NEW ISSUE—BOOK-ENTRY ONLY **RATINGS: S&P Global Ratings: AA+**
Fitch Ratings : AA+

In the opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A., Bond Counsel, under existing laws, regulations, rulings and judicial decisions, and assuming compliance with certain covenants described in "TAX EXEMPTION" herein, interest on the 2019 Bonds (a) is excludable from the gross income of the recipients thereof for federal income tax purposes under Section 103 of the Internal Revenue Code, as amended; and (b) is not an item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended, for purposes of the federal alternative minimum tax imposed on individuals. Bond Counsel is also of the opinion, based on existing laws of the State of New Mexico as enacted and construed, that the 2019 Bonds and income from the 2019 Bonds are exempt from all taxation by the State of New Mexico or any political subdivision thereof. For a more complete description of such opinion of Bond Counsel and a description of certain provisions of the Internal Revenue Code of 1986, as amended, which may affect the federal tax treatment of interest on the 2019 Bonds for certain registered owners of such bonds, see "TAX EXEMPTION" herein.

$13,550,000
City of Santa Fe, New Mexico
Net Wastewater Utility System / Environmental Services Gross Receipts Tax Improvement Revenue Bonds
Series 2019
(Climate Bond Certified / Green Bonds)

Dated: Date of Delivery **Due:** June 1, as shown on the inside front cover

The $13,550,000 City of Santa Fe, New Mexico Net Wastewater Utility System / Environmental Services Gross Receipts Tax Improvement Revenue Bonds, Series 2019 (the "2019 Bonds" or the "Bonds") are being issued by the City of Santa Fe, New Mexico (the "City") to provide funds for the Improvement Project (as defined herein). See "SOURCES AND USES OF FUNDS" herein. The 2019 Bonds will bear interest from the date of delivery, at the rates set forth on the inside front cover hereof, payable semiannually on June 1 and December 1 of each year until maturity, commencing June 1, 2019, and will mature on June 1 of each of the years as set forth on the inside front cover hereof.

The 2019 Bonds are issuable as fully registered bonds in denominations of $5,000 or any integral multiple thereof. The 2019 Bonds will be issued pursuant to a book-entry only system and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchasers of the 2019 Bonds ("Beneficial Owners") will not receive physical delivery of bond certificates representing their beneficial ownership interests. So long as DTC or its nominee is the owner of the 2019 Bonds, principal of and interest on the 2019 Bonds will be paid by the Paying Agent (as defined herein) to DTC or its nominee, which will in turn remit such payment to its Direct Participants (as defined herein) for subsequent disbursement by the Direct Participants and the Indirect Participants (as defined herein) to the Beneficial Owners. See "DESCRIPTION OF THE 2019 BONDS—Book-Entry Only System."

The 2019 Bonds, together with the interest accruing thereon, will be payable solely from a first lien, but not an exclusive first lien on Net Revenues and a subordinate lien, but not an exclusive subordinate lien, on the Environmental Services Gross Receipts Tax Revenues as described and defined herein (collectively, the "Pledged Revenues"). Net Revenues consist of all income and revenues directly or indirectly derived by the City from the operation and use of the municipally owned public utility designated as the City's wastewater utility system (the "Wastewater Utility System", the "System" or the "Wastewater System") or any part of the Wastewater Utility System, less Wastewater Utility System Operation and Maintenance Expenses (as defined herein). The lien on the Pledged Revenues will be on parity with the lien on the Pledged Revenues securing any Parity Obligations (as defined herein).

The 2019 Bonds are subject to optional redemption prior to maturity as more fully described herein. See "DESCRIPTION OF THE 2019 BONDS—Redemption of 2019 Bonds" herein.

The registered owners of the 2019 Bonds may not look to any general or other fund of the City for the payment of the principal of and interest on the 2019 Bonds except for the Pledged Revenues. The 2019 Bonds do not constitute an indebtedness of the City within the meaning of any constitutional, charter or statutory provision or limitation, nor will they be considered or held to be general obligations of the City. Neither the full faith and credit of the City nor the taxing power of the City, the State or any political subdivision or public agency thereof, other than the City to the extent of the Pledged Revenues, are pledged to the payment of the principal of and interest on the 2019 Bonds. No Owner has the right to compel the exercise of the taxing power of the City or the forfeiture of any of its property in connection with any default under the Bond Ordinance (as defined herein).

The purchase and ownership of the 2019 Bonds involve investment risk and may not be suitable for all investors. This cover page is not intended to be a summary of the terms of, or the security for, the 2019 Bonds. Investors are advised to read this Official Statement in its entirety to obtain information essential to the making of an informed investment decision.

The 2019 Bonds are offered when, as and if issued and received by the underwriters set forth below (the "Underwriters") subject to the approval of validity by Modrall, Sperling, Roehl, Harris & Sisk, P.A., Albuquerque, New Mexico, Bond Counsel. Modrall, Sperling, Roehl, Harris & Sisk, P.A., has also acted as special counsel to the City in connection with the preparation of this Official Statement. Certain legal matters will be passed on for the City by Erin K. McSherry, City Attorney. Certain legal matters will passed upon for the Underwriters by McCall, Parkhurst & Horton L.L.P., Dallas, Texas. It is anticipated that the 2019 Bonds will be available for delivery through the facilities of DTC on or about March 20, 2019.

Dated: February 27, 2019

RBC CAPITAL MARKETS
PIPER JAFFRAY & CO

$13,550,000
City of Santa Fe, New Mexico
Net Wastewater Utility System / Environmental Services Gross Receipts Tax
Improvement Revenue Bonds
Series 2019
(Climate Bond Certified / Green Bonds)

MATURITY SCHEDULE

Year (June 1)	Principal	Interest	Yield	Price	CUSIP*
2023	$ 580,000	5.000%	1.730%	113.180	802089AA0
2024	610,000	5.000%	1.810%	115.752	802089AB8
2025	640,000	5.000%	1.900%	118.040	802089AC6
2026	675,000	5.000%	1.990%	120.087	802089AD4
2027	705,000	5.000%	2.100%	121.730	802089AE2
2028	745,000	5.000%	2.230%	122.915	802089AF9
2029	780,000	5.000%	2.330%	121.985[C]	802089AG7
2030	820,000	5.000%	2.480%	120.606[C]	802089AH5
2031	860,000	5.000%	2.590%	119.606[C]	802089AJ1
2032	905,000	4.000%	2.920%	108.652[C]	802089AK8
2033	940,000	4.000%	3.010%	107.898[C]	802089AL6
2034	975,000	4.000%	3.060%	107.482[C]	802089AM4
2035	1,015,000	4.000%	3.100%	107.150[C]	802089AN2
2036	1,055,000	4.000%	3.160%	106.655[C]	802089AP7
2037	1,100,000	4.000%	3.220%	106.162[C]	802089AQ5
2038	1,145,000	4.000%	3.280%	105.672[C]	802089AR3

[C] Priced to first optional redemption date of June 1, 2028.

[*] *CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. Copyright© 2018 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the City, the Underwriters or their agents or counsel assumes responsibility for the accuracy of such numbers.*

CITY OF SANTA FE, NEW MEXICO

200 Lincoln Avenue
Santa Fe, New Mexico 87501
(505) 955-6500

MAYOR

Alan Webber

CITY COUNCIL

Signe I. Lindell, Mayor Pro Tem
Renee Villarreal, Councilor
Peter N. Ives, Councilor
Carol Romero-Wirth, Councilor
Roman "Tiger" Abeyta, Councilor
Chris Rivera, Councilor
JoAnne Vigil Coppler, Councilor
Michael Harris, Councilor

CITY OFFICIALS

Erik Litzenberg – City Manager
Yolanda Y. Vigil, CMC – City Clerk
Mary T. McCoy – Director of Finance
Erin K. McSherry – City Attorney

UNDERWRITERS

RBC Capital Markets, LLC
Piper Jaffray & Co., Inc.

BOND AND DISCLOSURE COUNSEL

Modrall, Sperling, Roehl, Harris & Sisk, P.A.

PAYING AGENT and REGISTRAR

BOKF, NA

FINANCIAL ADVISOR

Hilltop Securities Inc., Dallas, Texas

VERIFICATION COMPANY FOR CLIMATE BONDS CERTIFICATION

First Environment, Inc.

REGARDING THIS OFFICIAL STATEMENT

No dealer, salesman or other person has been authorized to give any information or to make any statements or representations, other than those contained in this Official Statement, in connection with the offering of the 2019 Bonds, and, if given or made, such other information, statements or representations must not be relied upon as having been authorized by the City or the Underwriters. This Official Statement does not constitute an offer or solicitation in any jurisdiction in which such offer or solicitation is not authorized, or in which any person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation.

The information contained in this Official Statement has been furnished by the City or obtained from other sources which are believed by the City to be reliable. The information in this Official Statement is subject to change without notice and neither the delivery of this Official Statement nor any sale hereunder shall, under any circumstances, create any implication that there has been no change since the date of this Official Statement.

The Underwriters have reviewed the information in this Official Statement pursuant to their respective responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

The Bonds have not been registered under the Securities Act of 1933 in reliance upon exemptions contained in such Act. The registration and qualification of the Bonds in accordance with applicable provisions of the securities laws of the states in which the Bonds have been registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation thereof. Neither the United States Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity, nor any agency or department thereof, has passed upon the merits of the Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

This Official Statement contains statements relating to the City's future financial plans, receipt of future revenues and other matters that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimate," "intend," "anticipate," "expect" and similar expressions are intended to identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.

THE PRICES AT WHICH THE BONDS ARE OFFERED TO THE PUBLIC BY THE UNDERWRITERS (AND THE YIELDS RESULTING THEREFROM) MAY VARY FROM THE INITIAL PUBLIC OFFERING PRICES APPEARING ON THE INSIDE FRONT COVER PAGE HEREOF. IN ADDITION, THE UNDERWRITERS MAY ALLOW CONCESSIONS OR DISCOUNTS FROM SUCH INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Copies of the ordinance authorizing the issuance of the Bonds are available upon request at the office of the City Clerk, 200 Lincoln Avenue, Room 210, Santa Fe, New Mexico 87504, (505) 955-6521.

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CITY OF SANTA FE, NEW MEXICO
NET WASTEWATER UTILITY SYSTEM / ENVIRONMENTAL SERVICES GROSS RECEIPTS TAX IMPROVEMENT REVENUE BONDS
SERIES 2019
(CLIMATE BOND CERTIFIED / GREEN BONDS)

SUMMARY OF INFORMATION

There follows a summary of certain provisions discussed in this Official Statement. SUCH SUMMARY DOES NOT PURPORT TO BE COMPREHENSIVE OR DEFINITIVE AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE COMPLETE OFFICIAL STATEMENT. This Summary is only a brief statement and a full review of the entire Official Statement should be made by potential investors. Capitalized terms used but not otherwise defined in this "SUMMARY OF INFORMATION" will have the meanings given such terms in "APPENDIX C—DEFINITIONS OF CERTAIN TERMS."

Dated:	Date of delivery.
Registration:	The City of Santa Fe, New Mexico Net Wastewater Utility System / Environmental Services Gross Receipts Tax Improvement Revenue Bonds, Series 2019 (the "2019 Bonds" or the "Bonds") will be issued as fully registered bonds in denominations of $5,000 and integral multiples thereof. The Registrar is BOKF, NA.
Principal Payment:	The 2019 Bonds will mature on June 1 of each of the years set forth on the inside front cover page of this Official Statement.
Interest Payment:	Interest will be payable semiannually on June 1 and December 1, commencing on June 1, 2019.
Security:	The 2019 Bonds are special limited obligations, payable solely from the Pledged Revenues. The Pledged Revenues consist of a first lien, but not an exclusive first lien, on the Net Revenues and a subordinate lien, but not an exclusive subordinate lien, on Pledged Environmental Services Gross Receipts Tax Revenues. Net Revenues are defined as all income and revenues directly or indirectly derived by the City from the operation and use of the municipally owned public utility designated as the City's wastewater utility system (the "Wastewater Utility System") or any part of the Wastewater Utility System, less Wastewater Utility System Operation and Maintenance Expenses. The Environmental Services Gross Receipts Tax Revenues are derived from the Environmental Services Gross Receipts Tax imposed pursuant to Section 7-19D-10 NMSA 1978 and City Ordinance No. 1993-20 on persons engaging in business in the City in the amount of 1/16th of one percent of the gross receipts of such persons. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2019 BONDS" herein.
Reserve Account:	At the time of issuance of the 2019 Bonds, a portion of the proceeds of the 2019 Bonds will be utilized to purchase a reserve fund insurance policy with coverage in the amount of the Reserve Requirement (defined herein) which is $1,190,800.00.

Parity Obligations:	The 2019 Bonds, when issued, will be payable from the Pledged Revenues on parity with the City's Gross Receipts Tax (Subordinate Lien)/Wastewater System Refunding Revenue Bonds, Series 2012B (the "2012B Bonds") and any other Parity Obligations issued subsequent to the issuance of the 2019 Bonds, as more fully described herein. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2019 BONDS" herein.
Special Obligations:	THE 2019 BONDS ARE SPECIAL LIMITED OBLIGATIONS, PAYABLE SOLELY FROM PLEDGED REVENUES. THE PRINCIPAL OF AND INTEREST ON THE 2019 BONDS WILL BE PAYABLE FROM PLEDGED REVENUES, AND WILL NOT BE PAYABLE FROM ANY FUNDS OF THE CITY EXCEPT THE DESIGNATED SPECIAL FUNDS PLEDGED TO THE PAYMENT OF THE 2019 BONDS. THE 2019 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL, CHARTER OR STATUTORY PROVISION OR LIMITATION, NOR WILL THEY BE CONSIDERED OR HELD TO BE GENERAL OBLIGATIONS OF THE CITY. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE STATE OR ANY POLITICAL SUBDIVISION OR PUBLIC AGENCY THEREOF, OTHER THAN THE CITY TO THE EXTENT OF THE PLEDGED REVENUES, ARE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE 2019 BONDS. NO OWNER HAS THE RIGHT TO COMPEL THE EXERCISE OF THE TAXING POWER OF THE CITY OR THE FORFEITURE OF ANY OF ITS PROPERTY IN CONNECTION WITH ANY DEFAULT UNDER THE BOND ORDINANCE.
Wastewater Utility System:	The Wastewater Utility System consists of the municipally owned public utility designated as the City's wastewater utility system consisting of all properties, real, personal, mixed or otherwise, now owned or hereafter acquired by the City through purchase, construction or otherwise, including any expansions, extensions, enlargements and improvements of or to the Wastewater Utility System, and used in connection therewith or relating thereto, and any other related activity or enterprise of the City designated by the Council as part of the Wastewater Utility System, whether situated within or without the limits of the City.
Rate Covenant:	Pursuant to the Bond Ordinance, the City has covenanted that it will at all times fix rates and collect charges for each class of service rendered by the Wastewater System, and to, from time to time, amend or adjust such rates to fix, charge and collect such rates and charges so that Wastewater System Gross Revenues, together with the Environmental Services Gross Receipts Tax Revenues, shall always be sufficient to provide for the payment of the Debt Service Requirements on all Outstanding Parity Obligations and subordinate Obligations as and when the same become due and payable, to maintain the funds and accounts established in the Ordinance, to provide for the payment of Wastewater System Operation and Maintenance Expenses which may be necessary to preserve the same in good repair and working order, including the

necessary reserves therefor and all other payments necessary to meet on-going legal obligations to be paid at that time; and

The City further covenants that it will at all times fix, charge and collect such rates and charges as shall be required in order that in each Fiscal Year the Wastewater System Net Revenues, together with the Environmental Services Gross Receipts Tax Revenues, shall at least equal the greater of (a) the Debt Service Requirements on all Outstanding Parity Obligations and subordinate Obligations in such Fiscal Year and the deposits required by the Ordinance to be made into the various funds of the Ordinance in such year or (b) 110% of the Debt Service Requirements on all Outstanding Parity Obligations and Subordinate Obligations in such Fiscal Year. See "SUMMARY OF CERTAIN PROVISIONS OF THE BOND ORDINANCE— Protective Covenants of the City" herein.

Prior Redemption: The 2019 Bonds maturing on or after June 1, 2029 are subject to redemption prior to maturity at the option of the City, in whole or in part, on June 1, 2028 and any date thereafter at par, plus accrued interest to the redemption date, without premium. See "DESCRIPTION OF THE 2019 BONDS—Redemption of 2019 Bonds" herein.

Additional Bonds: Additional obligations may hereafter be issued which are secured by and payable from the Pledged Revenues on parity with the 2019 Bonds. Additional obligations may hereafter be issued and secured by the Environmental Services Gross Receipts Tax Revenues. See "SUMMARY OF CERTAIN PROVISIONS OF THE BOND ORDINANCE—Additional Bonds and Other Obligations" herein. Additional Superior Tax Obligations with a lien on the Environmental Services Gross Receipts Tax Revenues superior to the lien thereon of the 2019 Bonds may be issued so long as the Additional Gross Receipts Tax Revenues (as defined herein) are also pledged to the Obligations. The State Shared Gross Receipts Tax Revenues, One-Half Percent Municipal Gross Receipts Tax Revenues and the Infrastructure Gross Receipts Tax Revenues (collectively, the "Additional Gross Receipts Tax Revenues") are not pledged to the payment of the 2019 Bonds. There are currently no Superior Tax Obligations outstanding.

Purpose: The 2019 Bonds are being issued to provide funds for extending, enlarging, bettering, repairing and otherwise improving the System and paying the costs of issuance of the 2019 Bonds. See "THE IMPROVEMENT PROJECT", "SOURCES AND USES OF FUNDS", and "CLIMATE BOND CERTIFICATION" herein.

Climate Bonds Initiative: The City has designated the 2019 Bonds as "Climate Bond Certified / Green Bonds" and the Climate Bonds Initiative has provided a certification to the City of the 2019 Bonds as "Certified Climate Bonds." See "CLIMATE BOND CERTIFICATION" herein.

Bond Counsel: Modrall, Sperling, Roehl, Harris & Sisk, P.A., Albuquerque, New Mexico.

Financial Advisor:	Hilltop Securities Inc., Dallas, Texas
Paying Agent/Registrar:	BOKF, NA, Albuquerque, New Mexico,
Underwriters:	RBC Capital Markets, LLC and Piper Jaffray & Co.
Special Factors:	Investors and prospective investors should give particular attention to various factors, including that the 2019 Bonds are limited obligations and that additional obligations may be issued and secured by and paid from the Pledged Revenues. See "SPECIAL FACTORS RELATING TO THE 2019 BONDS", "SECURITY AND SOURCES OF PAYMENT FOR THE 2019 BONDS — Pledged Net Revenues", "SECURITY AND SOURCES OF PAYMENT FOR THE 2019 BONDS — Pledged Environmental Gross Receipts Tax Revenues" and "SUMMARY OF CERTAIN PROVISIONS OF THE BOND ORDINANCE—Additional Obligations" herein.

OFFICIAL STATEMENT

$13,550,000
CITY OF SANTA FE, NEW MEXICO
NET WASTEWATER UTILITY SYSTEM / ENVIRONMENTAL SERVICES GROSS RECEIPTS TAX IMPROVEMENT REVENUE BONDS
SERIES 2019
(CLIMATE BOND CERTIFIED / GREEN BONDS)

INTRODUCTION

This Official Statement, which includes the cover page and the appendices hereto, sets forth certain information in connection with the offering of $13,550,000 aggregate principal amount of City of Santa Fe, New Mexico, Net Wastewater Utility System / Environmental Services Gross Receipts Tax Improvement Revenue Bonds, Series 2019 (the "2019 Bonds") to be issued by the City of Santa Fe, Santa Fe County, New Mexico (the "City," the "County" and the "State," respectively), pursuant to Ordinance No. 2019-02, adopted on January 30, 2019 (the "Bond Ordinance") and the Pricing Certificate executed on February 27, 2019.

The 2019 Bonds are payable solely from a first lien (but not an exclusive first lien) on the Net Revenues and a subordinate lien (but not an exclusive subordinate lien) on the Environmental Services Gross Receipts Tax Revenues (both as defined herein and collectively referred to as the Pledged Revenues) on parity with the lien thereon of the 2012B Bonds. The Net Revenues consist of all income and revenues directly or indirectly derived by the City from the operation and use of the municipally owned public utility designated as the City's wastewater utility system (the "Wastewater Utility System") or any part of the Wastewater Utility System, less Wastewater Utility System Operation and Maintenance Expenses (as defined herein). The Environmental Services Gross Receipts Tax Revenues consist of the revenues derived from the Environmental Services Gross Receipts Tax imposed pursuant to Section 7-19D-10 NMSA 1978 and City Ordinance No. 1993-20 on persons engaging in business in the City in the amount of 1/16th of one percent of the gross receipts of such persons. The 2019 Bonds are special, limited obligations of the City payable from and secured solely by the Pledged Revenues. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2019 BONDS" herein.

The City has previously issued its 2012B Bonds in an aggregate principal amount of $14,280,000, of which, $4,955,000 is currently outstanding which is secured by a lien on the Pledged Revenues on parity with the lien of the 2019 Bonds. The 2012B Bonds are also secured by a subordinate lien on certain Additional Gross Receipts Tax Revenues of the City which are not pledged to the 2019 Bonds.

The 2019 Bonds are secured and payable from a lien on the Pledged Revenues on parity with the lien of the 2012B Bonds. In addition to the 2012B Bonds, and the 2019 Bonds, additional bonds may be issued and secured by the Pledged Revenues having a lien on the Pledged Revenues on parity with the lien on the Pledged Revenues securing the 2012B Bonds and the 2019 Bonds. The 2012B Bonds, the 2019 Bonds, and any additional bonds that may be issued and secured by the Pledged Revenues having a lien on the Pledged Revenues on parity with the lien on the Pledged Revenues securing the 2012B Bonds and the 2019 Bonds are collectively referred to herein as "Parity Obligations." The City may issue Superior Tax Obligations payable, in part, from the Environmental Services Gross Receipts Tax Revenues with a lien thereon superior to the lien of the 2019 Bonds so long as the City pledges the Additional Gross Receipts Tax Revenues in conjunction with the issuance of the additional Superior Tax Obligations. The Additional Gross Receipts Tax Revenues are not pledged to the payment of the 2019 Bonds. There are currently no outstanding Superior Tax Obligations. See "SUMMARY OF CERTAIN PROVISIONS OF THE BOND ORDINANCE—Additional Bonds and Other Obligations."

THE 2019 BONDS ARE SPECIAL LIMITED OBLIGATIONS, PAYABLE SOLELY FROM PLEDGED REVENUES. THE PRINCIPAL OF AND INTEREST ON THE 2019 BONDS WILL BE PAYABLE SOLELY FROM PLEDGED REVENUES AND WILL NOT BE PAYABLE FROM ANY FUNDS OF THE CITY EXCEPT THE DESIGNATED SPECIAL FUNDS PLEDGED TO THE PAYMENT OF THE 2019 BONDS. THE 2019 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL, CHARTER OR STATUTORY PROVISION OR LIMITATION, NOR WILL THEY BE CONSIDERED OR HELD TO BE GENERAL OBLIGATIONS OF THE CITY. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE STATE OR ANY POLITICAL SUBDIVISION OR PUBLIC AGENCY THEREOF, OTHER THAN THE CITY TO THE EXTENT OF THE PLEDGED REVENUES, ARE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE 2019 BONDS. NO OWNER HAS THE RIGHT TO COMPEL THE EXERCISE OF THE TAXING POWER OF THE CITY OR THE FORFEITURE OF ANY OF ITS PROPERTY IN CONNECTION WITH ANY DEFAULT UNDER THE BOND ORDINANCE.

The descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each document. All capitalized terms used in this Official Statement and not otherwise defined herein have the same meanings as in the Bond Ordinance.

SPECIAL FACTORS RELATING TO THE 2019 BONDS

Each prospective investor of the 2019 Bonds is encouraged to read this Official Statement and to give particular attention to the factors described below which, among other conditions, could affect the payment of debt service on the 2019 Bonds and could affect the market price of the 2019 Bonds to an extent that cannot be determined at this time.

Limited Obligations

The 2019 Bonds are limited obligations of the City payable as to principal and interest solely from Pledged Revenues. Therefore, the security for the punctual payment of the principal of and interest on the 2019 Bonds is dependent on the City's receipt of the Pledged Revenues in an amount sufficient to meet the debt service requirements of the 2019 Bonds and the Parity Obligations. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2019 BONDS," "INFORMATION CONCERNING ENVIRONMENTAL SERVICES GROSS RECEIPTS TAX AND REVENUES" and "THE WASTEWATER UTILITY SYSTEM" herein. The 2019 Bonds and the interest thereon do not constitute a debt or indebtedness of the City within the meaning of any provision or limitation of the Constitution or laws of the State and do not give rise to a pecuniary liability of the City or a charge against its general credit or taxing power. Further, the 2019 Bonds are not obligations of the State, and the owners of the 2019 Bonds may not look to the State for payment of the principal of or interest on the 2019 Bonds.

NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE STATE OR ANY POLITICAL SUBDIVISION OR PUBLIC AGENCY THEREOF, OTHER THAN THE CITY TO THE EXTENT OF THE PLEDGED REVENUES, ARE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE 2019 BONDS.

Additional Obligations Payable From Pledged Revenues

The issuance of Obligations with a superior lien on the Net Revenues is prohibited under the Bond Ordinance. Additional Obligations may be issued with a lien on the Net Revenues and

Environmental Services Gross Receipts Tax Revenues on parity with the lien thereon of the 2019 Bonds in accordance with the requirements of the Bond Ordinance. Additional Superior Tax Obligations may be issued in accordance with the provisions of the Bond Ordinance so long as the Additional Gross Receipts Tax Revenues are pledged to the payment of Superior Tax Obligations. There are currently no outstanding Superior Tax Obligations. See "SUMMARY OF CERTAIN PROVISIONS OF THE BOND ORDINANCE—Additional Bonds and Other Obligations."

Compliance with Rate Covenant

Pursuant to the Bond Ordinance, the City has covenanted to fix, charge and collect such rates and charges as shall be required in order that in each Fiscal Year the Wastewater System Net Revenues, together with the Environmental Services Gross Receipts Tax Revenues, shall at least equal the greater of (a) the Debt Service Requirements on all Outstanding Parity Obligations and Obligations with a lien on the Pledged Revenues subordinate to the lien thereon of the 2019 Bonds and the 2012B Bonds (the "Subordinate Obligations") in such Fiscal Year and the deposits required by the Ordinance to be made into the various funds of the Ordinance in such year or (b) 110% of the Debt Service Requirements on all Outstanding Parity Obligations and Subordinate Obligations in such Fiscal Year. See "SUMMARY OF CERTAIN PROVISIONS OF THE BOND ORDINANCE—Protective Covenants of the City" herein.

Gross Receipts Tax Collections are Subject to Fluctuation; Effect of Tourism

Gross receipts tax collections are subject to the fluctuations in spending related, in part, to national and local economic conditions, which determine the amount of gross receipts taxes collected. This causes gross receipts tax revenues to increase along with the increasing prices brought about by inflation, but also causes collections to be vulnerable to adverse economic conditions and reduced spending. The City's economic base and the future collections of Environmental Services Gross Receipts Tax Revenues are impacted by tourism and summer and winter resort activities. The City's associated retail sales are affected by both weather and general economic circumstances.

The Environmental Services Gross Receipts Tax Revenues are based on the total gross receipts of persons transacting business within the City that is subject to payment of the gross receipts taxes that produce Environmental Services Gross Receipts Tax Revenues. Various circumstances and developments, most of which are beyond the control of the City, may have an adverse effect on the future level of Environmental Services Gross Receipts Tax Revenues. Such circumstances may include, among others, adverse changes in national and local economic and financial conditions generally, reductions in the rates of employment and economic growth in the City, the State and the region, a decrease in rates of population growth and rates of residential and commercial development in the City, the County, the State, and the region and various other factors.

For the fiscal year ended June 30, 2018, Environmental Services Gross Receipts Tax Revenues totaled $2,231,738, representing an increase of 7.49% from the previous fiscal year. Since 2011, Environmental Services Gross Receipts Tax Revenues have increased each year. See "INFORMATION CONCERNING ENVIRONMENTAL SERVICES GROSS RECEIPTS TAXES AND REVENUES" herein. Additional revenues related to Environmental Services Gross Receipts Tax Revenues are included in the percentages described above. The City cannot predict with certainty the future growth or decline of gross receipts tax revenues. A decline of gross receipts tax revenues may adversely affect the financial well-being of the City and the City's ability to make payments on the 2019 Bonds.

Legislative Changes

Revisions to laws of the State affecting taxed activities and distributions of gross receipts tax revenues could be adopted in the future by the State Legislature. Proposals affecting taxed activities and distributions are frequently considered by the State Legislature. There is no assurance that any future revisions to State laws will not adversely affect activities now subject to the gross receipts tax or distribution of gross receipts tax revenues to the City. Notwithstanding the foregoing, the provisions of State law authorizing the issuance of revenue bonds (including bonds secured by gross receipts tax revenues, such as the 2019 Bonds) include a provision stating that any law which authorizes the pledge of revenues to the payment of revenue bonds, or which affects the pledged revenue "shall not be repealed or amended or otherwise directly or indirectly modified in such a manner as to impair adversely any such outstanding revenue bonds."

In the 2004 Legislative Session, a bill was adopted by the Legislature and signed into law that relieved from gross receipts taxes (i) food or food products for home consumption sold at an establishment that sells food for home preparation and consumption and (ii) receipts from payments by a managed health care provider or health care insurer for commercial contract services or Medicare Part C services provided by a health care provider. See Sections 7-9-92 and 7-9-93 NMSA 1978. The law also provides, pursuant to Section 7-1-6.46 NMSA 1978, for distribution from the State general fund to municipalities to offset any reduced gross receipts tax distributions resulting from the food and health care services tax relief effected by Sections 7-9-92 and 7-9-93. A portion of such offset distributions are included in the Pledged Revenues. However, as discussed below, these distributions began to be reduced by a legislatively set percentage each year starting in Fiscal Year 2016 and will be phased out entirely by Fiscal Year 2030.

In the 2012 Legislative session, the State Legislature amended the State Gross Receipts and Compensating Tax Act as related to certain manufacturing and construction gross receipts. Specifically, the amendment expanded the gross receipts tax deductions for sales of tangible property to manufacturers to include property consumed in the process of manufacturing, excluding tools and equipment. Additionally, the definition of "construction services" was expanded thereby increasing the scope of the deduction for sale of construction services to persons engaged in the construction business. Both of these amendments are phased in over the next several fiscal years.

In the 2013 New Mexico Legislative session, House Bill 641, passed by both chambers and signed by the Governor, included several changes to New Mexico's tax code. The bill lowers the New Mexico's top corporate income tax over five years and permits single sales factor apportioning for certain manufacturing corporations phased in over five years, amends the gross receipts tax deduction for tangible property consumed in the manufacturing process, and amends the high-wage jobs tax credit to extend the credit and add qualifications criteria for the credit. The bill also requires combined reporting for certain corporations and phases out the hold-harmless distribution to municipalities and counties that offset the food and medical deductions over 15 years starting in Fiscal Year 2016.

Other amendments to State laws affecting taxed activities and distribution of gross receipts tax revenues have been proposed from time to time and could be proposed in the future by the Legislature. There is no assurance that any future amendments will not adversely affect activities now subject to the gross receipts tax or distribution of gross receipts tax revenues to the City.

The law as currently enacted will result in annual reductions and ultimately the elimination of the hold harmless distributions to the City, which began on July 1, 2015, as follows:

Fiscal year ending June 30	% of Total Hold Harmless Distribution*
2016	94%
2017	88%
2018	82%
2019	76%
2020	70%
2021	63%
2022	56%
2023	49%
2024	42%
2025	35%
2026	28%
2027	21%
2028	14%
2029	7%
2030	-0-

* Based on percentage of total deductions from gross receipts claimed for sale of food at retail food stores and services provided by health care practitioners.

In order to offset the reduced hold harmless distributions, the law allows municipalities and counties to impose a local option gross receipts tax of up to three-eighths of one percent (3/8%) (the "Hold Harmless Gross Receipts Tax"). The City has not imposed any increment of the Hold Harmless Gross Receipts Tax and the imposition of any increment of such tax would not be pledged toward repayment of the 2019 Bonds without additional action by the City Council. It is possible that the New Mexico Legislature will further amend the law to provide for additional decreases in hold harmless distributions in the event that a municipality or county imposes any increment of the Hold Harmless Gross Receipts Tax.

Bankruptcy and Foreclosure

The ability of the State to collect gross receipts taxes owed from an owner or operator of a business may be adversely affected by the filing of a bankruptcy proceeding by the owner. The ability to collect delinquent gross receipts taxes using foreclosure and sale for non-payment of taxes may be forestalled or delayed by bankruptcy, reorganization, insolvency or other similar proceedings affecting the owner or operator of a business. The Federal bankruptcy laws provide for an automatic stay of foreclosure and sale proceedings, thereby delaying such proceedings, perhaps for an extended period. Delays in the exercise of remedies could result in gross receipts tax collections that may be insufficient to pay debt service on the 2019 Bonds when due.

Secondary Market

No guarantee can be made that a secondary market for the 2019 Bonds will be established and maintained. Owners of 2019 Bonds should be prepared to hold their bonds to maturity.

Bond Ratings

There is no assurance that the ratings assigned to the 2019 Bonds will not be lowered or withdrawn at any time, the effect of which could adversely affect the market price or the marketability of the 2019 Bonds. See the information herein under the caption "RATINGS."

THE IMPROVEMENT PROJECT

The 2019 Bonds are being issued in order to provide funds for the Improvement Project. The Improvement Project consists of extending, enlarging, bettering, repairing and otherwise improving the Wastewater Utility System and paying all costs incidental thereto and paying the costs of issuance of the 2019 Bonds. Issuance of the 2019 Bonds is expected to provide approximately $15,000,000 in proceeds to be deposited into the Acquisition Fund for the Improvement Project in addition to amounts required to pay the costs of issuance of the 2019 Bonds and to acquire a Reserve Fund Insurance Policy for the 2019 Reserve Fund.

The Improvement Project includes constructing two new anaerobic digesters, installing a new automated control system, adding a third belt filter press for sludge dewatering, and constructing a cogeneration facility that will utilize the digester-produced biogas as a source of energy. The Improvement Project is the largest construction project at the City's Paseo Real Wastewater Treatment Facility and is part of the 2017/2018 Wastewater Management Five-Year Capital Improvement Plan.

Digesters - The City employs anaerobic digestion for the treatment of municipal wastewater sludge. The process employs anaerobic digesters to break down organic matter into carbon dioxide and methane. A portion is converted into gases while the remainder is dried and becomes residual biosolids that are soil-like material. The City currently has two digesters that were built in 1962 and are constructed of concrete. The new units will be slightly larger, giving the City additional capacity and ensuring that they will produce high-quality sludge for land disposal and composting. The new equipment will employ current technology that will be more efficient than the existing digesters. In a future project, the existing digesters will be inspected, cleaned, and refitted as needed to serve as spare units in the event that the City needs to take one of the new units down for cleaning and routine maintenance. With the current system, the City does not have the flexibility to take a unit offline for cleaning and maintenance.

Belt Press - The City currently has two belt presses that see heavy use as the demand for biosolids in compost is high. The two existing presses are 10 years old and are in need of frequent repairs and a thorough overhaul. The third press will reduce the load on any given press, provide the City greater flexibility, and give the City some redundancy.

Automatic Control System – The City has included in the Improvement Project a new Supervisory Control and Data Acquisition ("SCADA") to enable automated control of the new digesters and all of the sludge management processes. In future projects, SCADA will be included that will, within a few years, enable complete computer control of the plant and allow real-time monitoring of power, water, and natural gas utility consumption. The new system uses the same technology as is currently deployed at the City's two water treatment facilities (Buckman and Canyon Road). Given that the control system has been successfully operating at the water treatment facilities, the City expects that utilizing it at the wastewater treatment facility will give the City better system planning, design, and cross-training.

Cogeneration – The Improvement Project also includes addition of a "combined heat and power" (chp) component to make use of the biogas generated by the new digesters. The cogeneration will operate as an integral component of the replacement digesters, enabling the city to make use of the produced electricity and recovery of heat from the combustion of gas as a source of energy. The cogeneration design includes gas treatment prior to combustion in either the digester boilers or in the CHP engines, extending the life of the boilers and simplifying the air emissions permitting of the cogeneration exhaust. Flaring of digester gas will only be necessary during startup or in the event of equipment malfunctions. In combination with the present two solar energy systems at the plant, the cogeneration-produced electricity will supply virtually all of the electric needs of the facility. The city anticipates that

the new system, which will also be managed by the new computer controls, will allow the plant to produce over 92% of the electricity on-site (adding to an existing solar power contribution), as well as to provide over 90% of the required energy for thermal hearing requirements of the digesters. The addition of cogeneration (power and heat) is a part of an effort to make the city's wastewater treatment plant more sustainable to meet the city's sustainability goals.

CLIMATE BOND CERTIFICATION

Sustainable Santa Fe Sustainability Plan

On November 14, 2018, the governing body of the City adopted a 25 year sustainability plan (the "Sustainability Plan"), with the established goals of (1) reducing climate impacts through greenhouse gas reductions and adaptations to achieve carbon neutrality by the year 2040, (2) enhancing environmental resilience through better management of natural resources, (3) improving economic vitality through rethinking infrastructure development and other drivers of economic development, and (4) enhancing quality of life for all citizens of the City by embedding social equity and access to factors for success into sustainability strategies (more information regarding the Sustainability Plan is available on the City's website at https://www.santafenm.gov/sustainable_santa_fe). In furtherance of the objectives of the Sustainability Plan, the Improvement Project financed by the 2019 Bonds will, in addition to generally improving the operational and energy efficiencies of the System, allow the System's treatment facility to achieve net-zero electricity consumption. In furtherance of the promotion of the Sustainability Plan, the 2019 Bonds will be identified as "Climate Bond Certified" based on the Climate Bond Certification (defined below) as further set forth below. The City is the first issuer in New Mexico to obtain Climate Bond Certification. Additionally, CBI has indicated that the portion of the Improvement Project related to the digesters is the first stand-alone anaerobic digester project globally to be certified by the Climate Bonds Initiative.

Climate Bond Certification and Pre-Issuance Process

The information set forth under this caption "CLIMATE BOND CERTIFICATION" concerning (1) the Climate Bonds Initiative (the "CBI") and Climate Bond Certification (the "Climate Bond Certification"), and (2) First Environment, Inc. (the "Verifier") in its role as verifier with respect to the Climate Bond Certification, all as more fully described below, has been extracted from materials provided by the CBI and the Verifier, respectively, for such purposes, and none of such information is guaranteed as to accuracy or completeness or is to be construed as a representation by the City or the Underwriters. Additional information relating to the CBI, the Climate Bond Certification, and the process for obtaining Climate Bond Certification can be found at www.climatebonds.net. This hyperlink is included solely for the reader's convenience and such website link and the information contained therein is not incorporated into and is not part of this Official Statement.

The term "Climate Bond Certification" is neither defined in, nor related to, the Ordinance and the use of such terms herein is for identification purposes only and is not intended to provide or imply that a Beneficial Owner of the 2019 Bonds is entitled to any additional security other than as provided in the Ordinance (see "SECURITY AND SOURCES OF PAYMENT FOR THE 2019 BONDS"). The Climate Bond Certification and the identification of the 2019 Bonds as Climate Certified Bonds does not affect the underlying security for the payment of the 2019 Bonds. The repayment obligations of the City with respect to the 2019 Bonds are not conditioned upon CBI's certification or continuing certification of the 2019 Bonds by the CBI.

As a component of the City's Sustainability Plan, the City applied for certification of the 2019 Bonds to the Climate Bonds Standard Board of the Climate Bonds Initiative (the "CBI"), an international non-profit organization that promotes investments in projects to produce a low carbon and climate resilient economy. The City received certification of the 2019 Bonds as "Certified Climate Bonds." The purpose of designating the 2019 Bonds as "Certified Climate Bonds / Green Bonds" is to allow investors to invest directly in bonds that finance environmentally beneficial projects. See "THE IMPROVEMENT PROJECT" herein.

A climate bond is used to finance projects which have features that will address climate change issues. Certification of a bond as a Climate Bond means that the bonds meet the requirements of the Climate Bonds Standard established by the Climate Bonds Standard Board of CBI as verified by an independent third-party verification agent. As a part of the certification process, the City retained the Verifier to provide a third-party verification that the 2019 Bonds meet the Climate Bonds Standard. All of the projects included in the Improvement Project have been certified under the Climate Bonds Standard Water Sector Criteria. The certification of the 2019 Bonds reflects only the views of the Verifier report approved by the Climate Bonds Standard Board.

The requirements of the Certification Process include pre-issuance requirements, which must be met by issuers seeking certification ahead of issuance, and post-issuance requirements, which must be met by issuers seeking continued certification following the issuance of bonds. The pre-issuance requirements are designed to ensure that the City has established appropriate internal processes and controls prior to issuance of the Bonds, and that such internal processes and controls are sufficient to enable conformance with the Certification Process following the issuance of bonds and in connection with the expenditure of bond proceeds.

Water Standards

The Improvement Project has been certified as meeting the criteria for Climate Bonds Standard's water eligible project category based on the expectation that the Improvement Project will meet the requirements of the Mitigation component (promoting greenhouse gas mitigation through reduced emissions or increased carbon sequestration) and Adaptation and Resilience component (promoting adaptation to climate change and facilitating increased climate resilience in the systems in which they are located). To meet the Mitigation component, the Improvement Project must either have (i) no expected net greenhouse gas emissions impact or (ii) a negative net greenhouse gas emissions impact through either decreased emissions or increased sequestration relative to a business as usual baseline. To meet the Adaptation and Resilience component a project must have an expected or remaining operational life of more than 20 years. Additionally, for the Adaptation and Resilience analysis, a vulnerability assessment (an assessment of climate impacts and potential climate risks) and an adaptation plan (management's response to the conclusions and findings in the vulnerability assessment addressing how the identified climate risks will be addressed) are evaluated for climate vulnerability and aspects of governance and conflict negotiations between water users in shifting hydrological conditions along with components of technical diagnostics and nature-based solutions.

Post Issuance Reporting

The requirements of the Climate Bonds Standard include post-issuance requirements which need to be met by the City for continued certification following the issuance of the 2019 Bonds. To maintain the certification of the 2019 Bonds as Certified Climate Bonds, the City is required to engage the Verifier once within 12 months of the issuance of the 2019 Bonds to confirm that the 2019 Bonds conform with the requirements of the Climate Bonds Standard; beyond the one-time, post-issuance verification, no further verification is required, and the City does not intend to conduct further verification. Under its

agreement with CBI to maintain the climate bonds designation, the City has agreed to (1) provide CBI, no later than 120 days following the end of its fiscal year, an annual statement certifying conformance with the Climate Bond Standard, and (2) provide holders of the 2019 Bonds a generalized annual update on the Improvement Project within 120 days of the end of each fiscal year. The City expects to post the annual updates to 2019 Bondholders on EMMA.

The CBI is not a licensed broker-dealer or a nationally recognized statistical ratings organization and the Climate Bond Certification by the CBI is not a recommendation to buy, sell or hold securities. No assurance can be given as to the outcome of the post issuance assessments by the Verifier. CBI's certification may be subject to revision or withdrawal, including, without limitation, in the event that the City's future capital expenditures from the proceeds of the 2019 Bonds vary from the anticipated expenditures reviewed by the CBI. The City will undertake reasonable efforts to ensure that any adjustment of capital expenditures of the 2019 Bond proceeds or other actions taken with respect to the 2019 Bonds will not result in revision or withdrawal of the CBI's certification; however, there can be no assurance that such adjustment or other action or a future revision to the CBI's criteria for certifying bonds will not result in a withdrawal or revision of the CBI's certification. Failure of the City to provide either its annual statement to CBI or such annual update could result in revocation of the Climate Bond Certification. While the City intends to continue to provide such statement and report, the holders of the 2019 Bonds have no right to enforce the provisions of such agreement and the City has no obligation to maintain the certification of the 2019 Bonds as Climate Certified Bonds and assumes no obligation to ensure compliance with any legal or other principles of Climate Bonds as such principles may evolve over time.

Limited Purpose of Climate Bond Certification

The certification of the 2019 Bonds as "Climate Bonds" by the CBI is based solely on the Climate Bonds Standard and does not, and is not intended to make any representation or give any assurance with respect to any other matter relating to the 2019 Bonds or any part of the Improvement Project, including but not limited to this Official Statement, the Ordinance, the City or the management of the City.

The certification of the 2019 Bonds by the CBI was addressed solely to the City and is not a recommendation to any person to purchase, hold or sell the 2019 Bonds and such certification does not address the market price or suitability of the 2019 Bonds for a particular investor. The certification also does not address the merits of the decision by the City or any third party to participate in the Improvement Project and does not express and should not be deemed to be an expression of an opinion as to the City or any aspect of the Improvement Project (including but not limited to the financial viability of any part of the Improvement Project) other than with respect to the conformance with the Climate Bonds Standard.

In issuing or monitoring, as applicable, the certification, the CBI has assumed and relied upon and will assume and rely upon the accuracy and completeness in all material respects of the information supplied or otherwise made available to the CBI. The CBI does not assume or accept any responsibility to any person for independently verifying (and has not verified) such information or to undertake (and has not undertaken) any independent evaluation of the Improvement Project or the City. In addition, the CBI does not assume any obligation to conduct (and it has not conducted) any physical inspection of the Improvement Project. The certification may only be used with the 2019 Bonds and may not be used for any other purpose without the CBI's prior written consent.

The certification does not and is not in any way intended to address the likelihood of timely payment of interest when due on the 2019 Bonds and or the payment of principal at maturity or any other date.

The certification may be withdrawn at any time in the CBI's sole and absolute discretion and there can be assurance that such certification will not be withdrawn.

BAM GREENSTAR BONDS

The 2019 Bonds have been designated BAM GreenStar Bonds because BAM has determined that the use of bond proceeds by the City as described in this Official Statement and in any additional information obtained by BAM aligns with one of the Green Bond Principals (GBPs) developed by the International Capital Markets Association (ICMA). The GBPs were developed by the ICMA with the goal of establishing universally accepted guidelines for the issuance of green bonds, and one of the key requirements addresses the use of proceeds. BAM has been identified by the ICMA as an observer organization that is active in the field of green and/or social or sustainability finance and is Climate Bond Initiative approved verifier. The Credit Profile prepared by BAM for the 2019 Bonds will identify which of the following GBP categories applies to the 2019 Bonds:

- renewable energy
- energy efficiency
- pollution prevention and control
- environmentally sustainable management of living natural resources and land use
- terrestrial and aquatic biodiversity
- clean transportation
- climate change adaptation
- sustainable water and wastewater management
- green buildings.

Each of the GBPs correlates to one of the following UN Sustainable Development Goals which will also be included in the Credit Profile for the 2019 Bonds:

- clean water and sanitation
- affordable and clean energy
- sustainable cities and communities
- industry innovation and infrastructure
- responsible consumption and production
- climate action
- life below water

- life on land

For projects under construction, the bond obligor has agreed to furnish annual information to BAM on the status of the project until completion, which will be reflected in the BAM Credit Profile for the 2019 Bonds.

The BAM GreenStar designation is based upon information obtained by BAM, which information BAM believes to be reliable, at the time of the issuance of the 2019 Bonds. BAM does not charge a fee in connection with the designation, does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. The designation is provided on an "AS IS" basis. BAM makes no representation or warranty, express or implied, including, but not limited to, the accuracy, results, timeliness, completeness, merchantability or fitness for any particular purpose with respect to the designation. A complete description of BAM GreenStar, and its limitations and terms of use, are available on BAM's website https://buildamerica.com/greenstar and https://buildamerica.com/terms-of-use and incorporated herein by reference. The BAM GreenStar designation is determined solely by BAM; it has not been reviewed or approved by the City or the Underwriters for the 2019 Bonds, and the City and Underwriters assume no responsibility for such designation.

SOURCES AND USES OF FUNDS

The proceeds from the sale of the 2019 Bonds will be applied as follows:

Sources of Funds	
Par Amount of 2019 Bonds	$13,550,000.00
Net Original Issue Premium	1,757,551.95
Total	$15,307,551.95

Uses of Funds	
Deposit for Project	$15,000,000.00
Costs of Issuance[1]	258,816.00
Underwriters' Discount	46,476.60
Deposit to Debt Service Account	2,259.35
Total	$15,307,551.95

[1] Includes financial advisor fees, legal fees, fees of the paying agent/registrar, premium for Reserve Fund Insurance Policy and other miscellaneous costs and expenses related to the issuance of the Bonds.

Source: Hilltop Securities, Inc.

DESCRIPTION OF THE 2019 BONDS

General

The 2019 Bonds are being issued in the aggregate principal amount of $13,550,000 in order to provide funds for the Improvement Project. See "THE IMPROVEMENT PROJECT."

The 2019 Bonds will be dated their date of issuance and delivery. The 2019 Bonds will bear interest at the rates, and will mature in the amounts and on the dates set forth on the inside front cover page of this Official Statement. Interest on the 2019 Bonds will be payable semiannually on June 1 and December 1 of each year, commencing June 1, 2019. The 2019 Bonds will bear interest from their date of issuance and delivery. Interest on the 2019 Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months. The 2019 Bonds will be issued as fully registered bonds in denominations of $5,000 or any integral multiple thereof; provided that no 2019 Bonds may be in a denomination which exceeds the principal coming due on any maturity date, and no individual 2019 Bond will be issued for more than one maturity.

The principal of any 2019 Bond will be payable to the registered owner thereof as shown on the registration books with respect to the 2019 Bonds kept by BOKF, NA, as registrar (the "Registrar"), upon maturity or prior redemption thereof and upon presentation and surrender to BOKF, NA, as paying agent (the "Paying Agent"). If any 2019 Bond is not paid upon such presentation and surrender at or after maturity or on a designated prior redemption date on which the City may have exercised its right to redeem prior to maturity any 2019 Bond, it will continue to draw interest at the rate borne by the 2019

Bond until the principal thereof is paid in full. Payment of interest on any 2019 Bond will be made by check or draft mailed by the Paying Agent, on or before each interest payment date (or, if such interest payment date is not a business day, on or before the next succeeding business day), to the registered owner thereof as of the fifteenth day of the calendar month (whether or not a business day) preceding each regularly scheduled interest payment date on the 2019 Bonds (the "Regular Record Date") at the address as it last appears on the registration books with respect to the 2019 Bonds on the Regular Record Date (or by such other arrangements as may be mutually agreed to by the Paying Agent and any registered owner on such Regular Record Date) notwithstanding any transfer or exchange thereof subsequent to such Regular Record Date and prior to such interest payment date. Any interest not so timely paid or duly provided for will cease to be payable as described above and will be payable to the person in whose name any 2019 Bond is registered at the close of business on a special record date to be fixed by the Registrar (the "Special Record Date") whenever moneys become available for payment of any such defaulted interest. Notice of the Special Record Date will be given not less than 10 days prior thereto, by first-class mail, to the registered owners of the 2019 Bonds. See "—Book-Entry Only System."

All payments of principal and interest on the 2019 Bonds will be made in lawful money of the United States of America. The City and the Registrar may treat the registered owner of a 2019 Bond as the absolute owner thereof for all purposes except as otherwise provided in the Bond Ordinance with respect to the Regular Record Date and the Special Record Date for the payment of interest. Payment of or on account of either principal or redemption price or interest on any 2019 Bond will be made only to or upon the written order of the registered owner thereof or his legal representative. All such payments will be valid and effectual to discharge the liability upon the 2019 Bond to the extent of the sum or sums so paid.

Redemption of 2019 Bonds

Optional Redemption. The 2019 Bonds maturing on or after June 1, 2029, are subject to redemption prior to maturity at the option of the City in one or more units of principal of $5,000 on and after June 1, 2028, in whole or in part at any time, in such order of maturities as the City may determine (and by lot if less than all 2019 Bonds of such maturity is called, such selection by lot to be made by the Registrar in such manner as it considers appropriate and fair) at a redemption price equal to the principal amount of the 2019 Bonds or portions thereof to be redeemed, plus accrued interest thereon to the redemption date, without premium.

Redemption Procedures. At least 60 days prior to any date selected by the City for optional redemption of any of the 2019 Bonds, the City shall give written instructions to the Registrar with respect to the optional redemption. The Registrar shall not be required to give notice of any optional redemption unless the Registrar has received written instructions from the City in regard thereto at least 60 days prior to such redemption date (unless such deadline is waived by the Registrar). Additionally, notice of optional redemption shall be given by the City by sending a copy of such notice by first-class, postage prepaid mail, not less than thirty days prior to the optional redemption date to the Paying Agent, if the Registrar is not the Paying Agent.

Notice of redemption of 2019 Bonds will be given by the Registrar by sending a copy of such notice in the manner required by the Depository or by first-class, postage prepaid mail not more than 60 and not less than 30 days prior to the redemption date to each registered owner of each 2019 Bond selected for redemption as shown on the registration books kept by the Registrar as of the date of mailing of notice. Failure to give such notice by mailing to the registered owner of any 2019 Bond, or any defect therein, or the failure of any depository to notify any of its participants of the failure of any such

participant or an indirect participant to notify a beneficial owner of any such redemption, will not affect the validity of the proceedings for the redemption of any of the 2019 Bonds.

The notice shall specify the number or numbers of the 2019 Bond or 2019 Bonds or portions thereof to be so redeemed (if less than all are to be redeemed); and all notices shall specify the date fixed for redemption, and shall further state that on such redemption date there will become and be due and payable upon each $5,000 unit of principal so to be redeemed at the Paying Agent the principal thereof, accrued interest, if any, to the redemption date, and the applicable prior redemption premium thereon (if any), and that from and after such date interest will cease to accrue. Accrued interest to the redemption date will be paid by check or draft mailed to the registered owner (or by alterative means if so agreed to by the Paying Agent and the registered owner). Notice having been given in the manner hereinbefore provided, the Bond or Bonds so called for redemption shall become due and payable on the redemption date so designated; and upon presentation thereof at the Paying Agent, the City will pay the Bond or Bonds so called for redemption and the applicable prior redemption premium (if any). In the event that only a portion of the principal amount of a Bond is so redeemed, a new Bond representing the unredeemed principal shall be duly completed, authenticated and delivered by the Registrar to the registered owner pursuant to the Bond Ordinance and without charge to the registered owner thereof. The Registrar and Paying Agent shall comply with any other terms regarding redemption and notice of redemption as required by any applicable agreement with a Depository.

If money or Government Obligations sufficient to pay the redemption price of the 2019 Bonds to be called for redemption are not on deposit with the Paying Agent prior to the giving of notice of redemption, such notice will state such 2019 Bonds will be redeemed in whole or in part on the redemption date in a principal amount equal to that part of the redemption price received by the Paying Agent on the applicable redemption date. If the full amount of the redemption price is not received as set forth in the preceding sentence, the notice will be effective only for those 2019 Bonds for which the redemption price is on deposit with the Paying Agent. If all 2019 Bonds called for redemption cannot be redeemed, the 2019 Bonds to be redeemed will be selected in a manner deemed reasonable and fair by the City and the Registrar will give notice, in the manner in which the original notice of redemption was given, that such money was not received and the information required by the preceding paragraph. In that event, the Registrar will promptly return to the registered owners thereof the 2019 Bonds or certificates which it has received evidencing the part thereof which have not been redeemed.

Registration, Transfer and Exchange of 2019 Bonds

Books for the registration and transfer of the 2019 Bonds shall be kept by the Registrar. Upon the surrender for transfer of any 2019 Bonds at the Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner or his attorney duly authorized in writing, the Registrar shall authenticate and deliver in the name of the transferee or transferees a new 2019 Bond or Bonds of a like aggregate principal amount and of the same maturity, bearing a number or numbers not contemporaneously outstanding. 2019 Bonds may be exchanged at the Registrar for an equal aggregate principal amount of 2019 Bonds of the same maturity of other authorized denominations. The Registrar shall authenticate and deliver a 2019 Bond or Bonds which the registered owner making the exchange is entitled to receive, bearing a number or numbers not contemporaneously outstanding. Exchanges and transfers of 2019 Bonds as provided in the Bond Ordinance shall be without charge to the owner or any transferee, but the Registrar may require the payment by the owner of any 2019 Bond requesting exchange or transfer of any tax or other governmental charge required to be paid with respect to such exchange or transfer.

The Registrar shall not be required (1) to transfer or exchange all or a portion of any 2019 Bond subject to prior redemption during the period of fifteen days next preceding the mailing of notice to the

registered owners calling any 2019 Bonds for prior redemption or (2) to transfer or exchange all or a portion of a 2019 Bond after the mailing to registered owners of notice calling such 2019 Bond or portion thereof for prior redemption.

If any 2019 Bond is lost, stolen, destroyed or mutilated, the Registrar will, upon receipt of such evidence, information or indemnity relating thereto as it may reasonably require, authenticate and deliver a replacement bond or bonds of like aggregate principal amount and of the same subseries and maturity, bearing a number or numbers not contemporaneously outstanding. If such lost, stolen, destroyed or mutilated 2019 Bond has matured, the Registrar may direct the Paying Agent to pay such 2019 Bond in lieu of replacement.

Book-Entry Only System

Introduction

Unless otherwise noted, the information contained under the caption "General" below has been provided by DTC. Neither the City, the Financial Advisor nor Bond Counsel makes any representations as to the accuracy or the completeness of such information. The Beneficial Owners of the Bonds should confirm the following information with DTC, the Direct Participants or the Indirect Participants.

NEITHER THE CITY NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (B) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE BONDS UNDER THE BOND LEGISLATION, (C) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE BONDS; (D) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR INTEREST DUE WITH RESPECT TO THE OWNER OF THE BONDS; (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNERS OF THE BONDS; OR (F) ANY OTHER MATTER REGARDING DTC.

General

The Bonds will be issued in book entry form. DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities

certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to Direct Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The City undertakes no responsibility for and makes no representations as to the accuracy or the completeness of the content of such material contained on that website as described in the preceding sentence, including, but not limited to, updates of such information or links to other Internet sites accessed through the aforementioned website.

Purchases of the Bonds under the DTC system must be made by or through Direct or Indirect Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC will mail an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal of and sinking fund and interest payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, on each payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the date payable. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC or the Paying Agent, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor securities depository is not obtained, security certificates are required to be printed and delivered as described in the bond legislation.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, the Bonds will be printed and delivered as described in the bond legislation.

The City cannot and does not give any assurances that DTC will distribute to Participants, or that Participants or others will distribute to the Beneficial Owners, payments of principal of and interest and premium, if any, on the Bonds paid or any redemption or other notices or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The City is not responsible or liable for the failure of DTC or any Direct Participant or Indirect Participant to make any payments or give any notice to a Beneficial Owner with respect to the Bonds or any error or delay relating thereto.

The foregoing description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal of and interest and other payments with respect to the Bonds to Direct Participants, Indirect Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in such Bonds and other related transactions by and between DTC, the Direct Participants, the Indirect Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the Direct Participants, the Indirect Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters but should instead confirm the same with DTC or the Participants, as the case may be.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE HOLDERS SHALL MEAN CEDE & CO., AS AFORESAID, AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

The information in this Official Statement concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but neither the City, the Financial Advisor nor Bond Counsel takes any responsibility for the accuracy thereof.

SECURITY AND SOURCES OF PAYMENT FOR THE 2019 BONDS

Limited Obligations

The 2019 Bonds are limited obligations of the City and are payable as to principal and interest exclusively from the Pledged Revenues. The Pledged Revenues consist of: (a) the Environmental Services Gross Receipts Tax Revenues including the gross receipts tax distribution to the City made pursuant to Section 7-1-6.46, NMSA, which represents the amount of Environmental Services Gross Receipts Tax Revenues that would have been remitted to the City but for the deductions provided by Sections 7-9-92 and 7-9-93, NMSA, and any similar distributions made to the City in lieu of Environmental Services Gross Receipts Tax Revenues pursuant to law (see "SPECIAL FACTORS RELATING TO THE 2019 BONDS—Legislative Changes") and (b) the Wastewater System Net Revenues (collectively the "Pledged Revenues"). For further information concerning these revenues, see "THE WASTEWATER UTILITY SYSTEM" and "INFORMATION CONCERNING ENVIRONMENTAL SERVICES GROSS RECEIPTS TAXES AND REVENUES" herein. Additionally, there are pledged to secure the payment of the principal and interest on the 2019 Bonds in accordance with their terms certain amounts held under the Bond Ordinance (except for amounts held in the Rebate Fund), subject only to the provisions of the Bond Ordinance permitting the application thereof for the purposes and on the terms and conditions set forth therein.

THE 2019 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL, CHARTER OR STATUTORY PROVISION OR LIMITATION, NOR WILL THEY BE CONSIDERED OR HELD TO BE GENERAL OBLIGATIONS OF THE CITY. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE STATE OR ANY POLITICAL SUBDIVISION OR PUBLIC AGENCY THEREOF, OTHER THAN THE CITY TO THE EXTENT OF THE PLEDGED REVENUES THAT ARE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE 2019 BONDS. NO OWNER HAS THE RIGHT TO COMPEL THE EXERCISE OF THE TAXING POWER OF THE CITY OR THE FORFEITURE OF ANY OF ITS PROPERTY IN CONNECTION WITH ANY DEFAULT UNDER THE BOND ORDINANCE.

The Net Revenues will be received and held by the City for the benefit of the owners of the 2012B Bonds, the 2019 Bonds, and any other Parity Obligations; and the Environmental Services Gross Receipts Tax Revenues will be received and held by the City for the benefit of the owners of the 2012B Bonds, the 2019 Bonds, and any other Parity EGRT Obligations or Superior Tax Obligations. The Pledged Revenues will be disbursed, allocated and applied solely for the uses and purposes described below under "SUMMARY OF CERTAIN PROVISIONS OF THE BOND ORDINANCE—Administration of Wastewater Fund and Environmental Services Gross Receipts Tax Revenue Funds." Amounts on deposit in each of the funds and accounts established pursuant to the Bond Ordinance will be invested in Permitted Investments. Investment income on amounts in any fund or account will be credited to such fund or account, and any loss will be charged to such fund or account.

Pledged Net Revenues

All Net Revenues are irrevocably pledged by the City to secure the punctual payment of the principal of, redemption premium, if any, and interest on the 2019 Bonds and any other Parity Obligations in accordance with their terms, and the Net Revenues will not be used for any other purpose while any of the 2019 Bonds remain Outstanding except as permitted by the provisions of the Bond Ordinance.

The pledge of the Net Revenues will constitute a first lien (but not necessarily an exclusive first lien) on the Net Revenues on parity thereon with the lien of any Parity Obligations. Such pledge of the

Net Revenues and the pledge of the amounts in funds created under the Bond Ordinance will be valid and binding from and after the delivery of the 2019 Bonds without any physical delivery thereof or further act. The Net Revenues pledged to the payment of the 2019 Bonds and any other Parity Obligations will be applied to the 2019 Bonds and any other Parity Obligations, without priority or distinction of one over the other. Other than the 2012B Bonds and the 2019 Bonds, the Net Revenues are not pledged to the payment of any other outstanding Obligations of the City.

Pledged Environmental Services Gross Receipts Tax Revenues

All Environmental Services Gross Receipts Tax Revenues are irrevocably pledged by the City to secure the punctual payment of the principal of, redemption premium, if any, and interest on the 2012B Bonds, the 2019 Bonds and any other Parity Obligations or Superior Tax Obligations in accordance with their terms, and the Environmental Services Gross Receipts Tax Revenues will not be used for any other purpose while any of the 2019 Bonds remain outstanding except as permitted by the provisions of the Bond Ordinance. After all payments of debt service and other obligations associated with any outstanding Superior Tax Obligations are made, the remaining Environmental Services Gross Receipts Tax Revenues, if any, will be used to pay the 2012B Bonds, the 2019 Bonds and any other Parity Obligations.

The pledge of the Environmental Services Gross Receipts Tax Revenues will constitute a subordinate lien (but not necessarily an exclusive subordinate lien) on the Environmental Services Gross Receipts Tax Revenues on parity thereon with the lien of the 2012B Bonds. Obligations issued with a superior lien on the Environmental Services Gross Receipts Tax Revenues may only be issued as Superior Tax Obligations, i.e. as Obligations secured by Additional Gross Receipts Tax Revenues. There are currently no outstanding Superior Tax Obligations. Such pledge of the Environmental Services Gross Receipts Tax Revenues and the pledge of the amounts in funds created under the Bond Ordinance will be valid and binding from and after the delivery of the 2019 Bonds without any physical delivery thereof or further act.

The Environmental Services Gross Receipts Tax Revenues pledged to the payment of the 2019 Bonds and any other Parity Obligations will be applied to the 2019 Bonds and the other Parity EGRT Obligations, without priority or distinction of one over the other, after payment of any outstanding Superior Tax Obligations. Out of the remaining Environmental Services Gross Receipts Tax Revenues there will be applied all sums required for the payment of the principal of, redemption premium, if any, and interest on the 2019 Bonds (to the extent that all required payments have not been made from Wastewater System Net Revenues) and any other Parity EGRT Obligations. Remaining Environmental Services Gross Receipts Tax Revenues, after making the foregoing allocations, will be available to the City for all lawful City purposes. The pledge of the Environmental Services Gross Receipts Tax Revenues to the 2019 Bonds will be irrevocable until all 2019 Bonds are no longer outstanding.

Reserve Fund – Municipal Bond Debt Service Reserve Insurance Policy

Concurrently with the issuance of the Bonds, the City will deposit a Reserve Fund Insurance Policy (the "Reserve Policy") issued by Build America Mutual Assurance Company ("BAM") in an amount equal to the Reserve Requirement, into the Reserve Fund. The Reserve Policy in the Reserve Fund shall be maintained by the City and used for debt service for the 2019 Bonds upon a deficiency in Pledged Revenues.

INFORMATION CONCERNING ENVIRONMENTAL SERVICES GROSS RECEIPTS TAX AND REVENUES

Authority for Imposition of the Environmental Services Gross Receipts Tax. Section 7-19D-10, NMSA, authorizes municipalities to impose by ordinance an excise tax, known as an environmental services gross receipts tax, equal to 0.0625% of the gross receipts of any person engaging in business in the municipality. An election of the registered electors of a municipality is not required unless the municipality chooses to submit the ordinance to its registered electors. The ordinance imposing or amending an environmental services gross receipts tax becomes effective either July 1 or January 1, whichever date occurs first after the expiration of three months from the date the ordinance is mailed or delivered to the Department. No referendum election was held for the City's Environmental Services Gross Receipts Tax described below.

Description of the Environmental Services Gross Receipts Tax Imposed by the City. The City adopted Ordinance No. 1993-20, effective January 1, 1994, which imposed upon persons engaging in business in the City, for the privilege of engaging in such business, an environmental services gross receipts tax equal to 0.0625% of the gross receipts reported or required to be reported pursuant to the Gross Receipts and Compensating Tax Act (the "Environmental Services Gross Receipts Tax"). Ordinance No. 1993-20 dedicates the proceeds of the Environmental Services Gross Receipts Tax to the acquisition, construction, operation and maintenance of solid waste facilities, water facilities, wastewater facilities, sewer systems and related facilities. The revenues received from the Environmental Services Gross Receipts Tax have been pledged to the payment of the 2012B Bonds.

Environmental Services Gross Receipts Tax Revenues Report. Set forth in the following table is a 10-year history of the Environmental Services Gross Receipts Tax Revenues received by the City.

HISTORICAL ENVIRONMENTAL SERVICES GROSS RECEIPTS TAX REVENUES

Fiscal Year Ended June 30	Environmental Services Gross Receipts Tax Rate	Environmental Services Gross Receipts Tax Revenues	Percent Increase or (Decrease)
2009	0.0625%	$1,848,786	9.41%
2010	0.0625%	1,747,049	(5.50%)
2011	0.0625%	1,773,801	1.52%
2012	0.0625%	1,829,934	3.16%
2013	0.0625%	1,858,137	1.54%
2014	0.0625%	1,913,142	2.96%
2015	0.0625%	1,963,060	2.61%
2016	0.0625%	2,037,351	3.78%
2017	0.0625%	2,076,064	1.90%
2018	0.0625%	2,231,738	7.50%

Source: State of New Mexico Department of Finance and Administration, Local Government Division; City of Santa Fe Finance Director.

Taxed Activities. For the privilege of engaging in business in the State of New Mexico, the Gross Receipts Tax is imposed upon any person engaging in business in the State. "Gross Receipts" is defined in the Gross Receipts and Compensating Tax Act as the total amount of money or value or other consideration received from selling property in the State of New Mexico (including tangible personal property handled on consignment in the State), from leasing property employed in the State of New Mexico, from performing services in the State of New Mexico and from selling services outside New

Mexico, the product of which is initially used in New Mexico. The definition excludes cash discounts allowed and taken, the Gross Receipts Tax payable on transactions for the reporting period and any county sales tax, county fire protection excise tax, county and municipal gross receipts taxes, any time or time-price differential and certain gross receipts or sales taxes imposed by an Indian tribe or pueblo. Unlike most other states, the State taxes sales of services, including legal services and certain medical services.

Exemptions and Deductions. Some activities and industries are exempt from the Gross Receipts Tax by virtue of their taxation under other laws. Exemptions include but are not limited to receipts of governmental agencies and certain organizations (some of which are taxable by the State, with no local distribution), receipts from the sale of vehicles, occasional sales of property or services, wages, certain agricultural products, dividends, receipts from the sale of prescription drugs and certain federal government paid medical expenses and interest and receipts from the sale of or leasing of natural gas, oil or mineral interests. Various deductions are also allowed, including, but not limited to, receipts from the sale or lease of real property, receipts from various types of sales or leases of tangible personal property or services, receipts from sales to governmental agencies or certain organizations, receipts from processing certain agricultural products, receipts from certain publication sales, certain receipts from interstate commerce transactions and receipts from the sale of certain food and certain medical services. In spite of the numerous specified exemptions and deductions from gross receipts taxation, the general presumption is that all receipts of a person engaging in business in the State and the City are subject to gross receipts tax.

Any municipal ordinance imposing an increment of municipal gross receipts tax such as the Environmental Services Gross Receipts Tax is required to adopt by reference the same definitions and the same provisions relating to exemptions and deductions as are established for the State gross receipts tax. In addition, the Environmental Services Gross Receipts Tax may not be imposed on gross receipts arising from (1) the transmission of messages by wire or other means from one point within the municipality to another point outside the municipality; (2) transporting persons or property for hire by railroad, motor vehicle, air transportation or any other means from one point within the municipality to another point outside the municipality; or (3) a business located outside the boundaries of a municipality on land owned by that municipality for which a gross receipts tax distribution is made pursuant to the Gross Receipts and Compensating Tax Act.

Legislative Changes. Revisions to laws of the State affecting taxed activities and distributions of gross receipts tax revenues could be adopted in the future by the State Legislature. Proposals affecting taxed activities and distributions are frequently considered by the State Legislature. There is no assurance that any future revisions to State laws will not adversely affect activities now subject to gross receipts tax or distribution of gross receipts tax revenues to the City. See "SPECIAL FACTORS RELATING TO THE BONDS – Legislative Changes" herein.

Manner of Collection of Environmental Services Gross Receipt Taxes. Businesses must make their payments of gross receipts taxes on or before the twenty-fifth of each month for taxable events in the prior month. Environmental Services Gross Receipts Taxes are collected by the Revenue Division in the same manner and at the same time that the Revenue Division collects the other gross receipts tax revenues imposed by the State and the City. The Revenue Division remits to the City the revenues collected from the Environmental Services Gross Receipts Tax less any deduction for administrative cost and less any disbursements for tax credits, refunds and the payment of interest applicable to such tax. Distribution of the revenues from the Environmental Services Gross Receipts Tax is made within the month following the month in which the taxes are collected.

Remedies for Delinquent Taxes. The Revenue Division may assess gross receipts taxes to a taxpayer who has not paid the taxes due to the State. If any taxpayer to whom gross receipts taxes have been assessed or upon whom demand for payment has been made does not make payment thereof (or protest the assessment or demand for payment) within 30 days after the date of assessment or demand for payment, the taxpayer becomes a delinquent taxpayer. Such taxpayer remains delinquent until payment of all the taxes due, including interest and penalties, or until security is furnished for the payment thereof. The Revenue Division may, under certain circumstances, enter into an agreement with a delinquent taxpayer to permit monthly installment payments for a period of not more than 36 months. Interest is due on any delinquent tax from the first day following the day on which it is due at the rate of 1.25% per month until paid, without regard to any installment agreement. However, if the Gross Receipts Tax is paid within 10 days after demand is made, no interest shall be imposed for the period after the date of demand.

The Revenue Division may levy upon all property or rights to property of a delinquent taxpayer and sell the same in order to collect the delinquent tax. The amount of delinquent Gross Receipts Taxes is also a lien in favor of the State upon all property and rights to property of the delinquent taxpayer, which lien may be foreclosed as provided by State statutes.

City Imposed Gross Receipts Tax Rates

The following table sets forth the total gross receipts taxes imposed by the City and in effect in the City as of July 1, 2018.

Type of Municipal Gross Receipts Tax	Amount	Effective Date	
Municipal Gross Receipts Tax	0.50%	1/82	Not Pledged Revenues
	0.25%	7/83	Not Pledged Revenues
	0.25%	1/88	Not Pledged Revenues
	0.25%	1/92	Not Pledged Revenues
	0.25%	1/17	Not Pledged Revenues
Municipal Infrastructure Gross Receipts Tax	0.0625%	1/94	Not Pledged Revenues
	0.0625%	1/99	Not Pledged Revenues
	0.0625%	1/00	Not Pledged Revenues
	0.0625%	1/00	Not Pledged Revenues
Environmental Services Gross Receipts Tax	**0.0625%**	**1/94**	**Pledged Revenues**
Total Municipal Gross Receipts Tax	1.8125%		

Source: New Mexico Department of Finance and Administration

The County presently imposes a gross receipts tax in the amount of 1.500%. Consequently, the combined State (5.125%), County (1.500%) and City (1.8125%) gross receipts tax rate within the City is currently 8.4375%.

Total Gross Receipts. The table below shows the retail and total reported gross receipts generated in the City of Santa Fe, Santa Fe County and the State of New Mexico. For the purposes of this table, gross receipts means the total amount of money received from selling property in the State of New Mexico, from leasing property in the State and from performing services in the State.

FY Ending June 30	CITY OF SANTA FE		SANTA FE COUNTY		STATE OF NEW MEXICO	
	Retail Trade	Total	Retail Trade	Total	Retail Trade	Total
2018	$1,873,902,064	$5,530,310,162	$2,141,086,017	$6,698,471,544	$26,803,514,317	$116,717,824,193
2017	1,670,318,156	4,776,520,462	1,934,682,248	6,528,263,382	22,390,695,699	95,719,119,259
2016	1,749,481,963	4,748,616,839	2,136,907,970	6,185,403,050	24,532,529,977	108,784,679,530
2015	2,256,457,016	5,851,139,929	2,300,270,704	6,667,684,125	27,481,308,472	119,726,977,705
2014	1,904,870,941	4,997,226,203	2,139,843,626	6,071,042,366	24,395,913,091	107,584,699,939
2013	1,654,142,992	4,822,742,019	1,877,184,450	5,884,347,249	24,239,671,094	108,060,633,566
2012	1,647,249,743	4,885,399,257	1,867,655,937	5,911,392,010	23,914,774,353	104,221,140,556
2011	1,642,668,308	4,832,778,101	1,862,958,009	6,279,234,548	23,789,930,180	102,715,750,442
2010	1,592,200,186	4,602,114,106	1,814,632,032	6,178,139,544	24,608,799,717	94,722,576,401
2009	1,701,022,501	4,933,003,304	2,045,950,040	6,593,215,020	23,812,635,284	104,552,006,074

Source: New Mexico Department of Taxation and Revenue, Report No. 80.
*Through Second Quarter 2018.

City of Santa Fe, New Mexico
Total Gross Receipts by Category
(fiscal year)

	2014	2015	2016	2017	2018
Agriculture, Forestry, Hunting	$ 4,974,361	$ 5,160,339	$ 5,626,747	$ 7,271,149	$ 9,706,625
Mining	*	3,487,699	1,919,684	803,935	1,236,702
Utilities	107,623,308	110,304,133	118,735,695	94,389,849	104,119,177
Construction	457,437,016	396,973,968	425,686,284	441,208,101	649,779,669
Manufacturing	153,472,879	174,222,566	164,219,597	149,246,580	161,840,045
Wholesale	197,180,335	222,449,311	208,159,017	214,638,178	291,032,049
Retail	1,904,870,941	1,860,135,064	1,907,643,290	1,670,318,156	1,873,902,064
Transportation and Warehousing	16,410,536	15,623,450	21,225,195	29,000,001	31,227,667
Information and Cultural Industry	134,675,868	131,020,607	135,184,134	- †	-†
Finance and Insurance	61,119,045	59,451,854	60,924,330	63,929,254	97,625,672
Real Estate, Rental & Leasing	146,844,442	141,573,666	146,811,845	144,368,971	162,337,277
Prof, Scientific, Technical	384,333,685	397,069,449	415,032,291	531,366,936	582,621,669
Management of Companies	30,301,452	18,050,087	21,232,543	12,733,805	8,255,126
Admin & Support, Waste Mgt.	30,440,118	35,623,002	38,675,527	45,965,046	60,664,611
Educational Services	26,169,692	31,016,613	31,063,849	28,756,234	20,208,087
Health Care & Social Assist.	282,225,976	271,814,898	282,465,032	263,265,252	279,040,325
Arts, Entertainment & Recreation	37,090,184	42,033,542	46,582,022	50,049,280	61,594,349
Accommodation and Food	406,894,628	464,748,337	475,899,496	445,965,133	514,158,478
Other Services	580,018,229	633,186,426	535,197,480	466,009,803	443,103,565
Public Administration	*	2,428,558	1,151,512	1,317,093	1,784,756
Unclassified	30,639,897	31,498,262	57,088,554	27,477,071	16,174,961

Source: New Mexico Department of Taxation and Revenue Report No. 80.
*Not disclosed.
† Reliable data for this time period is not currently available.

ANNUAL DEBT SERVICE SUMMARY

The following table sets forth for each fiscal year from 2019 through 2039 the amounts required in each such fiscal year to pay scheduled annual debt service on the Parity Obligations and the 2019 Bonds, as well as the debt service coverage ratio based on fiscal year 2018 Pledged Revenues and a five-year average of the Pledged Revenues.

City of Santa Fe, New Mexico
Pro Forma Debt Service Requirements and Coverage Ratios for Obligations Secured by Pledged Revenues

Fiscal Year Ending June 30	Debt Service on Parity Obligations[1]	Series 2019 Debt Service	Net Total Outstanding Debt Service	Debt Service Coverage Based on FY 2018 Pledged Revenues[2]	Debt Service Coverage based on 5 year average Pledged Revenue[3]
2019	$1,845,750	$119,546.25	$1,965,296.25	3.86x	2.75x
2020	1,890,750	606,150.00	2,496,900.00	3.04x	2.16x
2021	2,024,750	606,150.00	2,630,900.00	2.88x	2.05x
2022	2,058,000	606,150.00	2,664,150.00	2.85x	2.03x
2023	-	1,186,150.00	1,186,150.00	6.39x	4.55x
2024	-	1,187,150.00	1,187,150.00	6.39x	4.55x
2025	-	1,186,650.00	1,186,650.00	6.39x	4.55x
2026	-	1,189,650.00	1,189,650.00	6.37x	4.54x
2027	-	1,185,900.00	1,185,900.00	6.39x	4.55x
2028	-	1,190,650.00	1,190,650.00	6.37x	4.53x
2029	-	1,188,400.00	1,188,400.00	6.38x	4.54x
2030	-	1,189,400.00	1,189,400.00	6.38x	4.54x
2031	-	1,188,400.00	1,188,400.00	6.38x	4.54x
2032	-	1,190,400.00	1,190,400.00	6.37x	4.54x
2033	-	1,189,200.00	1,189,200.00	6.38x	4.54x
2034	-	1,186,600.00	1,186,600.00	6.39x	4.55x
2035	-	1,187,600.00	1,187,600.00	6.39x	4.55x
2036	-	1,187,000.00	1,187,000.00	6.39x	4.55x
2037	-	1,189,800.00	1,189,800.00	6.37x	4.54x
2038	-	1,190,800.00	1,190,800.00	6.37x	4.53x
Totals	$7,819,250	$20,951,746.25	$28,770,996.25		

Source: Hilltop Securities, Inc. and City of Santa Fe Finance Director.

(1) The 2012B Bonds are secured by the Pledged Revenues which are also pledged to the 2019 Bonds as well as the Additional Gross Receipts Tax Revenues which are not pledged to the payment of the 2019 Bonds.

(2) Pledged Revenues for Fiscal Year 2018 were equal to $7,583,160 consisting of $2,231,738 of Environmental Services Gross Receipts Tax Revenues and $5,351,422 of Net Revenues.

(3) Based on average Pledged Revenues for fiscal years 2014-2018 of $5,398,505. See table entitled "City of Santa Fe New Mexico Wastewater Enterprise Fund Statement of Revenues, Expenses and Changes in Fund Net Assets" herein

THE WASTEWATER UTILITY SYSTEM

Ownership of Wastewater Utility System

The City has owned and operated the Wastewater Utility System since the inception of wastewater collection and treatment within the corporate limits of the City. Among the first collection lines installed were those to serve the state capitol district. As the corporate limits of the City have grown, both the type and location of its wastewater treatment facilities have changed. The City's treatment facilities are currently located at 73 Paseo Real, which is southwest of downtown Santa Fe and north of the Santa Fe Municipal Airport.

Operation of the collection and treatment portions of the Wastewater Utility System is the responsibility of the Wastewater Management Division of the Public Utilities Department of the City. The Public Utilities Department manages three enterprise utilities owned by the City: Environmental Services, Wastewater Management and Water Services. The Wastewater Management Division's mission is to ensure that all sewage produced within the service area is collected, conveyed and treated in compliance with local, state and federal regulations and guidelines, and in so doing, to protect the public's health and welfare.

The Wastewater Management Division is comprised of seven sections having a total of 67 employees.

Section	Number of Employees
Administration	5
Treatment	24
Collection	21
Engineering and Utility Development	5
Industrial Pre-Treatment	4
Water Quality Laboratory	3
Composting	5
Total	67

Personnel engaged in the operation of the treatment plant and in maintenance of the collection system are required by the United States Environmental Protection Agency ("EPA") and State of New Mexico Environment Department (the "State Environmental Department") regulations to maintain state-sanctioned certification.

Customer Characteristics

During the fiscal year ended June 30, 2018, the Wastewater Utility System had approximately 37,822 City and County customers. Of this number, 33,450 were residential and 4,372 were commercial customers. The table below summarizes certain characteristics of the customers served by the Wastewater Utility System over the last five fiscal years (July 1 to June 30). Since the City has a unitary wastewater rate structure that relates to quantity of water flow, the distinction between commercial and residential customers is essentially one of nature of use. That is, commercial customers are designated on the basis of variable water use related to business applications and not just to total quantity or to classification for other City utility (i.e., water or refuse) rates. Hence, an apartment house, state office building or school is classified as residential since water use varies during the course of a year with seasonal exterior use and occupancy and not due to variable business activity. By contrast, businesses

such as laundries, hotels, service stations, car washes, and restaurants have highly variable water use directly related to level of business and are treated as commercial.

Wastewater System Accounts

		Commercial Accounts				Residential Accounts			
		City		County		City		County	
Fiscal Year	Total Accounts[1]	Number of Accounts	% of Total Accounts	Number of Accounts	% of Total Accounts	Number of Accounts	% of Total Accounts	Number of Accounts	% of Total Accounts
2018	37,822	4,205	11.12%	167	44%	32,289	85.37%	1,161	3.07%
2017	37,263	4,183	11.23%	138	.37%	31,844	85.46%	1,098	2.95%
2016	36,686	4,099	11.17%	130	.35%	31,380	85.54%	1,077	2.94%
2015	36,771	4,089	11.12%	130	.35%	31,444	85.51%	1,108	3.01%
2014	38,670	4,107	10.62%	131	.34%	31,555	81.60%	2,877	7.44%

		Commercial Accounts		Residential Accounts	
	Total Accounts	City	County	City	County
Annual Growth Rate[2]	1.5%	.53%	21.01%	1.4%	5.74%

Source: City of Santa Fe Public Utilities Department.
[1] Average annual billed accounts. The City annexed approximately 4,100 acres in phases from 2014-2019 from the County. In the course of the annexation, approximately 1,600 county accounts were transferred from the County and consolidated into 4 accounts with the City.
[2] Rate not compounded for period.

		Billed Commercial Flow (mgd)				Billed Residential Flow (mgd)			
		City		County		City		County	
Fiscal Year	Total Flow (mgd)[1]	Flow	% of Total Flow	Flow	% of Total Flow	Flow	% of Total Flow	Flow	% of Total Flow
2018	5.491	1.613	29.38%	.031	.56%	3.656	66.58%	.191	3.48%
2017	5.683	1.645	28.95%	.035	.62%	3.793	66.74%	.210	3.70%
2016	5.854	1.760	30.06%	.042	.72%	3.841	65.61%	.211	3.60%
2015	5.724	1.555	27.17%	.039	.68%	3.920	68.48%	.210	3.67%
2014	5.865	1.695	27.78%	.034	.60%	3.862	64.18%	.274	7.45%

		Commercial Accounts		Residential Accounts	
	Total Accounts	City	County	City	County
Annual Growth Rate[2]	-3.38%	-1.95%	11.43%	-3.61%	-9.05%

Source: City of Santa Fe Public Utilities Department.
[1] Average annual billed flow. Million gallons per day ("mgd").
[2] Rate not compounded for period.

Description of Existing Facilities

The Wastewater Utility System operates in compliance with the National Pollution Discharge Elimination System ("NPDES") permit NM0022292 issued by the EPA, State Environmental Department

Discharge permit DP-289 and a sludge disposal permit DP-135. The Wastewater Utility System consists of three major components, treatment, collection and general buildings and facilities.

Treatment. The City operates a single 13-million gallon per day ("mgd") tertiary treatment facility (the "Wastewater Treatment Facility") located at 73 Paseo Real. Treatment involves nutrient removal through aeration and activated sludge. Filtration and ultraviolet light disinfection were instituted in early 1998. Treated sludge is currently composted and reused.

In calendar year 2017, the peak influent flow (peak day) at the Wastewater Treatment Facility was 7.781 mgd, the low flow (minimum day) was 4.367 mgd, and the average daily flow was 5.169 mgd. Treated effluent is discharged to the Santa Fe River. In calendar year 2018, the peak influent flow at the Wastewater Treatment Facility was 7.25 mgd, the low flow (minimum day) was 3.68 mgd, and the average daily flow was 5.14 mgd.

The treatment operation includes a laboratory which performs continuous process testing and analyses. The laboratory also provides the chemical and biological analyses required for the City's periodic compliance reporting required as a condition of its NPDES permit including sludge and effluent quality. Septage delivered for treatment is also tested.

Santa Fe is not an industrialized community. The City's economic base is heavily weighted to government, tourism, regional business and retail services. Wastewater is largely domestic in nature. However, the City has adopted an EPA-approved Industrial Pretreatment ("IPT") program which requires the issuance of permits to certain classes of users as required by federal regulation. Presently the City has issued and has outstanding four such permits. The City enforces a local fee system adopted by ordinance for users who discharge wastewater whose constituents present a treatment burden. See "—User Rates and Billing." The City also receives for treatment septic wastes delivered to a receiving station located at the Wastewater Treatment Facility. The service area is regional as there is no other wastewater treatment plant which receives such waste in northern New Mexico.

The following table summarizes the total amount of influent treated at the Wastewater Treatment Facility for the last five calendar years.

Year	Annual Treated Influent (million gallons)
2018	1,896.00[(1)]
2017	1,886.86
2016	1,872.41
2015	1,976.81
2014	2,037.77

[(1)] Projected.
Source: City of Santa Fe, Public Utilities Department

Collection. The City operates and maintains approximately 365 miles of sanitary sewer collection lines which collect and transport wastewater to the Wastewater Treatment Facility. There are no combined sanitary and storm sewer lines. Sanitary sewer lines range in size from six inches to 30 inches. The collection system is continuously evaluated. The system is divided into maintenance

areas, based upon age and type of pipe material. Maintenance is performed and conditional assessments are made utilizing a NASSCO rating system. The division utilizes this information to develop a rehabilitation plan annually and to undertake rehabilitation projects.

Flow to the Wastewater Treatment Facility in a vast portion of the Wastewater Utility System is by means of gravity. As a matter of policy the City has avoided the use of public lift stations. Because of very localized topographic constraints, the City operates three lift station which can serve approximately 600 residences. The City presently encourages the use of individual grinder pumps for lots which by virtue of site specific circumstances cannot make a gravity connection.

There are six crews engaged in maintaining sewer lines and responding to emergencies in the system. The majority of the wastewater operation's motorized equipment is involved in this function.

General Buildings and Facilities. The Wastewater Management Division operates from the same 54-acre site on which the present Wastewater Treatment Facility is located. The Wastewater Treatment Facility was opened in 1984 and replaced a wastewater treatment plant that had been in operation since the early 1960s. Several outbuildings related to the previous plant are still being used. In constructing the Wastewater Treatment Facility, the City consolidated its wastewater treatment functions at the new location and closed a second treatment plant which was located on Siler Road within the corporate limits of the City.

In addition to the equipment that controls and monitors the Wastewater Treatment Facility functions, the main treatment building also contains offices for division management staff. Due to growth in responsibilities and staffing, the laboratory was moved out of this main building to a new separate structure in 1996. A former residence for the plant superintendent which had been erected as part of the original 1963 plant has been converted into additional office space for the plant maintenance staff. Due to increased staffing engaged in general utility development, engineering functions, environmental issues and the IPT program, a new building was constructed in 2001. A new training conference room was created in an area that housed the administration building of the 1963 plant. A single building dating from 1991 is used by those engaged in maintenance of the collection system. A new metal building was constructed in 2003, which is used as a workshop and to store the large tools and equipment. The warehouse was moved to one central location (two large garage bays) and a small auxiliary office building was built in 2009 for the warehouse staff. A compost and dewatering facility was added (built) to the facility in 2008.

In 1963, when the original treatment facility was put into service, the site was located outside the City's municipal water service area. A domestic well was used to provide for all potable water needs at this location. In 1998, the Water Division of the City designed and built an extension from the municipal water lines to the Wastewater Treatment Facility to provide domestic water and fire protection service.

User Rates and Billing

Rates are evaluated at least once annually in relation to projected operations and maintenance expenditures as part of the City's budget formulation process. Rates are adopted as a matter of ordinance and are codified. Changes to rates are adopted through an amendment of ordinance. There are two customer classes, residential and commercial.

The City bills monthly for sewer service. Bills consist of fixed and variable charges. The monthly fixed portion of a bill is the same amount for each billed account ($7.18 per month per account). The monthly residential variable charge is $4.42 per 1,000 gallons of total water use metered for the months of December, January and February divided by 3. The monthly residential sewer bill remains

level for 12 months until a new winter water use data match is completed. The winter period is relied upon for a proxy measure of domestic water consumption as it is generally free of irrigation use. The monthly commercial variable charge is $4.42 per 1,000 gallons of water use metered monthly. All residential and commercial bills have a 5% surcharge which is a pass-through of a State gross receipts tax imposed on proceeds from governmental utility services. Bills may be paid by mail, at City offices and by direct bank debit.

Rate changes are usually made effective January 1st. The last rate increase adopted for the sewer system was effective January 1, 2018, which was the fourth of five planned 4.9% rate increases implemented since 2016. The fifth and last such increase has been approved by the City Council and became effective on January 1, 2019. No additional rate increases have been recommended or approved.

The following table sets forth the monthly wastewater fees charged to residential and commercial customers within the City's corporate limits in the current and the previous five fiscal years.

City of Santa Fe, New Mexico
Monthly Residential and Commercial Wastewater Fees(1)

Fiscal Year Ended June 30	Fixed Fee	Variable Fee per 1,000 gallons(2)
2018	$7.18	$4.42
2017	$6.84	$4.21
2016	$6.52	$4.01
2015	$6.22	$3.82
2014	$5.58	$3.58

Source: City of Santa Fe, Public Utilities Department
(1) Each account is billed a fixed fee, a variable fee and a 5% surcharge that is a pass-through of a State gross receipts tax.
(2) The median average monthly residential water use was 3,600 gallons for December, January and February. Commercial accounts are billed a variable fee based upon water use metered monthly.

Sewer charges are a lienable assessment. The City annually files liens for assessments which are in arrears. The lien filing process is pursued in accordance with State statute and City ordinance.

A sewer fee surcharge is charged to restaurants whose effluent constituents (i.e. grease) exceed established wastewater parameters and which present specific treatment problems. The purpose of the surcharge is to encourage the customer to institute measures to eliminate or reduce the problem constituents. The City samples discharges and applies the surcharge based on the results of the tested samples. Resampling may occur at the City's discretion or at the discharger's request, most notably after corrective measures have been installed. Proceeds from the surcharge are considered part of the Wastewater Utility System's billed revenues.

The top ten commercial users of the System for Fiscal Year 2018 are listed in the following table.

CITY OF SANTA FE, NEW MEXICO
TOP TEN COMMERCIAL WASTEWATER SYSTEM USERS
FISCAL YEAR 2018

Commercial User	Business Type	Revenues
New Mexico School For The Deaf	School	$56,441.98
La Fonda	Hotel	$49,071.52
Santa Fe University Art & Design[1]	School	$39,499.87
St Johns College	School	$37,666.17
Ashford Santa Fe Delaware LP	Hotel	$34,768.96
Loretto Hotel Investment LLC	Hotel	$29,956.21
Santa Fe One Hospitality LLC	Hotel	$29,760.28
Devargas Center Associates LP	Shopping Center	$28,641.43
Two Guys Limited	Shopping Center	$28,561.85
Edgewood Holding Santa Fe LLC	Hotel	$27,826.46

Source: City of Santa Fe, Public Utilities Department
[1] The University ceased operation in May of 2018, and the facility is now minimally used.

Treated Effluent

Most of the treated effluent is released into the Santa Fe River. However, the City also allows some of the treated effluent to be used for irrigation and construction applications. More extensive use of effluent can either help reduce the demand for potable water or augment fresh water supply. For this reason, interest in more extensive use of treated effluent has grown in proportion to the demand for water generally in the area.

In 1998, a truck filling station for treated effluent was constructed on a site adjacent to the Wastewater Treatment Facility. The City charges a fee of $3.03 per 1,000 gallons of treated effluent purchased at this site. Proceeds from the charge collected at this site are included in Wastewater Utility System Gross Revenues.

Effluent Use Contracts

The City has eight parties who regularly divert treated effluent for irrigation. The contractual agreements allow the authorized user to divert effluent flow by means of pumps, meters and transmission lines which have been installed and are maintained at the user's expense. The City may suspend delivery if required to do so by regulatory agencies.

(a) Pursuant to an agreement, dated as of September 30, 1959, as amended and supplemented by a supplemental agreement, dated as of June 25, 1964 (collectively, the "Country Club Agreement"), between the City and the Santa Fe Country Club and Golf Association (the "Santa Fe Country Club"), the Santa Fe Country Club diverts effluent for irrigation of an 18-hole golf course located between the corporate limits of the City and the Wastewater Treatment Facility. The Santa Fe Country Club is limited to a maximum withdrawal of 700,000 gallons per day. There is no monetary compensation to the City for the use of the treated effluent. Rather, the Santa Fe Country Club allows public use of the golf course subject to the payment of prevailing green fees. The Country Club Agreement terminates upon the Country Club ceasing the operation of the golf course or the Wastewater Treatment Facility is moved to another site. Over the last five calendar years, the Santa Fe Country Club used an average of 108.78 million gallons of treated effluent per year.

(b) In 2003, the city entered into an agreement with Las Campanas, a private housing development, for the delivery of treated effluent for irrigation of two (2) 18-hole golf courses located north of the presumptive city limits. The City has agreed to make treated effluent available to Las Campanas and is limited to a maximum withdraw of 1,000,000 gallons per day and not to exceed 450 acre feet per year. Las Campanas is required to pay the City $3.03 per thousand gallons of treated effluent.

(c) In the late 1990's, the City's Parks and Recreation Department constructed a pump station and a 5.5 mile water line to deliver effluent from the Wastewater Treatment Facility to a golf course and team playing fields at the Municipal Recreation Complex ("MRC"). A neighboring regional landfill constructed an extension to the effluent delivery system in order to use treated effluent for dust control and revegetation. The regional landfill uses approximately 100,000 gallons of treated effluent per day.

(d) In 2006, the City entered into an agreement with the USDA Forest Service (Forest Service), an agency of the United States federal government, to deliver treated effluent for a livestock water distribution system on the Caja del Rio range of the Santa Fe National Forest. Total delivery under this agreement shall not exceed 15,000 gallons per day, and 100,000 gallons per month and shall not exceed 1,200,000 gallons per years. In the event that the Forest Service exceeds the average daily delivery, the Forest Service shall pay a $250 fine and $3.03 per thousand gallons for the over-delivery.

(e) In 2006, the City entered into an agreement with the Pueblo of Pojoaque Development Corporation ("PPDC") for diversion of effluent for the irrigation and grooming of a race track facility. The agreement with PPDC supersedes a treated effluent delivery agreement originally entered into with Santa Fe Racing Inc. in October 1981. The agreement with PPDC was amended on April 2011 and expired on November 2011 but the contract continues on a month to month basis until it is renewed or unless otherwise terminated. Effluent use is limited to irrigation. The City has agreed to make the treated effluent available to PPDC from March 1 through November 30 of each year. PPDC is limited to a maximum withdrawal of treated effluent of 400,000 per day and 43.5 million gallons per year. PPDC is required to pay the City $3.03 per thousand gallons of treated effluent for water that is used outside of the infield. In exchange for the water used in the infield, the City is able to use the facility for recreational activities. In the last five calendar years, treated effluent use at the property has averaged 40.81 million gallons per year.

(f) In 2016, the City entered into a contract with the Grand Prix de Santa Fe to provide effluent to the equestrian racetrack. The contract provides for the delivery of effluent as emergency backup water and terminates one year from the first delivery of effluent under the contract. Demand by the Grand Prix cannot exceed 200,000 gallons on any day, 6,000,000 in any month, or

15,000,000 gallons annually. The Grand Prix is required to pay the City $3.03 per thousand gallons of treated effluent.

Treated Effluent Management Plan

In 1998, the City completed a long-term plan for the future management of effluent. The purpose of the plan is to provide staff and the public with specific policies regarding alternative uses of effluent into the future. The City is currently in the process of updating this plan. Among the various options and combinations (including the attendant legal constraints) are:

(a) the continued sale or lease to private and public bodies;

(b) more direct use by the City to reduce potable water use; and

(c) various methods such as injection and other forms of groundwater recharge as well as the piping of effluent directly to the Rio Grande which would allow additional diversion of groundwater or water imported from the Rio Grande. In 2016, the City completed a reuse feasibility study. In 2018, the City conducted a comprehensive evaluation of piping effluent to the Rio Grande. The City is currently seeking federal funding for the effluent project with an estimated cost of $18,000,000 to be completed over three years. The project is anticipated to make 2,500 acre/ft of water available.

The various options all involve further capital investment by the City. The scale and timing of those capital improvements will relate to the policy choices made by the governing body.

Treatment Issues

The Wastewater Management Division has completed the most of the projects listed in the last evaluation and plan. They are the installation of a new composting facility, two new secondary clarifiers, a new the dissolved-air flotation unit, disc-filters, and a post aeration basin.

The City has developed a five-year Wastewater Treatment Facility capital improvement program which addresses improvements to the capacity and operations as well as potentially more stringent future regulatory requirements at the Wastewater Treatment Facility. The capital improvement program is in the process of design and implementation. The Improvement Project is part of the capital improvement program. As additional components of the capital improvement program, the City is in the design phase of a primary electrical system upgrade and an aeration system upgrades which are scheduled to begin construction in fiscal year 2020. As a part of the aeration system, the City will be installing new blowers and adding a post aeration system to the return flows from the solids handling treatment process. The facility is also working to upgrade the tertiary treatment and ultraviolet disinfection system.

The City continues to emphasize pretreatment of certain wastes as an alternative to further modification of its operation. Despite not being heavily industrialized, the City's treatment processes are stressed by wastewater that has high organic content. Grease is a constituent which adversely affects both the collection and the treatment system. Both of these have been problematic in a community with a large number of dining, lodging and related establishments. For this reason the City has adopted specific pretreatment parameters by ordinance, applies billing surcharges and emphasizes continued enforcement through inspections and compliance testing. See "—User Rates and Billing" above.

Collection Issues

The Wastewater Management Division also has a five-year Collection System Capital Improvement Program, which consists of the replacement of old, deteriorated sewer lines with new lines. The improvement program has allocated $2.0 million every other year to replace aged sewer lines.

Regulatory and Legal Matters

The City is under no State or EPA sanctions, such as administrative orders, nor is it in any litigation concerning such matters with respect to the Wastewater Utility System. A few technical violations of the NPDES permit have occurred in the last several years as a result of wastewater spills due to localized line breaks or overflows brought on by localized blockages. There was one overflow that occurred in fiscal year 2011. The City has an established emergency procedure for responding to such occurrences and, after an event, evaluates causative factors and installs corrective measures. The Wastewater Management Division received renewal of the National Pollutant Discharge Elimination System (NPDES) permit September 1, 2016. This permit established effluent limitations for total nitrogen and total phosphorus. The City requested and received a three (3) year compliance schedule to allow the facility time to install instrumentation to monitor for these nutrients and other process performance indicators, as well as time to conduct a study of the facility's ability to remove nutrients through process modifications and optimization. To date, half of the instrumentation has been installed and a nutrient removal and treatment optimization study has been completed. The City is currently in compliance for total phosphorus. Upgrades to the aeration system will complete the compliance with total nitrogen.

In 2005, the City adopted a modification of Section 9 (Industrial Pre-treatment Regulations and Procedures) of the City's Municipal Code regarding wastewater and sanitary sewers. Provisions include local pretreatment parameters and procedures for the issuance of permits and other enforcement related to prohibited or restricted discharges. The new language was intended to eliminate outdated provisions, make procedures and standards more readily comprehensible and clarify due process in matters related to discharge permits. The City has completed an evaluation of Technically Based Local Limits. Draft modifications to Municipal Code related to the Technically Based Local Limits were submitted to and approved by the United States Environmental Protection Agency. The City expects to receive an approval letter within the next two months and will take forward the proposed changes to the City Council. There is no significant impact anticipated for industrial users.

Historical Revenues and Expenses

The following table sets forth the revenues, expenses and changes in fund net assets of the Wastewater Enterprise Fund of the City (the "Wastewater Enterprise Fund"). The statements show the audited results for the fiscal years ended June 30, 2014 through 2018.

City of Santa Fe, New Mexico Wastewater Enterprise Fund Statement of Revenues, Expenses and Changes in Fund Net Assets

	2014	2015	2016	2017	2018
Operating revenues:					
User fees	$11,826,635	$12,220,697	$12,073,189	$13,320,212	$13,218,945
Facilities rentals	-	-	-	144,754	13,597
Other revenues/premiums	190,705	116,509	2,073,241[1]	8,239	13,659
Total operating revenues	12,017,340	12,337,206	14,146,430	13,473,205	13,246,201
Operating expenses:					
Salaries, wages and fringe benefits	4,646,112	4,658,087	5,057,099	6,169,598[2]	3,544,249[3]
Contractual services and utilities	1,985,644	1,951,053	2,495,566	2,195,166	1,318,487
Repairs and maintenance	426,285	630,172	614,149	599,963	931,887
Supplies	566,259	540,884	567,115	596,591	618,874
Capital outlay-inventory exempt items	34,505	1,701,859	21,751	41,771	24,879
Depreciation expense	3,024,041	2,833,321	2,948,894	2,928,791	2,875,717
Amortization expense	16,979	16,979	118,854	-	-
Insurance	427,116	377,910	253,264	347,847	317,694
Bad debt expense	55,293	-	-	-	-
Other	1,233,697	997,894	933,322	908,232	1,280,115
Total operating expenses	12,415,931	13,706,159	13,101,014	13,787,959	10,911,902
Operating income (loss)	(398,591)	(1,368,953)	1,136,416	(314,754)	2,334,299
Non-operating revenues (expenses):					
Investment income	180,793	125,729	110,063	61,184	141,406
State-shared taxes	1,913,142	1,963,060	2,037,351	2,076,064	2,231,738
Gain/(loss) on sale of capital assets	-	450	5,760	7,110	(5,946)
Interest expense	(791,025)	(745,513)	(688,883)	(567,875)	(533,238)
Prem (discount) debt service expense	215,949	215,949	215,948	195,263	252,029
Total non-operating revenues (expenses)	1,518,859	1,559,675	1,680,239	1,771,746	2,085,989
Income (loss) before transfers and capital contributions	1,120,268	190,722	2,816,655	1,456,992	4,420,288
Capital grants					
Transfers in	-	-	-	2,946,702	-
Transfers out	-	-	-	(2,946,751)	(206)
Change in net position	1,120,268	190,722	2,816,655	1,456,943	4,420,082
Total net position, beginning of year (previously stated)	33,846,307	34,629,439	31,047,354	35,532,253	37,037,390
Prior period adjustment	(337,136)	(3,772,607)	1,668,244	48,194	(3,338,839)
Total net position, beginning of year (restated)	33,509,171	30,656,632	32,715,598	35,580,447	33,698,551
Total net position, end of year	$34,629,439	$31,047,354	$35,532,253	$37,037,390	38,118,633

Source: Fiscal Years 2014-2018 the City of Santa Fe, New Mexico; Comprehensive Annual Financial Reports, 2014-2018.

[1]The City received one-time revenues in conjunction with a meter exchange program.

[2]The increase from 2016 to 2017 is mostly attributable to the accounting changes required by GASB 68 requiring the inclusion of net pension liability.

[3]The decrease from 2017 to 2018 is attributable mostly to accounting changes reflecting approximately $50,000 decrease from 2017 due to GASB 75 accounting of OPEB liability and a $2,500,000 decrease related to change in GASB 68 accounting of net pension liability.

History of Pledged Revenues and Debt Service Coverage

The following table sets forth for fiscal years 2014 through 2018 the amount of Pledged Revenues available to pay debt service on the outstanding Parity Obligations, the debt service on the outstanding Obligations paid in each fiscal year and the debt service coverage.

City of Santa Fe, New Mexico
Debt Service Coverage of Outstanding Parity Bonds Prior to Issuance of 2019 Bonds

Fiscal Year Ended June 30	Net System Revenues[1]	EGRT	Total Pledged Revenues[1]	Debt Service on 2012B Bonds[2]	Debt Service Coverage
2014	2,823,222	1,913,142	$4,736,364	$1,371,050	3.45x
2015	1,607,076	1,963,060	3,570,136	1,538,550	2.32x
2016	4,314,227	2,037,351	6,351,578	1,597,350	3.97x
2017[3]	2,675,221	2,076,064	4,751,285	1,646,750	2.88x
2018[4]	5,351,422	2,231,738	7,583,160	1,702,050	4.45x

Source: Hilltop Securities, Inc. and City of Santa Fe Finance Director.

(1) See table entitled "City of Santa Fe, New Mexico Wastewater Enterprise Fund Statement of Revenues, Expenses and Changes in Fund Net Assets" for amounts used to calculate Net Revenues. Net Revenues equal Operating Income plus Depreciation expense plus Investment Income plus Amortization Expense. Pledged Revenues includes the Net Revenues and the Environmental Services Gross Receipts Tax Revenues.

(2) The 2012B Bonds are secured by the Pledged Revenues which are also pledged to the 2019 Bonds as well as the Additional Gross Receipts Tax Revenues which are not pledged to the payment of the 2019 Bonds.

(3) The decrease in Net Revenues from 2016 to 2017 is mostly attributable to the accounting changes required by GASB 68 requiring the inclusion of net pension liability.

(4) The increase in Net Revenues from 2017 to 2018 is attributable mostly to accounting changes reflecting approximately $50,000 decrease in expenses from 2017 due to GASB 75 accounting of OPEB liability and a $2,500,000 decrease in expenses related to GASB 68 accounting of net pension liability.

The following table sets forth for each fiscal year from 2019 through 2039, debt service coverage based upon debt service on the 2019 Bonds and the 2012B Bonds using (1) fiscal year 2018 Pledged Revenues (assuming that Pledged Revenues in future fiscal years will be equal net to the Pledged Revenues for fiscal year 2018 and that Pledged Revenues will not increase from the amounts collected in fiscal year 2018) and (2) a five-year average of the Pledged Revenues.

City of Santa Fe, New Mexico
Pledged Revenues and Pro Forma Debt Service Coverage

Fiscal Year Ending June 30	FY 2018 Pledged Revenues[1]	5-year average Pledged Revenues[2]	2012B Bonds Debt Service[3]	2019 Bonds Debt Service[4]	Debt Service Coverage based on FY 2018 Pledged Revenues[1][4]	Debt Service Coverage based on 5 year average Pledged Revenues[2][4]
2019	$7,583,160	$5,398,505	$1,845,750	$119,546.25	3.86x	2.75x
2020	7,583,160	5,398,505	1,890,750	606,150.00	3.04x	2.16x
2021	7,583,160	5,398,505	2,024,750	606,150.00	2.88x	2.05x
2022	7,583,160	5,398,505	2,058,000	606,150.00	2.85x	2.03x
2023	7,583,160	5,398,505	-	1,186,150.00	6.39x	4.55x
2024	7,583,160	5,398,505	-	1,187,150.00	6.39x	4.55x
2025	7,583,160	5,398,505	-	1,186,650.00	6.39x	4.55x
2026	7,583,160	5,398,505	-	1,189,650.00	6.37x	4.54x
2027	7,583,160	5,398,505	-	1,185,900.00	6.39x	4.55x
2028	7,583,160	5,398,505	-	1,190,650.00	6.37x	4.53x
2029	7,583,160	5,398,505	-	1,188,400.00	6.38x	4.54x
2030	7,583,160	5,398,505	-	1,189,400.00	6.38x	4.54x
2031	7,583,160	5,398,505	-	1,188,400.00	6.38x	4.54x
2032	7,583,160	5,398,505	-	1,190,400.00	6.37x	4.54x
2033	7,583,160	5,398,505	-	1,189,200.00	6.38x	4.54x
2034	7,583,160	5,398,505	-	1,186,600.00	6.39x	4.55x
2035	7,583,160	5,398,505	-	1,187,600.00	6.39x	4.55x
2036	7,583,160	5,398,505	-	1,187,000.00	6.39x	4.55x
2037	7,583,160	5,398,505	-	1,189,800.00	6.37x	4.54x
2038	7,583,160	5,398,505	-	1,190,800.00	6.37x	4.53x
Total			$7,819,250	$20,951,746.25		

Source: Hilltop Securities, Inc. and City of Santa Fe Finance Director.

(1) Pledged Revenues for fiscal year 2018 were $7,583,160 consisting of $2,231,738 of Environmental Gross Receipts Tax Revenues and $5,351,422 of Net Revenues. The coverage calculation assumes no increase or decrease in Pledged Revenues.

(2) Based on average Pledged Revenues for fiscal years 2014-2018 of $5,398,505. See table entitled "City of Santa Fe, New Mexico Debt Service Coverage" above. Assumes that Net Revenues and Environmental Services Gross Receipts Tax Revenues will not increase or decrease.

(3) The 2012B Bonds are secured by the Pledged Revenues which are also pledged to the 2019 Bonds as well as Additional Gross Receipts Tax Revenues which are not pledged to the payment of the 2019 Bonds.

(4) Equal to Pledged Revenues divided by the sum of 2012B Bonds Debt Service and the 2019 Bonds Debt Service.

SUMMARY OF CERTAIN PROVISIONS OF THE BOND ORDINANCE

The Bond Ordinance contains various provisions and covenants, some of which are summarized below. The Bond Ordinance delegates authority to each of the Mayor, City Manager and Finance Director of the City to execute a Pricing Certificate establishing the final terms of the Bonds, provisions for satisfying the Reserve Requirement, and other provisions of the Bonds. Appendix C to this Official Statement contains certain defined terms in the Ordinance and Pricing Certificate. Wherever particular provisions of the Bond Ordinance are referred to, such provisions, together with related provisions, are incorporated by reference as part of the statements made and are qualified in their entirety by such reference. Reference is made to the Bond Ordinance, as supplemented by the Pricing Certificate, for a full and complete statement of its provisions.

Effectiveness of References to the Wastewater Utility System

The provisions of the Bond Ordinance regarding the Wastewater Utility System and the pledge of the Pledged Revenues to the 2019 Bonds will be effective upon the due adoption and approval of the Bond Ordinance.

Special Obligations

All of the Bonds and any obligations under any agreement relating to any draw on any Reserve Fund Insurance Policy which may hereafter be acquired as part of the Reserve Fund Requirement as provided in the Bond Ordinance, together with the interest accruing thereon, shall be payable and collectible solely out of the Pledged Revenues and amounts in the Bond Fund and Reserve Fund, all of which are irrevocably so pledged; the registered owner or owners thereof and the issuer of any Reserve Fund Insurance Policy, if any, may not look to any general or other fund for the payment of the principal of or interest on such obligations, except the designated special funds pledged therefor as further provided in the Bond Ordinance; and the Bonds and any obligations under a Reserve Fund Insurance Policy, if any, shall not constitute an indebtedness or a debt within the meaning of any constitutional or statutory provision; nor shall they be considered or held to be general obligations of the City; and each of the Bonds herein authorized to be issued shall recite on its face that it is payable and collectible solely from the Pledged Revenues and amounts in the Bond Fund and Reserve Fund, all of which are irrevocably so pledged, and that the registered owner thereof may not look to any general or other fund for the payment of principal and interest on, and prior redemption premium due in connection with, the Bonds.

Reserve Fund

A Reserve Fund will be created for the 2019 Bonds, and funded in an amount equal to the Reserve Requirement. Amounts on deposit in the Reserve Fund for the 2019 Bonds (the "2019 Reserve Fund") shall only be used to make payments of principal and interest on the 2019 Bonds.

Initially, on the date of issuance of the 2019 Bonds, the Reserve Requirement for the 2019 Bonds (the "Reserve Requirement") will be satisfied by depositing a Reserve Account Insurance Policy purchased from Build America Mutual Assurance Company with coverage equal to the Reserve Requirement.

In the event that the Reserve Fund Insurance Policy is cancelled, the City shall obtain a substitute Reserve Fund Insurance Policy (as defined in the Ordinance) or shall begin making substantially equal monthly deposits in the 2019 Reserve Fund from the first legally available Pledged Revenues so that after 24 months an amount equal to the Reserve Requirement will be held in the 2019 Reserve Fund. Amounts on deposit in the 2019 Reserve Fund shall be applied solely to the payment of debt service due on the

Bonds. After funding the 2019 Reserve Fund in an amount equal to the Reserve Requirement, no additional payments need be made into the 2019 Reserve Fund so long as the moneys therein shall equal not less than the Reserve Requirement. Moneys in the 2019 Reserve Fund shall be accumulated and maintained as a continuing reserve to be used only to prevent deficiencies in the payment of the principal of and interest on the 2019 Bonds resulting from failure to deposit into the Debt Service Account sufficient funds to pay the principal and interest as the same accrue. No payments need be made into the 2019 Reserve Fund as long as the sums of the money in the 2019 Reserve Fund and the insurance in effect under any Reserve Account Insurance Policy are equal to or greater than the Reserve Requirement, and all proceeds paid pursuant to the Reserve Account Insurance Policy, if any, have been repaid. Money in the 2019 Reserve Fund will be accumulated and maintained as a continuing reserve to be used, only to prevent deficiencies in the payment of the principal or interest on the 2019 Bonds. In the future, the City may fund all or a portion of the Reserve Requirement with respect to the 2019 Reserve Fund with a Reserve Account Insurance Policy. A Reserve Account Insurance Policy may be any insurance policy, letter of credit or surety bond deposited in the 2019 Reserve Fund in lieu of or in partial substitution for cash or securities.

If the amount on deposit in the Debt Service Account for the 2019 Bonds (the "Debt Service Account") on a payment date and available Pledged Revenues are insufficient to pay the amount becoming due on the 2019 Bonds on that date, an amount equal to the deficiency will be transferred from the Reserve Fund to the Debt Service Account.

Administration of Wastewater Fund and Pledged Environmental Services Gross Receipts Tax Revenue Fund

So long as any of the Bonds shall be outstanding, either as to principal or interest or both, the following payments shall be made:

A. Administration of Wastewater Fund. So long as any of the Bonds shall be outstanding, the following payments shall be made from the Wastewater Fund:

(1) Operation and Maintenance Expenses. First, as a first charge on the Wastewater System Gross Revenues, there shall be paid the Operation and Maintenance Expenses of the Wastewater System as they become due and payable.

(2) Debt Service Fund Payments. Second, but subject to and after the withdrawals authorized by the preceding paragraph A(1), the following amounts shall be withdrawn from the Wastewater Fund and credited to the Debt Service Fund:

(a) Interest Payments. Monthly, commencing on the first day of the first month following the delivery of the Bonds, an amount in equal monthly installments necessary, together with any moneys therein and available therefor, to pay the next maturing installment of interest on the Bonds then outstanding and monthly thereafter commencing on each interest payment date, one-sixth ($1/6^{th}$) of the amount necessary to pay the next maturing installment of interest on the outstanding Bonds, and

(b) Principal Payments. Monthly, commencing on the first day of the first month following delivery of the Bonds, an amount in equal monthly installments necessary, together with any moneys therein and available therefor, to pay the next maturing installment of principal on the Bonds and monthly thereafter commencing on each principal payment date, one-twelfth ($1/12^{th}$) of the amount necessary to pay the next maturing installment of principal on the Bonds.

(3) Parity Obligations. Third, but concurrently with the payments required by paragraph A(2) of this section, funds remaining in the Wastewater Fund shall be used by the City to pay the Debt Service Requirements of other Parity Obligations, now outstanding or hereafter authorized to be issued and payable from Pledged Revenues.

If prior to any interest payment date or principal payment date, there has been accumulated in the Debt Service Fund the entire amount necessary to pay the next maturing installment of interest or principal, or both, the payment required in subparagraphs A(2)(a) and A(2)(b) (whichever is applicable) above, may be appropriately reduced and the required monthly amounts again shall be so credited to such account commencing on such interest payment date or principal payment date (whichever is applicable).

B. Administration of the Environmental Services Gross Receipts Tax Revenue Fund. So long as any of the Bonds are outstanding, the following payments shall be made from the Pledged Environmental Services Gross Receipts Tax Revenues:

(1) First, as a first charge on the Environmental Services Gross Receipts Tax Revenues, the amounts necessary to pay the Debt Service Requirements on outstanding bonds or obligations, with a lien on the Environmental Services Gross Receipts Tax Revenues prior and superior to the lien thereon of the Bonds such amounts as are required from the Environmental Services Gross Receipts Tax Revenue Fund, pursuant to the ordinances authorizing the outstanding superior Environmental Services Gross Receipts Tax obligations as required by such ordinances.

(2) Second, but subject to and after the withdrawals authorized by the preceding paragraph B(1), so long as any of the Bonds shall be outstanding, to the extent that any monthly payment required to be made into the Debt Service Fund has not been made from the Wastewater Fund or from any other legally available source, the following amounts shall be withdrawn from the Environmental Services Gross Receipts Tax Revenue Fund and credited to the Bond Fund:

(a) Interest Payments. Monthly, commencing on the first day of the first month following the delivery of the Bonds, an amount in equal monthly installments necessary, together with any moneys therein and available therefor, to pay the next maturing installment of interest on the Bonds then outstanding and monthly thereafter commencing on each interest payment date, one-sixth ($1/6^{th}$) of the amount necessary to pay the next maturing installment of interest on the outstanding Bonds, and

(b) Principal Payments. Monthly, commencing on the first day of the first month following the delivery of the Bonds, an amount in equal monthly installments necessary, together with any moneys therein and available therefor, to pay the next maturing installment of principal on the Bonds and monthly thereafter commencing on each principal payment date, one-twelfth ($1/12^{th}$) of the amount necessary to pay the next maturing installment of principal on the Bonds.

(3) Third, but concurrently with the payments required by paragraph B(2) of this section, funds remaining in the Environmental Services Gross Receipts Tax Revenue Fund, shall be used by the City to pay the Debt Service Requirements of such additional Parity Tax Obligations, if any, hereafter authorized to be issued and payable from Pledged Environmental Services Gross Receipts Tax Revenues.

If prior to any interest payment date or principal payment date, there has been accumulated in the Bond Fund the entire amount necessary to pay the next maturing installment of interest or principal, or both, the payment required in subparagraphs B2(a) and B2(b) (whichever is

applicable) of this paragraph, may be appropriately reduced and the required monthly amounts again shall be so credited to such account commencing on such interest payment date or principal payment date (whichever is applicable).

C. Termination Upon Deposits to Maturity. No payment need be made into the Bond Fund, the 2019 Reserve Fund, or both, if the amount in such funds totals a sum at least equal to the entire amount of Bonds then outstanding, both as to principal and interest to their respective maturities, and both accrued and not accrued, in which case, moneys in the Bond Fund in an amount at least equal to such principal and interest requirements shall be used solely to pay such as the same accrue and any moneys in excess thereof in the Bond Fund and any other moneys derived from the Pledged Revenues may be used in any lawful manner determined by the City.

D. Payment of Additional Obligations and Qualified Exchange Agreements. Either prior to, concurrently with or subsequent to the payments required by Paragraphs A and B of this Section, depending upon whether the additional Obligations are Obligations with a lien on the Environmental Services Gross Receipts Tax Revenues superior to the lien thereon of the 2019 Bonds (the "Superior EGRT Tax Obligations"), Parity EGRT Obligations, Parity Wastewater System/ EGRT Obligations or subordinate Obligations as provided in the Ordinance, the Pledged Revenues shall be used by the City for the payment of Debt Service Requirements on additional Obligations, if any, hereafter authorized to be issued and payable from the Pledged Revenues as the same accrue. In the event that such obligations are Parity Obligations, the payments of Debt Service Requirements on such additional Obligations shall be made concurrently with the payments required by Paragraphs A(2) and B(2) of Section 21 of the Ordinance (provided that such payments may be made at any intervals as may be provided in the ordinance or resolution authorizing such additional Obligations). The following amounts required to be paid by the City shall be paid from Pledged Revenues with the same priority as other payments of Debt Service Requirements on Parity Obligations:

(1) Any amount to reimburse or pay a bond insurer or reserve account insurer or guarantor, or to make payments or reimbursements pursuant to another Credit Facility, for payments of Debt Service Requirements made on Parity Obligations; and amounts payable to a Qualified Counterparty under a Qualified Exchange Agreement, excluding Exchange Termination Payments, if such payments are designated in a City ordinance relating to that Qualified Exchange Agreement as having a lien on Pledged Revenues on a parity with the lien thereon of Parity Obligations;

(2) Reimbursement of any reserve fund Credit Facility obtained for any issue of Parity Obligations; and

(3) Cash deposits to any required reserve fund established with respect to any issue of Parity Obligations.

Each payment of Debt Service Requirements on Parity Obligations shall be transferred to the Paying Agent for payment of Parity Obligations, or directly to a Qualified Counterparty, bond insurer, reserve account insurer or guarantor or other provider of a Credit Facility entitled to receive payments on Parity Obligations, on or before the due date of such payment.

E. Rebate Fund. There is hereby created a separate account to be known as the "City of Santa Fe, New Mexico Net Wastewater System / Environmental Services Gross Receipts Tax Improvement Revenue Bonds, Series 2019, Rebate Fund" (the "Rebate Fund"), to be held by the City. There shall be transferred into the Rebate Fund from the Pledged Revenues, such amounts as are required to be deposited therein to meet the City's obligations under the covenant contained in Section 27V of the Ordinance, in accordance with Section 148(f) of the Internal Revenue Code of 1986, as amended (the

"Tax Code"). Amounts on deposit in the Rebate Fund shall not be subject to the lien and pledge of the Ordinance to the extent such amounts are required to be paid to the United States Treasury. The City hereby finds and determines that payment to the United States in an amount equal to interest and other gain from the investment of moneys accumulated in the Bond Fund and any other account into which Pledged Revenues are transferred, to the extent such interest or other gain is subject to the rebate requirements of Section 148(f) of the Tax Code, shall be subject to a lien thereon in favor of the United States Treasury and pledged to the United States Treasury for the benefit of the owners of the Bonds from time to time. From time to time, if the City determines that there is on deposit in the Rebate Fund more money than is needed to satisfy the rebate obligation, then such excess shall be transferred and credited to the Bond Fund and used to pay Debt Service Requirements.

F. Payment of Expenses and Certain Obligations which are not Parity Obligations. After and subject to the payments required, and provisions contained in, any of the preceding paragraphs of this Section, any remaining Pledged Revenues shall be used, to the extent necessary, for payment of: (i) any other amounts, expenses, fees and interest owed by the City relating to the issuance, delivery, servicing, payment, redemption and refunding of Parity Obligations and (ii) other amounts relating to Parity Obligations owed by the City pursuant to the Related Documents, any Qualified Exchange Agreement (excluding Exchange Termination Payments), bond insurance policy, reserve fund insurance policy or similar documents which are not payable pursuant to any other prior paragraph of this Section.

G. Subordinate Obligations. After and subject to the payments required by, and provisions contained in, the preceding paragraphs of this Section, any remaining Pledged Revenues shall be used, as necessary, by the City for the payment of the principal of, premium, if any, and interest on all Obligations with a lien on the Pledged Revenues which is subordinate and junior to the lien of the Parity Obligations on Pledged Revenues, including without limitation, any Exchange Termination Payments.

H. Payment of Additional Subordinated Obligations. After and subject to the payments required above in this Section: (i) any remaining Pledged Environmental Services Gross Receipts Tax Revenues shall be used by the City for the payment of the principal of and interest (including debt service reserves) on obligations with a lien on the Pledged Environmental Services Gross Receipts Tax Revenues which is subordinate and junior to the lien of the Parity EGRT Obligations, as the same accrue; and (ii) any balance remaining in the Wastewater Fund shall be used by the City for the payment of the principal of and interest (including debt service reserves) on obligations with a lien on the Pledged Wastewater System Revenues which is subordinate and junior to the lien of the Parity Wastewater Obligations, as the same accrue.

I. Use of the Wastewater System Rate Stabilization Fund. Amounts deposited in the Wastewater System Rate Stabilization Fund may be withdrawn at any time and used for any purpose for which Wastewater System Gross Revenues may be used.

J. Use of the Wastewater System Replacement Fund. While any Parity Wastewater Obligations are Outstanding, money on deposit in the Wastewater System Replacement Fund shall be used only (i) for replacement costs and capital improvements to the Wastewater System, (ii) for extraordinary charges relating to the financing or refinancing of the Wastewater System, and (iii) to purchase or otherwise defease, or provide for defeasance of, Outstanding Obligations payable from Net Revenues.

K. Use of Surplus Revenues. Each month, after making all the payments required to be made by the prior paragraphs of this Section, any moneys remaining in the Wastewater Fund and any remaining Pledged Environmental Services Gross Receipts Tax Revenues may be applied to any other lawful purpose or purposes authorized by applicable law, as determined by the City.

L. Variable Interest Rate. In making the computations required by this Section, interest on Obligations which bear a Variable Interest Rate shall be computed: (i) at the actual Variable Interest Rate or Variable Exchange Rate for the computation period, if such rate can be computed exactly, or (ii) if the Variable Interest Rate or Variable Exchange Rate cannot be computed exactly, at the actual rate for the immediately preceding computation period.

General Administration of Funds

The funds and accounts designated in Sections 17 through 21 of the Bond Ordinance shall be administered as follows:

A. Investment of Money. Any moneys in any fund designated in Sections 17 through 21 of the Bond Ordinance may be invested in Permitted Investments provided, that investment of amounts in the Reserve Fund shall have maturities of not exceeding five years from the date of their acquisition and their value shall be determined annually at the end of each Fiscal Year. The obligations purchased as an investment of moneys in a particular fund shall be deemed at all times to be part of that fund, and the interest accruing thereon and any profit realized therefrom shall be credited to the fund, and any loss resulting from each investment shall be charged to that fund. The City shall present for redemption or sale on the prevailing market any obligations purchased as an investment of moneys in the fund whenever it shall be necessary to do so in order to provide moneys to meet any payment or transfer from such fund.

B. Deposits of Funds. The moneys and investments comprising each of the funds and accounts designated in the Bond Ordinance shall be held by the City and maintained and kept separate from all other funds and accounts in an Insured Bank or Insured Banks. The amounts prescribed shall be paid to the appropriate funds as specified in the Bond Ordinance. Each payment shall be made into the proper bank account and credited to the proper fund not later than the last day designated; provided that when the designated date is not a business day, then such payment shall be made on the next succeeding business day. Nothing herein shall prevent the establishment of one such bank account or more (or consolidation with any existing bank account), for all of the funds and accounts specified in the Bond Ordinance.

Additional Bonds and Other Obligations

Additional Superior and Parity EGRT Obligations

A. Limitations Upon Issuance of Additional Tax Obligations. No provision of the Ordinance shall be construed in such a manner as to prevent the issuance by the City of additional Obligations payable from Gross Receipts Tax Revenues and constituting a lien upon EGRT revenues prior and superior to the lien of the Bonds, as provided in Section 23 of the Ordinance. Before any additional Superior Tax Obligations are issued, the conditions, if any, set forth in the ordinances authorizing the issuance of Superior Tax Obligations must be satisfied.

Before any additional Parity EGRT Obligations are actually issued (excluding refunding bonds the proceeds of which are used to refund Parity EGRT Obligations, as provided in the Bond Ordinance, but including Parity EGRT Obligations which are refunding bonds which refund subordinate obligations), the following conditions shall be met:

(i) The additional Parity EGRT Obligations must be Obligations; and

(ii) The City shall then be current in all of the deposits required to be made with respect to Parity EGRT Obligations (including, if applicable, any obligation to fund any reserve account required by the terms of any ordinance authorizing the issuance of any such Obligations); and

(iii) (a) No additional Parity EGRT Obligations shall be issued unless Pledged Environmental Services Tax Revenues combined with any additional gross receipts tax revenues pledged to the proposed additional Parity EGRT Obligations received for the Historic Test Period shall have been sufficient to pay an amount representing at least two hundred percent (200%) of the combined maximum annual Debt Service Requirements coming due in any subsequent Fiscal Year on the Bonds, on the then outstanding Superior EGRT Obligations and Parity EGRT Obligations, and the additional Parity EGRT Obligations proposed to be issued (excluding any reserves therefor); and

(b) In making the computations required by this subparagraph (iii) other gross receipts tax revenues, including without limitation, received by the City, whether from distribution by the State or pursuant to gross receipts taxes imposed by the City (other than State-Shared Gross Receipts Tax Revenues) pledged to the Superior EGRT Obligations, the Parity EGRT Obligations and the Parity EGRT Obligations proposed to be issued, may be included only to the extent such gross receipts tax revenues are pledged to a particular series of such outstanding obligations or proposed Parity EGRT Obligations and only to the extent of the maximum annual Debt Service Requirements coming due in the applicable Fiscal Year on such outstanding obligations or proposed Parity EGRT Obligations.

B. Subordinate Obligations Permitted. No provision of the Ordinance shall be construed in such a manner as to prevent the issuance by the City of additional Obligations payable from the Pledged Environmental Services Gross Receipts Tax Revenues with a lien thereon subordinate and junior to the lien of the Bonds thereon, nor to prevent the issuance of Obligations refunding all or part of the Bonds as permitted by the Bond Ordinance.

C. Variable Interest Rate. In making the computations required by this Section and the Section related to Refunding Bonds, Obligations which bear a Variable Interest Rate shall be deemed to bear interest at the maximum rate permitted for those obligations.

D. Certificate of City Finance Director. A written certificate or opinion of the City Finance Director that the Pledged Environmental Gross Receipts Tax Revenues for the applicable Historic Test Period are sufficient to pay the amounts required in this Section shall be required in making a determination that the requirements set forth in this Section have been satisfied and shall be conclusively presumed to be accurate in determining that such requirements have been satisfied.

E. Bond Anticipation Notes. Whenever the City shall have authorized the issuance of Superior EGRT Obligations or Parity EGRT Obligations under the Act and the City shall, at the time, be permitted by the laws of the State to issue notes representing loans in anticipation of the sale of such Superior EGRT Obligations or Parity EGRT Obligations ("Bond Anticipation Notes"), the City may by resolution or ordinance authorize the issuance of Bond Anticipation Notes in anticipation of the sale of such Superior EGRT Obligations or Parity EGRT Obligations, provided, however, that before any Bond Anticipation Notes are actually issued, the conditions of this Section entitled Additional Tax Obligations shall be met. Bond Anticipation Notes shall not be issued in an amount exceeding the principal amount of the Superior EGRT Obligations or Parity EGRT Obligations in anticipation of the sale of which such notes are proposed to be issued.

For the purposes of determining compliance with this Section, as of the date of issuance of any Bond Anticipation Notes, the aggregate principal amount of all outstanding Bond Anticipation Notes (including such proposed Bond Anticipation Notes) shall never exceed the principal amount of a hypothetical issue of Superior EGRT Obligations or Parity EGRT Obligations which could be issued hereunder having an assumed final maturity of twenty (20) years, bearing an assumed rate of interest equal to the highest rate then borne by any Bond Anticipation Note then outstanding (or, if none, the interest rate borne by the proposed Bond Anticipation Notes to be issued) and having debt service due in each Fiscal Year in approximately equal amounts.

F. Put Obligations. In making the computations required by this Section and the Section related to Refunding Bonds, the principal amount of any Put Obligations to be outstanding in the Fiscal Year when the combined maximum annual Debt Service Requirements come due shall be excluded from the maximum annual Debt Service Requirements only if the Credit Facility providing liquidity or standby purchase support for Put Obligations is rated, on the date the computations are made, "A" or better by Moody's or S&P (if such rating agencies are then rating the Bonds). If there is no Credit Facility for the Put Obligations or the rating requirement for the Credit Facility set forth in the preceding sentence is not satisfied, the principal amount of the Put Obligations to be outstanding in the Fiscal Year when combined maximum annual Debt Service Requirements come due shall be considered in computing maximum annual Debt Service Requirements.

Additional Parity Obligations

Parity Wastewater System/ EGRT Obligations may be issued for the purposes permitted by the Act including, but not limited to, (i) financing the costs of a project; or (ii) providing additional funds for deposit into the Wastewater System Replacement Fund and paying the costs incident to the issuance of such Parity Obligations or any combination of the foregoing.

A. Limitations Upon Issuance of Additional Parity Bonds. The tests required in Section 25 of the Ordinance shall be performed without adjustment for payments to or withdrawals from the Wastewater System Rate Stabilization Fund. Except as permitted herein, prior to the issuance of additional Parity Obligations, the City shall be current in making all deposits required by the Bond Ordinance and the following test shall be satisfied:

(i) a certificate prepared by the City Finance Director showing that the Pledged Revenues for the Historic Test Period were at least equal to 120% of the maximum combined annual Debt Service Requirements for all Outstanding Parity Obligations which will be outstanding immediately after the issuance of the proposed Parity Obligations, or

(ii) a certificate prepared by a Consulting Engineer showing that:

(a) the Pledged Revenues for the Historic Test Period were at least equal to 120% of the maximum combined annual Debt Service Requirements for all Outstanding Parity Obligations immediately preceding the issuance of the Parity Obligations;

(b) for each Fiscal Year during the period from the date of delivery of such certificate until the latest estimated completion date of the specified project(s) to be funded with the proceeds of such Parity Obligations, the Consulting Engineer estimates that the City will be in compliance with the Rate Covenant; and

(c) the estimated Pledged Revenues for each of the three Fiscal Years immediately following the latest estimated completion date for the specified project(s) to be financed with proceeds of such

Parity Obligations, as certified to the Consulting Engineer by an Authorized Officer of the City will be at least equal to 120% of the maximum combined annual Debt Service Requirements for all Outstanding Parity Obligations which will be outstanding immediately after the issuance of the proposed Parity Obligations.

For purposes of subsections (ii)(b) and (c) above, in estimating Wastewater System Net Revenues, the Consulting Engineer may take into account (1) reasonable Wastewater System Gross Revenues from specified Wastewater System projects expected to become available, (2) any increase in fees, rates, charges, rentals or other sources of Wastewater System Gross Revenues which have been approved by the City and will be in effect during the period for which the estimates are provided, and (3) any other increases in Wastewater System Gross Revenues which the Consulting Engineer believes to be a reasonable assumption for such period. With respect to Wastewater System Operation and Maintenance Expenses, the Consulting Engineer shall use such assumptions as the Consulting Engineer believes to be reasonable, and taking into account, (i) historical Wastewater System Operation and Maintenance Expenses, (ii) Wastewater System Operation and Maintenance Expenses associated with the specified Wastewater System projects and (iii) such other factors, including inflation and changing operations or policies of the City, as the Consulting Engineer believes to be appropriate. The Consulting Engineer shall include in the certificate or in a separate accompanying report a description of the assumptions used and the calculations made in determining the estimated Wastewater System Net Revenues and shall also set forth the calculations of the maximum combined annual Debt Service Requirements, which calculations may be based upon information provided by another Consultant.

For purposes of preparing the certificate or certificates described above, the Consulting Engineer or Consultant may rely upon financial statements prepared by the City which have not been subject to audit by an Independent Accountant if audited financial statements for the Fiscal Year or period are not available; provided, however, that an Authorized Officer of the City shall certify as to their accuracy and that such financial statements were prepared substantially in accordance with generally accepted accounting principles, subject to year-end adjustments.

(iii) In determining whether additional Parity Wastewater System/ EGRT Obligations may be issued pursuant to this Section, a written certificate or opinion of the City Finance Director or a Consulting Engineer shall be conclusively presumed to be accurate in determining the right of the City to authorize, issue, sell and deliver the additional Parity Obligations.

(iv) Nothing contained in the Ordinance shall be construed to prevent the City from issuing bonds or other obligations with a lien on Pledged Revenues subordinate or junior to the lien of the Parity Obligations on Pledged Revenues.

(v) The City shall not issue additional obligations payable from Pledged Revenues with a lien on Pledged Wastewater System Revenues superior to the lien of Parity Obligations (provided, that Superior Lien EGRT Obligations may be issued in compliance with Section set forth above).

Refunding Bonds

The provisions of set forth in the prior section entitled "Additional Bonds and Other Obligations" are subject to the following exceptions:

A. Privilege of Issuing Refunding Obligation. If at any time after the Bonds or any part thereof shall have been issued and remain outstanding, the City shall find it desirable to refund any outstanding bonds or other outstanding obligations payable from the Pledged Revenues, such bonds or other obligations, or any part thereof, may be refunded (but only with the consent of the registered owner

or owners thereof, unless the bonds or other obligations, at the time of their required surrender for payment (i) shall then mature or (ii) shall then be callable for prior redemption at the City's option), regardless of whether the priority of the lien for the payment of the refunding obligations on the Pledged Revenues is changed (except as provided in paragraphs A of Section 24 and 25 of the Bond Ordinance and paragraphs B and C of this Section below).

B. Limitations Upon Issuance of Parity Refunding Obligations. No refunding bonds or other refunding obligations payable from the Pledged Environmental Services Gross Receipts Tax Revenues which are Superior Obligations will be issued except in accordance with the terms of the ordinances governing such outstanding Obligations with a lien on the Pledged Environmental Services Gross Receipts Tax Revenues. No refunding bonds or other refunding obligations payable from the Pledged Environmental Services Gross Receipts Tax Revenues or the Pledged Revenues, whichever is applicable, shall be issued on a parity with the Bonds herein authorized, unless:

(1) The lien on the Pledged Environmental Services Gross Receipts Tax Revenues or Pledged Revenues of the outstanding obligations so refunded is on a parity with the lien thereon of the Bonds herein authorized; or

(2) The refunding bonds or other obligations are issued in compliance with Subsection A of Section 24 or Paragraph A of Section 25 of the Bond Ordinance, whichever is applicable.

C. Refunding Part of an Issue. The refunding bonds or other obligations so issued shall enjoy complete equality of lien with the portion of any bonds or other obligations of the same issue which is not refunded, if any; and the registered owner or owners of such refunding bonds or such other refunding obligations shall be subrogated to all rights and privileges enjoyed by the registered owner or owners of the bonds or other obligations of the same issue refunded thereby.

D. Limitations Upon Issuance of any Refunding Obligations. Any refunding bonds or other refunding obligations payable from the Pledged Environmental Services Gross Receipts Tax Revenues or Pledged Revenues shall be issued with such details as the City may by ordinance provide, subject to the inclusion of any such rights and privileges designated in Paragraph C of Section 26 of the Ordinance, but without any impairment of any contractual obligations imposed upon the City by any proceedings authorizing the issuance of any unrefunded portion of such outstanding obligations of any one or more issues (including but not necessarily limited to the Bonds herein authorized). If only a part of the outstanding bonds and any other outstanding obligations of any issue or issues payable from the Pledged Environmental Services Gross Receipts Tax Revenues or Pledged Revenues is refunded, then such obligations may not be refunded without the consent of the registered owner or owners of the unrefunded portion of such obligations, unless:

(1) The refunding bonds or other refunding obligations do not increase the aggregate annual Principal and Interest coming due in connection both with such refunding obligations and the outstanding obligations not refunded on and prior to the last maturity date of such unrefunded obligations, or

(2) The refunding bonds or other refunding obligations are issued in compliance with Paragraph A of Section 24 or Paragraph A of Section 25 of the Bond Ordinance, whichever is applicable, or

(3) The lien on the Pledged Environmental Services Gross Receipts Tax Revenues or Pledged Revenues, whichever is applicable, for the payment of the refunding obligations is subordinate to each such lien for the payment of any obligations not refunded.

Equality of Bonds

The Bonds authorized to be issued under the Bond Ordinance and from time to time outstanding shall not be entitled to any priority one over the other in the application of the Pledged Revenues, regardless of the time or times of their issuance, it being the intention of the Governing Body that there shall be no priority among the Bonds regardless of the fact that they may be actually issued and delivered at different times.

Protective Covenants of the City

The City hereby covenants and agrees with each and every registered owner of the Bonds that:

A. Payment of Bonds Herein Authorized. The City will promptly pay the principal of and the interest on every Bond issued hereunder and secured hereby at the place, on the dates and in the manner specified herein and in the Bonds according to the true intent and meaning of the Bond Ordinance. Such principal and interest are payable solely from the Pledged Revenues. Nothing in the Bonds, any Qualified Exchange Agreement or the Ordinance shall be construed as obligating the City to pay principal, premium, if any, or interest on any of the Bonds from, and the holders of the Bonds and any Qualified Counterparty may not look to, any general or other fund of the City, except those specifically set forth herein.

B. Rate Covenant.

(1) The City covenants that it will at all times fix rates and collect charges for each class of service rendered by the Wastewater System, and to, from time to time, amend or adjust such rates so that Wastewater System Gross Revenues, together with the Environmental Services Gross Receipts Tax Revenues, shall always be sufficient to provide for the payment of the Debt Service Requirements on all Outstanding Parity Obligations and Subordinate Obligations as and when the same become due and payable, to maintain the funds and accounts established in the Ordinance, to provide for the payment of Wastewater System Operation and Maintenance Expenses which may be necessary to preserve the same in good repair and working order, including the necessary reserves therefor and all other payments necessary to meet on-going legal obligations to be paid at that time; and

(2) The City further covenants that it will at all times fix, charge and collect such rates and charges as shall be required in order that in each Fiscal Year the Wastewater System Net Revenues, together with the Environmental Services Gross Receipts Tax Revenues, shall at least equal the greater of (a) the Debt Service Requirements on all Outstanding Parity Obligations and Subordinate Obligations in such Fiscal Year and the deposits required by the Ordinance to be made into the various funds of the Ordinance in such year or (b) 110% of the Debt Service Requirements on all Outstanding Parity Obligations and Subordinate Obligations in such Fiscal Year.

Failure by the City to comply with the foregoing Rate Covenant in any Fiscal Year will not constitute an event of default under the Ordinance so long as the City, within 180 days, adopts the schedule of rates and charges recommended or approved by a Consulting Engineer which would bring the City into compliance with the Rate Covenant. The City is also required under the Ordinance in each Fiscal Year to complete a review of its financial condition for the purpose of estimating whether the Wastewater System Net Revenues, together with the Environmental Services Gross Receipts Tax Revenues, for such Fiscal Year and for the next succeeding Fiscal Year will be sufficient to comply with the Rate Covenant set forth above. If the City determines that the Wastewater System Net Revenues,

together with the Environmental Services Gross Receipts Tax Revenues, may not be so sufficient, it shall forthwith cause the Consulting Engineer to make a study for the purpose of recommending a schedule of fees, rates and charges for the Wastewater System which, in the opinion of the Consulting Engineer, will cause sufficient Wastewater System Gross Revenues, together with the Environmental Services Gross Receipts Tax Revenues, to be collected in such Fiscal Year to comply with the Rate Covenant set forth above and will cause additional Wastewater System Gross Revenues to be collected in such Fiscal Year sufficient to eliminate the amount of any deficiency at the earliest practicable time within such Fiscal Year. The City shall as promptly as practicable adopt and place in effect the schedule of fees, rates and charges recommended or approved by the Consulting Engineer pursuant to the Ordinance. In the alternative of establishing fees, rates and charges necessary to meet the Rate Covenant set forth above, the City may undertake steps to reduce Wastewater System Operation and Maintenance Expenses.

C. Lien on Lands Serviced by Wastewater System. New Mexico law grants the City a lien upon each lot or parcel of land for the charges imposed for water and wastewater services supplied by the Wastewater System to the owner of such lot or parcel (except as otherwise provided in Section 3-23-6 NMSA 1978, as amended). The City will cause each lien to be perfected in accordance with the provisions of Sections 3-23-6 and 3-36-1 through 3-36-5 NMSA 1978 as amended. The City will take all necessary steps to enforce the lien against any parcel of property the owner of which is delinquent for more than six months in the payment of charges imposed for the use of the Wastewater System.

D. Levy of Charges. The City will promptly fix, establish and levy the rates and charges which are required by the Rate Covenant. Unless contrary to any provision of applicable law, any ordinance adopted by the City to fix, establish and levy such rates and charges shall be deemed an administrative or executive matter not subject to any applicable referendum provisions of any City charter or state law. No reduction in any initial or existing rate schedule for the Wastewater System may be made unless:

(a) the City has fully complied with the provisions of Section 21 of the Ordinance for any 12 consecutive months out of the 16 calendar months immediately preceding the reduction of the rate schedule, and

(b) the audit required by paragraph H of Section 28 or a separate certificate by an Independent Accountant for or relating to any 12 consecutive months out of the 16 calendar months immediately preceding any reduction discloses that the estimated Wastewater System Net Revenues resulting from the proposed reduced rate schedule would have been sufficient to meet the Rate Covenant in Paragraph B of this Section during the applicable 12-month period.

E. Efficient Operation. The City will maintain the Wastewater System in efficient operating condition and make such improvements, extensions, enlargements, repairs and betterments to the Wastewater System as may be necessary or advisable for its economical and efficient operation at all times and to supply reasonable public and private demands for Wastewater System services within the Service Area.

F. Records. So long as the Bonds remain Outstanding, proper books of record and account will be kept by the City, separate from all other records and accounts, showing complete and correct entries of all transactions relating to the Wastewater System. However, pursuant to Section 6-14-10(E) NMSA 1978, records with regard to the ownership or pledge of the Bonds are not subject to inspection or copying.

G. Right to Inspect. Owners of the Bonds, or their duly authorized agents, shall have the right to inspect at all reasonable times all records, accounts and data relating to the Wastewater System, the Pledged Environmental Gross Receipts Tax Revenues and the Net Revenues.

H. Audits. Within 180 days following the close of each Fiscal Year, the City will cause an audit of the books and accounts of the Wastewater System to be made by an Independent Accountant. Each audit of the Wastewater System shall include those matters determined to be proper by the Independent Accountant.

I. Billing Procedure. Bills for wastewater or wastewater services or facilities, or any combination, furnished by or through the Wastewater System shall be rendered to customers on a regular basis each month following the month in which the service was rendered and shall be due as required by City ordinance. If permitted by law, if a bill is not paid within the period of time required by City ordinance, wastewater services shall be discontinued as required by City ordinance, and the rates and charges due shall be collected in a lawful manner, including, but not limited to, the cost of disconnection and reconnection.

J. Charges and Liens Upon Wastewater System. The City will pay when due from Wastewater System Gross Revenues or other legally available funds all taxes and assessments or other municipal or governmental charges, lawfully levied or assessed upon the Wastewater System and will observe and comply with all valid requirements of any municipal or governmental authority relating to the Wastewater System. The City will not create or permit any lien or charge upon the Wastewater System or the Wastewater System Gross Revenues except as permitted by the Ordinance, or it will make adequate provisions to satisfy and discharge within 60 days after the same accrue, all lawful claims and demands for labor, materials, supplies or other objects, which, if unpaid, might by law become a lien upon the Wastewater System or the Wastewater System Gross Revenues. However, the City shall not be required to pay or cause to be discharged, or make provision for any tax, assessment, lien or charge before the time when payment becomes due or so long as the validity thereof is contested in good faith by appropriate legal proceedings and there is no adverse effect on owners of the Bonds.

K. Insurance. Subject, in each case, to the condition that insurance is obtainable at reasonable rates and upon reasonable terms and conditions, in its operation of the Wastewater System, the City will procure and maintain or cause to be procured and maintained commercial insurance or provide Qualified Self Insurance with respect to the facilities constituting the Wastewater System and public liability insurance in the form of commercial insurance or Qualified Self Insurance and, in each case, in such amounts and against such risks as are, in the judgment of the City, prudent and reasonable taking into account. but not being controlled by, the amounts and types of insurance or self-insured programs provided by municipalities which operate systems such as the Wastewater System. "Qualified Self Insurance" means insurance maintained through a program of self-insurance or insurance maintained with a fund, company or association in which the City may have a material interest and of which the City may have control, either singly or with others. Each plan of Qualified Self Insurance shall be established in accordance with law, shall provide that reserves be established or insurance acquired in amounts adequate to provide coverage which the City determines to be reasonable to protect against risks assumed under the Qualified Self Insurance plan, including any potential retained liability in the event of the termination of such plan of Qualified Self Insurance. In the event of property loss or damage to the Wastewater System, insurance proceeds shall be used first for the purpose of restoring or replacing the property lost or damaged and thereafter, any remainder may be used to redeem Parity Wastewater System Obligations or be treated as Wastewater System Gross Revenues and used in the manner provided in Section 21.

L. Competing Wastewater System. Unless contrary to any provision of, or required by, applicable law, as long as the Bonds are outstanding, the City will not grant any franchise or license to a

competing wastewater utility system, or permit any person, association, firm or corporation to sell similar wastewater utility services or facilities to any consumer, public or private, within the Service Area of the Wastewater System; provided, however, that nothing shall prevent the City from annexing land into its boundaries solely due to the fact that there is a competing utility system or person, association, firm or corporation selling similar wastewater utility services or facilities within or for the land to be annexed. Notwithstanding the foregoing, permits granted to individual homeowners shall not violate this section if the City is in compliance with the Rate Covenant.

M. Alienating Wastewater System. While the Bonds are Outstanding, the City shall not, except as permitted below, transfer, sell or otherwise dispose of the Wastewater System. For purposes of this Section, any transfer of an asset over which the City retains or regains substantial control shall not, for so long as the City has such control, be deemed a disposition of the Wastewater System.

The City may transfer, sell or otherwise dispose of the Wastewater System only if such transfer, sale or disposition complies with one or more of the following provisions:

(a) The property being disposed of is inadequate, obsolete or worn out; or

(b) The property proposed to be disposed of and all other property of the Wastewater System disposed of during the 12-month period ending on the day of such transfer (but excluding property disposed of under (a) above), will not, in the aggregate, constitute a Significant Portion of the Wastewater System determined as described below and the proceeds are deposited into the Wastewater Fund to be used as described below; or

(c) The City receives fair market value for the property, the proceeds are deposited into the Wastewater Fund to be used as described below and, prior to the disposition of such property, there is delivered a certificate of a Consultant to the effect that notwithstanding such disposition, but taking into account the use of such proceeds in accordance with the expectations of the City as evidenced by a certificate of an Authorized Officer, the Consultant estimates that the City will be in compliance with the Ordinance during each of the five Fiscal Years immediately following such disposition.

For purposes of this Section, the term "Significant Portion" of the Wastewater System means property of the Wastewater System which, if such property had been disposed of by the City at the beginning of the Fiscal Year which includes the month of commencement of the 12month period referred to in (b) above would have resulted in a reduction in Wastewater System Net Revenues for such Fiscal Year of more than 4% when the actual Wastewater System Net Revenues for such Fiscal Year are decreased by the revenues directly attributable to such property of the Wastewater System and increased by the expenses of the City directly attributable to such property of the Wastewater System.

Proceeds of the disposition of assets under (b) or (c) above shall be deposited into the Wastewater Fund and used, within a reasonable period of time, not to exceed three years, to (i) provide additional revenue-producing properties to the Wastewater System, (ii) redeem Parity Wastewater System Obligations or (iii) create an escrow fund pledged to pay all or a part of the Bonds and thereby cause such Bonds to be deemed to be paid as provided in Section 29.

No such disposition shall be permitted which would cause the City to be in default of any other covenant contained in the Ordinance.

N. Extending Interest Payments. To prevent any accumulation of claims for interest after maturity, except as permitted by the Ordinance or Related Documents, the City will not directly or indirectly extend or assent to the extension of the time for the payment of any claim for interest on the

Bonds. If the time for payment of interest is extended contrary to the provisions of this Section, the installments of interest extended shall not be entitled, in case of an event of default under the Ordinance, or Related Documents, to the benefit or security of the Ordinance, or Related Documents until the prior payment in full of the principal of and interest on all other Bonds then outstanding.

O. Competent Management. The City shall employ experienced and competent personnel to manage the Wastewater System.

P. Performing Duties. The City will faithfully and punctually perform all duties with respect to the Wastewater System required by State and City laws, including, but not limited to, making and collecting reasonable and sufficient rates and charges for services rendered or furnished by the Wastewater System as required by this Section and the proper segregation and application of the Wastewater System Gross Revenues.

Q. City's Existence. The City will maintain its corporate identity and existence as long as the Bonds remain outstanding unless another political subdivision by operation of law succeeds to the liabilities and rights of the City, without adversely affecting to any substantial degree the privileges and rights of any Owner. However, the City may annex or de-annex land if the City complies with other applicable covenants in the Ordinance.

R. Tax Compliance.

(a) The City will restrict the use and investment of the proceeds of the Bonds and any funds reasonably expected to be used to pay the Bonds to the extent necessary so that the Bonds will not constitute arbitrage bonds under Section 148 of the Code. Authorized Officers having responsibility for issuing Bonds will give appropriate certificates of the City for inclusion in transcripts of proceedings for Bonds setting forth the reasonable expectations of the City regarding the use of all the proceeds of the Bonds, the facts, circumstances and estimates on which they are based, and other facts and circumstances relevant to the tax treatment of interest on Bonds.

(b) The City (i) will take or cause to be taken such actions that may be required of it for the interest on the Bonds to be and remain excluded from gross income for federal income tax purposes, and (ii) will not take or permit to be taken any action that would adversely affect such exclusion, and the City will, among other acts of compliance to the extent necessary to assure the exclusion of interest on Bonds under the Code, (A) apply, or cause to be applied, the proceeds of the Bonds to the governmental purpose of the borrowing, (B) restrict the yield as necessary on investment property defined in Section 148(b)(2) of the Code acquired with gross proceeds of the Bonds, (C) make timely rebate payments to the federal government in accordance with Section 148(f) of the Code and the Ordinance, (D) maintain proper books and records and make, or have made, calculations and reports, and (E) refrain from certain uses of Bond proceeds. Authorized Officers are authorized and directed to take action, make or have made calculations and rebate payments, and make or give covenants, representations, reports and certifications as may be required or appropriate to assure the exclusion of interest on the Bonds from gross income for federal income tax purposes.

(c) The City covenants that it will not make or cause to be made any investment or deposit described or permitted in the Ordinance at other than the value permitted for any such investment or deposit under Sections 1.148-0 through 1.148-11 and 1.150-1 and 1.150-2 of the Regulations or any successor provision applicable to the Bonds.

(d) The provisions of this paragraph R shall not apply to the Bonds, if at any time and to the extent that the City receives an opinion of Bond Counsel that the failure to comply will not

adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes under Section 103(a) of the Code.

S. Other Liens. Other than the Parity Obligations and the Bonds, there are no liens or encumbrances of any nature whatsoever on or against the Pledged Revenues. The Ordinance does not prohibit the issuance of Superior EGRT Obligations with a lien on the Pledged Environmental Services Gross Receipts Tax Revenues superior to the lien thereon of the Bonds.

T. Duty With Respect to Pledged Revenues. If the statutes or any ordinance which materially affects the Pledged Revenues, or any part of the ordinances, shall ever be held to be invalid or unenforceable, it shall be the duty of the City to immediately take any legally permissible action necessary to produce sufficient Pledged Revenues to comply with the contracted obligations of the Ordinance, except as provided in paragraph U of this Section.

U. Impairment of Contract. The City agrees that any law or ordinance or resolution of the City in any manner affecting the Pledged Revenues or the Bonds, or otherwise appertaining thereto, shall not be repealed or otherwise directly or indirectly modified, in such a manner as to impair adversely any Bonds outstanding, unless such Bonds have been discharged in full or provision has been fully made therefor, or unless the consent of the required percentage of the registered owners of the then outstanding Bonds is obtained pursuant to Section 34 of the Ordinance.

V. Limitation on Consolidation of Wastewater System. The City shall not, for so long as any of the Bonds are Outstanding, consolidate the Wastewater System with the City's water system.

W. Notice of Qualified Exchange Agreements to Rating Agencies. The City shall not enter into a Qualified Exchange Agreement which is a Parity EGRT Obligation or with respect to any Parity EGRT Obligations without first providing notice of such Qualified Exchange Agreement to Fitch and S&P and without first receiving written confirmation from Fitch and S&P that entering into such Qualified Exchange Agreement, in and of itself, would not result in a reduction of the ratings then assigned to the Bonds by Fitch and S&P.

X. Implementation Requirements for Wastewater System Rates. The provisions of the Ordinance regarding the Wastewater System and the pledge of the Net Revenues to the Bonds shall be effective upon the due adoption and approval of the Ordinance. Annually, on or before January 1 of each year, commencing January 1, 2020, the City shall determine if, on the date of calculation, additional Parity EGRT Obligations could then be issued under the test set forth in Section 24(A)(iii) of the Bond Ordinance. The City need not obtain a certificate or opinion of Independent Accountant in making the annual determination. So long as the City satisfies the test for issuance of additional Parity Tax Obligations at the time of each annual determination, the City shall not be required to implement the covenants set forth in Section 28 of the Ordinance relating to the Wastewater System. However, if the City fails to satisfy the test for issuance of additional Parity EGRT Obligations at the time of any annual determination, the City shall, within three (3) months of such determination, implement all covenants and terms relating to the Wastewater System set forth in Section 28 of the Ordinance, including specifically the Rate Covenant. In addition, the City may, at any time, elect to implement all covenants and terms relating to the Wastewater System set forth in Section 28 of the Ordinance by affirmative action of the Council.

Y. Limitation on Superior Tax Obligations or Parity Tax Obligations with Variable Interest Rates. The City shall not issue Obligations secured by the Pledged Environmental Services Gross Receipts Tax Revenues with a Variable Interest Rate which, at the time of issuance, are assigned a lower

rating than the rating then assigned to the Bonds by Fitch or S&P, unless the written consent of such rating agency to a lower rating is obtained prior to issuance of such Obligations.

Z. Continuing Disclosure Undertaking. Authorized Officers of the City are authorized to sign such documents with respect to the City's continuing disclosure obligations as are necessary or desirable to comply with the Continuing Disclosure Agreement and requirements of Rule 15c2-12 promulgated by the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended

Defeasance

When all principal, any applicable prior redemption premium (if any) and interest due on the Bonds have been duly paid, the pledge and lien and all obligations hereunder shall thereby be discharged and the Bonds shall no longer be deemed to be outstanding within the meaning of the Bond Ordinance. There shall be deemed to be such due payment as to any Bond when the City has placed in escrow and in trust with a commercial bank or trust company located within or without the State of New Mexico and exercising trust powers, a cash amount sufficient (including the known minimum yield from Federal Securities in which all or a portion of such amount may initially be invested) to meet all requirements of principal, interest and any applicable prior redemption premium (if any) as the same become due to its maturity date or prior redemption date as to which the City shall have exercised or obligated itself to exercise its option to call such Bond. The Federal Securities shall become due prior to the respective times on which the proceeds thereof shall be needed, in accordance with a schedule established and agreed upon between the City and such bank or trust company at the time of the creation of the escrow or the Federal Securities shall be subject to the redemption at the option of the holders thereof to assure such availability as so needed to meet such schedule. Federal Securities within the meaning of Section 27 of the Bond Ordinance shall include only direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America and which are not callable prior to maturity by the issuer of such obligations.

Events of Default

Each of the following events is hereby declared an "event of default":

A. Nonpayment of Principal. If payment of the principal and optional redemption premium, if applicable, of any of the Bonds shall not be made when the same become due and payable, either at maturity, or by proceedings for optional redemption, or otherwise; or

B. Nonpayment of Interest. If payment of any installment of interest shall not be made when the same becomes due and payable or within 30 days thereafter; or

C. Incapable to Perform. If the City shall for any reason be rendered incapable of fulfilling its obligations hereunder; or

D. Default of Any Other Provision. If the City shall default in the due and punctual performance of its covenants or conditions, agreements and provisions contained in the Bonds or in the Bond Ordinance on its part to be performed other than with respect to payment of principal, any prior redemption premium or interest on the Bonds and other than with respect to continuing disclosure, and if such default shall continue for 60 days after written notice specifying such default and requiring the same to be remedied shall have been given to the City by the registered owners of at least 25% in principal amount of the Bonds then outstanding.

Remedies of Defaults

Upon the happening and continuance of any of the events of default as provided in Section 30 of the Bond Ordinance, then and in every case the registered owner or owners of not less than 25% in principal amount of the Bonds then outstanding, including but not limited to a trustee or trustees therefor, may proceed against the City, its Council, and its agents, officers and employees to protect and enforce the rights of any registered owner of Bonds under the Bond Ordinance by mandamus or other suit, action or special proceedings in equity or at law, in any court of competent jurisdiction, either for specific performance of any covenant or agreement contained herein or in an award or execution of any power herein granted for the enforcement of any power, legal or equitable remedy as such registered owner or owners may deem most effectual to protect and enforce the rights aforesaid, or thereby to enjoin any act or thing which may be unlawful or in violation of any right of any registered owner, or to require the Council of the City to act as if it were the trustee of an expressed trust, or any combination of such remedies. All such proceedings at law or in equity shall be instituted, had and maintained for the equal benefit of all registered owners of the Bonds then outstanding. The failure of any such registered owner so to proceed shall not relieve the City or any of its officers, agents or employees of any liability for failure to perform any duty. Each right or privilege of any registered owner (or trustee thereof) is in addition and cumulative to any other right or privilege, and the exercise of any right or privilege by or on behalf of any registered owner shall not be deemed a waiver of any other right or privilege thereof.

Duties Upon Default

Upon the happening of any of the events of default as provided in Section 30 of the Bond Ordinance, the City, in addition, will do and perform all proper acts on behalf of and for the registered owners of the Bonds to protect and preserve the security created for the payment of the principal of and interest on the Bonds promptly as the same become due. All proceeds derived from the Pledged Revenues, so long as any of the Bonds herein authorized, either as to principal or interest, are outstanding and unpaid, shall be paid into the Bond Fund and used for the purposes therein provided. In the event the City fails or refuses to proceed as in this Section provided, the registered owner or registered owners of not less than 25% in principal amount of the Bonds then outstanding, after demand in writing, may proceed to protect and enforce the rights of the registered owners as provided in the Bond Ordinance.

Enforcement

Any registered owner of any Bond or Bonds, may, either by law or in equity, by suit, action, mandamus or other appropriate proceedings in any court of competent jurisdiction enforce the payment of and interest on any Bond on or after the date on which such payment is due, and may by suit, action, mandamus or other appropriate proceeding or proceedings enforce and compel the performance of such payment in accordance with the provisions of the Bond Ordinance.

Amendment

The Bond Ordinance may be amended or supplemented by ordinance adopted by the Council in accordance with the laws of the State of New Mexico, as follows:

A. Without Consent of the Registered Owners. The City, without the consent of or notice to the registered owners of the Bonds, may adopt an ordinance supplemental hereto (which supplemental ordinance shall thereafter form a part hereof) for any one or more or all of the following purposes:

(1) To add to the covenants and agreements in the Bond Ordinance contained other covenants and agreements thereafter to be observed for the protection or benefit of the registered owners of the Bonds; or

(2) To cure any ambiguity, to cure, correct or supplement any defect or inconsistent provision contained in the Bond Ordinance, or to make any provision with respect to matters arising under the Bond Ordinance or for any other purpose if such provisions are necessary or desirable and do not adversely affect the interests of the owners of the Bonds; or

(3) To subject to the Bond Ordinance additional revenues, properties or collateral; or

(4) In connection with the issuance of Parity Obligations or Refunding Bonds pursuant to the terms of the Bond Ordinance.

B. With Consent of the Registered Owners. The City, without receipt by the City of any additional consideration but with the written consent of the registered owners of 75% of the Bonds outstanding at the time of the adoption of such amendatory or supplemental ordinance also may amend the Bond Ordinance in any other manner not permitted by Subsection A of Section 34 of the Bond Ordinance; provided, however, that no such ordinance shall have the effect of permitting an extension of the maturity of any Bond authorized by the Bond Ordinance; or

(1) A reduction in the principal amount of any Bond, the rate of interest thereon;

(2) The creation of a lien upon or pledge of Net Revenues ranking prior to the lien or pledge created by the Bond Ordinance; or a reduction of the principal amount of Bonds required for consent to such amendatory or supplemental ordinance; or the establishment of priorities as between Bonds issued and outstanding under the provisions of the Bond Ordinance

THE CITY

General

Located in north-central New Mexico, the City was established in 1610. The City was incorporated in 1891 as a body politic and corporate under the laws of the State and is both the County seat and capital of the State, with approximately 46% of the County population located in the City. The City is situated in the foothills of the Sangre de Cristo Mountains (Rocky Mountain Range) at 7,000 feet elevation and is located approximately 380 miles south of Denver and 320 miles north of El Paso at the junction of Interstate 25 and U.S. Highways 64, 84 and 285.

The Santa Fe economy is diversified, with government, tourism, retail trade and industry being predominant. The State is the largest employer in the City. Most State department headquarters are located in the City. State and federal offices plus County and City offices combine to make the City the governmental center of the State. See "ECONOMIC AND DEMOGRAPHIC INFORMATION—Employment" herein. The central business district and shopping centers contain approximately 450 businesses. The City is also the service center for the northern-central region of the State. There are over 300 art galleries and dealers and over 70 antique dealers in the City, in addition to cultural markets on the Plaza. It is the second largest financial center in the State with ten commercial banks, four savings & loans, approximately 15 financial lending entities and six credit unions.

The City has a unique culture because of its multicultural history and the proximity of numerous Pueblo Indian villages. Indian pottery, weaving, silver and turquoise jewelry, Spanish wood carving and

weaving, paintings, glass and a complete range of contemporary arts and crafts are produced and sold. Popular tourist attractions in the City include the oldest church and the oldest house in the United States; numerous buildings listed in the State Register of Historic Sites and Property; the oldest public building in the United States; the Plaza, which was the end of the Camino Real and Santa Fe Trail; and numerous museums and landmarks, including the Museum of Fine Arts, Museum of International Folk Art, Wheelwright Museum, Georgia O'Keeffe Museum and the Palace of the Governors. The Santa Fe National Forest and the Pecos Wilderness are also major tourist attractions. The Santa Fe Ski Basin and Santa Fe Opera are near the City. The City is a popular on-location site for both television and motion picture filming crews, including two western town movie sets nearby. The Laboratory of Anthropology is also located in the City and is a research center that has conducted thousands of archeological investigations.

A large segment of the City is controlled by historical zoning ordinances designed to maintain the Spanish architecture in the City. Numerous national, regional and State conventions are held in the City annually. Fiesta de Santa Fe, commemorating the return of the City to Spanish rule, is the oldest continuous community celebration in the United States.

St. John's College is a four-year institution of higher learning located in the City. The Santa Fe Community College is a two-year institution of higher learning within the City. See "ECONOMIC AND DEMOGRAPHIC INFORMATION—Education" herein. The New Mexico School for the Deaf and the Institute of American Indian Arts are also located in the City. There are three newspapers, including two daily newspapers, several radio stations, several local television stations and cable television serving the City.

Administration and City Government

The administrative offices of the City are located at 200 Lincoln Avenue, Santa Fe, New Mexico. The Council is the policymaking body of the City and manages and controls the City's finances and property. The eight members of the City Council (the "Council") are elected for staggered four-year terms. The Mayor is the chief executive officer of the City and presiding officer of the Council.

Prior to December 9, 1997, the City operated under a Mayor-Council/City Manager form of government. On December 9, 1997, the City adopted a home-rule charter ("Charter") form of government. The Charter form of government became effective March 15, 1998. Under an amendment to the Charter that became effective on March 12, 2018 (the "Charter Amendment"), the Mayor is authorized to vote on all matters that come before the Council. Under the Charter Amendment the Mayor has authority to appoint, with the consent of the Council, the City Manager, City Attorney, City Clerk and members of advisory commissions; may exercise control over and remove the City Manager, City Attorney and City Clerk; prepare an annual budget and proposed spending priority for review and approval by the City Finance Committee and Council.

The masthead of this Official Statement contains the names of the Mayor and the members of the Council.

Administrative Officers

Under the Charter, the Mayor, subject to the approval of the Council, appoints the City Manager, the City Clerk and the City Attorney. The City Manager hires all officers and employees of the City (except those holding elective office).

Budget

The City's fiscal year begins on July 1 and ends on June 30. The City Manager is responsible for preparing the budget. After reviewing department requests and making adjustments as the City Manager deems necessary, the City Manager recommends to the Finance Committee of the City (the "Finance Committee") approval of the budget as the City Manager envisions the operations of the City for the coming fiscal year. The Finance Committee reviews the City Manager's recommendations, makes appropriate adjustments and recommends to the full Council for adoption of the budget. Finally, the Council reviews and adopts the budget. Prior to June 1, the City is required to submit a working draft of the budget to the Local Government Division of the State Department of Finance and Administration (the "Finance Department") for its approval. By July 20 of the new fiscal year, the City submits the budget to the Finance Department. Prior to the first Monday in September, the Finance Department must certify the budget with whatever adjustments it deems necessary to comply with State statutes. At mid-year, the City performs a budget review and adjusts the budget to reflect current conditions. Approval of the Finance Department is required for all budget increases, cash transfers between funds and budget transfers between departments within a fund or between funds. If adequate fund balances are available from the prior year, the City budgets expenditures in excess of revenues. The City budget is prepared using an estimate of anticipated revenues and expenditures.

Services

The City provides traditional services such as public safety and recreation, public works, highways and streets as well as water and sewer services and refuse collection. In addition, the City operates parking facilities, convention facilities, a golf course and an industrial park.

Employees

The City employs approximately 1,800 persons, approximately 1,600 of whom are full-time employees, and approximately 200 of whom are part-time employees, including 9 elected officials.

Retirement Plans

Public Employees Retirement Association

Substantially all of the City's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978). The Public Employees Retirement Association ("PERA") is the administrator of the plan, which is a cost-sharing multi-employer defined benefit retirement plan. The plan provides retirement, disability benefits, survivor benefits, and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to PERA, P. O. Box 2123, Santa Fe, New Mexico 87504-2123.

The contribution requirements of defined benefit plan members and the City of Santa Fe are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For employer and employee contribution rates in effect for FY18 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the PERA FY18 annual audit report available at www.nmpera.org. The PERA coverage options that apply to the City are the Municipal General Division, Municipal Police Division and Municipal Fire Division. Statutorily required contributions to the pension plan from the City were $8,047,907 for the fiscal year ended June 30, 2018.

On June 25, 2012, the Governmental Accounting Standards Board approved Statement No. 68 which requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. Statement No. 68 requires cost-sharing employers, such as the City, to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. Statement No. 68 is effective for fiscal years beginning after June 15, 2014.

Actuarial information is shown below:

State of New Mexico Public Employees Retirement Fund
Summary Information as of June 30, 2018

Membership[(1)]	105,925
Actuarial Information	
Actuarial Accrued Liability[(2)]	$21,313,451,183
Actuarial Value of Assets	$15,252,860,672
Unfunded Actuarial Accrued Liability	$6,060,590,511
Funded Ratio	71.6%

Source: PERA Annual Actuarial Valuation (June 30, 2018)
(1) Includes active and retired members from all divisions.
(2) Includes accrued liability of both the retired and active members.

As of June 30, 2018, PERA has an amortization or funding period designated as infinite, based on the employer and member contribution rates in effect as of July 1, 2018. Member and employer rates are established pursuant to Sections 10-11-1 through 10-11-141 NMSA 1978. The funded ratio (ratio of the actuarial value of assets to accrued actuarial liability) was 71.6% as of June 30, 2018 and the unfunded accrued actuarial liability of the PERA Fund has been calculated to be approximately $6.06 billion. The PERA Board has reviewed the results of its June 30, 2018 actuarial valuation, which indicates that either additional contributions or benefit reductions will be required in order to properly fund the PERA retirement plans. In the 2013 Legislative session of the New Mexico Legislature, as part of pension reform to reduce the unfunded liability, both chambers passed Senate Bill 27, subsequently signed by the Governor, which included various changes to both retiree benefits and employer and employee contributions. Senate Bill 27 included various changes to the plan. The bill reduced the Cost of Living (COLA) percentages, it delayed eligibility, it increased employer and employee contributions, and added a new tier of benefits, among other reforms aimed at extending the plan solvency. The Legislative Finance Committee estimated that the bill will increase the funded ratio to 90% by 2042.

New Mexico Retiree Health Care Authority

The City contributes to the New Mexico Retiree Health Care Fund, a cost sharing, multiple employer, defined benefit post-employment health care plan administered by the New Mexico Retiree Health Care Authority ("RHCA"). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico governing agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Sections 10-7C-1 through 10-7C-19 NMSA, 1978) ("NMRHCA"). The Board is responsible for establishing and amending benefit provisions of the health care plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term policies.

The NMRHCA establishes the required contributions of the participating employers and their employees. Each participating employer is required to contribute 2.0% of each participating employee's

annual salary; each participating employee is required to contribute 1.0% of his salary. For employees who are members of an enhanced retirement plan (state police and adult correctional officer coverage plan 1; municipal police member coverage plans 3, 4, and 5; municipal fire member coverage plan 3, 4, and 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act Section 10-12B-1 NMSA, 1978), during the fiscal year ended June 30, 2016, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary, and each participating employee was required to contribute 1.25% of their salary. Employers joining the program after January 1, 1998, which includes the City, are also required to make a surplus-amount contribution to the RHCA at agreed upon intervals. A financial report from the NMRHCA can be obtained at 4308 Carlisle Blvd. NE, Suite 104, Albuquerque, NM 87107.

The City's contributions to RHCA for the years ending June 30, 2018, 2017 and 2016 were $1,375,676, $1,353,672, and $1,341,573 respectively.

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SUMMARY OF INDEBTEDNESS

The table below summarizes all outstanding general obligation and revenue bond obligations of the City as of February 15, 2019:

Category of Indebtedness	Original Principal Amount	Interest Rate	Date of Final Maturity	Amount Outstanding
Subordinate Lien Gross Receipts Tax Refunding Revenue Bonds, Series 2010B	$ 10,490,000	4.00%-5.00%	6/1/26	$ 6,440,000
General Obligation Bonds, Series 2010	10,300,000	3.00%-4.00%	8/1/29	6,715,000
Gross Receipts Tax Improvement & Refunding Revenue Bonds, Series 2012A	32,725,000	3.00%-5.00%	6/1/26	16,200,000
Gross Receipts Tax (Subordinate Lien)/Wastewater System Refunding Revenue Bonds, Series 2012B[*]	14,280,000	2.00%-5.00%	6/1/22	6,915,000
Gross Receipts Tax Refunding Revenue Bonds, Series 2013A	10,880,000	2.00%-4.00%	6/1/20	4,545,000
Subordinate Lien Gross Receipts Tax Refunding Revenue Bonds, Series 2013B	13,780,000	3.00%-5.00%	6/1/36	12,820,000
General Obligation Bonds, Series 2013	12,000,000	1.75%-4.00%	8/1/32	9,490,000
Gross Receipts Tax Improvement Revenue Bonds, Series 2014	15,460,000	2.25%-5.00%	6/1/29	15,460,000
General Obligation Bonds, Series 2014	5,800,000	3.00%-4.00%	8/1/34	4,970,000
Water Utility System Refunding Revenue Bonds, Series 2016	36,665,000	2.00%-5.00%	6/1/39	34,890,000
Senior Lien Gross Receipts Tax Refunding Bonds, Series 2016A	6,700,000	5.00%	6/1/23	4,980,000
Senior Lien Gross Receipts Tax Refunding Bonds, Series 2016B	21,900,000	2.00%-5.00%	6/1/35	21,860,000
Subordinate Lien Gross Receipts Tax Refunding Revenue Bonds, Series 2016C	9,480,000	5.00%	6/1/24	6,115,000
Subordinate Lien Gross Receipts Tax Refunding Revenue Bonds, Series 2016D	2,020,000	2.00%-5.00%	6/1/28	2,020,000
Taxable Subordinate Lien Gross Receipts Tax Refunding Revenue Bonds, Series 2017	4,530,000	1.42%-3.56%	6/1/33	4,290,000
Gasoline Tax/Subordinate Lien Gross Receipts Tax Improvement Revenue Bonds, Series 2018	10,290,000	3.00%-5.00%	6/1/28	10,290,000
Senior Lien Gross Receipts Tax Improvement Revenue Bonds, Series 2018A	20,000,000	5.00%	6/1/38	20,000,000
Total	$237,300,000			$188,000,000

[*] Parity Obligation

In addition to its outstanding revenue and general obligation bonds referenced above, the City has loans payable to the New Mexico Finance Authority, on a subordinate basis by various revenue sources. The table below summarizes the outstanding loans of the City as of July 1, 2018.

Category of Indebtedness	Original Principal Amount	Interest Rate	Date of Final Maturity	Amount Outstanding
Convention Center	$33,790,000	3.00-5.00%	June 2035	$30,945,000
Drinking Water Loan (Buckman DW-2)	15,150,000	2.00%	June 2029	10,193,879
College Acquisition[(1)]	29,615,000	6.89%	June 2036	24,915,000
Drinking Water Loan (Buckman DW-4)	2,525,000	2.00%	June 2035	2,451,096
Fire Equipment	917,815	0.84%-1.63%	May 2025	814,780
Recycle Carts	1,300,582	0.96%-2.25%	May 2024	1,123,850
Transit Buses	3,500,000	2.41%	June 2026	2,436,749
Total Loan Obligations	$86,798,397.00			$72,880,354

[(1)] College Acquisition debt was paid from a lease with Laureate Education. The City is evaluating alternative uses of the asset and sources of revenue to pay debt service in connection with this financing.

FINANCIAL INFORMATION CONCERNING THE CITY

The City's Accounting and Budgetary Practices and Procedures

Receipts and disbursements of the City are recorded on a modified accrual basis of accounting. Under this method of accounting, as a general rule, revenue which is available for financing of current appropriations is recognized when received or when susceptible to accrual, and expenditures benefiting more than one year are recorded when encumbered. Exceptions to this general rule include: (1) disbursements for some inventory items are recorded at the time of purchase, (2) prepaid expenses benefiting more than one year are recorded in the year of payment and (3) property taxes are recognized as received.

Governmental Accounting Standards Board Statement

The City's financial statements present the government as an entity for which the City is considered to be financially accountable. The City has no component units or blended component units that are legally separate entities.

During the year ended June 30, 2016, the City adopted GASB Statements Nos. 72, *Fair Value Measurement and Application,* a portion of No. 73 *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68,* No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,* No. 79, *Certain External Investment Pools and Pool Participants* and No. 82 *Pension Issues – an amendment of GASB Statement No. 67, No. 68, and No. 73.* These five Statements were required to be implemented by June 30, 2016.

GASB Statement No. 72 addresses accounting financial reporting issues related to fair value measurements. The definition of *fair value* is price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements. The

requirements of GASB 72 enhances comparability of financial statements among governments by requiring measurements of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on government's financial position.

GASB Statement No. 82 addresses certain issues that have been raised with respect to Statement No. 67, *Financial Reporting for Pension Plans,* No. 68, *Accounting and Financial Reporting for Pensions,* and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* Specifically, this GASB 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information; (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and; (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. Its objective is to address certain issues that have been raised with respect to Statements No.67, *Financial Reporting for Pensions Plans,* No. 68, *Accounting and Financial Reporting for Pensions,* and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68.* Specifically, the statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information; (2) the selection of assumptions and treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and; (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

GASB 75, *Accounting and financial reporting by Employers for Postemployment Benefits Other than Pensions (OPEB Employer)* became effective for fiscal years beginning after June 15, 2017 and replaced the requirements of Statement Nos. 45 and 57. GASB 75 moves accounting of OPEB benefits to the balance sheet and income statement from the notes related to the financial statements. The methodology for valuing OPEB liabilities under GASB 75 has been standardized, and instead of being amortized over a period of up to 30 years, certain changes in OPEB liability are factored into the calculation of OPEB expense for the applicable reporting period. OPEB expense is based on the net OPEB liability change between reporting dates, with some sources of change recognized immediately, and others spread over years. OPEB expense under GASB 75 is no longer equal to the contributions to an OPEB trust or the OPEB benefits or premiums paid.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

Operations of the General Fund

The following sets forth a comparative summary of the operations of the General Fund of the City for the years ended June 30, 2014 through June 30, 2018. The General Fund is not pledged to the payment of principal of or interest on the Bonds. Information regarding the operations of the General Fund is presented only to summarize the City's operating history. For a more detailed discussion of the City's results of operations for the fiscal year ended June 30, 2018, see "Management's Discussion and Analysis" included in the attached financial statements.

GENERAL FUND REVENUES AND EXPENDITURES HISTORY

Revenues:	**2014**	**2015**	**2016**	**2017**	**2018[1]**
Taxes:					
Gross Receipts	$52,223,643	$53,672,236	$55,427,303	$57,939,139	$64,915,409
Motor	378,660	388,232	407,436	408,485	416,819
Property	3,288,358	3,512,547	3,540,610	6,827,420	9,044,751
Franchise	2,873,554	2,802,673	3,650,602	4,090,448	4,378,595
Licenses and permits	2,346,669	2,461,998	2,760,196	3,533,969	4,180,409
Intergovernmental revenues	163,578	107,280	121,698	63,430	830,182
Fees and charges for services	4,496,418	9,973,764	10,935,407	10,049,108	11,029,389
Fines and forfeitures	506,527	429,736	373,917	304,712	241,812
Rents, royalties and concessions	55,043	33,342	26,448	23,189	24,117
Investment income (loss)	91,066	49,291	61,850	21,102	17,555
Other Revenues	5,373	38,358	58,869	113,885	196,673
Total Revenues	66,428,889	73,469,457	77,364,336	83,374,887	95,275,711
Expenditures:					
Current:					
General government	13,400,375	19,237,401	19,806,687	19,398,901	-
Public safety	32,771,375	33,686,005	33,986,877	38,588,216	-
Public works	2,699,626	3,128,468	2,985,705	4,152,864	-
Community development	4,590,123	4,911,377	4,985,731	4,671,829	-
Culture and recreation	7,475,292	7,440,610	7,583,676	8,116,334	-
Education	2.545.991	2,620,019	2,600,930	2,619.374	-
Salaries, wages, and fringe benefits	-	-	-	-	63,631,053
Contractual services and utilities	-	-	-	-	8,461,617
Repairs and maintenance	-	-	-	-	626,908
Supplies	-	-	-	-	2,481,634
Capital outlay – inventory-exempt items	-	-	-	-	859,766
Insurance premiums	-	-	-	-	3,097,678
Other	-	-	-	-	9,126,687
Total current expenditures	63,482,782	71,023,880	71,949,606	77,547,518	88,285,343
Total capital outlay expenditures	420,231	1,465,954	443,728	1,496,708	1,026,752
Total expenditures	63,903,013	72,489,834	72,393,334	79,044,226	89,312,085
Excess (deficiency) of revenues over expenditures	2,525,876	979,623	4,971,002	4,330,661	5,963,626
Other financing sources (uses):					
Sale of capital assets	3,300	-	-		100
Transfers in	3,155,921	4,291,762	6,567,805	459,980	1,658,068
Transfers out	(4,510,772)	(5,967,421)	(5,664,434)	(12,337,130)	(6,739,886)
Total other financing sources (uses)	(1,351,551)	(1,675,659)	903,371	(11,877,150)	(5,081,718)
Net change in fund balances	1,174,325	(696,036)	5,874,373	(7,546,489)	881,908
Fund balances, beginning of year	14,595,527	15,769,852	15,073,816	20,948,189	14,240,640
Prior period adjustment	-	-	-	838,940	
Fund balances, beginning of year as restated	-	-	-	21,787,129	14,240,640
Fund Balances, end of year	**$15,769,852**	**$15,073,816**	**$20,948,189**	**$14,240,640**	**$15,122,548**

Source: State of New Mexico Office of the State Auditor; City of Santa Fe Finance Department

[1] Reporting of expenditures reflects variation in format and presentation of FY 2018 CAFR.

ECONOMIC AND DEMOGRAPHIC INFORMATION

The statistics set forth below have been obtained from the referenced sources. The City has assumed that the information obtained from sources other than the City is accurate without independently verifying it. Historical figures provided under this caption have not been adjusted to reflect economic trends such as inflation. The following information is not to be relied upon as a representation or guarantee of the City.

Population

Population Growth

Census Year	City	County	State
1940	20,325	30,826	531,818
1950	27,998	38,153	681,187
1960	33,394	44,970	951,023
1970	41,167	54,774	1,017,055
1980	49,299	75,519	1,308,302
1990	55,859	99,288	1,520,207
2000	62,203	129,292	1,819,046
2010	67,947	144,170	2,059,179
2015[(1)]	83,875	148,651	2,084,117

Source: U.S. Census Bureau

[(1)] The City annexed approximately 4,100 acres in phases from 2014-2019 that contributed to the growth in population from 2010 to 2015 by adding approximately 13,000 residents.

The following table provides an estimated age profile of the City's 2016 population from the U.S. Census Bureau's 2016 American Community Survey, and comparative data for the County, State and the United States:

Percent of Population

Age Group	Santa Fe — MSA	New Mexico	United States
0 — 17	18.74%	23.90%	22.80%
18 — 24	7.74%	9.80%	9.80%
25 — 34	10.96%	13.30%	13.40%
35 — 44	11.45%	11.87%	12.60%
45 — 54	12.61%	11.90%	13.10%
55 and Older	38.50%	29.23%	28.30%

The total population of the City grew by 13.3% over the decade of the 1980s (1980-1990), by 11.3% over the decade of the 1990s (1990-2000), by 9.2% between 2000 and 2010, and by 23.4% between 2010 and 2015 which was largely due to annexation as formerly footnoted in the Population Growth table above.

Income

The table set forth below shows per household effective buying income categories for residents of the Santa Fe Metropolitan Statistical Area ("MSA") and comparative data for the State and the United States.

Effective Buying Income Group	Santa Fe MSA	New Mexico	United States
Under $25,000	19.67%	27.27%	20.37%
$25,000 - $34,999	9.59%	10.65%	9.21%
$35,000 - $49,999	12.82%	13.71%	12.87%
$50,000 - $74,999	17.53%	16.84%	17.09%
$75,000 and over	40.39%	31.53%	40.46%
2014 Est. Median Household Income	$50,736	$44,292	$51,579
2015 Est. Median Household Income	$51,473	$45,633	$53,706
2016 Est. Median Household Income	$54,229	$45,445	$55,551
2017 Est. Median Household Income	$56,475	$47,043	$57,462
2018 Est. Median Household Income	$60,373	$48,044	$60,133

Source: Spotlight, 2018.

The following table sets forth the per-capita income, based on the total gross personal income divided by the population, for the Santa Fe MSA, the State and the United States. Although the State per capita income remains lower than the per capita income of the United States as a whole, the Santa Fe MSA per capita income is higher than the per capita income of the State and the United States.

Per Capita Personal Income

Year	Santa Fe MSA	New Mexico	United States
2016	$51,461	$38,474	$49,246
2015	50,684	37,973	48,451
2014	49,037	36,770	46,494
2013	46,368	34,724	44,462
2012	46,620	35,410	44,267
2011	44,773	34,729	42,453
2010	42,540	33,109	40,277
2009	42,765	32,523	39,376
2008	45,032	33,447	41,082
2007	43,746	31,703	39,821

Source: New Mexico Department of Workforce Solutions.

Employment

The New Mexico Department of Workforce Solutions publishes quarterly and annual reports of covered employment and wages according to the North American Industry Classification System (NAICS). The following table contains average annual employment statistics for the Santa Fe MSA.

	Calendar Year				
Industry	**2014**	**2015**	**2016**	**2017**	**2018***
Private Sector					
Accommodation & Food Services	8,444	8,703	9,206	9,323	9,608
Administrative & Waste Services	1,754	1,845	1,889	2,002	1,898
Agriculture, Forestry, Fishing & Hunting	172	166	173	254	334
Arts, Entertainment & Recreation	1,060	1,116	1,173	1,325	1,498
Construction	2,566	2,588	2,639	2,732	2,731
Educational Services	1,561	1,624	1,698	1,567	1,414
Finance & Insurance	1,649	1,583	1,558	1,540	1,543
Health Care & Social Assistance	8,288	8,693	8,865	8,806	8,980
Information	785	816	849	829	830
Management of Companies and Enterprises	182	230	229	239	260
Manufacturing	839	865	851	898	842
Mining	102	146	141	112	77
Other Services, Except Public Administration	2,491	2,555	2,570	2,566	2,610
Professional & Technical Services	2,342	2,432	2,394	2,495	2,615
Real Estate & Rental & Leasing	815	798	837	828	830
Retail Trade	8,799	8,648	8,592	8,267	8,177
Transportation & Warehousing	602	558	540	532	529
Utilities	125	131	136	119	116
Wholesale Trade	921	985	1000	989	994
Total Private Sector	**43,497**	**44,482**	**45,340**	**45,423**	**45,887**
Public Administration					
Federal	945	943	972	980	930
State	8,903	8,793	7,723	7,507	7,326
Local	7,082	7,013	6,968	6,748	6,936
Total Public Administration	**16,930**	**16,749**	**15,663**	**15,235**	**15,192**
Grand Total	**60,427**	**61,231**	**61,003**	**60,658**	**61,078**

Source: New Mexico Department of Workforce Solutions (Quarterly Census of Employment and Wages).
* Average, First Quarter 2018.

The following table sets forth the employment figures for the Santa Fe MSA.

	2013	**2014**	**2015**	**2016**	**2017**	**2018***
Labor Force	73,219	72,660	72,865	72,855	72,851	74,282
Employed	69,131	68,704	68,976	68,999	69,133	71,264
Unemployed	4,088	3,956	3,889	3,856	3,718	3,018
Unemployment Rate	5.6%	5.4%	5.3%	5.3%	5.1%	4.1%

Source: New Mexico Department of Workforce Solutions (Quarterly Census of Employment and Wages).
* Preliminary Average through December 2018.

Annual Average Unemployment Per Year

Calendar Year	Santa Fe MSA	New Mexico	United States
2018*	4.1%	4.9%	3.9%
2017	5.1%	6.2%	4.4%
2016	5.4%	6.7%	4.9%
2015	5.4%	6.6%	5.3%
2014	5.5%	6.7%	6.2%
2013	5.6%	7.0%	7.4%
2012	5.8%	7.1%	8.1%
2011	6.2%	7.5%	8.9%
2010	6.8%	8.1%	9.6%
2009	6.6%	7.5%	9.3%

Source*:* New Mexico Department of Workforce Solutions, Bureau of Labor Statistics.
* Preliminary Average through December 2018

Santa Fe MSA--Major Employers

Employer	Business Type	Number of Employees
State of New Mexico	Government	23,152
Los Alamos National Laboratory	Government	11,300
Christus St. Vincent Hospital	Health Care	2,150
Santa Fe School District	Education	2,151
City of Santa Fe	Government	1,469
Buffalo Thunder	Casino	1,060
County of Santa Fe	Government	844
Santa Fe Community College	Education	800
Santa Fe Opera	Fine Arts	791
Santa Fe Corporation	Retail	518
Total Top 10		44,235

Source: Santa Fe Chamber of Commerce 2018.

Construction Permits

Calendar Year	Issued	Value
2017	4,904	$150,608,250
2016	4,955	162,954,112
2015	4,771	106,656,654
2014	4,688	113,830,876
2013	5,068	125,419,309
2012	4,751	179,671,299

Source: City of Santa Fe Building Inspector's Office (estimated)

Education

Santa Fe Public Schools

The Santa Fe Public School District is a political subdivision of the State organized for the purpose of operating and maintaining an education program for school-age children residing within its boundaries. Currently the District operates and maintains a variety of facilities in meeting its obligation to provide an educational program within its boundaries that cover 1,016 square miles with an estimated population of 125,000. The District is the 5th largest school district in the State with a 2017-2018 120-day enrollment of 13,323 students. The District operates 31 school sites, including 21 elementary schools, 6 middle schools, 3 high schools, and 1 international magnet school. These schools include 5 community schools, 4 charter schools, 1 academy, and 1 early childhood center. The District's educational program includes vocational, technical, and occupational training.

Santa Fe Community College

Santa Fe Community College is a co-educational community college offering 2-year Associate of Arts, Associate of Science, and Associate of Applied Science degrees. The Community College occupies 366 acres within the County of Santa Fe, with a faculty of approximately 395 (full and part-time), serving approximately 5,800 students (credit enrollment).

St. John's College

St. John's College is a private, co-educational 4-year liberal arts college. The College's undergraduate program is an all-required course of study based on the classic works of western civilization. The College has an enrollment of approximately 475 students, with a faculty-student ratio of 1:8. The College offers a graduate degree program leading to a Master of Arts in Liberal Arts degree.

New Mexico School for the Deaf

The New Mexico School for the Deaf is a state institution serving New Mexico children with permanent hearing loss from birth through age 22. The School provides a rigorous academic program that focuses on language and literacy development and critical thinking skills. The School's curriculum conforms to New Mexico state standards and benchmarks. The School's 30-acre campus is located in the City of Santa Fe and provides housing for up to 96 residential students..

LITIGATION AND INSURANCE

At the time of the original delivery of the 2019 Bonds, the City will deliver a no-litigation certificate to the effect that no litigation or administrative action or proceeding is pending or, to the knowledge of the appropriate City officials, threatened, restraining or enjoining, or seeking to restrain or enjoin, the issuance and delivery of the 2019 Bonds, the levy or collection of the Pledged Revenues, the effectiveness of the Bond Ordinance, or contesting or questioning the proceedings and authority under which the 2019 Bonds have been authorized and are to be issued, sold, executed or delivered, or the validity of the 2019 Bonds.

The City maintains insurance on its assets and operations and believes its coverages are customary for similar entities insuring similar operations and assets. The City maintains a risk management reserve.

TAX EXEMPTION

General

In the opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A., Bond Counsel, to be delivered at the time of original issuance of the 2019 Bonds, under existing laws, regulations rulings and judicial

decisions, and assuming compliance with covenants described herein, interest on 2019 Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference under Section 57 of the Code (as defined below) for purposes of the federal alternative minimum tax imposed on individuals. Bond Counsel is also of the opinion, based on existing laws of the State of New Mexico as enacted and construed, that interest on the 2019 Bonds is exempt from all taxation by the State of New Mexico or any political subdivision thereof.

The Internal Revenue Code of 1986, as amended (the "Code"), imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal tax purposes of interest on obligations, such as the Bonds. The City has made various representations and warranties with respect to, and has covenanted in the Bond Ordinance and other documents, instruments and certificates to comply with certain guidelines designed to assure that interest on the Bonds will not become includible in gross income. Failure to comply with these covenants or the inaccuracy of these representations and warranties may result in interest on the Bonds being included in gross income from the date of issue of the Bonds. The opinion of Bond Counsel assumes compliance with the covenants and the accuracy of such representations and warranties.

Although Bond Counsel will render an opinion that interest on the 2019 Bonds is excludable from gross income for federal income tax purposes, the accrual or receipt of interest on the 2019 Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. Bond Counsel expresses no opinion regarding any such consequences. Before purchasing any of the 2019 Bonds, potential purchasers should consult their tax advisors as to the tax consequences of purchasing or owning the 2019 Bonds.

The opinions expressed by Bond Counsel are based upon existing legislation as of the date of issuance and delivery of the 2019 Bonds, and Bond Counsel expresses no opinion as of any date subsequent thereto or with respect to any pending legislation.

From time to time, there are legislative proposals in Congress that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the 2019 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted, it would apply to 2019 Bonds issued prior to enactment. Each purchaser of the 2019 Bonds should consult his or her own tax advisor regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

Original Issue Premium

The 2019 Bonds were offered at a premium ("original issue premium") over their principal amount. For federal income tax purposes, original issue premium is amortizable periodically over the term of a bond through reductions in the holder's tax basis in the bond for determining taxable gain or loss from sale or from redemption prior to maturity. Amortizable premium is accounted for as reducing the tax-exempt interest on the bond rather than creating a deductible expense or loss. Holders of 2019 Bonds offered at an original issue premium should consult their tax advisors for an explanation of the amortization rules.

Internal Revenue Service Audit Program

The Internal Revenue Service (the "Service") has an ongoing program auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. No assurances can be given as to whether the Service will commence an audit of the 2019 Bonds. If an audit is commenced, under current procedures the Service will treat the City as the taxpayer and the Bond owners may have no right to participate in such procedure. None of the City, the Financial Advisor, the Underwriters nor Bond Counsel is obligated to defend the tax-exempt status of the 2019 Bonds. The City has covenanted

in the Bond Ordinance not to take any action that would cause the interest on the 2019 Bonds to become includible in gross income, except to the extent described above, for the owners thereof for federal income tax purposes. None of the City, the Financial Advisor, the Underwriters nor Bond Counsel is responsible to pay or reimburse the costs of any Bond owner with respect to any audit or litigation relating to the Bonds.

FINANCIAL STATEMENTS

Appendix A contains excerpts from Audited Financial Statements of the City for the fiscal year ended June 30, 2018 (the "2018 Report"). The audited financial statements referred to above have been audited by CliftonLarsonAllen LLP, New Mexico, independent certified public accountants (the "Auditor"), whose report with respect thereto (the "Report") also appears in Appendix A hereto. The City's Comprehensive Annual Report for fiscal year ended June 30, 2017 (the "2017 Report") stated that, in the Auditor's opinion,

> [E]xcept for the effects of the matters described in the "Basis for Qualification on Governmental Activities, Business-Type Activities, Major Enterprise Funds and Aggregate Remaining Fund Information paragraph, the financial statements referred to [in the Report] present fairly, in all material respects the financial position of the governmental activities, the business-type activities and Major Enterprise Funds of the City of Santa Fe as of June 30, 2017, and the respective changes in financial positions and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

The 2017 Report stated that the basis for the qualification to the Auditor's opinion was as follows:

> The City lacks the adequate controls and processes to appropriately track and substantiate costs allocated to a specific capital asset project. As such, we were unable to obtain sufficient appropriate audit evidence related to construction in process. Additionally, the City does not have an adequate close-out process pertaining to the completion of a project and reclassification of the project to depreciable capital assets. The City also could not confirm it had reviewed capital assets for the impairment, substantiate the underlying value for capital assets, or adequately account for the physical location of capital assets.

In connection with the audit process for the 2017 Report, the City adopted a Corrective Action Plan (the "CAP") to address the findings in the 2017 Report. The City's continues to implement the steps in the CAP to address the findings in the 2018 Report. The foregoing information is only a summary of the Auditor's qualified opinion for the 2017 Report, and readers of this Official Statement are advised to review the 2017 Report and the 2018 Report in their entirety, including the Schedule of Findings and Questioned Costs, as well as the Management Response of the City to each individual finding. The Schedule of Findings and Questioned Costs, as well as the Management Response of the City for the 2018 Report are included in Appendix A hereto.

The 2019 Bonds are not payable from any revenues or funds of the City other than as set forth in the Official Statement. The financial statements are included for informational purposes only. The Auditor has not been engaged to perform and has not performed any procedures with respect to the financial information or any other information in this Official Statement. Copies of the City's 2017 Report and the 2018 Report may be requested from the City's Finance Department, 200 Lincoln Avenue, P.O. Box 909, Santa Fe, New Mexico 87504.

FINANCIAL ADVISOR

Hilltop Securities Inc. is employed as Financial Advisor to the City in connection with the issuance of the 2019 Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the 2019 Bonds is contingent upon the issuance and delivery of the 2019 Bonds. Hilltop Securities Inc., in its capacity as Financial Advisor, has relied on the opinion of Bond Counsel and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the 2019 Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor to the City has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

LEGAL MATTERS

Modrall, Sperling, Roehl, Harris & Sisk, P.A., Albuquerque, New Mexico, Bond Counsel, will render an opinion with respect to the validity of the Bonds and with respect to tax matters described above under "TAX EXEMPTION". The proposed form of such opinion is attached hereto as Appendix B. Modrall, Sperling, Roehl, Harris & Sisk, P.A., has also acted as special counsel to the City in connection with the preparation of this Official Statement. Certain legal matters will be passed upon for the City by Erin K. McSherry, Esq., City Attorney. Certain legal matters will be passed upon for the Underwriters by McCall, Parkhurst & Horton L.L.P., Dallas, Texas.

RATINGS

The Bonds have received a rating of "AA+" on the Bonds from Fitch Ratings Group ("Fitch") and have received a rating of "AA+" from S&P Global Ratings, a division of the McGraw-Hill Companies, Inc. ("S&P"). An explanation of the significance of the rating given by Fitch may be obtained from Fitch at One State Street Plaza, New York, New York 10004, and from S&P at 55 Water Street, 38th Floor, New York, New York 10041.

Such ratings reflect only the view of such rating agencies, and there is no assurance that such ratings will continue for any given period of time after obtained or that such ratings will not be revised downward or withdrawn entirely by the rating agencies if, in their judgment, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the 2019 Bonds. Neither the City nor the Underwriters have undertaken any responsibility to bring to the attention of the owners of the 2019 Bonds any proposed change in or withdrawal of such rating once received or to oppose any such proposed revision.

CONTINUING DISCLOSURE

In connection with the issuance of the 2019 Bonds, the City will execute a Continuing Disclosure Undertaking, in the form attached hereto as Appendix D, under which it will agree for the benefit of the owners of the 2019 Bonds to provide audited annual financial statements of the City when available after the end of each Fiscal Year, and to provide certain annual financial information and operating data relating to the City and timely notice of certain events.

The City previously entered into continuing disclosure agreements in accordance with SEC Rule 15c2-12. The City amended its then-existing continuing disclosure agreements effective December 18, 2008 to change the report date from January 1 to April 1. Updates were not timely filed for fiscal years 2013 through 2017 for the table entitled "Monthly Residential and Commercial Wastewater Fees" as required by the continuing disclosure agreement executed in connection with the issuance of the City's

2012B Bonds. Updates to the table entitled "Rates for New Meter Installs" for fiscal years 2016 and 2017 were not timely filed as required by the continuing disclosure agreement executed in connection with the City's 2016 Bonds. Additionally, the audited financials and operating data for fiscal years 2016 and 2017 were not associated with all of the relevant CUSIPs. The City has made corrective filings and has filed a notice of failure to file the required information. Other than as described herein, the City has not been in default under its existing continuing disclosure agreements with respect to the filing of audited annual financial statements and annual financial information and notice of certain events as required by Rule 15c2-12.

UNDERWRITING

RBC Capital Markets, LLC and Piper Jaffray & Co. (together, the "Underwriters") have agreed, subject to certain customary conditions, to purchase the 2019 Bonds at a price equal to the initial offering prices to the public, as shown on the inside cover page hereof, less an Underwriters' discount of $46,476.60. The Underwriters' obligations are subject to certain conditions precedent, and the Underwriters will be obligated to purchase all of the 2019 Bonds, if any 2019 Bonds are purchased. The 2019 Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing 2019 Bonds into investment trusts) at prices lower than the public offering prices of such 2019 Bonds and such public offering prices may be changed, from time to time, by the Underwriters.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

RBC Capital Markets, LLC ("RBCCM") has provided the following information for inclusion in this Official Statement. RBCCM is a full-service financial institution engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, RBCCM may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). RBCCM may engage in transactions for its own accounts involving the securities and instruments made the subject of this securities offering or other offerings of the City. RBCCM may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the City. RBCCM may make a market in credit default swaps with respect to municipal securities in the future.

Piper Jaffray & Co. ("Piper") has provided the following information for inclusion in this Official Statement. Piper, one of the underwriters of the 2019 Bonds, has entered into a distribution agreement ("Distribution Agreement") with Charles Schwab & Co., Inc. ("CS&Co") for the retail distribution of certain securities offerings including the 2019 Bonds, at the original issue prices. Pursuant to the Distribution Agreement, CS&Co. will purchase 2019 Bonds from Piper at the original issue price less a negotiated portion of the selling concession applicable to any 2019 Bonds that CS&Co. sells.

MISCELLANEOUS

References are made herein to certain laws, ordinances, documents, agreements and reports which are brief summaries thereof and which do not purport to be complete or definitive. Reference is made to such documents and reports for full and complete statements of the content thereof.

Any statement in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or owners of any of the Bonds.

OFFICIAL STATEMENT CERTIFICATION

As of the date hereof, to my knowledge and belief, this Official Statement is true, complete and correct in all material respects, and does not include any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they are made, not misleading.

The preparation of this Official Statement and its distribution has been authorized by the City Council of the City of Santa Fe. The Official Statement is hereby duly approved by the Council as of the date on the cover page hereof.

CITY OF SANTA FE, NEW MEXICO

By: /s/ Alan Webber
Alan Webber, Mayor

APPENDIX A

EXCERPTS FROM AUDITED FINANCIAL STATEMENTS OF THE CITY OF SANTA FE, NEW MEXICO FOR THE YEAR ENDED JUNE 30, 2018

The City has not requested the consent CliftonLarsonAllen LLP, which performed the audit of the City's financial statements, to the inclusion of the audit report and excerpts thereof in this Official Statement, and the auditor has not conducted a post-audit review of those financial statements. Figures for Fiscal Years June 30, 2015 and June 30, 2016 represent adjustments to previously audited figures to correct errors in accrual.

THE CITY OF
SANTA FE

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2018

CITY OF SANTA FE, NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2018

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CITY OF SANTA FE, NEW MEXICO
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INTRODUCTORY SECTION

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City of Santa Fe, New Mexico

200 Lincoln Avenue, P.O. Box 909, Santa Fe, NM 87504-0909
www.santafenm.gov

Alan Webber, Mayor

Councilors:
Signe I. Lindell, Mayor Pro Tem, District 1
Renee Villarreal, District 1
Peter N. Ives, District 2
Carol Romero-Wirth, District 2
Roman "Tiger" Abeyta, District 3
Chris Rivera, District 3
Mike Harris, District 4
JoAnne Vigil Coppler, District 4

December 17, 2018

To Santa Fe Residents, Members of the Governing Body, and City Employees:

As recently as three years ago, the City administration was facing a $15 million deficit, a result of an economy recovering all too slowly from the Great Recession.

To eliminate the deficit, the administration initiated a series of reform measures: They stopped using cash reserves to cover gaps in funding, paid down or refinanced millions of dollars in debt, and began the process of modernizing our financial systems technology and our policies and procedures. They also commissioned an independent outside assessment of the City's risk of financial fraud, waste or abuse—known now as the McHard Report.

Since taking office, my administration has worked to build on that momentum, modernizing, professionalizing, and streamlining City government. In the last six months, we:

- Passed a balanced budget tied to real, accountable results in each department;
- Brought in a new team of diverse leaders to build a professional management system across every department;
- Put the McHard Report we inherited to work: holding dozens of meetings with department leaders to identify the lessons learned and to make concrete changes to policies, procedures, and personnel;
- Pushed hard to finish the overdue audit from the previous fiscal year, and adopted a comprehensive Corrective Action Plan to address the problems that audit identified;
- Took steps to regularize the timing and strategy behind our bond sales to make significant, long-term infrastructure investments;
- Earned AA+ ratings on our most recent bond issue, for $20 million in capital upgrades and investments in infrastructure; and
- Enacted a series of assessments and additional audits concerning the ERP project, City operations, and internal policies and procedures, and more, which will result in real improvements to the City's overall financial health.

As the economy recovers and our work pays off, we are seeing the benefit: As of June 30, 2018, Gross Receipts Tax collections (a rough measure of economic performance) are up 13% over last year, and unemployment is down to 3.7%.

While revenue is above budgeted amounts, we're 11% below budget when it comes to spending—led by reductions in discretionary categories like contractual services, travel/training, and capital purchases. All of this good work has put the City in a position to register a surplus for the third straight year.

With this letter, we are sharing the CAFR with you. It includes an independent auditor's report, as well as the City's complete financial statements for revenues, expenditures, enterprise funds (like parking and the water utility), and other critical data on the City's financial performance and position. If there's a financial question you have about the City, the CAFR is the place to find the answer.

This report is public every year; I hope you will take the time to read it, ask questions, and engage in the kind of citizen oversight and government transparency that is critical to the success of our common enterprise.

Thank you,

Alan

Alan Webber
Mayor

City of Santa Fe, New Mexico

200 Lincoln Avenue, P.O. Box 909, Santa Fe, NM 87504-0909
www.santafenm.gov

Alan Webber, Mayor

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Roman "Tiger" Abeyta, District 3
Chris Rivera, District 3
Mike Harris, District 4
JoAnne Vigil Coppler, District 4

December 17, 2018

The Honorable Mayor, the Governing Body, and the Citizens of Santa Fe:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Santa Fe (City) for the fiscal year ended June 30, 2018.

The CAFR is prepared by the City's Finance Department to provide information regarding the financial position of the City. This report is prepared in accordance with U.S. generally accepted accounting principles (GAAP), as established by the Governmental Accounting Standards Board (GASB). The responsibility for the accuracy, completeness, and fairness of the data presented, including disclosures, rests with the City. City management believes this report is accurate in all material respects and is presented in a manner which fairly sets forth the financial position and results of operations of the City. Management is also responsible for establishing and maintaining internal accounting controls designed to provide reasonable, but not absolute, assurance that these financial statements are complete and accurate in their presentation.

New Mexico State Statute 12-6-3, NMSA 1978 mandates that the financial affairs of the City's records be thoroughly examined and audited each year by independent public accountants. The City selected CliftonLarsonAllen LLP to perform the June 30, 2018 audit. This audit is conducted in accordance with generally accepted government auditing standards (GAGAS) issued by the Comptroller General of the United States. The audit provides an independent review to help assure a fair presentation of the City's financial position and results of operations. The City also undergoes an annual audit of its federal grant funds as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). CliftonLarsonAllen LLP issues separate reports on the City's internal control systems and compliance with applicable laws and regulations that meet the requirements of the Uniform Guidance. A substantial focus of the Single Audit is to evaluate the City's internal control structure. The evaluation includes testing a significant number of the major federal program transactions that occurred during the fiscal year. The Single Audit also requires that the auditors determine whether the organization has complied with laws and regulations that may have a material effect on each of its major

federal financial assistance programs. All of the City's major federal programs are evaluated for the adequacy of internal controls and compliance with laws and regulations. The report is publicly issued under a separate cover.

Management's Discussion and Analysis (MD&A) follows the independent auditor's report and provides a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter of transmittal is intended to complement the MD&A and should be read in conjunction with it.

FACTORS AFFECTING FINANCIAL CONDITION

The financial statement information is best understood when it is considered from the broader perspective of the specific environment in which the City of Santa Fe operates.

Profile of the City

The City's form of government has a direct bearing on its financial operations. The City of Santa Fe was founded in 1609 and chartered as a town in 1891 under territorial law. In December 1997 the City approved, by electoral vote, a Municipal Charter that became effective in March 1998. The City is empowered to levy a property tax on real property located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing body.

The City of Santa Fe has operated under the Mayor-Council-City Manager form of government since 1954. In 2014 the citizens voted to change the status of the Mayor from a part-time to a full-time Mayor, with a significant increase in duties and responsibilities. The City's Mayor, Alan Webber, was elected in March 2018 to serve a four year-term. Prior to his service as the 43rd Mayor, and the City's first full-time executive, Mayor Webber built a career in business and journalism, most notably as the Editorial Director of the Harvard Business Review and Co-Founder and Co-Editor-in-Chief of Fast Company magazine.

The governing body consists of eight City Councilors and the Mayor, who are all elected on a non-partisan basis. City Council members serve four-year staggered terms with four city councilors elected every two years within four districts. Policy-making and legislative authority are vested in the governing body. The governing body is responsible for passing ordinances, managing the City finances and property, adopting the budget and creating or abolishing departments.

The Mayor appoints and may remove the City Manager, the City Attorney, the City Clerk and members of advisory commissions, subject to the approval of the governing body. The City Manager is the chief administrative officer of the City and is responsible for carrying out the policies and ordinances approved by the governing body. In addition to overseeing the day-to-day operations of the City, the City Manager also appoints the directors of the various departments, prepares the annual budget, and keeps the governing body informed of the financial condition and needs of the City.

The City provides a full range of services including: police and fire protection; public works; highways and streets; wastewater operations; refuse collection and transport; water services; transit; parking facilities operations; convention center services; recreational activities; cultural events; community welfare; and the municipal airport.

The annual budget serves as the foundation for the City of Santa Fe's financial planning and control. All departments of the City are required to submit requests for appropriations to the City Manager each year. The City Manager uses these requests as the starting point for developing a proposed budget for the upcoming fiscal year. In April the City Manager presents this proposed budget to the finance committee, which is composed of five city councilors, through a series of public meetings. The city council reviews the finance committee's recommended budget and adopts a final budget by June 1 for the fiscal year commencing July 1. The appropriated budget is prepared by fund, function (e.g., public safety), and division (e.g., water). The Municipal Charter allows the City Manager to approve transfers of appropriations within a department up to $60,000. Transfers over $60,000 or between funds, as well as any net budget increases or decreases, require city council approval. Budget-to-actual comparisons are provided in this report at the function level for the general fund, at the fund level for the special revenue and capital improvement funds, and at the division level for the proprietary funds for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented in this report as part of the basic financial statements for the governmental funds. For funds (other than the general fund) with appropriated annual budgets, this comparison is presented in the fund subsections of this report.

Local Economy

Santa Fe is located in the north central part of the state. It is the oldest state capital in the United States. Its current population is approximately 83,776 residents.

As the state's capital, Santa Fe benefits from a stable, educated government workforce of approximately 17,000 people, which accounts for about 28% of the entire government sector workforce in the state. Many city residents also work at Los Alamos National Laboratory in neighboring Los Alamos, one of the country's premier scientific research centers. Santa Fe's economy is based largely on tourism and, as the capital city, state government, which is the largest employer in the area. Santa Fe receives an average of 1.8 million visitors annually and has been named as one of the top ten tourist destinations in the country by Travel and Leisure magazine. The growth of visitors increased occupancy of Santa Fe's hotels and drove a rapidly expanding short-term rental market. In 2018 Santa Fe scored as the number two small city in the U.S. by the readers of the prestigious Conde Nast Reader's Choice Awards.

Known as "The City Different," Santa Fe is also one of the top five art markets in the world and the third largest art market in the United States. Santa Fe's spectacular Rocky Mountain setting and stunning wealth of cultural resources; including over 250 art galleries, 14 museums, four-star hotels and resorts, a nationally recognized opera company, dozens of major annual festivals, and many award winning restaurants, shops and spas, draw visitors and second home owners from all over the globe.

Financial Overview and Policies

Gross receipts tax revenue accounts for approximately 70 percent of funding for governmental services. Since 2011, gross receipt tax revenue (GRT) has increased for the last eight consecutive years, with the largest increase in 2018 at 7.5 percent. The City maintains sound reserves as a buffer against economic slowdowns and funds almost two-thirds of its total expenditures from utility rates, fees, and grants. Through the diligent and collective efforts of the elected officials and city staff, measures continue to be taken to limit expenditures, prioritize services and projects and to budget conservatively while minimizing the effect on community services.

Cash Management
The City adopted a new Investment Policy in Fiscal Year 2017 and implemented it in December of 2016. The City invests cash in demand deposits, certificates of deposit, securities issued by the United States Government and its Agencies, and money market funds. Investment terms may range out to five years under the City's Investment Policy.

Debt Management
The City issued the 2018 Gas Tax Bond, pledging gas tax revenues received from the State of New Mexico with a subordinate GRT lien. The City raised $11,500,000 dedicated to improve streets throughout the City over the next three years.

Procurement
The City has a centralized purchasing office that reviews all procurements for compliance. In January 2018, the City adopted the State of New Mexico Procurement policy. The City also streamlined the contracting process by reducing its contracts to three categories: Professional Services, Service Agreements, and Purchase Orders. The City rolled out a Purchasing Card program and is in the process of updating the procurement manual.

Risk Management
The risk management programs include workers' compensation, comprehensive loss coverage, medical, safety, and other employee coverage programs. As part of this comprehensive plan, resources are accumulated in internal service funds from premiums assessed to all departments and funds to cover the costs of potential losses. In combination with third-party administrators, the City also utilizes controls including safety checks, employee prevention and reporting training, reviews to recognize liability exposure, health and wellness information and other cost controls.

Pension Plan
The City of Santa Fe participates in the State of New Mexico's Public Employees Retirement plan in which substantially all employees participate. The plan is a cost-sharing, multiple-employer, defined benefit plan that is authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978). The contribution requirements of defined benefit plan members and the City of Santa Fe are established in state statute under Chapter 10, Article 11, NMSA 1978. The City makes the required payments as determined by PERA through City and member contributions.

Other Postemployment Benefit Plan
The City contributes to the New Mexico Retiree Health Care Fund, a cost sharing, multiple-employer, defined benefit, post-employment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. The City makes the required payments as determined by RHCA through City and member contributions.

Acknowledgements

We would like to express our appreciation to the staff of the Finance Department whose dedication made the timely preparation of the CAFR possible. Several other City departments provided information and assisted in the CAFR preparation. We gratefully acknowledge their efforts and contributions to this report.

We also wish to thank the staff of CliftonLarsonAllen LLP for their counsel, technical assistance, and continued support in the preparation of this CAFR.

Finally, we wish to thank you for your continued interest in the financial operations of the City. The CAFR will be featured on the City's web page: www.santafenm.gov.

Respectfully submitted,

Erik Litzenberg
City Manager

Mary McCoy
Finance Director

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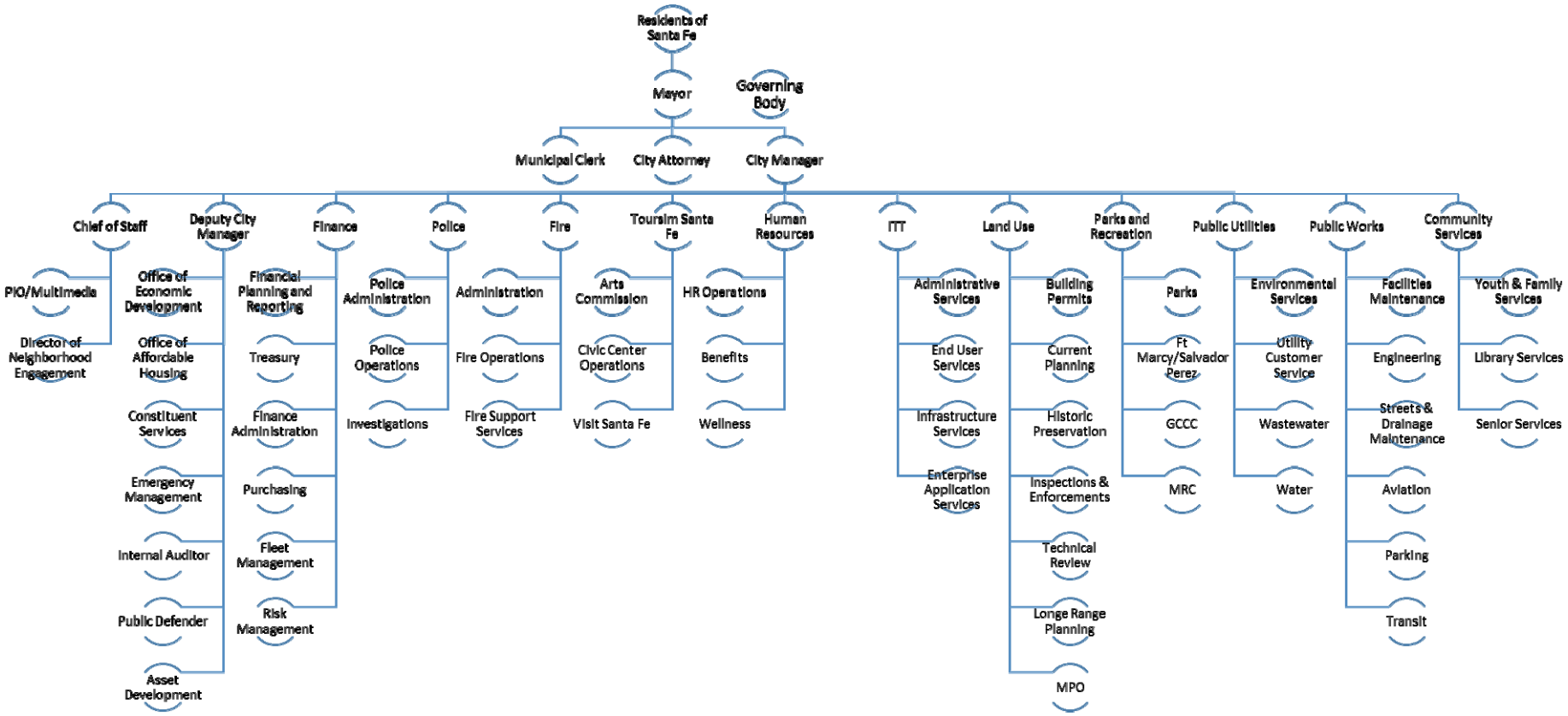

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CITY OF SANTA FE, NEW MEXICO
PRINCIPAL OFFICIALS
JUNE 30, 2018

MAYOR

Alan M. Webber

CITY COUNCIL

Signe I. Lindell, Mayor Pro Tem	District 1
Renee Villarreal	District 1
Peter N. Ives	District 2
Carol Romero-Wirth	District 2
Christopher M. Rivera	District 3
Roman “Tiger” Abeyta	District 3
Michael Harris	District 4
JoAnne Vigil Coppler	District 4

CITY MANAGER

Erik Litzenberg

FINANCE DEPARTMENT

Mary T. McCoy
Finance Director

Teresita Garcia
Assistant Finance Director

Christina Keyes
Treasury Officer

Bradley Fluetsch, CFA
Financial Planning and Reporting Officer

Debra Harris-Garmendia, CPA
Controller

Erica Martinez
Senior Financial Analyst

Andrew Hopkins
Senior Budget Analyst

SPECIAL ACKNOWLEDGMENT AND APPRECIATION FOR WORK ASSOCIATED WITH THE DEVELOPMENT OF THIS REPORT GO TO THE FOLLOWING:

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Debra Harris-Garmendia, CPA, Controller
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Clarence Romero, Accounting Supervisor
Melissa D. Ortiz, Payroll Supervisor
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FINANCIAL SECTION

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

Wayne Johnson, New Mexico State Auditor
The Office of Management and Budget
The Mayor and Members of City Council
City of Santa Fe
Santa Fe, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information and the budgetary comparison for the general fund of the City of Santa Fe, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Santa Fe as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

During fiscal year ended June 30, 2018, the City adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result of the implementation of this standard, the City reported a restatement for the change in accounting principle (see Note 18). Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-14 and the City's proportionate share of the net pension and OPEB liability and the schedule of the City's contributions on pages 82-88 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Santa Fe's basic financial statements. The combining and individual nonmajor fund financial statements and introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* Other Supplementary Schedules listed in the table of contents, and schedules required by 2.2.2 NMAC included in Other Supplementary Information and Other Supplementary Financial Information, as listed in the table of contents is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards, Other Supplementary Schedules, and schedules required by 2.2.2 NMAC included in Other Supplementary Information and Other Supplementary Financial Information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures

applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2018, on our consideration of the City of Santa Fe's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City of Santa Fe's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Santa Fe's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Albuquerque, New Mexico
December 17, 2018

As management of the City of Santa Fe ("City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages xiii through xvii of this report.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by $475,551,206 (*net position*).
- The City's total assets and deferred outflows decreased by $1,173,392.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $72,065,593 an increase of $13,428,689 in comparison with the prior year.
- Of the total governmental fund balances of $72,065,593, less than 1% ($338,278) is considered nonspendable and approximately 95% ($69,141,235) is restricted, committed or assigned. At the end of the current fiscal year, the unassigned fund balance is $2,586,080 and is available for spending at the City's discretion.
- The City's total long-term liabilities increased by $32,390,604.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position.* Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or declining.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows.* Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, highways and streets, sanitation, economic development, and culture and recreation. The business-type activities of the City include the operations of water, wastewater, solid waste, airport, convention center, transit, railyard property, College of Santa Fe property, and two recreation facilities.

The government-wide financial statements can be found on pages 18 and 19 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources,* as well as on *balances of spendable* resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *government funds* with similar information presented for *government activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities.*

The City maintains individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the CIP 1/2% Gross Receipt Tax Fund, and the Debt Service Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for all its funds. A budgetary comparison statement has been provided for all its funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 20 through 26 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its Santa Fe Convention Center, Parking Operations, College of Santa Fe, Environmental Services, Water Management, Transit Operations, Wastewater Management, Municipal Recreation Complex, Genoveva Chavez Community Center, Railyard Property and Airport. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its Employee Health Care and Dental program, Risk Management Administration, Workers' Compensation, Union Sick Leave and Unemployment Banks. As the service of these funds listed predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Management, Wastewater Management, Environmental Services, College of Santa Fe, Railyard Property, and the Santa Fe Convention Center, all of which are considered major funds of the City. Internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 27 through 32 of the report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33 through 79 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $475,551,206 at the close of the most recent fiscal year.

City of Santa Fe's
NET POSITION
June 30, 2018 & 2017

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	$ 105,514,265	$ 89,071,573	$ 136,788,038	$ 114,623,478	$ 242,302,303	$ 203,695,051
Capital Assets	323,565,170	326,541,777	421,180,811	432,923,009	744,745,981	759,464,786
Deferred outflows of resources	24,419,841	32,925,005	8,019,621	24,576,296	32,439,462	57,501,301
Total assets and deferred outflows of resources	453,499,276	448,538,355	565,988,470	572,122,783	1,019,487,746	1,020,661,138
Long-term liability	270,249,383	220,106,189	205,969,456	223,722,046	476,218,839	443,828,235
Other liabilities	20,381,135	19,385,535	15,429,060	6,780,114	35,810,195	26,165,649
Deferred inflows of resources	25,599,667	3,385,835	6,307,839	1,902,968	31,907,506	5,288,803
Total liabilities and deferred inflows of resources	316,230,185	242,877,559	227,706,355	232,405,128	543,936,540	475,282,687
Net Position:						
Net investment in capital assets	207,769,299	215,769,254	310,961,726	276,670,243	518,731,025	492,439,497
Restricted	48,386,499	39,890,519	1,290,606	1,271,918	49,677,105	41,162,437
Unrestricted	(118,886,707)	(49,998,975)	26,029,783	61,775,492	(92,856,924)	11,776,517
Total net position	137,269,091	205,660,798	338,282,115	339,717,653	475,551,206	545,378,451

A portion of the City's net position reflects its investment in capital assets (e.g., land, buildings, machinery, infrastructure, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (8.4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position,* a negative $92,856,924.

At the end of the current fiscal year, with the exception of the unrestricted net position, the City has maintained positive balances in the other categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities, however, it should be noted that net position in the City's Municipal Recreation Complex (MRC) Fund show negative net position balances of $697,053. The governmental activities unrestricted deficit net position is due to the pension and OPEB liabilities. In addition, the debt service fund reported a deficit of $3,024,867.

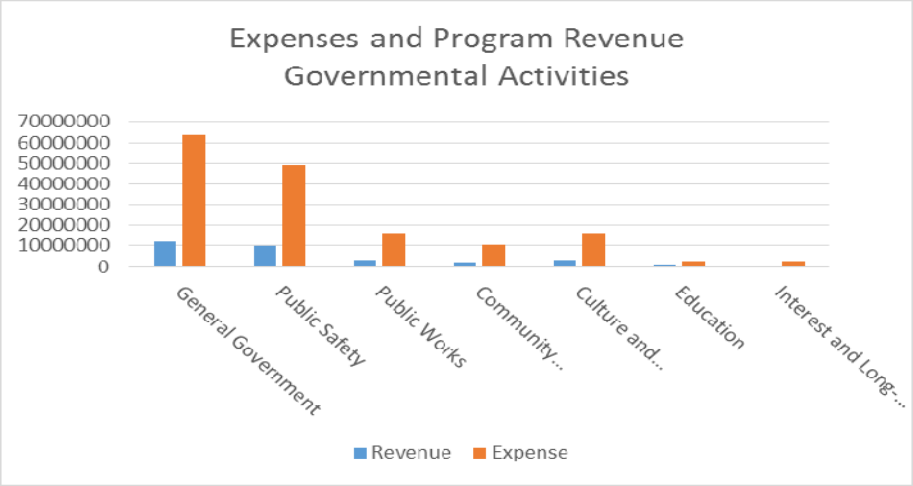
For the Municipal Recreation Complex fund this results from the excess of long term bonds payable over capital assets net of depreciation. MRC operations are supplemented by an annual transfer for debt service and operations from the Capital Improvement Program Gross Receipts Tax Fund.

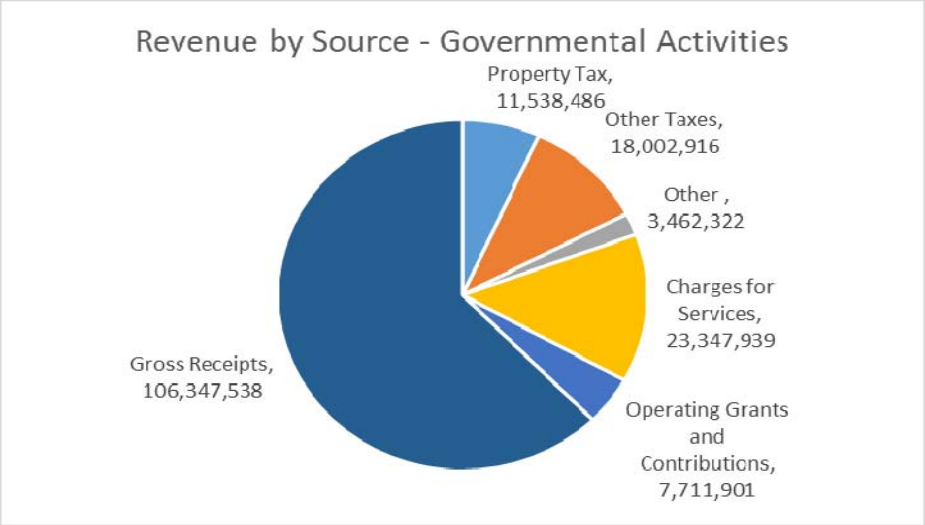
City of Santa Fe
Changes in Net Position
For Fiscal Year Ending June 30, 2018 and 2017

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	$ 23,347,939	$ 17,903,722	$ 80,289,885	$ 77,731,503	$ 103,637,824	$ 95,635,225
Operating grants and contributions	7,711,901	13,314,598	4,287,522	3,002,342	11,999,423	16,316,940
Capital grants and contributions	-	50,000	-	90,198	-	140,198
General Revenues						
Sales taxes	106,347,538	94,225,673	4,463,728	8,921,338	110,811,266	103,147,011
Other taxes	29,541,402	28,313,762	-	-	29,541,402	28,313,762
Other	3,462,322	1,681,587	334,535	345,284	3,796,857	2,026,871
Total Revenues	170,411,102	155,489,342	89,375,670	90,090,665	259,786,772	245,580,007
Expenses:						
General Government	57,735,570	28,788,439	-	-	57,735,570	28,788,439
Public Safety	49,131,745	44,687,492	-	-	49,131,745	44,687,492
Public Works	15,966,239	15,333,620	-	-	15,966,239	15,333,620
Community Development	10,450,931	10,284,524	-	-	10,450,931	10,284,524
Culture and Recreation	16,393,918	13,081,552	-	-	16,393,918	13,081,552
Education	2,675,293	2,621,955	-	-	2,675,293	2,621,955
Interest on long-term debt	2,509,738	6,562,500	-	-	2,509,738	6,562,500
Wastewater Management	-	-	11,197,893	14,160,571	11,197,893	14,160,571
Water Management	-	-	33,237,009	45,173,505	33,237,009	45,173,505
Environmental Services	-	-	11,301,085	14,410,149	11,301,085	14,410,149
College of Santa Fe	-	-	3,327,243	3,149,944	3,327,243	3,149,944
Railyard Center	-	-	4,264,391	4,360,308	4,264,391	4,360,308
Santa Fe Convention Center	-	-	4,631,821	5,118,957	4,631,821	5,118,957
All other proprietary funds	-	-	23,511,483	31,710,624	23,511,483	31,710,624
Total Expenses	154,863,434	121,360,082	91,470,925	118,084,058	246,334,359	239,444,140
Increase (Decrease) in net position before transfers:	15,547,668	34,129,260	(2,095,255)	(27,993,393)	13,452,413	6,135,867
Transfers net	(22,784,290)	(20,668,193)	22,784,290	20,668,193	-	-
Increase (Decrease) in net position	(7,236,622)	13,461,067	20,689,035	(7,325,200)	13,452,413	6,135,867
Beginning balance	205,660,798	190,570,082	339,717,653	346,751,662	545,378,451	537,321,744
Restatement of net position	(61,155,085)	1,629,649	(22,124,573)	291,191	(83,279,658)	1,920,840
Ending balance	137,269,091	205,660,798	338,282,115	339,717,653	475,551,206	545,378,451

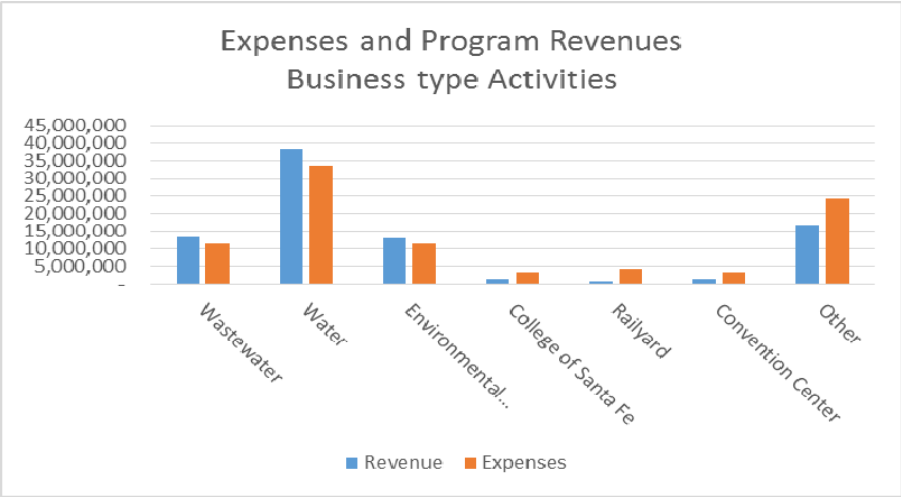
The City's net position increased by $13,452,413 during the current fiscal year. This growth largely reflects increases in operating revenues and sales tax.

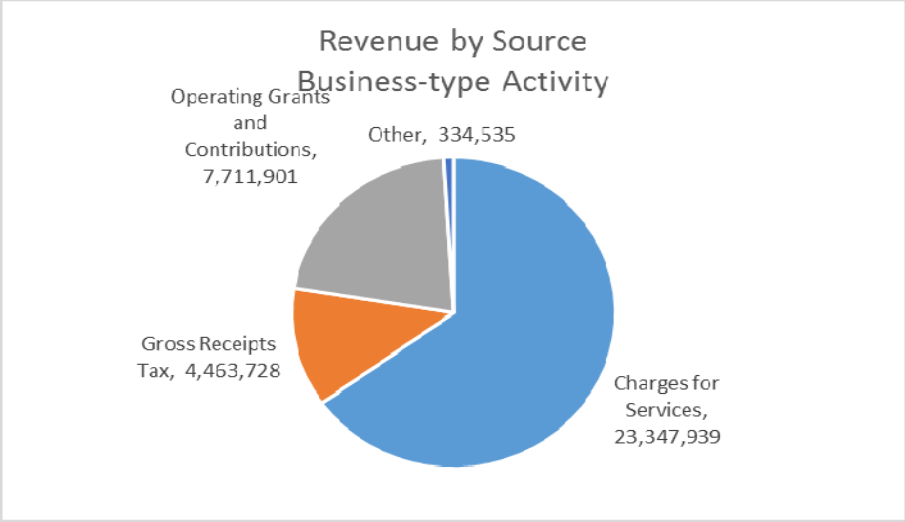
Governmental activities. The governmental activities decreased the City's net position in total by $7,236,622. This was primarily due to an increase in pension-related amounts. The majority of the taxes are provided by a gross receipts tax (GRT) levied on goods and services in the amount of $106,347,538. This was a slight increase from the gross receipts tax revenues received in 2017 in the amount of $4,225,673.





Business-type activities. Business-type activities increased in net position by $20,689,035, primarily due to the net transfers from Governmental activities of $22,784,290. In funds where revenues exceed operating expenses, rate revenues are set at a level that in combination with net position support long term capital investment programs and maintenance of prudent reserves. Much of the accumulated cash in the Water, Wastewater, Convention Center and other business type activities are being used for large capital projects begin or are completed.





As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $72,065,593, an increase of $13,428,689 in comparison with the prior year. Most of the ending fund balance total amount ($68,730,067) constitutes *restricted, assigned and committed fund balance.* Uses of these funds are limited to various degrees by legal, contractual and policy restrictions.

Unlike government-wide financial statements debt is not included in fund financial statements and expenditures for capital assets are not capitalized. Expenditures of fund balances and revenues in special revenue funds, capital project funds and debt related funds are generally subject to legal restrictions that limit use of those funds to specific purposes. The balance in those funds are considered spendable as are amounts set aside by the City Council to provide funding for economic uncertainties and contingencies or liabilities not accrued in the fund balance sheet under the principles of modified accrual accounting. The General Fund is the chief operating fund for the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was $5,631,930, while total fund balance was $15,122,548. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 78 percent of total expenditures and fund balance represents 17 percent of total expenditures.

The fund balance of the City's General Fund increased by $881,908 during the current fiscal year, a key factor was an increase in revenues.

The Debt Service fund has a total fund balance of negative $3,024,867.

Proprietary funds. The City's enterprise funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position at the end of the year amounted to $26,029,783. Change in net position for enterprise funds was $20,689,035.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were relatively minor and can be briefly summarized as follows:

- $ 156,928 increase in general government
- $1,586,798 increase in public safety
- $ 92,478 increase in public works
- $ 52,773 increase in community development
- $ 214,221 increase in culture and recreation
- $ 208,314 increase in education

The decrease in transfers out from other funds covered some of the budgeted increases; however cash balances funded the difference, which included carryover commitments from the prior fiscal year. With some cost control measures enacted during the fiscal year as it became apparent that revenues (particularly gross receipts tax revenues) would not be realized, actual expenditures were below the final budget in the amount of $2,753,690

Capital Asset and Debt Administration

Capital assets. The City's net investment in capital assets for its governmental and business-type activities as of June 30, 2018 amounts to $518,731,025 (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, vehicles, infrastructure, and park facilities. The total increase in the City's investment in capital assets for the current fiscal year was 10%.

Major capital asset events during the current fiscal year included the following:

- Construction in progress in various City facilities totaled $20,465,794 in both governmental-type and business-type funds. This is a decrease from the previous year.
- General City projects in progress included street paving, signalization, river channel improvements, park improvements, building renovations, and street traffic calming projects for a total amount of $5.4 million.

City of Santa Fe's Capital Assets
(Net of Depreciation)
For Fiscal Years Ending June 30, 2018 and 2017

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land and Water Rights	$ 169,939,946	$ 169,939,946	$ 41,585,737	$ 41,488,837	$ 211,525,683	$ 211,428,783
Construction in Progress	5,472,985	20,199,232	4,992,254	12,695,831	10,465,239	32,895,063
Art	864,920	864,920	215,971	185,971	1,080,891	1,050,891
Buildings and Structures	39,221,726	39,109,441	245,254,581	252,699,564	284,476,307	291,809,005
Improvements	50,634,966	37,396,502	42,109,839	47,807,122	92,744,805	85,203,624
Sewerlines and Utility Systems	-	-	72,537,087	64,256,170.00	72,537,087.00	64,256,170.00
Equipment and Machinery	3,061,705	3,597,255	1,673,717	1,716,803	4,735,422	5,314,058
Furniture and Fixtures	52,597	79,487	5,269	7,224	57,866	86,711
Vehicles	7,163,802	6,756,358	12,596,355	11,801,806	19,760,157	18,558,164
Data Processing and Software	850,990	1,071,203	210,001	263,681	1,060,991	1,334,884
Traffic Signals	331,266	507,792	-	-	331,266	507,792
Streets and Bridges	45,970,267	47,019,641	-	-	45,970,267	47,019,641
Total	$ 323,565,170	$ 326,541,777	$ 421,180,811	$ 432,923,009	$ 744,745,981	$ 759,464,786

Additional information on the City's capital assets can be found in Note 5 on pages 50-53 of this report.

Long-term debt at the end of the current fiscal year, the City had total outstanding debt of $239,825,879. Of this amount, governmental activity related debt consisted of $76,665,000 in debt backed by gross receipts tax revenues and lodgers tax, $814,780 in outstanding revenue-backed loans, and $22,425,000 in outstanding property tax supported general obligation debt. In addition, business type debt backed by specified operational revenue sources consisted of $101,105,000 in bonds and $38,816,099 in loans.

CITY OF SANTA FE'S OUTSTANDING DEBT
Revenue Bonds, General Obligation Bonds, & Loans
For Fiscal Years Ending June 30, 2018 and 2017

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenue Bonds	$ 76,665,000	$ 74,880,000	$ 101,105,000	$ 108,230,000	$ 177,770,000	$ 183,110,000
General Obligation	22,425,000	23,635,000	-	-	22,425,000	23,635,000
Loans	814,780	1,088,790	38,816,099	40,905,363	39,630,879	41,994,153
TOTAL	99,904,780	99,603,790	139,921,099	149,135,363	239,825,879	248,739,153

As of June 30, 2018, the City had no outstanding issues insured. Underlying ratings for the different types of debt issues by the City are:

Bond Type	S&P/Fitch June 30, 2018	S&P/Fitch June 30, 2017
General Obligation	AA+/AA+	AA+/AA+
Senior Lien Gross Receipts Tax	AA+/AA+	AA+/AA+
Water System Revenues	AAA/AA+	AAA/AA+
Subordinate Lien Gross Receipts Tax	AA/AA+	AA/AA+

Source: S&P Global, Fitch Ratings

State statutes limit the amount of general obligation debt a governmental entity may issue to 4% of its total taxable assessed valuation. The current debt limitation for the City is approximately $166 million, which is significantly in excess of the City's total outstanding general obligation bond debt of $22,425,000 at June 30, 2018.

In February 2018, the City issued $10,290,000 of new debt pledging Gas Tax Revenues with a Subordinate Lien Gross Receipts Tax pledge.

Additional information on the City's long-term debt can be found in note 8 on pages 55 through 61 of this report.

Economic Factors and Next Year's Budgets and Rates

The City of Santa Fe is experiencing consistent growth in its economy, housing prices and jobs. Gross Receipts taxes grew at 7.43 percent year of year and taxable assessed value grew just over two percent year over year.

- The 2018 unemployment rate for Santa Fe as of June was 4.2 percent, down from 5.6 percent in June of 2017 and is lower than other Cities in New Mexico. The State's 2018 unemployment rate for the same period was 4.9 percent, down from 6.2 percent in June 2017 with the national rate of 4.0 percent. (source: Bureau of Labor Statistics)
- Median sales price for single-family homes, condominiums and townhomes combined in the City reached $358,500 in June 2018, an 8.4 percent increase over the same period in 2017. The average sales price reached $448,552, a five percent increase.
- Dollar value of construction permits grew $75 million for the nine months in 2018 over the full year of 2017.
- Lodgers Tax collections increased for the fifth year in a row, 7.6 percent over Fiscal Year 2017. Hotel RevPAR increased by $1.93, a 2.2 percent increase. Short-term rental availability increased by 30 percent to an estimated 1,200 keys.
- Gross Receipts Tax received by the City grew $7,664,252 or 7.43 percent.

Department News

Public Utilities:

The Public Utilities Department continues to earn public trust by safeguarding Enterprise revenues. This has been accomplished by implementing technology to automate the delinquent notice process and automate the monthly transfer of past due closed accounts to the City's collection agency. Both these processes will improve timely collection and reporting of account receivables. The in depth analysis of accounts receivables that resulted in the development of an automated write off process. This statutory compliant process was established to produce accurate and transparent financial reporting of accounts receivables. The implementation of a new user friendly online payment system provides customers with a reliable and secure method of making payments which promotes the stability of utility revenue.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Finance Director, P.O. Box 909, City of Santa Fe, NM 87504.

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BASIC FINANCIAL STATEMENTS

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CITY OF SANTA FE, NEW MEXICO
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash, Investments, and Cash Equivalents	$ 70,261,776	$ 110,504,388	$ 180,766,164
Receivables, Net of Allowance for Uncollectibles	25,766,562	12,933,517	38,700,079
Internal Balances	(5,015,739)	5,015,739	-
Inventories	82,622	362,053	444,675
Prepaid Expenses	-	2,365,068	2,365,068
Temporarily Restricted Assets:			
Cash, Investments, and Cash Equivalents	9,087,981	1,290,606	10,378,587
Interest Receivable	117,308	272,137	389,445
Intergovernmental Receivable	5,213,755	4,044,530	9,258,285
Capital Assets, Net of Accumulated Depreciation:			
Land, Land Rights, and Water Rights	169,939,946	41,585,737	211,525,683
Construction in Progress	5,472,985	4,992,254	10,465,239
Depreciable Capital Assets:			
Buildings and Structures	62,073,917	328,306,799	390,380,716
Improvements	102,202,672	155,655,727	257,858,399
Sewerlines and Utility Systems	-	158,944,677	158,944,677
Equipment and Machinery	13,872,353	15,189,974	29,062,327
Furniture and Fixtures	421,572	617,785	1,039,357
Vehicles	25,290,838	34,052,971	59,343,809
Intangible Plant	-	57,625	57,625
Art	864,920	215,971	1,080,891
Data Processing Equipment/Software	7,991,680	2,419,506	10,411,186
Traffic Signals	23,517,339	-	23,517,339
Streets and Bridges	217,072,071	-	217,072,071
Accumulated Depreciation	(305,155,123)	(320,858,215)	(626,013,338)
Total Assets	429,079,435	557,968,849	987,048,284
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized Loss on Refunding of Bonds	-	-	-
Deferred Outflow Related to OPEB Activity	1,008,229	367,448	1,375,677
Deferred Outflow Related to Pension Activity	23,411,612	7,652,173	31,063,785
Total Deferred Outflows of Resources	24,419,841	8,019,621	32,439,462
LIABILITIES			
Accounts Payable and Other Noncurrent Liabilities	19,619,530	14,413,993	34,033,523
Accrued Interest Payable	729,605	529,869	1,259,474
Unearned Revenue	32,000	485,198	517,198
Long-Term Liabilities:			
Net Pension Liability	103,385,789	33,792,028	137,177,817
Net OPEB Liability	51,107,098	18,625,874	69,732,972
Due Within One Year	12,658,892	12,041,890	24,700,782
Due in More Than One Year	103,097,604	141,509,664	244,607,268
Total Liabilities	290,630,518	221,398,516	512,029,034
DEFERRED INFLOWS OF RESOURCES			
Unamortized Gain on Refund of Bonds	39,375	(2,483,928)	(2,444,553)
Deferred Inflows Related to OPEB Activity	11,631,855	4,239,205	15,871,060
Deferred Inflows Related to Pension Activity	13,928,437	4,552,562	18,480,999
Total Deferred Inflows of Resources	25,599,667	6,307,839	31,907,506
NET POSITION			
Net Investment in Capital Assets	207,769,299	310,961,726	518,731,025
Restricted for:			
Endowment - Nonspendable	255,656	-	255,656
Debt Service	-	926,399	926,399
Compliance	-	364,207	364,207
General Fund State Mandated Cash Balance	7,791,216	-	7,791,216
General Government	20,012,946	-	20,012,946
Public Safety	3,557,278	-	3,557,278
Public Works	6,519,078	-	6,519,078
Community Development	3,153,370	-	3,153,370
Culture and Recreation	7,096,955	-	7,096,955
Unrestricted	(118,886,707)	26,029,783	(92,856,924)
Total Net Position	$ 137,269,091	$ 338,282,115	$ 475,551,206

See accompanying Notes to Financial Statements.

CITY OF SANTA FE, NEW MEXICO
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

		Program Revenues			Net Revenue (Expense) and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental Activities:							
General Government	$ 57,735,570	$ 8,947,389	$ 3,035,689	$ -	$ (45,752,492)	$ -	$ (45,752,492)
Public Safety	49,131,745	7,366,328	2,392,028	-	(39,373,389)	-	(39,373,389)
Public Works	15,966,239	2,557,839	830,593	-	(12,577,807)	-	(12,577,807)
Community Development	10,450,931	1,617,334	525,188	-	(8,308,409)	-	(8,308,409)
Culture and Recreation	16,393,918	2,457,942	798,154	-	(13,137,822)	-	(13,137,822)
Education	2,675,293	401,107	130,249	-	(2,143,937)	-	(2,143,937)
Interest on Long-Term Debt	2,509,738	-	-	-	(2,509,738)	-	(2,509,738)
Total Governmental Activities	154,863,434	23,347,939	7,711,901	-	(123,803,594)	-	(123,803,594)
Business-Type Activities:							
Wastewater Management	11,197,893	13,246,201	-	-	-	2,048,308	2,048,308
Water Management	33,237,009	38,288,412	4,365	-	-	5,055,768	5,055,768
Railyard Properties	4,264,391	759,581	106,625	-	-	(3,398,185)	(3,398,185)
Santa Fe Convention Center	4,631,821	949,407	5,820	-	-	(3,676,594)	(3,676,594)
Environmental Services	11,301,085	13,014,561	-	-	-	1,713,476	1,713,476
College of Santa Fe	3,327,243	1,504,309	-	-	-	(1,822,934)	(1,822,934)
Municipal Recreation Complex	1,807,943	1,245,505	47,985	-	-	(514,453)	(514,453)
Parking Fund	4,582,572	5,537,624	-	-	-	955,052	955,052
Transit System	9,035,547	1,576,708	1,809,723	-	-	(5,649,116)	(5,649,116)
Airport	4,239,806	2,270,281	2,313,004	-	-	343,479	343,479
Genoveva Chavez Community Center	3,845,615	1,897,296	-	-	-	(1,948,319)	(1,948,319)
Total Business-Type Activities	91,470,925	80,289,885	4,287,522	-	-	(6,893,518)	(6,893,518)
Total Primary Government	$ 246,334,359	$ 103,637,824	$ 11,999,423	$ -	(123,803,594)	(6,893,518)	(130,697,112)
	General Revenues						
	Property Taxes				11,538,486	-	11,538,486
	Sales Taxes				106,347,538	4,463,728	110,811,266
	Lodger Taxes				11,743,131	-	11,743,131
	Franchise Taxes				4,397,468	-	4,397,468
	Motor Fuel Taxes				1,862,317	-	1,862,317
	Investment Earnings				1,286,140	334,535	1,620,675
	Other Revenues				1,902,172	-	1,902,172
	Gain on Sale of Capital Assets				274,010	-	274,010
	Transfers				(22,784,290)	22,784,290	-
	Total General Revenues and Transfers				116,566,972	27,582,553	144,149,525
	Change in Net Position				(7,236,622)	20,689,035	13,452,413
	Net Position - Beginning of Year				205,660,798	339,717,653	545,378,451
	Restatement of Net Position				(61,155,085)	(22,124,573)	(83,279,658)
	Net Position - Beginning of Year, as Restated				144,505,713	317,593,080	462,098,793
	Net Position - End of Year				$ 137,269,091	$ 338,282,115	$ 475,551,206

See accompanying Notes to Financial Statements.

CITY OF SANTA FE, NEW MEXICO
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2018

	Major Funds				
	General Fund	Debt Service	1/2% Gross Receipts Tax	Other Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and Investments	$ -	$ 959,624	$ 5,344,380	$ 43,880,008	$ 50,184,012
Cash Restricted for Debt Service Payments	-	1,041,109	-	-	1,041,109
Cash Restricted for State-Mandated Cash Balances	7,791,216	-	-	-	7,791,216
Cash Restricted for Endowment	-	-	-	255,656	255,656
Receivables:					
State-Shared Taxes	8,604,985	-	-	594,894	9,199,879
Local Taxes	4,586,401	-	4,247,900	3,494,879	12,329,180
Property Taxes	212,697	-	-	-	212,697
Motor	-	-	-	126,765	126,765
Interest	11,711	6,777	13,362	43,823	75,673
Ambulance, Net of Allowances	233,229	-	-	-	233,229
Grants, Restricted	433,667	-	-	4,780,088	5,213,755
Other Receivables, Net	66,324	-	-	3,593,115	3,659,439
Due from Other Funds	-	-	560,000	-	560,000
Supplies Inventory	82,622	-	-	-	82,622
Total Assets	$ 22,022,852	$ 2,007,510	$ 10,165,642	$ 56,769,228	$ 90,965,232
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE (DEFICIT)					
Liabilities:					
Accounts Payable	$ 1,524,276	$ 16,638	$ 36,041	$ 3,338,708	$ 4,915,663
Gross Receipts Taxes Payable	1,980	-	-	-	1,980
Accrued Wages Payable	2,269,872	-	52,778	312,156	2,634,806
Compensated Absence Payable	105,398	-	-	-	105,398
Due to Other Funds	-	5,015,739	-	560,000	5,575,739
Due to Other Governments	17,969	-	-	-	17,969
Deposits and Escrow	2,491,573	-	-	432,032	2,923,605
Unearned Revenue	32,000	-	-	-	32,000
Pooled Cash - Cash Overdrawn	-	-	-	6,222	6,222
Other Current Liabilities	457,236	-	-	38,110	495,346
Total Liabilities	6,900,304	5,032,377	88,819	4,687,228	16,708,728
Deferred Inflows of Resources:					
Unavailable Revenue	-	-	-	2,190,911	2,190,911
Total Deferred Inflows of Resources	-	-	-	2,190,911	2,190,911
Fund Balance (Deficit):					
Nonspendable	82,622	-	-	255,656	338,278
Restricted	7,791,216	-	9,686,449	30,653,178	48,130,843
Committed	1,616,780	-	-	1,527,787	3,144,567
Assigned	-	-	390,374	17,475,451	17,865,825
Unassigned	5,631,930	(3,024,867)	-	(20,983)	2,586,080
Total Fund Balance (Deficit)	15,122,548	(3,024,867)	10,076,823	49,891,089	72,065,593
Total Liabilities, Deferred Inflows of Resources, and Fund Balance (Deficit)	$ 22,022,852	$ 2,007,510	$ 10,165,642	$ 56,769,228	$ 90,965,232

See accompanying Notes to Financial Statements.

CITY OF SANTA FE, NEW MEXICO
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total Governmental Fund Balances	$ 72,065,593
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	323,508,571
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in funds:	
Deferred outflows of resources related to changes in experience in experience in governmental funds (excluding Internal Service Funds).	23,247,800
Deferred inflows of resources related to changes in assumptions in governmental funds (excluding Internal Service Funds).	(24,739,731)
The internal service fund is used by management to charge the costs of workers' compensation, health insurance, and other post-employment benefit costs to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	5,922,552
Assets, deferred outflows, liabilities, and deferred inflows included in governmental activities.	2,190,911
Certain liabilities, including bonds and notes payable and current and long-term portions of accrued compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds:	
Accrued Interest	(729,605)
Accrued Compensated Absences in Governmental Funds	(4,979,966)
Unamortized Gain on Refunding Bonds	(39,375)
Net Pension/OPEB Liability in Governmental Funds (Excluding Internal Service Funds)	(148,795,834)
Bonds and Notes Payable	(110,381,825)
Net Position of Governmental Activities	$ 137,269,091

See accompanying Notes to Financial Statements.

CITY OF SANTA FE, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018

	Major Funds				
	General Fund	Debt Service	1/2% Gross Receipts Tax	Other Nonmajor Funds	Total Governmental Funds
REVENUES					
Gross Receipts Taxes	$ 64,915,409	$ -	$ 21,208,931	$ 20,223,198	$ 106,347,538
Motor Taxes	416,819	-	-	1,445,498	1,862,317
Lodgers' Taxes	-	-	-	11,743,131	11,743,131
Property Taxes	9,044,751	2,426,665	-	67,070	11,538,486
Franchise	4,378,595	-	-	18,873	4,397,468
Licenses and Permits	4,180,409	-	-	43,985	4,224,394
Intergovernmental:					
Federal	-	-	-	1,324,929	1,324,929
State	819,036	-	-	5,567,936	6,386,972
Local	11,146	-	-	39,318	50,464
Fees and Charges for Services	11,029,389	-	-	4,894,623	15,924,012
Fines and Forfeitures	241,812	-	-	377,693	619,505
Rents, Royalties, and Concessions	24,117	-	-	314,536	338,653
Investment Income (Loss)	17,555	1,120,444	20,031	65,695	1,223,725
Other Revenues	196,673	16,967	-	1,688,532	1,902,172
Total Revenues	95,275,711	3,564,076	21,228,962	47,815,017	167,883,766
EXPENDITURES					
Current:					
Salaries, Wages, and Fringe Benefits	63,631,053	-	1,778,008	7,268,221	72,677,282
Contractual Services and Utilities	8,461,617	16,636	26,880	9,014,320	17,519,453
Repairs and Maintenance	626,908	-	-	222,845	849,753
Supplies	2,481,634	-	198,483	2,134,405	4,814,522
Capital Outlay - Inventory-Exempt Items	859,766	-	40,844	3,850,879	4,751,489
Insurance Premiums	3,097,678	-	272	58,307	3,156,257
Claims and Judgements	-	-	-	1,755	1,755
Other	9,126,687	-	107,903	4,911,855	14,146,445
Total Current Expenditures	88,285,343	16,636	2,152,390	27,462,587	117,916,956
Capital Outlay	1,026,742	-	18,876	10,216,259	11,261,877
Debt Service:					
Principal Payments	-	9,989,010	-	-	9,989,010
Interest	-	4,174,556	-	-	4,174,556
Bond Issuance Costs	-	-	-	215,345	215,345
Total Expenditures	89,312,085	14,180,202	2,171,266	37,894,191	143,557,744
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	5,963,626	(10,616,126)	19,057,696	9,920,826	24,326,022
OTHER FINANCING SOURCES (USES)					
Transfers In	1,658,068	11,353,666	-	20,485,015	33,496,749
Transfers Out	(6,739,886)	-	(16,146,428)	(33,558,857)	(56,445,171)
Proceeds from Sale of Capital Assets	100	-	-	333,138	333,238
Bond Proceeds	-	-	-	10,290,000	10,290,000
Premiums on Bonds Issues	-	-	-	1,427,851	1,427,851
Total Other Financing Sources (Uses)	(5,081,718)	11,353,666	(16,146,428)	(1,022,853)	(10,897,333)
NET CHANGE IN FUND BALANCE	881,908	737,540	2,911,268	8,897,973	13,428,689
Fund Balances - Beginning of Year	14,240,640	(3,762,407)	7,165,555	40,993,116	58,636,904
FUND BALANCES - END OF YEAR	$ 15,122,548	$ (3,024,867)	$ 10,076,823	$ 49,891,089	$ 72,065,593

See accompanying Notes to Financial Statements.

CITY OF SANTA FE, NEW MEXICO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

Net Change in Fund Balances - Total Government Funds	$ 13,428,689
Amounts reported for governmental activities in the statement of net position are different because:	
Government funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and report as depreciation expense:	
Capital Expenditures Recorded in Capital Outlay (excluding Internal Service Funds)	11,261,877
Depreciation Expense (excluding Internal Service Funds)	(14,235,855)
Gain on Disposal of Capital Assets	(59,228)
The internal service fund is used by management to charge the costs of certain activities, such as insurance, to the individual funds. The net expense of the internal service fund is reported with governmental activities.	(3,360,979)
Funds transferred out of the internal service fund increase financial resources at the governmental fund level, but have not effect on the statement of activities as the internal service fund is included in governmental activities in the statement of activities.	164,132
The issuance of long-term debt (bond, loans, and capital leases) provided current financial resources to governmental funds, while the repayment of the principal of the long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
Principal Payments on Bonds and Loans	9,989,010
Proceeds from the Issuance of Bonds	(11,717,851)
Amortization of Bond Premiums and Discounts	1,445,980
Amortization of Gain on Refunding of Bonds	434,183
Governmental funds report City pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.	
Net Effect of Pension Entries on Statement of Activities	(16,856,748)
Expenses in the statement of activities that do not requre financial resources are not reported as expenditures in the fund:	
Change in Revenue not Available for Current Resources	2,190,911
Decrease in Accrued Compensated Absences (excluding Internal Service Funds)	190,192
Increase in Accrued Interest	(110,935)
Net Change in Net Position - Governmental Activities	$ (7,236,622)

See accompanying Notes to Financial Statements.

CITY OF SANTA FE, NEW MEXICO
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL (GAAP BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2018

	General Fund			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
State-Shared Taxes:				
Gross Receipts	$ 24,228,214	$ 24,578,214	$ 22,291,780	$ (2,286,434)
Motor	351,273	351,273	416,819	65,546
Gasoline	-	-	-	-
Total State-Shared Taxes	24,579,487	24,929,487	22,708,599	(2,220,888)
Local Taxes:				
Gross Receipts	40,466,309	41,116,309	42,623,629	1,507,320
Property	8,208,139	8,208,139	9,044,751	836,612
Total Local Taxes	48,674,448	49,324,448	51,668,380	2,343,932
Regulatory Fees:				
Franchise	4,605,575	4,605,575	4,378,595	(226,980)
Total Fees	4,605,575	4,605,575	4,378,595	(226,980)
Other Revenues:				
Licenses and Permits	4,289,598	4,289,598	4,180,409	(109,189)
Intergovernmental State	205,427	369,860	819,036	449,176
Intergovernmental Local	-	44,000	11,146	(32,854)
Fees and Charges for Services	7,732,854	7,732,854	11,029,389	3,296,535
Fines and Forfeitures	746,421	746,421	241,812	(504,609)
Rents, Royalties, and Concessions	77,848	77,848	24,117	(53,731)
Investment Income	1,613,272	1,613,272	17,555	(1,595,717)
Other Revenues	221,300	269,193	196,673	(72,520)
Total Other Revenue	14,886,720	15,143,046	16,520,137	1,377,091
Total Revenues	92,746,230	94,002,556	95,275,711	1,273,155
EXPENDITURES				
General Government:				
Current:				
General Government:	5,385,198	5,290,556	5,626,860	(336,304)
Municipal Court	1,719,448	1,579,446	1,504,613	74,833
City Clerk	1,457,092	1,560,292	1,271,332	288,960
Personnel	1,157,631	1,501,336	1,438,979	62,357
Finance	5,201,564	4,632,565	7,584,817	(2,952,252)
Planning	2,748,363	2,803,356	2,773,454	29,902
Facilities Maintenance	4,156,065	3,687,724	3,604,347	83,377
Total Current	21,825,361	21,055,275	23,804,402	(2,749,127)

See accompanying Notes to Financial Statements.

CITY OF SANTA FE, NEW MEXICO
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL (GAAP BUDGETARY BASIS) (CONTINUED)
YEAR ENDED JUNE 30, 2018

	General Fund			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES (CONTINUED)				
General Government (Continued):				
Capital Outlay:				
General Government	$ 39,403	$ 50,480	$ -	$ 50,480
Municipal Court	-	-	-	-
City Clerk	39,500	45,300	-	45,300
Personnel	-	5,300	5,299	1
Finance	127,000	132,868	40,368	92,500
Planning	20,000	29,384	29,368	16
Facilities Maintenance	177,933	185,591	185,591	-
Total Capital Outlay	403,836	448,923	260,626	188,297
Total General Government	22,229,197	21,504,198	24,065,028	(2,560,830)
Public Safety:				
Current:				
Police	21,817,522	24,320,685	23,660,981	659,704
Fire	18,336,956	19,416,583	19,217,971	198,612
Total Current	40,154,478	43,737,268	42,878,952	858,316
Capital Outlay:				
Police	444,900	426,400	376,633	49,767
Fire	47,589	23,104	22,784	320
Total Capital Outlay	492,489	449,504	399,417	50,087
Total Public Safety	40,646,967	44,186,772	43,278,369	908,403
Public Works:				
Current:				
Administration	377,945	374,745	404,659	(29,914)
Highways, Streets, and Roads	2,412,576	2,102,393	1,998,016	104,377
Traffic Engineering	3,060,299	2,790,979	2,706,980	83,999
Public Works	-	-	-	-
Total Current	5,850,820	5,268,117	5,109,655	158,462
Capital Outlay:				
Administration	-	-	-	-
Highways, Streets, and Roads	-	-	-	-
Traffic Engineering	170,000	182,576	170,660	11,916
Public Works	-	-	-	-
Total Capital Outlay	170,000	182,576	170,660	11,916
Total Public Works	6,020,820	5,450,693	5,280,315	170,378

See accompanying Notes to Financial Statements.

CITY OF SANTA FE, NEW MEXICO
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL (GAAP BUDGETARY BASIS) (CONTINUED)
YEAR ENDED JUNE 30, 2018

	General Fund			
	Budgeted Amounts		Actual Amounts	Variance From Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
EXPENDITURES (CONTINUED)				
Community Development:				
Current:				
Senior Citizens	$ 319,109	$ 320,569	$ 271,795	$ 48,774
Community Services	1,946,309	1,852,625	1,678,146	174,479
Inspection	1,391,430	1,495,046	1,460,889	34,157
Permits & Review	1,029,695	1,035,195	1,024,366	10,829
Total Current	4,686,543	4,703,435	4,435,196	268,239
Capital Outlay:				
Senior Citizens	-	-	-	-
Community Services	-	-	-	-
Inspection	-	-	34,980	(34,980)
Total Capital Outlay	-	-	34,980	(34,980)
Total Community Development	4,686,543	4,703,435	4,470,176	233,259
Culture and Recreation:				
Current:				
Parks/Grounds Maintenance	6,907,741	7,317,106	7,388,337	(71,231)
Recreation	2,354,218	2,354,218	1,993,508	360,710
Total Current	9,261,959	9,671,324	9,381,845	289,479
Capital Outlay:				
Parks/Grounds Maintenance	55,630	79,860	161,059	(81,199)
Recreation	-	-	-	-
Total Capital Outlay	55,630	79,860	161,059	-
Total Culture and Recreation	9,317,589	9,751,184	9,542,904	208,280
Education:				
Current:				
Libraries	2,676,263	2,715,813	2,675,293	40,520
Total Current	2,676,263	2,715,813	2,675,293	40,520
Capital Outlay:				
Libraries	-	-	-	-
Total Capital Outlay	-	-	-	-
Total Education	2,676,263	2,715,813	2,675,293	40,520
Total Expenditures	85,577,379	88,312,095	89,312,085	(999,990)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	7,168,851	5,690,461	5,963,626	273,165
OTHER FINANCING SOURCES (USES)				
Transfers In	692,860	1,512,613	1,658,068	145,455
Transfers Out	(4,980,509)	(6,739,886)	(6,739,886)	-
Sale of Capital Assets	-	-	100	100
Total Other Financing Sources (Uses)	(4,287,649)	(5,227,273)	(5,081,718)	100
NET CHANGE IN FUND BALANCE	2,881,202	463,188	881,908	418,720
Fund Balances - Beginning of Year	13,196,903	(4,704,563)	14,240,640	18,945,203
FUND BALANCES - END OF YEAR	$ 16,078,105	$ (4,241,375)	$ 15,122,548	$ 19,363,923

See accompanying Notes to Financial Statements.

CITY OF SANTA FE, NEW MEXICO
STATEMENT OF NET POSITION – ENTERPRISE FUNDS
JUNE 30, 2018

	Business-Type Activities - Enterprise Funds								
	Wastewater Management	Water Management	Environmental Services	Railyard Properties	Santa Fe Convention Center	College of Santa Fe	Nonmajor Enterprise Funds	Total	Governmental Activities - Internal Service Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES									
Current Assets:									
Cash, Investments, and Cash Equivalents	$ 31,064,973	$ 44,208,479	$ 14,102,918	$ 1,562,774	$ 6,828,443	$ 1,024,934	$ 11,711,867	$ 110,504,388	$ 20,083,986
Restricted Cash, Cash Equivalents, and Investments:									
Restricted for Debt Service Payments	216,720	373,522	111,801	29,628	82,362	454	111,912	926,399	-
Restricted for Compliance	185,300	-	176,364	-	-	2,543	-	364,207	-
Restricted for Customer Deposits Payable	-	-	-	-	-	-	-	-	-
Grants Receivable	8,206	81,228	9,491	97,600	-	-	3,848,005	4,044,530	-
Receivable, Net of Allowances:									
State-Shared Taxes	455,300	407,720	455,339	-	-	-	-	1,318,359	-
Accounts	2,469,487	6,619,903	1,633,451	-	-	-	220,990	10,943,831	5,373
Interest Receivable	74,407	129,160	30,642	-	17,179	3,068	17,681	272,137	41,635
Notes Receivable	190,132	-	-	-	247,843	-	-	437,975	-
Other Receivable	115	-	-	-	-	-	233,237	233,352	-
Prepaid Expense	190,136	1,889,943	-	33,975	250,853	-	161	2,365,068	-
Due from Other Funds	-	5,015,739	-	-	-	-	-	5,015,739	-
Inventory	-	362,053	-	-	-	-	-	362,053	-
Total Current Assets	34,854,776	59,087,747	16,520,006	1,723,977	7,426,680	1,030,999	16,143,853	136,788,038	20,130,994
Capital Assets:									
Land and Water Rights	25,498	5,797,839	-	20,145,837	-	11,164,785	4,451,778	41,585,737	-
Buildings and Structures	28,817,899	126,512,488	355,096	8,351,011	48,163,469	42,128,220	73,978,616	328,306,799	-
Sewerlines and Utility Systems	31,038,874	127,875,983	-	-	-	-	29,820	158,944,677	-
Improvements	31,359,635	44,912,800	1,133,395	31,241,586	336,738	-	46,671,573	155,655,727	-
Furniture and Fixtures	-	561,743	-	-	19,543	-	36,499	617,785	-
Equipment and Machinery	2,061,709	7,484,454	223,327	-	341,840	-	5,078,644	15,189,974	6,812
Vehicles	2,742,148	2,106,876	14,302,355	-	54,531	-	14,847,061	34,052,971	35,829
Intangible Plant	-	57,625	-	-	-	-	-	57,625	-
Data Processing Equipment/Software	175,597	1,282,297	-	-	94,117	-	867,495	2,419,506	60,279
Art	-	-	-	-	35,000	-	180,971	215,971	-
Construction in Progress	753,776	1,791,727	-	107,408	7,174	-	2,332,169	4,992,254	-
Less: Accumulated Depreciation	(74,300,358)	(124,268,421)	(8,507,392)	(24,727,412)	(12,080,668)	(9,426,268)	(67,547,696)	(320,858,215)	(46,321)
Total Capital Assets, Net Accumulated Depreciation	22,674,778	194,115,411	7,506,781	35,118,430	36,971,744	43,866,737	80,926,930	421,180,811	56,599
Deferred Outflows of Resources:									
Unamortized Loss on Refunding Bonds	-	-	-	-	-	-	-	-	-
Deferred Outflows Related to Pension/OPEB Activity	1,179,666	2,060,736	1,170,953	59,130	261,666	-	3,287,470	8,019,621	1,172,041
Total Deferred Outflows of Resources	1,179,666	2,060,736	1,170,953	59,130	261,666	-	3,287,470	8,019,621	1,172,041
Total Assets and Deferred Outflows of Resources	$ 58,709,220	$ 255,263,894	$ 25,197,740	$ 36,901,537	$ 44,660,090	$ 44,897,736	$ 100,358,253	$ 565,988,470	$ 21,359,634

See accompanying Notes to Financial Statements.

CITY OF SANTA FE, NEW MEXICO
STATEMENT OF NET POSITION – ENTERPRISE FUNDS (CONTINUED)
JUNE 30, 2018

	Business-Type Activities - Enterprise Funds								
	Wastewater Management	Water Management	Environmental Services	Railyard Properties	Santa Fe Convention Center	College of Santa Fe	Nonmajor Enterprise Funds	Total	Governmental Activities - Internal Service Funds
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES									
Current Liabilities:									
Accounts Payable	$ 239,543	$ 1,648,576	$ 625,570	$ 12,208	$ 48,979	$ 257	$ 2,149,442	$ 4,724,575	$ 1,697,073
Gross Receipts Taxes Payable	35,266	155,589	44,851	-	-	-	34,800	270,506	-
Compensated Absence Payable	91,952	172,943	76,230	7,862	9,924	-	230,494	589,405	289,307
Accrued Wages Payable	147,855	251,533	143,276	6,725	29,818	-	454,993	1,034,200	149,505
Claims and Judgment Payable	-	-	-	-	-	-	-	-	6,783,583
Bonds Payable, Net of Amortized Discounts	2,476,512	1,107,689	1,068,639	1,082,342	1,889,330	-	1,692,528	9,317,040	-
Notes Payable	-	856,720	180,781	-	-	815,000	282,944	2,135,445	-
Accrued Interest Payable	38,749	208,283	23,926	35,219	63,613	117,455	42,624	529,869	-
Unearned Revenue	190,132	-	-	-	247,843	-	47,223	485,198	-
Other Liabilities	-	5,862,856	-	-	-	-	2,202	5,865,058	-
Customer Deposits Payable	30,400	2,242,343	-	-	212,882	-	34,029	2,519,654	-
Total Current Liabilities	3,250,409	12,506,532	2,163,273	1,144,356	2,502,389	932,712	4,971,279	27,470,950	8,919,468
Noncurrent Liabilities:									
Bonds Payable, Net of Unamortized Discounts	7,944,786	38,353,737	4,585,917	10,226,394	27,055,149	-	15,219,990	103,385,973	-
Notes Payable	-	10,292,849	909,000	-	-	23,325,000	2,153,805	36,680,654	-
Compensated Absences Payable	225,991	423,413	186,631	18,390	24,298	-	564,314	1,443,037	-
Net Pension Liability	4,964,530	8,679,440	4,946,531	249,390	1,103,826	-	13,848,311	33,792,028	5,125,989
Net OPEB Liability	2,810,847	4,829,905	2,575,916	134,647	593,349	-	7,681,210	18,625,874	571,064
Total Noncurrent Liabilities	15,946,154	62,579,344	13,203,995	10,628,821	28,776,622	23,325,000	39,467,630	193,927,566	5,697,053
Total Liabilities	19,196,563	75,085,876	15,367,268	11,773,177	31,279,011	24,257,712	44,438,909	221,398,516	14,616,521
Deferred Inflows of Resources:									
Unamortized Gain on Refunding of Bonds	85,447	(2,655,918)	-	20,841	-	-	65,702	(2,483,928)	-
Deferred Inflows Related to Pension/OPEB Activity	1,308,577	2,268,594	1,252,683	64,244	283,756	-	3,613,913	8,791,767	820,561
Total Deferred Inflows of Resources	1,394,024	(387,324)	1,252,683	85,085	283,756	-	3,679,615	6,307,839	820,561
Net Position:									
Net Investment in Capital Assets	12,168,033	157,309,903	1,852,225	23,788,853	8,027,265	43,866,737	63,948,710	310,961,726	-
Restricted for Debt Service	216,720	373,522	111,801	29,628	82,362	454	111,912	926,399	-
Restricted for Compliance	185,300	-	176,364	-	-	2,543	-	364,207	-
Unrestricted	25,548,580	22,881,917	6,437,399	1,224,794	4,987,696	(23,229,710)	(11,820,893)	26,029,783	5,922,552
Total Net Position	38,118,633	180,565,342	8,577,789	25,043,275	13,097,323	20,640,024	52,239,729	338,282,115	5,922,552
Total Liabilities, Deferred Inflows, and Net Position	$ 58,709,220	$ 255,263,894	$ 25,197,740	$ 36,901,537	$ 44,660,090	$ 44,897,736	$ 100,358,253	$ 565,988,470	$ 21,359,634

See accompanying Notes to Financial Statements.

CITY OF SANTA FE, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND NET POSITION – ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2018

	Business-Type Activities - Enterprise Funds								
	Wastewater Management	Water Management	Environmental Services	Railyard Properties	Santa Fe Convention Center	College of Santa Fe	Nonmajor Enterprise Funds	Total	Governmental Activities - Internal Service Funds
OPERATING REVENUES									
User Fees, Net of Allowance	$ 13,218,945	$ 38,145,294	$ 12,607,486	$ -	$ 907,329	$ -	$ 10,856,813	$ 75,735,867	$ -
Facilities Rentals	13,597	64,759	276,800	5,250	19,782	1,504,309	671,350	2,555,847	-
Other Revenues/Premiums	13,659	78,359	130,275	754,331	22,296	-	999,251	1,998,171	135,724
Premiums	-	-	-	-	-	-	-	-	35,866,893
Total Operating Revenues	13,246,201	38,288,412	13,014,561	759,581	949,407	1,504,309	12,527,414	80,289,885	36,002,617
OPERATING EXPENSES									
Salaries, Wages, and Fringe Benefits	3,544,249	1,183,135	4,222,335	147,021	1,105,554	-	8,699,290	18,901,584	8,027,661
Contractual Services and Utilities	1,318,487	3,797,156	2,687,506	387,461	423,355	-	1,954,430	10,568,395	2,323,730
Repairs and Maintenance	931,887	781,520	650,711	3,739	88,818	1,031	791,830	3,249,536	463,162
Supplies	618,874	831,315	605,176	12,860	113,805	3,665	1,187,966	3,373,661	2,293,477
Capital Outlay - Inventory-Exempt Items	24,879	80,110	211,551	4,392	101,628	92	262,208	684,860	713,375
Depreciation Expense	2,875,717	11,980,690	1,281,841	3,291,179	1,021,806	1,685,129	5,689,143	27,825,505	3,680
Insurance	317,694	331,156	245,715	-	33,383	-	646,228	1,574,176	3,874,411
Claims and Judgments	-	-	-	-	-	-	1,224	1,224	21,520,495
BDD - Source of Supply	-	6,388,599	-	-	-	-	-	6,388,599	-
Other	1,280,115	3,843,585	1,294,053	32,358	287,484	195,044	3,640,419	10,573,058	206,020
Total Operating Expenses	10,911,902	29,217,266	11,198,888	3,879,010	3,175,833	1,884,961	22,872,738	83,140,598	39,426,011
Operating Income (Loss)	2,334,299	9,071,146	1,815,673	(3,119,429)	(2,226,426)	(380,652)	(10,345,324)	(2,850,713)	(3,423,394)
NONOPERATING REVENUES (EXPENSES)									
Investment Income	141,406	259,527	(124,658)	676	32,334	5,079	20,171	334,535	62,415
Intergovernmental:									
State-Shared Taxes	2,231,738	-	2,231,990	-	-	-	-	4,463,728	-
Federal	-	4,365	-	-	-	-	3,512,919	3,517,284	-
State	-	-	-	106,625	5,820	-	657,793	770,238	-
Gain (Loss) on Sale of Capital Assets	(5,946)	4,500	2,749	-	-	-	(6,085)	(4,782)	-
Interest Expense	(533,238)	(1,581,514)	(270,836)	(457,723)	(1,631,345)	(1,442,282)	(792,873)	(6,709,811)	-
Prem (Discount) Debt Service Expense	252,029	(2,438,229)	168,639	72,342	175,357	-	154,128	(1,615,734)	-
Other Nonoperating Revenue (Expense)	-	-	-	-	-	-	-	-	-
Total Nonoperating Revenues (Expenses)	2,085,989	(3,751,351)	2,007,884	(278,080)	(1,417,834)	(1,437,203)	3,546,053	755,458	62,415
Income (Loss) Before Transfers and Capital Contributions	4,420,288	5,319,795	3,823,557	(3,397,509)	(3,644,260)	(1,817,855)	(6,799,271)	(2,095,255)	(3,360,979)
Capital Grants:									
Transfers In	-	-	14,224	2,086,001	5,809,621	1,200,000	18,707,835	27,817,681	2,444,413
Transfers Out	(206)	(222,972)	(264,694)	-	(32,142)	-	(4,513,377)	(5,033,391)	(2,280,281)
Change in Net Position	4,420,082	5,096,823	3,573,087	(1,311,508)	2,133,219	(617,855)	7,395,187	20,689,035	(3,196,847)
Total Net Position - Beginning of Year	37,037,390	181,205,677	8,064,480	26,514,722	11,668,908	21,257,879	53,968,597	339,717,653	9,797,732
Restatement	(3,338,839)	(5,737,158)	(3,059,778)	(159,939)	(704,804)	-	(9,124,055)	(22,124,573)	(678,333)
Net Position - Beginning of Year, As Restated	33,698,551	175,468,519	5,004,702	26,354,783	10,964,104	21,257,879	44,844,542	317,593,080	9,119,399
TOTAL NET POSITION - END OF YEAR	$ 38,118,633	$ 180,565,342	$ 8,577,789	$ 25,043,275	$ 13,097,323	$ 20,640,024	$ 52,239,729	$ 338,282,115	$ 5,922,552

See accompanying Notes to Financial Statements.

CITY OF SANTA FE, NEW MEXICO
STATEMENT OF CASH FLOWS – ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2018

	Business-Type Activities - Enterprise Funds								
	Wastewater Management	Water Management	Environmental Services	Railyard Properties	Santa Fe Convention Center	College of Santa Fe	Nonmajor Enterprise Funds	Total	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES									
Cash Received from Customers	$ 12,901,492	$ 37,881,762	$ 13,238,907	$ 759,581	$ 959,914	$ 1,699,309	$ 12,444,697	$ 79,885,662	$ 36,024,791
Cash Payments to Suppliers for Goods and Services	(1,932,271)	(8,811,613)	(4,518,691)	(440,458)	(1,123,208)	(199,575)	(4,477,494)	(21,503,310)	(30,203,278)
Cash Payments to Employees for Services	(4,453,492)	(7,899,900)	(4,463,361)	(214,868)	(916,096)	-	(12,586,802)	(30,534,519)	(4,255,925)
Cash Paid for Interfund Services Provided	(2,610,958)	(778,669)	(668,410)	-	(242,531)	-	(2,174,623)	(6,475,191)	-
Net Cash Provided (Used) by Operating Activities	3,904,771	20,391,580	3,588,445	104,255	(1,321,921)	1,499,734	(6,794,222)	21,372,642	1,565,588
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES									
Intergovernmental Taxes and Grants	2,132,636	(345,813)	2,131,594	9,791	5,820	-	2,859,955	6,793,983	-
Transfers In from Other Funds	-	-	14,224	2,086,001	5,809,621	1,200,000	18,707,835	27,817,681	2,444,413
Transfers Out to Other Funds	(206)	(222,972)	(264,694)	-	(32,142)	-	(4,513,377)	(5,033,391)	(2,280,281)
Interfund Loan	-	-	-	-	-	-	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	2,132,430	(568,785)	1,881,124	2,095,792	5,783,299	1,200,000	17,054,413	29,578,273	164,132
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES									
Acquisition and Construction of Capital Assets	(1,709,358)	(8,532,642)	(3,032,419)	(106,642)	(169,824)	-	(2,566,074)	(16,116,959)	(60,279)
Proceeds from Sale of Capital Assets	10,047	4,498	6,931	-	-	-	7,390	28,866	-
Bond Proceeds	-	-	-	-	-	-	-	-	-
Premium on Refunding	-	-	-	-	-	-	-	-	-
Principal Paid on Revenue Bond Maturities and Notes Payable	(256,701)	(1,932,574)	(1,223,375)	(1,042,342)	(1,090,156)	(775,000)	(2,001,622)	(8,321,770)	-
Interest Paid on Revenue Bonds and Notes Payable	(2,175,138)	(1,366,683)	(144,445)	(389,846)	(1,027,540)	(1,445,266)	(655,264)	(7,204,182)	-
Other Uses - Bond Refunding	-	-	-	-	-	-	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(4,131,150)	(11,827,401)	(4,393,308)	(1,538,830)	(2,287,520)	(2,220,266)	(5,215,570)	(31,614,045)	(60,279)
CASH FLOWS FROM INVESTING ACTIVITIES									
Interest and Dividends on Investments	104,471	197,742	(139,184)	676	19,525	2,011	9,603	194,844	44,926
Net Cash Provided (Used) by Investing Activities	104,471	197,742	(139,184)	676	19,525	2,011	9,603	194,844	44,926
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,010,522	8,193,136	937,077	661,893	2,193,383	481,479	5,054,224	19,531,714	1,714,367
Cash, Investments, and Cash Equivalents - Beginning of Year	29,456,467	36,388,865	13,454,006	930,509	4,717,422	546,452	6,769,555	92,263,276	18,369,619
CASH, INVESTMENTS, AND CASH EQUIVALENTS - END OF YEAR	$ 31,466,989	$ 44,582,001	$ 14,391,083	$ 1,592,402	$ 6,910,805	$ 1,027,931	$ 11,823,779	$ 111,794,990	$ 20,083,986

See accompanying Notes to Financial Statements.

CITY OF SANTA FE, NEW MEXICO
STATEMENT OF CASH FLOWS – ENTERPRISE FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2018

	Business-Type Activities - Enterprise Funds								
	Wastewater Management	Water Management	Environmental Services	Railyard Properties	Santa Fe Convention Center	College of Santa Fe	Nonmajor Enterprise Funds	Total	Governmental Activities - Internal Service Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES									
Operating Income (Loss)	$ 2,334,299	$ 9,071,146	$ 1,815,673	$ (3,119,429)	$ (2,226,426)	$ (380,652)	$ (10,345,324)	$ (2,850,713)	$ (3,423,394)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:									
Depreciation/Amortization/Bad Debt Expense	2,875,717	11,980,690	1,281,841	3,291,179	1,021,806	1,685,129	5,689,143	27,825,505	3,680
Difference between Deferred Outflows Related to Pensions and OPEB	1,232,362	4,423,664	932,086	73,832	106,984	-	4,044,000	10,812,928	(618,586)
Difference between Deferred Inflows Related to Pensions and OPEB	1,095,230	1,695,037	1,066,665	52,483	251,148	-	2,965,430	7,125,993	771,607
Difference Between Net Pension/OPEB Liability	(3,231,396)	(12,841,984)	(2,222,979)	(198,594)	(179,581)	-	(10,901,579)	(29,576,113)	3,259,264
Change in Assets and Liabilities:									
(Increase) Decrease in Accounts Receivable	(314,614)	(1,462,388)	224,346	-	-	-	(65,057)	(1,617,713)	22,174
(Increase) Decrease in Other Receivable	(115)	-	-	-	-	195,000	(19,209)	175,676	-
(Increase) Decrease in Prepaid Expenses	14,974	58,980	-	-	10,507	-	1,549	86,010	-
(Increase) Decrease in Due from Other Funds	-	997,500	-	-	-	-	-	997,500	-
Increase (Decrease) in Accounts Payable	(35,255)	415,062	516,717	352	1,244	257	1,776,187	2,674,564	1,316,118
Increase (Decrease) in Gross Receipts Tax Payable	(17,038)	(12,749)	(9,106)	-	-	-	2,298	(36,595)	-
Increase (Decrease) in Compensated Absences Payable	(14,220)	623	(22,302)	4,699	8,262	-	(37,905)	(60,843)	234,354
(Increase) Decrease in Accrued Wages Payable	8,781	5,895	5,504	(267)	2,645	-	42,542	65,100	125,097
Increase (Decrease) in Other Liabilities	-	5,862,856	-	-	-	-	837	5,863,693	-
Increase (Decrease) Customer Deposits	1,000	197,990	-	-	(318,510)	-	5,643	(113,877)	-
Increase (Decrease) Unearned Revenue	(44,954)	-	-	-	-	-	47,223	2,269	-
(Increase) Decrease in Inventory	-	(742)	-	-	-	-	-	(742)	-
Increase (Decrease) in Claims Payable	-	-	-	-	-	-	-	-	(124,726)
Increase (Decrease) in Due to Other Funds	-	-	-	-	-	-	-	-	-
Total Adjustments	1,570,472	11,320,434	1,772,772	3,223,684	904,505	1,880,386	3,551,102	24,223,355	4,988,982
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 3,904,771	$ 20,391,580	$ 3,588,445	$ 104,255	$ (1,321,921)	$ 1,499,734	$ (6,794,222)	$ 21,372,642	$ 1,565,588

See accompanying Notes to Financial Statements.

CITY OF SANTA FE, NEW MEXICO
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES – FIDUCIARY FUNDS
JUNE 30, 2018

	Agency Funds
ASSETS	
Cash:	
Santa Fe Solid Waste Management Agency	$ 19,324,515
Sick Leave Bank	489,093
Receivable:	
Buckman Cash Overdraft	2,188,838
Total Assets	$ 22,002,446
LIABILITIES	
Deposits Held for Others:	
Santa Fe Solid Waste Management Agency	$ 19,324,515
Sick Leave Bank	489,093
Cash Overdraft:	
Buckman Direct Diversion Project	2,188,838
Total Liabilities	$ 22,002,446

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Santa Fe (the City) is a municipal corporation governed by an elected mayor and an eight-member council. The accompanying financial statements present the government as an entity for which the City is considered to be financially accountable. The City has no component units or blended component units that are legally separate entities.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on the government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual enterprise funds are reported as separate columns in the basic fund financial statement. The City has three fiduciary funds, Buckman, SWAMA and a Union Sick Leave Bank. As the Fiscal Agent for both Buckman and SWAMA the City has Fiduciary responsibilities to these entities. As a convenience to Union City employees, the Finance Department tracks and communicates to Sick Leave Bank balances available for Union employee use.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting,* as is the fiduciary fund financial statement. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions should be recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from non-exchange transactions should be recognized when the related purpose restriction, eligibility requirement, or time requirement is met in accordance with GASB 33 and GASB 65. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property tax receivables are recognized in the period for which the taxes are levied, net of estimated refunds and uncollectible amounts. All other revenue items are considered to be measurable and available only when cash is received by the government. Unavailable revenues are classified as a deferred inflow of resources

The City reports the following major governmental funds:

- The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

- *Debt Service Funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

- The *1/2% Gross Receipts Tax Fund* is used to account for the City's portion of gross receipts taxes collected by the State of New Mexico per Ordinance No. 1981-45. The Ordinance dedicates ½ of 1 percent for capital improvements to City facilities and street and road construction and re-construction to include any future operating expenditures (i.e. personnel or administrative costs) necessitated by the expansion of the services and facilities to the public.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The City reports the following major proprietary funds:

- The Waste Water Management Fund accounts for the operation of the City's treatment and sewage system.
- The Water Management Fund accounts for the activities of the City's water supply, transmission and distribution systems.
- The Environmental Services Fund accounts for the operation of the City's solid waste collection service.
- The Railyard Property Fund accounts for the development of 50 acres of prime real estate near the center of the City previously owned by the railroad and a private developer.
- The Santa Fe Convention Center Fund (formerly known as Sweeney Convention Center), accounts for the operation of the City's convention center.
- The College of Santa Fe fund accounts for the lease operations, debt service, and construction activities associated with the City's purchase of the college from a not-for-profit corporation and subsequent lease to Laureate Education Inc. in September of 2009.

Additionally, the City reports the following fund types:

- Internal service funds account for the City's Santa Fe Health Fund/Dental Fund, Risk Management Fund, Workers' Compensation Fund and the Union Sick Leave Bank which are services to City departments on a cost reimbursement basis.

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the utilities functions and insurance functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include charges to customers or applicants for goods, services, or privileges provided, operating grants and contributions, and capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal serve funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Liabilities, and Net Position or Equity

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

City funds are invested in accordance with New Mexico State Statute 6-10-36, and with the City of Santa Fe Investment Policy, which states:

City funds shall be invested in accordance with New Mexico Statute 6-10-36 and shall be equitably distributed among all banks and credit unions having their main or manned branch offices within the municipal boundaries and who are interested in doing business with the City, as directed by Statute 6-10-36, Paragraph C. Collateralization will be required on all deposits in excess of amounts insured by the Federal Deposit Insurance Corporation, or the National Credit Union Association. The collateralization level will be one hundred two percent of the market value of principal, per City of Santa Fe Investment Policy. The City will diversify use of investment instruments to avoid incurring unreasonable risks inherent in over-investing in specific instruments or individual financial institutions and limit maturities to five years or less to avoid interest rate risk. Certain investments may be held to accommodate debt reserve requirements may have maturities of more than five years.

The Investment Policy provides for the following authorized investments:

- United States Treasury Securities (Bills, Notes and Bonds).
- Insured and/or collateralized (with securities of the U.S. Government, its agencies or instrumentalities, municipal securities, or Letters of Credit from the Federal Home Loan Bank of Dallas) checking or savings accounts, or certificates of deposit of banks, or credit unions, pursuant to State Board of Finance Collateral Policies.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Net Position or Equity (Continued)

Deposits and Investments (Continued)

- Other securities issued by the United States government or its agencies or instrumentalities that are either direct obligations of the United States, the Federal Home Loan Mortgage Corp., the Federal National Mortgage Assoc., the Federal Home Loan Bank, or the Federal Farm Credit Bank, or are backed by the full faith and credit of the United States Government.
- Money market funds that are registered with the SEC, carry an AA rating, invest entirely in U.S. government and/or U.S. government agency securities (as defined above), and maintain total asset size of not less than $100,000,000.
- Bonds or negotiable securities of the State of New Mexico or of any county, municipality or school district which has a taxable valuation of real property of at least one million dollars and has not defaulted in payment of interest or sinking fund obligations or failed to pay any bonds at maturity at any time within the past five years and is rated AA equivalent or better on purchase date. Reasonable prudent measures will be taken to liquidate an investment that is downgraded to less than the required minimum rating.
- Investments in the New Mexico Local Government Investment Pool (NM LGIP)
    - The investments are valued at fair value based on quoted market prices as of the evaluation date;
    - The NM LGIP is not SEC registered, but does maintain an AAA rating (highest rating for pools) from Standard and Poor's. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments;
    - The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the accounting entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts were invested; and
    - Participation in the Local Government Investment Pool is voluntary.
- Repurchase agreements and forward purchase agreements with equivalent collateral of at least one hundred two percent of the market value of the securities plus accrued interest.

Interest earnings on pooled investments are distributed annually to participating funds with a balance greater than $500,000 based on the average of quarter-end cash balances. Investments for the City are stated at fair value.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Net Position or Equity (Continued)

Receivables and Payables

Activity between funds that are representative of lending/borrowing agreements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are also reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are classified as nonspendable fund balance in the general fund to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of an allowance for uncollectible that is based on historical collections data.

Property taxes are levied and collected by the Santa Fe County Treasurer on behalf of the City. Property taxes are levied in November and are payable in two installments. The first half is due on November 10 and becomes delinquent on December 10. The second half is due on April 10 and becomes delinquent on May 11, which is the lien date. Taxes are considered delinquent and subject to lien, penalty and interest, 30 days after the date on which they are due. Interest at the rate of 1 percent per month is incurred on installments following the delinquency date. By July 1 of each year, the County Treasurer prepares a property tax delinquency list of all property for which taxes have been delinquent for more than two years. The Taxation and Revenue Department receives the tax delinquency list and has the responsibility to take all action necessary to collect the taxes. The real property on which the taxes are assessed shall be offered for sale four years after the first date shown on the delinquency list. The County remits monthly to the City a percentage of the collections made during that period. The percentage is calculated by the County based upon the amounts collected, the mill levy, and the proportion of City taxpayers to the County as a whole.

Inventories and Prepaid Items

Inventories are valued at cost, which approximates market using the first-in, first-out (FIFO) method. Expenditures in governmental funds and expenses in proprietary funds are recorded as the inventory items are consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Net Position or Equity (Continued)

Inventories and Prepaid Items (Continued)

The City of Santa Fe is a party to a contract with the Bureau of Reclamation, United States of America which provides certain rights to purchase water from the San Juan Chama renewable water resource system. Per contract dating from 1976 and made permanent in 2006, the City of Santa Fe has rights to purchase 5,230 acre feet per year from the San Juan Chama system for which it pays a predetermined rate. The City may utilize the water in the year it purchases it or in a later year if utilization does not match the annual amount purchased. Amount acquired in excess of those amounts utilized are recorded as prepaid water assets in the statement of net position. The amount recorded at June 30, 2018 was $2,390,561.

Restricted Assets

Certain proceeds of bonds and loans, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. In addition, certain resources are restricted for post closure requirements in the water and wastewater utilities.

Capital Assets

Capital assets, which include property, plant, furniture, art, software, equipment, vehicles, and infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of $5,000 or more and an estimated useful life in excess of one year. Capital assets, if purchased or constructed, are recorded at historical costs or estimated historical cost if original cost was not available. Donated capital assets are recorded at acquisition value at the date of donation. City land acquired prior to 1987 was primarily by land grant or donation and is estimated to be 4,217 acres. Because original values are unknown, the parcels are valued at one dollar each.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Net Position or Equity (Continued)

Capital Assets (Continued)

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

Item	Years	Item	Years
Buildings	50	Vehicles	8
Waste Water Plant	20-25	Equipment and Machinery	4-10
Improvements	10	Sewerlines and Utility Systems	25
Furniture and Fixtures	10	Software	10
Data Processing Equipment	3	Solid Waste Trucks	4
Streets	25	Sewer Rodder/Vactors	10
Traffic Signals	10	Bridges	25

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation, compensatory hours, and sick pay benefits. There is a liability for these benefits since the City has a policy to pay any amount when the employee has earned the benefits. All vacation and compensatory hours are accrued when incurred in the government-wide and proprietary fund financial statements. The sick leave liability is calculated using the vesting method. The City's employees can utilize these balances for early retirement, buy out options, or donate the hours to a sick leave bank to be used by other employees.

Pensions/Other Post Employment Benefits (OPEB)

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the New Mexico Retiree Health Care Authority (NMRHCA) and additions to/deductions from NMRHCA's fiduciary net position have been determined on the same basis as they are reported by NMRHCA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, NMRHCA recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Net Position or Equity (Continued)

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statement, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount.

The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financial sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Balance

Fund balances of the governmental funds follows the order of spending first committed fund balance, then assigned fund balance, and last of all, unassigned fund balance and are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. Enabling legislation includes a legal enforceable requirement that resources be used only for specific purposes stipulated in the legislation. Legal enforceability means the government can be impelled by an external party to use resources for the purpose specified by the legislation. The amount of net position restricted by enabling legislation is $49,677,105 which represents all restricted net position reported on page 18.

Committed - amounts that can be used only for specific purposes determined by a formal action of City Council. The City Council is the highest level of decision-making authority for the City that can, by adoption of a resolution commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Assigned - amounts that are constrained by the City's intent to use them for a specific purpose, but are neither restricted nor committed. The City has not established a policy regarding the assignment of funds, so this category of fund balance represents the residual amounts not otherwise reported as nonspendable, restricted, or committed in governmental funds outside of the general fund.

Unassigned - all other spendable amounts. The general fund should be the only fund that reports a positive unassigned fund balance amount.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Net Position or Equity (Continued)

Fund Balance (Continued)

Fund Balance Purpose	General	Debt Service	1/2% Gross Receipts Tax	Nonmajor Governmental Funds	Total
NONSPENDABLE					
Inventory	$ 82,622	$ -	$ -	$ -	$ 82,622
Endowment	-	-	-	255,656	255,656
Restricted:					
Restricted General Government	7,791,216		9,686,449	10,326,497	27,804,162
Restricted Public Safety				3,557,278	3,557,278
Restricted Public Works				6,519,078	6,519,078
Restricted Community Development				3,153,370	3,153,370
Restricted Culture and Recreation				7,096,955	7,096,955
Committed:					
Committed General Government	1,616,780			862,789	2,479,569
Committed Culture and Recreation				664,998	664,998
Assigned:					
Assigned General Government			390,374	5,073,298	5,463,672
Assigned Public Safety				895,744	895,744
Assigned Public Works				10,848,028	10,848,028
Assigned Community Development				23,278	23,278
Assigned Culture and Recreation				635,103	635,103
Unassigned:					
Unassigned General Government	5,631,930	(3,024,867)		(9,683)	2,597,380
Unassigned Public Safety				-	-
Unassigned Public Works				(11,300)	(11,300)
Unassigned Community Development				-	-
Unassigned Culture and Recreation				-	-
Total	$ 15,122,548	$ (3,024,867)	$ 10,076,823	$ 49,891,089	$ 72,065,593

Net Position

The government-wide and business types fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

Net Investment in Capital Assets is intended to reflect the portion of net position which is associated with capital assets, net of accumulated depreciation, less outstanding capital asset related debt.

Restricted position for the City's bond issues, as defined in the associated bond covenants, are used for the payment of debt service (one-twelfth of principal, interest or both), and to fund reserve accounts to be used for final debt service payments. In addition, the City maintains fund balance compliance for post closure and obtains loans from authorized State agencies for capital projects, the loan documents of which occasionally require a debt service fund containing capitalized interest used for semi-annual debt service payments, and a reserve fund for use as the final debt service payment. The City also has received privately donated endowment funds for the Southside Library, expenditure of which is limited to interest by the donor and by City resolution. Unrestricted Net Position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

The City allocates expenses to restricted or unrestricted resources based on the budgeted source of funds. It is the City's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Net Position or Equity (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets for governmental funds are adopted on generally accepted accounting principles (GAAP basis). Annual budgets for proprietary funds are adopted on a basis other than generally accepted accounting principles. Depreciation is not budgeted for enterprise funds. All annual appropriations lapse at the fiscal year end.

The City is required to submit a proposed budget, which has been approved by the governing body, for each fiscal year on or before June 1st with the State of New Mexico Local Government Division of the Department of Finance and Administration. Before July 1, the Local Government Division approves and certifies an operating budget for use pending approval of the final budget. Prior to the first Monday in September, the Local Governmental Division must certify a final budget for the municipality.

Because the Non-GAAP basis of accounting is not generally accepted accounting method for propriety funds, differences result from budgeting for various items. Reconciliations between the budget basis (Non-GAAP) and GAAP basis are provided in the budgetary schedules.

The Local Government Division must also approve the following changes throughout the fiscal year:

- budget increases;
- transfers of budget between funds;
- transfers of cash, both permanent and temporary, between funds; and
- any combination of the above.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

Budgetary Information (Continued)

New Mexico state law prohibits municipalities from making expenditures in excess of the approved expenditures. State law mandates that municipalities develop and operate within the confines of a balanced budget. The total amount which the governing body appropriates in any particular fiscal year cannot exceed the probable amount of money available at the beginning of the year (cash balance or reserves) plus anticipated revenues during the fiscal year. As required by the state, the City prepares a budget for all fund types.

The appropriated budget is prepared by fund, function, and division. All amendments to the appropriated budget require City Council approval. The City manager may approve budget amendment increases or decreases of appropriations up to $60,000. The Finance Director may approve budget amendment increases or decreases up to $5,000. The amendments below the $60,000 threshold are ratified by City Council at the end of each quarter. Budget amendments in excess of $60,000 require Council approval. The legal level of budgetary control (i.e. the level at which expenditures may not legally exceed appropriations) is at the function level for the general fund; the fund level for special revenue and capital improvement funds; and at the division level for the proprietary funds. The City council approved supplemental budgetary appropriations during the fiscal year, primarily for new grant awards and additional project amounts, which did not materially affect cash reserves of related funds.

Encumbrance accounting is employed in all funds. Encumbrances (purchase orders, contracts and other commitments for the expenditure of resources) outstanding at year end are re-appropriated by request to the new fiscal year and do not constitute expenditures or liabilities because the commitments will be part of the following year original budget and honored during the subsequent year.

Excess of Expenditures/Expenses over Budgeted Appropriations

For the year ended June 30, 2018, expenditures/expenses exceeded budgeted appropriations in the following funds:

The business-type College of Santa Fe Fund is reporting excess expenses over appropriations of $137,621. This deficit was caused by the write off of $195,000 receivable after the deadline for budget adjustments.

The special revenue Franchise Fee fund is reporting excess expenditures over appropriations of $3,558. This deficit was caused by a journal entry that was posted after the deadline for budget adjustments.

The special revenue Law Enforcement Grants fund is reporting excess expenditures over appropriations of $53,285. This deficit was caused by a journal entry that was posted after the deadline for budget adjustments.

The special revenue Historic Preservation fund is reporting excess expenditures over appropriations of $80. This deficit was caused by a journal entry that was posted after the deadline for budget adjustments.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

Excess of Expenditures/Expenses over Budgeted Appropriations (Continued)

The special revenue NEA Grants fund is reporting excess expenditures over appropriations of $2,586. This deficit was caused by a journal entry that was posted after the deadline for budget adjustments.

The special revenue Land Development fund is reporting excess expenditures over appropriations of $102,616. This deficit was caused by a journal entry that was posted after the deadline for budget adjustments.

The Debt Service fund is reporting excess expenditures over appropriations of $111,978. This deficit was caused by unbudgeted interest expenditures and unbudgeted bond counsel expenditures.

Deficit Fund Equity

The Debt Service Fund has a deficit fund balance of $3,024,867. This deficit is primarily due to a deficit beginning fund balance of $3,762,407 created by the net effect of the prior period pay off of the 2008 General Obligation Bond and receipt of internal loan proceeds from the Water Department. The current year deficit has been reduced primarily by the annual payment to the Water Management Fund internal loan.

The Franchise Fee fund has a deficit fund balance of $9,683. This deficit in this special revenue fund is due to the accrual of accounts payable at the end of the year.

Two Internal Service funds have a combined deficit fund balance of $5,497,050. The Risk Management internal service fund has a deficit net position of $4,781,783. This deficit is primarily due to an increase in the Net Pension Liability. The Services to Other Funds fund has a deficit of $715,267. This deficit is due to the accrual of accounts payable at the end of the year.

NOTE 3 CASH AND CASH EQUIVALENTS

At year-end, the carrying amount of deposits for the City of Santa Fe was $94,928,583 and the year-end bank balance was $98,178,566. The total of demand deposits and short term-term certificates of deposit were covered by Federal Depository Insurance, by collateral held by the City's agent in the City's name, by letters of credit from the Federal Home Loan Bank of Dallas purchased by the depository institution, or by collateral held at appropriate custodial banks as delivered by the depository institution for the various certificates of deposit and investment accounts other than those held by the City's agent bank. The City's repurchase sweep account, the underlying investments of which are U.S. Government securities, is also subject to collateralization requirements.

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2018 none of the City's deposits were exposed to custodial credit risk. The total of demand deposits and certificates of deposit were covered by FDIC, by collateral held by the City's agent in the City's name, by letters of credit from the Federal Home Loan Bank of Dallas purchased by the depository institution, or by collateral held at appropriate custodial banks as delivered by the depository institution for certificates of deposit, and investment accounts other than those held at the City's fiscal agent bank.

NOTE 4 INVESTMENTS

As of June 30, 2018, the City had the following investments and maturities:

		Maturities		
	Fair Value	Less than 1 Year	1 - 3 Years	3 - 5 Years
U.S. Government Agency	$ 91,918,765	$ 45,283,625	$ 46,635,140	$ -
NM Municipal Bonds	2,482,500	-	2,482,500	-
		$ 45,283,625	$ 49,117,640	$ -
Money Market Funds*	98,101,530			
Total	$ 192,502,795			

Interest Rate Risk

The primary risk the City faces in the management of the portfolio. The investment policy limits the City's exposure to interest rate risk by limiting the maximum maturity of securities to five years and certificates of deposits to three years. The City uses duration as its measure of interest rate risk.

Credit Risk

With the adoption of the new investment policy in December 2016, the City incorporated provisions in New Mexico State Statute 6-10-10 (G) 1 and 2. The City makes direct investments in U.S. Government, U.S. Agency securities, or New Mexico issued municipal bonds rated AA or better. The City also invests in investment pools authorized in 6-10-10 (G) 1 and 2; which have credit exposure to Commercial Paper, Corporate Bonds and Asset Backed Securities.

Concentration of Credit Risk

The City's investment policy specifies that the City shall diversify its investments to avoid a concentration of any one issuer, with the exception of the U.S. Treasury securities, in which the City may invest 100% of the Portfolio.

NOTE 4 INVESTMENTS (CONTINUED)

Concentration of Credit Risk (Continued)

The following table lists the fair value of investments in securities, money markets and the NM LGIP, as well as balances in savings accounts and certificates of deposit in the City's portfolio as of June 30, 2018. It includes funds and investments of those external agencies for which the City acts as fiscal agent, but excludes the regular operating accounts.

Investment Type	Fair Value	% of Total	% Callable	WAMC/M (Days)	WAM (Days)	S&P Rating	Moody's Rating
Blackrock Prime Money Market	$ 26,244,577	12.58 %		25	25	AAAm	Aaa-mf
Fidelity Prime Money Market	20,372,292	9.76		20	20	AAAm	Aaa-mf
JP Morgan Prime Money Market	40,122,797	19.23		18	18	AAAm	Aaa-mf
Wells Fargo Gov't Money Market	11,361,864	5.45		25	25	AAAm	Aaa-mf
Subtotal Pool/MM	98,101,530	47.01					
US Agencies:							
FFCB	24,953,050	11.96	- %	550	550	AA+	AAA
FHLB	46,548,190	22.31	-	339	399	AA+	AAA
FNMA	2,492,225	1.19	-	120	120	AA+	AAA
FHLMC	7,970,750	3.82	-	137	137	AA+	AAA
Fed AGRIC	9,954,550	4.77	-	683	683	AA+	AAA
Subtotal Fed. Agency	91,918,765	44.05	-				
NM Municipals - Tax Exempt	2,482,500	1.19	-	365	365	AA-	Aa2
Subtotal Securities	94,401,265	45.24	45.24				
Cash Accounts	13,414,091	6.43					
CDs	2,745,639	1.32		136	136		
Total Investment Portfolio	$ 208,662,525	100.00 %	100.00 %	-	-		

The City's investment portfolio's effective duration at June 30, 2018 was .338 years and its modified duration was .358 years. Effective duration accounts for the changes to bond prices that include options, such as a call provision. Money Market Funds, savings accounts, NM LGIP and cash accounts have no duration and these funds represent 53 percent of the total portfolio. U.S. Government and US Agency, New Mexico municipal securities and certificates of deposits comprise 47 percent of the portfolio.

The City held uninsured deposits of $95,043,552 at June 30, 2018, of which 62.52% resided at Wells Fargo Bank, the City's fiscal agent bank. All uninsured funds were collateralized in compliance with State of New Mexico statute. For purposes of collateral, these bank accounts include operating accounts, certificates of deposit and investment accounts.

	Uninsured Cash Balance	%
Wells Fargo Bank	$ 13,308,887	88.36 %
Sun Flower Bank	1,750,000	11.62
First National Bank of Santa Fe	2,543	0.02
Total Collaterlized	$ 15,061,430	100.00 %

NOTE 4 INVESTMENTS (CONTINUED)

Fair Value Measurement

The fair value framework uses a hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. See above for discussion of valuation methodologies used to measure fair value of investments.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of net realizable or reflective of future fair values. Furthermore, while the City believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level within the fair value hierarchy, the City's assets at fair value as of June 30, 2018:

	Level 1	Level 2	Level 3	Total
U.S. Government Agency	$ 91,918,765	$ -	$ -	$ 91,918,765
NM Municipal Bonds	2,482,500	-	-	2,482,500
Money Markets	98,101,530	-	-	98,101,530

NOTE 4 INVESTMENTS (CONTINUED)

Receivables

Receivables at June 30, 2018 for the City's individual major funds, non-major and internal service funds are separated into government and business type, including the applicable allowances for uncollectible accounts, are as follows:

Governmental Activities

	General Fund	Debt Service	1/2% Gross Receipts Tax	Other Nonmajor Funds	Total
RECEIVABLES					
Taxes	$ 13,404,083	$ -	$ 4,247,900	$ 4,216,538	$ 21,868,521
Grants	433,667	-	-	4,780,088	5,213,755
Interest	11,711	6,777	13,362	43,823	75,673
Ambulance	3,579,795	-	-	-	3,579,795
Other Revenues	66,324	-	-	3,593,115	3,659,439
Gross Receivables	17,495,580	6,777	4,261,262	12,633,564	34,397,183
Less: Uncollectible Allowance	(3,346,566)	-	-	-	(3,346,566)
Total Primary Government	$ 14,149,014	$ 6,777	$ 4,261,262	$ 12,633,564	$ 31,050,617

Business-type Activities

	Waste-Water Mgmt.	Water Mgmt.	Environmental Services	Railyard Properties	Santa Fe Convention Center	College of Santa Fe	All Other Enterprise Funds	Total
Receivables:								
Taxes	$ 455,300	$ 407,720	$ 455,339	$ -	$ -	$ -	$ -	$ 1,318,359
Grants	8,206	81,228	9,491	97,600	-	-	3,848,005	4,044,530
Accounts	3,154,662	8,024,979	2,144,407	-	-	-	220,990	13,545,038
Interest	74,407	129,160	30,642	-	17,179	3,068	17,681	272,137
Other Receivable	190,247	-	-	-	247,843	195,000	233,237	866,327
Gross Receivables	3,882,822	8,643,087	2,639,879	97,600	265,022	198,068	4,319,913	20,046,391
Less: Uncollectible Allowance	(685,175)	(1,405,076)	(510,956)	-	-	(195,000)		(2,796,207)
Total Business-Type	$ 3,197,647	$ 7,238,011	$ 2,128,923	$ 97,600	$ 265,022	$ 3,068	$ 4,319,913	$ 17,250,184

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated:				
Land	$ 169,939,946	$ -	$ -	$ 169,939,946
Construction in Progress	20,199,232	8,848,430	(23,574,677)	5,472,985
Art	864,920	-	-	864,920
Total Capital Assets Not Being Depreciated	191,004,098	8,848,430	(23,574,677)	176,277,851
Capital Assets Being Depreciated:				
Buildings and Systems	60,469,656	1,666,651	(62,390)	62,073,917
Improvements	82,806,790	19,618,148	(222,266)	102,202,672
Equipment and Machinery	14,955,883	396,255	(1,479,785)	13,872,353
Furniture and Fixtures	597,274	6,973	(182,675)	421,572
Vehicles	24,038,358	2,007,783	(755,303)	25,290,838
Data Processing and Software	8,094,782	321,274	(424,376)	7,991,680
Traffic Signals	23,517,339	-	-	23,517,339
Streets	212,931,483	-	-	212,931,483
Bridges	2,109,269	2,031,319	-	4,140,588
Total Capital Assets Being Depreciated	429,520,834	26,048,403	(3,126,795)	452,442,442
Less: Accumulated Depreciation for:				
Buildings and Systems	(21,360,215)	(1,532,580)	40,604	(22,852,191)
Improvements	(45,410,288)	(6,377,091)	219,673	(51,567,706)
Equipment and Machinery	(11,358,628)	(915,900)	1,463,880	(10,810,648)
Furniture and Fixtures	(517,786)	(32,054)	180,865	(368,975)
Vehicles	(17,281,998)	(1,583,207)	738,169	(18,127,036)
Data Processing and Software	(7,023,581)	(541,485)	424,376	(7,140,690)
Traffic Signals	(23,009,547)	(176,526)	-	(23,186,073)
Streets	(167,162,121)	(2,989,643)	-	(170,151,764)
Bridges	(858,991)	(91,049)	-	(950,040)
Total Accumulated Depreciation	(293,983,155)	(14,239,535)	3,067,567	(305,155,123)
Total Capital Assets Being Depreciated	135,537,679	11,808,868	(59,228)	147,287,319
Governmental Activities Capital Assets	$ 326,541,777	$ 20,657,298	$ (23,633,905)	$ 323,565,170

NOTE 5 CAPITAL ASSETS (CONTINUED)

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated:				
Land	$ 38,260,558	$ -	$ -	$ 38,260,558
Water Rights	3,228,279	96,900	-	3,325,179
Construction in Progress	12,695,831	11,617,364	(19,320,941)	4,992,254
Art	185,971	30,000	-	215,971
Total Capital Assets Not Being Depreciated	54,370,639	11,744,264	(19,320,941)	46,793,962
Capital Assets Being Depreciated:				
Buildings and Structures	328,224,978	105,658	(23,837)	328,306,799
Improvements	150,708,232	5,428,045	(480,550)	155,655,727
Sewerlines and Utility Systems	144,902,634	14,118,042	(75,999)	158,944,677
Equipment and Machinery	21,173,523	381,827	(6,365,376)	15,189,974
Furniture and Fixtures	665,832	-	(48,047)	617,785
Vehicles	32,067,991	3,602,572	(1,617,592)	34,052,971
Intangible Plant	57,625	-	-	57,625
Data Processing and Software	3,184,688	57,490	(822,672)	2,419,506
Total Capital Assets Being Depreciated	680,985,503	23,693,634	(9,434,073)	695,245,064
Less: Accumulated Depreciation for:				
Buildings and Structures	(75,525,414)	(7,539,907)	13,103	(83,052,218)
Improvements	(102,901,110)	(11,125,328)	480,550	(113,545,888)
Sewerlines and Utility Systems	(80,646,464)	(5,821,132)	60,006	(86,407,590)
Equipment and Machinery	(19,456,721)	(418,174)	6,358,638	(13,516,257)
Furniture and Fixtures	(658,608)	(1,954)	48,046	(612,516)
Vehicles	(20,266,185)	(2,807,839)	1,617,408	(21,456,616)
Intangible Plant	(57,625)	-	-	(57,625)
Data Processing and Software	(2,921,006)	(111,171)	822,672	(2,209,505)
Total Accumulated Depreciation	(302,433,133)	(27,825,505)	9,400,423	(320,858,215)
Total Capital Assets Being Depreciated	378,552,370	(4,131,871)	(33,650)	374,386,849
Business-Type Activities Capital Assets	$ 432,923,009	$ 7,612,393	$ (19,354,591)	$ 421,180,811

NOTE 5 CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to function/programs of the government as follows:

Governmental Activities:	
General Government	$ 1,041,229
Public Safety	2,203,660
Public Works	6,744,062
Community Development	369,539
Culture and Recreation	3,881,045
Total Depreciation Expense - Governmental Activities	$ 14,239,535
Business-Type Activities:	
Santa Fe Convention Center	$ 1,021,806
Parking Operations	717,090
Environmental Services	1,281,841
Waste Water Management	2,875,717
Water Management	11,980,690
Municipal Recreation Center	256,579
Genoveva Chavez Community Center	794,814
Airport	2,247,079
Transit Operations	1,673,581
Railyard	3,291,179
College of Santa Fe	1,685,129
Total Depreciation Expense - Business-Type Activities	$ 27,825,505

Construction Commitments

The City of Santa Fe has active construction projects as of June 30, 2018. The projects include streets and highway construction, parks and recreation, municipal facilities, airport construction, community development, wastewater management, water division construction, railyard infrastructure, and transit projects.

At year end the City of Santa Fe's commitments with contractors are as follows:

	Spent to Date	Remaining Commitments
Project:		
Street and Highway Construction	$ 36,684,686	$ 1,866,140
Parks and Recreation	9,159,027	456,998
Municipal Facilities	847,625	342,908
Airport Construction	12,080,754	4,703,372
Community Development	2,649,449	29,054
Waste Water Management	5,395,314	112,875
Water Division Construction	29,498,508	3,106,909
Railyard Infrastructure	2,235,230	110,000
Transit	-	81,090
Total	$ 98,550,593	$ 10,809,346

NOTE 5 CAPITAL ASSETS (CONTINUED)

Construction Commitments (Continued)

The commitment for streets and highways is being financed by grants from the Federal Highway Administration, State Highway and Transportation Department, Gross Receipts Tax (GRT) bonds and existing resources from road funds, sewer line extension fund, economic development fund, and capital improvement funds (CIP). The commitment for parks and recreation is being financed by state grants from NM Department of Finance and Administration, Gross Receipts Tax bonds, and from existing general fund. Municipal facilities are financed by CIP re-allocations and ½% gross receipts tax fund. Airport construction commitments are financed by Federal Aviation Administration, bonds, and NM Highway and transportation grants. Community development commitments are financed by grants from State Agency on Aging, GRT bonds, and CIP re-allocations. Commitments for Wastewater treatment facility are financed by sewer revenues and existing resources from the CIP re-allocation fund. Commitments for the Water division are financed by gross receipts tax revenue bonds to be paid back from user fees, grants from federal agencies, and loans from the NM Finance Authority. Commitments for railyard infrastructure are financed by the U.S. Department of Housing and Development, GRT bonds, and the NM Department of Finance and Administration grants. Transit commitments are financed by NM Department of Finance and Administration grants, U.S. Department of Transportation grants, and GRT bonds.

NOTE 6 ENDOWMENT

The City of Santa Fe Library Endowment fund, of which the $255,000 principal must remain intact in perpetuity, was invested in a one-year certificate of deposit that matured in April 2018, and was renewed for another year at that time. The principal is invested to generate distributable income for the Southside Public Library to be used for library operations and maintenance of the building.

NOTE 7 INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of inter-fund balances as of June 30, 2018 is as follows:

Fund	Due from Other Funds	Due to Other Funds
Business-Type Activities:		
Water Management	$ 5,015,739	$ -
Governmental Activities:		
Debt Service	-	5,015,739
1/2% Gross Receipts Tax	560,000	-
Land Development	-	560,000
Total	$ 5,575,739	$ 5,575,739

NOTE 7 INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

Inter-Fund Transfers

Transfer In		Transfers Out						
		General Fund	Debt Service	1/2% Gross Receipts Tax	Other Nonmajor Funds	Enterprise Funds	Internal Service	Total
General Fund	$ 1,658,068	$ -	$ -	$ (415,755)	$ (1,242,313)	$ -	$ -	$ -
Debt Service	11,353,666	-	-	(7,850,450)	(3,503,216)	-	-	-
Other Nonmajor Funds	20,485,015	(6,739,886)	-	(7,880,223)	(2,184,156)	(3,680,750)	-	-
Enterprise Funds	27,817,681	-	-	-	(24,965,409)	(1,352,641)	(1,499,631)	-
Internal Service	2,444,413	-	-	-	(1,663,763)	-	(780,650)	-
Total	$ 63,758,843	$ (6,739,886)	$ -	$ (16,146,428)	$ (33,558,857)	$ (5,033,391)	$ (2,280,281)	$ -

The City has numerous inter-fund transactions during the course of the fiscal year. These transactions are treated as follows:

1. Inter-fund services provided and used are accounted for as revenues and expenditures/expenses in the funds involved. These types of transactions include administrative overhead charges that are charged to various City departments for services that are being provided (e.g. data processing, accounting, personnel, etc.). This also includes insurance premiums charged to the various City departments by the City's risk management fund which contracts with a third-party insurance carrier.

2. Inter-fund balances result from deficit cash balances and the loan from the ½ percent CIP GRT to the water management fund which it expects to collect in future years.

3. Transfers are used to 1) move revenues from the fund with collection authorization to where the resources are to be expended; 2) move unrestricted general fund revenue to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amount provided as matching funds for various grant programs.

4. Transfers from Utility Enterprise funds to support the centralized Utility Administration and Customer Service Functions.

5. Transfers from Utility Enterprise funds to the General Fund for the Utility Franchise Fees.

NOTE 8 LONG-TERM DEBT

Long–term debt of the City at June 30, 2018 consisted of revenue bonds payable solely from gross receipts tax revenues, revenue bonds payable solely from revenues of enterprise funds, general obligation bonds payable from property tax revenues, notes payable from gross receipts tax revenues, notes payable from lodger's tax revenues, notes payable from revenues of enterprise funds, capital leases, and compensated absences payable.

NOTE 8 LONG-TERM DEBT (CONTINUED)

Bonds Payable

The City has the following Bonds Outstanding at June 30, 2018:

Governmental Activities	Outstanding June 30, 2017	Additions	Reductions	Outstanding June 30, 2018	Due Within One Year	Long-Term
GRT Senior Lien Revenue						
Series 2016 B	$ 15,330,000	$ -	$ -	$ 15,330,000	$ 1,953,000	$ 13,377,000
Series 2014	15,460,000	-	-	15,460,000	-	15,460,000
Series 2013 A	4,805,000	-	(260,000)	4,545,000	3,445,000	1,100,000
Series 2012 A	22,690,000	-	(6,490,000)	16,200,000	1,750,000	14,450,000
	58,285,000	-	(6,750,000)	51,535,000	7,148,000	44,387,000
GRT Subordinate Lien Revenue						
Series 2016 D	2,020,000	-	-	2,020,000	160,000	1,860,000
Series 2013 B	13,015,000	-	(195,000)	12,820,000	505,000	12,315,000
Series 2008 Convention Center	1,560,000	-	(1,560,000)	-	-	-
Series 2018 Gas Tax	-	10,290,000	-	10,290,000	74,000	10,216,000
	16,595,000	10,290,000	(1,755,000)	25,130,000	739,000	24,391,000
GO Bonds						
Series 2014	5,395,000	-	(210,000)	5,185,000	215,000	4,970,000
Series 2013	10,545,000	-	(520,000)	10,025,000	535,000	9,490,000
Series 2010	7,695,000	-	(480,000)	7,215,000	500,000	6,715,000
	23,635,000	-	(1,210,000)	22,425,000	1,250,000	21,175,000
Bond Premiums (Discounts)	10,495,174	1,427,851	(1,445,980)	10,477,045	1,582,137	8,894,908
Total	$ 109,010,174	$ 11,717,851	$ (11,160,980)	$ 109,567,045	$ 10,719,137	$ 98,847,908

Business-Type Activities						
GRT Senior Lien Revenue						
Series 2016 A	$ 5,840,000	$ -	$ (860,000)	$ 4,980,000	$ 900,000	$ 4,080,000
Series 2016 B	6,535,000	-	(5,000)	6,530,000	837,000	5,693,000
	12,375,000	-	(865,000)	11,510,000	1,737,000	9,773,000
GRT Subordinate Lien Revenue						
Series 2017	4,530,000	-	(240,000)	4,290,000	240,000	4,050,000
Series 2016 C Waste Water	3,027,200	-	(642,350)	2,384,850	696,150	1,688,700
Series 2016 C MRC	4,787,800	-	(1,057,650)	3,730,150	1,088,850	2,641,300
Series 2012 B	8,230,000	-	(1,315,000)	6,915,000	1,500,000	5,415,000
Series 2012 C	-	-	-	-	-	-
Series 2010 B	7,170,000	-	(730,000)	6,440,000	770,000	5,670,000
Series 2006 B	-	-	-	-	-	-
Series 2006 C (Waste Water)	-	-	-	-	-	-
	27,985,000	-	(4,225,000)	23,760,000	4,295,000	19,465,000
Series 2015 Convention Center	20,165,150	-	(669,800)	19,495,350	765,450	18,729,900
Series 2015 Convention Parking	11,939,850	-	(490,200)	11,449,650	449,550	11,000,100
	32,105,000	-	(1,160,000)	30,945,000	1,215,000	29,730,000
Series 2016 Water	35,765,000	-	(875,000)	34,890,000	890,000	34,000,000
	35,765,000	-	(875,000)	34,890,000	890,000	34,000,000
Deferred Amount (Prem/Disc)	12,623,955	-	(1,025,943)	11,598,012	1,180,040	10,417,972
Total	$ 120,853,955	$ -	$ (8,150,943)	$ 112,703,012	$ 9,317,040	$ 103,385,972

NOTE 8 LONG-TERM DEBT (CONTINUED)

Bonds Payable (Continued)

Total City revenue bonded debt including governmental and business-type debt is as follows:

Purpose	Interest Rates	Amount
Governmental Activities	2.00% - 5.50%	$ 76,665,000
Business - Enterprises	1.35% - 6.00%	101,105,000
		$ 177,770,000

Annual debt service requirements for the City's revenue bonds to maturity are as follows:

Years Ended	Governmental Activities		Enterprise Activities	
June 30	Principal	Interest	Principal	Interest
2019	$ 8,553,000	$ 3,503,188	$ 8,137,000	$ 4,375,333
2020	7,709,000	3,023,898	8,891,000	4,001,984
2021	7,367,500	2,690,698	9,642,500	3,572,824
2022	7,765,500	2,355,873	8,214,500	3,105,984
2023	5,522,000	2,006,985	5,043,000	2,710,458
2024-2028	28,127,500	6,027,000	18,712,500	10,597,651
2029-2033	8,188,500	1,337,085	22,516,500	6,613,709
2034-2038	3,432,000	234,045	17,253,000	2,310,360
2039-2043	-	-	2,695,000	107,800
	$ 76,665,000	$ 21,178,770	$ 101,105,000	$ 37,396,102

Total City general obligation debt consisted of governmental debt as follows:

Purpose	Interest Rates	Amount
Governmental Activities	2.50% - 5.00%	$ 22,425,000
		$ 22,425,000

Annual debt service requirements for the City's general obligation bonds to maturity are as follows:

Years Ended	Governmental Activities	
June 30	Principal	Interest
2019	$ 1,250,000	$ 758,506
2020	1,290,000	725,831
2021	1,335,000	692,031
2022	1,380,000	650,156
2023	1,420,000	600,081
2024-2028	7,855,000	2,181,372
2029-2033	7,090,000	730,798
2034-2038	805,000	27,175
	$ 22,425,000	$ 6,365,951

NOTE 8 LONG-TERM DEBT (CONTINUED)

Advance and Current Refundings

The City did not advance or current refund any outstanding debt in fiscal year 2018. In the 2018 tax law changes adopted by Congress and signed into law by President Trump, advanced refunding is no longer an option for the City.

Defeased Debt

The City did not defease any debt in fiscal year 2018.

The City has defeased certain revenue and other bonds in prior years by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. As of June 30, 2018, the City had $16,819,505 in escrow accounts held at Bank of Albuquerque for the defeasement of the following bonds: 2008 General Obligation Bond and the 2012C Market Station bond.

Notes Payable

The City has the following Notes Payable outstanding at June 30, 2018:

	Outstanding June 30, 2017	Additions	Reductions	Outstanding June 30, 2018	Due Within One Year	Long-Term
Governmental Activities						
2008 Land Acquisition	$ 170,975	$ -	$ (170,975)	$ -	$ -	$ -
2017 Fire	917,815	-	(103,035)	814,780	112,417	702,363
	$ 1,088,790	$ -	$ (274,010)	$ 814,780	$ 112,417	$ 702,363
Business-Type Activities						
2009 College	$ 24,915,000	$ -	$ (775,000)	$ 24,140,000	$ 815,000	$ 23,325,000
2014 Fleet	2,716,393	-	(279,644)	2,436,749	282,944	2,153,805
Environmental Services	1,284,515	-	(194,734)	1,089,781	180,781	909,000
DW #4 2696	2,189,422	-	(109,405)	2,080,017	111,593	1,968,424
DW #2 Buckman	9,800,033	-	(730,481)	9,069,552	745,127	8,324,425
	$ 40,905,363	$ -	$ (2,089,264)	$ 38,816,099	$ 2,135,445	$ 36,680,654

Notes Payable – Governmental Activities

2008 Land Acquisition - During fiscal year 2008-2009 the City secured an additional loan from NMFA for the purpose of purchasing land for City facilities. The Land Acquisition loan will be repaid from the ½% gross receipts tax.

Note payable to NMFA issued August 1, 2008, for the amount of $3,610,000 at 4.316% interest with a maturity date of June 1, 2028 for the purchase of land for City purposes.

In fiscal year 2017, the City refunded this note with a bond, 2016 D. The June 1, 2018 payment was the last payment on this note.

NOTE 8 LONG-TERM DEBT (CONTINUED)

Notes Payable – Governmental Activities (Continued)

2017 Fire - During fiscal year 2017, the City secured a loan from NMFA for the purchase of self-contained breathing apparatus and accessories for the Fire Department. The first interest payment is due November 1, 2017 and the term of the loan is for eight years, ending May 1, 2025. Interest rates for this loan range from 0.84 percent to 1.63 percent. Debt service will be paid from the annual Fire Protection Fund allocation from the New Mexico State Fire Marshall.

Notes Payable – Business-Type Activities

2009 College - During fiscal year 2009-2010 the City secured a loan from NMFA for the acquisition and improvement of land, buildings, and other real property owned by the College of Santa Fe. The City, in conjunction with the State of New Mexico, the New Mexico Finance Authority, the LaSalle Christian Brothers (who founded the college), Laureate Education, Inc., and a number of other affected parties, negotiated an arrangement whereby, among other things, the City would purchase the facilities and make certain essential upgrades, the College's prior debt would be relieved, and Laureate Education, Inc., would lease and manage the college. The long-term lease with Laureate requires the payment of rent to the City sufficient to cover the debt service on the NMFA loan. The City has retained the right to sell the property subject to Laureate Education, Inc., having the right of first offer, right of first refusal and purchase option.

Note payable to NMFA issued September 14, 2009 for the amount of $29,615,000 at a 6.889% average interest with a maturity date of June 2036, for the purpose of purchasing the facilities of the College of Santa Fe.

During fiscal year 2010-11, the name of the college was officially changed from the College of Santa Fe to the Santa Fe University of Art and Design.

2014 Fleet - During fiscal year 2014-2015, the City secured a loan from NMFA for the purpose of purchasing transit buses. The Transit loan will be repaid from the municipal gross receipts tax share allocated to Transit.

Note payable to NMFA issued August 1, 2014, for the amount of $3,500,000 at 2.41% interest with a maturity date of June 1, 2026 for the purchase of transit buses.

Environmental Services - In fiscal year 2017 the City secured a loan in the amount of $1,300,582 for the purchase of recycle carts for the Environmental Services enterprise. The first loan payment is set for June 1, 2017 and the final payment is April 1, 2024. The pledge and payment of principal and interest under the loan agreements is provided solely from the net revenues of the City's Environmental Services Enterprise Fund.

NOTE 8 LONG-TERM DEBT (CONTINUED)

Notes Payable – Business-Type Activities (Continued)

Buckman Direct Diversion Project Notes - The City serves as fiscal agent for the Buckman Direct Diversion Project, a regional water project.

DW #2 Buckman - During fiscal year 2007-2008 the City secured a loan from NMFA to partially fund construction of the regional Buckman Direct Diversion Project.

Note payable to NMFA (SANTAFE DW-2) issued on May 16, 2008, for the amount of $15,150,000 at 2.00% interest with a maturity date of June 2029 from the Drinking Water State Revolving Loan Fund, to partially fund construction of the Buckman Direct Diversion Water Project.

DW # 4 2696 - During fiscal year 2012-2013 the City secured a loan from NMFA to partially fund a solar photovoltaic system for the Buckman Direct Diversion Project.

Note payable to NMFA (SANTAFE DW-4) issued on May 3, 2013, for the amount of $2,525,000 at 2.00% interest with a maturity date anticipated to be June 2035 from the Drinking Water State Revolving Loan Fund, to partially fund construction of the Buckman Direct Diversion solar photovoltaic system.

The NMFA notes represent balances available to the City for capital projects. For most of these loans, the City makes payments on the entire amount of the note even if the entire balance has not been drawn. The exceptions to this are drinking water loans which are handled through NMFA for which debt service schedules are not finalized until all project funds have been drawn. NMFA loans not drawn are kept in a trust account held by NMFA on behalf of the City and are applied to principal if the money is not drawn by a specified period.

The debt service requirements to maturity for long term notes payable at June 30, 2018 are as follows:

Years Ended	Governmental Activities		Enterprise Activities	
June 30	Principal	Interest	Principal	Interest
2019	$ 112,417	$ 10,744	$ 2,135,445	$ 1,682,636
2020	113,519	9,643	2,194,300	1,622,673
2021	114,733	8,428	2,264,841	1,554,318
2022	116,087	7,075	2,342,036	1,481,962
2023	117,620	5,541	2,420,946	1,404,933
2024-2028	240,404	5,918	11,926,675	5,722,933
2029-2033	-	-	9,446,665	3,347,272
2034-2038	-	-	6,085,190	737,098
	$ 814,780	$ 47,349	$ 38,816,099	$ 17,553,824

NOTE 8 LONG-TERM DEBT (CONTINUED)

Changes in Long-Term Liabilities

The changes in long–term debt during the year ended June 30, 2018 are as follows:

Compensated Absences

	Outstanding June 30, 2017	Additions	Reductions	Outstanding June 30, 2018	Due Within One Year	Long-Term
Governmental Activities	$ 5,337,292	$ 3,015,861	$ (2,978,482)	$ 5,374,671	$ 1,827,338	$ 3,547,333
Business-Type Activities	$ 2,093,285	$ 1,610,010	$ (1,670,853)	$ 2,032,442	$ 589,405	$ 1,443,037

Unamortized Gains(Losses) on Refundings

	Outstanding June 30, 2017	Additions	Reductions	Outstanding June 30, 2018	Due Within One Year	Long-Term
Governmental Activities	$ 473,558	$ -	$ (434,183)	$ 39,375	$ 39,375	$ -
Business-Type Activities	$ (5,506,553)	$ 3,087,829	$ (65,204)	$ (2,483,928)	$ (2,629,238)	$ 145,310

Internal Service Funds predominantly serve governmental funds. Accordingly, long-term liabilities for these are included as part of the above totals for governmental activities. At year end, $71,616 of internal service funds compensated absences is included in the above amounts. The amount $129,307 of compensated absences is the amount of compensated absences due within one year included in “long-term liabilities, due within one year” for the governmental activities on the government-wide statement of net position.

NOTE 9 RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries various insurance. The City administers its insurance coverage through the Risk Management Office. The Risk Management Fund, Santa Fe Health Fund/Dental Fund, and Worker’s Compensation Fund are reported as Internal Service funds. Premiums are paid into the funds by all other funds and available to pay claims, claim reserves, and administrative costs of the programs. The City purchases commercial insurance for claims in excess of coverage provided by the funds and for other risks of loss. The City has had no significant reduction in insurance coverage from the prior year and, as of June 30, 2018; such inter-fund premiums did not exceed reimbursable expenditures.

The Risk Management Fund accounts for general liability, auto liability, public official errors and omissions and law enforcement liability through independent conventional insurance carriers. The City is self–insured for the first $100,000 per public official errors and omissions and the first $50,000 for general and auto liability claims and law enforcement liability claims.

NOTE 9 RISK MANAGEMENT (CONTINUED)

The Santa Fe Health/Dental Fund accounts for the self-insured program for employee health and major medical benefits. Claims are handled by a professional third–party claims administrator. The City maintains specific stop loss coverage for individual claims in excess of $225,000 and aggregate coverage of cumulative claims in excess of 125% of expected claims.

The Workers' Compensation Fund accounts for the self–insured program and for worker's compensation coverage. Claims are handled by a professional, third–party claims administrator. The City maintains specific stop loss coverage for individual claims in excess of $500,000 with a $1,000,000 statutory limit.

Liabilities of the funds are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage award. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay–outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimated. An excess coverage insurance policy covers individual claims in various levels. Settlements have not exceeded coverage for each of the past three fiscal years.

Union Sick Leave Bank accounts for donations of leave from union employees to support other union employees in need of leave.

Changes in the balances of claims liabilities during the past two years are as follows:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payment	Balance at Fiscal Year End
2016 - 2017				
Risk Management Fund	$ 1,805,162	$ 2,195,482	$ 1,912,955	$ 2,087,689
Santa Fe Health/Dental Fund	2,779,383	15,677,789	17,350,102	1,107,070
Workers' Compensation Fund	4,182,533	496,154	965,137	3,713,550
Unemployment	-	148,591	148,591	-
	$ 8,767,078	$ 18,518,016	$ 20,376,785	$ 6,908,309
2017 - 2018				
Risk Management Fund	$ 2,087,689	$ 1,004,579	$ 1,249,774	$ 1,842,494
Santa Fe Health/Dental Fund	1,107,070	18,318,842	18,182,912	1,243,000
Workers' Compensation Fund	3,713,550	1,091,093	1,106,554	3,698,089
Unemployment	-	35,656	35,656	
	$ 6,908,309	$ 20,450,170	$ 20,574,896	$ 6,783,583

NOTE 10 CONTINGENT LIABILITIES

The City receives significant financial assistance from federal and state sources in the form of grants and entitlements. The disbursements of the funds received are generally limited to specific compliance requirements as specified in the grant agreement. During the period under audit, the City also had its grants audited under the audit requirements of the Office of Management and Budgets Uniform Guidance and the U. S. Department of Housing and Urban Development. The Federal agencies reserve the right to review the scope of the audit and conduct a follow–up review if deemed necessary. Any disallowed claims resulting from such audits could become a liability of the general fund or any other applicable City fund. The City, however, believes that liabilities resulting from disallowed claims, if any, would not have a material effect on the City's financial position at June 30, 2018.

The City Attorney's Office is involved in several legal actions arising from the ordinary course of operations. With respect to these actions, the City Attorney's Office believes the outcomes will not have a material adverse effect on the City's financial position.

NOTE 11 JOINTLY GOVERNED ORGANIZATIONS

Under authorization of the New Mexico State Statute 11–1–1, the City of Santa Fe joined the County of Santa Fe to jointly undertake their powers to dispose of solid waste as mandated by State and Federal regulations and provide a more efficient and cost–effective method of solid waste disposal to the City and County citizens. The Solid Waste Management Agency was established February, 1995, as a public entity separate from the City or the County. The Board of Directors for the joint venture consists of three members who are appointed by the City's mayor with the approval of the City Council and three members who are appointed by the Board of County Commissioners. The Agency is charged to comply with all laws, rules, and regulations of operations under the permit issued from the New Mexico Environmental Department.

The Agency has its own financial statements as a separate entity, audited on an annual basis. The City serves as the fiscal agent. Completed financial statements for the Agency may be obtained at the Santa Fe Solid Waste Management Agency, 149 Wildlife Way, Santa Fe, NM 87506.

Under a joint powers agreement for the Buckman Direct Diversion Project (BDD) dated January 11, 2005, the City of Santa Fe joined the County of Santa Fe to design and construct the BDD project in order to divert surface water from the Rio Grande to the independent water systems of the City and County. The City and County each own 50 percent of the BDD project and have established a board to oversee the planning, procurement, financing, permitting, design, construction, operations and management of the BDD project. The BDD board is comprised of two members of the governing body of the City of Santa Fe, two members of the board of Santa Fe County commissioners and one citizen member at large appointed by a majority vote of the four other members. The project is essentially complete as of December 2010. First water delivery was approved to enter the Santa Fe region water systems as of January 2011 by the New Mexico Environment Department. The City of Santa Fe and Santa Fe County are responsible on an ongoing

NOTE 11 JOINTLY GOVERNED ORGANIZATIONS (CONTINUED)

basis for financial and operating costs of the system. The City is a fiscal agent for the project through a project management and fiscal services agreement in effect through December 2015, and month to month thereafter until a new Fiscal Agent agreement is finalized or termination by either party. Fiscal services include maintaining separate books and accounts of all transactions that relate to the project including third party transactions. The BDD project has its own financial statements and is audited on an annual basis. Completed financial statements for the BDD project may be obtained from: City of Santa Fe, P.O Box 909, Santa Fe, NM 87504-0909.

The City of Santa Fe appoints open board positions for the Santa Fe Housing Authority, a related organization. The Housing Authority is not financially accountable to the City. The City leases certain land to the Housing Authority for $1 per year providing significant in kind support to the Housing Authority for its operations. No other transactions between the organizations occurred.

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NOTE 12 PENSION PLAN - PUBLIC EMPLOYERS RETIREMENT ASSOCIATION

Plan Description

The Public Employees Retirement Fund (PERA Fund) is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-2 IA-1 to 10-1-IA-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-128-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act {Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund.

PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at http://saonm.org using the Audit Report Search function for agency 366.

Benefits Provided

For a description of the benefits provided and recent changes to the benefits, see Note I in the PERA audited financial statements for the fiscal year ended June 30, 2017, available at:

https://www.saonm.org/media/audits/366_Public_Employees_Retirement_Association_FY2017.pdf

Contributions

The contribution requirements of defined benefit plan members and the City of Santa Fe are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY17 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on page 40 of the PERA FY18 annual audit report at

https://www.saonm.org/media/audits/366_Public_Employees_Retirement_Association_FY2017.pdf

NOTE 12 PENSION PLAN - PUBLIC EMPLOYERS RETIREMENT ASSOCIATION (CONTINUED)

Contributions (Continued)

The PERA coverage options that apply to City of Santa Fe are: Municipal General Division, Municipal Police Division, and Municipal Fire Division. Statutorily required contributions to the pension plan from the City of Santa Fe were $8,047,907 for the year ended June 30, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2016. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2017, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2017.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred inflows and outflows were preformed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. City of Santa Fe's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2017. Only employer contributions for the pay period end dates that fell within the period of July I, 2016 to June 30, 2017 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2017 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

NOTE 12 PENSION PLAN - PUBLIC EMPLOYERS RETIREMENT ASSOCIATION (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

For PERA Fund Municipal General Division, at June 30, 2018, City of Santa Fe reported a liability of $72,228,756 for its proportionate share of the net pension liability. At June 30, 2017, City of Santa Fe's proportion was 5.2565%, which decreased from the prior year percentage of 5.2761% as of June 30, 2016.

For the year ended June 30, 2018, City of Santa Fe recognized PERA Fund Municipal General Division pension expense of $8,200,870. At June 30, 2018, City of Santa Fe reported PERA Fund Municipal General Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	$ 3,330,818	$ 746,386
Change in Proportion	-	1,178,788
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	5,925,934	-
Changes in Experience	2,838,103	3,699,346
City of Santa Fe's Contributions Subsequent to the Measurement Date	4,421,074	-
	$ 16,515,929	$ 5,624,520

$4,421,074 reported as deferred outflows of resources related to pensions resulting from City of Santa Fe's contributions subsequent to the measurement date June 30, 2017 will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30,	Amount
2019	$ 1,509,516
2020	5,816,706
2021	875,935
2022	(1,731,822)

NOTE 12 PENSION PLAN - PUBLIC EMPLOYERS RETIREMENT ASSOCIATION (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

For PERA Fund Municipal Police Division, at June 30, 2018, City of Santa Fe reported a liability of $26,273,806 for its proportionate share of the net pension liability. At June 30, 2017, City of Santa Fe's proportion was 4.7292% percent, which increased from the prior year proportion of 4.4859% as of June 30, 2016.

For the year ended June 30, 2018, City of Santa Fe recognized PERA Fund Municipal Police Division pension expense of $3,226,836. At June 30, 2018, City of Santa Fe reported PERA Fund Municipal Police Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	$ 1,563,203	$ 610,953
Change in Proportion	958,828	633,895
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	2,115,995	-
Changes in Experience	1,595,741	4,909,003
City of Santa Fe's Contributions Subsequent to the Measurement Date	1,799,071	-
	$ 8,032,838	$ 6,153,851

$1,799,071 reported as deferred outflows of resources related to pensions resulting from City of Santa Fe's contributions subsequent to the measurement date June 30, 2017 will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30,	Amount
2019	$ (104,177)
2020	1,318,843
2021	(516,061)
2022	(618,689)

NOTE 12 PENSION PLAN - PUBLIC EMPLOYERS RETIREMENT ASSOCIATION (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

For PERA Fund Municipal Fire Division, at June 30, 2018, City of Santa Fe reported a liability of $38,675,254 for its proportionate share of the net pension liability. At June 30, 2017, City of Santa Fe's proportion was 6.7597%, which decreased from the prior year proportion of 7.067% percent as of June 30, 2016.

For the year ended June 30, 2018, City of Santa Fe recognized PERA Fund Municipal Fire Division pension expense of $3,855,996. At June 30, 2018, City of Santa Fe reported PERA Fund Municipal Fire Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	$ 1,528,987	$ 242,476
Change in Proportion	443,614	1,617,372
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,451,832	
Changes in Experience	1,262,823	4,842,779
City of Santa Fe's Contributions Subsequent to the Measurement Date	1,827,762	
	$ 6,515,018	$ 6,702,627

$1,827,762 reported as deferred outflows of resources related to pensions resulting from City of Santa Fe's contributions subsequent to the measurement date June 30, 2017 will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30,	Amount
2019	$ (447,312)
2020	195,838
2021	(1,345,603)
2022	(418,294)

NOTE 12 PENSION PLAN - PUBLIC EMPLOYERS RETIREMENT ASSOCIATION (CONTINUED)

Actuarial Assumptions

As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2016 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2017 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2017. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2017 actuarial valuation. The total pension liability in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal
Amortization method	Level Percentage of Pay
Amortization period	Solved for based on statutory rates
Asset valuation method	4 Year Smoothed Market Value
Actuarial assumptions:	
Investment rate of return	7.51% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	2.75% - 3.25%
Projected salary increases	2.75% to 14.00% annual rate
Includes inflation at	2.25%
Mortality assumptions	RP-2000 mortality tables

NOTE 12 PENSION PLAN - PUBLIC EMPLOYERS RETIREMENT ASSOCIATION (CONTINUED)

Rate of Return

The long-term expected rate of return on pension plan investments was determined using a statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

All Funds - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	43.50 %	7.39 %
Risk Reduction and Mitigation	21.50	1.79
Credit Oriented Fixed Income	15.00	5.77
Real Assets	20.00	7.35
Total	100.00 %	

Discount Rate

The discount rate used to measure the total pension liability was 7.51 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67. Therefore, the 7.51% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 12 PENSION PLAN - PUBLIC EMPLOYERS RETIREMENT ASSOCIATION (CONTINUED)

Rate of Return (Continued)

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present City of Santa Fe's net pension liability in each PERA Fund Division that City of Santa Fe participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.51%) or one percentage point higher (8.51%) than the single discount rate.

PERA Fund Municipal General Division

	1% Decrease	Current Discount Rate	1% Increase
City of Santa Fe's Proportionate Share of the Net Pension Liability	$113,206,316	$ 72,228,756	$ 38,150,217

PERA Fund Municipal Police Division

	1% Decrease	Current Discount Rate	1% Increase
City of Santa Fe's Proportionate Share of the Net Pension Liability	$ 41,899,432	$ 26,273,806	$ 13,450,668

PERA Fund Municipal Fire Division

	1% Decrease	Current Discount Rate	1% Increase
City of Santa Fe's Proportionate Share of the Net Pension Liability	$ 51,834,849	$ 38,675,254	$ 27,830,546

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued FY18 PERA financial report. The report is available at http://osanm.org/media/audits/366 Public Employees Retirement Association FY2016.pdf

Payables to the Pension Plan

There were no amounts owed to PERA at June 30, 2018. Contractually required contributions are remitted to PERA monthly for the previous month's withholdings. Accrued payroll includes the employer's portion of retirement contributions related to employee services rendered as of June 30, 2018 but paid in July 2018.

NOTE 13 POSTEMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

Plan Description

Employees of the City are provided with OPEB through the Retiree Health Care Fund (the Fund)—a cost-sharing multiple-employer defined benefit OPEB plan administered by the New Mexico Retiree Health Care Authority (NMRHCA). NMRHCA was formed February 13, 1990, under the New Mexico Retiree Health Care Act (the Act) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Fund under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico.

NMRHCA is an independent agency of the State of New Mexico. The funds administered by NMRHCA are considered part of the State of New Mexico financial reporting entity and are OPEB trust funds of the State of New Mexico. NMRHCA's financial information is included with the financial presentation of the State of New Mexico.

Benefits Provided

The Fund is a healthcare plan that provides eligible retirees (including terminated employees who have accumulated benefits but are not yet receiving them), their spouses, dependents, and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees.

Employees covered by benefit terms: At June 30, 2017, the Fund's measurement date, the following employees were covered by the benefit terms:

Contributions

Employer and employee contributions to the Fund total 3% for nonenhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee's salary as required by Section 10-7C-15 NMSA 1978.

The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer's participation in the Fund.

The Agency's contributions to the RHCA for the year ended June 30, 2018 was $1,375,677, which equal the required contributions for the year.

NOTE 13 POSTEMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (CONTINUED)

OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the Agency reported a liability of $69,732,971 or its proportionate share of the net OPEB liability. This is the first fiscal year that the government has reported a net OPEB obligation. In the coming years, this liability is expected to be liquidated by the governmental funds in which salary expenditures occur. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Agency's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2017.

At June 30, 2017, the Agency's proportion was 1.54336%. For the year ended June 30, 2018, the Agency recognized OPEB expense of $2,772,359. On June 30, 2018, the Agency reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in Proportion	$ -	$ 12,191,922
Changes of Assumptions	-	2,675,981
Difference Between Expected and Actual Experience	-	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	1,003,157
City's Contributions Subsequent to the Measurement Date	1,375,677	-
Total	$ 1,375,677	$ 15,871,060

NOTE 13 POSTEMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (CONTINUED)

OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

$1,375,637 reported as deferred outflows of resources related to OPEB resulting from the Agency's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Amount
2019	$ (3,374,298)
2020	(3,374,298)
2021	(3,374,298)
2022	(3,374,298)
2023	(2,373,866)

Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2017 Entry Age Normal
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset Valuation Method	Market value of assets
Actuarial assumptions:	
Inflation	2.5% for ERB; 2.25% for PERA
Projected payroll increases	3.50%
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 years for Medicare medical plan costs

NOTE 13 POSTEMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (CONTINUED)

Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions.

Discount Rate

The discount rate used to measure the Fund's total OPEB liability is 3.81% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2028. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 3.81% is the blended discount rate.

Sensitivity of the County's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the county, as well as what the county's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.81%) or 1-percentage-point higher (4.81%) than the current discount rate:

	1% Decrease (2.81%)	Current Trend Rate (3.81%)	1% Increase (4.81%)
City's Proportionate Share of the OPEB Liability	$ 84,585,007	$ 69,732,971	$ 58,080,214

NOTE 13 POSTEMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (CONTINUED)

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Cost Trend Rate

The following presents the net OPEB liability of the Cityy, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rate	1% Increase
City's Proportionate Share of the OPEB Liability	$ 59,312,694	$ 69,732,971	$ 77,858,210

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available on NMRHCA's web site at www.nmrhca.org/financial -documents.aspx

Payable Changes in the Net OPEB Liability

At June 30, 2018, the City reported a payable of $80,414 for outstanding contributions due to NMRHCA for the year ended June 30, 2018.

NOTE 14 TAX ABATEMENTS

The City has entered into several agreements with entities pursuant to the NMSA 3-32-1 through 3-32-16 Municipal Bond Act for the purpose of promoting industry and trade by inducing manufacturing, industrial, and commercial enterprises to locate or expand in the state. The City has abated certain taxes as terms of the agreements. As required by GASB Statement No. 77, *Tax Abatement Disclosure*, the City has provided the following disclosure of agreements and abated taxes, as well as agreement entered into by other governments and entities who abated taxes that affected Santa Fe County. In addition, as required by the New Mexico Office of the State Auditor, Audit Rule NMAC 2.2.2.10 BB. (1), disclosure information for tax abatement shall be provided individually and may not be aggregated.

NOTE 14 TAX ABATEMENTS (CONTINUED)

Agency Number	6160
Agency Name	City of Santa Fe, New Mexico
Agency Type	Municipality
Tax Abatement Agreement Name	Ridgetop Road, LLC IRB
Recipient(s) of tax abatement	Ridgetop Road, LLC
Parent company(ies) of recipient(s) of tax abatement	Thornburg Investment Management
Tax abatement program (name and brief description)	Industrial Revenue Bond for the construction of the Thornburg Campus
Specific Tax(es) Being Abated	Property Tax
Legal authority under which tax abatement agreement was entered into	NMSA 1978, Sections 3-32-1 to 3-32-16, Industrial Revenue Bond Act.
Criteria that make a recipient eligible to receive a tax abatement	Construction of a "new" non-speculative office building not engaged in the sale of goods or commodities.
How are the tax abatement recipient's taxes reduced? (For example: through a reduction of assessed value)	Title to the facility is held by the City of Santa Fe and therefore not on the County Assessors tax role, eliminating property tax.
How is the amount of the tax abatement determined? For example, this could be a specific dollar amount, a percentage of the tax liability, etc.	The property is held in the City name and not on the County's tax roll. Therefore, no property tax is levied on the facility.
Are there provisions for recapturing abated taxes? (Yes or No)	Yes
If there are provisions for recapturing abated taxes, describe them, including the conditions under which abated taxes become eligible for recapture.	Section 4.17 of the lease specifies, in the event the Lessee ceases operations of the facilities (other than a temporary cessation not exceeding 60 days, during holiday periods, for maintenance and retooling, or because of short-term slack demand or other similar circumstances, or for such reasonable periods as my be required for the repair of facilities destroyed or damaged by casualty or resulting from labor dispute) with five years after the issuance of the Bond, the Lessee will pay to the Issuer, within 90 days of such termination or such cessation, an amount equal to (i) that percentage of the ad valorem taxes on real and personal Project Property that the Lessee would have been required to pay if the Bond had not between issued by the Issuer and the Project Property had been subject to the ad valorem taxation, calculated using mill levies and actual property tax valuations and rates for each tax year, plus (ii) the Applicable Percentage of the amount of gross receipts tax that would have been payable by vendors of Project Property if the Bond had not been issued and receipts from sales or Project Property had not been deductible from gross receipts of the vendors, plus (iii) the Applicable Percentage of the amount of compensating tax that would have been payable by the Lessee with respect to Project Property if the bond had not been issued.
List each specific commitment made by the recipient of the abatement.	1. Will contribute not less than $45,000 per year to SFPS and $15,000 to SFCC. 2. Will acquire property, build facility and to the extent necessary, after all bonds proceeds have been exhausted, will finance the completion of the project with its own funds. 3. Will maintain a set of plans and specifications for the project during the construction and installation. 4. Obtain all permits, approvals for operation and maintenance of the property. 5. Will not permit or suffers others to commit a nuisance on or about the project. 6. Will pay when due all taxes, assessments, governmental and other charges of any kind. 7. All utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the property. 8. That the property will be continuously insured. 9. Shall give access to the facilities during regular business hours. 10. Will not suffer any liens to the existing property. 11. Will pay a PILOT as amended in 2010. 12. Will use commercially reasonable efforts to identify local vendors within the City's boundary.
Gross dollar amount, on an accrual basis, by which the government's tax revenues were reduced during the reporting period as a result of the tax abatement agreement.	$165,390
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by your agency or another agency in association with the foregone tax revenue, list the authority for and describe the payment, including the agency that is supposed to receive the payment.	The authority is provided for in the lease agreement between the City and Ridgetop Road, LLC. Every four years, starting in 2009, Ridgetop Road, LLC will have an appraisal done on the subject property, which will be, use for the next four years as basis for the PILOT. Using the School district property tax rate stated on the County of Santa Fe Certificate of Property Tax Rates in Mills, the mill rate is multiplied by the appraised property value. Thornburg, in compliance with New Mexico statute methodology regarding business personal property provides the City with its valuation estimate annually. That valuation is the basis to calculate the property tax. Then the two taxes are added together and a check is sent to the City. In turn, the City transfers the exact payment on to the Santa Fe Public Schools.
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by your agency in association with the foregone tax revenue, list the amount of payments received in the current fiscal year.	$67,069.87, which was paid to the Santa Fe Public Schools per lease amendment.
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by a different agency in association with the foregone tax revenue, list the name of the agency and the amount of payments received in the current fiscal year.	NA
List each specific commitment made by your agency or any other government, other than the tax abatement.	1. The Issuer has authorized the execution, delivery and performance of the Bond Documents and the issuance of the Bond all for the purpose of financing the project and paying certain costs related to the issuance of the Bond. 2. That the City will sell the property at the expiration or sooner termination of the agreement. 4. Assignment of Rights, the City will assign certain rights to RRLLC. 5. Will not sell, transfer, assign or convey its rights, title, or interests in this agreement or property.
Are any other governments affected by this tax abatement agreement? (Yes or No) If yes, list each affected agency and complete an intergovernmental disclosure for each such agency.	Yes. County of Santa Fe, Santa Fe Community College, State of New Mexico
If your agency is omitting any information required in this spreadsheet or by GASB 77, cite the legal basis for such omission.	NA

NOTE 15 CONDUIT DEBT OBLIGATIONS

The City of Santa Fe has issued Industrial Revenue Bonds to provide financial assistance to private-sector and not-for-profit entities for the acquisition and construction of industrial, commercial, educational, and health care facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received from the entities involved. Upon repayment of the bonds, ownership of the acquired facilities transfers to the entity served by the bond issuance. Neither the City nor the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

No conduit bonds were issued by the City during Fiscal Year 2017-2018. As of June 30, 2018, there were three series of Industrial Revenue Bonds authorized and outstanding.

NOTE 16 SUBSEQUENT EVENTS

The City issued $20,000,000 par value of 2018 Senior Lien Gross Receipts tax Improvement Revenue Bonds on November 14, 2018. Total bond proceeds including premium was $22,653,336.35.

The City is preparing to issue $16,525,000 in Waste Water Revenue Bonds in order to build two new anaerobic digesters. The City will pursue certification of these bonds as “Green Bonds” by the Climate Bonds Initiative.

NOTE 17 NET POSITION RESTATEMENT

The City has recorded a prior period adjustment in the amount of $82,831,675 as required by GASB statement No. 75. This was a decrease to beginning net position in the governmental activities in the amount of $60,707,102 and beginning net position in the business-type activities in the amount of $22,124,573.

Additionally, the City reclassified the sick leave bank activity from an internal service activity to a fiduciary activity, and resulted in a decrease in beginning net position in governmental activities in the amount of $447,983.

	Governmental Activities	Business-Type Activities	Total
Beginning Fund Balance	$205,660,798	$ 339,717,653	$ 545,378,451
Restatement - GASB 75	(60,707,102)	(22,124,573)	(82,831,675)
Restatement - Sick Leave Bank	(447,983)	-	(447,983)
Beginning Fund Balance - Restated	$ 144,505,713	$ 317,593,080	$ 462,098,793

Overall, the beginning net position, at the government-wide level, of the governmental activities was decreased by $61,155,085 and business type activities was decreased by $22,124,573.

REQUIRED SUPPLEMENTARY INFORMATION

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Schedule of the City's Proportionate Share of the Net Pension Liability
PERA Municipal General Division
Last 10 Fiscal Years *

	Measurement Date			
	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Proportion of the Net Pension Liability (Asset)	5.26 %	5.28 %	5.46 %	5.00 %
Proportionate Share of the Net Pension Liability	$ 72,228,756	$ 84,294,324	$ 55,705,113	$ 42,647,687
Covered Payroll	$ 46,164,487	$ 45,175,990	$ 45,329,706	$ 44,378,612
Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Payroll	156.46%	186.56 %	122.89 %	96.00 %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.74 %	69.18 %	76.99 %	81.00 %

* This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the District will continue to present information for the years the information is available.

Schedule of the City's Proportionate Share of the Net Pension Liability
PERA Municipal Police Division
Last 10 Fiscal Years *

	Measurement Date			
	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Proportion of the Net Pension Liability (Asset)	4.73 %	4.49 %	4.71 %	4.00 %
Proportionate Share of the Net Pension Liability	$ 26,273,806	$ 33,098,305	$ 22,640,627	$ 15,588,474
Covered Payroll	$ 9,746,730	$ 8,900,280	$ 9,228,017	$ 9,209,308
Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Payroll	269.57%	370.97 %	245.35 %	169.00 %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.74 %	69.18 %	76.99 %	81.00 %

* This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the District will continue to present information for the years the information is available.

Schedule of the City's Proportionate Share of the Net Pension Liability
PERA Municipal Fire Division
Last 10 Fiscal Years *

	Measurement Date			
	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Proportion of the Net Pension Liability (Asset)	6.76 %	7.07 %	6.89 %	7.17 %
Proportionate Share of the Net Pension Liability	$ 38,675,254	$ 47,146,743	$ 35,553,318	$ 29,910,003
Covered Payroll	$ 7,848,810	$ 7,848,810	$ 7,848,819	$ 7,981,492
Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Payroll	492.75%	572.29 %	452.98 %	374.74 %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.74 %	69.18 %	76.99 %	81.29 %

* This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the District will continue to present information for the years the information is available.

Schedule of Employer Contributions
PERA Municipal General Division
Last 10 Fiscal Years *

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually Required Contributions	$ 4,421,074	$ 4,408,708	$ 4,167,065	$ 8,958,197
Contributions in Relation to the Contractually Required Contribution	(4,421,074)	(4,408,708)	(4,167,065)	(8,958,197)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
City's Covered Payroll	$ 46,293,968	$ 46,164,487	$ 45,175,990	$ 45,329,706
Contributions as a Percentage of Covered Payroll	9.55 %	9.55 %	9.22 %	19.76 %

* This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the District will continue to present information for the years the information is available.

Schedule of Employer Contributions
PERA Municipal Police Division
Last 10 Fiscal Years *

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually Required Contributions	$ 1,799,071	$ 1,842,132	$ 1,682,505	$ 2,975,446
Contributions in Relation to the Contractually Required Contribution	(1,799,071)	(1,842,132)	(1,682,505)	(2,975,446)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
City's Covered Payroll	$ 7,518,896	$ 9,746,730	$ 8,900,280	$ 9,228,017
Contributions as a Percentage of Covered Payroll	23.93 %	18.90 %	18.90 %	32.24 %

* This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the District will continue to present information for the years the information is available.

Schedule of Employer Contributions
PERA Municipal Fire Division
Last 10 Fiscal Years *

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually Required Contributions	$ 1,827,762	$ 1,773,462	$ 1,682,505	$ 2,975,446
Contributions in Relation to the Contractually Required Contribution	(1,827,762)	(1,773,462)	(1,682,505)	(2,975,446)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
City's Covered Payroll	$ 8,442,319	$ 7,848,810	$ 7,848,819	$ 7,848,819
Contributions as a Percentage of Covered Payroll	21.65 %	22.60 %	21.44 %	37.91 %

* This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the District will continue to present information for the years the information is available.

Changes of Benefit Terms

The PERA and COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY 16 audit available at:

http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/2016-CAFR 12.22.16 FINAL- with-corrections.pdf.

Changes of Assumptions

The Public Employees Retirement Association (PERA) of the New Mexico Annual Actuarial Valuation as of June 30, 2016 is available at:

http://www.nmpera.org/assets/uploads/downloads/retirement-fund-valuation-reports/6-30-2016-PERA-Valuation-Report- FINAL.pdf.

The Summary of Key Findings for PERA Fund (on page 2 of the report) states “based on the current statutory rates and actuarial assumptions, the UAAL is projected to be fully amortized in 56 years.” For details about changes in the actuarial assumptions, see Appendix B on page 53 of the report.

CITY OF SANTA FE, NEW MEXICO
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
NM RETIREE HEALTH CARE AUTHORITY (NMRHCA) PLAN
LAST 10 FISCAL YEARS*

		Measurement Date June 30, 2017
City's proportion of the net OPEB liability		1.54336%
City's proportionate share of the net OPEB liability	$	69,732,971
City's covered-employee payroll	$	61,850,783
City's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll		113.00%
Plan fiduciary net position as a percentage of the total OPEB liability		11.34%

* This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the City will continue to present information for the years the information is available.

CITY OF SANTA FE, NEW MEXICO
SCHEDULE OF THE CITY'S OPEB CONTRIBUTIONS
NM RETIREE HEALTH CARE AUTHORITY (NMRHCA) PLAN
LAST 10 FISCAL YEARS*

	June 30, 2018	June 30, 2017
Contractually required contribution	$ 1,375,677	$ 1,321,178
Contributions in relation to the contractually required contribution	1,375,677	1,321,178
Contribution deficiency (excess)	$ -	$ -
City's covered-employee payroll	$ 64,392,990	$ 61,850,783
Contributions as a percentage of covered-employee payroll	2.14%	2.14%

* This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the City will continue to present information for the years the information is available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Changes of benefit terms

The Retiree Health Care Authority (RHCA) COLA and age eligibility benefits changes in recent years are described in the Notes to the RHCA FY18 audit available at http://saonm.org/ using the Audit Search function for agency 343.

Changes of assumptions

The Retiree Health Care Authority (RHCA) of New Mexico Biennial Actuarial Valuation as of June 30, 2017 report is available at http://saonm.org/ using the Audit Search function for agency 343.

SUPPLEMENTARY INFORMATION

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Wayne Johnson, New Mexico State Auditor
The Office of Management and Budget
The Mayor and Members of City Council
City of Santa Fe

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information and the budgetary comparison of the general fund of the City of Santa Fe, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Santa Fe's basic financial statements, and have issued our report thereon dated December 17, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Santa Fe's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Santa Fe's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Santa Fe's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. Refer to finding numbers 2018-001 and 2018-002.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies. Refer to finding number 2018-003.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Santa Fe's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2018-005, 2018-006, 2018-007, 2018-008, 2018-009, and 2018-010.

City of Santa Fe's Response to Findings

The City of Santa Fe's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of Santa Fe's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Albuquerque, New Mexico
December 17, 2018

CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Wayne Johnson, New Mexico State Auditor
The Office of Management and Budget
The Mayor and Members of City Council
City of Santa Fe
Santa Fe, New Mexico

Report on Compliance for Each Major Federal Program

We have audited City of Santa Fe's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Santa Fe's major federal programs for the year ended June 30, 2018. City of Santa Fe's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Santa Fe's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Santa Fe's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Santa Fe's compliance.

Wayne Johnson, New Mexico State Auditor
The Office of Management and Budget
The Mayor and Members of City Council
City of Santa Fe

Opinion on Each Major Federal Program

In our opinion, the City of Santa Fe complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2018-004. Our opinion on each major federal program is not modified with respect to these matters.

The City of Santa Fe's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and quested costs. The City of Santa Fe's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the City of Santa Fe is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Santa Fe's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Santa Fe's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2018-004, which we consider to be a significant deficiency.

Wayne Johnson, New Mexico State Auditor
The Office of Management and Budget
The Mayor and Members of City Council
City of Santa Fe

The City of Santa Fe's response to the internal control over the compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Santa Fe's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Albuquerque, New Mexico
December 17, 2018

CITY OF SANTA FE, NEW MEXICO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2018

Section I – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
   - Material weakness(es) identified? ____x____ yes _____ no
   - Significant deficiency(ies) identified that are not considered to be material weakness(es)? ____x____ yes _____ none reported
3. Noncompliance material to financial statements noted? _____ yes ____x____ no

Federal Awards

1. Internal control over major federal programs:
   - Material weakness(es) identified? _____ yes ____x____ no
   - Significant deficiency(ies) identified that are not considered to be material weakness(es)? ____x____ yes _____ none reported
2. Type of auditors' report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ____x____ yes _____ no

Identification of Major Federal Programs

CFDA Number(s)	Name of Federal Program or Cluster
20.106	Airport Improvement Program
20.507	Federal Transit Formula Grant

Dollar threshold used to distinguish between Type A and Type B programs: $___750,000

Auditee qualified as low-risk auditee? _____ yes ____x____ no

Section II – Financial Statement Findings

2018-001 [Previously 2017-001] Internal Controls over Financial Close and Reporting (Material Weakness)

Condition: This City lacks an effective internal control structure over the financial close and reporting process to allow for timely and accurate financial reporting. During our audit, we encountered numerous issues related to subsidiary and underlying records that were provided to us to substantiate account balances in the City's trial balance and financial statements.

a. Multiple adjusting entries were recorded after the audit trial balance was provided. Several adjusting entries were incorrect and subsequently voided and corrected by new adjusting entries.

b. Interest Revenue and Receivable are allocated to the funds based on the quarterly average balances of pooled cash held by each fund. Due to a grouping error in the calculation, Buckman Direct Diversion received interest in excess of what it was due.

c. Cash: Schedule of Investments and Deposits (Schedule) did not agree to the trial balance provided by the client. The schedule did not include all of the accounts that the City owns.

d. Debt: audit entry after final TB was received. In order to get PBC debt rollforward to agree to PBC TB.

e. Fund Identification: The Sick Leave Bank was incorrectly identified as a special revenue account in prior years, when the balances are held on behalf of union employees. The fund was reclassified as a fiduciary activity during the audit and a restatement to net position was required.

Management's Progress on Repeat Findings: The newly hired City Controller will design and implement period close processes that include reconciliation and analysis for all Balance Sheet, revenue and expenditure accounts including proper evaluation of account balances and proper period close adjustments

Criteria: NMAC 2.20.5.8 requires entities to ensure that all reporting of financial information be timely, complete, and accurate. To ensure the adequacy of financial reporting, account balances should be reviewed and reconciled on a regular basis.

Cause: Lack of adequate processes and procedures in place to properly review and reconcile account balances.

Effect: The City's financial statements contained material misstatements which required adjustments, including an adjustment to the opening net position.

Section II – Financial Statement Findings (Continued)

2018-001 [Previously 2017-001] Internal Controls over Financial Close and Reporting (Material Weakness) (Continued)

Recommendation: We recommend the City implement strong internal controls, reconciliations, and review process of all accounting relating transactions. Additionally, the City needs to ensure the Accounting and Reporting Department is staffed with individuals who fully understand the CAFR and accounting process.

Management Response: The City concurs with these findings. The City of Santa Fe has hired a Controller who will lead staff training and implement period close and financial reporting processes. The City expects this finding to be resolved in fiscal year 2019.

a. City concurs with this finding. For the fiscal period under, the city had not created or implemented proper internal control procedures for period close. These procedures will be created and implemented in the next future fiscal year.
b. City concurs with this finding. The new ERP chart of accounts will included a “Company” code” that will prevent this error from happening in the future. Staff is now aware of the error, and will take necessary steps to properly allocate investment income by grouping all company fund balances.
c. City concurs with this finding. The Finance Department closed a number of accounts during the fiscal year and changed the several accounts to Zero Balance Checking accounts. By definition, those accounts have no balance and therefore staff deleted them, along with the closed accounts. Those accounts were subsequently added to the Schedule of Investments and Deposits.
d. City concurs with this finding Debt journal entries will be reviewed by the Controller in the future to insure that the proper steps are taken.
e. City concurs with this finding and has reclassified Sick Leave Bank to the correct classification as a fiduciary fund.

Section II – Financial Statement Findings (Continued)

2018-002 [Previously 2017-003] Accounts Receivable (Material Weakness)

Condition: During audit testing of accounts receivable, we noted the following:

a. College of Santa Fe:
   i. The receivable relates to an escrow agreement to perform environmental remediation. The receivable was established in prior years.
   ii. City had not evaluated the collectability of the receivable.
   iii. Allowance for accounts receivable in the amount of $195k was not recorded until audit inquiry made.
b. Utility Finance Charges
   i. City had not evaluated the collectability of the receivable.
   ii. Allowance for accounts receivable in the amount of $1.2 mil was not recorded until audit inquiry made.
c. Unbilled Utility
   i. City had not evaluated the unbilled utilities receivable.
   ii. Entry for unbilled utilities was not recorded for $2.1 million until our audit inquire was made. Then this entry was posted backwards, had to be corrected and re-posted.

Condition (Continued):

Management's Progress on Repeat Findings: The newly hired City Controller will design and implement period close processes that include reconciliation and analysis for all Balance Sheet, revenue and expenditure accounts including proper evaluation of validity and uncollectability of receivables and proper period close adjustments.

Criteria: NMAC 2.20.5.8 requires entities to ensure that all reporting of financial information be timely, complete, and accurate. To ensure the adequacy of financial reporting, account balances should reviewed and reconciled on a regular basis. This would include a reconciliation of subsidiary accounts receivable ledgers to ensure they agree to the general ledger and evaluation of accounts receivable to assess for collectability and record necessary allowance adjustments.

Cause: Lack of adequate processes and procedures in place to properly review and reconcile account balances.

Effect: The City's financial statements contained material misstatements which required adjustments.

Recommendation: We recommend the City implement strong internal controls, reconciliations, and review process of all accounting relating transactions. Additionally, the City needs to ensure the Accounting and Reporting Department is staffed with individuals who fully understand the CAFR and accounting process.

Section II – Financial Statement Findings (Continued)

2018-002 [Previously 2017-003] Accounts Receivable (Material Weakness) (Continued)

Management Response: The City agrees with the recommendation. The City of Santa Fe has hired a Controller who will lead staff training and implement period close and financial reporting processes. In addition, the City will emphasis additional training through Continuing Professional Education (CPE) hours, seminars and other training resources to strengthen staff's understanding of the CAFR and accounting process for GAAP and GASB compliance. The Finance Department expects this finding to be resolved in Fiscal Year 2019.

a. City concurs that a finding for College of Santa Fe is warranted, but the City disagrees to the type. Due to the College receivable amount not being material, the City disagrees to a Material Weakness finding per PCAOB Auditing Standard No. 5 regarding Material Weakness as a "reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis". The City believes and respectfully submits that the finding for College of Santa Fe is a Significant Deficiency in internal controls regarding to "controls over period-end close and financial reporting process."
b. City concurs that a finding for Utility Finance Charges is warranted, but the City disagrees to the type. Due to the amount not being material, the City disagrees to a Material Weakness finding per PCAOB Auditing Standard No. 5 regarding Material Weakness as a "reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis". The City believes and respectfully submits that the finding for Utility Finance Charges is a Significant Deficiency in internal controls regarding to "controls over period-end close and financial reporting process."
c. City concurs with this finding for Unbilled Utility. For the fiscal period under, the City had not created or implemented proper internal control procedures for period close. These procedures will be created and implemented in the next future fiscal year.

Section II – Financial Statement Findings (Continued)

2018-003 [Previously 2017-004] Internal Controls over Information Technology (Significant Deficiency)

Condition: During our audit over the City's information technology controls and structure, we noted the following:

a. The City developed a disaster recovery plan. However, since the creation of the plan, there have been changes to the IT environment, vendors, and personnel that makes the plan outdated.

b. Audits of user accounts and their access level are not performed on a regular basis for critical applications.

Management's Progress on Repeat Findings:

a. ITT management has ensured specific mitigating processes are in place today to avert a crisis. The City of Santa Fe has a robust back up system for all major systems and applications.
b. There is a distinction between Network vs. Applications access. All users who have access to the City of Santa Fe domain, are closely monitored regarding specific roles and responsibilities. Further security enhancements will be addressed by April 2019, when the City of Santa Fe's IT Department will move to the latest version of the Microsoft Active Directory and Domain Controllers.

Criteria: In accordance with ISACA's Control Objectives for Information and related Technology (COBIT) 4.1, framework (DS4, Ensure Continuous Service), a Disaster Recovery Plan needs to be developed and tested to reduce the impact of a major disruption on key business functions and processes. ISACA's Control Objectives for Information and related Technology (COBIT) 4.1, Framework DS5 (Ensure System Security) provides that the need to maintain integrity of information and protect IT assets requires a security management process. This process includes establishing and maintaining vendor relationship and vendor management. Additionally, the City needs to maintain integrity of information and protect IT assets requires a security management process. This process includes measures to remove access for terminated users.

Cause: Lack of adequate management oversight related to information technology controls and functions.

Effect: Possible loss of City data without an adequate disaster recovery plan and greater risk of unauthorized access to the City's IT environment.

Section II – Financial Statement Findings (Continued)

2018-003 [Previously 2017-004] Internal Controls over Information Technology (Significant Deficiency) (Continued)

Recommendation: The City should review and update its disaster recovery/business continuity plan so that it can be referenced in the event of a disaster situation and reflects the current operating environment. The plan should be tested in its entirety on a periodic basis. At a minimum, restore testing and/or table top testing should be performed annually.

Also, the City should conduct a formal review of all user accounts and their access level every year. The review process should be documented, and sign-off should be obtained from business units completing the review. The review should ensure that all user accounts are assigned to current employees by comparing a system account listing to a current employee list from Human Resources. In addition, a review of access levels should be performed by comparing the user's current access rights listed on the system to those listed on their access form, and by confirming the user's access rights with their departmental manager.

Management Response:

a. The City concurs with this finding. A long-term solution is currently in the process of being addressed with a redundant disaster recovery site to be fully deployed and operational in the spring of 2019, coupled with an updated disaster recovery policy and procedure. Once the new disaster recovery site is established, testing backup exercises will be much more streamlined and feasible on a regular basis, but more importantly, it will offer a redundant hot site if a system catastrophe were to occur.
b. The City concurs with this finding. IT is working with both the Finance and Human Resources Departments to assess needs of in-process, out-processing, and transitions within the City for personnel. The Network Security posture will begin to see a major improvement starting in 2019 with the implementation of the latest Microsoft Active Directory, Domain Controllers, and will be in the process of deploying Windows 10. All of the above activity will allow the City's IT network/system administrators to track roles and responsibilities in real time and will provide the capability for more granular user roles and responsibilities. With the transition to the Enterprise Resource Planning systems, proper roles and responsibilities have been identified and are currently being addressed and built in to the various modules of the ERP system; Munis, HCM, and EnerGov. Along with addressing the roles and responsibilities in the ERP system, more robust auditing and reporting will be a major improvement allowing for proper tracking and timely review of user activities. Additionally, the IT Department is in the process of deploying a new Information Technology System Management (ITSM) tool, or the central system for all help desk tracking functions. One of the key functionalities/capabilities of the ITMS tool will be the capability to create streamlined business processes for addressing new employees, outgoing employees, and movement among staff internally.

Section III – Findings and Questioned Costs – Major Federal Programs

2018-004 Period of Performance (Significant Deficiency and Other Matter)

Federal agency: U.S. Department Transportation

Federal program: Formula Transit Formula Grants

CFDA Number: 20.507

Pass-Through Agency: NM Department of Transportation

Pass-Through Number(s): 5307

Award Period: July 1, 2017 – June 30, 2018

Criteria or specific requirement: 2 CFR part 200 requires that all program expenditures should occur within period available as specified on the grant award.

Condition: During our testing, we noted the City did not have adequate internal controls designed to ensure costs which were being requested reimbursement for were incurred after the award was made available to the City.

Questioned costs: $38,407

Context: During our testing, it was noted that the City requested reimbursement for services provided by a vendor prior to the award date.

Cause: Lack of adequate oversight of this process.

Effect: Costs may be reimbursed which were not incurred in accordance with grant specifications.

Recommendation: We recommend the City design controls to ensure an adequate process is in place to review which costs are being requested reimbursement to ensure in alignment with the grant.

Management Response: The City concurs with the finding. The City of Santa Fe Finance Department is currently restructuring the process through which grants and associated payments are processed from initial grant determination through completion and is updating the policies and procedures manual. In order to prevent expenses from being incurred outside of the grant start and end dates, the Finance Department will implement different checkpoints. Dates will be checked by the grants management team and matched up against the grant award notifications to ensure accuracy. City of Santa Fe will establish a network of grant managers that will receive periodic communication throughout the life of their grants. For example, grant managers will receive timely communication from the Finance Department staff around grant start and end dates and their responsibilities regarding procurement. The Finance Department expects this finding to be resolved in Fiscal Year 2019.

Section IV – Other Matters

2018-005 [Previously 2017-010] Cash Management (Other Noncompliance)

Condition: During bank reconciliations, we noted the following:

i. The Wells Fargo Common account was not reconciled timely. The 6/30/2018 statement was not reconciled until 8/15/2018, after the 30 day period the reconciliation should be completed.
ii. The city identified and self-reported checks that were discovered in the desk of the purchasing officer that totaled approximately $35k from July, August, and September 2017. These amounts were deposited in October.

Management's Progress on Repeat Findings: The City continues to develop internal control systems and will begin implementing month-end close processes that ensure timely bank reconciliations. The City's Controller, Treasury Officer, and Procurement Officer will work collaboratively to develop and implement internal controls.

Criteria: The City has internal policies that require cash reconciliations to be performed on a monthly basis. Accounting supervisors provide reports to the financial analyst to prepare the monthly reconciliations. In accordance with NMSA 6-10-3, cash receipts are required to be deposited by the next business day.

Cause: Lack of adequate processes and procedures in place to properly review and reconcile account balances.

Effect: The City could be susceptible to mishandling of cash receipts or cash balances could be misstated throughout the year.

Recommendation: We recommend the City implement strong internal controls, reconciliations, and review process of cash operations and related transactions. Additionally, the City needs to ensure the Accounting and Reporting Department is staffed with individuals who fully understand the CAFR and accounting process.

Management Response: The City agrees with this recommendation. The Controller, Treasury Officer, and Procurement Officer will collaboratively review current internal controls and processes for deficiencies, and this team will develop and implement required controls and period close processes. The Finance Department expects this finding to be resolved in Fiscal Year 2019.

Section IV – Other Matters

2018-006 [Previously 2017-010] Internal Controls over Cash Disbursements (Other Noncompliance)

Condition: For 1 out of 22 samples tested, The City procurement officer did not give approval for the disbursement, which is required for disbursements $50,000 and over. The disbursement was in the amount of 89,622.75.

Criteria: The City has internal policies that require cash disbursements to be approved by department heads and procurement officers.

Cause: The city implemented new procedures in FY18 for cash management, however, CLA noted policies not followed for full FY18.

Effect: The City could be susceptible to mishandling of cash disbursements or accounts payable balances could be misstated throughout the year.

Recommendation: We recommend the City implement strong internal controls and review process of cash disbursement operations and related transactions. Additionally, the City needs to ensure the Accounting and Reporting Department is staffed with individuals that fully understand the CAFR and accounting process.

Management Response: The City concurs with this finding. The Accounts Payable office continues to refine the stringent processes performed by this office. The Accounts Payable office will review and enhance as necessary the Accounts Payable procedures and continue to emphasize the consistent and thorough oversight of processing all payments in a timely and appropriate manner. Additionally, Accounts Payable staff will augment training materials and will provide targeted training sessions. The Finance Department expects this finding to be resolved in Fiscal Year 2019.

Section IV – Other Matters (Continued)

2018-007 [Previously 2017-008] PERA-Census Data Testing (Noncompliance)

Condition: For 1 out of 25 active employees tested, The City did not have an employee fill out the "Application for PERA Membership" form when hired.

> *Management's Progress on Repeat Findings: The Human Resources Department initiated process improvements to ensure that all newly-hired employees, whether classified, term, exempt or temporary, have all the required on-boarding documents in their personnel file. This includes, but is not limited, to PERA enrollment forms. The most basic process improvement is the initiation of an on-boarding checklist for required documents, including the PERA enrollment form for all classified, term and exempt employees as well as the "Employee Exclusion of PERA Membership Form" for seasonal or temporary employees. The use of the Employee Exclusion of PERA Membership Form assists the Human Resourced Department in coordination with the City's PERA Liaison to identify temporary employees who become eligible for PERA benefits because they have extended employment beyond six (6) consecutive months (the PERA eligibility period pursuant to the City's Personnel Rules). ITT staff also assisted Human Resources to develop a query from the finance and HR information technology system which is run each pay period to identify temporary employees who have actually continued to work beyond six (6) months.*

Criteria: In accordance with the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978), all employees must complete the enrollment form to document participation in the plan.

Cause: Lack of adequate oversight of this process.

Effect: Employee contributions may not accurate.

Recommendation: We recommend the City maintain required payroll records.

Management Response: The City concurs with this finding. In an effort to ensure that PERA benefits are accurately provided to temporary employees and in the correct timeframe, the Human Resources Department developed new codes to help differentiate the duration of employment for temporary employees. The new temporary codes are "temporary less than three months", "temporary three to five months" and "temporary six to twelve months". By including the duration of employment at the beginning of employment provides for an organized plan to begin the benefit if the duration is six months or more. In addition to adding the new codes, a new personnel action form has been developed to help facilitate the new process at the beginning of employment. Lastly, HR staff will be running biweekly reports on temporary employees to ensure that the benefit is being provided in accordance with our policy. Additionally, beginning in 2019, HR staff will coordinate with ITT staff to develop a report, for monthly review, which will include every employee and the PERA code associated with the employee to ensure the system reflects the correct code.

Section IV – Other Matters (Continued)

2018-008 State Audit Rule Compliance (Other Noncompliance)

Condition: During audit testing over procurement, we noted the City did not follow the State Audit Rule for 1 contract and subsequent amendment related to a fraud prevention engagement.

Criteria: Per NMAC 2.2.2.15, "An agency or an IPA shall not enter into a professional services contract for a special audit or agreed-upon procedures relating to financial fraud, waste or abuse in government without the prior written approval of the state auditor. "

Cause: The City entered into a professional services contract that would fall under the scope of the State Audit Rule, but was not aware of the requirements related to these types of services.

Effect: The City is out of compliance with the audit rule.

Recommendation: We recommend the City review procurement procedures to ensure compliance with State Statutes.

Management Response: Management would like to clarify that the City entered into a professional services contract for a fraud prevention engagement. The engagement resulted in an assessment of the City's fraud risk, along with a discussion of issues and recommendations for performance improvement. The Office of the State Auditor was informed by the Finance Department of the engagement. This engagement was not an audit, but an external review of potential fraud risk.

Section IV – Other Matters (Continued)

2018-009 [Previously 2017-009] Lack of Adequate Cash Collection Procedures for Parking Garage (Compliance and Other Matters)

Condition: On three, occasions we were not required to pay for parking upon exiting the City-operated parking garage, Santa Fe Community Convention Center Municipal Garage, during standard business hours.

Management's Progress on Repeat Findings: In July 2018 a Request for Proposals was issued by the Parking Division of the City of Santa Fe, soliciting proposals from qualified Proposers to provide Parking Access and Revenue Control System services (PARCS). After an evaluation, the City selected Mountain Parking Equipment for the PARCS implementation. The City will implement the Parking Access and Revenue Control System (PARCS) services in 2019.

Criteria: As identified on the City's website pertaining to parking garages, this garage is open from 7 am to 12 midnight and costs $1 for the first hour, $2 for the second hour and each hour after, with a $12 maximum.

Cause: On three occasions there was not a parking attendant at the exit of the garage. As a result, the arm which lets cars in and out was raised and we were not required to pay.

Effect: The City is not collecting parking revenue that is it owed.

Recommendation: We recommend the City remind employees of the responsibilities related to the parking garage and ensure they are collecting all applicable parking revenues.

Management Response: Due to attrition, the Parking Division staffing levels are not sufficient to cover all hours of parking in the garages. As the City transitions to a modern parking system that will automate pay-on-exit functions in garages, there will not be a need to have employees actively staffing booths to ensure parking revenues are collected. To maximize revenue collection, given current staffing levels, the Parking Division created a staffing schedule so attendants are at the lots during peak revenue generation and customer demand times of the day. Public information about pay to park times and free times will be distributed in FY19.

Section IV – Other Matters (Continued)

2018-010 [Previously 2006-006] Budgetary Noncompliance (Compliance and Other Matters)

Condition: During our testwork over budgetary compliance for the year ended June 30, 2018, we noted the following budget overages for the City:

Reporting Level	Budgetary Level of Control	Final Budget		Actual Amount	Overage
College of Santa Fe	Fund	2,279,493	-	2,417,114	(137,621)
Franchise Fee	Fund	13,333	-	16,891	(3,558)
Law Enforcement Grants	Fund	3,889,784	-	3,943,069	(53,285)
Historic Preservation	Fund	950	-	1,030	(80)
NEA Grants	Fund	70,634	-	73,220	(2,586)
Land Development	Fund	-	-	102,616	(102,616)
Debt Service	Fund	14,073,317	-	14,180,203	(106,886)

Criteria: City funds are to be budgeted by the local governing body and submitted to the State of New Mexico Department of Finance and Administration - Local Government Division for approval. Once adopted, any claims or warrants in excess of approved budget are in violation of New Mexico Statute 6-6-6, 1978. In addition, NMAC 2.2.2.10 (R) (1) requires an audit finding if actual expenditures exceed budget expenditures at the legal level of budgetary control.

Cause: Necessary budget adjustments were not completed during the year.

Effect: Non-compliance with statutes regarding budgetary control.

Recommendation: We recommend the City regularly review expenditures to ensure there is the appropriate amount of budget in the respective fund.

Section IV – Other Matters (Continued)

2018-010 [Previously 2006-006] Budgetary Noncompliance (Compliance and Other Matters) (Continued)

Management Response: The City concurs with this finding. The City of Santa Fe has hired a Controller who will implement period close and financial reporting processes. In coordination with period close implementation, Finance staff has begun preparing budget projections for distribution to all City Departments and quarterly financial status reports for the Governing Body as a means to identify potential budget issues throughout the year and develop appropriate solutions. At fiscal year-end, however, unanticipated expenditures or transfers may arise for which the need for budget availability was not previously identified. Because of State imposed year-end deadlines (July 31) and the timing of the July Council and City committee meeting schedules, budgetary compliance issues may result. The City's Budget Office will continue to work to anticipate such issues in the future, and as procedures are tightened up the Department anticipates the number of such overages will be steadily reduced. The City's Budget Office will also draft a procedure to address this long-standing finding for fiscal year end 2019.

CITY OF SANTA FE, NEW MEXICO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2018

Section II – Financial Statement Findings

2017-001 Internal Control Over Financial Close and Reporting Process (Material Weakness) – Repeated and Modified

2017-002 Controls and Reporting of Capital Assets (Material Weakness and Basis for Modified Opinion) – Resolved

2017-003 Accounts Receivable (Material Weakness) – Repeated and Modified

2017-004 Internal Controls over Information Technology (Significant Deficiency) – Repeated and Modified

Section III – Findings and Questioned Costs – Major Federal Programs

2017-005 Cash Management (Significant Deficiency in Internal Controls and Other Matter) – Resolved

2017-006 Allowable Costs - General and Payroll Disbursements (Significant Deficiency in Internal Controls and Other Matter) – Resolved

Section IV – Other

2017-007 Late Submission of Audit Report (Compliance and Other Matters) - Resolved

2017-008 PERA – Census Data Testing (Compliance and Other Matters) – Repeated and Modified

2017-009 Lack of Adequate Cash Collection Procedures for Parking Garage (Compliance and Other Matters) – Repeated and Modified

2017-010 Cash Management Operations (Compliance and Other Matters) – Repeated and Modified

2017-011 Untimely Completion of Lodger's Tax Audit (Compliance and Other Matters) – Resolved

2017-012 Lack of Adherence to City's Purchasing Manual (Compliance and Other Matters) – Resolved

2016-004 Lack of Documented Review of Payroll Timesheet (Compliance and Other Matters) - Resolved

2006-006 Budgetary Noncompliance (Compliance and Other Matters) – Repeated and Modified

CITY OF SANTA FE, NEW MEXICO
EXIT CONFERENCE
YEAR ENDED JUNE 30, 2018

An exit conference was held with the City on December 17, 2018. The conference was held at the City's offices in Santa Fe, New Mexico. The conference was held in a closed meeting to preserve the confidentiality of the audit information prior to the official release of the financial statements by the State Auditor. In attendance were:

CITY OF SANTA FE

Alan Webber, Mayor, City of Santa Fe
Erik Litzenberg, City Manager
Mary McCoy, Finance Director
Brad Fluetsch, Financial Planning and Reporting
Debra Harris-Garmendia, Controller
Christina Vayes, Treasury Officer
Shirley Rodriguez, Purchasing Officer
Al Castillo, Audit Committee Member
Angela Anderson, Principal, A. Anderson Consulting

CLIFTONLARSONALLEN LLP

Georgie Ortiz, CPA, CGFM, Managing Principal

PREPARATION OF FINANCIAL STATEMENTS

The financial statements presented in this report have been prepared by the independent auditor. However, they are the responsibility of management, as addressed in the Independent Auditors' Report. Management reviewed and approved the financial statements.

The City of Santa Fe

FINANCE DEPARTMENT

P.O. Box 909, Santa Fe, New Mexico 87504-0909 -- (505) 955-6531

APPENDIX B

FORM OF BOND COUNSEL OPINION

March ___, 2019

City of Santa Fe
Santa Fe, New Mexico

$13,550,000
City of Santa Fe, New Mexico
Net Wastewater Utility System / Environmental Services Gross Receipts Tax Improvement Revenue Bonds
Series 2019
(Climate Bond Certified / Green Bonds)

Ladies and Gentlemen:

We have acted as bond counsel to the City of Santa Fe, New Mexico (the "City") in connection with the issuance and sale of its $13,550,000 Net Wastewater Utility System / Environmental Services Gross Receipts Tax Improvement Revenue Bonds, Series 2019 (the "Bonds"). The Bonds are issued pursuant to the Constitution and laws of the State of New Mexico (the "State") and Ordinance No. 2019-02, adopted on January 30, 2019 (the "Bond Ordinance"). Except as expressly defined herein, capitalized terms used herein have the same meanings as such terms have in the Bond Ordinance.

We have examined the laws of the State and the United States of America relevant to the opinions herein, and other proceedings and documents relevant to the issuance by the City of the Bonds. As to the questions of fact material to our opinion, we have relied upon representations of the City contained in the certified proceedings and other certifications furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, and subject to the assumptions and qualifications set forth below, we are of the opinion that, under existing law on the date of this opinion:

1. The Bonds are valid and binding special, limited obligations of the City under and in accordance with the Bond Ordinance.

2. The Bond Ordinance has been duly authorized, executed and delivered by the City and the provisions of the Bond Ordinance are valid and binding on the City.

3. The Bonds are payable as to principal, interest and any prior redemption premium, solely from, and are secured by a pledge (but not an exclusive pledge) of Pledged Revenues of the City, as more fully described in the Bond Ordinance. The owners of the Bonds have no right to have taxes levied by the City for the payment of principal, interest and any prior redemption premium on the Bonds and the Bonds do not represent or constitute a debt or pledge of, or a charge against, the general credit of the City.

4. The Bond Ordinance creates the lien on the Pledged Revenues that it purports to create.

5. Under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is excludable from gross income for federal income tax purposes. We are also of the opinion that interest on the Bonds is not an item of tax preference for purposes of calculating the alternative minimum tax imposed on individuals under provisions contained in the Internal Revenue Code of 1986, as amended

(the "Code"). Although we are of the opinion that interest on the Bonds is excludable from gross income for federal income tax purposes, the accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences

6. The Bonds and the income from the Bonds are exempt from all taxation by the State or any political subdivision of the State.

The opinions set forth above in paragraph 5 are subject to continuing compliance by the City with covenants regarding federal tax law contained in the proceedings and other documents relevant to the issuance by the City of the Bonds. Failure to comply with these covenants may result in interest on the Bonds being included in gross income retroactive to their date of issuance.

The opinions expressed herein are based upon existing law as of the date of issuance and delivery of the Bonds. We express no opinion as of any date subsequent hereto, and our engagement with respect to the Bonds has concluded with their issuance. We disclaim any obligation to update this opinion.

The obligations of the City related to the Bonds are subject to the reasonable exercise in the future by the State and its governmental bodies of the police power inherent in the sovereignty of the State and to the exercise by the United States of the powers (including bankruptcy powers) delegated to it by the United States Constitution. The obligations of the City and the security provided therefor, as contained in the Bond Ordinance, may be subject to general principles of equity which permit the exercise of judicial discretion and are subject to the provisions of applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect.

The foregoing opinions represent our legal judgment based upon a review of existing legal authorities as of the date of issuance and delivery of the Bonds that we deem relevant to render such opinions and are not a guarantee of result. We express no opinion with respect to any pending legislation.

As bond counsel, we are passing upon only those matters set forth in this opinion and are not passing upon the accuracy or completeness of any statement made in connection with any sale of the Bonds or upon any tax consequences arising from the receipt or accrual of interest on, or the ownership of, the Bonds except those specifically addressed in Paragraphs 5 and 6 above.

Respectfully submitted,

APPENDIX C

DEFINITIONS OF CERTAIN TERMS

"Acquisition Fund" or "Project Acquisition Fund" means the "City of Santa Fe Net Wastewater Utility System / Environmental Services Gross Receipts Tax Improvement Revenue Bonds, Series 2019, Project Acquisition Fund," established in the Ordinance.

"Act" means the general laws of the State, including Sections 3-31-1 through 3-31-12 NMSA 1978, as amended, and enactments of the City Council relating to the issuance of the Bonds, including the Ordinance.

"Bond Fund" means the "City of Santa Fe Net Wastewater Utility System / Environmental Services Gross Receipts Tax Improvement Revenue Bonds, Series 2019, Fund," created in the Ordinance and to be held by the City.

"Bond Purchase Agreement" means the agreement between the City and the Purchaser providing for the sale by the City and the purchase by the Purchaser of the Bonds.

"Bonds" or "Series 2019 Bonds" means the "City of Santa Fe, New Mexico Net Wastewater Utility System / Environmental Services Gross Receipts Tax Improvement Revenue Bonds, Series 2019" authorized by the Ordinance.

"City," "Municipal," or "Municipality" means the municipal corporation and body corporate and politic known as the City of Santa Fe, New Mexico.

"City's Chief Financial Officer" means the City officer currently designated as the "Finance Director" or his or her successor in function, provided that for purposes of the Ordinance, the designation of any successor in title by the City Manager, if given in writing, shall be conclusive.

"Commitment" means the written commitment to the City from Reserve Fund Insurer to provide the Reserve Account Insurance Policy.

"Consulting Engineer" means any registered or licensed professional engineer or firm of such engineers, entitled to practice and practicing as such under the laws of the State of New Mexico, retained and compensated by the City, but not in the regular employ of the City. The written determination by the Mayor or City Manager or the authorized designee of either, that an engineer or firm of engineers meets the foregoing qualifications of the preceding sentence shall be conclusive for purposes of any provision of the Ordinance. As to construction drawings and specifications prepared for the Project by City employees working under the supervision of the City Engineer, this term may include the City Engineer.

"Continuing Disclosure Agreement" means the agreement of the City to provide certain annual financial information for the benefit of the owners of the Bonds and to be dated the date of issuance and delivery of the Bonds.

"Credit Facility" means a letter of credit, standby bond purchase agreement, line of credit, bond insurance policy or reserve account insurance policy, guaranty or similar agreement provided by a bank, insurer or other provider of a Credit Facility rated, at the time the Credit Facility is provided, "A" or better by Fitch and S&P (if such rating agencies are then rating the Bonds), including any substitute therefor, to provide support to pay the purchase price of, or the payment of the principal of and interest on, Obligations.

"Cross-over Refunding Bonds" means bonds or obligations issued for the purpose of refunding Obligations if the proceeds thereof are irrevocably deposited in escrow to secure repayment on an applicable redemption date or maturity date of the principal of and redemption premium on the related Obligations being refunded and the earnings on such escrow are required to be used to pay interest on the Cross-over Refunding Bonds.

"Debt Service Account" means the account of the Bond Fund so denominated and established in the Ordinance.

"Debt Service Requirements" for any period means the sum of: (i) the amount required to pay the interest, or to make reimbursements for payments of interest, becoming due on the applicable Obligations during such period; plus (ii) the amount required to pay the principal or accreted value, or to make reimbursements for the payment of principal or accreted value, becoming due on the applicable Obligations during that period, whether at maturity, an accretion term date or upon mandatory sinking fund redemption dates, plus (iii) any net periodic payments on a notional amount required to be made by the City pursuant to a Qualified Exchange Agreement minus (iv) any net periodic payments on a notional amount to be received by the City pursuant to a Qualified Exchange Agreement.

(a) No payments required on the applicable Obligations shall be included in any computation of Debt Service Requirements for any computation period prior to the maturity or otherwise certain due dates thereof which may occur because of the exercise of an option by the City, or which may otherwise become due by reason of any other circumstance or contingency, including acceleration, which constitute other than regularly scheduled payments of principal, accreted value, interest or other regularly scheduled payments on the applicable Obligations.

(b) Debt Service Requirements required to be made pursuant to a Qualified Exchange Agreement shall be based upon the actual amount required to be paid by the City, if any, to the Qualified Counterparty. In determining that amount, any payments required to be made by either party to the Qualified Exchange Agreement at a Variable Exchange Rate shall be computed, in determining the obligation of the City under the Qualified Exchange Agreement, using the procedures set forth in the applicable sections of the Ordinance.

(c) The computation of interest for the purposes of this definition shall be made without considering the interest rate payable pursuant to a Credit Facility, unless, at the time of computation of Debt Service Requirements, payments on Obligations are owed to, or Obligations are owned or held by, the provider of a Credit Facility pursuant to the provisions of that Credit Facility.

(d) The accreted value of capital appreciation bonds shall be included in the calculation of interest and principal only for the applicable year during which the accreted value becomes payable.

(e) In any computation of Debt Service Requirements relating to the issuance of additional Parity Obligations:

(1) There shall be deducted from that computation (i) amounts on deposit in an escrow account related to an issue of Cross-over Refunding Bonds and (ii) proceeds of a series of Obligations deposited to the credit of an account for the payment of capitalized interest on Obligations included as part of the computation during the applicable period.

(2) There may be made the adjustment to the Debt Service Requirements applicable to Bond Anticipation Notes described in the Ordinance.

(f) Except as otherwise provided in the ordinance authorizing the issuance of Crossover Refunding Bonds, the purchase or tender price of Put Obligations resulting from the optional or mandatory tender or presentment for purchase of those Put Obligations shall not be included in any computation of Debt Service Requirements.

"Environmental Services Gross Receipts Tax" means the environmental services gross receipts tax imposed pursuant to Section 7-19D-10 NMSA 1978 by City Ordinance No. 1993-20 on persons engaging in business in the City in the amount of 1/16th of one percent of the gross receipts of such persons.

"Environmental Services Gross Receipts Tax Ordinance" means the City Ordinance No. 1993-20 imposing the Environmental Services Gross Receipts Tax, as amended.

"Environmental Services Gross Receipts Tax Revenue Fund" means the "City of Santa Fe, New Mexico Environmental Services Gross Receipts Tax Revenue Fund," maintained by the City and continued by the Ordinance, into which the City shall deposit the Environmental Services Gross Receipts Tax Revenues.

"Environmental Services Gross Receipts Tax Revenues" means the environmental services gross receipts tax revenues received by the City pursuant to Section 7-19D-10, NMSA 1978 and the Environmental Services Gross Receipts Tax Ordinance.

"Exchange Act" means Section 6-18-8.1, NMSA 1978, as amended and supplemented.

"Federal Securities" means direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

"Fiscal Year" for the purposes of the Ordinance means the twelve months commencing on the first day of July of any calendar year and ending on the last day of June of the next calendar year; but it may mean any other 12-month period which any appropriate authority hereafter may establish for the System.

"Governing Body," "City Council," or "Council" means the City Council of the City.

"Gross Receipts Tax Revenues" means, means (1) the State-Shared Gross Receipts Tax Revenues; (2) the One-Half Percent Municipal Gross Receipts Tax Revenues; (3) the Infrastructure Gross Receipts Tax Revenues; (4) the Environmental Services Gross Receipts Tax Revenues; (5) the portion of the gross receipts tax distribution to the City made pursuant to Section 7-1-6.46 NMSA 1978, which represents the amount of State-Shared Gross Receipts Tax Revenues, One-Half Percent Municipal Gross Receipts Tax Revenues, Infrastructure Gross Receipts Tax Revenues and Environmental Services Gross Receipts Tax Revenues that would have been remitted to the City but for the deductions (effective January 1, 2005) provided by Sections 7-9-92 and 7-9-93 NMSA 1978 and any similar distributions made to the City in lieu of State-Shared Gross Receipts Tax Revenues, One-Half Percent Municipal Gross Receipts Tax Revenues, Infrastructure Gross Receipts Tax Revenues and Environmental Services Gross Receipts Tax Revenues pursuant to law; and (6) any other gross receipts tax revenues received by the City, whether from distribution by the State or pursuant to gross receipts taxes imposed by the City, and hereafter (i.e. after the adoption of the Ordinance) pledged to the payment of Obligations by affirmative act of the Governing Body.

"Gross Revenues," "revenues," "gross revenues," "income" or "gross income" from the System means all income and revenues directly or indirectly derived by the City from the operation and use of the Wastewater System, or any part of the Wastewater System, and includes, without limitation, all revenues

received by the City, or any municipal corporation or agency succeeding to the rights of the City, from the Wastewater System and from the sale and use of wastewater, wastewater services or facilities, or any other service, commodity or facility or any combination thereof furnished to the inhabitants in the customer service area for the Wastewater System. Such term also includes:

(a) Investment earnings allocated to the Wastewater Fund by the City from amounts in the Debt Service Fund and from surplus Wastewater System Net Revenues in accordance with the Ordinance;

(b) All income derived from the investment of any money in the Wastewater Fund and Wastewater System Rate Stabilization Account;

(c) Money released from the Wastewater System Rate Stabilization Account to the extent that the amount released is used to pay Wastewater System Operation and Maintenance Expenses or Debt Service Requirements on Parity Wastewater System Obligations in the year released; provided that withdrawals from the Wastewater Rate Stabilization Account shall not be included in Wastewater System Gross Revenues for the purposes of the Rate Covenant in any two consecutive calendar years;

(d) Property insurance proceeds which are not necessary to restore or replace the property lost or damaged and the proceeds of the sale or other disposition of any part of the Wastewater System; and

(e) That portion of expansion charges and/or impact fees established specifically to pay debt service on debt obligations.

Gross Revenues do not include:

(a) any money received as (i) wastewater testing fees, (ii) grants or gifts from the United States of America, the State or other sources, (iii) the proceeds of any charge or tax intended as a replacement therefor or other capital contributions from any source which are restricted as to use or (iv) the capital improvement portion of any expansion charges and/or impact fees;

(b) taxes and/or fees collected by the City and remitted to other governmental agencies; and

(c) condemnation proceeds or the proceeds of any insurance policy, except any insurance proceeds derived in respect of loss of use or business interruption.

"Herein," "hereby," "hereunder," "hereof," "hereinbefore" and "hereafter" refer to the ordinance and not solely to the particular portion thereof in which such word is used. Definitions include both singular and plural. Pronouns include both singular and plural and cover all genders.

"Historic Test Period" means any twelve consecutive calendar months out of the eighteen calendar months next preceding the date of adoption of the City ordinance authorizing the issuance of additional Obligations without regard to any resolution or ordinance supplementing or amending the authorizing ordinance.

"Improvement Project" or "Project" means extending, enlarging, bettering, repairing and otherwise improving the System, including, but not necessarily limited to amounts necessary to initially fund the Reserve Account of the Reserve Fund or a Reserve Fund Insurance Policy or both) as provided

in the Ordinance and all costs and expenses pertaining to the foregoing and the issuance of the Bonds, including but not necessarily limited to any amounts which may be required to be deposited into the Rebate Fund to the extent permitted by law.

"Independent Accountant" means any registered or certified public accountant or firm of such accountants duly licensed to practice and practicing as such under the laws of the State of New Mexico, appointed and paid by the City, who (1) is, in fact, independent and not under the domination of the City, (2) does not have any substantial interest, direct or indirect, with the City, and (3) is not connected with the City as an officer or employee of the City, but who may be regularly retained to make annual or similar audits of the books or records of the City; "Independent Accountant" also means the State Auditor of the State of New Mexico.

"Infrastructure Gross Receipts Tax" means the infrastructure gross receipts tax imposed pursuant to Section 7-19D-11 NMSA 1978 by the Infrastructure Gross Receipts Tax Ordinance on persons engaged in business in the City in an amount of 1/16th of one percent (0.0625%) of the gross receipts of such persons.

"Infrastructure Gross Receipts Tax Ordinance" means City Ordinance No. 1993-21 imposing the Infrastructure Gross Receipts Tax, as amended.

"Insured Bank" means a bank which is a member of the Federal Deposit Insurance Corporation.

"Net Revenues" or "net revenues" or "net income" means the Gross Revenues after deducting Operation and Maintenance Expenses of the System.

"Obligations" means bonds, notes or any other instrument which evidences a borrowing or other obligation of the City, including Qualified Exchange Agreements, secured by Pledged Revenues, issued or incurred for any purpose permitted by the Act or the Exchange Act, as amended from time to time.

"One-Half Percent Municipal Gross Receipts Tax Ordinance" means City of Santa Fe Ordinance No. 1981-45 imposing a one-half of one percent municipal gross receipts tax.

"One-Half Percent Municipal Gross Receipts Tax Revenues" means those revenues received by the City pursuant to the Municipal Local Option Gross Receipts Taxes Act, Sections 7-19D-1 through 7-19D-12 NMSA 1978, and the One-Half Percent Municipal Gross Receipts Tax Ordinance.

"Operation and Maintenance Expenses" means all reasonable and necessary current expenses of the Wastewater System, in any particular Fiscal Year or period to which such term is applicable, paid or accrued, related to operating, maintaining and repairing the Wastewater System including, without limiting the generality of the foregoing:

(a) legal and overhead expenses of the various City departments directly related and reasonably allocable to the administration of the Wastewater System;

(b) insurance premiums for the Wastewater System, including, without limitation, premiums for property insurance, public liability insurance and workmen's compensation insurance, whether or not self-funded;

(c) the costs of audits of the books and accounts of the Wastewater System:

(d) amounts required to be deposited in the Rebate Fund;

(e) salaries, administrative expenses, labor costs, surety bonds and the cost of materials and supplies used for or in connection with the current operation of the Wastewater System; and

(f) any fees required to be paid under any operation, maintenance and/or management agreement with respect to the Wastewater System.

Wastewater System Operation and Maintenance Expenses do not include any allowance for depreciation, payments in lieu of taxes, liabilities incurred by the City as a result of its negligence or other misconduct in the operation of the Wastewater System, any charges for the accumulation of reserves for capital replacements or any Wastewater System Operation and Maintenance Expenses payable from moneys other than Wastewater System Gross Revenues.

"Operation and Maintenance Fund" means the "City of Santa Fe Wastewater Utility System Operation and Maintenance Fund" which is continued in the Ordinance.

"Ordinance" shall mean the ordinance authorizing the issuance of the Bonds and any ordinance or resolution amendatory of the Ordinance or supplemental of the Ordinance.

"Parity Bonds" or "Parity Obligations" means the Series 2012B Bonds and any bonds or other obligations hereafter issued with a lien on the Pledged Revenues on parity with the lien thereon of the Series 2012B Bonds and the Bonds authorized in the Ordinance to be issued.

"Parity EGRT Obligations" means the 2012B Bonds and any other obligations hereafter issued with a lien on the Pledged Environmental Services Gross Receipts Tax Revenues on a parity with the lien thereon of the Series 2012B Bonds and the 2019 Bonds.

"Parity Wastewater Obligations" means the 2012B Bonds and any other obligations hereafter issued with a lien on the Net Revenues on a parity with the lien thereon of the Series 2012B Bonds and the 2019 Bonds.

"Paying Agent" means BOKF, NA, as agent for the City for the payment of the Bonds, the interest thereon, and any successor.

"Permitted Investments" means any of the following which at the time of such investment are legal investments for the City pursuant to adopted City investment policies and the laws of the State:

(a) Government Obligations;

(b) Obligations of, or obligations guaranteed as to principal and interest by any agency or instrumentality of the United States which are backed by the full faith and credit of the United States, including, but not limited to: General Services Administration—participation certificates; Government National Mortgage Association (GNMA)—GNMA guaranteed mortgage-backed securities and GNMA guaranteed participation certificates; U.S. Department of Housing & Urban Development—local authority bonds; and U.S. Export-Import Bank—all fully guaranteed obligations;

(c) Obligations of the following government-sponsored agencies: Federal Home Loan Mortgage Corporation—participation certificates and senior debt obligations; Farm Credit System—consolidated system-wide bonds and notes; Federal Home Loan Banks—consolidated debt obligations; Federal National Mortgage Association—senior debt obligations and mortgage-backed securities (excluding stripped mortgage securities which are valued greater than par on the portion of unpaid principal); Student Loan Marketing Association—senior debt obligations (excluding securities

that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date) and letter of credit backed issues; Financing Corporation—debt obligations; and Resolution Funding Corporation—debt obligations;

(d) Bank time deposits evidenced by certificates of deposit and bankers acceptances issued by an Insured Bank, provided that such time deposits and bankers' acceptances (1) do not exceed at any one time in the aggregate five percent (5%) of the combined total of the capital, surplus and undivided profits of such Insured Bank, or (2) are secured by obligations described in paragraphs (a), (b), (c) and (h) of this definition which obligations at all times have a market value (exclusive of accrued interest) at least equal to 102% of such time deposits so secured;

(e) Obligations, other than specified private activity bonds (as defined in Section 57(a)(5)(C) of the Internal Revenue Code, as amended (the "Tax Code")), the interest on which is excluded from gross income of the recipient for federal income tax purposes and any other instrument which does not constitute "investment property" under Section 148 of the Tax Code (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date), as amended from time to time, which is rated in the highest major Rating Category by S&P and Fitch (if such rating agency is then rating the Bonds);

(f) Money market instruments and other securities of commercial banks, broker-dealers or recognized financial institutions, which securities or instruments are rated in the highest Rating Category by S&P and Fitch, (if such rating agency is then rating the Bonds), or which securities are guaranteed by a person or entity whose long-term debt obligations are rated in the highest Rating Category by S&P and Fitch (if such rating agency is then rating the Bonds) including, without limitation, securities of, or other interests in, any open-end or closed-end management type investment company or investment trust registered under the provisions or 15 U.S.C. Sections 80(a)-1 et seq., which invest only in, or whose securities are secured only by, obligations of the type set forth in paragraphs (a), (b), (c) and (h) of this definition;

(g) Stripped Securities: (1) U.S. Treasury STRIPS and (2) REFCORP STRIPS (stripped by Federal Reserve Bank of New York);

(h) Repurchase agreements involving the purchase and sale of, and guaranteed investment contracts, the par value of which is collateralized by a perfected first pledge of, or security interest in, or the payments of which are unconditionally guaranteed by, securities described in parts (a), (b), (c) and (h) of this definition, which collateral is held by the City, or for the benefit of the City, by a party other than the provider of the guaranteed investment contract or repurchase agreement, with a collateralized value of at least 102% of the par value of such repurchase agreement or guaranteed investment contract or 102% of the market value thereof, valued at intervals of no less than monthly and which collateral is not subject to any other pledge or security interest; and

(i) Such other investments as are now or may be hereafter authorized as legal investments for the City by the legislature of the State under Section 6-10-10 NMSA 1978, or a similar statutory provision applicable to the City, provided that such investment is rated, at the time of purchase, "A" or better by Fitch and "A" or better by S&P (if such rating agency is then rating the Bonds).

"Pledged Revenues" means, collectively, the Net Revenues and the Environmental Services Gross Receipts Tax Revenues.

"Pricing Certificate" means one or more certificates executed by the Mayor, or in the Mayor's absence, the City Manager or City Finance Director, dated on or before the date of delivery of the Bonds, setting forth the following final terms of the Bonds: (i) the interest and principal payment dates; (ii) the principal amounts, denominations and maturity amortization; (iii) the sale prices; (iv) the interest rate or rates; (v) the interest payment periods; (vi) the redemption and tender provisions; (vii) the creation of any capitalized interest fund, including the size and funding of such fund(s); (viii) the amount of underwriting discount, if any; (ix) the amount of the Reserve Requirement, if any, and whether such Reserve Fund shall be funded with proceeds of the Bonds or through the deposit of a Reserve Fund Insurance Policy; and (x) the final terms of agreements, if any, with agents or service providers required for the purchase, sale, issuance and delivery of the Bonds, all subject to the parameters and conditions contained in the Ordinance.

"Project" means the Improvement Project.

"Purchaser" means the Underwriters.

"Put Obligations" means any Obligations which have put or similar features requiring the City to purchase such Obligations upon notice from the owners thereof.

"Qualified Exchange Agreement" means any financial arrangement between the City and a Qualified Counterparty which satisfies the requirements of the Exchange Act at the time the agreement is entered into.

"Rate Stabilization Fund" means the Wastewater System Stabilization Fund continued in the Ordinance.

"Rebate Fund" means the "City of Santa Fe Net Wastewater Utility System / Environmental Services Gross Receipts Tax Improvement Revenue Bonds, Series 2019 Bond Rebate Fund" created in the Ordinance, which is to be held by the City.

"Redemption Price" means the principal of, interest on, and any prior redemption premium due in connection with any obligations specifically provided hereunder.

"Registrar" means BOKF, NA Albuquerque, New Mexico, as registrar and transfer agent for the Bonds, and any successor.

"Regular Record Date" means the 15th day of the calendar month (whether or not a business day) preceding each regularly scheduled interest payment date on the Bonds.

"Related Documents" means the Pricing Certificate, the Bond Purchase Agreement, the Continuing Disclosure Undertaking, the Preliminary Official Statement, the Official Statement, and any other document or agreement containing an obligation of the City as may be required in connection with the issuance of the Bonds.

"Replacement Fund" means the Wastewater System Replacement Fund continued in the Ordinance.

"Reserve Fund" means the "City of Santa Fe Net Wastewater System / Environmental Services Gross Receipts Tax Improvement Revenue Bonds, Series 2019, Reserve Fund" established in the Ordinance, and to be held by the City.

"Reserve Fund Insurance Policy" means any insurance policy, surety bond or letter of credit deposited in or credited to the 2019 Reserve Account as provided in the Ordinance in lieu of or in partial substitution for cash or allowable investments on deposit in the Reserve Fund. Any such insurance policy, surety bond or letter of credit must be issued by an entity experienced in insuring municipal bonds whose policies of insurance would not in and of itself adversely affect the rating on the 2019 Bonds by S&P Global Ratings or Fitch in effect at the time such policy is initially deposited in or credited to the Reserve Fund.

"Reserve Fund Insurer" means, if applicable, provider of the Reserve Fund Insurance Policy, as identified in the Pricing Certificate.

"Reserve Requirement" means, if determined to be necessary or advisable, the amount set forth in the Pricing Certificate, which may initially be satisfied by deposit of the Reserve Fund Insurance Policy which amount shall not exceed the least of (i) ten percent (10%) of the aggregate principal amount of the Bonds, (ii) the maximum annual Debt Service Requirements of the Bonds, or (iii) one hundred twenty-five percent (125%) of the average Debt Service Requirements of the Bonds.

"Revenues," "revenues," "gross revenues," "income" or "gross income" from the System means all income and revenues derived by the City from the operation of the System, or any part thereof, whether resulting from extensions, enlargements or betterments to the System, or otherwise, and includes all revenues received by the City or any municipal corporation succeeding to the rights of the City from the System and from the sale and use of water, water service and facilities, sanitary sewer service and facilities, or any combination thereof to the inhabitants of the City (including all territorial annexations which may be made while any of the Bonds are outstanding), or from the sale and use of water, water service and facilities, sanitary sewer service and sewer facilities, and facilities or any combination thereof, by means of the System owned and operated by the City as the same may at any time exist to serve customers outside the City limits as well as customers within the City limits, and also means income derived from the investment of any money in any of the funds established in the Ordinance or contained in the Ordinance (but excluding such income from investments in the Rebate Fund) even though such investment income is to be credited to the particular fund from which such investment is made, as further provided by the Ordinance.

"Series 2012B Bonds" means the "City of Santa Fe, New Mexico Gross Receipts Tax (Subordinate Lien)/Wastewater Systems Refunding Revenue Bonds, Series 2012B" issued pursuant to Ordinance No. 2012-6, passed and adopted by the Governing Body on January 25, 2012, in an aggregate principal amount of $14,280,000 payable from and constituting a first (but not an exclusive first) lien on the Net Revenues of the System and a subordinate (but not an exclusive subordinate) lien on the Pledged Environmental Services Gross Receipts Tax Revenues and certain other gross receipts tax revenues of the City.

"Series Date" means the date of initial issuance and delivery of the Bonds.

"Special Record Date" means a special date fixed to determine the names and addresses of registered owners of the Bonds for purposes of paying interest on a special interest payment date for the payment of defaulted interest thereon, all as further provided in the Ordinance.

"State-Shared Gross Receipts Tax Revenues" means the revenues distributed to the City monthly by the New Mexico Department of Taxation and Revenue pursuant to Sections 7-1-6 and 7-1-6.4 NMSA 1978, at the rate authorized (currently 1.225% of the gross receipts of persons doing business within the City) from the proceeds of a state-wide gross receipts tax imposed pursuant to Chapter 7, Article 9, NMSA 1978.

"Superior Tax Obligations" means Obligations secured by a lien on the Gross Receipts Tax prior and superior to the lien thereon of the 2012B Bonds.

"System," or "Utility" means the municipally owned public utility designated as the City's wastewater utility system, consisting of all properties, real, personal, mixed or otherwise, now owned or hereafter acquired by the City through purchase, construction or otherwise, and used in connection with the wastewater utility system of the City and in any way appertaining thereto, whether situated within or without the limits of the City.

"Tax Code" means the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Bonds.

"Underwriters" means RBC Capital Markets, LLC, as senior manager and Underwriters' representative, and Piper Jaffray & Co., as co-manager.

"Wastewater Fund" or "Income Fund" means the "City of Santa Fe Wastewater System Gross Income Fund" which was created in Ordinance 1997-30 adopted by the City Council on October 29, 1997 and is continued in the Ordinance and is held by the City.

APPENDIX D

FORM OF CONTINUING DISCLOSURE UNDERTAKING

Section 1. Recitals. This Continuing Disclosure Undertaking (this "Undertaking") is executed and delivered by the City of Santa Fe, New Mexico (the "City") in connection with the issuance by the City of $13,550,000 City of Santa Fe, New Mexico Net Wastewater Utility System / Environmental Services Gross Receipts Tax Improvement Revenue Bonds, Series 2019 (Climate Bond Certified/ Green Bonds) (the "Bonds"). The Bonds are being issued pursuant to the Ordinance No. 2019-02 adopted by the City on January 30, 2019 (the "Ordinance"). In order to allow the underwriters of the Bonds to comply with the Rule (defined below), the City is required to make certain continuing disclosure undertakings for the benefit of owners (including beneficial owners) of the Bonds (the "Owners"). This Undertaking is intended to satisfy the requirements of the Rule.

Section 2. Definitions.

(a) "Annual Financial Information" means the financial information (which will be based on financial statements prepared in accordance with generally accepted accounting principles, as in effect from time to time ("GAAP"), for governmental units as prescribed by the Governmental Accounting Standards Board ("GASB") or operating date with respect to the City) delivered at least annually pursuant to Sections 3(a) and 3(b), consisting of information of the type included in the following headings of the Official Statement entitled: (a) "INFORMATION CONCERNING ENVIRONMENTAL SERVICES GROSS RECEIPTS TAXES AND REVENUES – Historical Environmental Services Gross Receipts Tax Revenues"; (b) "THE WASTEWATER UTILITY SYSTEM – Customer Characteristics – City of Santa Fe, New Mexico Monthly Residential and Commercial Wastewater Fees"; and (C) "THE WASTEWATER UTILITY SYSTEM – History of Pledged Revenues and Debt Service Coverage". Annual Financial Information may, but is not required to, include Audited Financial Statements.

(b) "Audited Financial Statements" means the City's annual financial statements, prepared in accordance with GAAP for governmental units as prescribed from time to time by GASB, which financial statements have been audited by such auditor as may then be required or permitted by the laws of the State.

(c) "EMMA" means the MSRB's Electronic Municipal Market Access system located on its website at emma.msrb.org.

(d) "Event Information" means the information delivered pursuant to Section 3(d).

(e) "Financial Obligation" shall have the meaning assigned to it consistent with guidance provided by the SEC from time to time which, as of the date of issuance of the Bonds, is interpreted to mean a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided however that a "financial obligation" shall not include municipal securities as to which a final official statement (as defined in Rule 15c2-12) has been provided to the MSRB consistent with Rule 15c2-12.

(f) "MSRB" means the Municipal Securities Rulemaking Board. The current address of the MSRB is 1300 I Street NW, Suite 1000, Washington, DC 20005, telephone (202) 838-1500, fax (202) 898-1500.

(g) "Official Statement" means the Official Statement delivered in connection with the original issue and sale of the Bonds.

(h) "Report Date" means April 1 of each year, beginning in 2020.

(i) "Rule" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934, as amended (17 C.F.R. Part 240, § 240.15c2-12), as the same may be amended from time to time.

(j) "SEC" means the Securities and Exchange Commission.

(k) "State" means the State of New Mexico.

Section 3. Provision of Annual Information and Reporting of Event Information.

(a) The City, or its designated agent, will provide the Annual Financial Information for the preceding fiscal year to EMMA on or before each Report Date while the Bonds are outstanding.

(b) If Audited Financial Statements are not provided as a part of the Annual Financial Information, the City, or its designated agent, will provide unaudited financial statements as part of the Annual Financial Information. In such cases, Audited Financial Statements will be provided to EMMA when and if available.

(c) The City, or its designated agent, may provide Annual Financial Information by specific reference to other documents, including information reports and official statements relating to other debt issues of the City, which have been submitted to EMMA or filed with the SEC; provided, however, that if the document so referenced is a "final official statement" within the meaning of the Rule, such final official statement must also be available from the MSRB.

(d) The City, or its designated agent, will provide, to EMMA, notice of any of the following events with respect to the Bonds in a timely manner not in excess of ten (10) business days after the occurrence of the event:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;

(vii) modifications to rights of security holders, if material;

(viii) bond calls, if material or tender offers;

(ix) defeasances;

(x) release, substitution or sale of property securing repayment of the securities, if material;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or a similar event with respect to the City or an obligated person;

(xiii) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(xiv) appointment of a successor or additional trustee, or a change of name of a trustee, if material.

(xv) the incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and

(xvi) a default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

(e) The City, or its designated agent, will provide, to EMMA, notice of any of the following events with respect to the Bonds in a timely manner not in excess of ten (10) business days after the occurrence of the event:

(i) failure of the City to timely provide the Annual Financial Information as specified in Sections 3(a) and 3(b) herein;

(ii) changes in its fiscal year-end; and

(iii) amendment of this Undertaking.

Section 4. Method of Transmission. Unless otherwise required by law and subject to technical and economic feasibility, the City, or its designated agent, will employ such methods of electronic or physical information transmission as are requested or recommended from time to time by EMMA, the MSRB and the SEC.

Section 5. Enforcement. The obligations of the City under this Undertaking are for the benefit of the Owners. Each Owner is authorized to take action to seek specific performance by court order to compel the City to comply with its obligations under this Undertaking, which action will be the exclusive remedy available to it or any other Owner. The City's breach of its obligations under this Undertaking will not constitute an event of default under the Ordinance and none of the rights and remedies provided by the Ordinance will be available to the Owners with respect to such a breach.

Section 6. Term. The City's obligations under this Undertaking will be in effect from and after the issuance and delivery of the Bonds and will extend to the earliest of (i) the date all principal and interest on the Bonds have been paid or legally defeased pursuant to the terms of the Ordinance; (ii) the date on which the City is no longer an "obligated person" with respect to the Bonds within the meaning of the Rule; or (iii) the date on which those portions of the Rule which require this Undertaking are determined to be invalid or unenforceable by a court of competent jurisdiction in a non-appealable action, have been repealed retroactively or otherwise do not apply to the Bonds.

Section 7. Amendments. The City may amend this Undertaking from time to time, without the consent of any Owner upon the City's receipt of an opinion of independent counsel experienced in federal securities laws to the effect that such amendment:

(a) is made in connection with a change in circumstances that arises from a change in legal requirements, a change in law, a change in the identity, nature or status of the City or a change in the availability or character of financial information for the City;

(b) this Undertaking, as amended, would have complied with the Rule at the time of the initial issue and sale of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any changes in circumstances; and

(c) the amendment does not materially impair the interests of the Owners.

Any Annual Financial Information containing amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided. If an amendment changes the accounting principles to be followed in preparing financial statements, the Annual Financial Information and Audited Financial Statements for the year in which the change is made will present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 8. Beneficiaries. This Undertaking binds and inures to the sole benefit of the City and the Owners, and creates no rights in any other person or entity.

Section 9. Special Funds. This Undertaking is subject to the availability of necessary funds from annual Pledged Revenues (as defined by the Ordinance).

Section 10. Governing Law. This Undertaking is governed by and is to be construed in accordance with the law of the State.

Date: _____, 2019

CITY OF SANTA FE, NEW MEXICO

By_____
Mayor