

Behind the Numbers - Understanding Your Organization

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Lea County

2024 LGD Budget Conference – November 2024

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Objectives

Discuss Simple Revenue Trend Analysis

Discuss Cash Flow Requirements

Establish a Budget Process and Timeline

Working with Management and Elected Officials

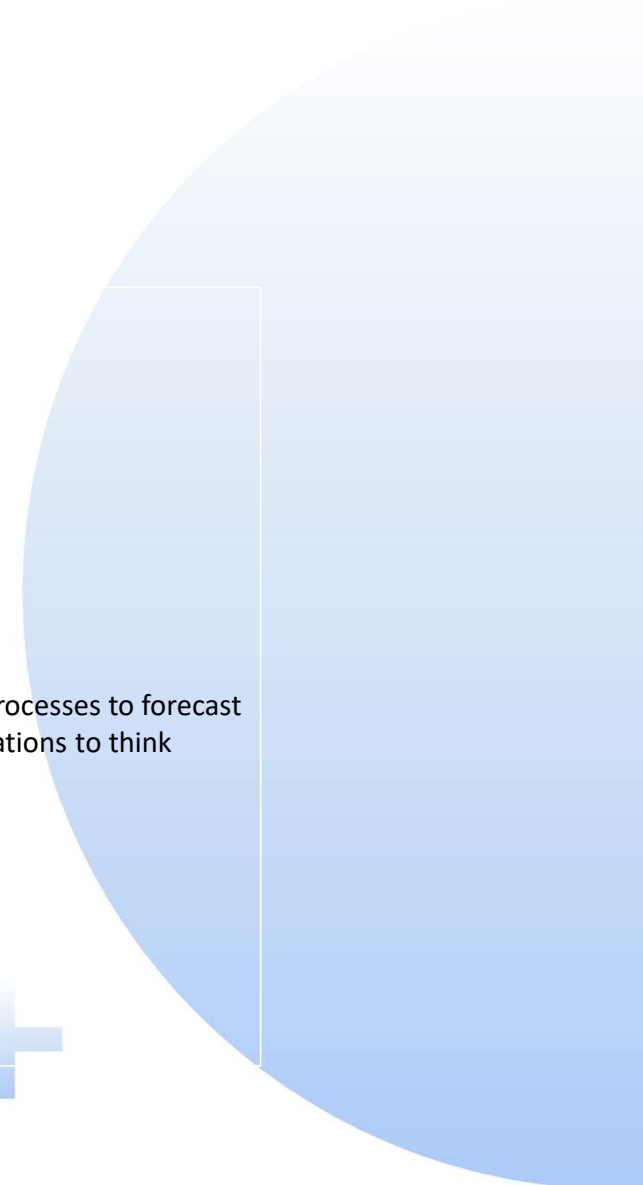


3 Simple Trend Analysis

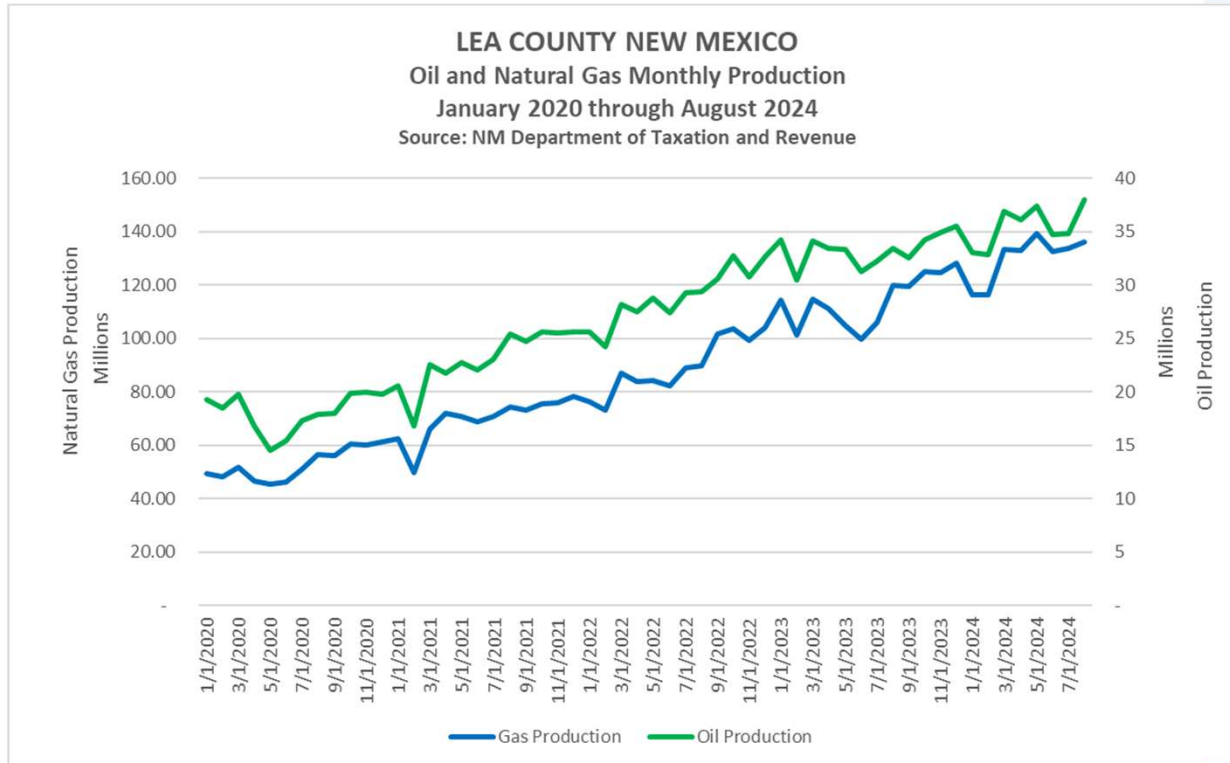
What are the major sources of revenue and how are they generated:

1. Determine what the major sources of revenue are.
2. Determine what generates those sources of revenue.
3. Determine what is the main driver of those revenue sources.
4. Develop a formula to project those revenue streams based upon available data.

The following slides will discuss how Lea County was able to find data and develop reasonable processes to forecast major sources of revenue to utilize in the budget process. The objective is to help other organizations to think about how to better forecast and budget major revenue streams.

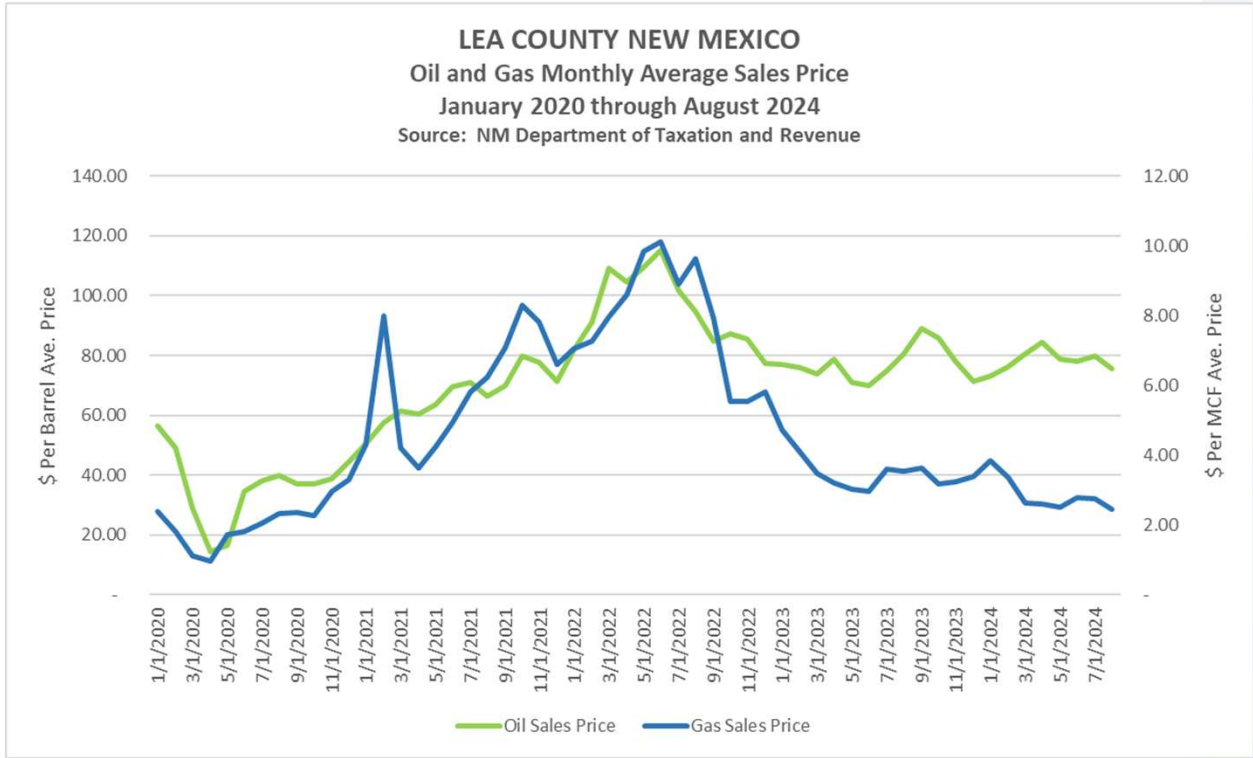


4 Simple Trend Analysis



Oil and Gas Production Revenue is a property tax based upon the monthly sales value of oil and natural gas. The actual revenue generated is based upon the number of barrels and mcf of gas sold at the daily rate. Revenue can vary based upon changes in production and price on a daily basis. This chart shows that production has steadily increased over the past five years.

5 Simple Trend Analysis



Monthly average sales price over the past 4 years from \$14.37 per bbl for oil to \$115.37 per bbl. Since 2023, it has averaged in a narrower range of \$69 to \$90 per bbl. Since early 2023, natural gas has averaged between \$2.50 and \$5.00 per mcf.

6 Simple Trend Analysis

Key Findings:

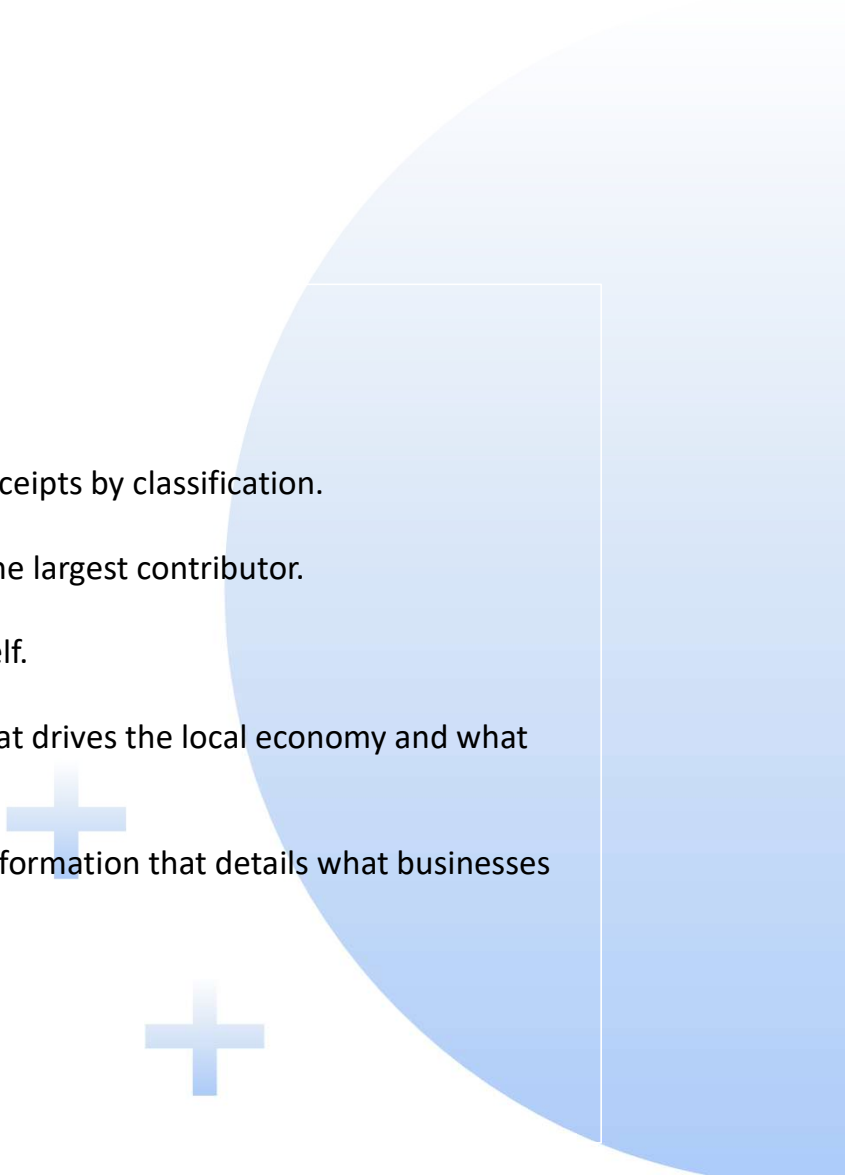
1. Oil & gas production is continued to grow at approximately 15% annual average.
2. Oil & gas production is subject to corrections that may be anywhere from 8% to 25%.
3. Oil prices have settled into a range between \$69.00 and \$90.00.
4. Oil has traded as low as \$14.37 during the period.
5. Natural Gas prices have settled into a range between \$2.50 and \$5.00.
6. Natural Gas prices have traded as low as .96 cents during the period.

Given the facts above, how would budget Oil and Gas Production Revenue?



7 Simple Trend Analysis

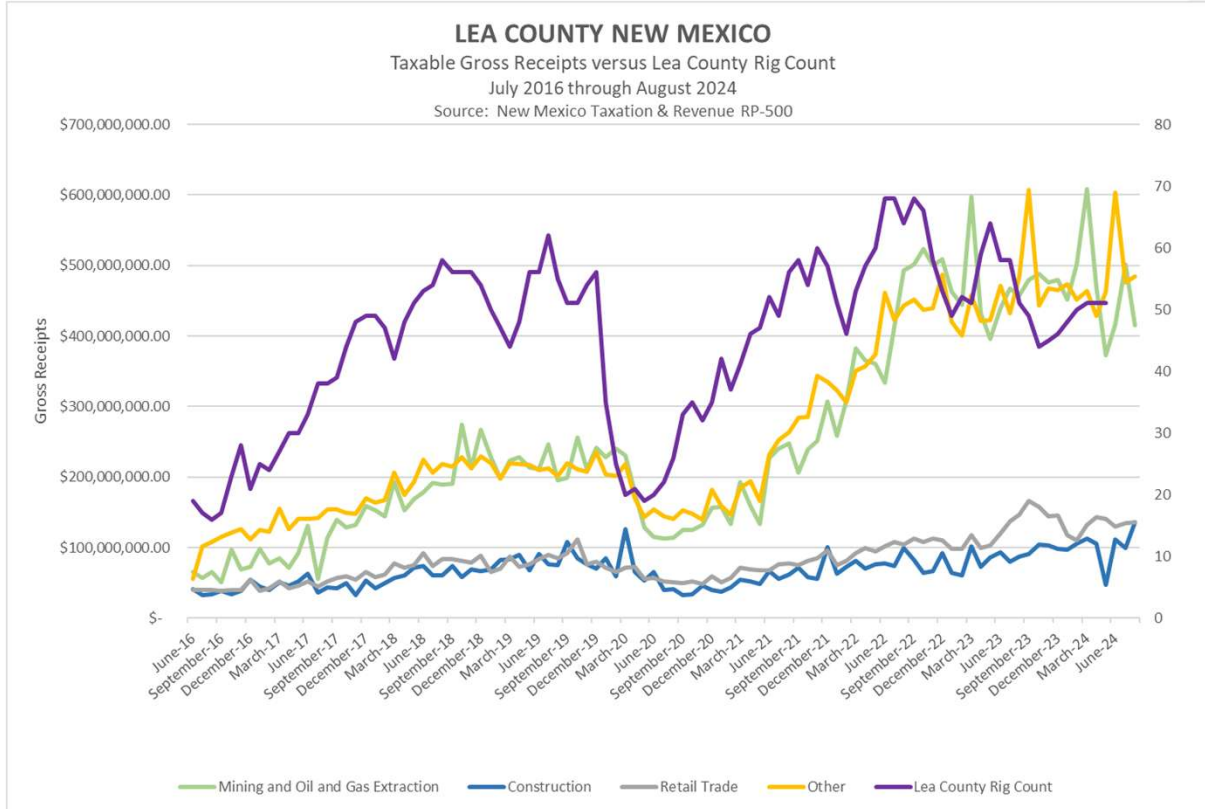
GRT Analysis

1. Download the monthly RP-500 report from New Mexico TRD.
 2. Build an Excel workbook that details out monthly Taxable Gross Receipts by classification.
 3. Calculate the average percentage of each classification to determine largest contributor.
 4. Create a chart over at least 5 years to see if any trend presents itself.
 5. Based upon this information, the entity can begin to figure out what drives the local economy and what data is available to make projections.
 6. If desired, upon getting approved training, an entity can request information that details what businesses are reporting the most taxable gross receipts.
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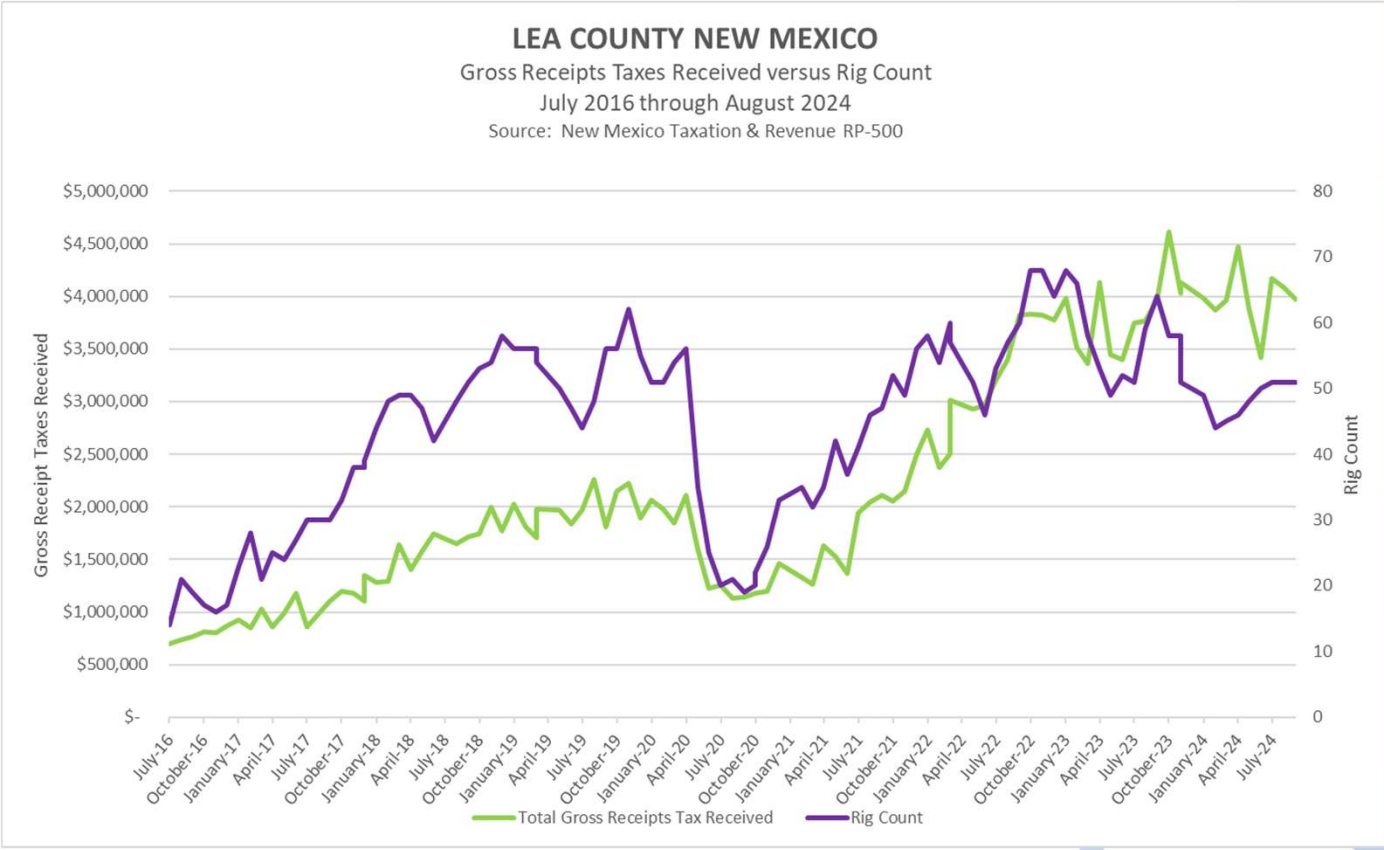
8 Simple Trend Analysis

LEA COUNTY NEW MEXICO						
Recap of GRT Reporting and Receipts						
Business Activity Month	July-24	August-24				
Distribution Month	September-24	October-24	Total	% of Total		
Agriculture, Forestry, Fishing and Hunting	\$ 889,728.89	\$ 503,291.67	\$ 95,394,708.13	0.126%		
Mining and Oil and Gas Extraction	\$ 501,280,946.38	\$ 414,906,040.26	\$ 25,155,302,521.66	33.178%		
Utilities	\$ 41,540,147.88	\$ 42,492,453.53	\$ 3,715,037,837.52	4.900%		
Construction	\$ 99,365,090.39	\$ 136,072,312.51	\$ 9,749,478,686.14	12.859%		
Manufacturing	\$ 74,084,442.44	\$ 68,873,854.21	\$ 4,060,692,513.84	5.356%		
Wholesale Trade	\$ 91,734,868.14	\$ 100,325,784.61	\$ 4,088,115,318.27	5.392%		
Retail Trade	\$ 135,043,748.31	\$ 135,787,600.85	\$ 10,589,769,139.71	13.967%		
Transportation and Warehousing	\$ 50,161,828.21	\$ 49,880,251.79	\$ 2,648,146,302.45	3.493%		
Information and Cultural Industries	\$ 7,482,460.91	\$ 7,703,103.49	\$ 1,080,827,040.13	1.426%		
Finance and Insurance	\$ 1,670,938.88	\$ 1,469,875.56	\$ 116,232,529.09	0.153%		
Real Estate and Rental and Leasing	\$ 43,919,907.06	\$ 44,283,113.24	\$ 1,855,643,921.64	2.447%		
Professional, Scientific and Technical Services	\$ 58,766,472.08	\$ 55,010,512.60	\$ 2,263,393,942.87	2.985%		
Admin and Support, Waste Mgt and Remed	\$ 18,670,620.76	\$ 18,981,851.41	\$ 977,745,174.56	1.290%		
Educational Services	\$ 536,194.83	\$ 462,458.68	\$ 12,344,410.47	0.016%		
Health Care and Social Assistance	\$ 8,095,807.62	\$ 6,505,399.07	\$ 1,093,419,354.11	1.442%		
Arts, Entertainment and Recreation	\$ 1,007,197.71	\$ 1,237,911.00	\$ 103,295,407.90	0.136%		
Accommodation and Food Services	\$ 18,188,639.12	\$ 17,808,472.11	\$ 2,017,562,375.85	2.661%		
Other Services (except Public Admin)	\$ 41,231,798.17	\$ 44,738,298.03	\$ 5,614,448,857.33	7.405%		
Public Administration	\$ 27,728.15	\$ 427,901.95	\$ 12,122,982.20	0.016%		
Unclassified Establishments	\$ 17,408,064.87	\$ 24,018,369.27	\$ 569,824,181.36	0.752%		
	\$ 1,211,531,027.29	\$ 1,166,533,537.17	\$ 75,818,797,205.22			
	\$ 4,081,780.65	\$ 3,974,216.23	\$ 237,870,839.13			
	0.3369%	0.3407%	0.3137%			

9 Simple Trend Analysis



10 Simple Trend Analysis



11 Simple Trend Analysis

LEA COUNTY NEW MEXICO					
5 Year Budget versus Actuals Expenditures					
Salaries & Fringe					
	June-20	June-21	June-22	June-23	June-24
Budget	34,688,096	31,245,729	37,944,866	42,868,314	52,281,182
Actual	28,975,937	27,708,911	32,130,632	37,565,167	41,817,318
	83.53%	88.68%	84.68%	87.63%	79.99%
Operations					
Budget	55,354,370	38,601,308	47,992,260	94,207,747	84,804,252
Actual	43,143,712	27,792,615	38,220,035	77,678,176	62,222,262
	77.94%	72.00%	79.64%	82.45%	73.37%



12 Cash Flow Requirements

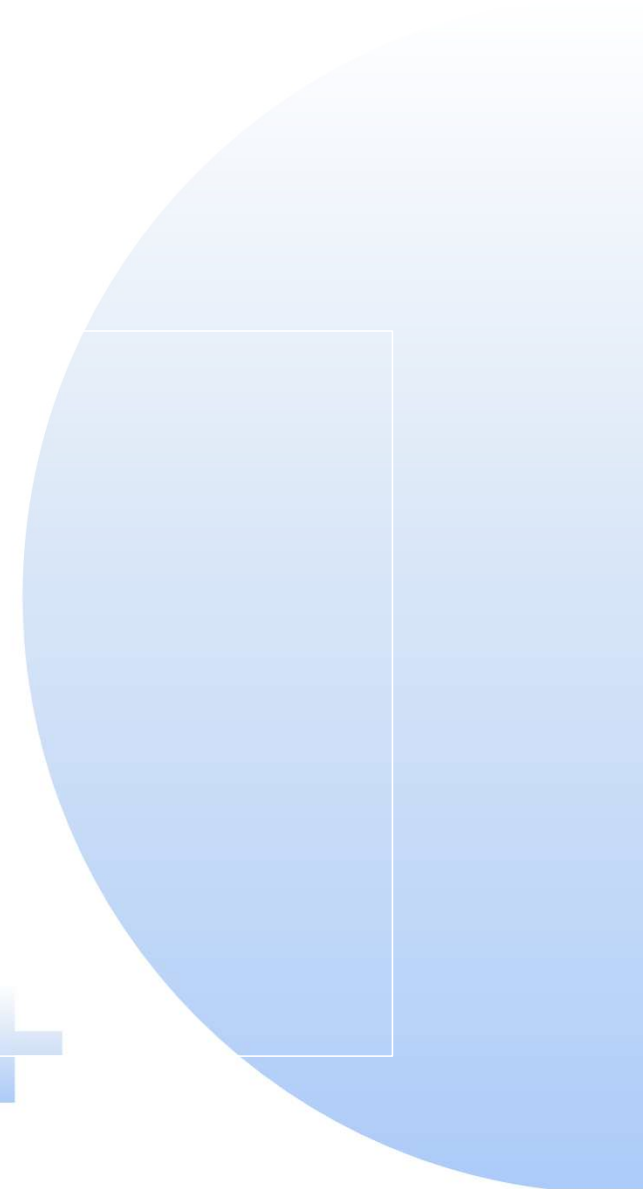
LEA COUNTY NEW MEXICO													
FY 25 Cash Flow Estimates													
	7/31/2024	8/31/2024	9/30/2024	10/31/2024	11/30/2024	12/31/2024	1/31/2025	2/28/2025	3/31/2025	4/30/2025	5/31/2025	6/30/2025	Total
Revenue	7,931,374	7,931,374	7,931,374	7,931,374	16,806,374	29,439,133	7,931,374	7,931,374	7,931,374	16,806,374	16,806,374	10,831,374	146,209,247
Payroll	4,933,886	7,400,829	4,933,886	4,933,886	4,933,886	4,933,886	7,400,829	4,933,886	4,933,886	4,933,886	4,936,886	4,933,886	64,143,518
Operations	7,833,435	7,833,435	11,587,314	5,821,211	5,821,211	11,587,314	5,821,211	5,821,211	11,587,314	5,821,211	5,821,211	11,587,314	96,943,392
Total Expenditures	12,767,321	15,234,264	16,521,200	10,755,097	10,755,097	16,521,200	13,222,040	10,755,097	16,521,200	10,755,097	10,758,097	16,521,200	161,086,910
Net Change in Cash	(4,835,947)	(7,302,890)	(8,589,826)	(2,823,723)	6,051,277	12,917,933	(5,290,666)	(2,823,723)	(8,589,826)	6,051,277	6,048,277	(5,689,826)	<u>(14,877,663)</u>
Beginning Cash	546,325,579	541,489,632	534,186,742	525,596,916	522,773,193	528,824,470	541,742,403	536,451,737	533,628,014	525,038,188	531,089,465	537,137,742	
Ending Cash	<u>541,489,632</u>	<u>534,186,742</u>	<u>525,596,916</u>	<u>522,773,193</u>	<u>528,824,470</u>	<u>541,742,403</u>	<u>536,451,737</u>	<u>533,628,014</u>	<u>525,038,188</u>	<u>531,089,465</u>	<u>537,137,742</u>	<u>531,447,916</u>	



13 Budget Process and Timeline

Tips for a Successful Budget Process:

1. Develop and have the Commission approve a Budget Timeline.
2. Invest in a good budget preparation software program.
3. Use trend analysis or other tools to project revenue and expenses.
4. Budget fixed costs (debt, leases, SB 268, etc.) first.
5. Prepare a comprehensive payroll budget based upon current positions, pay and benefits.
6. Develop a capital budget based upon available cash and reserves.
7. Prepare a budget book that is readable and easy to understand.



14 Budget Process and Timeline

Lea County FY 2024 – 2025 Budget Preparation Timeline

January 11, 2024	Budget Development and Timeline Approval (LCBCC)
February 1, 2024	Outside Entities and Services RFP Discussion (LCBCC)
	Discussion of FY 25 Projected Revenues (LCBCC)
	Discussion of 2024 Lea County Fair & Rodeo Expenses (LCBCC)
February 5, 2024	Release of Outside Entities and Services RFP
February 5 – February 16, 2024	Departmental Budget Discussions – County Staff
February 29, 2024	Discussion of FY 25 Projected Expenses (LCBCC)
	Approval of 2024 Lea County Fair & Rodeo Entertainment Budget (LCBCC)
March 4, 2024	Responses for Outside Entities Proposals Due
March 14, 2024	Departmental Budget Presentations (LCBCC)
March 28, 2024	Departmental Budget Presentations cont'd (LCBCC)
	Personnel Proposals (LCBCC)
April 11, 2024	Capital & Outside Agency Proposals (LCBCC)
April 25, 2024	Present Preliminary Budget for Discussion (LCBCC)
May 9, 2024	Present Preliminary Budget for Final Action (LCBCC)
May 31, 2024	Preliminary Budget Due to New Mexico DFA for Approval
July 25, 2024	Present Final Budget For Discussion and Approval (LCBCC)
July 31, 2024	Final Budget Due to New Mexico DFA for Approval

15 Budget Process and Timeline

LEA COUNTY NEW MEXICO				
Funds Available for Current Year Operations				
FY 25 Budget (Projected)				
General Fund Revenues				\$ 112,698,691
Less: General Fund Expenditures				\$ (74,309,570)
Add: Commissioner's Discretionary C/O				\$ 1,931,532
Add: Hail Damage Claim C/O				\$ 2,341,806
Funds Available for Current Year Operations				\$ 42,662,459
Less: Transfers to SRF for Operations				
402 ROAD FUND				\$ (9,885,435)
403 FARM & RANGE FUND				\$ (612,750)
404 COMMUNITY CENTERS FUND				\$ (111,000)
409 AIRPORT FIRE DEPARTMENT FUND				\$ (612,859)
418 DETENTION FACILITY FUND				\$ (16,461,908)
454 LEA REGIONAL AIRPORT FUND				\$ (1,730,278)
455 LOVINGTON AIRPORT FUND				\$ (198,237)
456 JAL AIRPORT FUND				\$ (194,300)
460 FAIRGROUNDS FUND				\$ (1,588,559)
461 FAIR AND RODEO FUND				\$ (2,858,100)
463 EVENT CENTER				\$ (4,723,542)
608 LEA COUNTY DRUG TASK FORCE FD				\$ (652,083)
				\$ (39,629,051)
Funds Available for Current Year Operations				\$ 3,033,408

16 Budget Process and Timeline

LEA COUNTY NEW MEXICO Reconciliation of Required and County Option Reserves FY 25 Budget (Projected)

General Fund Cash Balance (From Operations)	\$	<u>135,812,824</u>
Less: Required State Reserve (25% of General Fund Budget)	\$	(18,577,393)
Less: One Year General Fund Operations Budget Reserve	\$	(74,309,570)
Less: One Year Operating Transfers Reserve	\$	<u>(39,629,051)</u>
Total Reserve Requirements	\$	<u>(132,516,014)</u>
Total Funds Available After Reserves	\$	<u><u>3,296,811</u></u>



17 Budget Process and Timeline

Tips for a good quality Budget Book:

1. Executive Summary
 - a) Projected Changes in Fund Balance
 - b) Personnel Budget Summary
 - c) Capital Projects Summary
 - d) Outside Agency Funding

2. Departmental Detail
 - I. Budget Detail
 - a) Revenues
 - b) Salaries & Benefits
 - c) Operations
 - d) Capital Expenditures
 - II. Personnel Budget Detail
 - a) Full – Time Positions plus fringe
 - b) Other payroll related costs (overtime, longevity, etc.)



18 Working with Management and Elected Officials

1. Look for and understand their motivations.
2. Treat them with respect.
3. Recognize that your job is to make it easy for them to do their jobs.
4. Provide them with the facts to support your recommendations.
5. Leave your personal opinions out of the discussion. Focus on what is best for the organization.
6. Provide real-time financial information.

