

Mid-Year Budget Review Fiscal Year 2012/2013

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 to the Board of County Commissioners on the status of receipts and disbursements.

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.

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 \$30,099,433 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 more than 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 \$36,294,110 compared to revenues totaling \$30,099,433 for fiscal year 2012/2013. The decision to adopt a budget planning to spend \$6.19 million more than we are generating in revenues was made with some measure of confidence based on two (2) points. First, there was a \$13.4 million cash carry-over from the previous fiscal year available to support the expenses in excess of anticipated revenues and second, the total appropriated expenditures are never spent in entirety. Generally, 20% of the budgeted expenditures are unexpended at fiscal year end.

Mid-Year Budget Review Fiscal Year 2012/2013

The budgeted expenditures classified as Elected Officials, Public Works 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 nearly 64% of all expenditures are dedicated to Detention, Fire & EMS, Roads, Law Enforcement and Health Care.

Mid-Year Budget Review Fiscal Year 2012/2013

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 47.73% of our total projected revenues as of December 31, 2012.

Property tax revenues are performing consistently with historical trends and favorably as compared to budget projections.

We further find revenues classified as “** Other **” to be within reasonable tolerances at 49.11% 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 “Federal Distributions” and “Cooperative Road Projects” are normally received in entirety during the 2nd half of the fiscal year. Although a few of these sub-categories are reporting 30% received, the net dollar amount is not significant enough to cause much concern.

While it appears that our **Gross Receipts Tax** revenues are not performing within reasonable tolerances at 44.4%, it is not as bleak as it appears. In applying the 50% of the budgeted amount algorithm, it appears that the receipts fall short by \$346,233. The 1/8th Correctional Facilities gross receipts tax increment was enacted effective July 1, 2012. Although the tax was imposed on July 1, the County did not receive the first distribution of this tax until September. Approximately, \$215,000 of the estimated shortfall is attributable to the Correctional Facilities GRT not being receipted during July and August 2012. This gap will continue to narrow as the fiscal year progresses. The remaining shortfall of \$131,233 does reflect negatively on the County’s Gross Receipts Tax Revenue performance. However, the amount is not significant enough to warrant any formal action such as changes in the spending plan.

Payment In Lieu of Taxes (P.I.L.T.) is shown at zero percent as it is received in entirety in June.

Mid-Year Budget Review Fiscal Year 2012/2013

In contrast, we find Fire & EMS funding reported at 92.75% 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 32.99% received as our budget is not dependent on grant proceeds for routine operating expenses.

Mid-Year Budget Review Fiscal Year 2012/2013

EXPENDITURE PERFORMANCE AT MID-YEAR

As we review **Chart 9**, we find that, over all, expenditures are performing within reasonable tolerances at mid-year. There are some anomalies that we will discuss in greater detail below.

In reviewing **Chart 9**, we find Fire & EMS expenditures significantly 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 25.58% expended at mid-year is normal and no cause for concern.

Although Detention appears to be within an acceptable range, detail research reveals a potential problem. Housing of Adult Prisoners has already expended 118% (\$296,500) of its \$250,000 appropriation. We will be watching this line item very closely over the next few months. If the second half of the fiscal year keeps pace with the first half, we will over-expend this line item by approximately \$343,000 by fiscal year end. As there does not appear to be sufficient resources elsewhere in this department to absorb this cost overrun, a budget increase before fiscal year-end is likely.

The primary types of expenditures classified as "Other" are debt service payments and capital improvements. Interest payments were made on our NMFA debt in November, but the principal payments are not applied until May. The \$675,000 appropriation in the Capital Improvement Fund will go largely unspent due to an extraordinarily lean budget year.

Charts 10, 11 and 12 reveal that all departments are spending within their budgets with some spending significantly less than the expected 50%. The more appreciable of these is the Road Department on **Chart 11** and General Government on **Chart 12**.

The Road Department being at only 37.59% expended at mid-year is due to a capital outlay purchase of a reclaimer at \$400,000 not being made.

And finally, General Government reporting at only 24.10% at mid-year is due to our annual property and liability insurances not being paid until January. We are also experiencing a decrease in professional service disbursements for environmental review issues.

In summary, we find our revenues performing within acceptable tolerances at mid-year. They are neither excessive or under performing to the point that changes are necessary to the spending plan. With the exception of housing of adult prisoners, we find no areas of concern regarding expenditures. Although a budget increase will more than likely be necessary before fiscal year end, it will not have a catastrophic effect on the budget.

COUNTY-WIDE REVENUE SOURCES
FY 2012/2013
ADJUSTED BUDGET
\$30,099,433

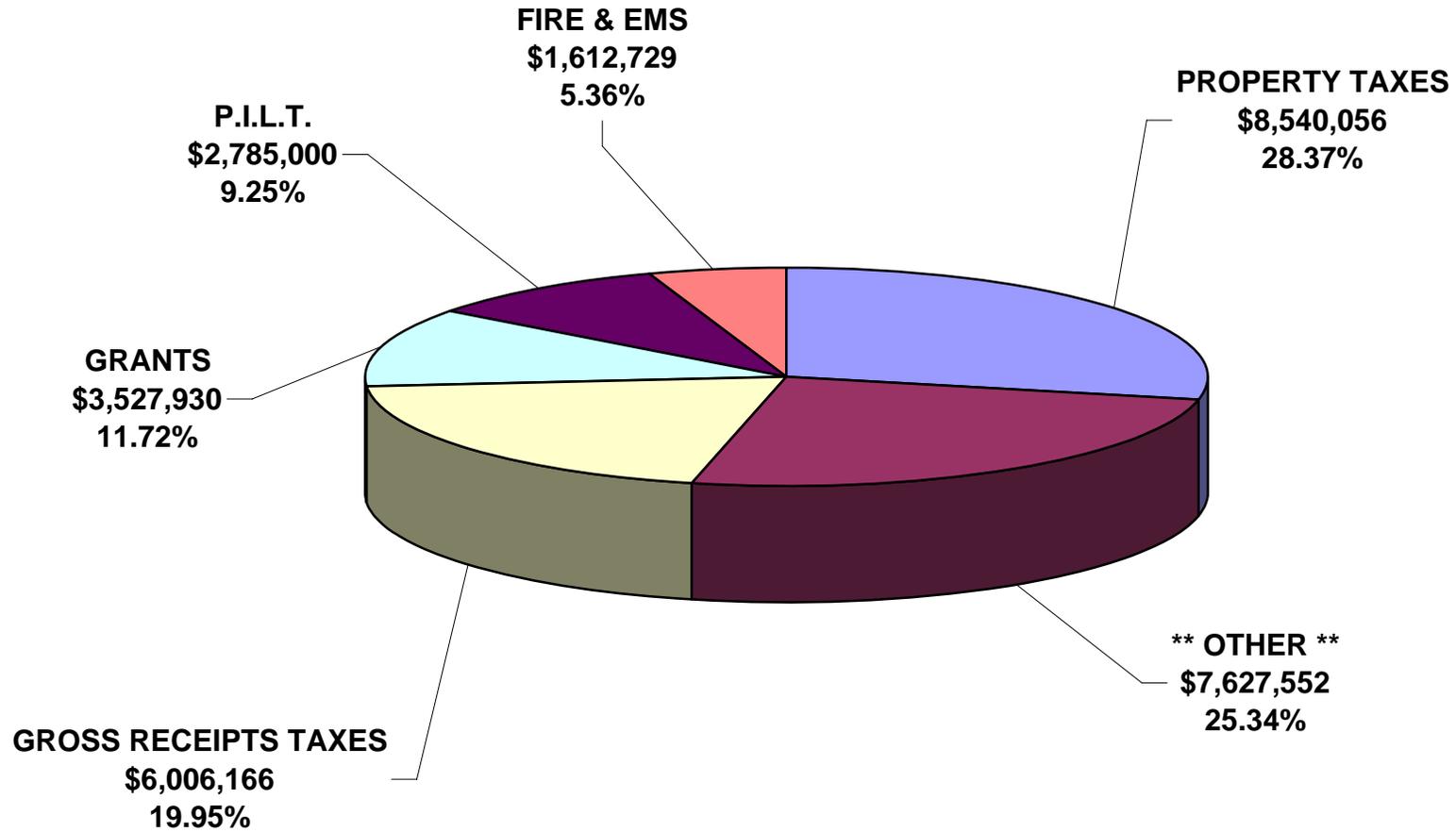


Chart 1

**** OTHER ** REVENUE SOURCES**
FY 2012/2013
ADJUSTED BUDGET
\$7,627,552

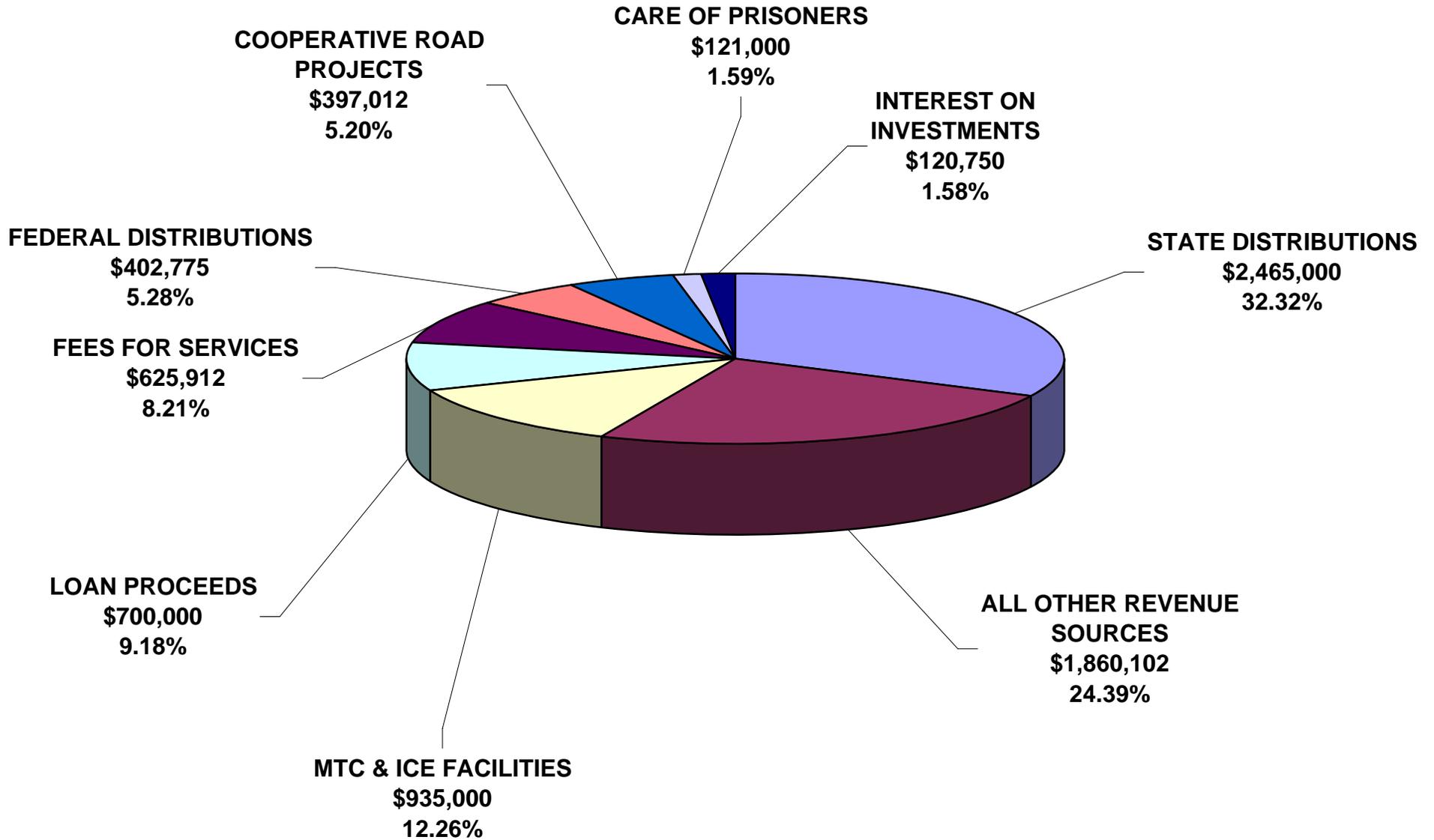


Chart 2

**COUNTY-WIDE EXPENSES
FY 2012/2013
ADJUSTED BUDGET
\$36,294,110**

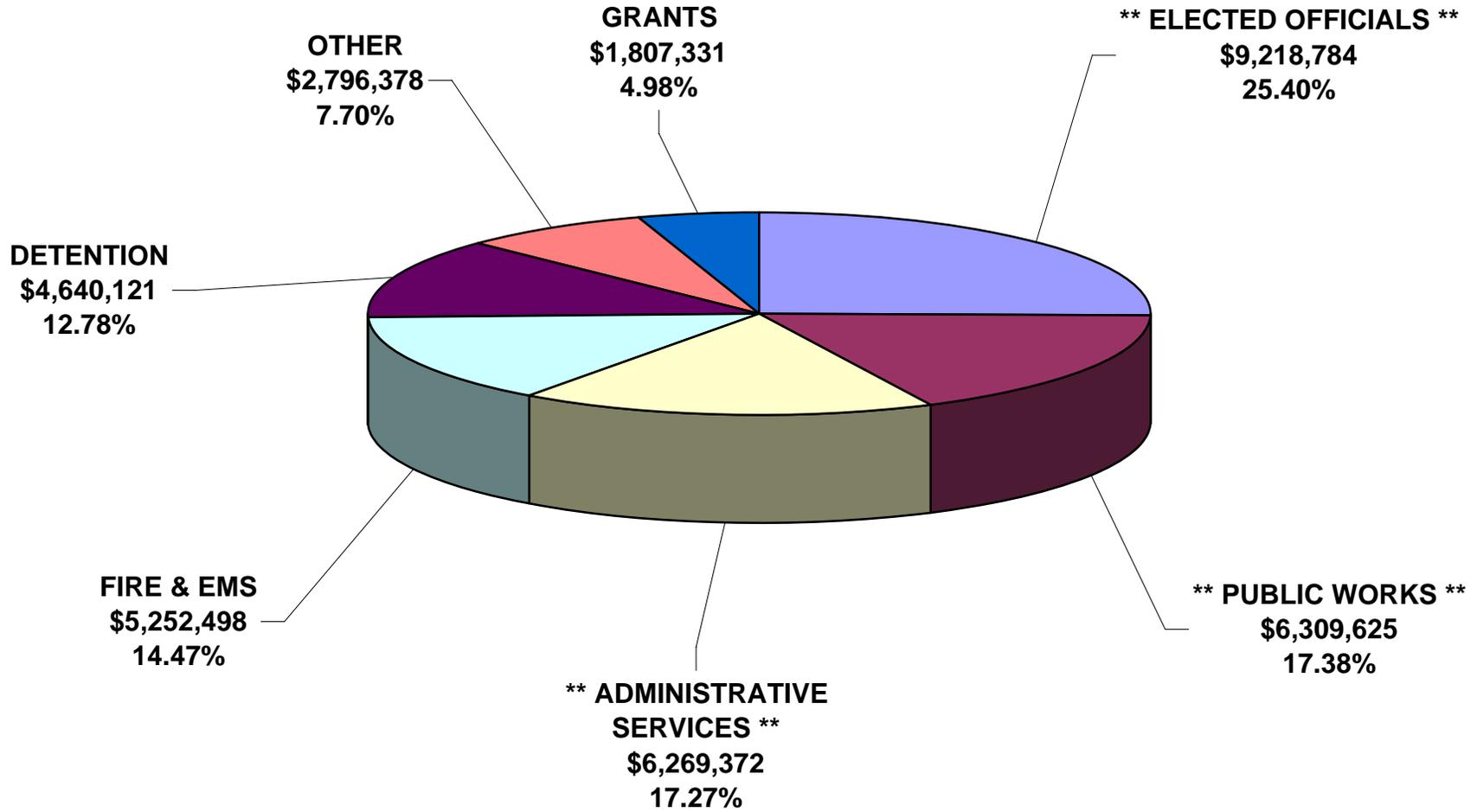


Chart 3

**** ELECTED OFFICIALS ** EXPENSES**
FY 2012/2013
ADJUSTED BUDGET
\$9,218,784

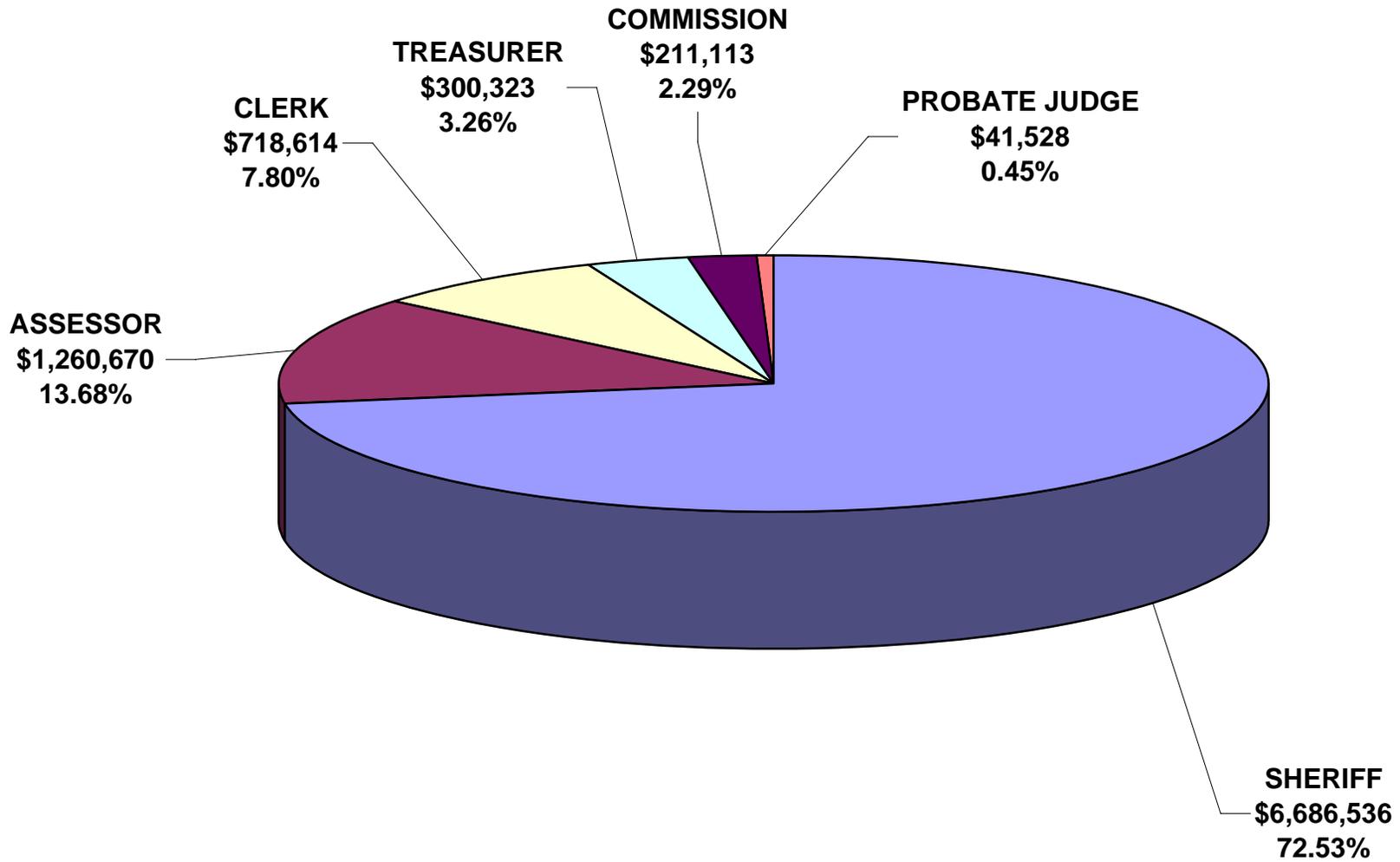


Chart 4

**** PUBLIC WORKS ** EXPENSES**
FY 2012/2013
ADJUSTED BUDGET
\$6,309,625

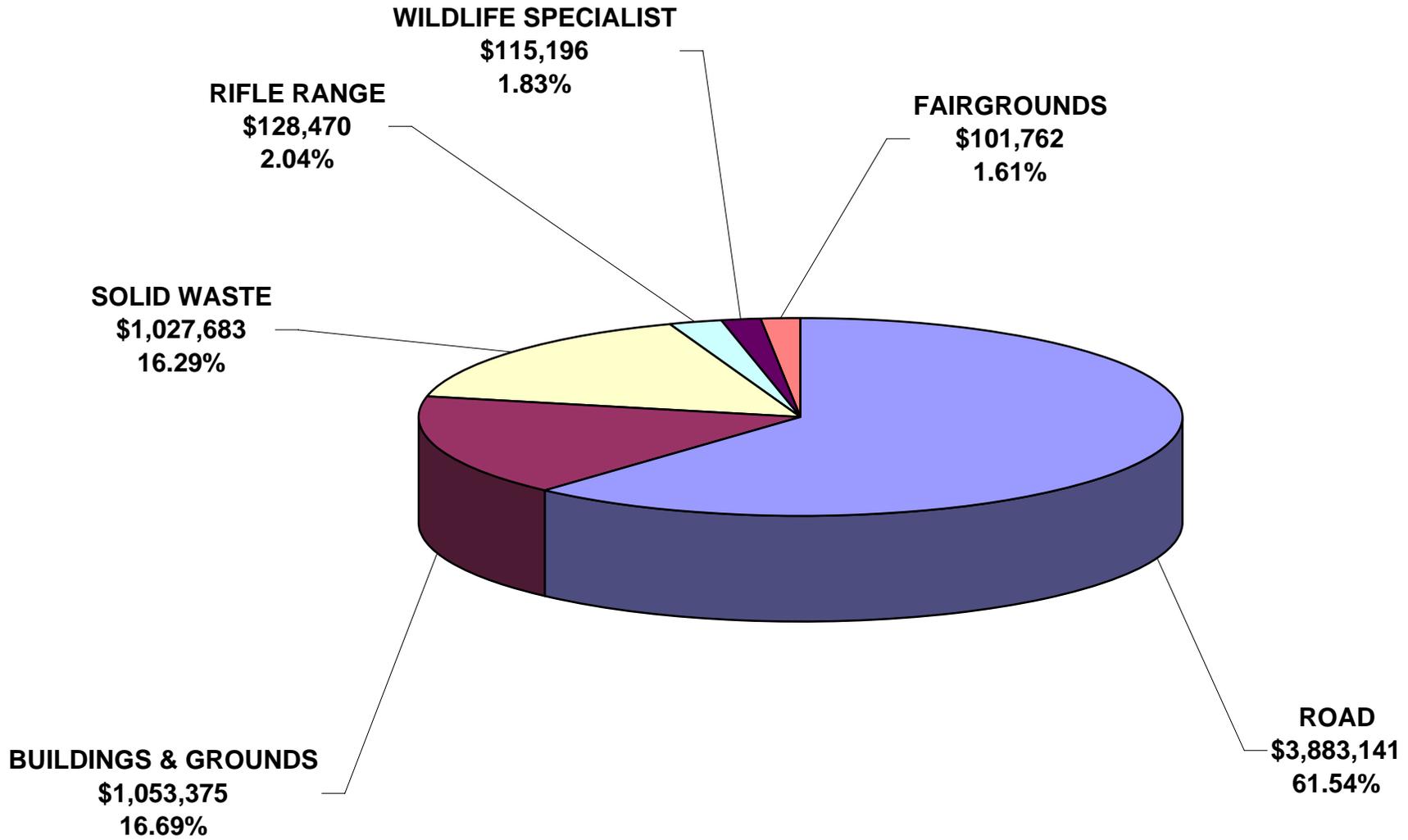


Chart 5

**** ADMINISTRATIVE SERVICES ** EXPENSES**
FY 2012/2013
ADJUSTED BUDGET
\$6,269,372

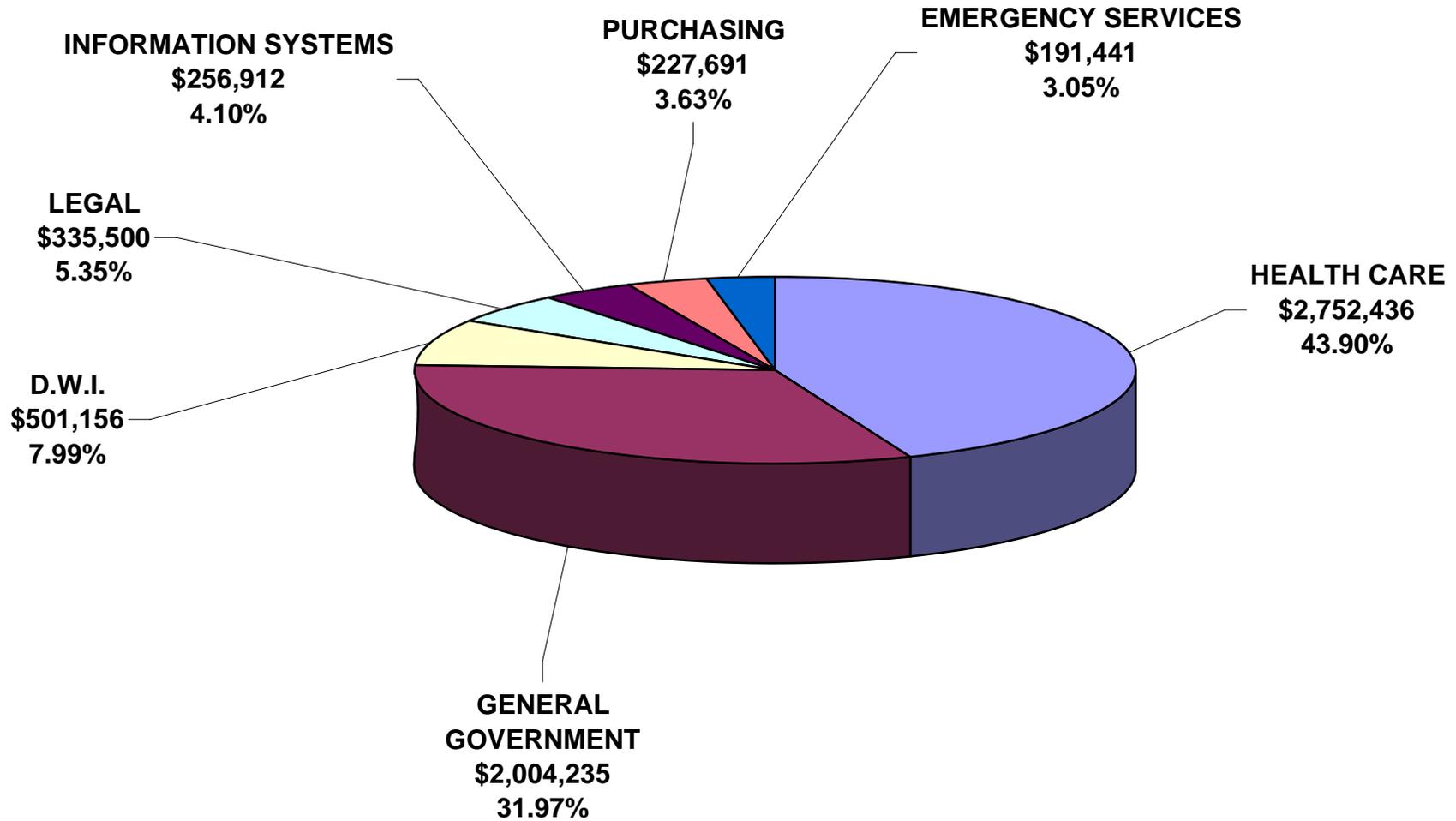


Chart 6

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

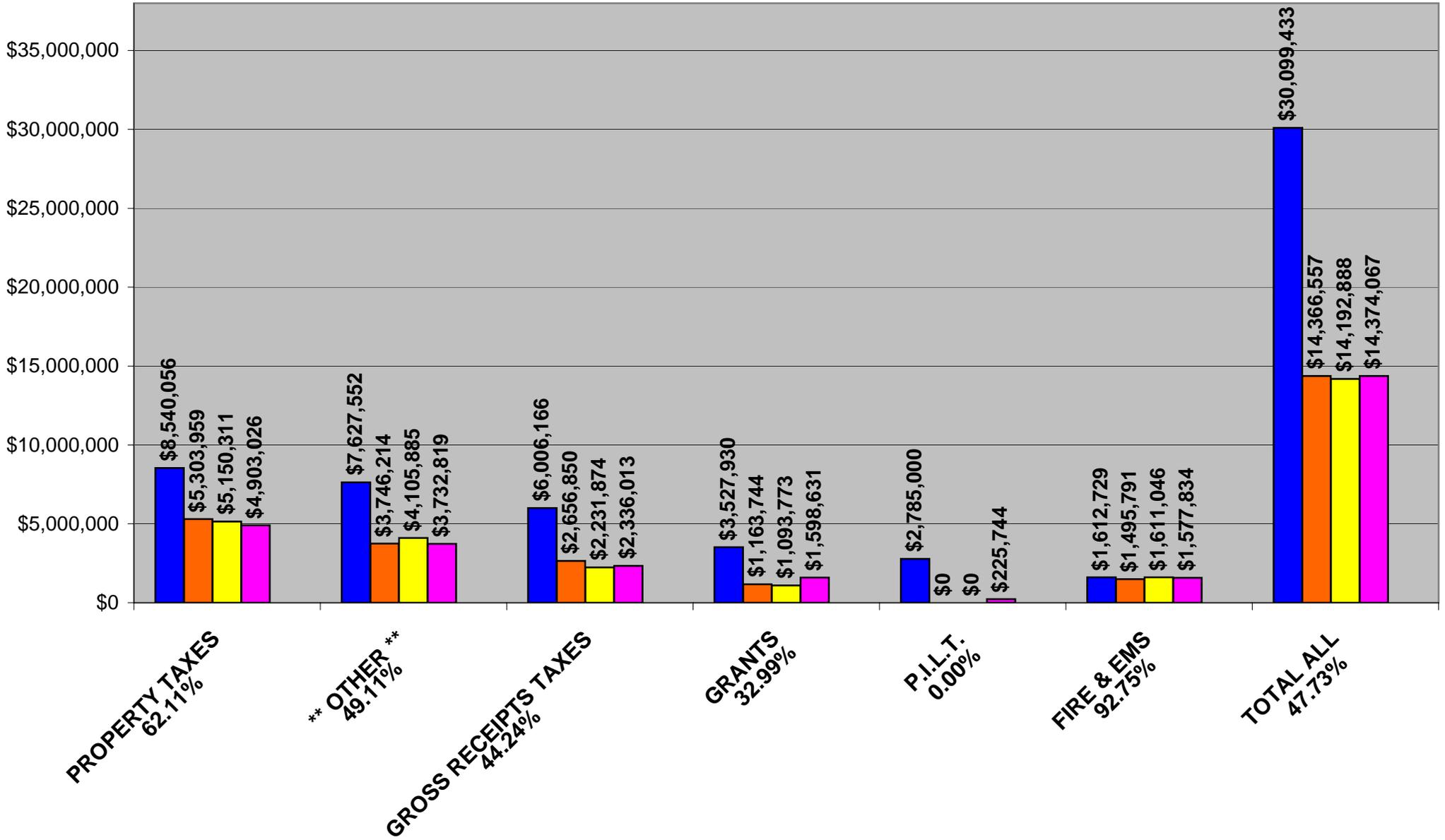


Chart 7

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

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

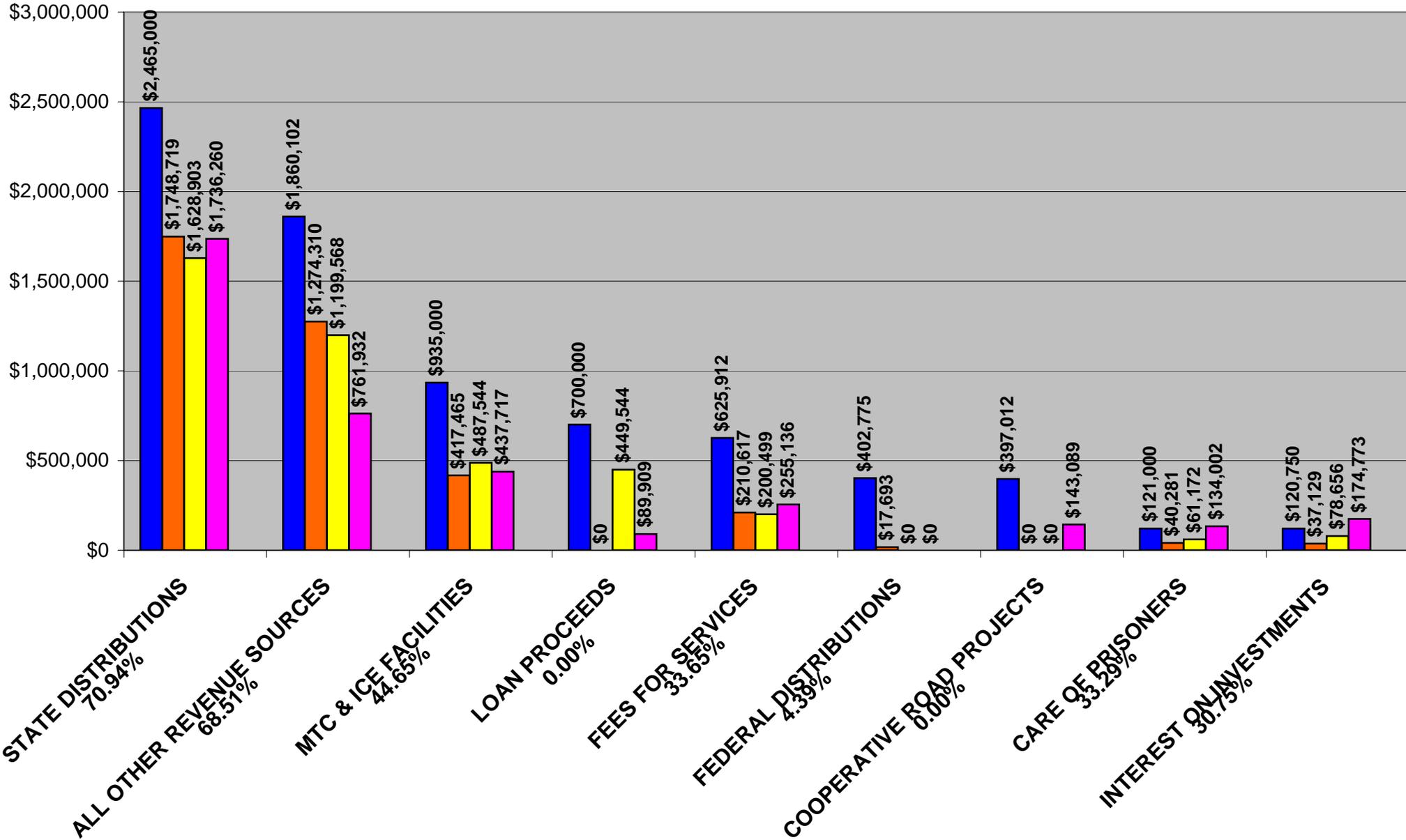


Chart 8

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

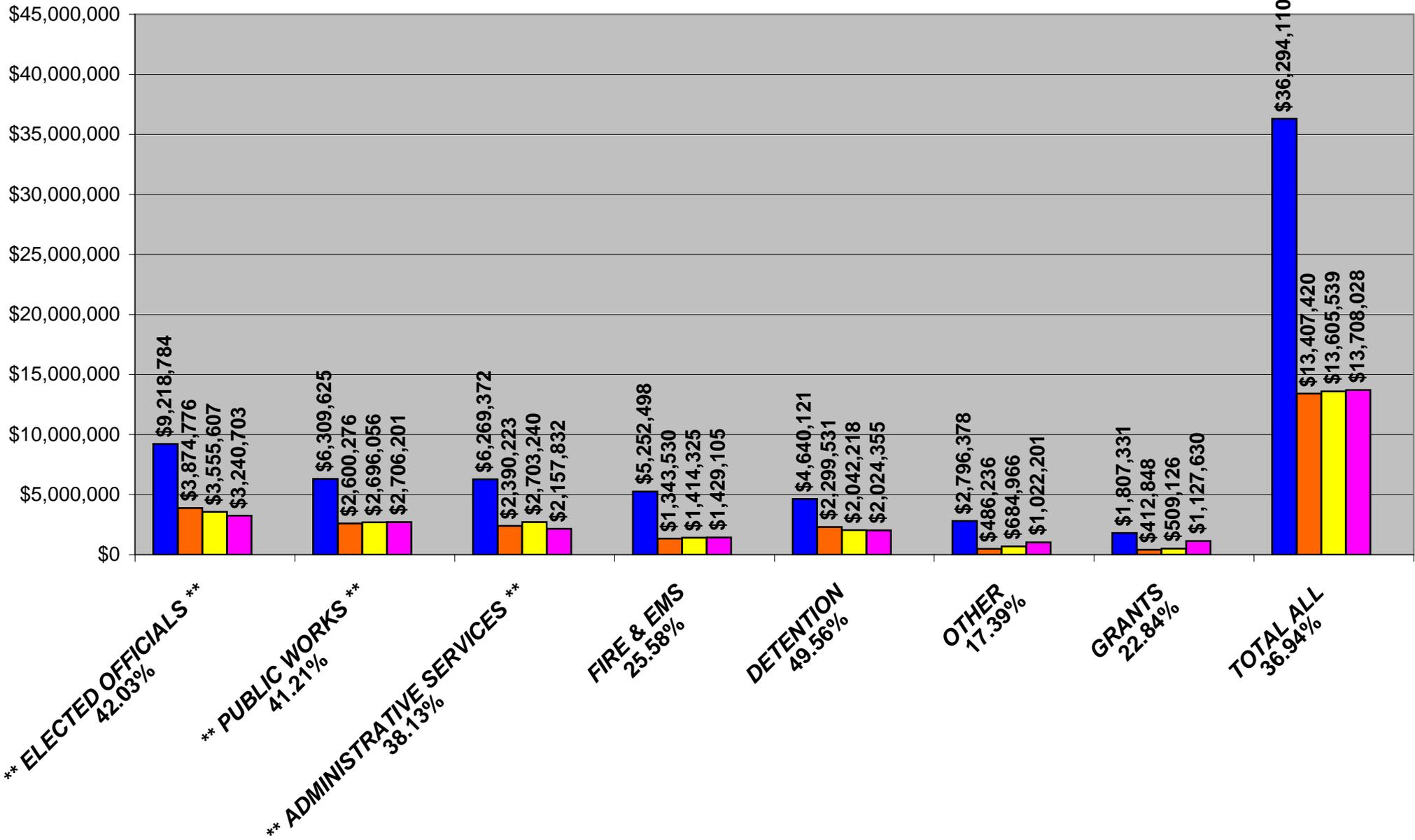


Chart 9

**** ELECTED OFFICIAL ** 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

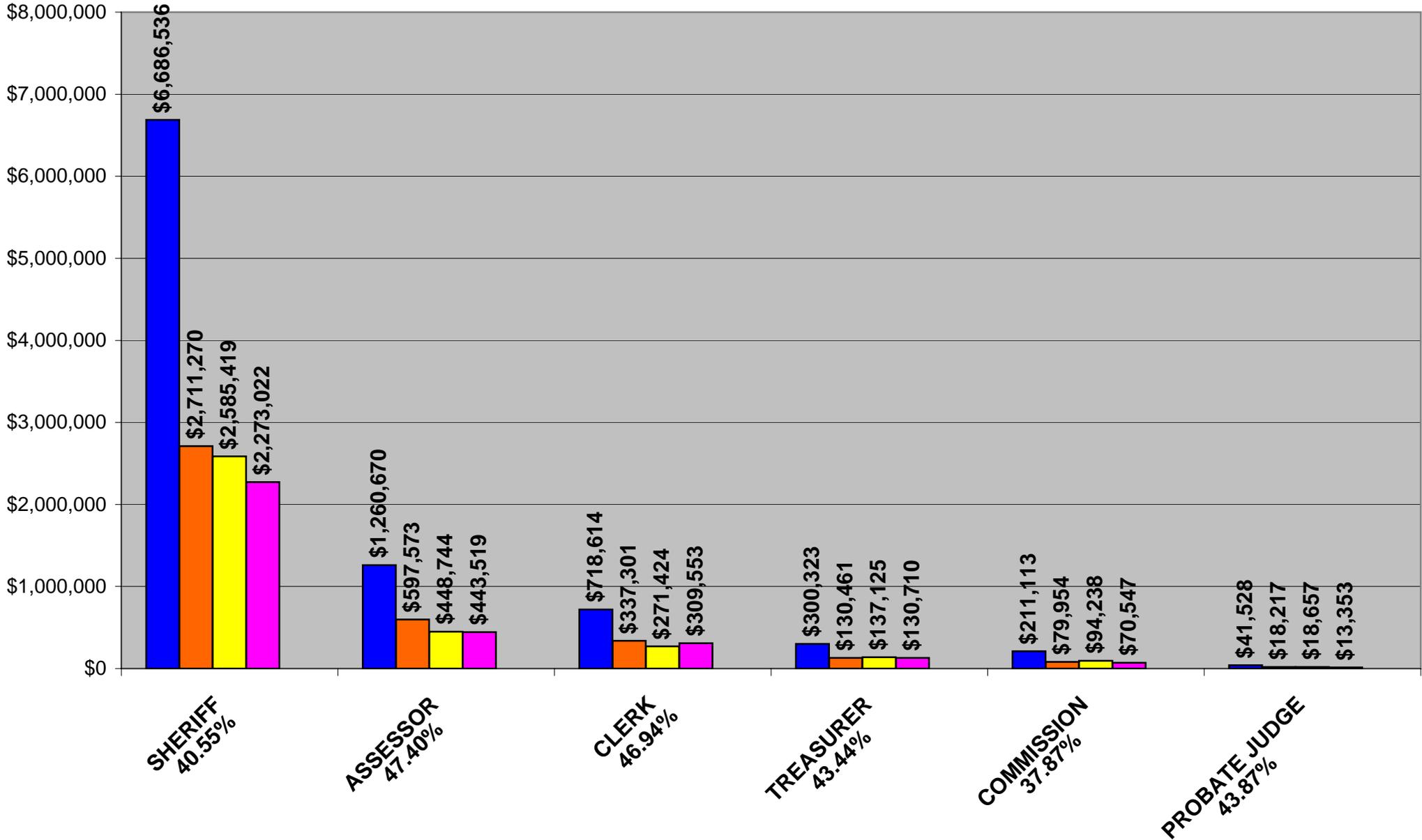


Chart 10

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

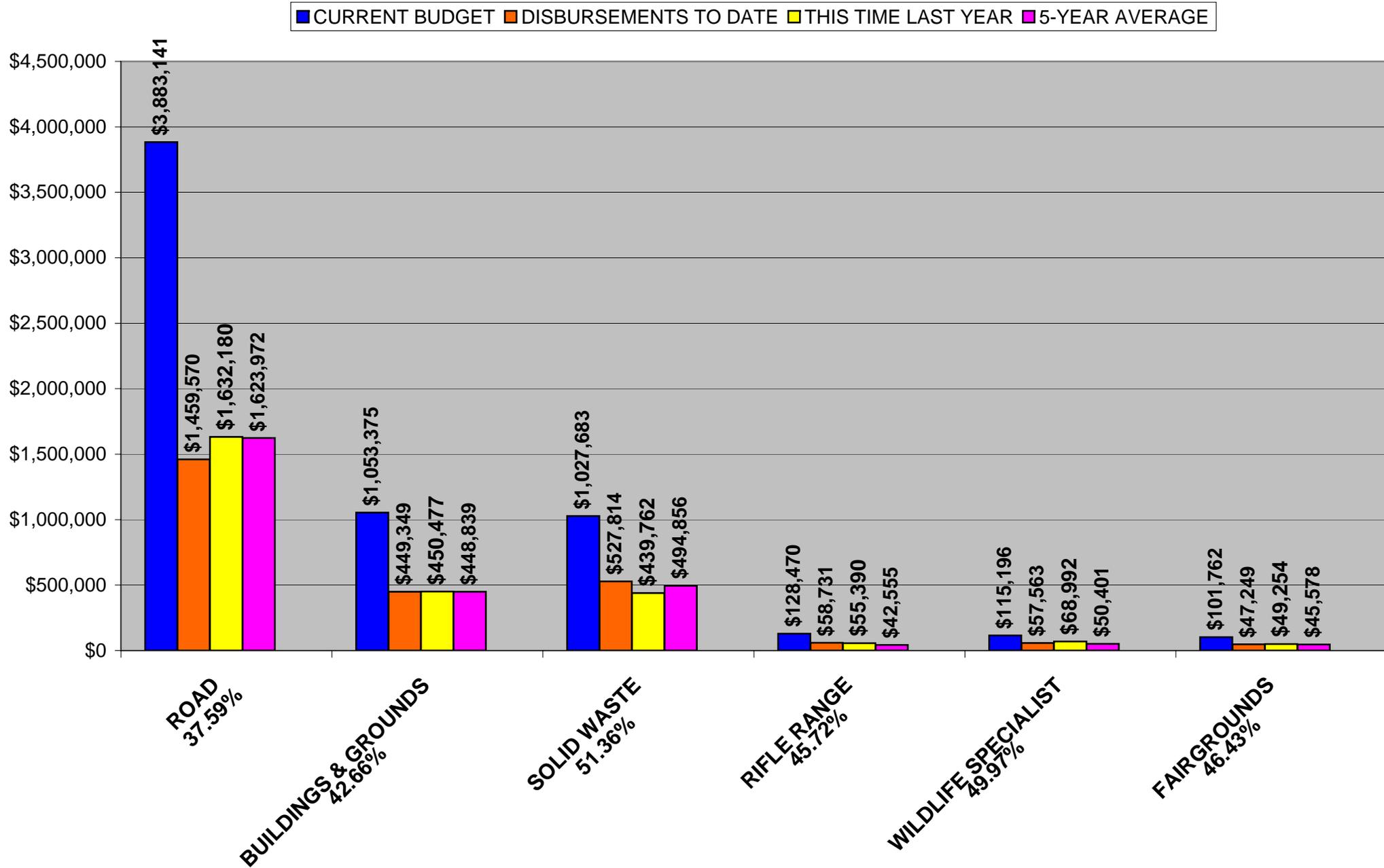


Chart 11

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

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

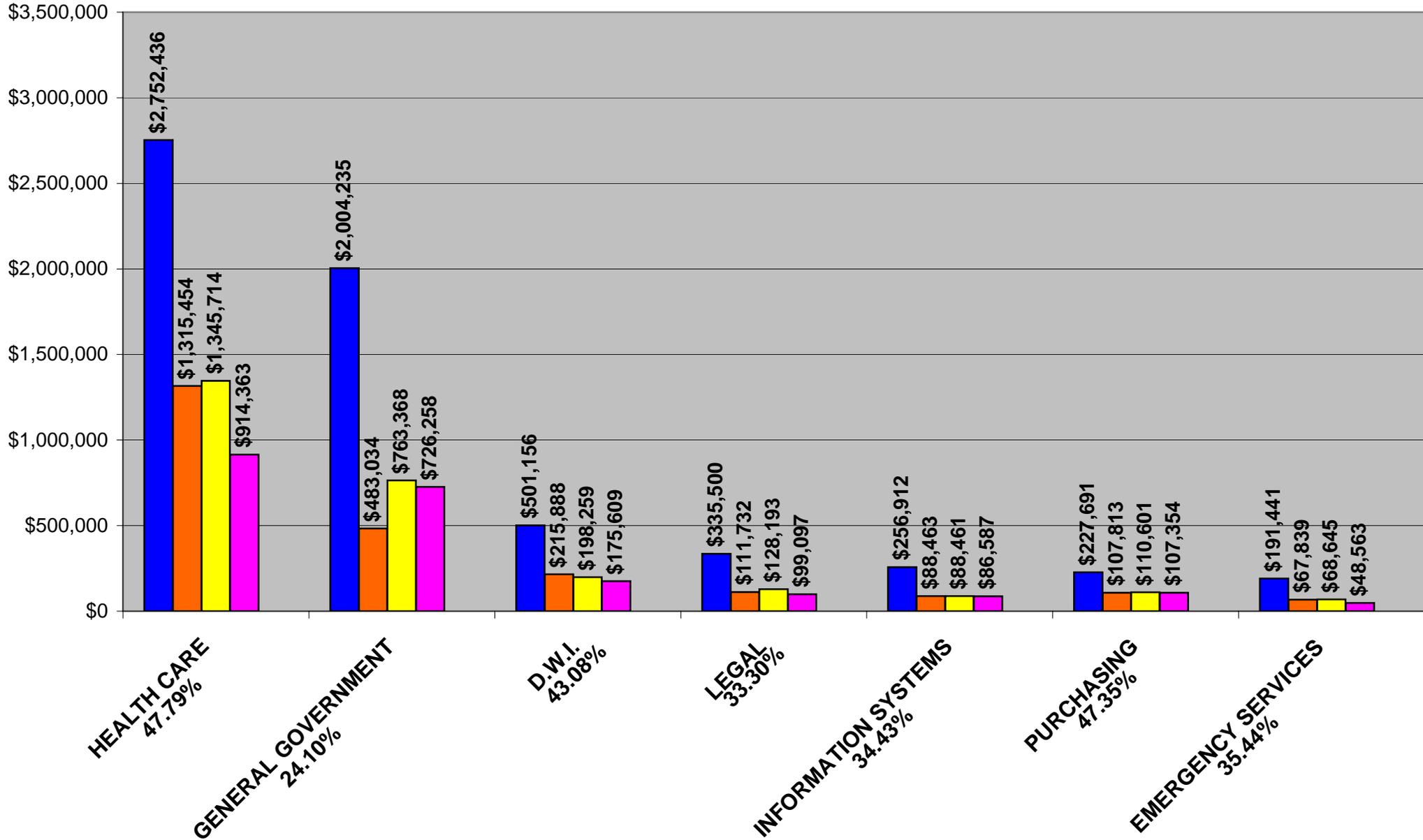


Chart 12