

City of Santa Fe Debt Overview, Part 1: GO Bonds, GRT Bonds, Enterprise Bonds



March 2021

Finance Committee- Debt Overview Presentations

March 1, 2021-

Debt Overview, Part 1: GO Bonds, GRT Bonds, Enterprise Bonds

March 22, 2021-

Debt Overview, Part 2: Industrial Revenue Bonds (IRB), Local Economic Development Act (LEDA), Public Improvement District (PID), Special Assessment Districts (SAD), Tax Increment Development Districts (TIDD), Gross Receipts Investment Poli

Debt Overview, Part 1: GO Bonds, GR Bonds, Enterprise Bonds

- Introductions
- GRT Bond Overview
- GO Bond Overview
- Enterprise and Other Bond Overview
- City of Santa Fe Debt Policy (attached)

Introductions: Bond Team

- Bond Counsel: Peter Franklin, Modrall Sperling
- Municipal Advisor: George Williford, Hilltop Securities
- Under-writer: Selected as need

City of Santa Fe

Debt Overview: Gross Receipts Tax Bonds

Gross Receipts Tax (GRT) Bonds

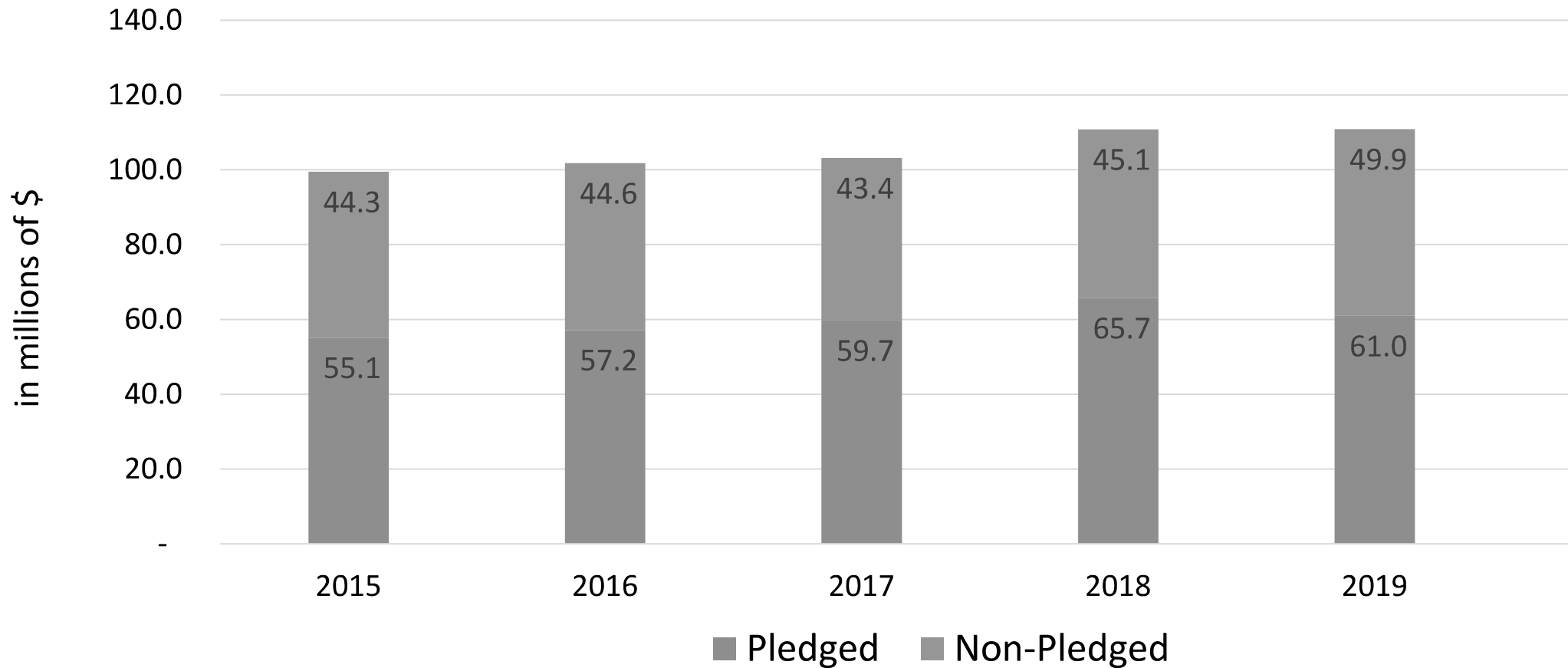
- CoSF to issue GRT backed bond in FY22
- Match issuance to the City's capacity to manage projects: design, planning, implementation
- Used to address backlog of repair, maintenance of existing facilities and infrastructure and provide capital for new investment to improve sustainable energy efficiency
- Maintain a comfortable level of debt service
- GRT Bond holders (the City's creditors) have a priority claim on Pledged Revenues for the repayment of the interest and principle of the bonds they issue. They have no claim against any other City of Santa Fe revenue stream or asset.
- Senior Lien- First claim on Pledged Revenues.
- Subordinate Lien- Secondary Claim to Senior Lien bonds on Pledge Revenues.

Pledged GRT Revenues

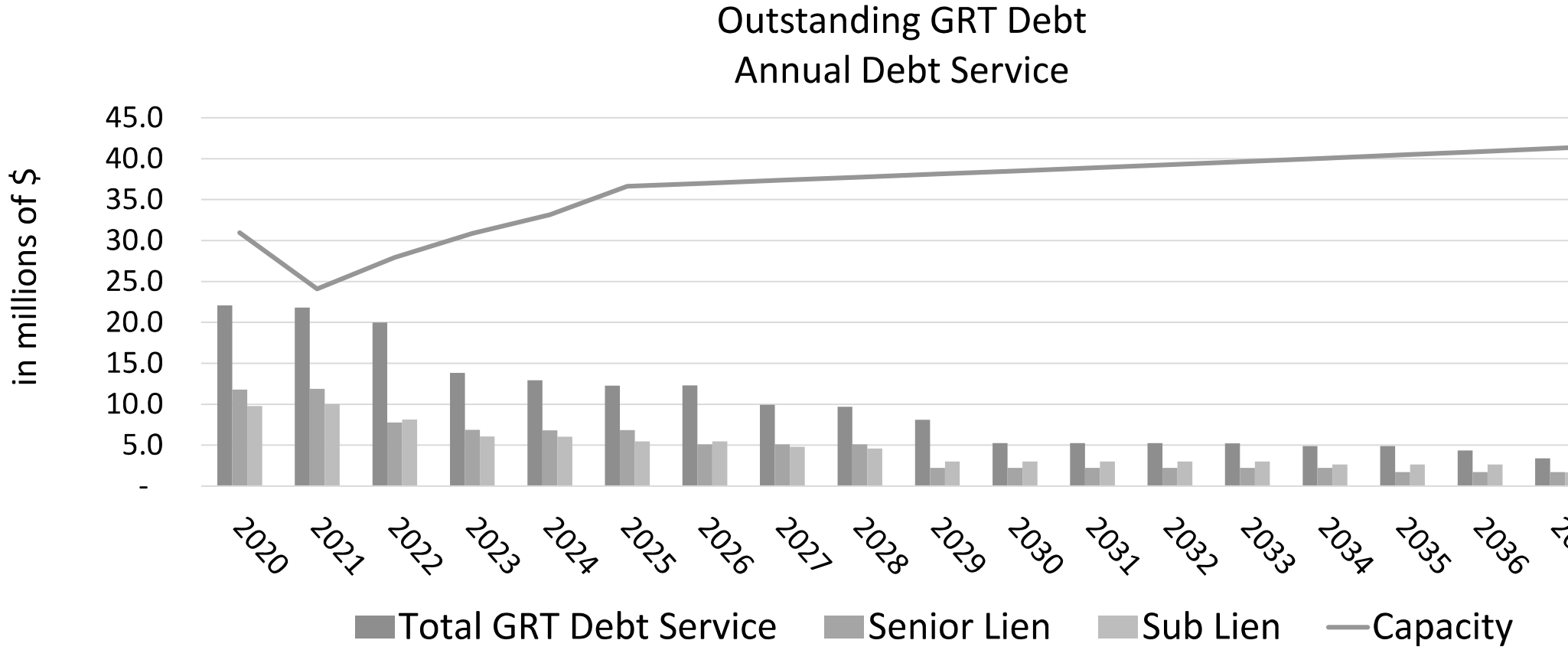
- There are a number of GRT increments, but not all increments are pledged revenues.
- These three increments make up the CoSF pledged Revenues FY 2020:

1/2 percent Municipal GRT	\$19,192,912
1/16 percent Municipal Infrastructure GRT	\$ 2,306,713
State shared GRT	<u>\$43,857,758</u>
Total	\$65,357,382
- Senior lien bondholders have first claim, subordinate lien bondholders have the second claim on these and only these revenues.

Pledge GRT Revenues, Non Pledged Revenues Comparison



Annual Debt Service, GRT



Current Outstanding GRT Bonds

- Senior Lien
 - 2018 GRT Improvement Revenue Bond, \$20M
 - 2016 A Refunding Environmental Services, \$6.7M
 - 2016 B Refunding, 70% CIP, 30% Convention Center, \$21.9M
 - 2014 GRT Improvement Revenue Bond, \$15.46M
 - 2012 A GRT Improvement and Refunding Revenue Bond, \$32.725M
- Subordinate Lien
 - 2019 Mid-Town Refunding Bond, \$23.705M
 - 2019 Parking Improvement Bond, \$1.575M
 - 2018 Gas Tax, \$10.29M
 - 2017 Market Station Refunding, \$4.56M
 - 2016 C Refunding MRC and Wastewater, \$9.48M
 - 2016 D Refunding Land Acquisition, \$2.02
 - 2013 B Railyard Parking Refunding, \$13.78M
 - 2012 B Wastewater System Refunding, \$14.28
 - 2010 B Railyard Infrastructure Refunding, \$10.49

Historic Use of GRT Debt Capacity

- Senior Lien GRT has historically been used to address the City's Capital Improvement Plan.
- Subordinate Lien GRT has historically been used to enhance credit of some significant cash flows such as the gas tax, or lodgers tax, or investments such as the Railyard and College of Santa Fe.
- The Governing Body has full discretion to use GRT bond proceeds for any purpose allowed by law, which would include the Revenue Bond statutes 3-31-1 through -12 NMSA 1978, as well as the City's home rule powers;
 - That does not include purposes prohibited by statute. For example, the Governing Body would not have discretion to use proceeds for operating costs or other non-capital purposes.
 - Nor would there be discretion to use proceeds in violation of the anti-donation ordinance.
 - Lastly, the Governing Body does not have authority to use proceeds in a manner inconsistent with the bond ordinance authorizing issuance of the bonds, although it may amend the bond ordinance to use proceeds for some other legal purpose outside the purpose(s) authorized by the bond ordinance as to what GRT bond proceeds can be used for.

City of Santa Fe

Debt Overview: General Obligation Bonds

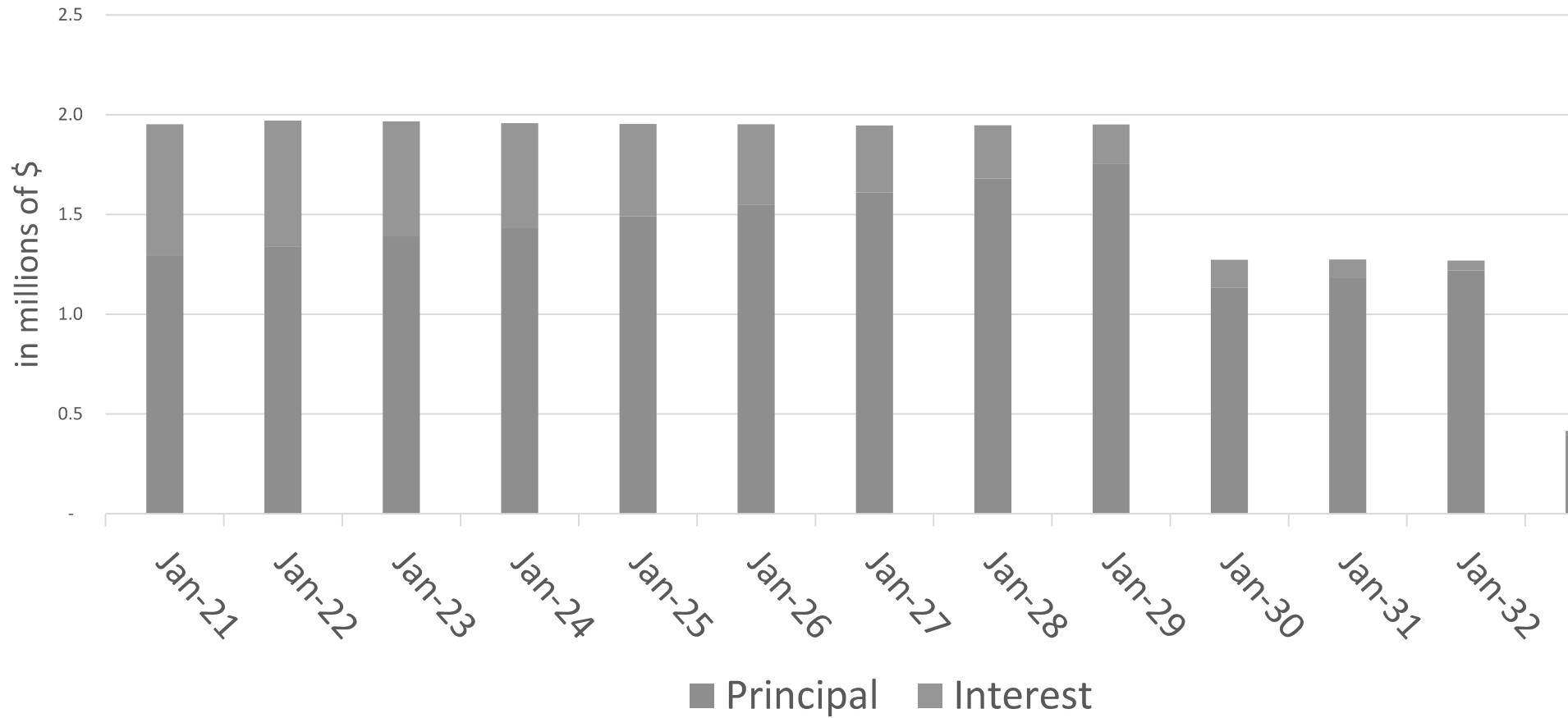
General Obligation (GO) Bonds

- Full faith and credit of the City:
General Obligation debt holders have recourse to the City's ad valorem tax authority, without limitation as to rate or amount, meaning that the issuer is obligated to increase property taxes in order to pay the debt if necessary.
- GO Bond must be approved by City of Santa Fe Voters
- GO Bond repaid with Property Tax
- Residential and Commercial pay different rates
- NM Department of Finance and Administration (DFA) sets the debt service rate sufficient to pay annual debt service annually.
- GO bond borrowing capacity is set by Statute: four percent of the most recently assessed value.
- Assessed value for the City for tax year 2020 was \$4.5 billion and the debt is \$180.7 million. Currently \$16.59 million is outstanding, leaving \$164.11 million in additional debt capacity.

Current Outstanding GO Bond

- 2013 GO Bond
 - \$8,375,000 Outstanding
 - Paid off 8/1/2032
- 2014 GO Bond
 - \$4,515,000 Outstanding
 - Paid off 8/1/2034
- 2019 Refunding 2010 GO Bond
 - \$4,995,000 Outstanding
 - Paid off 8/1/2029

Annual Debt Service, GO Bond



Scenario- Estimated Annual Debt Service for the City of
 3.50% Interest Rate given the size and term of a new
 GO Bond issue

	Par Issued in Millions of \$		
Term	<u>\$10 M</u>	<u>\$15 M</u>	<u>\$20 M</u>
20 Years	\$701,000	\$1,051,000	\$1,402,000
25 Years	\$605,000	\$907,000	\$1,210,000
30 Years	\$542,000	\$814,000	\$1,084,000

Scenario- Impact of a \$10 Million GO Bond on Property Taxes

		Estimated Property Tax Increase		
Property Value	Taxable Value	20 Year Maturity	25 Year Maturity	30 Year Maturity
\$200,000	\$66,667	\$10.34	\$8.93	
\$300,000	\$100,000	\$15.52	\$13.39	
\$400,000	\$133,333	\$20.69	\$17.85	
\$500,000	\$166,667	\$25.86	\$22.32	
\$600,000	\$200,000	\$31.03	\$26.78	
\$700,000	\$233,333	\$36.20	\$31.24	
\$800,000	\$266,667	\$41.37	\$35.71	
\$900,000	\$300,000	\$46.55	\$40.17	
\$1,000,000	\$333,333	\$51.72	\$44.63	

Scenario- Impact of a \$15 Million GO Bond on Property Taxes

		Estimated Property Tax Inc		
Property Value	Taxable Value	20 Year Maturity	25 Year Maturity	30 Year Maturity
\$200,000	\$66,667	\$15.51	\$13.38	
\$300,000	\$100,000	\$23.26	\$20.07	
\$400,000	\$133,333	\$31.02	\$26.77	
\$500,000	\$166,667	\$38.77	\$33.46	
\$600,000	\$200,000	\$46.52	\$40.15	
\$700,000	\$233,333	\$54.28	\$46.84	
\$800,000	\$266,667	\$62.03	\$53.53	
\$900,000	\$300,000	\$69.78	\$60.22	
\$1,000,000	\$333,333	\$77.54	\$66.92	

Scenario- Impact of a \$20 Million GO Bond on Property Taxes

		Estimated Property Tax Increase		
Property Value	Taxable Value	20 Year Maturity	25 Year Maturity	30 Year Maturity
\$200,000	\$66,667	\$20.69	\$17.85	
\$300,000	\$100,000	\$31.03	\$26.78	
\$400,000	\$133,333	\$41.37	\$35.71	
\$500,000	\$166,667	\$51.72	\$44.63	
\$600,000	\$200,000	\$62.06	\$53.56	
\$700,000	\$233,333	\$72.40	\$62.49	
\$800,000	\$266,667	\$82.75	\$71.42	
\$900,000	\$300,000	\$93.09	\$80.34	
\$1,000,000	\$333,333	\$103.43	\$89.27	

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Debt Overview: Enterprise and Other Bonds

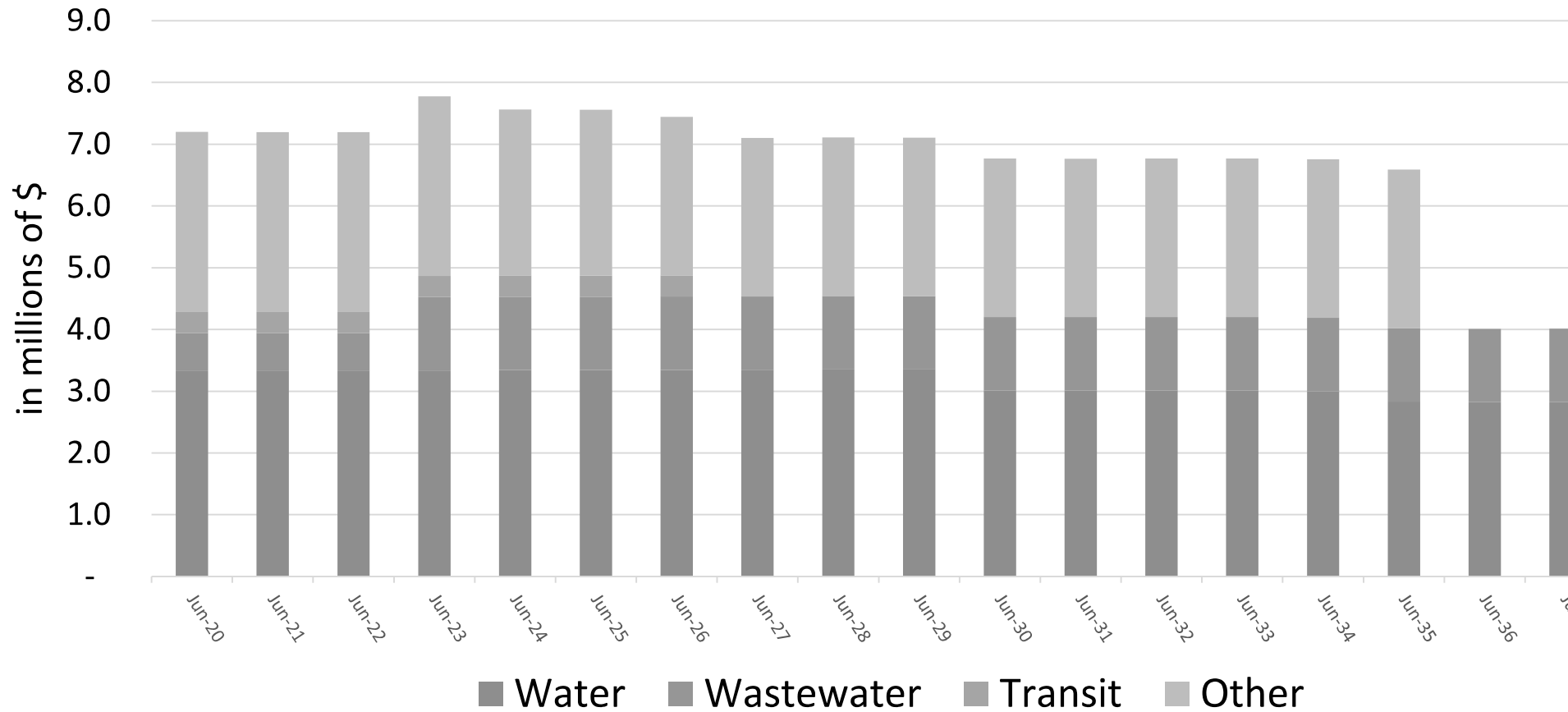
Enterprise Debt

- Water
 - 2016 Water Refunding Revenue Bond, \$36.665M, June 1, 2039
 - 2008 DWRLF #2, Buckman Diversion Project, \$15.15M, June 1, 2034
 - 2013 DWRLF #4, Buckman Solar Panels, \$2.45M, June 1, 2034
- Wastewater
 - 2019 Net Wastewater Revenue Green Bond, \$13.55M, June 1, 2026
- Transit
 - 2014 NMFA Fleet Loan, \$3.5M, June 1, 2026 (Transit pledged but not in Pledge Revenues)

Other Debt

- 2015 Convention Center Refunding Bond, \$33.79M, June 1, 2035, Lodgers Tax pays the debt service
- 2016 Fire Equipment, NMFA intercept of State Fire Marshal Funds
- 2017 Environmental Services Equipment, \$1.3M, May 1, 2017

Enterprise and Other Debt



Debt Overview Part 1 Recap:

- **Gross Receipts Tax Bonds**
 - Approved by Governing Body
 - City pledges a portion of GRT revenues as collateral
- **General Obligation Bonds**
 - Full faith and credit of the City
 - Must be approved by voters
 - Repaid with Property Tax
- **Enterprise Revenue Bonds**
 - Water and Wastewater are stand alone credits that can issue on their own revenues. Enterprise bonds are used for their infrastructure equipment.

Definitions

- Pledged Revenues

The funds obligated for the payment of debt service and the making of other deposits required by the bond ordinance.

- Senior Lien

Bonds having the priority claim against pledged revenues superior to the claim against such pledged revenues or security of other GRT obligations

- Subordinate Lien

Bonds that have a claim against pledged revenues or other security subordinate to the claim against such pledged revenue or security of other obligations, also known as “subordinate lien bonds”

- Bond Test

The financial test, sometimes referred to as a “parity test,” that must be satisfied under the terms of a contract securing outstanding revenue bonds or other types of bonds as a condition to issuing additional bonds. Typically, the test would require that historical revenues (plus, in some cases, future estimated revenues) exceed projected debt service requirements for both the outstanding issue and the proposed issue by a certain ratio.