



CITY OF SANTA FE

Memorandum

Date: July 24, 2024

To: Governing Body, Finance Committee, and Public Works and Utilities Committee

From: Emily K. Oster, Finance Director ^{EKO}
Regina Wheeler, Public Works Director RW
RW

RE: General Obligation Bond Election Resolution

EXECUTIVE SUMMARY:

The proposed resolution requests the following ballot question be submitted to the City of Santa Fe (“City”) voters during the November 5, 2024, general election:

Shall the City of Santa Fe issue up to \$25,000,000 in general obligation bonds, to be repaid from property taxes, to construct, design, equip and improve roads and streets within the city?

For General Obligation Roads and Streets Bonds

Against General Obligation Roads and Streets Bonds

Pursuant to NMSA 1978, Section 3-30-6, before general obligation bonds are issued, the City “shall submit a vote of the qualified electors of the municipality the question of issuing the bonds”. Furthermore, pursuant to NMSA 1978, Section 1-16-3, the City is required to “file a resolution proposing the ballot question” with the County Clerk, not less than seventy (70) days before the election at which the ballot question is proposed to be submitted to voters, which in this case would be no later than August 26, 2024.

Improvements to roads will include removing old pavement, laying new pavement, new roadway markings and ADA curb ramp improvements throughout the city. Approximately fifty segments of roadway have been identified to be improved with this bond funding. Roadway segments are identified and prioritized for new pavement using the activities, considerations, and criteria listed below.

1. City Councilors identify priority projects in their districts; constituents make requests via email and work orders, providing key input for roadways that need pavement rehabilitation and replacement.

2. The Streets Maintenance team inspects and maintains a list of locations where pavement has degraded to a point where repairing potholes and cracks doesn't work because the pavement crumbles around it.
3. A Complete Streets Project Administrator inspects and records the condition of pavement on roadways where rehabilitation needs to be performed to keep thousands of drivers safe each day.
4. Roadways with high traffic volumes and emergency response routes are prioritized.
5. Roads funds are invested equitably in all four districts.
6. Ten percent (10%) of the funds in each district will be dedicated to pavement investments on residential roads.

The timeline for improvements will be that 85% of the work will be completed within three years.

The proposed resolution, which authorizes putting the bond question on the 2024 General Election ballot, does not have a fiscal impact. If the bonds are approved by voters in the 2024 General Election, property taxes for real property located within the City of Santa Fe will increase by a marginal amount. The estimated increase is \$25 per year for 20 years for a home with a market value of \$500,000. The money generated from property taxes will be used to pay the debt service for the bonds.

Finance staff recommends issuing general obligation bonds, rather than GRT-backed revenue bonds, for several reasons. First, the City has not issued general obligation bonds since 2019 and there is currently over \$200 million in additional legal debt capacity available. Since 2019, property values in the City have increased substantially. The historical assessed valuation of all taxable real property in the City has increased from \$4.3 billion in tax year 2019 to over \$5.5 billion in tax year 2023.

The available debt capacity and the increases in assessed valuation mean that the City can issue up to \$25 million in general obligation bonds with only a marginal impact on property taxes. If the City does not issue new general obligation bonds, property taxes will likely decrease in the next several years because the mill rate will generate more revenue than is needed to pay debt service payments on the existing general obligation debt.

The second reason for issuing general obligation bonds rather than GRT bonds is that general obligation bonds are repaid with dedicated property tax revenues, while GRT-backed revenue bonds are repaid from future GRT collections. Issuing additional GRT-backed revenue bonds would require the City to budget recurring GRT revenues for future debt service payments (principal and interest). Recurring GRT revenues are a limited and precious resource. The City has enjoyed growth in recurring GRT revenues in recent years; however, in FY24, GRT collections began to level off. Recurring GRT revenue collection in FY25 is expected to be approximately the level of actual collections in FY23.

Future planned initiatives such as the continued implementation of the hybrid parity component of the City's compensation and classification plan will require utilization of all available recurring revenues. Issuing new GRT-backed revenue bonds would necessitate future recurring revenues to be allocated to debt service, rather than being available for use on other initiatives such as the

continued implementation of “hybrid parity,” an important component of implementing recommendations from the recent class and compensation study.

ATTACHMENTS:

Resolution

FIR

Memo Attachment - General Obligation Bond Rehabilitation Project List

Memo Attachment – Re. Election Proclamation Resolution