

City of Santa Fe, New Mexico

memo

Date: December 1, 2014

To: Finance Committee

From: Helene R. Hausman 
Cash Management & Investment Officer

VIA: Teresita Garcia 
Assistant Finance Director

RE: **A RESOLUTION AUTHORIZING AND APPROVING SUBMISSION OF A COMPLETED APPLICATION FOR FINANCIAL ASSISTANCE AND PROJECT APPROVAL TO THE NEW MEXICO FINANCE AUTHORITY TO REFUND THE NEW MEXICO FINANCE AUTHORITY CONVENTION CENTER LOAN**

ITEM AND ISSUE:

The Finance Department seeks approval to proceed with refunding of the NMFA Convention Center Loan. We are evaluating two options: an NMFA refunding loan and a stand-alone City of Santa Fe bond issue. The decision hinges on whether the NMFA will require the City to have a reserve fund on the loan and we will not know this until the NMFA Board considers an application from us.

BACKGROUND AND SUMMARY:

The City obtained an NMFA loan in the amount of \$42,220,000 on March 28, 2006. In addition to the loan funds, the City received additional funds of \$2,409,837.45 from NMFA, the premium they received when they issued their bonds to fund this loan – an amount that was not considered debt. The loan has a ten year optional call feature, with the first optional redemption or call date of March 27, 2016.

At this time we are exploring an advance refunding either through the NMFA as a new loan or as a stand-alone City bond issue. The NMFA has a practice of requiring reserve funds on some of its loans, although we were not required to have one on the original loan. We will not know if one will be required on this refunding loan until the NMFA Board considers our application. If they do not require one, then refunding through their loan program has better economics for the City. If they do require one, then the savings to the City is better through our own bond issue.

1. Attached is the application we prepared and submitted to the NMFA for consideration so that we can determine what they are going to require. Their board meets December 18th so we will know at that time what the best direction will be for the City. The application was submitted without

complete City signatures until such time as Council acts on the resolution authorizing application to NMFA.

Attached is a resolution for your approval authorizing application to NMFA.

2. Attached is a financial evaluation of the potential savings from refunding the original loan.

The refunding would leave two years of current debt on the books, i.e. payments for FY 14-15 and FY 15-16, due to the ten-year optional call provision in the original loan documents. This provision is tied directly to the NMFA bonds they issued to fund our loan. Original principal to be refunded is \$34,550,000. The maximum refunding amount will be \$37,520,000 which will include cost of issuance and NMFA fees for issuing the new loan, as well as interest and fees due on the loan to be paid off.

Refunding will potentially generate an average of \$214,000 in savings per year, with an estimated true interest cost of 3.402%. This compares to the 4.968% interest rate on our original loan (including the 0.25% administrative fees).

Once we obtain clarification from the New Mexico Finance Authority Board on December 18th as to whether they are going to require a reserve fund for this refunding, we will update the Finance Committee and the Council as to whether we will be continuing with the NMFA loan refunding or with a stand-alone bond issue.

RECOMMENDED ACTION:

Approval is recommended of the attached resolution which will be considered for adoption by the governing body on December 10, 2014, allowing the Finance Department to submit a refunding application to the New Mexico Finance Authority for their December 18, 2014 board meeting.

Attachments



**NEW MEXICO
FINANCE AUTHORITY**

NMFA Use Only:	
App. #:	-PP
FA assigned:	
Legislative Authorization	

**PUBLIC PROJECT REVOLVING FUND
BUILDING APPLICATION**

I. GENERAL INFORMATION

A. APPLICANT /ENTITY

				Application Date:	11/21/2014
Applicant/Entity:	City of Santa Fe				
Address:	200 Lincoln Avenue, Santa Fe, NM 87501				
County	Santa Fe County	Census Tract:	4		
Federal Employer Identification Number (EIN) as issued by the IRS:				85-6000168	
Legislative District:	Senate: 24, 25	House: 46, 47, 48			
Phone:	505-955-6885	Fax:	505-955-6745	Email Address:	hrhausman@ci.santa-fe.nm.us
Individual Completing Application:	Helene Hausman				
Address:	200 Lincoln Avenue, Room 122, Santa Fe, NM 87501				
Phone:	505-955-6885	Fax:	505-955-6745	Email Address:	hrhausman@ci.santa-fe.nm.us

B. CONSULTING PROFESSIONALS (Bond/Legal Counsel, Architect, Engineer, etc.), if available:

Firm:	First Southwest Company (FINANCIAL ADVISOR)				
Contact:	George Williford				
Address:	325 North St Paul Street, Suite 800, Dallas, Texas 75201				
Phone:	214-953-8705	Fax:	214-840-5081	Email Address:	George.Williford@firstsw.com
Firm:	Modrall, Sperling, Roehl, Harris & Sisk, P.A. (BOND COUNSEL)				
Contact:	Duane Brown				
Address:	500 Fourth Street, N.W., Suite 1000, Albuquerque, NM 87102				

Phone:	505-848-1807	Fax:	505-848-9710	Email Address:	duanebrown@modrall.com
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C. PRIMARY CONTACT PERSON:

Name:	City of Santa Fe				
Contact:	Helene Hausman				
Address:	200 Lincoln Avenue, Room 122, Santa Fe, NM 87501				
Phone:	505-955-6885	Fax:	505-955-6745	Email Address:	hrhausman@ci.santa-fe.nm.us

II. PROJECT SUMMARY

A. Project Description. Complete the following information, using additional paper if necessary. Include any additional documents that may be useful in reviewing this project, i.e. architectural designs, feasibility studies, business plan, etc.

1. Description of the project.

Refunding of Loan from NMFA to City of Santa Fe pursuant to Loan Agreement dated March 28, 2006 in original amount of \$42,220,000. Callable principal maturities to be refunded (2017-2035) that total \$34,550,000.

2. Proposed Project Start Date: N/A **Proposed Project Completion Date:** N/A
 When do you need NMFA funds available? Early 2015, in order to take advantage of favorable interest rates

3. How will the ongoing maintenance, operation, and replacement of this project be funded?

Through operating revenues, as has historically been the case.

4. Provide a detailed drawdown schedule for project payments. The schedule may reflect monthly or quarterly payments.
 N/A

B. Total Project Cost & Sources of Funds Detail.

Construction Activities	NMFA Funds Requested	Other Public Funds*	Private Funds	Total
Planning and Design	\$	\$	\$	\$ 0.00
Construction	\$	\$	\$	\$ 0.00
Equipment	\$	\$	\$	\$ 0.00
Infrastructure Activities				
Facility Acquisition	\$	\$	\$	\$ 0.00
Land Acquisition	\$	\$	\$	\$ 0.00
Utilities (Electric, Gas, Water, etc.)	\$	\$	\$	\$ 0.00

Engineering and Architectural	\$	\$	\$	\$ 0.00
Project Refunding	\$	\$	\$	\$37,200,000 ⁽¹⁾
City Costs of Issuance	\$	\$	\$	\$130,000
NMFA Commitment Fee	\$	\$	\$	\$190,000
Total Cost:	\$ 0.00	\$ 0.00	\$ 0.00	\$37,520,000

(1) Assumes existing 2015 and 2016 maturities are not included in refunding.

*Specify any other public funds, and amounts and terms of these funds, i.e. FmHA, CDBG, EPA, etc.

Source	Amount	Terms / # of Years
	\$	
	\$	
	\$	
Total:	\$ 0.00	

Attach a letter verifying that each non-NMFA funding source has been approved, or is in the process of being approved for this project. Explain any exceptions.

C. Will this project require right-of-way acquisition? Yes No

If yes, specify any right-of-way needs, and whether acquisition may or may not delay beginning of project.

D. Who will hold title to the land where the project is to be located? City of Santa Fe

If this is land owned by the Bureau of Land Management, State Land Office, or Tribal Land, please attach lease agreements. (If there is no clear title, attach an explanation of ownership arrangements.)

E. Does this project require a Joint Powers Agreement (JPA)? Yes No

If yes, provide a copy of the JPA, which should include a list of the current membership.

III. FINANCING

A. 1. Specify the revenue to be pledged as security for the NMFA loan (a revenue source must be pledged for this type of project).

Municipal Local Option GRT – please specify: _____

County Option GRT – please specify: _____

Other Tax-Based Revenue:

Lodger's Tax and Convention Center Fees
(This has been security since the original financing.)

State-Shared GRT

Law Enforcement Funds

- Fire Protection Funds
- Net System Revenues: _____
- Other Revenue: _____

2. Is there an alternative revenue source available to pledge to pay debt service in the event that the primary pledged revenue is unavailable or insufficient? Yes No If yes, specify:

3. Preferred financing term: 20 ½ years.

- B.** Is any debt being repaid from the revenue source(s) referenced in A (1)? Yes * No
- * Existing loan for project - held by NMFA

If yes, provide bond or loan documents and payment schedule for any existing debt service being paid from the same revenues that would be used to repay a NMFA loan.

IV. READINESS TO PROCEED ITEMS

- A. The following items must accompany this application in order for this application to be considered complete:**

- NA Equipment cost breakdown (if applicable)
- X Three most recently completed fiscal year audit reports - http://www.santafenm.gov/archived_caftr (FY 10-11 and FY 12-13); <http://www.santafenm.gov/finance> (FY 12-13).
- X Current unaudited financials – Attached for lodger’s tax.
- X Current fiscal year budget - <http://www.santafenm.gov/finance>
- NA Verification of ownership of land where project will be located
- NA Documentation that each non-NMFA project funding source has been approved, or is in the process of being approved (if applicable)
- NA Joint Powers Agreement (if applicable)

- B. In addition, complete the following information, using additional paper as necessary. These items will be required prior to disbursement of NMFA proceeds:**

- NA Provide a detailed drawdown schedule for project payments
- NA Final technical information for the project, stamped and approved by a registered engineer
- NA Cost breakdown of the project, certifiable by either an engineer or architect
- NA Area map, site map, and floor map (if applicable)
- NA Verification of ownership of land where project will be located
- NA Documentation that each Non-NMFA project funding source has been approved, or is in the process of being approved (if applicable)
- NA Documentation showing status of right-of-way acquisition (if applicable)

CITY OF SANTA FE, NEW MEXICO
Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
Special Revenue
Lodger's Tax Fund
Non-GAAP Budgetary Basis
For the Year Ended June 30, 2014

	Budgeted Amounts			Variance With Final Budget- Positive (Negative)
	Original	Final	Actual	
Revenues:				
Taxes	\$ 8,000,000	\$ 8,000,000	\$ 8,376,475	\$ 376,475
Intergovernmental	6,500	6,500	39,250	32,750
Fees and charges for service	500	500	2,848	2,348
Investment income	60,013	60,013	21,572	(38,441)
Other	29,352	29,352	41,763	12,411
Total revenues	8,096,265	8,096,365	8,481,908	385,543
Expenditures:				
General government:				
Current	4,270,149	4,311,900	3,774,310	537,590
Capital outlay	550	1,216	1,197	19
Total expenditures	4,270,699	4,313,116	3,775,507	537,609
Excess (deficiency) of revenues over expenditures	3,825,666	3,783,249	4,706,401	923,152
Other financing sources (uses):				
Transfers in	75,391	65,250	65,250	-
Transfers out	(4,112,548)	(4,081,271)	(4,288,271)	(150,000)
Total other financing sources (uses)	(4,037,157)	(4,016,021)	(4,166,021)	(150,000)
Net change in fund balance	(211,491)	(232,772)	540,380	773,152
Fund balance, beginning of year	2,687,109	2,687,109	2,687,109	-
Fund balance, end of year	\$ 2,475,618	\$ 2,454,337	\$ 3,227,489	\$ 773,152

CITY OF SANTA FE, NEW MEXICO
 Combining Balance Sheet
 Nonmajor Governmental Funds
 Special Revenue Funds
 June 30, 2014

	Assets							Accounts Payable	Other A/P
	Cash, Investments and Cash Equivalents	Taxes Receivable	Grants Receivable	Interest Receivable	Other Receivables	Due from Other Funds	Total Assets		
Primary Government:									
General Government:									
Capital Equipment Reserve	\$ 129,598	\$ -	\$ -	\$ 132	\$ -	\$ -	\$ 129,730	\$ 4,352	\$ -
Mortgage Refund Residual	8,361	-	-	8	-	-	8,369	-	-
Franchise Fee	1,938	4,668	-	-	-	-	6,606	8,137	-
Economic Development	31,962	69,421	-	91	79,848	-	181,322	111,123	-
Lodgers' Tax Fund	2,983,884	842,892	32,500	2,865	-	-	3,862,141	558,641	-
400th Anniversary	154	-	-	-	-	-	154	-	-
Public Campaign	451,387	-	-	454	-	-	451,841	-	-
Santa Fe Business Incubator	32,937	-	-	35	-	-	32,972	-	-
1/2 % Gross Receipts Tax	1,298,770	1,896,554	-	1,832	-	-	3,197,156	-	-
Total General Government	4,938,991	2,813,535	32,500	5,417	79,848	-	7,870,291	682,253	-
Public Safety:									
Animal Services	147,189	-	-	154	-	-	147,343	323	-
Emergency Service Grants	717,278	24,075	145,596	1,064	-	-	887,953	5,203	-
Environmental Services	180,932	-	79,379	34	19,695	-	271,040	-	-
Law Enforcement Grants	2,249,599	337,514	152,940	1,195	47,171	-	2,788,419	125,088	-
Total Public Safety	3,294,998	361,529	368,915	2,447	66,866	-	4,094,755	130,614	-
Public Works:									
Resource Conservation	1,810	-	-	-	-	-	1,810	-	-
City Drainage Projects	25,736	-	-	84	116,948	-	142,768	5,110	-
Impact Fee Projects	1,481,147	-	-	1,159	-	-	1,482,306	-	-
Transportation Grants	219,406	-	136,229	178	-	-	355,813	5,315	-
Total Public Works	1,728,099	-	136,229	1,321	116,948	-	1,982,697	10,425	-
Community Development:									
Community Development Grants	1,032,982	141,349	108,919	988	-	-	1,284,238	60,049	-
Senior Citizen Grants	184,358	-	187,976	-	4,035	-	376,369	9,105	-
Total Community Development	1,217,340	141,349	296,895	988	4,035	-	1,660,607	69,154	-
Culture and Recreation:									
Historic Preservation Grant	157,639	-	-	147	-	-	157,786	-	-
Library	401,177	-	20,467	229	-	-	421,873	30,250	-
NEA Grants	-	-	-	-	-	-	-	-	-
Plaza Use	96,162	-	-	98	-	-	96,260	-	-
Public Facilities Purchase	56,262	-	-	59	-	-	56,321	-	-
Quality of Life Project	141,426	-	-	168	-	-	141,594	7,705	-
Recreation Grants	846,282	206,829	16,571	896	-	-	1,070,578	121,318	-
Land Development	1,572,971	-	-	1,653	2,120,149	613,804	4,307,577	-	-
Special Recreation Leagues	130,102	-	-	135	-	-	130,237	1,029	-
Total Culture and Recreation	3,402,021	206,829	37,038	3,385	2,120,149	613,804	6,383,226	160,302	-
Totals - June 30, 2014	\$ 14,581,449	\$ 3,523,242	\$ 871,577	\$ 13,658	\$ 2,387,846	\$ 613,804	\$ 21,991,576	\$ 1,052,748	\$ -

Liabilities					Fund Balance Spendable					Total Fund Balances	Total Liabilities and Fund Balances
Accrued Wages Payable	Due to Other Funds	Deferred Inflows Unavailable Revenue	Deposits/Escrows	Total Liabilities	Non-Spendable	Restricted	Committed	Assigned	Unassigned		
\$ -	\$ -	\$ -	\$ -	4,352	\$ -	\$ -	\$ 125,378	\$ -	\$ -	\$ 125,378	\$ 129,730
-	-	-	-	8,137	-	-	(1,531)	8,369	-	8,369	8,369
1,927	-	60,762	401,733	575,545	-	(394,223)	-	-	-	(1,531)	6,606
28,675	-	-	47,336	634,652	-	3,227,489	-	-	-	(394,223)	181,322
-	-	-	-	-	-	-	-	154	-	3,227,489	3,862,141
-	-	-	-	-	-	-	451,841	-	-	154	154
-	-	-	-	-	-	32,972	-	-	-	451,841	451,841
-	-	-	-	-	-	3,197,156	-	-	-	32,972	32,972
30,602	-	60,762	449,069	1,222,686	-	6,063,394	575,688	8,523	-	3,197,156	3,197,156
-	-	-	-	323	-	147,020	-	-	-	-	147,020
50,751	-	-	-	55,954	-	831,999	-	-	-	147,020	147,343
27,490	-	-	-	27,490	-	-	-	-	243,550	831,999	887,953
68,481	-	-	28,967	222,536	-	2,565,883	-	-	-	243,550	271,040
146,722	-	-	28,967	306,303	-	3,544,902	-	-	243,550	2,565,883	2,788,419
-	-	-	-	-	-	-	-	1,810	-	-	1,810
27,048	-	-	-	32,158	-	-	-	110,610	-	1,810	1,810
-	-	-	12,000	12,000	-	1,470,306	-	-	-	110,610	142,768
7,261	-	-	-	12,576	-	343,237	-	-	-	1,470,306	1,482,306
34,309	-	-	12,000	56,734	-	1,813,548	-	112,420	-	343,237	355,813
-	-	-	-	-	-	-	-	-	-	1,813,548	1,982,697
2,838	-	-	256,306	319,193	-	965,045	-	-	-	-	965,045
48,367	-	-	-	57,472	-	318,897	-	-	-	965,045	1,284,238
51,205	-	-	256,306	376,685	-	1,283,942	-	-	-	318,897	376,369
-	-	-	-	-	-	-	-	-	-	1,283,942	1,660,607
13,911	-	-	-	44,161	250,000	157,786	-	-	-	-	157,786
-	77	-	-	77	-	127,712	-	-	-	250,000	421,873
-	-	-	-	-	-	-	96,260	-	(77)	77	96,260
-	-	-	-	-	-	-	56,321	-	-	96,260	96,260
-	-	-	-	7,705	-	-	133,889	-	-	56,321	56,321
52,025	-	-	-	173,343	-	897,235	-	-	-	133,889	141,594
-	1,173,804	2,120,149	-	3,293,953	-	-	-	1,014,624	-	897,235	1,070,578
-	-	-	-	1,029	-	-	-	129,208	-	1,014,624	4,308,577
65,936	1,173,881	2,120,149	-	3,520,268	250,000	1,182,733	286,470	1,143,832	(77)	129,208	130,237
\$ 328,774	\$ 1,173,881	\$ 2,180,911	\$ 746,342	\$ 5,482,656	\$ 250,000	\$ 13,888,514	\$ 862,158	\$ 1,264,775	\$ 243,473	\$ 16,508,920	\$ 21,991,576

1 CITY OF SANTA FE, NEW MEXICO

2 RESOLUTION NO. 2014-_____

3 INTRODUCED BY:

4
5 Councilor Carmichael Dominguez

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9
10 A RESOLUTION

11 AUTHORIZING AND APPROVING SUBMISSION OF A COMPLETED APPLICATION
12 FOR FINANCIAL ASSISTANCE AND PROJECT APPROVAL TO THE NEW MEXICO
13 FINANCE AUTHORITY TO REFUND THE NEW MEXICO FINANCE AUTHORITY
14 CONVENTION CENTER LOAN

15
16 WHEREAS, the City of Santa Fe, New Mexico ("Governmental Unit") is a qualified entity
17 under the New Mexico Finance Authority Act, Sections 6-21-1 through 6-21-31, NMSA 1978
18 ("Act"), and the Santa Fe City Council ("Governing Body") is authorized to borrow funds and/or
19 issue bonds for financing of public projects or for refinancing of outstanding bonds or loans for
20 benefit of the Governmental Unit; and

21 WHEREAS, the New Mexico Finance Authority ("Authority") has instituted a program for
22 financing of projects from the public project revolving fund created under the Act and has developed
23 an application procedure whereby the Governing Body may submit an application ("Application") for
24 financial assistance from the Finance Authority for public projects; and

25 WHEREAS, the Governing Body has undertaken a plan to refund the New Mexico Finance

1 Authority Convention Center Loan dated March 28, 2006 (“Refunding”) for the benefit of the
2 Governmental Unit, and

3 **WHEREAS**, the application prescribed by the Authority has been completed and submitted
4 to the Governing Body and this resolution approving submission of the completed Application to the
5 Authority for its consideration and review is required as part of the Application.

6 **NOW THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF THE**
7 **CITY OF SANTA FE, NEW MEXICO:**

8 **Section 1.** All action heretofore taken by the Governing Body and the Governmental
9 Unit and their respective officers and employees in connection with the Application and the
10 Refunding are hereby ratified, approved and confirmed.

11 **Section 2.** The completed Application submitted to the Governing Body is hereby
12 ratified, approved and confirmed.

13 **Section 3.** The officers and employees of the Governing Body and the Governmental
14 Unit are hereby directed and requested to submit the completed Application to the Authority for its
15 review, and are further authorized to take such other action as may be requested by the Authority in
16 its consideration and review of the Application and to further proceed with arrangements for
17 financing the Refunding.

18 **Section 4.** All acts and resolutions in conflict with this resolution are hereby rescinded,
19 annulled and repealed.

20 **Section 5.** This resolution shall take effect immediately upon its adoption.

21 PASSED APPROVED AND ADOPTED this ____ day of _____, 2014.

22 _____
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24 JAVIER M. GONZALES, MAYOR
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ATTEST:

YOLANDA Y. VIGIL, CITY CLERK

APPROVED AS TO FORM:

Kelley A. Brennan

KELLEY A. BRENNAN, CITY ATTORNEY

M/Melissa/Resolutions 2014/Convention Center_loan refund

Santa Fe, New Mexico
 NMFA Refunding - 2006 Convention Center
 Preliminary as of 11/20/2014

<u>A</u>	<u>B</u>	<u>C</u>	<u>(B-C)</u> <u>D</u>	<u>E</u>	<u>(D+E)</u> <u>F</u>	<u>(B-F)</u> <u>G</u>	<u>H</u>
<u>FYE</u> <u>30-Jun</u>	<u>Series 2006</u> <u>Debt Service</u>	<u>Refunded</u> <u>Debt Service</u>	<u>Unrefunded</u> <u>Debt Service</u>	<u>New</u> <u>Debt Service</u>	<u>Aggregate New</u> <u>Debt Service</u>	<u>Savings</u>	<u>FYE</u> <u>30-Jun</u>
2015	\$ 2,857,500	\$ 863,750	\$ 1,993,750	\$ 862,176	\$ 2,855,926	\$ 1,574	2015
2016	2,856,250	1,727,500	1,128,750	1,511,792	2,640,542	215,709	2016
2017	2,857,500	2,857,500	-	2,643,673	2,643,673	213,827	2017
2018	2,861,000	2,861,000	-	2,648,581	2,648,581	212,419	2018
2019	2,856,500	2,856,500	-	2,644,081	2,644,081	212,419	2019
2020	2,859,250	2,859,250	-	2,645,299	2,645,299	213,952	2020
2021	2,858,750	2,858,750	-	2,646,499	2,646,499	212,252	2021
2022	2,860,000	2,860,000	-	2,647,269	2,647,269	212,732	2022
2023	2,857,750	2,857,750	-	2,643,141	2,643,141	214,609	2023
2024	2,857,000	2,857,000	-	2,641,491	2,641,491	215,509	2024
2025	2,857,500	2,857,500	-	2,642,121	2,642,121	215,379	2025
2026	2,859,000	2,859,000	-	2,646,249	2,646,249	212,752	2026
2027	2,861,250	2,861,250	-	2,648,657	2,648,657	212,594	2027
2028	2,859,000	2,859,000	-	2,645,957	2,645,957	213,044	2028
2029	2,857,250	2,857,250	-	2,643,337	2,643,337	213,914	2029
2030	2,860,750	2,860,750	-	2,645,437	2,645,437	215,314	2030
2031	2,859,000	2,859,000	-	2,642,737	2,642,737	216,264	2031
2032	2,857,000	2,857,000	-	2,645,087	2,645,087	211,914	2032
2033	2,859,500	2,859,500	-	2,646,947	2,646,947	212,554	2033
2034	2,861,000	2,861,000	-	2,648,417	2,648,417	212,584	2034
2035	2,861,250	2,861,250	-	2,644,394	2,644,394	216,856	2035
	<u>\$ 60,034,000</u>	<u>\$ 56,911,500</u>	<u>\$ 3,122,500</u>	<u>\$ 52,633,335</u>	<u>\$ 55,755,835</u>	<u>\$ 4,278,165</u>	

Refunded Principal:

Series 2006	Callable 6/15/16	Maturities 2017-2035	\$ 34,550,000
Average Coupon of Refunded Bonds			5.000%
True Interest Cost (TIC) on Refunding Bonds			3.402%
Negative Arbitrage			\$ 1,408,351
Net Present Value Savings			\$ 3,056,574
Average Annual Savings			\$ 213,830
Percentage Savings of Refunded Bonds			8.847%

**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: _____ Resolution: X

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

Short Title(s): Resolution Authorizing Submission of an NMFA Loan Application to Refund the Existing NMFA Convention Center Loan.

Sponsor(s): Councilor Dominguez

Reviewing Department(s): Finance

Persons Completing FIR: Hélène Hausman Date: 11/21/14 Phone: 955-6885

Reviewed by City Attorney: Kelly A. Brennan Date: 11/21/14
(Signature)

Reviewed by Finance Director: [Signature] Date: 11/24/14
(Signature)

Section B. Summary

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

The resolution is to authorize the submission of an application to NMFA to refund the existing NMFA Convention Center loan for the purpose of achieving cost savings for the City and the Convention Center budget.

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 14-15	"A" Costs Absorbed or "N" New Budget Required	"R" Costs Recurring or "NR" Non-recurring	FY 15-16	"A" Costs Absorbed or "N" New Budget Required	"R" Costs Recurring or "NR" Non-recurring	Fund Affected 5100

Personnel*	\$ _____	_____	_____	_____	\$ _____	_____	_____	_____
Fringe**	\$ _____	_____	_____	_____	\$ _____	_____	_____	_____
Capital Outlay	\$ _____	_____	_____	_____	\$ _____	_____	_____	_____
Land/ Building	\$ _____	_____	_____	_____	\$ _____	_____	_____	_____
Professional Services	\$ _____	_____	_____	_____	\$ _____	_____	_____	_____
All Other Operating Costs - Reduction in Debt Service Cost - Estimated	(\$ 1,574)	A	R	(\$ 215,709)	A	R	5100	
Total:	(\$ 1,574)			(\$ 215,709)				

* 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.)

The refunding would be completed in Spring 2015 and allow for a modest savings for the 6/1/15 debt service payment. Full annual savings would budgeted for FY 15-16.

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.

Such a refunding is allowed by the City code.

2. Consequences of Not Enacting This Bill/Resolution:

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

If the resolution were not passed and the application not submitted, the City would forego approximately \$4.2 million in savings over the remaining life of the loan.

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.

NA

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 Convention Center is a community facility. Reducing outstanding debt reduces strain on the Center's budget and frees up funds for other uses.

INTRODUCTION

The complex nature of City of Santa Fe operations and its various legal, legislative, and contractual requirements dictate a multifaceted and sophisticated financial structure. The City has implemented operating programs in order to secure water, wastewater service and solid waste resources at the lowest possible cost to its customers without compromising service reliability or quality. These operating programs and strategies include a major investment in local water distribution facilities, recycled water facilities, wastewater treatment and disposal facilities, and contractual obligations and commitments.

I. POLICY STATEMENT

A key element of prudent financial planning is to ensure that sufficient funding is available for current operating, capital, and debt service needs. Additionally, fiscal responsibility requires anticipating the likelihood of, and preparing for, unforeseen events. City of Santa Fe (“City”) will at all times strive to have sufficient funding available to meet its operating, capital, and debt service obligations. This funding will be accumulated and maintained in order to pay for operating expenses and capital expenditures in a manner consistent with its Operating Budget and Capital Spending Plan, respectively, and avoid significant customer rate fluctuations due to changes in cash flow requirements.

The Governing Body may designate specific reserves and maintain minimum balances consistent with statutory obligations that it has determined to be in the best interest of the City. The policy directives outlined in this document are intended to ensure the Department has sufficient funds to meet current and future needs. Reserve balances will be reviewed by City staff and the Governing Body during the preparation and approval of the annual Capital Spending Plan.

As an issuer of revenue bonds, the City understands and is committed to its contractual obligation to pay debt service and other financial obligations that are imposed by bond indentures. Therefore, should it be necessary, the Governing Body will modify reserve levels in order to meet indenture requirements.

In order to protect the City’s investment in its various assets and to satisfy its commitments under its financial, regulatory, and contractual obligations, the City has developed and segregated a number of reserves. The efficient and discrete management of these reserves, when combined with their appropriate fortification, add additional assurance that the current levels of service reliability and quality will continue into the future.

II. DEFINITIONS

The City's reserves can be classified into three categories that include Restricted Cash and Investments, Capital Reserve Funds, and Operating Reserve Funds. A "fund" is a segregation within the City's accounting system to keep sources and uses for a particular purpose easily identifiable and reportable.

Restricted Cash and Investments: Restrictions on the use of these monies are imposed by an outside source such as creditors, grantors, contributors, laws or regulations governing use.

Capital Reserve Funds: These funds are established by action of the Governing Body and are designated for the construction or acquisition of capital assets, including the replacement of existing assets. Similar to Restricted Cash and Investments above, there may be restrictions associated with the use of reserves in some funds imposed by an outside source, such as Added Facility Funds where funding comes from capacity charges.

Operating Reserve Funds: These funds are established by action of the Governing Body to safeguard the financial flexibility, liquidity, and stability of the District, and to maintain stable customer charges and rates from year to year. Operating Reserve Funds may be funded from accumulated net revenues and, when appropriate, available short-term liquidity arrangements.

III. GENERAL PROVISIONS

The City of Santa Fe maintains its capital and operating reserves in separate funds within its accounting system in a manner that ensures accurate tracking of transactions and provides transparency to its ratepayers. The reserve balances are considered the minimum necessary to maintain the City's creditworthiness and adequately provide for:

- Compliance with applicable statutory requirements
- Financing of future capital facilities and replacement of existing assets
- Cash flow requirements
- Economic uncertainties, local disasters, and other financial hardships or downturns in the local or national economy
- Contingencies for unforeseen operating or capital needs

In the context of funding future capital facilities and replacing existing assets, the City will analyze the most cost effective and efficient method to finance a project, be it through debt financing, pay-as-you go financing, use of reserves, use of grant proceeds or state loans, or through some combination of those various sources.

The City has established the following categories that comprise its reserves, with each accounted for individually.

- Restricted Cash and Investments – comprised of unspent bond proceeds, bond reserve funds, customer deposits, construction advances, and other customer-paid balances that have a corresponding liability.

- Capital Reserve Funds consist of two major categories:
 - Restricted – comprised of capacity charges, such as Water Added Facility Funds, Wastewater Added Facility Funds, Solid Waste Facility Funds.
 - Unrestricted – comprised of System Improvement Funds, Asset Replacement Funds, and Water Reliability Funds.
- Operating Funds:
 - 1) Comprised of operating reserves for the Rate Stabilization,
 - 2) Water Right Purchase
 - 3) Major maintenance reserves.

A principal tenet of this Reserve Policy shall be crediting of interest income to specific reserve funds until the respective fund’s maximum, if any, is achieved. Once the maximum balance is reached within a specific reserve fund, the surplus interest earnings will be reallocated to other reserve funds whose funding level is below the minimum or maximum requirement recommended by this policy, as long as there is no legal prohibition in doing so.

Reserve balances will be reviewed on an annual basis at, or near, the end of the fiscal year during the preparation and approval of the Capital Spending Plan to ensure compliance with this Policy. In the event an Operating Fund balance exceeds the established aggregate maximum, excess monies will be transferred annually into its associated Asset Replacement Fund.

The minimum established for each fund represents the baseline financial condition that is acceptable to the City from risk and long-range financial planning perspectives. Maintaining reserves at appropriate levels is a prudent, ongoing business process that consists of an iterative, dynamic assessment and application of various revenue generating alternatives. These alternatives (either alone or in combination with each other) include, but are not limited to: fees and charges, water service, wastewater service, capital financing, investment of funds and levels of capital expenditures.

In general, reserve balances approximate the City’s cash and investments. (I need more explanation on this one)

To preserve its strong credit ratings, in every fiscal year the City shall endeavor to maintain 90 to 270 days of operating cash without regard to any liquidity facility.

The Governing Body shall approve any reallocation of funds or any transfers among funds.

IV. FUND TARGET LEVELS AND MANAGEMENT

A. Restricted Cash and Investments

Unspent Bond Proceeds: These funds are considered restricted for the use designated in the bond’s Official Statement.

Bond Reserve Fund:

- Definition and Purpose – Established as a condition of each bond issue. The funds are legally protected by bond covenants and can only be used in the event of default by the City or to pay down principal at maturity.
- Target Level – The bond reserve requirement is established at the time of the bond issue. The amount could be recalculated as the bonds are paid down depending on the bond covenant.
- Events or Conditions Prompting the Use of the Reserves – May be used by the Trustee if the amounts in the Principal Fund, Mandatory Redemption Fund or Interest Fund are insufficient or for the retirement of all bonds then outstanding.

Customer Deposits and Construction Advances:

- Definition and Purpose – Monies held on behalf of the City’s customers as required to pay for expenses associated with customer-funded development projects, as well as deposits held on behalf of retail water and wastewater customer accounts (“retail customers”).
- Target Level – Customer deposits related to development are collected based on policies and procedures. Customer deposits related to retail customers are collected based on Governing Body adopted policy. The balance will fluctuate depending on the size and complexity of the project(s), the overall number of development projects in process, and the number of retail customers. Therefore, no minimum or maximum levels will be established in aggregate.

B. Capital Reserve Funds

Capital Reserve Funds are used to fund capital projects including water and wastewater system infrastructure solid waste, vehicle and major equipment acquisition, and information technology. They are classified as either “restricted” if there is a use restriction placed on the funds by an outside source, or “unrestricted.”

Restricted Capital Reserve Funds

Water Added Facility Fund:

- Definition and Purpose – Established with monies from developer capacity charges. The collection and use are restricted under state law. These monies are used to construct Water Master Plan facilities in areas impacted by growth.
- Conformity to Plans – The City maintains separate master plans for future water facilities that will be constructed in various areas within its jurisdiction for retail water service. Expenditures from this reserve must comply with the City’s Water Master Plans.

- Target Level – The ultimate funding level for a Water Added Facility Fund inherently fluctuates depending on the degree of development activity and the cost of new infrastructure and must yet align with projected expenditures in the City’s Water Master Plan documents. These documents are reviewed annually and are generally updated every five years.
- Events or Conditions Prompting the Use of the Fund – When staff identifies facilities that are necessary to accommodate growth, construction projects may be recommended to the Governing Body of Directors. Amounts for projects or improvements greater than \$4050,000 must be requested by City staff and approved by the Governing Body. Projects or improvements amounting to less than \$4050,000 may be authorized by the appropriate staff.
- Funding Source – Capacity charges.

Wastewater Added Facility Fund:

- Definition and Purpose – Established with monies provided by developers per contracts negotiated for the provision of sewer service by the District. These monies are used to construct Wastewater Master Plan facilities in areas impacted by growth.
- Conformity to Plans – All projects funded from a Wastewater Added Facility Fund will be included in the City’s five year capital improvement plan and the City’s Wastewater Master Plans currently in process.
- Target Level – Targets are established on a contract by contract basis and are estimated by the City’s consulting engineers until target levels are established when the Master Plans are adopted by the Governing Body of Directors. Once adopted by the Governing Body, the funding level for a Wastewater Added Facility Fund will inherently fluctuate depending on the degree of development activity and the cost of new infrastructure yet is to align with projected expenditures in the City’s Wastewater Master Plan documents. These documents are reviewed annually and are generally updated every five years.
- Events or Conditions Prompting the Use of the Fund – When staff identifies facilities that are necessary to accommodate growth, construction projects may be recommended to the Governing Body of Directors. Amounts for projects or improvements greater than \$100,000 must be requested by City staff and approved by the Governing Body of Directors. Projects or improvements amounting to less than \$100,000 may be authorized by the appropriate staff.
- Funding Source – Capacity charges.

Solid Waste Added Facility Fund:

- Definition and Purpose – Established to upgrade and improve the distribution system within the City’s service area. This reserve primarily funds smaller projects and improvements not covered by the Water Added Facility Funds.
- Target Level – The funding levels for this reserve inherently fluctuates depending on the degree of development activity and the cost of new infrastructure.

- Events or Conditions Prompting the Use of the Fund – Amounts for projects or improvements greater than \$100,000 must be requested by City staff and approved by the Governing Body of Directors. Projects or improvements amounting to less than \$100,000 may be authorized by the appropriate staff.
- Funding Source – Distribution System Fees charged on new development as established by the Governing Body.

Unrestricted Capital Reserve Funds

System Improvement Fund:

- Definition and Purpose – Established to make improvements to existing water or wastewater systems.
- Target Level – This reserve has no specific target level and will be funded on an as needed basis. Any amounts not utilized and no longer needed, will be returned to the operating reserve that funded the project.
- Events or Conditions Prompting the Use of the Fund – Improvement projects will be identified by City staff and recommended to the Governing Body during the preparation of the annual capital budget. Approved projects will be funded from the appropriate operating reserve.

Funding Source – Retail water / wastewater/solid waste user rates.

Asset Replacement Fund:

- Definition and Purpose – Established to accumulate amounts for the replacement or major refurbishment of aging capital assets.
- Target Level – Minimum funding shall be targeted at the estimated current replacement cost of assets associated with the Fund that are expected to be replaced within the next five years (i.e. will be fully depreciated) excluding certain assets².
- Maximum funding shall be targeted at the sum of a) the minimum target level calculated above plus b) 25% of the estimated current replacement cost for capital assets associated with the Fund that have a replacement cost of more than \$7,000,000.
- Events or Conditions Prompting the Use of the Fund – Replacement projects are deemed needed when an existing asset is no longer adequately functioning and the cost to repair the asset or to retrofit to meet current regulations and standards exceeds its replacement cost. Replacement projects will be identified by City staff and recommended to the
- ²Certain assets excluded from the calculation are those that: (a) are not subject to replacement based on an Operations and Engineering analysis, (b) are non-depreciable assets, (c) have an adjusted useful life of less than or equal to five years (“short-life assets”), (d) have a replacement cost of less than or equal to \$50,000 (“low-cost assets”), or (e) have a replacement cost of more than \$7,000,000 (“high-cost assets”).

Governing Body during the preparation of the annual Capital Spending Plan or throughout the year as needed.

- Funding Source – User rates; Gross Receipt taxes.
- Annual Funding – The annual funding level is equal to a maximum of the annual depreciation expense based on generally accepted accounting principles. Any under-funding due to insufficient revenue may be recouped in subsequent years that have sufficient revenue (taking into consideration the impact on rates).

Water Reliability Fund:

- Definition and Purpose – Established to accumulate amounts received from retail customers through 1) the Water Reliability Charge for the purpose of increasing water system reliability and capacity, improving the long-term sustainability of the water supply, and/or enhancing and improving water supply management, and 2) the Water Supply Penalty component of the water rate for the purpose of acquiring additional water.
- Target Level – Funding for this reserve inherently fluctuates based on revenue received from retail customers and expenditures for approved uses.
- Events or Conditions Prompting the Use of the Fund – Water Reliability Charge revenues are to be used to fund capital projects. Such projects must be in compliance with one or more of the purposes identified above and demonstrate a nexus between the project's benefit and the water service area that generated the revenue. Water Supply Penalty revenues are to be used to secure additional water for the water service area that generated the revenue.
- Funding Source – User rates.

C. Operating Reserve Funds

Operating Reserve:

- Definition and Purpose – Established to cover temporary cash flow deficiencies caused by timing differences between revenues and expenditures. Also to phase in the impact of unforeseen cost increases such as significant increases in imported water costs, wastewater treatment costs, changes in energy costs, emergency repairs, and other significant expense fluctuations, as well as funding capital projects in System Improvement Funds.
- Target Level – Funding shall be targeted at a minimum of three months and a maximum of six months of average operating expenses based on the annual operating budget.
- Events or Conditions Prompting the Use of the Fund – This reserve may be routinely utilized by staff to cover temporary cash flow deficiencies caused by timing differences between revenue and expenses, unexpected decreases in revenues and increases in expenses, and to fund System Improvement capital projects.
- Funding Source – User rates, Gross Receipt tax revenue and investment earnings.

Major Maintenance Reserve:

- Definition and Purpose – Established to distribute the impact of periodic major maintenance expenditures over multiple years resulting in greater stabilization of user rates.
- Target Level – Funding shall be targeted at a minimum of one year and a maximum of three years of the City’s projected expenditures for major maintenance based on asset maintenance schedules.
- Events or Conditions Prompting the Use of the Fund – This reserve may be routinely utilized by staff when annual maintenance expenditures exceed the current year’s budget.
- Funding Source – User rates.