

FISCAL IMPACT REPORT

General Information:

(Check) **Bill:** X **Resolution:** _____

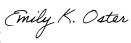
Short Title(s): Clarifying the Structure of a Loan Agreement with New Mexico Environment Department

Sponsor(s): Councilor Amanda Chavez, Councilor Carol Romero-Wirth, Councilor Michael Garcia

Reviewing Department(s): Public Utilities Department, Finance Department

Staff Completing FIR: Emily K. Oster **Date:** 11/8/2024 **Phone:** 505-699-2018

Reviewed by City Attorney:  _____ **Date:** Feb 21, 2025

Reviewed by Finance Director:  _____ **Date:** Feb 21, 2025

Summary:

The bill amends Ordinance 2024-6 which authorized the City of Santa Fe’s (“City”) Public Utilities Department to enter into a loan agreement with the New Mexico Environment Department (“NMED”) to accept funding in the form of a one hundred and fifty-one million dollars (\$151,000,000) loan through the Clean Water State Revolving Fund (“CWSRF”). The loan proceeds will provide important funding that will be used for high priority water, wastewater, and environmental service infrastructure projects for the purpose of facilitating major repairs to aging infrastructure. Some of these projects involve upgrades to meet Environmental Protection Agency (“EPA”) standards. The proposed amendment to the ordinance clarifies the structure of the debt. The purpose of the amendment is to authorize, in place of the single combined \$151,000,000 loan agreement, three separate loan agreements: (1) a Wastewater Utility System Loan Agreement in the principal amount of \$114,000,000, to be repaid from pledged Net Wastewater System revenue, (2) a Water Utility System Loan Agreement in the principal amount of \$17,000,000, to be repaid from pledged Net Water System revenue, and (3) an Environmental Services Division Loan Agreement in the principal amount of \$20,000,000, to be repaid from Net Environmental Services Division revenue. The three agreements will replace the single loan agreement for three separate utility systems with three separate revenue streams to be pledged for repayment of the loan amount, financing projects, as approved in the original ordinance. Each loan agreement will include the covenants and provisions applicable to the utility system being improved with the proceeds of that loan, which the City agreed to impose in connection with its outstanding Wastewater Utility System revenue bonds, Water Utility System revenue bonds, and Solid Waste Utility System debt obligations. The 0.01 interest rate and all other material terms of the combined \$151,000,000 loan offered by NMED will apply to each separate loan.

Departments Affected:

Public Utilities Department, Finance Department

Consequences of Not Enacting Legislation:

If this legislation is not adopted, the City’s NMED’s CWSRF financing will not be structured in the most advantageous way for the City. Without this amendment, the entire amount of one hundred and fifty-one million dollar (\$151,000,000) loan could be attributed to each of the three utility systems. This lack of specificity could affect utility revenue bond ratings and the capacity of each system to take on new debt in the future.

Conflict, Duplication, Companionship, or Relationship to Other Legislation:

This proposed legislation is an amendment to Ordinance 2024-6. As required by NMAC Rule 20.7.6.15, a related Resolution, Resolution 2024-30 designated signatories on the loan agreement and promissory note for certain water, wastewater and environmental services projects.

Performance and Administrative Implications:

As required by NMAC Rule 20.7.6.15, loan agreements and promissory notes must be finalized and signed after this Ordinance is adopted and finalized.

Fiscal Implications:

The CWSRF loan is a unique opportunity to borrow funding that is necessary to update aging infrastructure at a very low interest rate. The 0.01% interest rate, and all other material terms of the combined \$151,000,000 loan offered by NMED will apply to each separate loan for Wastewater, Water and Environmental Services. Loan principal repayment will begin after completed projects are put in service. For the Wastewater system, principal payments of \$100,000 per year are expected to begin in FY28, with principal increasing to approximately \$4M dollars per year in FY30. For the Water system, principal payments of approximately \$566,000 per year are expected to begin in FY28. For the Environmental Services system, principal payments of approximately \$666,000 per year are expected to begin in FY28. Loan principal and interest are expected to be repaid from the Water Management Fund cash balance, Wastewater Management Fund cash balance, and Environmental Services Fund cash balance, respectively.

Fiscal Impact

 x Check here if no fiscal impact

Expenditures

Expenditure Type	FYE 25	FYE 26	FYE 27	Require BAR (Y/N)	Recurring (R) or Non-recurring (NR)	Fund	3-Year Total Cost
<u>Personnel and Benefits</u>	\$ _____	\$ _____	\$ _____	_____	_____	_____	
<u>Operating- Interest Expense</u>	\$ _____	\$ _____	\$ _____	_____	_____	_____	\$ _____
<u>Operating- Interest Expense</u>	\$ _____	\$ _____	\$ _____	_____	_____	_____	\$ _____
<u>Operating- Interest Expense</u>	\$ _____	\$ _____	\$ _____	_____	_____	_____	\$ _____
<u>Operating</u>	\$ _____	\$ _____	\$ _____	_____	_____	_____	\$ _____
<u>Total:</u>	\$ _____	\$ _____	\$ _____				\$ _____

Expenditure Narrative:**Revenue**

Revenue Type	FYE 25	FYE 26	FYE 27	Recurring (R) or Non-recurring (NR)	Fund
General Fund	\$ _____	\$ _____	\$ _____	_____	_____
Special Revenue	\$ _____	\$ _____	\$ _____	_____	_____
CIP	\$ _____	\$ _____	\$ _____	_____	_____
Enterprise- Loan proceeds	\$ _____	\$ _____	\$ _____	_____	_____
Enterprise- Loan proceeds	\$ _____	\$ _____	\$ _____	_____	_____
Enterprise- Loan proceeds	\$ _____	\$ _____	\$ _____	_____	_____
Internal Service	\$ _____	\$ _____	\$ _____	_____	_____
Trust and Agency	\$ _____	\$ _____	\$ _____	_____	_____
Federal	\$ _____	\$ _____	\$ _____	_____	_____
Other	\$ _____	\$ _____	\$ _____	_____	_____
Total	\$ _____	\$ _____	\$ _____		

Revenue Narrative: