

# 2016 General Obligation (GO) Bond Issue

## Executive Summary

In the past four plus years, the Village has made enormous strides in cleaning up its financial balance sheet, paying off more than \$1 million in overdue accounts payable, creating a reserve account, refinancing NM state loans and getting audits current. It is now in a financial position to move forward in addressing infrastructure needs.

The annual budget is not sufficient to undertake the required rebuilding and repairs of the water/wastewater system and the roads. Additional funding is required. The Village proposes a General Obligation bond election be held as soon as feasible to raise the funds required and take advantage of historically low interest rates. Funds raised would be used to hire an engineering company to prioritize needs, design and supervise the program. The Village would hire a construction firm to do the actual work. Village Public Works staff would continue to repair and maintain the remaining roads and water systems.

By state law, a special bond election must be conducted as a single issue election, thus it cannot be joined with any other election such as the upcoming presidential election. The bond election date of September 13, 2016 was chosen because the next available date would be spring 2017. If the election were to be put off until then, any work on the infrastructure would be delayed until spring 2018, the loss of an entire year. Failure to pass the bond this year will delay any significant improvement in water, wastewater and road infrastructure for at least two years

## Background

Over the past twenty-five years, there have been significant improvements to the Village infrastructure. In the late 1990s, the Community Center was built, the water/sewer system was transferred from Angel Fire Resort to the Village, the lagoons were eliminated and a wastewater treatment facility was built outside downtown. The Village expanded significantly by annexing subdivisions beyond the Village “core” downtown. This transferred over 100 miles of roads from Colfax County to the Village for a total of nearly 130 miles of roads to maintain. By comparison, Taos has only about forty-five miles of roads with as significantly higher tax base. Angel Fire’s water system is also one of the most complex in New Mexico with about 130 miles of water lines and forty pressure relief valves scattered through ten pressure zones. Taos has only four PRVs and two zones.

The early 2000s evidenced a far less successful track record. Plaza del Sol (Liberty Square) was partially developed and then abandoned. The 434 SAD was created between the downtown “core” and the “blinking” light in anticipation of economic development along this corridor. The only significant development to date has been the RV Resort. The Resort developed Valley of the Utes with a significant sewer system that has not as of yet been connected to the Village wastewater system. An additional road was built to connect Valley of the Utes and the Chalets with Highway 434.

During the current decade, the PID program brought roads, water, electricity and sewer to disadvantaged areas that had been overlooked by previous Resort owners. The expense of construction was borne by the property owners, not the Village or the Resort (with the exception of Resort-owned lots). Village water infrastructure was improved by the addition of a one million gallon storage tank near downtown and sporadic road improvements.

## The Present

In 2012, the Village faced some major challenges. Finances were a mess. The Village had over \$18 million in debt and struggled to make payroll. There was over a million dollars in past due accounts payable, coupled with no reserves. Most importantly, Village audits were years behind, making the Village ineligible for most federal and state loans and grants. The infrastructure was suffering from deferred maintenance. Specifically, the chip-sealed roads had amassed a significant number of potholes. The wastewater treatment plant was limping along, under-utilized and significant upgrades were needed to stay in compliance with the EPA. The water system was leaky with pipes approaching the end of their useful lives.

The Council and Mayor decided to get the financial house in order before attacking these other problems. Spending was cut, personnel changes were made, and paying off outstanding accounts payable and long-term debt became a priority. Multiple audits were conducted. On December 15, 2015, the Village submitted its 2015 audit to the state, the first one turned in on time in at least twelve years and was immediately rewarded with a state sponsored grant/loan package of \$582,500 to help upgrade the wastewater plant. The Village just received an additional grant/loan package from Drinking Water Revolving State Fund for \$427,000 for repairs to the water system. The Village intends to aggressively pursue more of these awards but the reality is that competition for these monies is fierce.

The Village is now in a good position to move forward with other priorities. As of June 30, 2016, it has paid off all the overdue accounts payable and is current on all A/P accounts now. At the end of June, the Village paid off seven loans, including the mortgage on Village Hall, and reduced long-term debt to \$12 million. The Village implemented a plan to pay off all current debt within eleven years. The Village balance sheet shows almost \$375K in reserves and in addition maintains two pay-periods worth of cash at all times.

## The Program

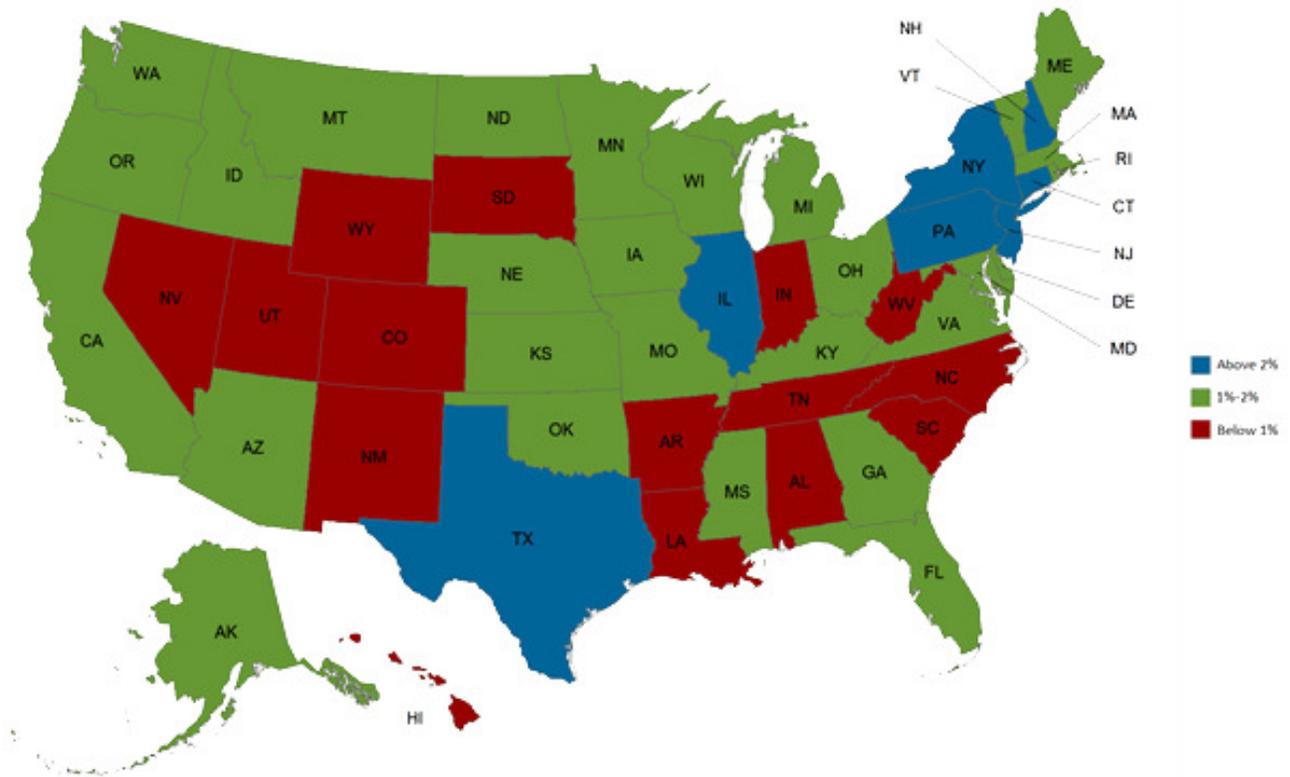
The entire program is expected to total over \$30 million and will take about twenty years to complete. The initial phase of the proposed program is for three years and \$4.5 million. There will be another election in three years to renew the program and issue a further \$4.5 million with no increase in taxes. This pattern of elections will occur every 3 years until the project is complete. If the voters disapprove at any election point, the program will end and taxes will revert back to current tax levels.

IMPACT ON HOMEOWNERS			
TAX INCREASE OF:		\$ 3.56	
Full Value	Net Taxable Value *	Increase Per Year	Increase Per Month
\$100,000	\$31,333	\$111.55	\$9.30
200,000	64,667	230.22	19.18
300,000	98,000	348.89	29.07
400,000	131,333	467.56	38.96
500,000	164,667	586.22	48.85
600,000	198,000	704.89	58.74
700,000	231,333	823.56	68.63
800,000	264,667	942.23	78.52
1,000,000	331,333	1,179.57	98.30

The Special Bond issue proposed for September 2016 is broken down into two questions on the ballot: Shall the Village of Angel Fire issue up to \$3 million of general obligation bonds...for the purpose of ...improving municipal streets and roads; and...Shall the Village of Angel Fire issue up to \$1.5 million of GO bonds...for the purpose of ...improving the Village’s water and wastewater system? Although voters will be able to vote on each question, it will be impossible to complete the program without both options.

The following graphs show the low level of property taxes in New Mexico relative the rest of the United States

**Figure 2: Media Property Tax Rates**



**New Mexico is 42<sup>nd</sup> in the US in the amount of property tax paid**

New Mexico Property Taxes		
Median Property Tax	Percentage Of Income	Percentage Of Property Value
\$880 (42 <sup>nd</sup> of 50)	1.69% (39 <sup>th</sup> of 50)	0.55% (42 <sup>nd</sup> of 50)

**Colfax County is in the bottom 20 percentile in the US for property tax rates**

Colfax County Property Taxes		
Median Property Tax	As Percentage Of Income	As Percentage Of Property Value
\$458 ± \$43 (2497 <sup>th</sup> of 3143)	0.95 ± 0.12% (2601 <sup>st</sup> of 3143)	0.44 ± 0.06% (2594 <sup>th</sup> of 3143)

If the bonds pass, an engineering study will be conducted by HDR, the Village engineering consultants, to give an overall view of the needs of the Village, set priorities for the water system, wastewater plant and road upgrades, and begin to implement the program. It is important to note that the construction will be managed by HDR, the company that was the consulting engineers for the recent PID construction. The Village staff will manage HDR. Most of the construction will be performed by experienced contractors.

## **Wastewater**

### **Phase I – 2016 to 2018**

Of the proposed \$1.5 million allocated to water/wastewater, about \$500K of the bond issue will be expended for upgrades to the Wastewater Treatment facility to meet New Mexico ED requirements. Coupled with loan and grants, this will be the first phase of an upgrade to the facility to bring the facility into compliance.

### **Phase II – 2019 to 2021, Phase III – 2022 to 2024**

A subsequent bond issue will fund the construction of new sewer lines connecting lines near the country club and extend coverage into the Monte Verde and possibly Country Club I subdivisions and the Valley of the Utes. Most of the lots in the first two subdivisions are served by septic systems. Many of these systems are old and failing, especially in the Monte Verdes. New Mexico Environmental Department regulations require inspection whenever a house with a septic system is sold. The current failure rate in Angel Fire is approximately 50%. Replacement cost for these systems is as much as \$30K.

The Wastewater Treatment facility is currently underutilized, running at only about forty percent of capacity during peak usage between Christmas and New Year's. Additionally, septic systems are leaching into the Village groundwater and into Cieneguilla Creek. Less septic systems and more sewer hookups would be beneficial to the Valley water table as well as homeowners. Residents who now face the replacement expense of their septic systems will connect to the new sewer lines. These new users, as well as present sewer customers, would benefit from the sewer expansion since an increase in users leads directly to a reduction in expense in fees for all users.

## **Water**

Water infrastructure is directly related to roads and fire protection. Water lines are typically located under the roads. Many of the older water mains within the village are two inches or four inches in diameter as opposed to the six inches required for effective firefighting. They will need to be replaced. Water pipes are most efficiently replaced at the same time as roads are being upgraded.

Water lines are typically buried between six to eight feet beneath the streets to keep them from freezing. Constant plowing has eroded some streets so that the lines sometimes freeze. To prevent that, the Village opens some lines to allow water to bleed out to keep water flowing and prevent freezing. This results in a waste of water during the winter. Upgrades to the water system in many areas involve increasing the depth of the roadways to prevent the water mains from freezing. The number of water bleeders throughout the Village has been reduced from fifty-six to ten over the past several years, largely due to recent road upgrades. Two additional bleeders will be eliminated this year with the goal of eventually eliminating all bleeders.

Other infrastructure programs involve required upgrades to the wastewater treatment facility, repairs to two wells, re-lining existing water storage tanks, and implementing a master drainage plan for the Village core area.

## **Roads**

The study to be prepared by HDR will lay out Village road priorities, breaking the work areas into specific categories such as the core area, evacuation routes, high-traffic areas (e.g. the intersection of El Camino Real, Vail Avenue and South Angel Fire Road), and severely degraded streets.

The Village currently maintains nearly 130 miles of mixed gravel, asphalt, dirt, and chip seal roads of varying quality and condition. The current maintenance plan is clearing out the bar ditches, grading the gravel and dirt roadways, and fixing potholes in chip seal. The Village has purchased a milling machine, brand name Zipper, to begin to resurface Village roads. It is scheduled for delivery in early August and will be placed into service immediately, with emphasis on severely pot-holed chip seal roads. There is not a local chip seal contractor. The Streets Department does not have the equipment required to construct or maintain chip seal roads at the current time. In the meantime, cold mix must be used to repair the potholes on existing asphalt and chip seal roads. Bond monies will be used to purchase additional maintenance equipment as required.

In addition, some gravel roads need to be upgraded beyond just adding base course. Some of the gravel roads were built with inadequate base material and base course just needs to be added to them. Other roads will be need to be totally reconstructed.

Much of the damage to roads in Angel Fire stems from the run-off from poorly built driveways and the excessive erosion caused by their drainage. During the construction phase of road repairs, the Village will contact owners along the routes and work with them to correct the driveway drainage problems.

Following pothole repair to asphalt roads in the downtown core later this year, a contractor will be hired to “fog seal” North Angel Fire Road. This involves spraying the roads with oil and applying a layer of small rocks similar to chip-seal. The funds have been allocated; the project will begin as soon as the Village gets contracting approval from the State.

## **Impact of the Bond Issue**

Angel Fire’s infrastructure is aging and is in need of many upgrades. The rebuilding requires an infusion of funds that can only be accomplished through a bond issue. Failure to pass the bond this year will delay any significant improvement in water, wastewater and road infrastructure for at least two years

## **Key Milestones for the GO Bond Election**

Tuesday, August 16<sup>th</sup> – Voter Registration Deadline at Village Hall – Business Owners and Residents

Friday, August 26<sup>th</sup> – Ballots mailed to eligible voters – business owners and residents

Monday, August 29<sup>th</sup> – Meeting with residents and business owners at Village Hall

Monday, September 5<sup>th</sup> – Labor Day

Tuesday, September 13<sup>th</sup> – Election deadline