

City of Santa Fe, New Mexico

LEGISLATIVE SUMMARY

Bill No. 2016-11

Enterprise Fund Amendments

SPONSOR(S): Councilor Dominguez

SUMMARY: The proposed bill amends Subsection 11-12.1 SFCC 1987 to remove the provision permitting payment to the City in lieu of taxes from enterprise funds, and removes the sunset clause.

PREPARED BY: Jesse Guillen, Legislative Liaison

FISCAL IMPACT: Yes

DATE: February 15, 2016

ATTACHMENTS: Bill
FIR

1 C. Net revenue generated by enterprise funds shall be used for capital investment,
2 repair and replacement, debt management, working capital, and transfers to the general fund.

3 D. On an annual basis, the governing body may authorize a transfer to the general
4 fund in an amount not to exceed twelve percent (12%) of the three (3) year average total
5 operating revenues based on the previous two years' actual revenues reported in the city's annual
6 audit, after allowing the enterprise to meet all of its operating expenses and debt service
7 obligations, and providing for 45 days of working capital. Prior to such transfer of enterprise
8 funds to the general fund, an analysis shall be performed to ensure that such a transfer would not
9 require an enterprise fund rate increase; negatively affect bond ratings associated with the specific
10 enterprise fund or be inconsistent with NMSA 1978, § 3-23-4. The city may charge the enterprise
11 fund for duly incurred non-routine costs of city services attributable to operation and maintenance
12 of the enterprise or enterprise fund.

13 ~~[E. The city may charge the enterprise fund the reasonable value of costs of city
14 services attributable to operation and maintenance of the enterprise or enterprise fund.]~~

15 [F]E. This ordinance is not intended to be construed to affect, amend or repeal any
16 provision of any bond ordinance and is not intended to pertain to the collection of payments in
17 lieu of taxes/fees or the convention center enterprise fund.

18 ~~[G. Paragraph D of this section shall expire on June 30, 2016. Paragraph E shall take
19 effect July 1, 2016.]~~

20 APPROVED AS TO FORM:

21 

22
23 KELLEY A. BRENNAN, CITY ATTORNEY

24
25 *M/Legislation/Bills 2016/Enterprise Fund Amendments*

City of Santa Fe Fiscal Impact Report (FIR)

This Fiscal Impact Report (FIR) shall be completed for each proposed bill or resolution as to its direct impact upon the City's operating budget and is intended for use by any of the standing committees of and the Governing Body of the City of Santa Fe. Bills or resolutions with no fiscal impact still require a completed FIR. Bills or resolutions with a fiscal impact must be reviewed by the Finance Committee. Bills or resolutions without a fiscal impact generally do not require review by the Finance Committee unless the subject of the bill or resolution is financial in nature.

Section A. General Information

(Check) Bill: X Resolution: _____

(A single FIR may be used for related bills and/or resolutions)

Short Title(s): **AN ORDINANCE AMENDING SUBSECTION 11-12.1 SFCC 1987 TO REMOVE THE PROVISION PERMITTING PAYMENT TO THE CITY IN LIEU OF TAXES FROM ENTERPRISE FUNDS; AND REMOVING THE SUNSET CLAUSE.**

Sponsor(s): Councilor Dominguez

Reviewing Department(s): Finance Department

Persons Completing FIR: Oscar Rodriguez Date: 2/16/16 Phone: x6530

Reviewed by City Attorney: *Kelley A. Brennan* Date: 2/16/16
(Signature)

Reviewed by Finance Director: *[Signature]* Date: 2-16-2016
(Signature)

Section B. Summary

Briefly explain the purpose and major provisions of the bill/resolution:

This bill would amend Section 11-12 regarding enterprise funds to remove an expiration date/effective date. The provision that would become effective on July 1, 2016 to permit the city to bill the enterprise fund for the costs of city services would be removed.

Section C. Fiscal Impact

Note: Financial information on this FIR does not directly translate into a City of Santa Fe budget increase. For a budget increase, the following are required:

- a. The item must be on the agenda at the Finance Committee and City Council as a "Request for Approval of a City of Santa Fe Budget Increase" with a definitive funding source (could be same item and same time as bill/resolution)
- b. Detailed budget information must be attached as to fund, business units, and line item, amounts, and explanations (similar to annual requests for budget)
- c. Detailed personnel forms must be attached as to range, salary, and benefit allocation and signed by Human Resource Department for each new position(s) requested (prorated for period to be employed by fiscal year)*

1. Projected Expenditures:

- a. Indicate Fiscal Year(s) affected -- usually current fiscal year and following fiscal year (i.e., FY 03/04 and FY 04/05)
- b. Indicate: "A" if current budget and level of staffing will absorb the costs
"N" if new, additional, or increased budget or staffing will be required
- c. Indicate: "R" -- if recurring annual costs
"NR" if one-time, non-recurring costs, such as start-up, contract or equipment costs
- d. Attach additional projection schedules if two years does not adequately project revenue and cost patterns
- e. Costs may be netted or shown as an offset if some cost savings are projected (explain in Section 3 Narrative)

Finance Director: _____

_____ Check here if no fiscal impact

Column #:	1	2	3	4	5	6	7	8
	Expenditure Classification	FY _____	"A" Costs Absorbed or "N" New Budget Required	"R" Costs Recurring or "NR" Non-recurring	FY _____	"A" Costs Absorbed or "N" New Budget Required	"R" Costs – Recurring or "NR" Non-recurring	Fund Affected

Personnel*	\$ _____	_____	_____	\$ _____	_____	_____	_____	_____
Fringe**	\$ _____	_____	_____	\$ _____	_____	_____	_____	_____
Capital Outlay	\$ _____	_____	_____	\$ _____	_____	_____	_____	_____
Land/ Building	\$ _____	_____	_____	\$ _____	_____	_____	_____	_____
Professional Services	\$ _____	_____	_____	\$ _____	_____	_____	_____	_____
All Other Operating Costs	\$ _____	_____	_____	\$ _____	_____	_____	_____	_____
Total:	\$ _____	_____	_____	\$ _____	_____	_____	_____	_____

* Any indication that additional staffing would be required must be reviewed and approved in advance by the City Manager by attached memo before release of FIR to committees. **For fringe benefits contact the Finance Dept.

2. Revenue Sources:

- a. To indicate new revenues and/or
- b. Required for costs for which new expenditure budget is proposed above in item 1.

Column #:	1	2	3	4	5	6
	Type of Revenue	FY _____	"R" Costs Recurring or "NR" Non-recurring	FY _____	"R" Costs – Recurring or "NR" Non-recurring	Fund Affected

_____	\$ _____	_____	\$ _____	_____	_____	_____
_____	\$ _____	_____	\$ _____	_____	_____	_____
_____	\$ _____	_____	\$ _____	_____	_____	_____
Total:	\$ _____	_____	\$ _____	_____	_____	_____

3. Expenditure/Revenue Narrative:

Explain revenue source(s). Include revenue calculations, grant(s) available, anticipated date of receipt of revenues/grants, etc. Explain expenditures, grant match(s), justify personnel increase(s), detail capital and operating uses, etc. (Attach supplemental page, if necessary.)

This action will formalize and make more transparent the long-standing practice of using excess revenue from the utility funds to cover expenditures in the General Fund. It will also provide for proper cost accounting within the utility funds by recognizing the economic value of using the City's right-of-way (ROW). The formula for arriving at the transfer amount prescribed with this action will also provide greater certainty to the utilities' managers, as now they will know exactly the cash resources they have to work with each fiscal year after the transfers are accounted for.

According to the formula, the approximate amount that will be transferred from the Water Fund is \$4.7 million. The amounts that will be transferred from the Wastewater and Solid Waste Funds will be equal to the value of the service they currently provide to the non-utility departments, currently estimated at \$1.3 million. These estimates will be updated as part of the budget process with the benefit of a couple more months of revenue experience.

Section D. General Narrative

1. Conflicts: Does this proposed bill/resolution duplicate/conflict with/companion to/relate to any City code, approved ordinance or resolution, other adopted policies or proposed legislation? Include details of city adopted laws/ordinance/resolutions and dates. Summarize the relationships, conflicts or overlaps.

None identified.

2. Consequences of Not Enacting This Bill/Resolution:

Are there consequences of not enacting this bill/resolution? If so, describe.

Not adopting a formal policy that accounts for the economic value of the City's ROW to the utilities will impede cost accounting and have the effect of allocating General Fund resources to the Utilities.

3. Technical Issues:

Are there incorrect citations of law, drafting errors or other problems? Are there any amendments that should be considered? Are there any other alternatives which should be considered? If so, describe.

None identified.

4. Community Impact:

Briefly describe the major positive or negative effects the Bill/Resolution might have on the community including, but not limited to, businesses, neighborhoods, families, children and youth, social service providers and other institutions such as schools, churches, etc.

The formula prescribe in this ordinance ensures transparency in the use of public funds and limit the impact on utility rates.