

FREQUENTLY ASKED QUESTIONS AND ANSWERS

1. What are General Obligation Bonds?

General Obligation bonds (G.O. bonds) are revenue bonds backed by the full faith and credit of the City of Albuquerque. They may be redeemed by any regular source of City funding, but as a policy matter are generally redeemed by property taxes paid to the City.

2. Will my property tax rate go up to pay for the General Obligation Bonds?

NO! The City property tax rate will not increase. New bonds are issued as older bonds are retired, thus keeping the City's property tax rate essentially constant. In fact, due to low interest rates, the cost to the taxpayers for the issuance of bonds has been at historically low levels, enabling the City to pay down bond indebtedness in an average of 8 years rather than at the usual 10 years.

The City receives about 30% of the property taxes paid by the typical Albuquerque homeowner. The remaining 70% is allocated to other governmental and educational entities which include the Bernalillo County Commission, TVI, AMAFCA, APS, and UNM.

3. But my property taxes are going up. How come?

Governmental entities other than the City of Albuquerque have increased the tax rate over the years. As noted above, it is the policy of the City of Albuquerque to keep the City's property tax rate essentially at a constant level by paying off old bonds before issuing new ones.

4. Will my property taxes go down if I do not vote for the General Obligation Bonds?

There may be a very small decrease in property taxes if the street bonds are not approved by the voters - about \$37 per year for a home valued at \$150,000; about \$25 per year for a home valued at \$100,000. More details concerning the debt service levy and the impact on the average homeowner are included at the end of this question and answer section.

5. Briefly, what does the bond funding provide for the citizens of Albuquerque?

General obligation bonds fund a host of capital improvements that directly affect the basic needs and quality of life of every Albuquerque resident. Public safety equipment, including police and fire facilities and vehicles; street and storm drainage improvements; public transportation improvements; parks, recreation and open space facilities; cultural institutions, including the zoo, aquarium, botanic garden and museums; senior centers and meal sites; and community centers; all these capital facilities and more are funded by general obligation bonds. Projects may cost millions of dollars and be funded over several bond cycles, or may cost a few thousand dollars and be funded within one bond program. For 2004 the proposed bond funding will be for street improvements projects only.

FREQUENTLY ASKED QUESTIONS AND ANSWERS (CONTINUED)

6. I hear the terms Bond Question, Bond Purpose and Bond Issue. What do they mean?

Generally, they all refer to the same thing. A bond question (purpose, issue) is a group of like projects gathered together in one election question called a “purpose.”

In other words, projects related to street improvements are grouped together to form one purpose; projects related to parks and recreation are grouped together to form another purpose; and so on. In 2004 voters will be asked to consider only one purpose for street improvements.

7. When City voters approve one purpose, can the money be used for another purpose?

NO! Occasionally, however, money for projects identified **within** one purpose may be reallocated to another project **within the same purpose**, provided that the City Council holds a public hearing and then gives their formal approval to the reallocation. Stated another way, funding approved for the Streets purpose may not be reallocated to the Parks purpose, or funding approved for the Zoo and BioPark purpose may not be reallocated to the Storm Drainage purpose.

8. Why are you allowed to move money between or among projects within a purpose?

Projects that are listed within a particular purpose constitute a plan, approved by the City Council, to spend capital money after it is authorized by the voters. Some projects within the plan are well known and understood, but in other cases planning may happen well in advance of execution. Precise costs may be difficult to predict, or a particular project may not be feasible after closer examination. Without the ability to reallocate money between or among projects within a purpose, management and implementation of the capital program would be hamstrung. **But, remember, this money may only be reallocated after the City Council has a public hearing and gives its formal approval.**

9. How can I find out about the 2004 street projects?

Easy, just call the Capital Implementation Program of the City of Albuquerque at 768-3830 and they will mail you a complete list. Or you may access the City's web site at: cabq.gov/cip/planning. Look for directions to the 2004 Street Program.

FREQUENTLY ASKED QUESTIONS AND ANSWERS (CONTINUED)

10. And, by the way, how are these projects decided on?

Good question. It is actually pretty complicated and time consuming. The Capital Implementation Program administers a two-year-long process that begins with a resolution adopted by the City Council establishing criteria against which all projects are required to be evaluated. Each City department submits an application for projects and these applications go through a rigorous review process that includes staff review, rating and ranking; Senior City management review and recommendation to the Mayor; the Mayor's recommendation to the Environmental Planning Commission; and the City Council's review and amendment.

There is public participation at various points in this process. First, when the City Council adopted the criteria resolution, they established the Council-Neighborhood Set-Aside program, which provided that \$1 million would be set-aside in each Council District for projects recommended to the Councilors by the public in their districts. The Environmental Planning Commission (EPC) is required to hold a public hearing and the City Council is also required to hold at least one public hearing.

In addition, for the 2004 Street bond program a committee, named the West Side Roads Ad Hoc Task Force, was formed to make recommendations to the Mayor and City Council.

11. Are the funds derived from the bonds that are sold ever used to leverage federal, state, private or other local funds?

YES - often! G.O. bonds for streets are routinely used as participating funds to obtain state and federal matching funds.

12. Are G.O. bond revenues used right away? Normally how long does it take to complete a project?

Projects usually take about two years to complete, once enough money has been identified. Some large, multi-million dollar projects may take more than one bond cycle to assemble the funding and complete construction. For example, large new arterial street projects like Unser Blvd; or a brand new community center like Taylor Ranch Multi-Generational Center are typically funded over several bond cycles. The goal is to have a given bond cycle's project completed, or nearing completion, by the time the following bond cycle is ready for bond issuance. However, it is very difficult to achieve this goal for all projects.

FREQUENTLY ASKED QUESTIONS AND ANSWERS (CONTINUED)

13. This bond question is for streets projects, but I remember that I voted for a quarter-cent gross receipts tax to pay for street projects. Am I paying for streets twice?

NO! The primary use for the ¼¢ funds is to maintain and repair streets. The City has grown so fast, particularly in the last 10 to 15 years, that the funding available from G.O. bonds was not sufficient to meet all the maintenance requirements and the demand for new facilities. So the voters approved the ¼¢ tax to allow the Public Works Department and the Department of Municipal Development to implement a major rehabilitation effort focused first on the older parts of the City that had the greatest need for repair. General Obligation bond money supplements the street rehabilitation effort and also funds: sidewalk repair and expansion; median improvements; traffic signal upgrades; neighborhood traffic improvements; railroad crossing improvements; bike lanes; and some new roads like the recently completed expansion of Eubank Blvd between Central Avenue and the base on the east side of the City, or expansion of Coors from St Joseph's to Paseo del Norte on the west side.

Quarter-cent funding also supports public transportation and bike lanes, but the vast majority of the money is devoted to street rehabilitation. As with G.O. bond funding, the City Council reviews and approves all proposed ¼¢ projects.

14. We usually vote on G.O. Bonds every two years. Why is this necessary? Why are we voting on a City G.O. bond in 2004?

The two-year cycle is not a requirement, but the City has found that the biennial time frame is a good one, because it provides for a steady funding approach to the capital program. Some communities use a five-year time frame. The City believes that the biennial approach allows adequate time for planning, staff review, decision-making by elected officials, public participation, bond election, and sale of the bonds. It is also true that this schedule permits a relatively consistent and predictable stream of projects available for bid to the private sector. In uncertain economic times like these, the importance of public projects is increased because they help support the local economy by increasing jobs.

We are voting on a street bond in 2004, because the street bond proposed in 2003 was not approved by the voters. As a result, critical street projects have been left without sufficient funding. The 2003 bond projects have been modified to be responsive to the voters.

FREQUENTLY ASKED QUESTIONS AND ANSWERS (CONTINUED)

15. Does the City have any trouble selling the bonds after the voters approve the question?

The City does not have trouble selling general obligation bonds, because of the high investment grade bond rating associated with these bonds. As shown below, general obligation bonds of the City of Albuquerque have traditionally enjoyed an excellent bond rating and continue to do so.

Standard and Poors	AA with a stable outlook
Moody's	Aa ₃ with a stable outlook
Fitch	AA with a stable outlook

The City enjoys these high ratings for several reasons. First, and most important, the City redeems its G.O. bonds in a relatively short time frame — within 10 years. Recently the City has begun redeeming bonds sold for equipment in under 5 years, sometimes in as little as 1 year. For example, bonds sold for the last large purchase of police vehicles were redeemed in 1 year.

In addition, the City is perceived to have strong financial management; a favorable debt profile; an orderly capital planning process and, as a result, a manageable capital plan; and finally, a diverse economy.

CITY OF ALBUQUERQUE

There is NO City Tax Rate Increase associated with the G.O Bond Election

Estimated Residential Tax Impact, if 2004 G.O. Bonds are not Approved

Full Value	Assessed Value(1/3)	Estimated Yearly Reduction in Property Taxes
\$75,000	\$25,000	(\$18.65)
100,000	33,333	(24.87)
150,000	50,000	(37.30)
175,000	58,333	(43.52)
200,000	66,667	(49.73)
225,000	75,000	(55.95)
250,000	83,333	(62.17)
300,000	100,000	(74.60)