

# Frequently Asked Questions and Answers

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**1. What are General Obligation Bonds?**

General Obligation Bonds (G.O. Bonds) are bonds backed by the full faith and credit of the City of Albuquerque and regulated by the Federal Internal Revenue Service. 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 six to seven years rather than the planned 13 years.

The City receives about 27% of the property taxes paid by the typical Albuquerque homeowner. The remaining 73% is allocated to other governmental and educational entities which include Bernalillo County, CNM, 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 and/or the assessed taxable value of the property has increased. 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 will be a minimal decrease in property taxes if the bonds are not approved by the voters - about \$5.17 per month for a home valued at \$150,000; about \$3.38 per month for a home valued at \$100,000.

**5. Briefly, what does 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 libraries 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.

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**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 parks and recreation are grouped together to form one purpose; projects related to streets are grouped together to form another purpose; and so on. Voters are asked to consider each purpose and to decide whether or not to approve the proposed funding.

**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 Library purpose may not be reallocated to the Storm Drainage purpose.

**8. Why are you allowed to move money between 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. Most projects within the plan are well known and understood, but in some 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. OK, now that I understand projects, purpose and bond questions, how many bond questions are on the general election ballot on *Tuesday, October 3, 2017*.**

Thanks for asking. There are eleven questions that will be put to the voters ranging from Street bonds at about \$33 million to Library bonds at about \$6 million.

**10. How can I find out about the projects within each purpose?**

Easy, 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 list on the City’s web site at [cabq.gov/2017gobondprogram](http://cabq.gov/2017gobondprogram).

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<b>Bond Question (Purpose)</b>	<b>Amount</b>
Public Safety Bonds	\$16,271,000
Senior, Family, Community Center, and Community Enhancement Bonds	\$14,495,000
Parks and Recreation Bonds (includes Open Space)	\$17,193,000
Energy and Water Conservation, Public Facilities, and System Modernization Bonds	\$11,570,000
Library Bonds	\$6,011,000
Street Bonds	\$32,517,000
Public Transportation Bonds	\$5,960,000
Storm Sewer System Bonds	\$14,342,000
Museum and Cultural Facilities Bonds	\$1,591,000
Affordable Housing Bonds	\$3,788,000
Metropolitan Redevelopment Bonds	\$1,262,000
<b>Total of all Bond Questions</b>	<b>\$125,000,000</b>

**11. 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. During this cycle, EPC held its public hearing in November 2016 and the City Council held two public hearings during February 2017.

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**12. 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 are often used as participating funds to obtain additional funding from all the sources you mentioned, especially for very expensive public works projects.

**13. 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 years to assemble the funding and complete construction. For example, large arterial street projects like Unser Blvd; or a brand new community center like the North Domingo Baca Multi-Generational Center are typically funded over several bond cycles. The goal is to have a bond cycle's projects completed, or nearing completion, by the time the following bond cycle is ready for bond issuance. However, it is difficult to achieve this goal for all projects.

**14. You have used streets purpose projects as an example several times, 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  $\frac{1}{4}\text{¢}$  funds is to maintain and repair streets. The City has grown so fast, particularly in the last 20 to 25 years, that the funding available from the G.O. bonds was not sufficient to meet all the maintenance requirements and the demand for new facilities. So the voters approved the  $\frac{1}{4}\text{¢}$  tax to allow the Department of Municipal Development to implement a major rehabilitation effort focused primarily on those parts of the City that have 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 major road projects.

44% of  $\frac{1}{4}$  cent funds are dedicated by law to street rehabilitation and maintenance. The remaining 56% are dedicated to: public transportation (36%); development of deficient road links (15%); and development of on- and off-street trails (5%). As with G.O. bonds funding, the City Council reviews and approves all proposed  $\frac{1}{4}$  cent projects.

**15. We vote on G.O. Bonds every two years. Why is this necessary?**

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.

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**16. Do the voters generally approve the bonds and does the City have any trouble selling them?**

Yes, the voters do and no, the City does not.

The voters of the City of Albuquerque have been consistently supportive of the general obligation bond questions. In 2015, 74% of the voters approved all the general obligation bond ballot questions.

As shown below, general obligation bonds of the City of Albuquerque have traditionally maintained an excellent bond rating and continue to do so. High bond ratings mean low interest rates when the City borrows funds, and low interest rates ensure that the City's bonds are well received by issuers and purchasers.

Standard and Poors	AAA with a stable outlook
Moody's Aa1	Aa1 with a stable outlook
Fitch AA <sup>+</sup>	AA <sup>+</sup> with a stable outlook

The City maintains these high ratings for several reasons. First, the City redeems its G.O. bonds in a relatively short time frame — an average of six to seven years, but never more than 13 years. In fact in recent years, the City has begun redeeming some bonds within five years, sometimes in as little as one year.

In addition, the City is perceived by all three credit rating agencies 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.

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## City of Albuquerque 2017 G.O. Bond Election Failure Impact

### Projected Mil Rate Drop and Estimated Tax Reduction

<b>Full Home Value</b>	<b>Assessed Value<sup>1</sup></b>	<b>Estimated Annual<sup>2</sup> Reduction in Property Taxes</b>	<b>Estimated Monthly<sup>2</sup> Reduction in Property Taxes</b>
\$75,000	\$23,000	\$29.74	\$2.48
\$100,000	\$31,333	\$40.51	\$3.38
\$150,000	\$48,000	\$62.06	\$5.17
\$175,000	\$56,333	\$72.84	\$6.07
\$200,000	\$64,667	\$83.61	\$6.97
\$225,000	\$73,000	\$94.39	\$7.87
\$250,000	\$81,333	\$105.16	\$8.76
\$300,000	\$98,000	\$126.71	\$10.56

<sup>1</sup> Estimated as 1/3rd of full value less \$2,000 for head of household deduction.

<sup>2</sup> Estimated based on average annual reduction in property taxes expected to occur in FY2019 in the event of the 2017 G.O. Bond Election failing.

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## General Obligation Bond Questions 2007 through 2015 Results of Vote

Bond Question	2007 % in Favor	2009 % in Favor	2011 % in Favor	2013 % in Favor	2015 % in Favor
Public Safety Bonds	71%	64%	68%	74%	76%
Senior, Family, Community Center and Community Enhancement Bonds	66%	64%	66%	72%	76%
Parks and Recreation Bonds	66%	64%	64%	71%	77%
Energy and Water Conservation, Public Facilities, and System Modernization Bonds	57%	61%	63%	71%	74%
Library Bonds	72%	68%	69%	72%	77%
Street Bonds	69%	65%	69%	77%	80%
Public Transportation Bonds	59%	56%	62%	67%	67%
Storm Sewer System Bonds	72%	66%	71%	77%	79%
Museum and Cultural Facility Bonds <sup>1</sup>			60%		
Museum, Zoo and Biological Park, and Cultural Facility Bonds	68%	68%	70%	77%	76%
Affordable Housing Bonds	53%	59%	61%	68%	72%
Metropolitan Redevelopment Bonds					61%
<b>Total All Bonds</b>	<b>65%</b>	<b>63%</b>	<b>66%</b>	<b>72%</b>	<b>74%</b>

<sup>1</sup> In 2011 Museum and Cultural Facility Bonds were a separate bond question.