



**ACTION SHEET**  
**ITEM FROM FINANCE COMMITTEE MEETING OF 11/02/15**  
**FOR CITY COUNCIL MEETING OF 11/10/15**

**ISSUE:**

24. Request for Approval of a Resolution Establishing Policies for Guiding the Management of the City's Finances and for Assisting the Governing Body and City Staff in Evaluating Current Activities and Future Plans. (Mayor Gonzales) (Oscar Rodriguez)

**Committee Review:**

Public Works Committee (postponed)	10/13/15
Finance Committee (postponed)	10/19/15
Public Works Committee (scheduled)	11/23/15
City Council (scheduled)	12/09/15

Fiscal Impact – Could affect the realigning the city's expenditure and revenue collection patterns, which may increase spending in some area (i.e. maintenance and capital improvements) while decreasing it in others (i.e. recurring operations funded through bond proceeds). It will also advance the annual budget calendar, with the first draft being presented in January instead of the customary March-April timeframe.

**FINANCE COMMITTEE ACTION:**

Approved as Discussion item.

**FUNDING SOURCE:**

**SPECIAL CONDITIONS OR AMENDMENTS**

Approved with amendments.

**STAFF FOLLOW-UP:**

VOTE	FOR	AGAINST	ABSTAIN
COUNCILOR TRUJILLO	X		
COUNCILOR RIVERA	X		
COUNCILOR LINDELL	X		
COUNCILOR MAESTAS	X		
CHAIRPERSON DOMINGUEZ			



1 policies and basis for evaluating the financial performance of current activities and future plans  
2 are the following:

**GUIDING PRINCIPLES**

*The following five principles shall guide the direction given in this policy document:*

- 5 *1. Equitable*
- 6 *2. Fully Participatory*
- 7 *3. Economic Growth*
- 8 *4. Sustainable*
- 9 *5. Stable*

10 **1. Budget**

11 A. Budget Preparation

12 The City Administration shall, prior to March 15, recommend to the Governing Body the  
13 annual budget covering the next fiscal year. The budget including the General Fund, Special  
14 Revenue Funds, and Enterprise Funds shall contain the following information:

- 15 1. The Governing Body, by resolution, shall adopt appropriate, general  
16 principles and priorities for the upcoming budget; and
- 17 ~~[1]~~2. A letter from the City Administration explaining the proposed financial plan  
18 for the next fiscal year; and
- 19 ~~[2]~~3. Budget summaries for the General Fund, Major Special Revenue Funds and  
20 Enterprise Funds, including a beginning fund balance, estimated revenues,  
21 operating expenditures, capital outlay and ending fund balance for each fund;  
22 and
- 23 ~~[3]~~4. Debt service expenditures, along with comparisons of estimated expenditures  
24 to prior year actual expenditures; and
- 25 ~~[4]~~5. Proposed revenues and expenditures, by source, for each department for the

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Finance Committee Amendments [double-underscored]  
*Mayor Gonzales' Amendments [italicized]*

1 budget year, with comparisons to prior year actual and current year revenues  
2 and expenditures; and

3 [5]6. Indication of proposed activity changes (additional staffing) including  
4 operating and capital expenditures required supporting the additional  
5 staffing.

6 B. Basis of Budgeting

7 Revenue and expenditures are budgeted on a cash basis with encumbrances (contractual  
8 commitments to be performed) considered the equivalent of expenditures.

9 C. Budget Calendar and Roles and Responsibility

10 The City's budget *shall be* developed on an annual basis with enough time and in a  
11 fashion that allows for sufficient deliberation by the Governing Body and engagement with the  
12 citizenry. The City's fiscal year begins on July 1 and ends twelve months later on June 30. The  
13 development of the budget is done in a progressive and collaborative manner following the  
14 direction that the Governing Body provides at the onset of the process:

15 1. No later than October 31, the Finance Director shall present a 5-year forecast  
16 of revenues and expenditures, highlighting significant financial challenges  
17 and decisions the City may be facing. The Finance Director shall also  
18 recommend the key assumptions for developing the budget, including  
19 inflation and other factors that may affect revenue and expenditures in the  
20 new fiscal year; and

21 2. ~~[Departments submit their budget requests no later than November 30; and~~

22 3. ~~The City Administration and representatives of the Finance Department~~  
23 ~~review the department budget proposals and make any necessary additions or~~  
24 ~~deletions; and] There shall be an annual assessment of existing policy actions~~  
25 ~~considered as unfunded mandates that have a recurring expenditure and a~~

**Comment [ROS1]:** This is all internal administrative procedure

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*Mayor Gonzales' Amendments* [italicized]

determination if they should be amended or terminated; and

~~4. The City Administration's recommended budget is submitted to the  
Governing Body before February 1; and~~

**Comment [ROS2]:** The deadline is already stated  
in Section I.A.1.

~~5]3.~~ Following submission of the budget to the Governing Body, at least two  
public hearings for citizen comments are held between the months of April  
and May. Following adoption by resolution, the budget is submitted ~~by~~  
before May ~~30~~ 31 to the New Mexico Department of Finance and  
Administration to obtain interim approval; and

6. At fiscal year-end, cash positions are established and the Governing Body  
makes a final review and approves the final budget by resolution.

D. Budget Control System

The Finance Director is responsible for maintaining a budgetary control system to ensure  
adherence to the adopted budget. On a monthly basis, the Finance Director will prepare summary  
reports that compare actual revenues and expenditures to budgeted amounts and provides a year-  
end performance projection for each department. These reports are presented to the Finance  
Committee of the Governing Body with distribution all of its members to keep them all informed  
of the City's budget performance.

A key aspect of budget control is the process for amending or adjusting the approved  
budget. No changes can be made to either the capital or operating budget without a proper  
approval of a formal request as follows:

1. Any increase in appropriation, whether in operations and maintenance or  
capital improvement, requires approval by resolution of the Governing Body
2. Any single budget adjustment for more than \$50,000 or project modification  
greater than \$50,000 in value requires approval by resolution of the  
Governing Body

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- 1           3.     The City Administration has authority to approve budget adjustments within  
2                   a business unit or capital project not exceeding \$50,000 in the aggregate  
3                   within a fiscal year, and  
4           4.     The Finance Director has authority to approve adjustments up to \$5,000  
5                   within a business unit or capital projects.  
6           5.     In accordance with NMSA 6-6-11 and 6-6-12, appropriations expire at the  
7                   end of the fiscal year, and shall be carried forward only as re-appropriations  
8                   by the Governing Body as either part of the current year budget or as duly  
9                   approved budget adjustment requests.

10        E.     Fiscal Notes

11           The Finance Department shall provide the Governing Body a fiscal impact statement for  
12 all major policy decisions that may affect the City's finances. The fiscal notes shall include start-  
13 up costs of a program/project and the associated operations costs for a minimum of five years.  
14 These notes shall also include projected impact on the affected fund ending balance. Unbudgeted  
15 items will require identification of savings necessary to fund needs. Fiscal notes for refunding  
16 bond reimbursement resolutions shall require the fiscal impact to debt service both in real dollars  
17 and tax rate for a minimum of five years.

18        F.     Balance Budget Definition

19           All funds are required to reach at least a balance between current revenues and current  
20 expenditures. Total anticipated revenues must equal the sum of budgeted expenditures for each  
21 fund in the current fiscal year.

22        G.     Performance Measures

23           Where possible, the City Administration will integrate performance measurement and  
24 productivity indicators beginning in the City's published Fiscal Year (FY) 2017/2018 budget  
25 document.

1   **2.     Revenue Policies**

2        A.     Revenue Diversification and Stabilization

3           The City will strive to attain a diversified and stable revenue system to shelter it from  
4 short-run fluctuations in any one revenue source. Because it is highly influenced by economic  
5 conditions out of the City's control, Gross Receipts Tax (GRT), which historically accounts for  
6 the majority of the City's general fund revenue, tends to be volatile. Property tax, which accounts  
7 for a much smaller percentage of the City's general fund revenue, is more stable. The City will  
8 address its exposure to revenue volatility through a strategy of promoting economic development  
9 and diversification to strengthen its overall economic base.

10        B.     One-Time Revenues and Unpredictable Revenues

11           The City will use one-time or unpredictable revenues like the sale of land for capital  
12 expenditures or for expenditures required by the revenue, and not for recurring personnel,  
13 operational or maintenance costs.

14        C.     New Revenues

15           The City will consider a set of established criteria for any proposed additional revenue:

16        ~~[1.     Community acceptability]~~

17        [2]1. Competitiveness – the revenue or tax burden of the City relative to  
18 neighboring communities

19        [3]2. Diversity – the balance of revenue sources that can withstand changes in the  
20 business cycle

21        [4]3. Efficiency – the cost of administering a tax or fee should bear a reasonable  
22 relation to revenues collected, and any new tax or fee should have minimal  
23 effect on private economic decisions, and

24        [5]4. Fairness – the distribution of the City's revenue burden as measured by  
25 ability to pay, the benefits received, or the community's definition of the

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*Mayor Gonzales' Amendments [italicized]*

1 resident's fair share of the revenue burden.

2 ~~[6]5.~~ Alignment -- taxes and fees shall bear a reasonable [resemblance] association  
3 to the costs for the ~~[associated]~~ service *they are intended to fund.*

4 D. Existing Revenues

5 The City shall conduct a periodic systematic review of all existing revenues including,  
6 but not limited to, fees, charges and tax rates to determine if their original intent is still current  
7 and desirable.

8 ~~[D]~~E. Revenue Estimates

9 To maintain a stable level of services, the City shall prepare revenue estimates through a  
10 conservative, objective, and analytical approach. There shall be an analysis of probable economic  
11 changes and their impacts on revenues, historical collection rates, and trends in revenues. The  
12 objective should be to reduce the likelihood of actual revenues falling short of budget estimates  
13 during the year and avoid mid-year service reductions.

14 E. User Fees

15 ~~[City services and facilities that provide direct and identifiable benefits to citizens are~~  
16 ~~generally to be funded through user fees.]~~ The City will seek to recover the full cost of services  
17 provided directly to citizens, unless a City interest is identified and approved by the Governing  
18 Body to reduce a specific fee. Full cost is defined to include all direct costs to provide the service  
19 and appropriate related indirect cost.

20 Fees assessed at less than full cost are established to achieve an objective related to a user  
21 group, such as providing easier access to programs or encouraging participation by certain  
22 targeted groups such as youth or lower income individuals. The Governing Body shall explicitly  
23 approve any fee that is designed to recover less than the full cost of the respective service.

24 Each department ~~[will periodically]~~ shall, on an annual basis, identify all program costs  
25 and develop fee recommendations ~~[to the City Administration]~~ for consideration in the upcoming

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1 ~~budget [and the Governing Body]~~ following the policy direction given by the Governing Body at  
2 ~~the start of the budgeting process as established in Section 1(C) of this Resolution.~~

3 The City shall assess a fee to all of its Enterprises for the use of City-owned Right-of-  
4 ~~Way based on fair market value.~~

5 **3. Expenditure Policy**

6 The City will maintain a level of expenditures that will provide for the health, safety and  
7 welfare of the residents of the City of Santa Fe.

8 A. [Employee] Efficiency

9 The City will ~~[invest in technology and other efficiency tools to maximize staff~~  
10 ~~productivity]~~ utilize every means necessary to maximize the efficiency and productivity of  
11 ~~government operations.~~

12 B. Maintenance of Capital Assets

13 Within the resources available each fiscal year, the City shall maintain capital assets and  
14 infrastructure ~~[at a sufficient level]~~ so as to protect the City's investment, minimize future  
15 replacement and maintenance costs, and sustain service levels.

16 **4. Fund Balance and Reserve Policy**

17 The General Fund's principal revenue source is GRT, which tends to be volatile. This  
18 calls for an adequate General Fund balance level to ensure liquidity in all cases and demonstrate  
19 the City's financial strength to the independent rating agencies.

20 The New Mexico Department of Finance and Administration, Local Government  
21 Division regulations mandates that all municipalities maintain a minimum general fund balance  
22 of 1/12<sup>th</sup> (8.3%) of general fund operating expenditures. To ensure this requirement is always  
23 met, the City shall establish a contingency reserve above the state-mandated minimal level of  
24 total fund balance.

25 The City's goal shall be to establish and maintain a total General Fund ~~[balance] reserve~~

**Comment [ROS3]:** The Finance Director strongly recommends that our target for operating reserves be 12% or 45 days, as 10% reserves is only 6 more days than the minimum 30 days mandated by the state

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1 of not less than ten percent (10%) [~~not greater than twenty percent (20%)~~] of General Fund  
2 operating expenditures.

3       Unreserved fund balances in excess of what is required shall be used to fund capital items  
4 in the operating and capital budget. However, if projected revenue in future years is not sufficient  
5 to support projected requirements, a higher unreserved ending balance may be budgeted to  
6 achieve long-term structural balance.

7 **5. Capital Improvement Plan**

8       The City shall adopt a capital budget to serve as a long-term planning tool that allows for  
9 prioritization, financing coordination, and timely technical design and application of capital  
10 projects and programs. To ensure the capital budget effectively reflects the priorities and  
11 conditions of the times, it shall be a five-year plan that is updated and approved annually *before*  
12 *May 31*. It shall contain a balanced mix of financing for funding capital project, including pay-  
13 as-you-go, grants, and debt, without excessive reliance on any one source. It shall be developed in  
14 coordination with the operating budget, projecting operating costs associated with new capital  
15 improvements and incorporating the economic and fiscal forecasts used to develop the operating  
16 budget.

17 **6. Procurement**

18       The City shall adopt a procurement policy that shall be reviewed by the Governing Body  
19 every two years to ensure it complies with all current applicable laws, incorporates best practices,  
20 and aligns with the City's priorities and related policies.

21 A. The Chief Procurement Officer

22       The City Administration shall ~~appoint~~ assign the role of a Chief Procurement Officer to  
23 *a qualified staff person who shall be* responsible for the fair and efficient application of ~~this~~ the  
24 procurement policy. The City's procurement policy shall establish the duties and responsibilities  
25 of the Chief Procurement Officer, which shall include keeping ~~this~~ the procurement policy up to

1 date.

2 **B. Procurement Planning**

3 Each department shall prepare an annual procurement plan that discloses all of the  
4 significant purchases of goods and services contemplated during the fiscal year. The collection of  
5 all the departments' procurement plans shall comprise the City of Santa Fe's Annual Procurement  
6 Plan. The Chief Procurement Officer shall be responsible for coordinating the development,  
7 updating, and making this plan accessible to the public.

8 **7. Accounting and Annual Audit**

9 The City's accounting practices will always conform to generally accepted accounting  
10 principles as set forth by the authoritative standard-setting body for units of local  
11 government.

12 An annual audit will be performed by an independent certified public accounting firm  
13 and an official comprehensive annual financial report (CAFR) shall be issued no later than 6  
14 months following fiscal year-end. The independent certified public accounting firm shall present  
15 to the Audit and Finance Committees the results of the annual audit no later than 60 days  
16 from the issuance of the City's CAFR.

17 **8. Debt Management Policy**

18 The City shall limit its debt to a level that is competitive with comparable cities in its  
19 rating class as reported by Standard & Poors and Fitch rating agencies.

20 The City shall follow the accepted parameters and practices established by the market to  
21 plan, issue, manage, continually evaluate, and report on all its debt obligations in conjunction  
22 with the City of Santa Fe Debt Management and Post Issuance Policy #13-1185 [~~December 11,~~  
23 ~~2013~~]. This policy shall be brought forward for review and approval annually. The salient points  
24 in this policy are reiterated below to facilitate a broader overview and context for the City's  
25 annual budget.

Substitute Resolution with  
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*Mayor Gonzales' Amendments [italicized]*

1        A.        Use of Long-term Debt Financing

2        Long-term debt financing will not be used for a recurring purpose, such as current  
3        operating and maintenance expenditures. The City will use long-term debt financing only for  
4        one-time capital improvement projects and major equipment acquisitions included under the  
5        following circumstances:

- 6            1. When the project is included in the City's five-year capital budget
- 7            2. When it is a project mandated immediately by state or federal requirements
- 8            3. When it is a project for which grant money has been offered and the matching  
9            funds are not readily available from other sources; and
- 10          4. When the project is the result of growth within the community that requires  
11          unanticipated and unplanned infrastructure or capital improvements by the City.

12        ~~[B.        Workforce Accounts~~

13        ~~Unless the Governing Body certifies that the necessary practices, processes, and controls~~  
14        ~~are in place to appropriately account for employee time spent on capital projects, the City shall~~  
15        ~~not use City workforce accounts to complete debt funded projects and shall use only private~~  
16        ~~contractors to implement capital projects funded through bonds.]~~

17        Unless explicitly directed otherwise by the Governing Body, City workforce accounts  
18        may be used only for projects and/or work orders funded with operating revenues or reserves.

19        B.        Types of Debt

20        Debt financing may include general obligation bonds, revenue bonds, lease/purchase as  
21        well as public improvement district bonds, special assessment bonds, and tax increment financing  
22        (TIF) Bonds. Loans may also be used when the terms are more financially attractive than  
23        alternative financing or for specific programs such as may be offered through the New Mexico  
24        Finance Authority

1        C.        Project Life

2            Only capital assets or projects with an economic value lasting more than five years shall  
3 be financed using debt.

4        D.        Refunding Policy

5            The Finance Department and the City's financial advisor will monitor the municipal bond  
6 market for opportunities to obtain interest savings by refunding outstanding debt. As a general  
7 rule, the present value savings of a particular refunding should exceed 3%, with certain  
8 exceptions, such as bonds to be refunded have restrictive or outdated covenants, or restructuring  
9 debt is deemed to be desirable.

10       E.        Limitations on Maturity

11           The City normally will issue bonds with maturities of no less than 10 years for general  
12 obligation bonds and 12 years for revenue bonds except for refunding bonds.

13       F.        Debt Structure and Annual Debt Burden

14           The City will seek to structure each debt issue with level principal and interest payments  
15 over the life of the debt.

16           In compliance with the terms of the City's bond ordinance, the City will seek to structure  
17 expenditures and any other GRT-supported debt service so it does not aggregately exceed the  
18 amount of the GRT received annually over the life of the debt.

19       G.        Statutory Limitation

20           The Constitution of the State of New Mexico limits the amount of outstanding general  
21 obligation bonds to 4% of the assessed value of taxable property within the City.

22       H.        Credit Enhancements

23           Credit enhancement (letters of credit, bond insurance, etc.) may be used, but only when  
24 net debt service on the bonds is reduced by more than the costs of the enhancement.

25       I.        Investment of Bond Proceeds

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1 All general obligation and revenue bond proceeds shall be invested as part of the City's  
2 cash pool unless otherwise specified by the bond legislation. Investments will be consistent with  
3 those authorized by existing city ordinance, state law and by the City's investment policies.

4 J. Sale Process

5 The City will generally conduct financings on a competitive basis. However, negotiated  
6 financings may be used due to market volatility or the use of an unusual or complex financings or  
7 security structure.

8 K. Professional Services

9 The City may employ outside financial specialists to advise it in developing a bond  
10 issuance strategy, preparing bond documents, and marketing bonds to investors. The key  
11 financial advisors include its financial advisor, bond counsel, underwriter (on a negotiated sale),  
12 external investment advisor, and in some instance a disclosure counsel. Other outside firms, such  
13 as those providing paying agent/registrar services, trustee, credit enhancement, auditing, or  
14 printing services, are retained as required.

15 L. Bond Rating Goals

16 The City will seek to maintain and, if possible, improve the current ratings to minimize  
17 borrowing costs and preserve access to credit.

18 M. Disclosure

19 The City is committed to continuing disclosure of financial and pertinent credit  
20 information relevant to the City's outstanding securities and will abide by the provisions of  
21 Securities and Exchange Commission (SEC) Rule 15c2-12 concerning primary and secondary  
22 market disclosure.

23 N. Post Issuance Compliance

24 The City shall comply with IRS regulations governing post issuance compliance for  
25 municipal tax-exempt debt. The City shall also comply with the terms of the Tax Certificate

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1 issued with each bond issue to maintain and preserve the City's tax-exempt status.

2 O. Rating Agency Relations

3 Full disclosure of operations and open lines of communication shall be made to the rating  
4 agencies. City staff, with the assistance of the financial advisor, shall prepare the necessary  
5 materials and presentation to the rating agencies. Two credit ratings will be sought from Standard  
6 & Poor's, Fitch and/or Moody's as recommended by the City's financial advisor.

7 **9. Investment Policy**

8 The guiding principles for City's investment of its funds shall be the maximization of the  
9 safety of principal and ensuring that sufficient funds are available to meet its operating needs and  
10 unanticipated cash demands while earning the highest possible return within the parameters  
11 established in the City of Santa Fe Investment Policy #14-0383. [~~May 28, 2014~~] This policy [~~is~~  
12 *shall be* reviewed and approved annually. Cash management and investment items of major  
13 importance are reiterated below to facilitate a broader overview and context for the City's annual  
14 budget.

15 A. Scope

16 Unless otherwise noted, this policy applies to all financial assets over which the City has  
17 direct control as well as those funds that the City is responsible for as custodian, trustee or fiscal  
18 agent.

19 B. Delegation of Authority

20 Pursuant to City of Santa Fe City Code, Section 11-8c, the Governing body has  
21 authorized the City Administration to [~~appoint an~~] *assign the role* of Investment Officer to *an*  
22 invest money not immediately needed for operation of the City government. To the extent  
23 permitted by law, any authority granted in State statute shall be secondary to lawfully enacted  
24 ordinances of the City. The Cash Management and Investment Officer shall be responsible for  
25 all transactions undertaken and, in conjunction with the Finance Director, shall establish a

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1 system of controls to regulate the investment activities of subordinate officials.

2 The Cash Management and Investment Officer shall carry out established written  
3 procedures and internal controls for the operation of the investment program consistent with this  
4 ordinance. Procedures should include references to: safekeeping, delivery versus payment,  
5 investment accounting, repurchase agreements, wire transfer agreements, collateral/depository  
6 agreements, and banking services contracts.

7 No person may engage in an investment transaction except as provided under this  
8 ordinance and the procedures established by the Cash Management and Investment Officer.

9 C. Prudence

10 Investments shall be made with judgment and care, under circumstances then prevailing,  
11 which a person of prudence, discretion and intelligence would exercise in the management of  
12 their own affairs, not for speculation, but for investment, considering the probable safety of their  
13 capital as well as the probable income to be derived.

14 D. Authorized Investment Advisor and Financial Institutions

15 The City uses an external investment advisor to assist with selecting appropriate  
16 investments, executing trades, annually reviewing the investment policy, and other tasks as  
17 defined in the investment advisor professional agreement. The investment advisor agreement is  
18 bid every four years per purchasing regulations. The selected investment advisor will provide  
19 annual certification of having read and understood the Investment Policy and will verify that all  
20 registrations and investment certifications are current. The investment advisor will also provide  
21 an annual list of broker dealers that have been fully vetted for use in purchasing City investments.

22 All financial institutions conducting banking and investment business with the City are to  
23 provide annual financial statements and annual certification that they have read and understood  
24 the Investment Policy.

25 E. Internal Controls

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1       The *City Administration shall assign the role of* Cash Management and Investment  
2 Advisor to a qualified staff person who shall establish and maintain an internal control structure  
3 designed to ensure that the assets of the City are protected from loss, theft or misuse.  
4 Investments, policies and procedures will be reviewed annually by an external auditor as part of  
5 the Comprehensive Annual Financial Report. The internal controls shall address the following,  
6 as well as any other items the external auditor deems important:

- 7           1.     Control of collusion
- 8           2.     Completeness and accuracy of accounting and record keeping for all  
9                 investment transactions
- 10          3.     Custodial safekeeping
- 11          4.     Avoidance of physical delivery of securities
- 12          5.     Clear delegation of authority to subordinate staff members
- 13          6.     Written confirmation of telephone transactions for investments and wire  
14                 transfers,
- 15          7.     Existence of a fiscal agent agreement and a collateral agreement with the  
16                 fiscal agent and third party custodian, and
- 17          8.     Collateral verification and reconciliation.

18       F.     Delivery vs Payment

19       All trades, where applicable, will be executed by delivery versus payment. This ensures  
20 that securities are deposited in the eligible financial institution prior to the release of funds.  
21 Securities will be held by a third party custodian as evidenced by safekeeping receipts.

22       G.     Suitable and Authorized Investments

23       The following types of investments are authorized:

- 24           1.     U.S. Government obligations, U.S. Government agency obligations, and U.S.  
25                 Government instrumentality obligations

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- 1           2. Repurchase agreements
- 2           3. Certificates of deposit
- 3           4. Investment grade obligations of state and local government and public authorities
- 4           5. The New Mexico State Treasurer's Local Government Investment Pool
- 5           6. Government money market mutual funds, and

6           The following types of investments are prohibited:

- 7           1. Derivative instruments, collateralized mortgage obligations or equity securities
- 8           2. Investment purchases on margin or short sale
- 9           3. Any investment instrument not authorized by the Council Approved Investment
- 10          Policy.

11          H. Collateralization

12          Bank deposits, certificates of deposit and repurchase agreements shall be collateralized  
13 by securities of the United States and the State of New Mexico, including surety bonds as  
14 provided in NMSA 6-10-15 at 102% of market value of the City's deposited principal. ~~[If the~~  
15 ~~depository presents a]~~ Δ letter of credit for at least 50% of the deposited principle ~~[and]~~  
16 ~~combined with a portfolio of current performing loans in Santa Fe County for at least 60% of the~~  
17 ~~deposited principle]~~ ~~then the level of collateralization may be at 100%]~~ ~~may serve as an~~  
18 ~~alternative form of collateralization.~~

19          I. Investment Parameters

- 20          1. Diversification. The City will diversify its use of investment instruments to  
21           avoid incurring unreasonable risks inherent in over-investing in specific  
22           instruments, individual financial institutions or maturities.
- 23          2. Maximum Maturities.
  - 24           a. To limit the city's exposure to the possibility of loss due to interest rate  
25           fluctuations, the City will not commit any funds, with the exception of trust and

1 bond funds, to maturities longer than five years from the date of purchase.

2 b. On investments made as legal reserves for bonded indebtedness, the maturity  
3 date will not exceed the final maturity date of the bond issue to which they are  
4 pledged.

5 c. Because of inherent difficulties in accurately forecasting cash flow requirements,  
6 a portion of the portfolio should be continuously invested in readily available  
7 funds such as bank accounts, overnight repurchase agreements, the New Mexico  
8 Local Government Investment Pool, or money market mutual funds to ensure  
9 that appropriate liquidity is maintained to meet ongoing obligations.

10 J. Reporting

11 1. Methods. The Cash Management and Investment Officer shall prepare for the  
12 Governing Body and City Administration an investment report, at least quarterly.

13 2. Performance Standards. The investment portfolio should obtain a market  
14 average rate of return during a market/economic environment of stable interest  
15 rates. The portfolio will be managed such that no risk exists of having to sell  
16 securities at a loss to meet liquidity needs.

17 3. Marking to Market. The portfolio will be marked to market as of June 30 each  
18 fiscal year. Changes in the financial market will be monitored and mark to  
19 market reports may be issued more often than annually as appropriate.

20 10. [Transfers] Excess Revenue from Enterprise Funds

21 Net Revenue is the balance of recurring revenue after deducting costs for operations and  
22 maintenance, including fair market value for the use of the City's extensive rights-of-way, and  
23 debt service. Net revenue generated by the City's enterprise funds shall be used for (a) capital  
24 investment, (b) repair and replacement, (c) debt management, (d) revenue stabilization, and (d)  
25 working capital within that fund and not be relied on to balance other funds. Only the revenue

Substitute Resolution with  
Finance Committee Amendments [double-underscored]  
*Mayor Gonzales' Amendments* [italicized]

1 that remains after these needs are satisfied and a working capital reserve of 12% of operating  
2 expenditures is built up shall be deemed excess revenue subject to appropriation by the  
3 Governing Body.

4 ~~[After meeting the affected enterprise's needs enumerated above, excess revenue may be~~  
5 ~~transferred to an Environmental Stabilization Fund to protect the natural environment for the~~  
6 ~~benefit of future generations of Santa Feans].~~

7 PASSED, APPROVED AND ADOPTED this \_\_\_\_\_ day of \_\_\_\_\_, 2015.

8  
9 \_\_\_\_\_  
10 JAVIER M. GONZALES, MAYOR

11 ATTEST:

12 \_\_\_\_\_  
13  
14 YOLANDA Y. VIGIL, CITY CLERK

15 APPROVED AS TO FORM:

16 \_\_\_\_\_  
17  
18 KELLEY A. BRENNAN, CITY ATTORNEY

19  
20  
21  
22  
23  
24  
25 *M Legislation Resolutions 2015 Financial Policies Substitute*

## 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): **A RESOLUTION ESTABLISHING THE POLICIES FOR GUIDING THE MANAGEMENT OF THE CITY'S FINANCES AND FOR ASSISTING THE GOVERNING BODY AND CITY STAFF IN EVALUATING CURRENT ACTIVITIES AND FUTURE PLANS.**

Sponsor(s): Mayor Javier Gonzales

Reviewing Department(s): Finance Department

Persons Completing FIR: Oscar Rodriguez Date: 9/15/15 Phone: 955-6530

Reviewed by City Attorney: *Kelley A. Brennan* Date: 9/30/15  
(Signature)

Reviewed by Finance Director: *[Signature]* Date: 9-21-2015  
(Signature)

**Section B. Summary**

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

**This resolution provides guidelines for the City to follow when preparing the annual budget. The main provisions included in the resolution are: Budget, Revenue Policies, Expenditure Policy, Fund Balance and Reserve Policy, Capital Improvement Plan, Procurement, Accounting and Annual Audit, Debt Management Policy, Investment Policy, and Transfers from Enterprise Funds.**

**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: *[Signature]*

X   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.)

The resolution will have the effect of realigning the city's expenditure and revenue collection patterns, which may increase spending in some areas (i.e. maintenance and capital improvements) while decreasing it in others (i.e. recurring operations funded through bond proceeds). It will also advance the annual budget calendar, with the first draft being presented in January instead of the customary March-April timeframe.

=====  
**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.

This resolution coincides with Councilor Maestas' Budget Policy Actions resolution that directs the City and affiliates to enact appropriate policy actions that will allow the City to overcome the expected budget deficit.

**2. Consequences of Not Enacting This Bill/Resolution:**

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

This resolution provides specific guidelines for the City to follow when preparing the budget. Without them, there would be no adopted procedures for developing a budget that is financially feasible and adopts best practices for the various provisions.

**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

**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.

This resolution is designed to adopted financial policies for the City that ensure a budget that is fiscally sound and based on available and expected revenue. This will set the City on the path to adopting a budget that is deficit neutral and allows the City to evaluate current activities and future plans.

# City of Santa Fe, New Mexico

## LEGISLATIVE SUMMARY

Resolution No. 2015-\_\_\_\_  
Financial Policies

---

**SPONSOR(S):** Mayor Gonzales

**SUMMARY:** The proposed resolution establishing policies for guiding the management of the City's finances and for assisting the governing body and city staff in evaluating current activities and future plans.

**PREPARED BY:** Rebecca Seligman, Legislative Liaison Assistant

**FISCAL IMPACT:** No

**DATE:** October 19, 2015

**ATTACHMENTS:** Resolution  
FIR

**CITY OF SANTA FE, NEW MEXICO**  
**PROPOSED AMENDMENT(S) TO RESOLUTION NO. 2015-\_\_**  
**Financial Policies**

---

Mayor and Members of the City Council:

I propose the following amendment(s) to Resolution No. 2015-\_\_:

1. On page 17, *delete* lines 24-25.
2. On page 18, *delete* line 1.

Respectfully submitted,

---

Mayor Javier M. Gonzales

ADOPTED: \_\_\_\_\_

NOT ADOPTED: \_\_\_\_\_

DATE: \_\_\_\_\_

---

Yolanda Y. Vigil, City Clerk

1 CITY OF SANTA FE, NEW MEXICO

2 RESOLUTION NO. 2015-\_\_

3 INTRODUCED BY:

4  
5 Mayor Javier M. Gonzales

6  
7  
8  
9  
10 A RESOLUTION

11 ESTABLISHING POLICIES FOR GUIDING THE MANAGEMENT OF THE CITY'S  
12 FINANCES AND FOR ASSISTING THE GOVERNING BODY AND CITY STAFF IN  
13 EVALUATING CURRENT ACTIVITIES AND FUTURE PLANS.

14  
15 WHEREAS, the City of Santa Fe is responsible for a complex total annual budget of  
16 more than \$340 million that its citizens rely on to receive critical services; and

17 WHEREAS, the City of Santa Fe desires to manage its finances in the most prudent and  
18 transparent fashion; and

19 WHEREAS, the City of Santa Fe deems it necessary to adopt established best practices  
20 and standards to guide the management of its finances.

21 NOW THEREFORE BE IT RESOLVED that the City of Santa Fe's financial  
22 management policies and basis for evaluating the financial performance of current activities and  
23 future plans are the following:

24 1. Budget

25 A. Budget Preparation

1           The City Administration shall, prior to February 1, recommend to the Governing Body  
2 the annual budget covering the next fiscal year. The budget including the General Fund, Special  
3 Revenue Funds, and Enterprise Funds shall contain the following information:

- 4           1.     A letter from the City Administration explaining the proposed financial plan  
5                     for the next fiscal year;
- 6           2.     Budget summaries for the General Fund, Major Special Revenue Funds and  
7                     Enterprise Funds, including a beginning fund balance, estimated revenues,  
8                     operating expenditures, capital outlay and ending fund balance for each fund;
- 9           3.     Debt service expenditures, along with comparisons of estimated expenditures  
10                    to prior year actual expenditures;
- 11          4.     Proposed revenues and expenditures, by source, for each department for the  
12                    budget year, with comparisons to prior year actual and current year revenues  
13                    and expenditures; and
- 14          5.     Indication of proposed activity changes (additional staffing) including  
15                    operating and capital expenditures required supporting the additional  
16                    staffing.

17           B.     Basis of Budgeting

18           Revenue and expenditures are budgeted on a cash basis with encumbrances (contractual  
19 commitments to be performed) considered the equivalent of expenditures.

20           C.     Budget Calendar and Roles and Responsibility

21           The City's budget is developed on an annual basis with enough time and in a fashion that  
22 allows for sufficient deliberation by the Governing Body and engagement with the citizenry. The  
23 City's fiscal year begins on July 1 and ends twelve months later on June 30. The development of  
24 the budget is done in a progressive and collaborative manner following the direction that the  
25 Governing Body provides at the onset of the process:

- 1           1.     No later than October 31, the Finance Director presents a 5-year forecast of  
2                    revenues and expenditures, highlighting significant financial challenges and  
3                    decisions the City may be facing. The Finance Director also recommends the  
4                    key assumptions for developing the budget, including inflation and other  
5                    factors that may affect revenue and expenditures in the new fiscal year.
- 6           2.     Departments submit their budget requests no later than November 30.
- 7           3.     The City Administration and representatives of the Finance Department  
8                    review the department budget proposals and make any necessary additions or  
9                    deletions.
- 10          4.     The City Administration's recommended budget is submitted to the  
11                    Governing Body before February 1.
- 12          5.     Following submission of the budget to the Governing Body, at least two  
13                    public hearings for citizen comments are held between the months of April  
14                    and May. Following adoption by resolution, the budget is submitted by May  
15                    30 to the New Mexico Department of Finance and Administration to obtain  
16                    interim approval.
- 17          6.     At fiscal year-end, cash positions are established and the Governing Body  
18                    makes a final review and approves the final budget by resolution.

19           D. Budget Control System

20           The Finance Director is responsible for maintaining a budgetary control system to ensure  
21 adherence to the adopted budget. On a monthly basis, the Finance Director will prepare summary  
22 reports that compare actual revenues and expenditures to budgeted amounts and provides a year-  
23 end performance projection for each department. These reports are presented to the Finance  
24 Committee of the Governing Body with distribution all of its members to keep them all informed  
25 of the City's budget performance.

1 A key aspect of budget control is the process for amending or adjusting the approved budget. No  
2 changes can be made to the budget without a proper approval of a formal request as follows:

- 3 1. Any increase in appropriation requires approval by resolution of the  
4 Governing Body
- 5 2. Any single budget adjustment for more than \$50,000 or project modification  
6 greater than \$50,000 in value requires approval by resolution of the  
7 Governing Body
- 8 3. The City Administration has authority to approve budget adjustments within  
9 a business unit or capital project not exceeding \$50,000 in the aggregate  
10 within a fiscal year, and
- 11 4. The Finance Director has authority to approve adjustments up to \$5,000  
12 within a business unit or capital projects.
- 13 5. In accordance with NMSA 6-6-11 and 6-6-12, appropriations expire at the  
14 end of the fiscal year, and shall be carried forward only as re-appropriations  
15 by the Governing Body as either part of the current year budget or as duly  
16 approved budget adjustment requests.

17 E. Fiscal Notes

18 The Finance Department shall provide the Governing Body a fiscal impact statement for  
19 all major policy decisions that may affect the City's finances. The fiscal notes shall include start-  
20 up costs of a program/project and the associated operations costs for a minimum of five years.  
21 These notes shall also include projected impact on the affected fund ending balance. Unbudgeted  
22 items will require identification of savings necessary to fund needs. Fiscal notes for refunding  
23 bond reimbursement resolutions shall require the fiscal impact to debt service both in real dollars  
24 and tax rate for a minimum of five years.

25 F. Balance Budget Definition

1 All funds are required to reach at least a balance between current revenues and current  
2 expenditures. Total anticipated revenues must equal the sum of budgeted expenditures for each  
3 fund in the current fiscal year.

4 G. Performance Measures

5 Where possible, the City Administration will integrate performance measurement and  
6 productivity indicators in the City's published budget document.

7 **2. Revenue Policies**

8 A. Revenue Diversification and Stabilization

9 The City will strive to attain a diversified and stable revenue system to shelter it from  
10 short-run fluctuations in any one revenue source. Because it is highly influenced by economic  
11 conditions out of the City's control, Gross Receipts Tax (GRT), which historically accounts for  
12 the majority of the City's general fund revenue, tends to be volatile. Property tax, which accounts  
13 for a much smaller percentage of the City's general fund revenue, is more stable. The City will  
14 address its exposure to revenue volatility through a strategy of promoting economic development  
15 and diversification to strengthen its overall economic base.

16 B. One-Time Revenues and Unpredictable Revenues

17 The City will use one-time or unpredictable revenues like the sale of land for capital  
18 expenditures or for expenditures required by the revenue, and not for recurring personnel,  
19 operational or maintenance costs.

20 C. New Revenues

21 The City will consider a set of established criteria for any proposed additional revenue:

- 22 1. Community acceptability
- 23 2. Competitiveness – the revenue or tax burden of the City relative to  
24 neighboring communities
- 25 3. Diversity – the balance of revenue sources that can withstand changes in the

1 business cycle

2 4. Efficiency – the cost of administering a tax or fee should bear a reasonable  
3 relation to revenues collected, and any new tax or fee should have minimal  
4 effect on private economic decisions, and

5 5. Fairness – the distribution of the City’s revenue burden as measured by  
6 ability to pay, the benefits received, or the community’s definition of the  
7 resident’s fair share of the revenue burden.

8 6. Alignment – taxes and fees shall bear a reasonable resemblance to the costs  
9 for the associated service .

10 D. Revenue Estimates

11 To maintain a stable level of services, the City shall prepare revenue estimates through a  
12 conservative, objective, and analytical approach. There shall be an analysis of probable economic  
13 changes and their impacts on revenues, historical collection rates, and trends in revenues. The  
14 objective should be to reduce the likelihood of actual revenues falling short of budget estimates  
15 during the year and avoid mid-year service reductions.

16 E. User Fees

17 City services and facilities that provide direct and identifiable benefits to citizens are  
18 generally to be funded through user fees. The City will seek to recover the full cost of services  
19 provided directly to citizens, unless a City interest is identified and approved by the Governing  
20 Body to reduce a specific fee. Full cost is defined to include all direct costs to provide the service  
21 and appropriate related indirect cost.

22 Fees assessed at less than full cost are established to achieve an objective related to a user  
23 group, such as providing easier access to programs or encouraging participation by certain  
24 targeted groups such as youth or lower income individuals. The Governing Body shall explicitly  
25 approve any fee that is designed to recover less than the full cost of the respective service.

1 Each department will periodically identify all program costs and develop fee  
2 recommendations to the City Administration and the Governing Body.

3 **3. Expenditure Policy**

4 The City will maintain a level of expenditures that will provide for the health, safety and  
5 welfare of the residents of the City of Santa Fe.

6 A. Employee Efficiency

7 The City will invest in technology and other efficiency tools to maximize staff  
8 productivity.

9 B. Maintenance of Capital Assets

10 Within the resources available each fiscal year, the City shall maintain capital assets and  
11 infrastructure at a sufficient level to protect the City's investment, minimize future replacement  
12 and maintenance costs, and sustain service levels.

13 **4. Fund Balance and Reserve Policy**

14 The General Fund's principal revenue source is GRT, which tends to be volatile. This  
15 calls for an adequate General Fund balance level to ensure liquidity in all cases and demonstrate  
16 the City's financial strength to the independent rating agencies.

17 The New Mexico Department of Finance and Administration, Local Government  
18 Division regulations mandates that all municipalities maintain a minimum general fund balance  
19 of 1/12<sup>th</sup> (8.3%) of general fund operating expenditures. To ensure this requirement is always  
20 met, the City shall establish a contingency reserve above the state-mandated minimal level of  
21 total fund balance.

22 The City's goal shall be to establish and maintain a total General Fund balance of not less  
23 than ten percent (10%) nor greater than twenty percent (20%) of General Fund operating  
24 expenditures.

25 Unreserved fund balances in excess of what is required shall be used to fund capital items in the

1 operating and capital budget. However, if projected revenue in future years is not sufficient to  
2 support projected requirements, a higher unreserved ending balance may be budgeted to achieve  
3 long-term structural balance.

4 **5. Capital Improvement Plan**

5 The City shall adopt a capital budget to serve as a long-term planning tool that allows for  
6 prioritization, financing coordination, and timely technical design and application of capital  
7 projects and programs. To ensure the capital budget effectively reflects the priorities and  
8 conditions of the times, it shall be a five-year plan that is updated and approved annually. It shall  
9 contain a balanced mix of financing for funding capital project, including pay-as-you-go, grants,  
10 and debt, without excessive reliance on any one source. It shall be developed in coordination with  
11 the operating budget, projecting operating costs associated with new capital improvements and  
12 incorporating the economic and fiscal forecasts used to develop the operating budget.

13 **6. Procurement**

14 The City shall adopt a procurement policy that shall be reviewed by the Governing Body  
15 every two years to ensure it complies with all current applicable laws, incorporates best practices,  
16 and aligns with the City's priorities and related policies.

17 A. The Chief Procurement Officer

18 The City Administration shall appoint a Chief Procurement Officer to be responsible for  
19 the fair and efficient application of this policy. The City's procurement policy shall establish the  
20 duties and responsibilities of the Chief Procurement Officer, which shall include keeping this  
21 policy up to date.

22 B. Procurement Planning

23 Each department shall prepare an annual procurement plan that discloses all of the  
24 significant purchases of goods and services contemplated during the fiscal year. The collection of  
25 all the departments' procurement plans shall comprise the City of Santa Fe's Annual Procurement

1 Plan. The Chief Procurement Officer shall be responsible for coordinating the development,  
2 updating, and making this plan accessible to the public.

3 **7. Accounting and Annual Audit**

4 The City's accounting practices will always conform to generally accepted accounting  
5 principles as set forth by the authoritative standard-setting body for units of local  
6 government.

7 An annual audit will be performed by an independent certified public accounting firm  
8 and an official comprehensive annual financial report (CAFR) shall be issued no later than 6  
9 months following fiscal year-end. The independent certified public accounting firm shall present  
10 to the Audit and Finance Committees the results of the annual audit no later than 60 days  
11 from the issuance of the City's CAFR.

12 **8. Debt Management Policy**

13 The City shall limit its debt to a level that is competitive with comparable cities in its  
14 rating class as reported by Standard & Poors and Fitch rating agencies.

15 The City shall follow the accepted parameters and practices established by the market to  
16 plan, issue, manage, continually evaluate, and report on all its debt obligations in conjunction  
17 with the City of Santa Fe Debt Management and Post Issuance Policy #13-1185 (December 11,  
18 2013). This policy shall be brought forward for review and approval annually. The salient points  
19 in this policy are reiterated below to facilitate a broader overview and context for the City's  
20 annual budget.

21 **A. Use of Long-term Debt Financing**

22 Long-term debt financing will not be used for a recurring purpose, such as current  
23 operating and maintenance expenditures. The City will use long-term debt financing only for  
24 one-time capital improvement projects and major equipment acquisitions included under the  
25 following circumstances:

- 1           1.       When the project is included in the City's five-year capital budget
- 2           2.       When it is a project mandated immediately by state or federal requirements
- 3           3.       When it is a project for which grant money has been offered and the
- 4                 matching funds are not readily available from other sources; and
- 5           4.       When the project is the result of growth within the community that requires
- 6                 unanticipated and unplanned infrastructure or capital improvements by the
- 7                 City.

8           B.       Workforce Accounts

9           Unless the Governing Body certifies that the necessary practices, processes, and controls  
10          are in place to appropriately account for employee time spent on capital projects, the City shall  
11          not use City workforce accounts to complete debt funded projects and shall use only private  
12          contractors to implement capital projects funded through bonds.

13          Unless explicitly directed otherwise by the Governing Body, City workforce accounts  
14          may be used only for projects and/or work orders funded with operating revenues or reserves.

15          C.       Types of Debt

16          Debt financing may include general obligation bonds, revenue bonds, lease/purchase as  
17          well as public improvement district bonds, special assessment bonds, and tax increment financing  
18          (TIF) Bonds. Loans may also be used when the terms are more financially attractive than  
19          alternative financing or for specific programs such as may be offered through the New Mexico  
20          Finance Authority

21          D.       Project Life

22          Only capital assets or projects with an economic value lasting more than five years shall  
23          be financed using debt.

24          E.       Refunding Policy

25          The Finance Department and the City's financial advisor will monitor the municipal bond

1 market for opportunities to obtain interest savings by refunding outstanding debt. As a general  
2 rule, the present value savings of a particular refunding should exceed 3%, with certain  
3 exceptions, such as bonds to be refunded have restrictive or outdated covenants, or restructuring  
4 debt is deemed to be desirable.

5 F. Limitations on Maturity

6 The City normally will issue bonds with maturities of no less than 10 years for general  
7 obligation bonds and 12 years for revenue bonds except for refunding bonds.

8 G. Debt Structure and Annual Debt Burden

9 The City will seek to structure each debt issue with level principal and interest payments  
10 over the life of the debt.

11 In compliance with the terms of the City's bond ordinance, the City will seek to structure  
12 expenditures and any other GRT-supported debt service so it does not aggregately exceed the  
13 amount of the GRT received annually over the life of the debt.

14 H. Statutory Limitation

15 The Constitution of the State of New Mexico limits the amount of outstanding general  
16 obligation bonds to 4% of the assessed value of taxable property within the City.

17 I. Credit Enhancements

18 Credit enhancement (letters of credit, bond insurance, etc.) may be used, but only when  
19 net debt service on the bonds is reduced by more than the costs of the enhancement.

20 J. Investment of Bond Proceeds

21 All general obligation and revenue bond proceeds shall be invested as part of the City's  
22 cash pool unless otherwise specified by the bond legislation. Investments will be consistent with  
23 those authorized by existing city ordinance, state law and by the City's investment policies.

24 K. Sale Process

25 The City will generally conduct financings on a competitive basis. However, negotiated

1 financings may be used due to market volatility or the use of an unusual or complex financings or  
2 security structure.

3 L. Professional Services

4 The City employs outside financial specialists to advise it in developing a bond issuance  
5 strategy, preparing bond documents, and marketing bonds to investors. The key financial  
6 advisors include its financial advisor, bond counsel, underwriter (on a negotiated sale), external  
7 investment advisor, and in some instance a disclosure counsel. Other outside firms, such as those  
8 providing paying agent/registrar services, trustee, credit enhancement, auditing, or printing  
9 services, are retained as required.

10 M. Bond Rating Goals

11 The City will seek to maintain and, if possible, improve the current ratings to minimize  
12 borrowing costs and preserve access to credit.

13 N. Disclosure

14 The City is committed to continuing disclosure of financial and pertinent credit  
15 information relevant to the City's outstanding securities and will abide by the provisions of  
16 Securities and Exchange Commission (SEC) Rule 15c2-12 concerning primary and secondary  
17 market disclosure.

18 O. Post Issuance Compliance

19 The City will comply with IRS regulations governing post issuance compliance for  
20 municipal tax-exempt debt. The City will also comply with the terms of the Tax Certificate issued  
21 with each bond issue to maintain and preserve the City's tax-exempt status.

22 P. Rating Agency Relations

23 Full disclosure of operations and open lines of communication shall be made to the rating  
24 agencies. City staff, with the assistance of the financial advisor, shall prepare the necessary  
25 materials and presentation to the rating agencies. Two credit ratings will be sought from Standard

1 & Poor's, Fitch and/or Moody's as recommended by the City's financial advisor.

2 **9. Investment Policy**

3 The guiding principles for City's investment of its funds shall be the maximization of the  
4 safety of principal and ensuring that sufficient funds are available to meet its operating needs and  
5 unanticipated cash demands while earning the highest possible return within the parameters  
6 established in the City of Santa Fe Investment Policy #14-0383 (May 28, 2014) This policy is  
7 reviewed and approved annually. Cash management and investment items of major importance  
8 are reiterated below to facilitate a broader overview and context for the City's annual budget.

9 A. Scope

10 Unless otherwise noted, this policy applies to all financial assets over which the City has  
11 direct control as well as those funds that the City is responsible for as custodian, trustee or fiscal  
12 agent.

13 B. Delegation of Authority

14 Pursuant to City of Santa Fe City Code, Section 11-8c, the Governing body has  
15 authorized the City Administration to appoint an Investment Officer to invest money not  
16 immediately needed for operation of the City government. To the extent permitted by law, any  
17 authority granted in State statute shall be secondary to lawfully enacted ordinances of the City.  
18 The Cash Management and Investment Officer shall be responsible for all transactions  
19 undertaken and, in conjunction with the Finance Director, shall establish a system of controls to  
20 regulate the investment activities of subordinate officials.

21 The Cash Management and Investment Officer shall carry out established written  
22 procedures and internal controls for the operation of the investment program consistent with this  
23 ordinance. Procedures should include references to: safekeeping, delivery versus payment,  
24 investment accounting, repurchase agreements, wire transfer agreements, collateral/depository  
25 agreements, and banking services contracts.

1 No person may engage in an investment transaction except as provided under this  
2 ordinance and the procedures established by the Cash Management and Investment Officer.

3 C. Prudence

4 Investments shall be made with judgment and care, under circumstances then prevailing,  
5 which a person of prudence, discretion and intelligence would exercise in the management of  
6 their own affairs, not for speculation, but for investment, considering the probable safety of their  
7 capital as well as the probable income to be derived.

8 D. Authorized Investment Advisor and Financial Institutions

9 The City uses an external investment advisor to assist with selecting appropriate  
10 investments, executing trades, annually reviewing the investment policy, and other tasks as  
11 defined in the investment advisor professional agreement. The investment advisor agreement is  
12 bid every four years per purchasing regulations. The selected investment advisor will provide  
13 annual certification of having read and understood the Investment Policy and will verify that all  
14 registrations and investment certifications are current. The investment advisor will also provide  
15 an annual list of broker dealers that have been fully vetted for use in purchasing City investments.

16 All financial institutions conducting banking and investment business with the City are to  
17 provide annual financial statements and annual certification that they have read and understood  
18 the Investment Policy.

19 E. Internal Controls

20 The Cash Management and Investment Advisor shall establish and maintain an internal  
21 control structure designed to ensure that the assets of the City are protected from loss, theft or  
22 misuse. Investments, policies and procedures will be reviewed annually by an external auditor as  
23 part of the Comprehensive Annual Financial Report. The internal controls shall address the  
24 following, as well as any other items the external auditor deems important:

- 25 1. Control of collusion

- 1           2.     Completeness and accuracy of accounting and record keeping for all
- 2                     investment transactions
- 3           3.     Custodial safekeeping
- 4           4.     Avoidance of physical delivery of securities
- 5           5.     Clear delegation of authority to subordinate staff members
- 6           6.     Written confirmation of telephone transactions for investments and wire
- 7                     transfers,
- 8           7.     Existence of a fiscal agent agreement and a collateral agreement with the
- 9                     fiscal agent and third party custodian, and
- 10          8.     Collateral verification and reconciliation.

11          F.     Delivery vs Payment

12           All trades, where applicable, will be executed by delivery versus payment. This ensures  
13 that securities are deposited in the eligible financial institution prior to the release of funds.  
14 Securities will be held by a third party custodian as evidenced by safekeeping receipts.

15          G.     Suitable and Authorized Investments

16           The following types of investments are authorized:

- 17           1.     U.S. Government obligations, U.S. Government agency obligations, and U.S.
- 18                     Government instrumentality obligations
- 19           2.     Repurchase agreements
- 20           3.     Certificates of deposit
- 21           4.     Investment grade obligations of state and local government and public
- 22                     authorities
- 23           5.     The New Mexico State Treasurer's Local Government Investment Pool
- 24           6.     Government money market mutual funds, and

25           The following types of investments are prohibited:

- 1 1. Derivative instruments, collateralized mortgage obligations or equity
- 2 securities
- 3 2. Investment purchases on margin or short sale
- 4 3. Any investment instrument not authorized by the Council Approved
- 5 Investment Policy.

6 H. Collateralization

7 Bank deposits, certificates of deposit and repurchase agreements shall be collateralized  
8 by securities of the United States and the state of New Mexico, including surety bonds as  
9 provided in NMSA 6-10-15 at 102% of market value of the City's deposited principal. If the  
10 depository presents a letter of credit for at least 50% of the deposited principle, then the level of  
11 collateralization may be at 100%.

12 I. Investment Parameters

- 13 1. Diversification. The City will diversify its use of investment instruments to  
14 avoid incurring unreasonable risks inherent in over-investing in specific  
15 instruments, individual financial institutions or maturities.
- 16 2. Maximum Maturities.
  - 17 a. To limit the city's exposure to the possibility of loss due to interest rate  
18 fluctuations, the City will not commit any funds, with the exception of  
19 trust and bond funds, to maturities longer than five years from the date of  
20 purchase.
  - 21 b. On investments made as legal reserves for bonded indebtedness, the  
22 maturity date will not exceed the final maturity date of the bond issue to  
23 which they are pledged.
  - 24 c. Because of inherent difficulties in accurately forecasting cash flow  
25 requirements, a portion of the portfolio should be continuously invested

1 in readily available funds such as bank accounts, overnight repurchase  
2 agreements, the New Mexico Local Government Investment Pool, or  
3 money market mutual funds to ensure that appropriate liquidity is  
4 maintained to meet ongoing obligations.

5 J. Reporting

- 6 1. Methods. The Cash Management and Investment Officer shall prepare for  
7 the Governing Body and City Administration an investment report, at least  
8 quarterly.
- 9 2. Performance Standards. The investment portfolio should obtain a market  
10 average rate of return during a market/economic environment of stable  
11 interest rates. The portfolio will be managed such that no risk exists of  
12 having to sell securities at a loss to meet liquidity needs.
- 13 3. Marking to Market. The portfolio will be marked to market as of June 30  
14 each fiscal year. Changes in the financial market will be monitored and mark  
15 to market reports may be issued more often than annually as appropriate.

16 **Transfers from Enterprise Funds**

17 Net Revenue is the balance of recurring revenue after deducting costs for operations and  
18 maintenance, including fair market value for the use of the City's extensive rights-of-way, and  
19 debt service. Net revenue generated by the City's enterprise funds shall be used for (a) capital  
20 investment, (b) repair and replacement, (c) debt management, (d) revenue stabilization, and (d)  
21 working capital within that fund and not be relied on to balance other funds. Only the revenue  
22 that remains after these needs are satisfied and the working capital reserve is built up to a level  
23 equivalent to 12% of annual expenditures shall be deemed excess revenue.

24 After meeting the affected enterprise's needs enumerated above, excess revenue may be  
25 transferred to an Environmental Stabilization Fund to protect the natural environment for the

1 benefit of future generations of Santa Feans.

2  
3 PASSED, APPROVED AND ADOPTED this \_\_\_\_ day of \_\_\_\_\_, 2015.

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5 \_\_\_\_\_  
6 JAVIER M. GONZALES, MAYOR

7 ATTEST:

8  
9 \_\_\_\_\_  
10 YOLANDA Y. VIGIL, CITY CLERK

11 APPROVED AS TO FORM:

12   
13 \_\_\_\_\_  
14 KELLEY A. BRENNAN, CITY ATTORNEY

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25 *M/Legislation/Resolutions 2015/Financial Policies*