

City of Santa Fe's Financial Condition Current State and Improvement Plan

Budget Process Kick-off

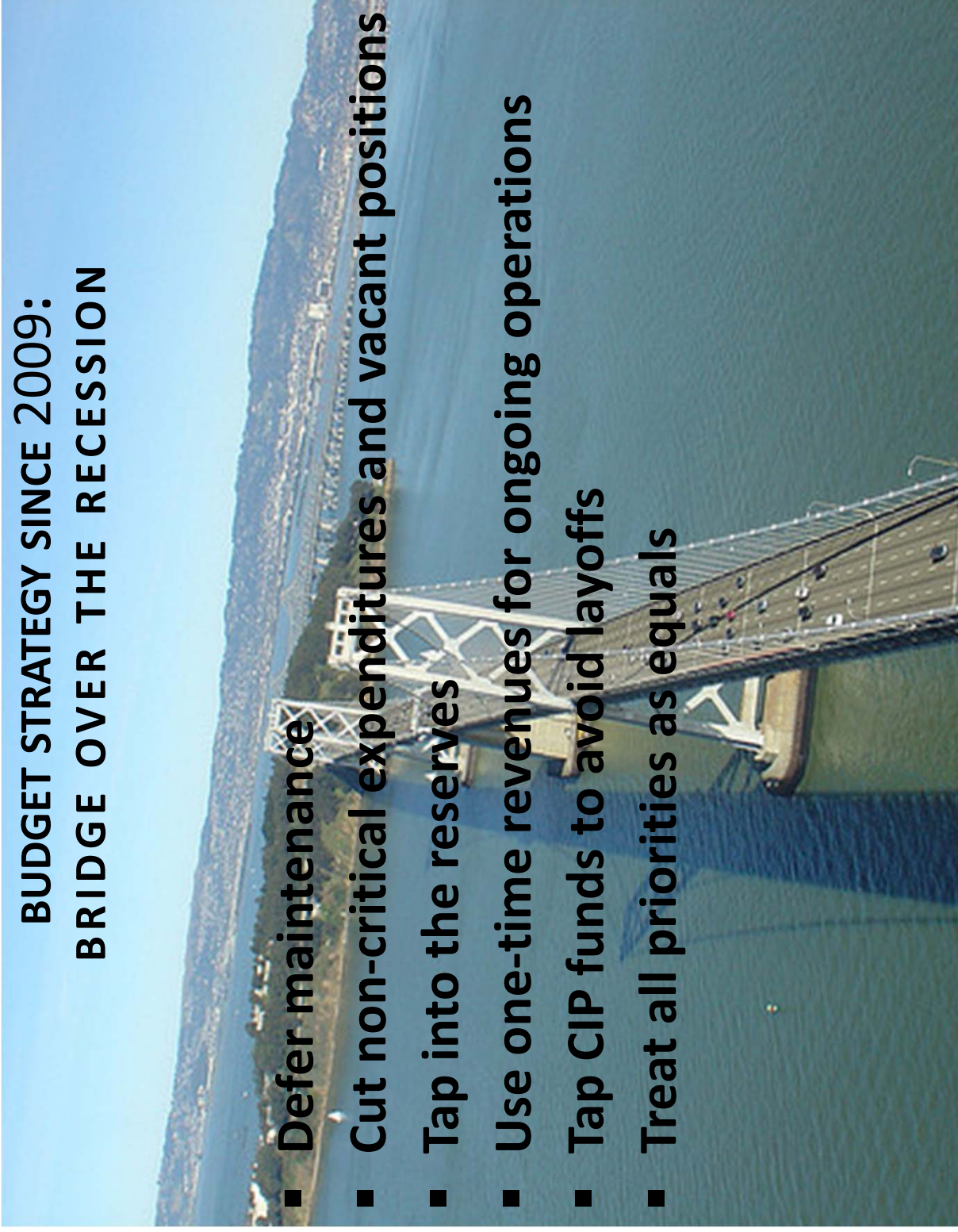
Presented to City Council

January 28, 2015

FY 2015-2016: Context

BUDGET STRATEGY SINCE 2009: BRIDGE OVER THE RECESSION

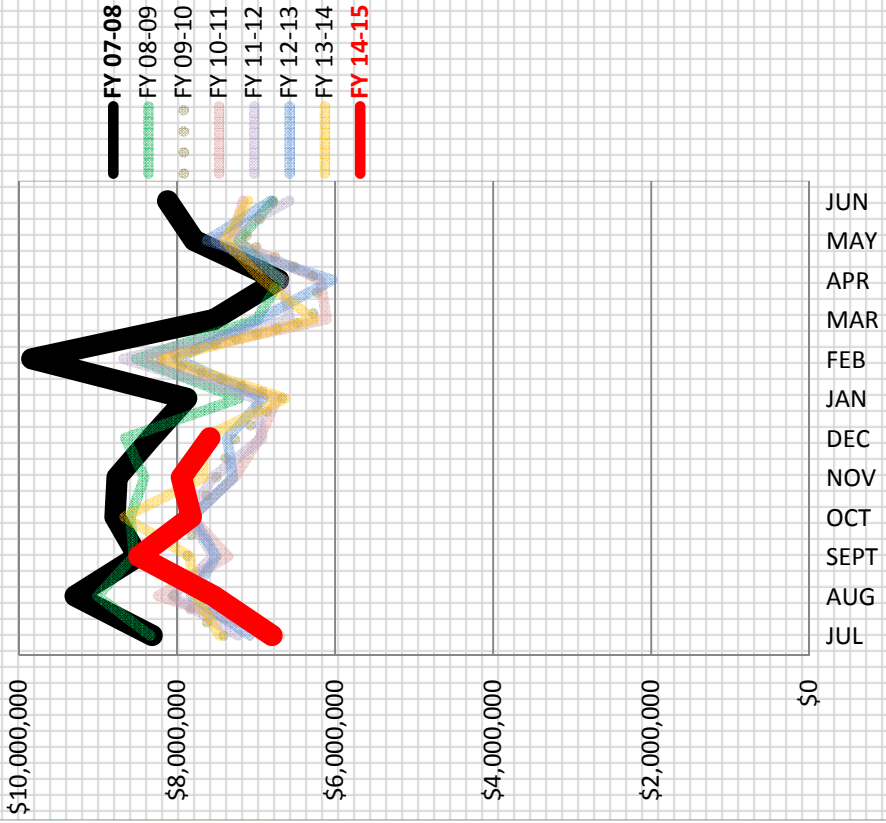
- **Defer maintenance**
- **Cut non-critical expenditures and vacant positions**
- **Tap into the reserves**
- **Use one-time revenues for ongoing operations**
- **Tap CIP funds to avoid layoffs**
- **Treat all priorities as equals**



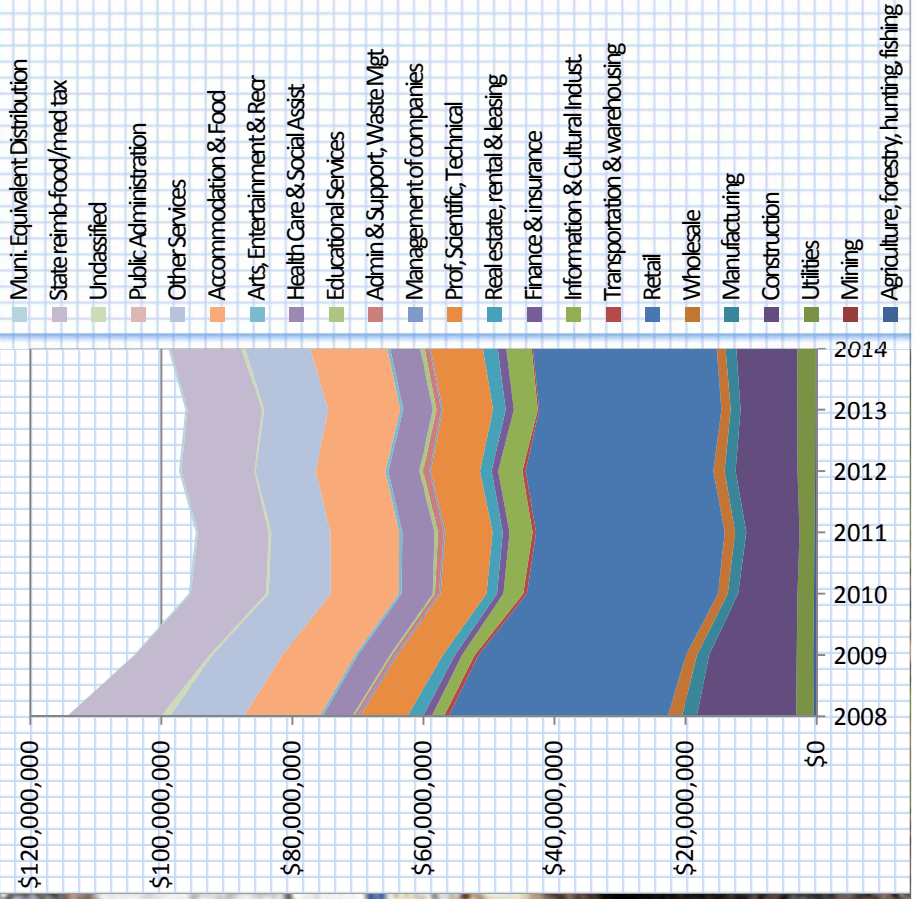
FY 2015-2016: Context

POST RECESSION, A NEW ECONOMIC REALITY

Re-structured GRT Base: \$10 million effective drop



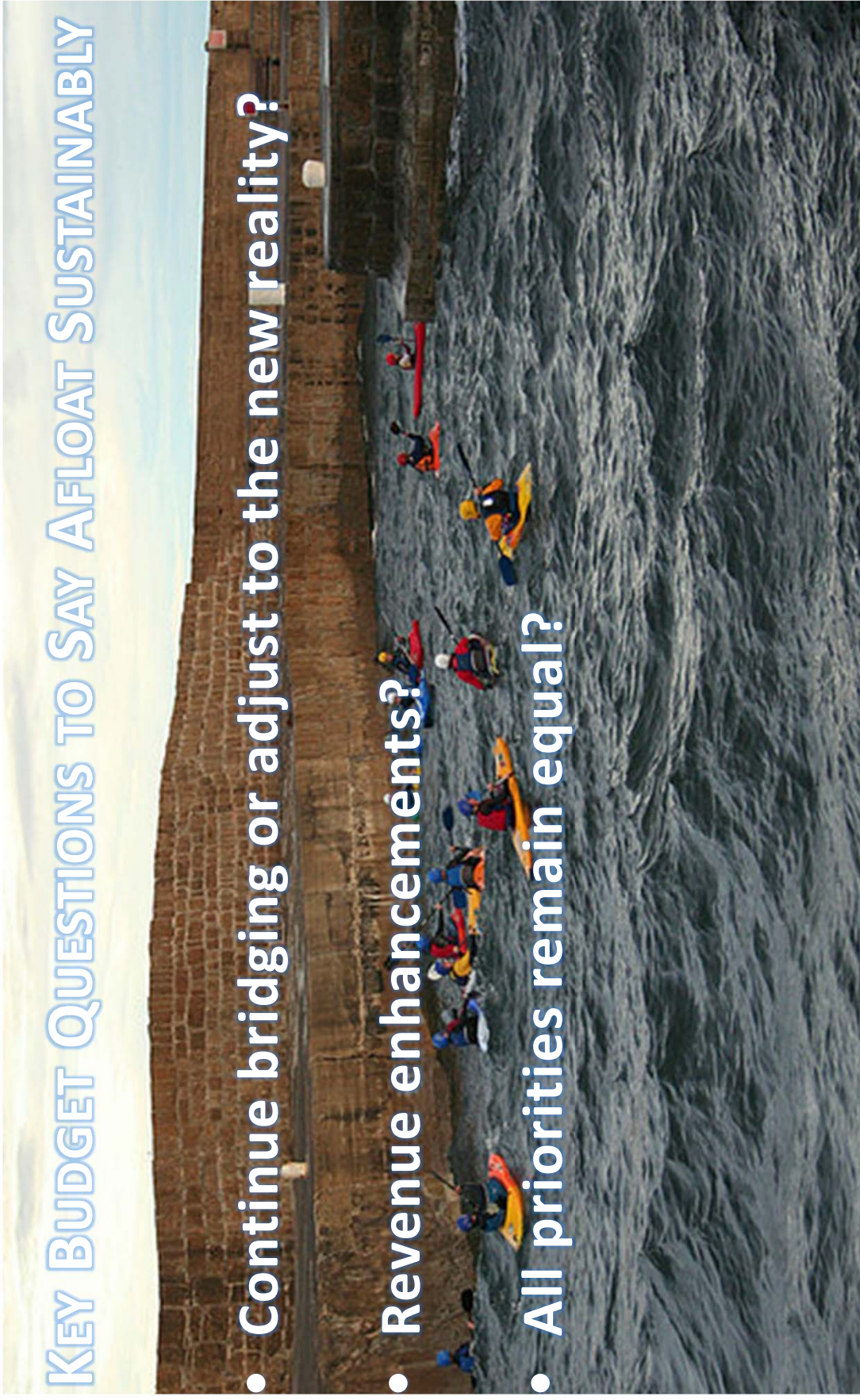
Slow Diversification: 2008-2014 GRT by Sector



FY 2015-2016: Context

KEY BUDGET QUESTIONS TO SAY AFLOAT SUSTAINABLY

- **Continue bridging or adjust to the new reality?**
- **Revenue enhancements?**
- **All priorities remain equal?**



City's Financial Condition: Net position

| | General Government | | Business-type Activities | |
|---------------------|--------------------|--------------------|--------------------------|--------------------|
| | <u>2013</u> | <u>2014</u> | <u>2013</u> | <u>2014</u> |
| Assets | | | | |
| Current | 94,386,396 | 93,603,034 | 159,507,652 | 152,635,615 |
| Capital | <u>316,157,853</u> | <u>314,363,276</u> | <u>463,757,854</u> | <u>456,716,131</u> |
| Total Assets | 410,544,249 | 407,966,310 | 623,265,506 | 609,351,746 |
| Liabilities | | | | |
| Long-term | 134,156,197 | 135,646,763 | 248,730,378 | 237,784,817 |
| All Other | 18,501,913 | 20,546,696 | 8,165,199 | 6,656,960 |
| Total Liabilities | <u>152,658,110</u> | <u>156,193,459</u> | <u>256,895,577</u> | <u>244,441,777</u> |
| Net Position | 257,886,139 | 251,772,851 | 366,369,929 | 364,909,969 |

Strengths

- Strong current net position
- Strong overall liquidity

Weaknesses

- Decreasing net position
- Decreasing liquidity

City's Financial Condition: General Fund¹

| | <u>2011-12</u> ³ | <u>2012-13</u> ³ | <u>2013-14</u> ³ | <u>2014-15</u> |
|---|-----------------------------|-----------------------------|-----------------------------|--------------------|
| Cash | 10,845,524 | 7,634,215 | 8,292,215 | 9,305,512 |
| Total Fund Balance | 17,760,413 | 14,595,527 | 15,769,852 | 13,690,885 |
| Available Balance for Appropriations after meeting State-mandated ¹ / ₁₂ reserve ² | | | | 81,278 |
| Fund Balance Change | 1,735,754 | (3,164,886) | 1,174,325 | (2,135,907) |
| Cash as % of Total Revenues | 16.3% | 11.5% | 12.5% | 8.1% |
| Days of Expenditure Reserve | 63 | 41 | 47 | 35 |

¹Not corrected for inflation

²Excludes restricted, already assigned funds

³From Prior Year CAFR's

City's Credit Profile

Current Ratings

| | Gross Receipts | General |
|-----------------|----------------------------|------------------------|
| Fitch | AAA AA ⁺ AA | AAA AA ⁺ AA |
| S&P* | AAA AA ⁺ AA AA- | AAA AA ⁺ AA |

**Per First Southwest's application of S&P's criteria and methodology for GO ratings, the City scores 1.85 within a range of 1.94 - 1.65 for AA+ credits.*





Strengths

- Stable economy as the seat of State Government
- GRT and property tax flexibility

Weaknesses

- Declining General Fund balance trend
- Continued heavy dependence (75%) on GRT
- Continuing weak economic outlook

City's Financial Profile: Critical Ratios*

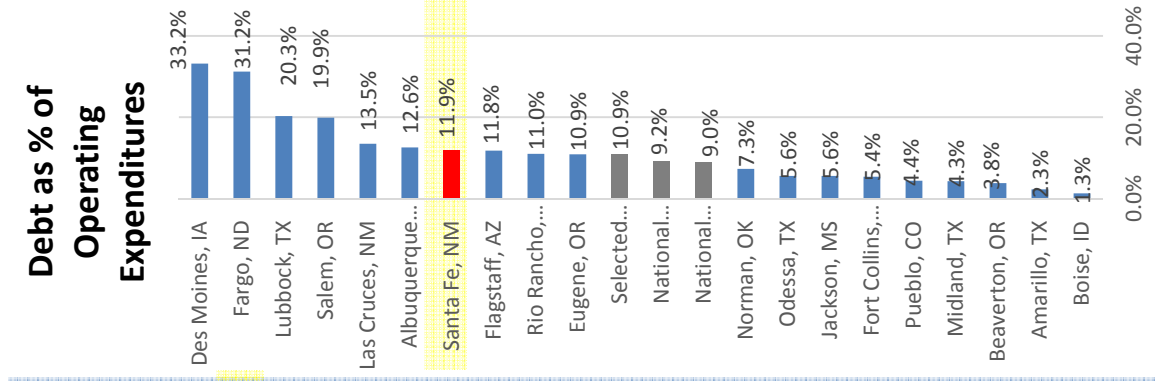
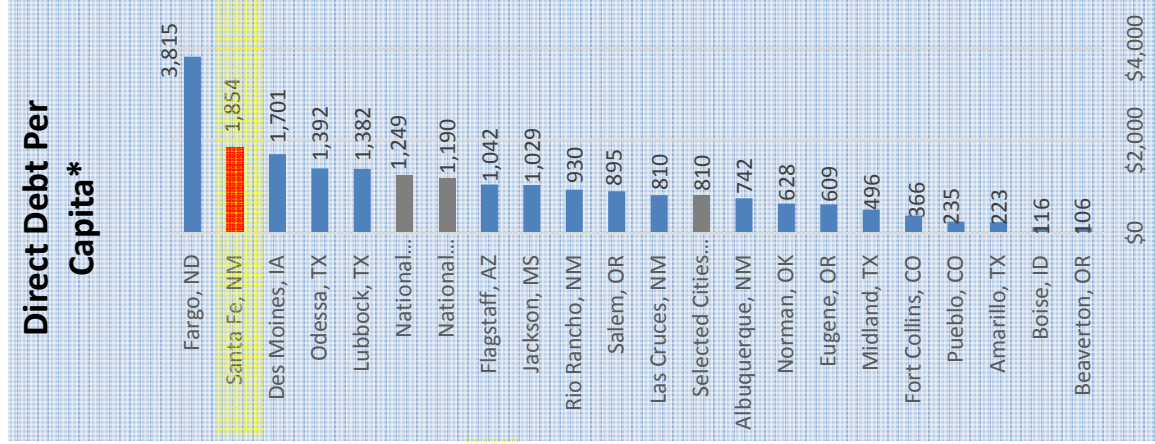
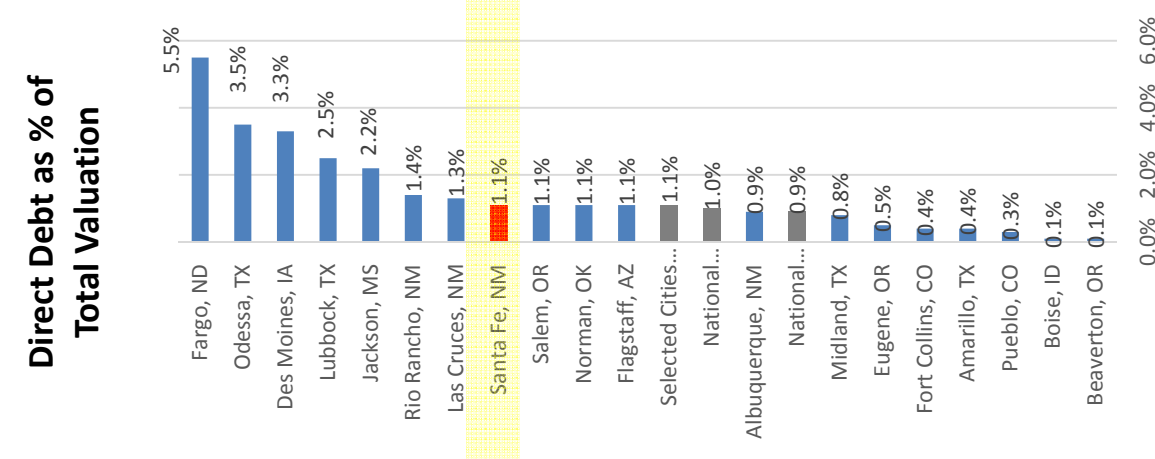
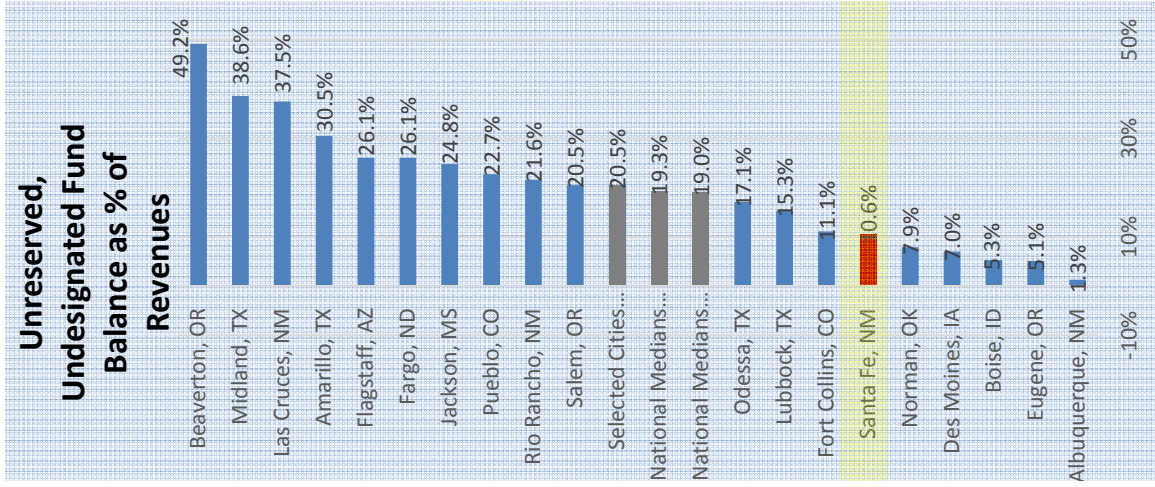
| | National Medians Aa1 | National Medians Aa2*** | Selected Cities** Medians | Santa Fe | |
|---|----------------------|-------------------------|---------------------------|----------|---|
| Cash as % of Revenues | 19.3% | 19.0% | 20.5% | 11.3% |  |
| Direct Debt % of Valuation | 0.9% | 1.0% | 1.1% | 1.1% |  |
| Direct Debt per Capita | \$1,249 | \$1,190 | \$810 | \$1,521 |  |
| Debt Service as % of Operating Expenditures | 9.0% | 9.2% | 10.9% | 12.7% |  |

* Moody's Municipal Financial Ratio Analysis

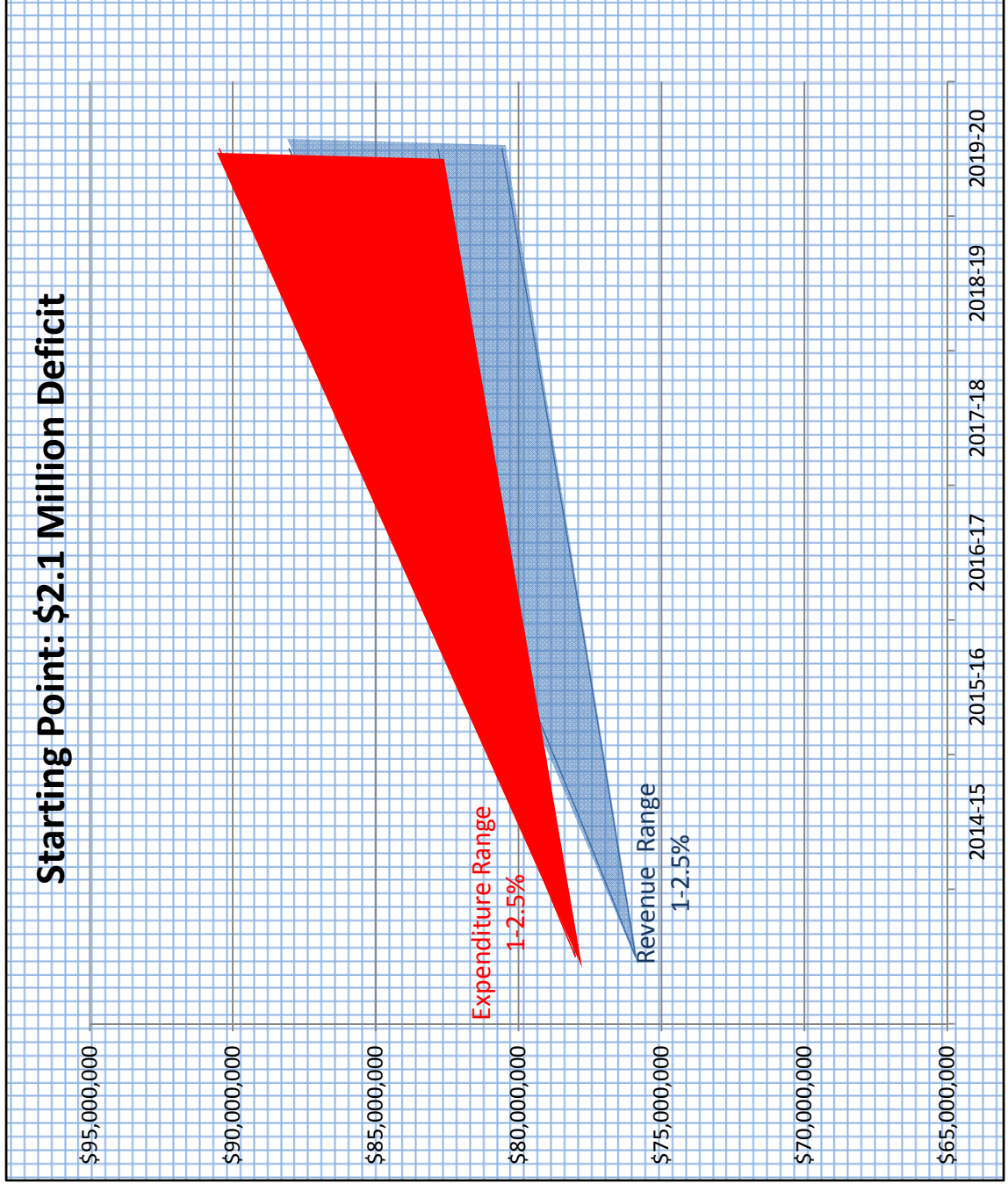
** Cities of comparable population that offer similar services

*** Santa Fe's approximate Moody's rating

Santa Fe vs. Comparable Cities*



Budget Forecast: Short-Term



Budget Development Guidelines Plan

| BALANCED APPROACH | | |
|--|------------|----------------|
| Reserves | Operations | Sustainability |
| <p align="center">Budget Assumptions</p> <ul style="list-style-type: none"> ▪ General Fund ending balance at 45 days (12%) in 5 years <ul style="list-style-type: none"> ▪ Revenue assumed to grow at 1.5% ▪ Cash at 20% of revenues in 5 years <ul style="list-style-type: none"> ▪ Inflation assumed to grow at 1.5% ▪ Infrastructure and/or critical mission services with widest demand-delivery gap are the highest priority | | |
| <p align="center">Financial Management Guidelines</p> <ul style="list-style-type: none"> ▪ Debt service limits within 5 years: <ul style="list-style-type: none"> • 10% of total operating budget • \$1,200 per capita • 1% of total property value ▪ Annual capital investment greater than total capital depreciation <ul style="list-style-type: none"> ▪ Cost of operations should be competitive with that of comparable cities ▪ Current expenditures should be covered with current revenues ▪ Diversification of revenue streams and local economic base is top priority ▪ Business-type activities to become self-sustaining within 5 years | | |