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FISCAL IMPACT REPORT

SPONSOR Powdrell-Culbert **ORIGINAL DATE** 02/11/09
LAST UPDATED 02/19/09 **HB** 288/aHTRC

SHORT TITLE Sandoval Flood Control Authority Debt **SB** _____

ANALYST Aubel

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY09	FY10	FY11		
	NFI			

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Local Government Division (LGD) of the Department of Finance and Administration
Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of HTRC Amendment

The House Taxation and Revenue Committee amendment to House Bill 288 reduces the maximum bonding limit from \$80 million to \$60 million.

Synopsis of Original Bill

House Bill 288 increases the maximum allowable indebtedness of the Southern Sandoval County Arroyo Flood Control Authority (Authority) from \$30 million to \$80 million.

FISCAL IMPLICATIONS

HB 288 raises the cap on the amount of bonds that may be issues by the Authority, which does not hold a current fiscal impact. Increasing the maximum allowable indebtedness of the Southern Sandoval County Arroyo Flood Control Authority does not imply issuance of bonds. Various future scenarios could impact the mill rate, which could lower or increase the resulting property taxes collected to pay down the debt -- depending on several factors such as assessed property valuations, growth in households, additional issuance of bonds, and the outstanding cash balance available for bond service.

SIGNIFICANT ISSUES

According to LGD, the Southern Sandoval County Arroyo Flood Control Authority (Authority) is limited to a \$30 million cap limit for issuing bonds. The current outstanding debt will be at \$22 million as of February 2009 when the Authority receives the series 2009 bonds. LGD notes that while the Authority does not expect to exceed the current cap in the near future, based on the current financial plan, the Authority is bumping up against the statutory cap limit.

The financial plan, including the issuance of the new bonds, assumes a stable tax rate of 0.87 mills due to the present net taxable valuation on assessed properties that limits the debt mill rate growth. LGD states that the increased indebtedness maximum limit provides additional opportunities to issue bonds as capital project needs arise in a rapidly developing region.

The Albuquerque Metropolitan Flood Control Authority increased its bond indebtedness limit to \$80 million on June 15, 2007, and the Eastern Sandoval County Arroyo Flood Control Authority has a limit of \$50 million. The increased statutory cap limit does not change the financial plan, but does give the authority an additional opportunity to issue bonds as needed to finance future capital project requirements.

PERFORMANCE IMPLICATIONS

LGD at the Department of Finance and Administration oversees the annual budget and monitors the financial quarterly progress for local governmental entities. LGD also sets the indebtedness mill rate for the flood control authorities. The division asserts that the proposed legislation does not compromise this agency's oversight.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The Authority will eventually hit the legislative limit of \$30 million. LGD suggests that the strong regional growth in the authority's jurisdiction could limit future growth until the flood authority obtains the needed permission from the Legislature to secure additional bonds to capitalize the needed infrastructure projects.

POSSIBLE QUESTIONS

1. Will increasing the cap affect property taxes?
2. How will issuing more bonds affect property taxes within the new limit?
3. What is the procedure for LGD to reset the mill rate?

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