

From: No Reply Communications NoReplyCommunication@lascruses.gov 
Subject: Current Budget Adjustments
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To: All City AllCity@las-cruces.org

Hello City Staff,

This morning, I shared with City Council and our executive team an update on some adjustments we will be making to this fiscal year's budget. After a comprehensive assessment, the Finance Director, Budget Team and I have identified a more fiscally conservative approach that will allow us to create a more sustainable budget for the coming years, ensuring it remains balanced while keeping our current staffing and operational commitments. These adjustments are proactive and intended to position the City for continued stability as we navigate rising demands and evolving service expectations.

Upon review of our financial trajectory, it was confirmed that the General Fund beginning balance was overstated. While revenues have increased by \$17.2 million (11%) since FY23, expenditures have increased by \$18.8M (14%) and transfers \$10.7M (40%) have grown at a significantly faster rate than expected:

- **Salaries** have increased by \$20.6 million (25%)
- **Operating expenses** have risen by \$12.7 million (39%)
- **Capital expenses** have decreased by \$14.5 million (-83%). This decrease is primarily due to a required change in accounting method.
- **Transfers Out** have increased by \$10.7 million (40%)

To address these imbalances and ensure long-term fiscal sustainability, we will be implementing the following measures for the remainder of FY26:

- **Hiring and Reclassification Freeze:** Effective immediately, all positions will be subject to a hiring and reclassification freeze. An evaluation of vacancies, with the goal to reduce position redundancy, will be conducted to sustain long-term budget sufficiency.
- **Travel Restrictions:** Effective January 1, travel will be limited to only that which is necessary to maintain required professional certifications.
- **Reduction in Temporary Services:** Effective January 1, use of temporary staffing services will be scaled back to cover critical operational functions only.
- **Reduction in Transfers:** Explore reducing non-debt related transfers (which make up 62% of total transfers) by using alternative funding sources, including utilizing available balances in other funds, to lessen the impact on the General Fund while maintaining the same level of service.

These changes will be implemented **without** impacting current staffing (there will be no layoffs). These actions are intended to preserve core municipal services while aligning expenditures with available resources.

Finance will bring a budget amendment to City Council in the coming months when last fiscal year's audit is completed. We will continue to monitor our financial position in order to provide transparency and accountability.

If you have questions about these changes, please contact your supervisor or

Director.

Thank you all for the work you do,

Ikani Taumoepeau

City Manager

