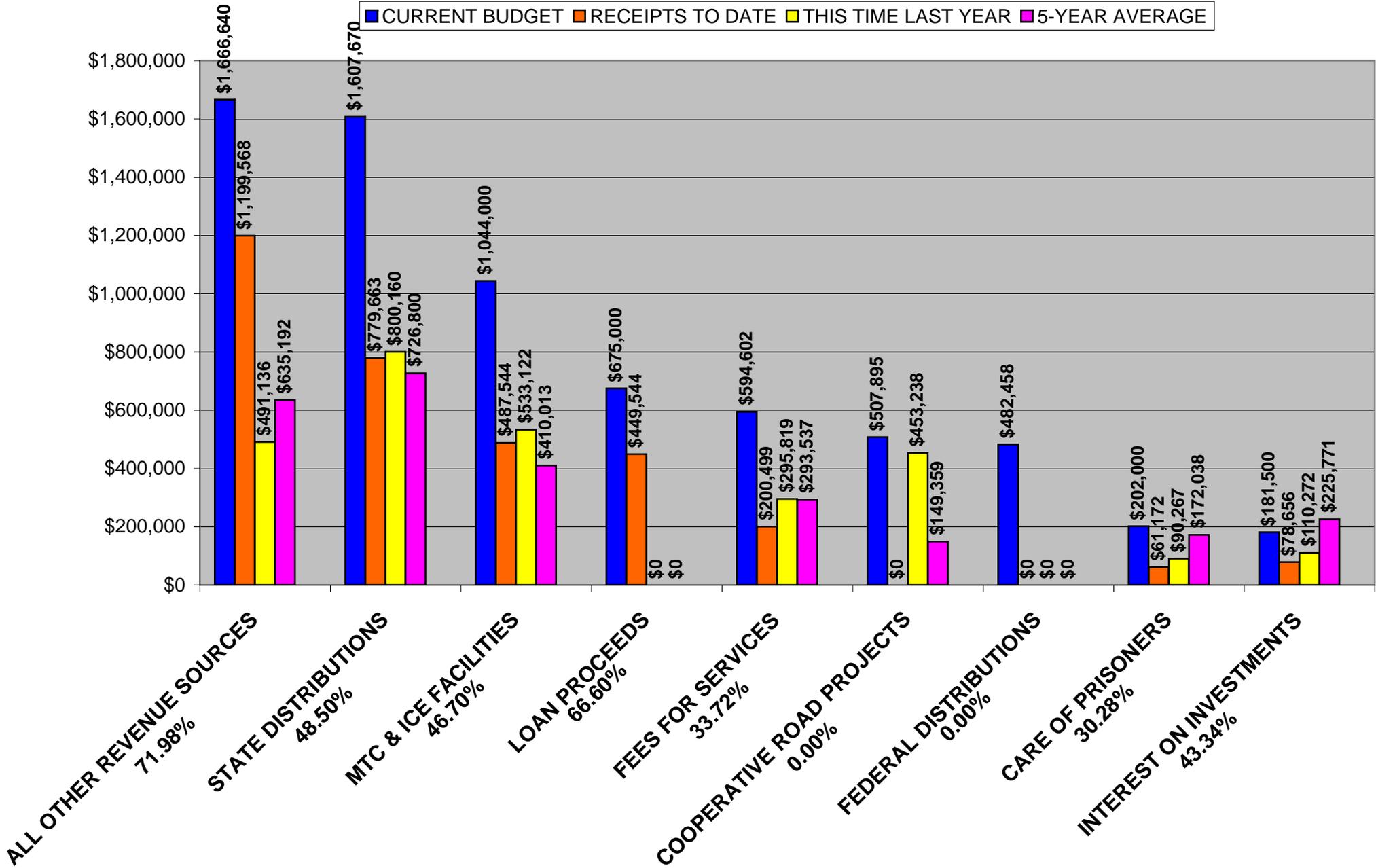


Chart 8

COUNTY-WIDE EXPENSES COMPARING YEAR-TO-DATE TO BUDGETED AMOUNT, THIS TIME LAST YEAR AND 5-YEAR AVERAGES

■ CURRENT BUDGET
 ■ DISBURSEMENTS TO DATE
 ■ THIS TIME LAST YEAR
 ■ 5-YEAR AVERAGE

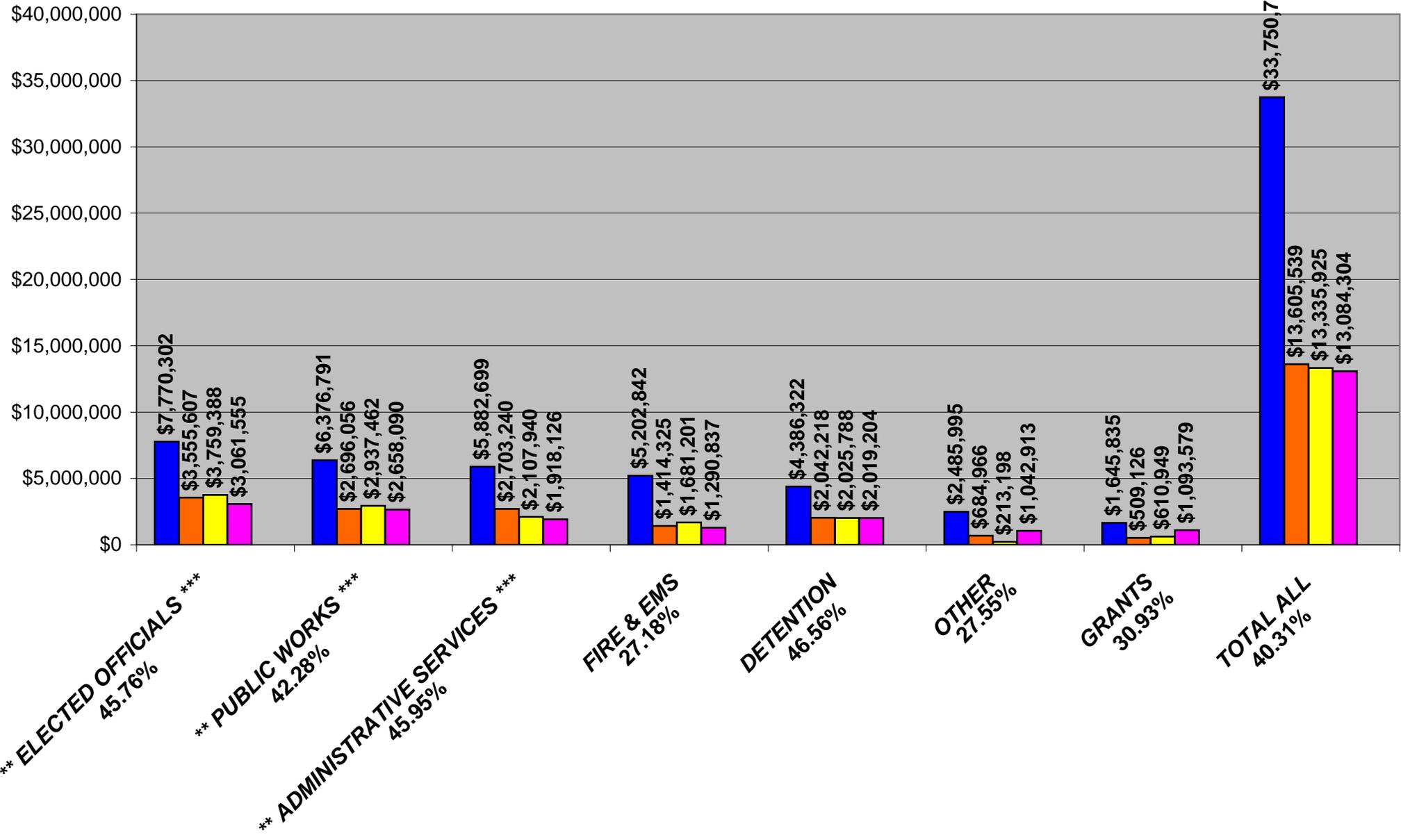


Chart 9

**** PUBLIC WORKS ** EXPENSES
COMPARING YEAR-TO-DATE TO
BUDGETED AMOUNT, THIS TIME LAST YEAR AND 5-YEAR AVERAGES**

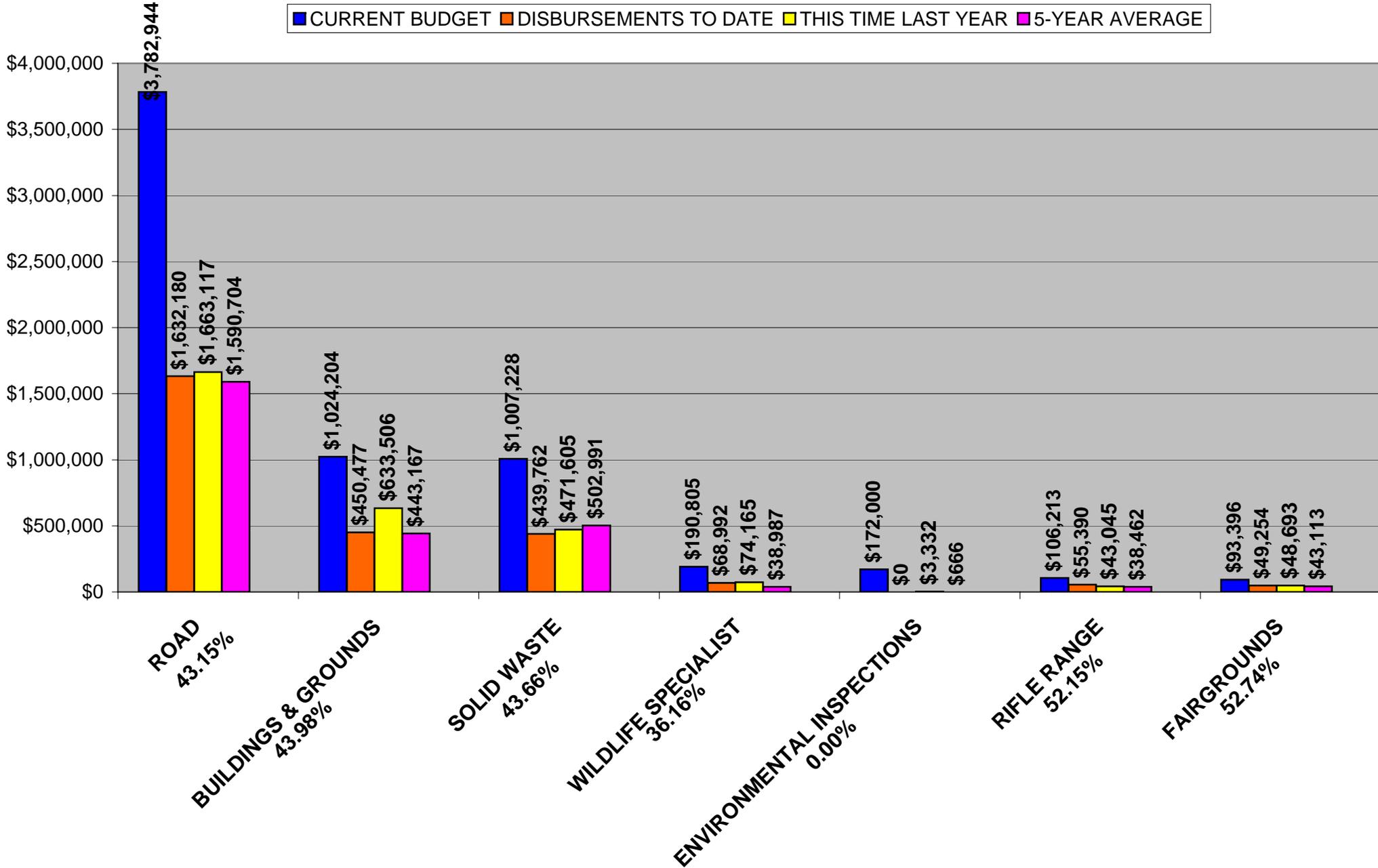


Chart 10

**** ELECTED OFFICIAL ** EXPENSES
COMPARING YEAR-TO-DATE TO
BUDGETED AMOUNT, THIS TIME LAST YEAR AND 5-YEAR AVERAGES**

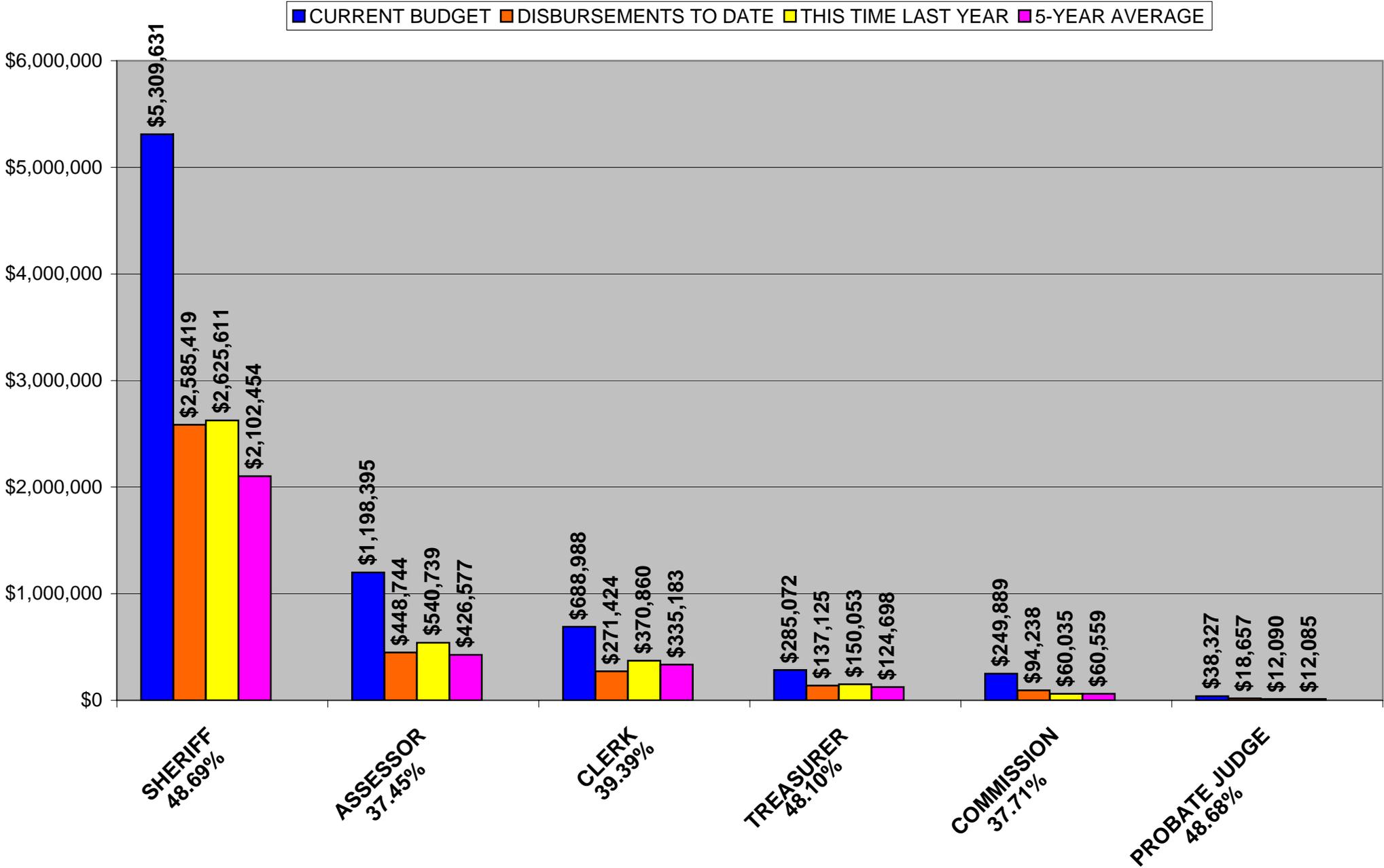


Chart 11

**** ADMINISTRATIVE SERVICES ** EXPENSES
COMPARING YEAR-TO-DATE TO
BUDGETED AMOUNT, THIS TIME LAST YEAR AND 5-YEAR AVERAGES**

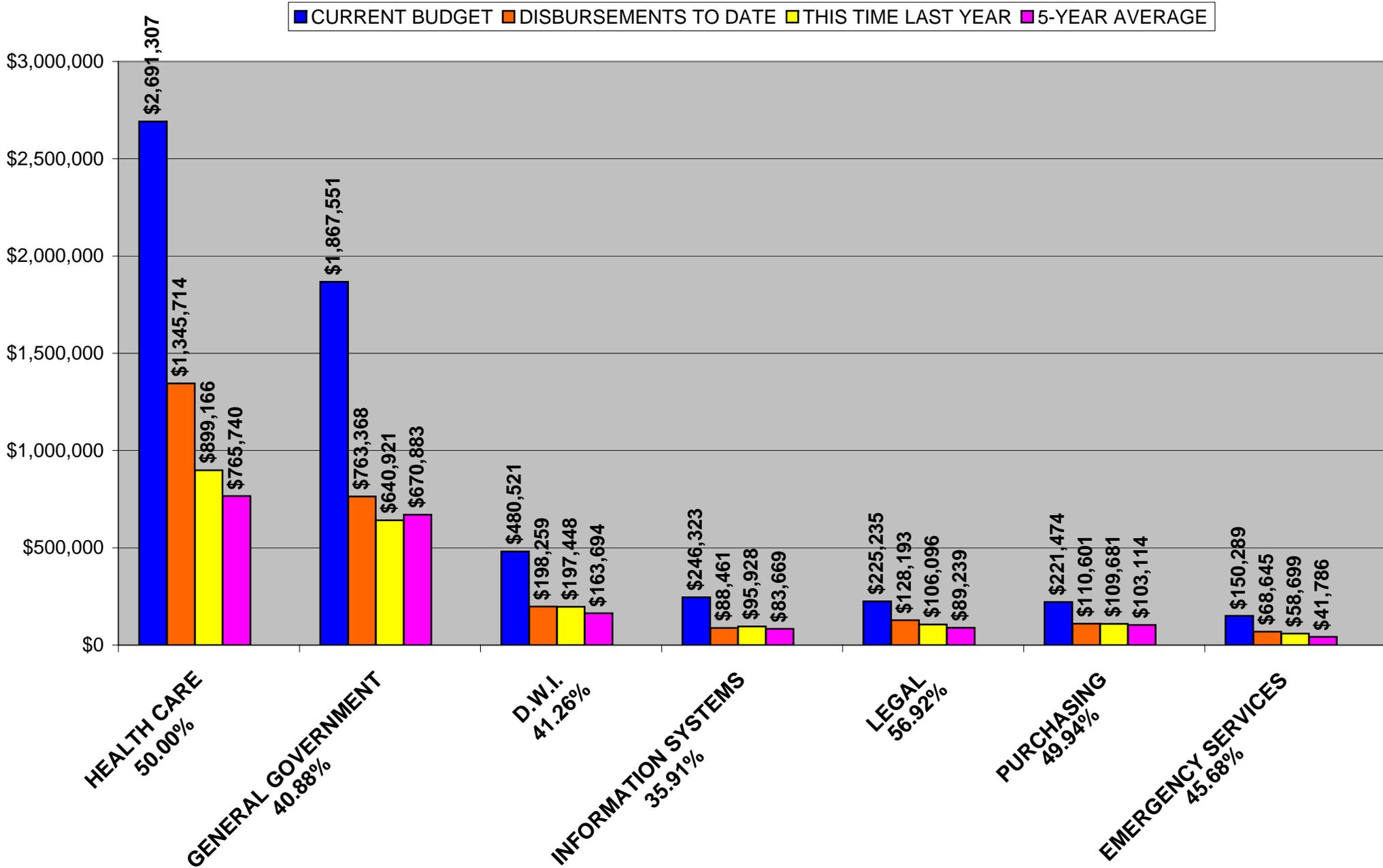


Chart 12