

**Budget Work Session
ICIP and Capital Bonding**



City of Las Cruces[®]

PEOPLE HELPING PEOPLE

TO: Robert Garza, P.E., City Manager

FROM: Loretta M. Reyes, P.E., Public Works Director 

DATE: April 4, 2014 **FILE:** PW-14-179

SUBJECT: April 14, 2014 City Council Work Session
Budget Work Session – ICIP and Capital Bonding

This upcoming fiscal year brings changes to the format for what has been known as the Infrastructure Capital Improvement Program. First, the name of the program has been shortened to “Capital Improvement Program” (CIP). Second, the CIP is now made up of the following two components:

- “Funded Capital Projects” (FCP)
- “Infrastructure Capital Improvement Plan” (ICIP)

The FCP is the list of projects that are funded for the upcoming fiscal year. If a project is not funded, it will not appear on this list. The ICIP shows projects, over the next five (5) fiscal years, which are not funded.

City staff is prepared to present the proposed CIP to the City Council for their consideration. The purpose of the presentation is to provide the City Council with information describing the CIP, FCP, and ICIP; how each of these components relate to each other; funding sources and status; and FY 2015 project highlights. The project highlights will showcase projects that provide significant, consistent, and improved service to our community. These projects will be presented as follows:

- Streets and Flood Control Projects – Loretta M. Reyes
- Facilities Projects – Eric Martin
- Parks Projects – Mark Johnston
- Transportation Projects – Lisa Murphy
- Utilities Projects – Jorge Garcia

Robert Garza, PE
April 4, 2014
Page Two

PW-14-179

In addition to the presentation, each City Councillor will receive a booklet titled, *Proposed Capital Improvement Program FY 2015 – 2020*. This booklet contains a copy of the CIP; a funded capital project list for FY 2015 with an associated map for each City Councillor district, the Mayor, and the overall city; and, a list showing FY 2014 capital projects and their status.

I am available, at your convenience, to discuss this topic. If you have any questions or require additional information, please do not hesitate to call me at 528-3125 or email me at lreyes@las-cruces.org.

cc: Brian Denmark, Assistant City Manager/COO 

BUDGET WORK SESSION – CAPITAL BONDING

CITY REVENUE BONDS WILL ADDRESS CAPITAL IMPROVEMENT NEEDS

City departments have been working to compile the recommended Capital Improvement Plan (CIP) for your consideration as part of the FY 2015 budget. Several members of City Council have inquired about the proposed use of bonds to finance major capital improvement projects within the City. I am providing this general explanation of the bonding proposal we are working on at this time.

There are four areas that we are proposing to establish budgetary provisions to cover debt service relating to proposed bonds to pay for capital improvement projects. Specifically, we plan to issue revenue bonds from the General Fund, Street Maintenance Fund, Flood Control Fund, and Utility funds. The bonds would be issued with the condition that we have established a specific method to pay off the debt. We are not proposing any tax increase or changes to these funds to enable the issuance of these bonds. We will simply be issuing new bonds and recycling funds previously used to pay off debt that has recently occurred. In the end, there will be no increase in the amount of debt within these funds, but we will be able to access a total of approximately \$19.1 million for new projects and another \$3.2 million in utility funds for rehabilitation related to the street and drainage projects.

The General Fund will include a \$10 million revenue bond intended to pay for the East Mesa Public Safety project. The Street Maintenance Fund will include an \$8 million revenue bond to pay for major street improvement projects throughout the city. An additional \$1.5 million revenue bond issued in the flood control fund to undertake drainage improvements throughout the city as well. The Utility bonds will be issued for a total of \$10.8 million with \$3.2 million for new projects and the remaining bonds are simply a refinancing of existing debt to take advantage of the current opportunities within the bond market. These bonds will access the additional capital to undertake special projects that will be in addition to \$7 million in state legislative appropriations and \$35 million in already programmed capital projects.

Bond issuance is a rather complex undertaking with many actions that must be taken to get to a point where we can access funds and get projects under construction. Starting in mid-April, we will be meeting with financial advisors and bond counsel to execute disclosure and intent documents. By the end of April, we will be interviewed by bond rating agencies so they can assess our financial risk and stability, which will lead them to a published bond rating. This rating will be published with the City's request for bond sale.