

## **NOTICE**

### **CITY OF LAS CRUCES, NEW MEXICO**

**\$20,000,000\***

#### **State Shared Gross Receipts Tax Refunding Revenue Bonds Series 2020**

#### **Preliminary Official Statement, subject to completion, dated February 19, 2020**

The Preliminary Official Statement, dated February 19, 2020 (the “Preliminary Official Statement”), relating to the above-described bonds (the “Bonds”) of the City of Las Cruces, New Mexico (the “City”), has been posted as a matter of convenience. The posted version of the Preliminary Official Statement has been formatted in Adobe Portable Document Format (Adobe Acrobat 8.0). Although this format should replicate the Preliminary Official Statement available from the City, appearance may vary for a number of reasons, including electronic communication difficulties or particular user software or hardware. Using software other than Adobe Acrobat 8.0 may cause the Preliminary Official Statement that you view or print to differ in appearance from the Preliminary Official Statement.

The Preliminary Official Statement and the information contained therein are subject to completion or amendment or other change without notice. Under no circumstances shall the Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

For purposes of Rule 15c2-12 promulgated by the United States Securities and Exchange Commission, the Preliminary Official Statement alone, and no other document or information on the internet, constitutes the “Official Statement” that the City has “deemed final” as of its date in respect of the Bonds, except for certain information permitted by Rule 15c2-12 to be omitted therefrom.

No person has been authorized to give any information or to make any representations other than those contained in the Preliminary Official Statement in connection with the offer and sale of the Bonds and, if given or made, such information or representations must not be relied upon as having been authorized. The information and expressions of opinion in the Preliminary Official Statement are subject to change without notice and neither the delivery of the Official Statement nor any sale made thereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date of the Preliminary Official Statement.

By choosing to proceed and view the electronic version of the Preliminary Official Statement, you acknowledge that you have read and understood this Notice.

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\* Preliminary, subject to change.

NEW ISSUE

MOODY'S RATING:Aa3

See "RATING" herein.

*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 Bonds (including original issue discount treated as interest) (a) is excludable from the gross income of the recipients thereof for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, 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. The Bonds and income from the 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 Series 2017 Bonds for certain owners of such bonds, see "TAX EXEMPTION" herein.*

CITY OF LAS CRUCES, NEW MEXICO

\$20,000,000\*

State Shared Gross Receipts Tax Refunding Revenue Bonds  
Series 2020

Book-Entry Only

Dated: Date of Delivery

Due: June 1, as shown on inside cover

The City of Las Cruces, New Mexico State Shared Gross Receipts Tax Refunding Revenue Bonds, Series 2020 (the "Series 2020 Bonds" or the "Bonds") are being issued by the City of Las Cruces, Doña Ana County, New Mexico (the "City") to provide funds to pay the costs of (1) refunding, refinancing, paying and discharging the City's State Shared Gross Receipts Tax Revenue Bonds, Series 2010 maturing on and after June 1, 2020 and (2) paying expenses and costs of issuance related to the issuance of the Series 2020 Bonds. See "PURPOSE AND PLAN OF FINANCING" herein. The Series 2020 Bonds are being issued pursuant to the general laws of the State, including Sections 3-31-1 through 3-31-12 NMSA 1978, as amended (the "Act"), and enactments of the City Council relating to the issuance of the Series 2020 Bonds, including the Bond Ordinance (as defined herein).

The Series 2020 Bonds are issuable only as fully registered bonds in denominations of \$5,000 each or any integral multiple thereof. The Series 2020 Bonds will bear interest from the delivery date and interest is payable on June 1 and December 1 of each year commencing June 1, 2020, as more fully described herein. The Paying Agent and Registrar is the City Treasurer, Las Cruces, New Mexico.

SEE MATURITY SCHEDULE SET FORTH ON THE INSIDE COVER OF THIS OFFICIAL STATEMENT.

The Series 2020 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"). Underwriters of the Series 2020 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 Series 2020 Bonds, disbursement of payments of principal and interest to DTC is the responsibility of the Paying Agent, disbursement of such payments to DTC Participants (as defined herein) is the responsibility of DTC and disbursement of such payments to Beneficial Owners is the responsibility of DTC Participants, as more fully described herein. See "DESCRIPTION OF THE BONDS – Book-Entry Only System" herein.

The Series 2020 Bonds maturing on and after June 1, 202\_\_ are subject to optional redemption on and after June 1, 202\_\_, in whole or in part at any time. See "DESCRIPTION OF THE BONDS – REDEMPTION OF BONDS" herein.

The Bonds are special limited obligations of the City, payable solely from and secured by an irrevocable and first lien (but not necessarily an exclusive first lien) on the Pledged State Shared Gross Receipts Tax Revenues, the Pledged Convention Center Fee Revenues and the Pledged Lodgers' Tax Revenues (collectively, the "Pledged Revenues"), as more fully defined herein. The registered owners of the Bonds may not look to any general or other fund for the payment of the principal of, or interest on such obligations except for the Pledged Revenues. The 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 ad valorem taxing power or general resources of the City, the State of New Mexico or any political subdivision thereof are pledged to the payment of the Bonds. See "SECURITY FOR THE BONDS" and "PLEDGED REVENUES" herein.

The Series 2020 Bonds are offered when, as and if issued by the City, subject to the approval of validity by Modrall, Sperling, Roehl, Harris & Sisk, P.A., Albuquerque, New Mexico, Bond Counsel, and certain other conditions. Certain legal matters will be passed on for the City by Jennifer Vega-Brown, City Attorney. Certain legal matters will be passed on for the underwriter listed below (the "Underwriter") by McCall, Parkhurst & Horton L.L.P., Dallas, Texas.

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 and the sale of the Series 2020 Bonds. It is anticipated that the Series 2020 Bonds will be available for delivery on or about March 31, 2020 through the facilities of DTC, New York, New York.

Dated: \_\_\_\_\_, 2020



\* Preliminary, subject to change.

MATURITY SCHEDULE SERIES 2020 BONDS\*

| <u>Maturity<br/>(June 1)</u> | <u>Principal<br/>Amount</u> | <u>Interest<br/>Rate</u> | <u>Price</u> | <u>CUSIP<br/>Number*</u> |
|------------------------------|-----------------------------|--------------------------|--------------|--------------------------|
| 2020                         |                             |                          |              |                          |
| 2021                         |                             |                          |              |                          |
| 2022                         |                             |                          |              |                          |
| 2023                         |                             |                          |              |                          |
| 2024                         |                             |                          |              |                          |
| 2025                         |                             |                          |              |                          |
| 2026                         |                             |                          |              |                          |
| 2027                         |                             |                          |              |                          |
| 2028                         |                             |                          |              |                          |
| 2029                         |                             |                          |              |                          |
| 2030                         |                             |                          |              |                          |
| 2031                         |                             |                          |              |                          |
| 2032                         |                             |                          |              |                          |
| 2033                         |                             |                          |              |                          |
| 2034                         |                             |                          |              |                          |
| 2035                         |                             |                          |              |                          |
| 2036                         |                             |                          |              |                          |
| 2037                         |                             |                          |              |                          |
| 2038                         |                             |                          |              |                          |
| 2039                         |                             |                          |              |                          |

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\* Preliminary, subject to change.

**CITY OF LAS CRUCES, NEW MEXICO**

City Hall, 700 North Main Street  
P.O. Box 20000  
Las Cruces, New Mexico 88001  
(575) 541-2000

**MAYOR**

Ken Miyagishima

**CITY COUNCIL**

Tessa Abeyta Stuve, Councilor  
Kasandra Gandara, Councilor  
Gabriel Vasquez, Councilor  
Johana Bencomo, Councilor  
Gill M. Sorg, Councilor  
Yvonne M. Flores, Councilor

**CITY ADMINISTRATION**

William F. Studer, Jr., Interim City Manager  
Terri L. Gayhart, MBA, CPA, CGMA, Director of Financial Services  
Karin Byrum, CGFM, City Treasurer  
Christine Rivera, Interim City Clerk  
Jennifer Vega-Brown, City Attorney

**FINANCIAL ADVISOR**

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Albuquerque, New Mexico 87102  
(505) 848-1800

**PAYING AGENT AND REGISTRAR**

City Treasurer, City of Las Cruces  
City Hall, 700 North Main Street  
P.O. Box 20000  
Las Cruces, New Mexico 88001  
(575) 541-2000

**UNDERWRITER**

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**ESCROW AGENT**

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100 Sun Avenue NE  
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Albuquerque, New Mexico 87109  
(505) 222-8458



## **USE OF INFORMATION IN THIS OFFICIAL STATEMENT**

No dealer, salesman or other person has been authorized by the City of Las Cruces, New Mexico (the “City”) to give any information or to make any statements or representations, other than those contained in this Official Statement, and, if given or made, such other information, statements or representations must not be relied upon as having been authorized by the City or HilltopSecurities Inc. (the “Underwriter”). This Official Statement does not constitute an offer to sell or solicitation of an offer to buy any of the Bonds 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 in such jurisdiction. The information set forth or included in this Official Statement has been provided by the City and from other sources believed by the City to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall create any implication that there has been no change in the financial condition or operations of the City described herein since the date hereof. This Official Statement contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions or that they will be realized.

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 law of the states in which the Bonds have 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 is “deemed final” by the City for purposes of Rule 15c2-12 promulgated by the Securities and Exchange Commission. The City has covenanted to provide such annual financial statements and other information in the manner as may be required by regulations of the Securities and Exchange Commission or other regulatory body.

This Official Statement contains statements 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,” “project,” “intend,” “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.

**IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE CITY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. 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.**

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

THE PRICES AT WHICH THE BONDS ARE OFFERED TO THE PUBLIC BY THE UNDERWRITER (AND THE YIELDS RESULTING THEREFROM) MAY VARY FROM THE INITIAL PUBLIC OFFERING PRICES OR YIELDS APPEARING ON THE INSIDE COVER PAGE HEREOF. IN ADDITION, THE UNDERWRITER MAY ALLOW CONCESSIONS OR DISCOUNTS FROM SUCH INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH 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.

Copies of the Bond Ordinance authorizing the issuance of the Bonds are available upon request at the office of the City Clerk, City Hall, 700 North Main Street, Las Cruces, New Mexico 88001, (575) 541-2000.

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## **CITY OF LAS CRUCES, NEW MEXICO**

**\$20,000,000\***

### **State Shared Gross Receipts Tax Refunding Revenue Bonds Series 2020**

#### **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.

|                    |  |
|--------------------|--|
| Issuer:            | The City of Las Cruces, New Mexico (the “City”) operates under a home rule charter pursuant to Article X, Section 6 of the New Mexico Constitution (the “Charter”), with a Council-Manager form of government. The City is located near the Texas and Mexico borders. Las Cruces is the second largest city in the State of New Mexico and is the commercial, service and cultural center of Southern New Mexico. See “THE CITY.”  |
| Dated:             | Date of Delivery.  |
| Principal Payment: | The Bonds are registered bonds maturing on June 1 of the years set forth on the inside cover page of this Official Statement.  |
| Interest Payment:  | Interest will be payable semiannually on June 1 and December 1, commencing June 1, 2020.   |
| Purpose:           | The City of Las Cruces, New Mexico State Shared Gross Receipts Tax Refunding Revenue Bonds, Series 2020 (the “Series 2020 Bonds” or the “Bonds”) are being issued by the City of Las Cruces, Doña Ana County, New Mexico (the “City”) to provide funds to pay the costs of (1) refunding, refinancing, paying and discharging the City’s State Shared Gross Receipts Tax Revenue Bonds, Series 2010 maturing on and after June 1, 2020 in an aggregate principal amount of \$19,105,000, and (2) paying expenses and costs of issuance related to the issuance of the Bonds. See “PURPOSE AND PLAN OF FINANCING” herein. |
| Authorization:     | The Bonds are being issued pursuant to the general laws of the State, including Sections 3-31-1 through 3-31-12 NMSA 1978, as amended (the “Act”), the Charter and enactments of the City Council relating to the issuance of the Bonds, including the Bond Ordinance (defined herein).  |
| Security:          | The Bonds are special limited obligations. The Bonds are payable solely from and secured by an irrevocable and first lien (but not necessarily an exclusive first lien) upon the revenues of the 1.225% state shared gross receipts tax (the “Pledged SSGRT Revenues”), the Pledged Convention Center Fee Revenues   |

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\* Preliminary, subject to change.

and the Pledged Lodgers' Tax Revenues (collectively, the "Pledged Revenues"), as herein defined. See "SECURITY FOR THE BONDS" herein.

Special Obligations:

THE PRINCIPAL OF AND INTEREST ON THE 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 BONDS. THE BONDS WILL NOT CONSTITUTE AN INDEBTEDNESS NOR A DEBT OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL 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 GENERAL TAXING POWER OF THE CITY IS PLEDGED FOR THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BONDS, AND 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.

Reserve Fund:

No deposit shall be required in the Reserve Fund so long as the Pledged Revenues in each Fiscal Year equal or exceed 175% of the maximum annual principal and interest coming due in any subsequent Fiscal Year on all outstanding Parity Bonds, State Shared Gross Receipts Tax Parity Obligations, and Lodgers' Tax/Convention Center Fee Parity Obligations. If the Pledged Revenues in any Fiscal Year are insufficient to meet the test set forth in the preceding sentence, the City shall begin making substantially equal monthly deposits in the Reserve Fund from the first legally available Pledged Revenues so that after 24 months an amount equal to the Minimum Reserve will be held in the Reserve Fund. After funding the Reserve Fund in an amount equal to the Minimum Reserve, no additional payments need be made into the Reserve Fund so long as the moneys therein shall equal not less than the Minimum Reserve.

Minimum Reserve:

The Minimum Reserve shall be an amount equal to the least of (i) ten percent of the principal amount of the outstanding Series 2020 Bonds, (ii) the maximum annual debt service on the outstanding Series 2020 Bonds, or (iii) 125% of the average annual debt service on the outstanding Series 2020 Bonds. The Minimum Reserve shall be recalculated every year on or about June 1.

Optional Prior Redemption:

The Bonds maturing on and after June 1, 20\_\_ are subject to prior redemption at par at the option of the City, in one or more units of principal of \$5,000 on and after June 1, 20\_\_. If the Bonds are optionally redeemed in part, the Bonds to be so redeemed shall be selected by lot by the Registrar in such manner as the Registrar shall consider appropriate and fair. The redemption price will be the principal amount of each \$5,000 unit so redeemed, accrued interest thereon to the redemption date.

Parity Obligations:

The City's State Shared Gross Receipts Tax Revenue Bonds, Series 2010 (the "Series 2010 Bonds"), which will be refunded with proceeds of the Bonds, are

the only outstanding obligations with a parity lien on the Pledged SSGRT Revenues, Pledged Convention Center Revenues and Pledged Lodgers' Tax Revenues. Other than the Series 2010 Bonds, the City has no outstanding obligations secured by either Pledged Convention Center Fee Revenues or Pledged Lodgers' Tax Revenues.

The City has the following outstanding obligations with a parity lien on the Pledged SSGRT Revenues: (i) the Loan Agreement between the City and the New Mexico Finance Authority executed on January 23, 2009 in the original aggregate principal amount of \$4,999,890, authorized by City Ordinance No. 2494 adopted by the City Council on December 15, 2008 and currently outstanding in the aggregate principal amount of \$500,000; (ii) the "City of Las Cruces, New Mexico State Shared Gross Receipts Tax Improvement Revenue Bonds, Series 2011A" in the original aggregate principal amount of \$9,640,000, authorized by City Ordinance No. 2618 adopted by the City Council on June 8, 2011 and currently outstanding in the aggregate principal amount of \$4,130,000; (iii) the "City of Las Cruces, New Mexico State Shared Gross Receipts Tax Improvement Revenue Bonds, Series 2014" in the original aggregate principal amount of \$10,000,000, authorized by City Ordinance No. 2718 adopted by the City Council on June 24, 2014 and currently outstanding in the aggregate principal amount of \$5,745,000; (iv) the 2014 NMFA Loan for fire equipment in the original aggregate principal amount of \$443,325, authorized by City Ordinance No. 2734 adopted by the City Council on November 3, 2014 and currently outstanding in the aggregate principal amount of \$182,419; (v) the "City of Las Cruces, New Mexico State Shared Gross Receipts Tax Refunding Revenue Bonds, Series 2015" in the original aggregate principal amount of \$19,195,000, authorized by City Ordinance No. 2739 adopted on December 1, 2014, as supplemented and amended by Resolution No. 15-140 adopted on February 3, 2015 and currently outstanding in the aggregate principal amount of \$14,920,000; (vi) the 2017 NMFA Loan for public safety vehicles and heavy equipment in the original aggregate principal amount of \$3,203,527, authorized by City Ordinance No. 2801 adopted by the City Council on January 17, 2017 and currently outstanding in the aggregate principal amount of \$2,077,504; and (vii) the "City of Las Cruces, New Mexico State Shared Gross Receipts Tax Improvement Revenue Bonds, Series 2017" in the original aggregate principal amount of \$10,570,000, authorized by City Ordinance No. 2801 adopted by the City Council on May 10, 2017 and currently outstanding in the aggregate principal amount of \$7,750,000.

**Subordinate Obligations:** The City has the following outstanding obligation with a subordinate lien on the Pledged SSGRT Revenues: (i) the "City of Las Cruces, New Mexico Taxable Subordinate Lien State Shared Gross Receipts Tax Improvement Revenue Bonds, Series 2016" in the original aggregate principal amount of \$8,585,000, authorized by City Ordinance No. 2774 adopted on February 16, 2016 and Resolution No. 16-18 adopted on March 9, 2016 and currently outstanding in the aggregate principal amount of \$8,585,000; and (ii) the "City of Las Cruces, New Mexico Taxable Subordinate Lien State Shared Gross Receipts Tax Improvement Revenue Bonds, Series 2019" authorized in the original aggregate principal amount of \$8,870,000 and authorized by City



Council Ordinance No. 2894 adopted on August 5, 2019 and currently outstanding in the aggregate principal amount of \$8,870,000.

|                              |   |
|------------------------------|---|
| Additional Bonds:            | In addition to the Series 2020 Bonds, additional bonds may hereafter be issued and secured by and paid from the Pledged Revenues on parity with the Series 2020 Bonds. The City will not issue additional bonds payable from the Pledged Revenues with a lien prior and superior to the lien of the Series 2020 Bonds thereon. Nothing contained in the Bond Ordinance will be construed in such a manner as to prevent the issuance by the City of additional bonds payable from the Pledged Revenues with a lien thereon subordinate and junior to the lien of the Series 2020 Bonds thereon, nor to prevent the issuance of bonds or other obligations refunding all or part of the Series 2020 Bonds as permitted by the Bond Ordinance. See “ADDITIONAL OBLIGATIONS PAYABLE FROM PLEDGED REVENUES” herein. |
| Tax Exemption:               | In the opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A., Bond Counsel, interest on the Series 2020 Bonds (including original issue discount treated as interest) (a) is excludable from the gross income of the recipients thereof for federal income tax purposes, (b) is not a specific preference item for purposes of the federal alternative minimum tax for individuals, and (c) is exempt from all taxation by the State of New Mexico or any political subdivision thereof. See “TAX EXEMPTION” herein.   |
| Secondary Market Disclosure: | The City has entered into an undertaking (the “Undertaking”) for the benefit of the holders of the Bonds to send certain financial information and operating data to certain information repositories annually and to provide notice to the Municipal Securities Rulemaking Board of certain events, pursuant to the requirements of Section (b)(5)(i) of Securities and Exchange Commission Rule 15c2-12 (17 C.F.R. Part 240, 240.15c2-12). See “CONTINUING DISCLOSURE” herein.  |
| Delivery:                    | The delivery of the Bonds is expected on or about March 31, 2020.   |
| Bond and Disclosure Counsel: | Modrall, Sperling, Roehl, Harris & Sisk, P.A., Albuquerque, New Mexico  |
| Paying Agent/Registrar:      | City Treasurer, Las Cruces, New Mexico.   |
| Escrow Agent:                | BOKF, NA, Albuquerque, New Mexico   |
| Verification Agent:          | Causey Demgen Moore P.C., Denver, Colorado  |

## **OFFICIAL STATEMENT**

### **CITY OF LAS CRUCES, NEW MEXICO**

**\$20,000,000\***

**State Shared Gross Receipts Tax Refunding Revenue Bonds  
Series 2020**

### **INTRODUCTION**

This Official Statement, which includes the cover page and the appendices hereto, sets forth certain information in connection with the offering of \$20,000,000\* aggregate principal amount of State Shared Gross Receipts Tax Refunding Revenue Bonds, Series 2020 (the “Bonds”), to be issued by the City of Las Cruces, Doña Ana County, New Mexico, pursuant to Ordinance No. 2912, adopted on February 18, 2020, as supplemented and amended by a Pricing Certificate delivered by an authorized officer of the City on February 26, 2020 (together, the “Bond Ordinance”).

The Bonds are payable and collectible solely from the Pledged State Shared Gross Receipts Tax Revenues, the Pledged Convention Center Fee Revenues and the Pledged Lodgers’ Tax Revenues (as such terms are hereinafter defined and collectively referred to as the “Pledged Revenues”).

Pledged SSGRT Revenues means the revenues from the State gross receipts tax derived pursuant to Section 7-9-4 NMSA 1978, imposed on persons engaging in business in the State, which revenues are remitted to the City monthly by the New Mexico Department of Taxation and Revenue pursuant to Section 7-1-6 and 7-1-6.4 NMSA 1978, and which remittances currently equal one and two hundred twenty-five thousandths percent (1.225%) of the taxable gross receipts reported for the City for the month for which such remittances is made; provided that if a greater amount of such gross receipts tax revenues are hereafter provided to be remitted to the City under applicable law, such additional amounts shall be included as revenues pledged pursuant to the Bond Ordinance; and provided further that the amount of revenues pledged pursuant to the Bond Ordinance shall never be less than the greater of: (i) 1.225% of the taxable gross receipts remitted to the City by the State as set forth above, or (ii) the maximum amount at any time provided hereafter to be remitted to the City under applicable law, and includes the distribution to the City made pursuant to Section 7-1-6.46 NMSA 1978, as that distribution relates to the gross receipts tax revenues received pursuant to Section 7-1-6.4 NMSA 1978, which revenues are reduced pursuant to the deductions under Sections 7-9-92 and 7-9-93 NMSA 1978 (the “Hold Harmless Distribution”); and provided further, the City intends that Section 3-31-6(C) NMSA 1978 applies expressly to the amount of revenues pledged pursuant to the Bond Ordinance (the term “Pledged State Shared Gross Receipts Tax Revenues” does not include any local option gross receipts tax income received by the City).

Pledged Convention Center Fee Revenues means the revenues received by the City as a fee on the use of a room within a lodging facility in the City imposed pursuant to Sections 5-13-1 through 5-13-15 NMSA 1978 and City Ordinance No. 2360 adopted on March 5, 2007 (codified as Article VIII, Chapter 16, Sections 421 through 433 of the Las Cruces Municipal Code (1997) as amended and supplemented).

Pledged Lodgers’ Tax Revenues means 50% of the revenues received by the City for the 5% occupancy tax on lodging within the City imposed pursuant to City Ordinance No. 115, adopted on January 17, 1977 and City Ordinance No. 1011 adopted on July 18, 1988 (codified as Article III, Chapter 16, Sections 61 through 70 of the Las Cruces Municipal Code (1997), as amended and supplemented) and Sections 3-38-13 through 3-38-

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\* Preliminary, subject to change.

24 NMSA 1978, less the City's costs of collecting and administering such occupancy tax.

The Series 2020 Bonds will be secured by an irrevocable and first lien (but not necessarily an exclusive first lien) on the Pledged Revenues. See "SECURITY FOR THE BONDS" herein.

The Series 2020 Bonds are being issued by the City of Las Cruces, Doña Ana County, New Mexico (the "City") to provide funds to pay the costs of (1) refunding, refinancing, paying and discharging the City's State Shared Gross Receipts Tax Revenue Bonds, Series 2010 maturing on and after June 1, 2020, in an aggregate principal amount of \$19,105,000; and (2) paying expenses and costs of issuance related to the issuance of the Series 2020 Bonds. See "THE PROJECT" herein.

Pursuant to the Bond Ordinance, the City has covenanted not to repeal or amend any law, ordinance, or resolution in a manner that impairs any of the outstanding Bonds.

Additional bonds may hereafter be issued and secured by the Pledged Revenues having a lien on the Pledged Revenues on a parity with, or subordinate and junior to, the lien on the Pledged Revenues securing the Series 2020 Bonds. Additional Obligations may not be issued with a lien superior to the lien on the Pledged Revenues securing the 2020 Bonds. See "ADDITIONAL OBLIGATIONS PAYABLE FROM PLEDGED REVENUES -- Parity Obligations."

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.

### **THE PROJECT**

The proceeds of the Series 2020 Bonds will be used to (1) refund, refinance, pay and discharge the City's State Shared Gross Receipts Tax Revenue Bonds, Series 2010 maturing on and after June 1, 2020 (the "Call Date"), in an aggregate principal amount of \$19,105,000 (the "Refunded Bonds") ; and (2) pay expenses and costs of issuance related to the issuance of the Series 2020 Bonds. See "SOURCES AND USES OF PROCEEDS OF THE BONDS" herein.

On the date of delivery of the Series 2020 Bonds, proceeds of the Bonds will be irrevocably deposited to a refunding escrow account pursuant to the terms of an Escrow Deposit Agreement by and between the City and BOKF, NA, as Escrow Agent. Causey Demgen Moore, P.C., as Verification Agent, is expected to certify that the amounts on deposit in the refunding escrow account, together with any earnings thereon, will be sufficient to pay the interest and principal requirements of the Refunded Bonds on the Call Date.

### **SPECIAL FACTORS RELATING TO THE BONDS**

The purchase of the Bonds involves special risks and the Bonds may not be appropriate investments for all types of investors. Each prospective investor is encouraged to read this Official Statement in its entirety and to give particular attention to the factors described below, which, among other factors discussed herein, could affect the payment of debt service on the Bonds and could affect the market price of the Bonds to an extent that cannot be determined at this time. The Bonds may not be suitable investments for all persons, and prospective Underwriters should evaluate the risks and merits of an investment in the Bonds, and should confer with their own legal and financial advisors before deciding to purchase the Bonds.

## **Pledged Revenue Collections are Subject to Fluctuation**

Gross receipts tax collections are subject to the fluctuations in spending related, in part, to national and local economic conditions, which influence 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 Pledged SSGRT Revenues are directly affected by economic activities in the City. The City's retail sales are affected by general economic circumstances.

The Pledged SSGRT Revenues are based on the total gross receipts of the City. Various circumstances and developments, most of which are beyond the control of the City, may have an adverse effect on the future level of Pledged 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, 2019, total Pledged SSGRT Revenues were \$37,316,221, approximately 0.47% higher than for the previous fiscal year. See table under "PLEDGED REVENUES" for historical collections. There can be no assurance that Pledged SSGRT Revenues will continue to increase.

Additionally, the Pledged Convention Center Fee Revenues and Pledged Lodgers' Tax Revenues are subject to fluctuations in spending related to travel and tourism. For the Fiscal Year ended June 30, 2019, unaudited convention center fee revenues (\$1,303,403) and unaudited lodgers' tax revenues (\$2,144,835) totaled approximately \$3,448,238 million dollars, representing a 0.39% decrease from the previous Fiscal Year.

## **Bankruptcy and Foreclosure**

The ability and willingness of an owner or operator of a business to pay gross receipts taxes 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 Bonds when due.

## **Limited Obligations**

The Series 2020 Bonds constitute a lien only on the Pledged Revenues. Therefore, the security for the punctual payment of the principal of and interest on the Bonds is dependent on the City's receipt of the Pledged Revenues in amounts sufficient to meet the debt service requirements of the Bonds. See "SECURITY FOR THE BONDS" and "PLEDGED REVENUES" herein. The 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 Bonds are not obligations of the State, and the owners of the Bonds may not look to the State for payment of the principal of or interest on the Bonds.

## **Additional Parity Obligations and Subordinate Lien Obligations**

Pursuant to the Bond Ordinance, the City may issue additional Parity Obligations, State Shared Gross Receipts Tax Parity Obligations or Lodgers' Tax/Convention Center Fee Parity Obligations without

Bondholder consent, upon meeting coverage or other financial tests. See “ADDITIONAL OBLIGATIONS PAYABLE FROM PLEDGED REVENUES – Parity Obligations, State Shared Gross Receipts Tax Parity Obligations and Lodgers’ Tax/Convention Center Fee Parity Obligations” herein. Parity Obligations, State Shared Gross Receipts Tax Parity Obligations or Lodgers’ Tax/Convention Center Fee Parity Obligations would have a lien on the Pledged Revenues on parity with the lien of the Bonds. As a result, if Pledged Revenues are insufficient to pay debt service on the Bonds and any outstanding Parity Obligations, State Shared Gross Receipts Tax Parity Obligations or Lodgers’ Tax/Convention Center Fee Parity Obligations in any year, debt service will be paid on a proportionate basis. Other than the Refunded Bonds, the City has no outstanding obligations secured by the Pledged Revenues, by Pledged Lodgers’ Tax Revenues or Pledged Convention Center Fee Revenues.

The City is permitted to issue additional obligations with a lien on the Pledged Revenues, Pledged State Shared Gross Receipts Tax Revenues or Lodgers’ Tax/Convention Center Fee Revenues subordinate to the lien thereon of the Series 2020 Bonds (“Subordinate Lien Obligations”). The City issued its Taxable Subordinate Lien State Shared Gross Receipts Tax Improvement Revenue Bonds, Series 2016, which are currently outstanding in an aggregate principal amount of \$7,575,000, and its Taxable Subordinate Lien State Shared Gross Receipts Tax Improvement Revenue Bonds, Series 2019, which are currently outstanding in an aggregate principal amount of \$8,585,000. As of the date of this Official Statement there are no outstanding Subordinate Lien Obligations payable, in whole or in part, from Lodgers’ Tax/Convention Center Fee Revenues.

## **Secondary Market**

Although the Underwriter expects to maintain a secondary market in the Bonds, at this time no guarantee can be made that a secondary market for the Bonds will be maintained by the Underwriter or others. Owners of the Bonds should be prepared to hold their Bonds to maturity or prior redemption.

## **State Legislation**

The State Legislature of the State of New Mexico (the “Legislature”) may amend the laws relating to the levy, calculation and/or the distribution of or otherwise impacting the City’s gross receipts tax revenues. In some cases, the Legislature has made amendments which negatively impacted the amount of gross receipts tax revenues received by local government.

In 2004, the Legislature adopted legislation creating a deduction from gross receipts tax for receipts from retail sales of food (not including restaurant sales and certain sales of prepared foods) as defined for federal food stamp program purposes. Retailers are required to report receipts from sales of such groceries and then claim the deduction. The statute provides for payments to be made from the State general fund to reimburse local governments for revenues lost as a result of the new deduction (the “Hold Harmless Distributions”). Those distributions are included within Pledged Revenues. In the same year the Legislature created a deduction from gross receipts tax for receipts of licensed medical care providers from Medicare Part C and managed health plans that by contract do not reimburse providers for gross receipts tax. This legislation includes provision for payments from the State general fund to reimburse local governments for revenues lost as a result of this deduction. Those distributions are included within Pledged Revenues but, as described below, will be phased out over a 15-year period beginning July 1, 2015. See “SPECIAL FACTORS RELATING TO THE BONDS-- Gross Receipts Tax Hold Harmless Distributions”, “PLEDGED REVENUES” and “ADDITIONAL OBLIGATIONS PAYABLE FROM PLEDGED REVENUES” herein.

Other amendments to State laws affecting taxed activities and distribution of gross receipts tax revenues have been proposed from time to time, including a significant tax reform package that was

proposed in the 2017 regular legislative session. Governor Susana Martinez has stated publically that she intends to include comprehensive tax reform to the agenda for a special legislative session to be convened to address the state's budget. However, the extent and likelihood of passage of tax reform cannot be determined at this time. Such changes or amendments 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. Notwithstanding the foregoing, the provisions of State law authorizing the issuance of revenue bonds (including gross receipts tax bonds such as the 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."

### **Gross Receipts Tax Hold Harmless Distributions**

In 2013 the New Mexico Legislature enacted House Bill 641 which amended several provisions of New Mexico's tax code, including a phased reduction in the Hold Harmless Distributions to certain municipalities and counties over 15 years starting in the Fiscal Year beginning July 1, 2015. In order to offset the reduced Hold Harmless Distributions, the law allows municipalities and counties to impose a local option gross receipts tax up to 3/8ths of a percent (the "Hold Harmless Gross Receipts Tax").

The law as currently enacted will result in annual reductions and ultimately the elimination of the Hold Harmless Distributions to the City beginning on July 1 2015, as follows:

| <u>Fiscal year beginning July 1</u> | <u>% of Total Hold Harmless<br/>Distribution*</u> |
|-------------------------------------|---|
| 2015                                | 94%   |
| 2016                                | 88%   |
| 2017                                | 82%   |
| 2018                                | 76%   |
| 2019                                | 70%   |
| 2020                                | 63%   |
| 2021                                | 56%   |
| 2022                                | 49%   |
| 2023                                | 42%   |
| 2024                                | 35%   |
| 2025                                | 28%   |
| 2026                                | 21%   |
| 2027                                | 14%   |
| 2028                                | 7%  |
| 2029                                | -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.

It is possible that the New Mexico Legislature will further amend the recently enacted law and 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. The City enacted a three-eighths of one percent Hold Harmless Gross Receipts Tax in 2013, but has not pledged revenues derived therefrom to the payment of the Series 2020 Bonds. SEE "PLEDGED REVENUES" herein.

## **City Cannot Increase Distribution of Taxes**

The City has no control over the rate at which the Pledged Revenues are distributed to the City; the rate of distribution can be increased only by action of the Legislature. Although it is possible that the Legislature will increase the rate of distribution to the City, there is currently no legislation proposed or pending to increase the rate of distribution to the City.

## **Bond Rating**

There is no assurance that the rating assigned to the 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 Bonds. See the information herein under the caption "RATING."

## **DESCRIPTION OF THE BONDS**

### **General**

The Series 2020 Bonds are being issued in the aggregate principal amount of \$20,000,000\* in order to provide funds for the Project. See "PURPOSE AND PLAN OF FINANCING" herein.

The Bonds will be dated the date of delivery. The Bonds will bear interest from their dated date at the rates, and will mature in the amounts and on the dates set forth on the inside cover page of this Official Statement. Interest on the Bonds will be payable semi-annually on June 1 and December 1 of each year, commencing June 1, 2020. The Bonds will bear interest from the most recent interest payment date to which interest has been fully paid or duly provided for or, if no interest has been paid, from the date of issuance. The Bonds will be issued as fully registered bonds without coupons in denominations of \$5,000 or any integral multiple thereof.

### **Payment - Regular Record Date**

Principal and interest on the Bonds shall be payable in lawful money of the United States of America, without deduction for exchange or collection charges. Principal shall be payable in immediately available funds at maturity or redemption thereof upon presentation and surrender of such Bond at the principal office of the Paying Agent or at the designated office of any successor Paying Agent. Upon any partial prior redemption of any Bond, the registered owner, in its discretion, may request the Registrar to authenticate a new Bond or to make a notation on the Bond indicating the date and amount of prepayment, except in the case of final maturity, in which case the Bond must be presented to the Paying Agent prior to payment. Interest on the Bonds shall be payable by check or draft mailed to the registered owner thereof (or in such other manner as may be agreed upon by the Paying Agent and the registered owner), as shown on the registration books maintained by the Registrar at the address appearing therein on the 15th day of the calendar month next preceding the Interest Payment Date (the "Record Date"). Any interest which is not timely paid or provided for shall cease to be payable to the owner thereof (or of one or more predecessor Bonds) as of the Record Date, but shall be payable to the owner thereof (or of one or more predecessor Bonds) at the close of business on a special record date for the payment of that overdue interest. The special record date shall be fixed by the Paying Agent whenever moneys become available for payment of the overdue interest, and notice of the special record date shall be given to Bond owners not less than ten days prior thereto. If any Bond presented for payment remains unpaid at maturity or redemption, it shall continue to bear interest at the rate or rates designated in, and applicable to, such Bond from time to time. If any Bond is not presented for payment at maturity or redemption when funds available therefor have been

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\* Preliminary, subject to change

deposited with the Paying Agent, it shall cease bearing interest on and from the date of maturity or redemption.

### **Optional Redemption**

The Series 2020 Bonds maturing on or after June 1, 20\_\_ are subject to prior redemption at the City's option in whole or in part at any time on and after June 1, 20\_\_ 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 Series 2020 Bonds of such maturity is called, such selection by lot to be made by the Registrar in such manner as considered appropriate and fair) for the principal amount so redeemed plus accrued interest to the redemption date. Redemption shall be made upon prior notice mailed to each registered owner of each Series 2020 Bond selected for redemption as shown on the registration books kept by the Registrar in the manner and upon the conditions provided in the Bond Ordinance.

### **Redemption Procedures**

Notice of redemption shall 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 at least thirty (30) days prior to the redemption date to the registered owner of each Series 2020 Bond, or portion thereof, to be redeemed at the address shown as of the close of business of the Registrar on the fifth day prior to the mailing of notice on the registration books kept by the Registrar. The City shall give notice of optional redemption of the Series 2020 Bonds to the Registrar at least forty-five (45) days prior to the redemption date (unless such deadline is waived by the Registrar). The Registrar's failure to give such notice to the registered owner of any Series 2020 Bond, or any defect therein, shall not affect the validity of the proceedings for the redemption of any Series 2020 Bonds for which proper notice was given. Notices of redemption shall specify the maturity dates and the number or numbers of the Series 2020 Bonds to be redeemed (if less than all are to be redeemed) and if less than the full amount of any Series 2020 Bond is to be redeemed, the amount of such Series 2020 Bond to be redeemed, the date fixed for redemption, and that on such redemption date there will become and be due and payable upon each Series 2020 Bond to be redeemed at the office of the Paying Agent the principal amount to be redeemed plus accrued interest to the redemption date and that from and after such date interest will cease to accrue on such amount. Notice having been given in the manner hereinbefore provided, the Series 2020 Bond or Bonds so called for redemption shall become due and payable on the redemption date so designated and if an amount of money sufficient to redeem all Series 2020 Bonds called for redemption shall on the redemption date be on deposit with the Paying Agent, the Series 2020 Bonds to be redeemed shall be deemed not outstanding and shall cease to bear interest from and after such redemption date. Upon presentation of the Series 2020 Bonds to be redeemed at the office of the Paying Agent, the Paying Agent will pay the Series 2020 Bond or Bonds so called for redemption with funds deposited with the Paying Agent by the City.

### **Conditional Redemption**

If money or Defeasance Obligations (as defined in the Bond Ordinance) sufficient to pay the optional redemption price of the Series 2020 Bonds to be called for optional redemption are not on deposit with the Paying Agent prior to the giving of notice of optional redemption referred to above, such notice shall state such Series 2020 Bonds will be redeemed in whole or in part on the optional redemption date in a principal amount equal to that part of the optional redemption price received by the Paying Agent on the applicable optional redemption date. If the full amount of the optional redemption price is not received as set forth in the preceding sentence, the notice shall be effective only for those Series 2020 Bonds for which the optional redemption price is on deposit with the Paying Agent. If all Series 2020 Bonds called for optional redemption cannot be redeemed, the Series 2020 Bonds to be redeemed shall be selected in the manner deemed reasonable and fair by the City and the Registrar shall give notice, in the manner in which



the original notice of optional redemption was given, that such money was not received. In that event, the Registrar shall promptly return to the Owners thereof the Series 2020 Bonds or certificates which it has received evidencing the part thereof which have not been optionally redeemed.

### **Registration, Transfer and Exchange of Bonds**

The City shall cause books for registration, transfer, and exchange of the Bonds to be kept at the principal office of the Registrar. Upon surrender for transfer or exchange of any fully registered Bond at the principal office of the Registrar duly endorsed by the registered owner or his attorney duly authorized in writing, or accompanied by a written instrument or instruments of transfer or exchange in form satisfactory to the Registrar and duly executed, the Registrar shall authenticate and deliver, not more than three (3) business days after receipt of the Bond or Bonds to be transferred, in the name of the transferee or registered owner, as appropriate, a new Bond or Bonds in authorized denominations, in fully registered form of the same aggregate principal amount, maturity and interest rate.

The Registrar shall not be required to transfer or exchange any Bond (i) during the period of fifteen (15) days next preceding the mailing of notice calling any Series 2020 Bonds for redemption, or (ii) after the mailing to registered owners of notice calling such Series 2020 Bonds or portion thereof for redemption. The Registrar shall close books for change of registered owners' addresses on each Record Date; transfers will be permitted within the period from each Record Date to each Interest Payment Date, but such transfers shall not include a transfer of accrued interest payable.

The person in whose name any Bond is registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of either the principal of or interest on any such Bond shall be made only to or upon the order of the registered owner thereof or his legal representative as stated in the Bond Ordinance, but such registration may be changed as provided in the Bond Ordinance. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

If any Bonds shall be lost, stolen, destroyed or mutilated, the Registrar shall, upon receipt of such Bond, if mutilated, and such evidence, information or indemnity relating thereto as the Registrar may reasonably require, if lost, stolen or destroyed, authenticate and deliver a replacement Bond or Bonds of a like aggregate principal amount and of the same maturity and interest rate, bearing a number or numbers not contemporaneously outstanding. If any such lost, stolen, destroyed or mutilated Bond shall have matured or have been called for redemption, the Registrar may request the Paying Agent to pay such bond in lieu of replacement.

### **Book-Entry Only System**

Unless otherwise noted, the information contained under the caption "General" below has been provided by DTC. The City makes no 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 FISCAL AGENT WILL HAVE 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 ORDINANCE, (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 BONDS; OR (F) ANY OTHER MATTER REGARDING DTC.

### *General*

The Depository Trust Company (“DTC”), New York, NY, 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 certificate will be issued for the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities 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](http://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 Underwriter 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.

While the Bonds are in the book-entry only system, 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 MMI Procedures. Under its usual procedures, DTC mails 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).

Redemption proceeds, distributions, and dividend 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, upon DTC's receipt of funds and corresponding detail information from the City or agent on payable date in accordance with their respective holdings shown on DTC's records. 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 redemption proceeds, distributions, and dividend payments 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 will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as 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 depository is not obtained, certificates representing the Bonds are required to be printed and delivered.

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

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 nor the Underwriter takes any responsibility for the accuracy thereof.

### **Source of Payment**

The Series 2020 Bonds are payable and collectible solely from an irrevocable and first lien (but not necessarily an exclusive first lien) on the Pledged Revenues. See "PLEDGED REVENUES" herein.

Pledged Revenues consist of the Pledged State Shared Gross Receipts Tax Revenues, the Pledged Convention Center Fee Revenues and the Pledged Lodgers' Tax Revenues.

Pledged State Shared Gross Receipts Tax Revenues means the revenues from the State gross receipts tax derived pursuant to Section 7-9-4 NMSA 1978, imposed on persons engaging in business in the State, which revenues are remitted to the City monthly by the New Mexico Department of Taxation and Revenue pursuant to Section 7-1-6 and 7-1-6.4 NMSA 1978, and which remittances currently equal one and two hundred twenty-five thousandths percent (1.225%) of the taxable gross receipts reported for the City for the month for which such remittances is made; provided that if a greater amount of such gross receipts tax revenues are hereafter provided to be remitted to the City under applicable law, such additional amounts shall be included as revenues pledged pursuant to the Bond Ordinance; and provided further that the amount of revenues pledged pursuant to the Bond Ordinance shall never be less than the greater of: (i) 1.225% of the taxable gross receipts remitted to the City by the State as set forth above, or (ii) the maximum amount at any time provided hereafter to be remitted to the City under applicable law, and includes the distribution to the City made pursuant to Section 7-1-6.46 NMSA 1978, as that distribution relates to the gross receipts tax revenues received pursuant to Section 7-1-6.4 NMSA 1978, which revenues are reduced pursuant to the deductions under Sections 7-9-92 and 7-9-93 NMSA 1978; and provided further, the City intends that Section 3-31-6(C) NMSA 1978 applies expressly to the amount of revenues pledged pursuant to the Bond Ordinance (the term "Pledged State Shared Gross Receipts Tax Revenues" does not include any local option gross receipts tax income received by the City).

Pledged Convention Center Fee Revenues means the revenues received by the City as a fee on the use of a room within a lodging facility in the City imposed pursuant to Sections 5-13-1 through 5-13-15 NMSA 1978 and City Ordinance No. 2360 adopted on March 5, 2007 (codified as Article VIII, Chapter 16, Sections 421 through 433 of the Las Cruces Municipal Code (1997) as amended and supplemented).

Pledged Lodgers' Tax Revenues means 50% of the revenues received by the City for the 5% occupancy tax on lodging within the City imposed pursuant to City Ordinance No. 115, adopted on January 17, 1977 and City Ordinance No. 1011 adopted on July 18, 1988 (codified as Article III, Chapter 16, Sections 61 through 70 of the Las Cruces Municipal Code (1997), as amended and supplemented) and Sections 3-38-13 through 3-38-24 NMSA 1978, less the City's costs of collecting and administering such occupancy tax.

All of the Bonds, together with the interest accruing thereon, shall be payable and collectible solely out of the Pledged Revenues, which are irrevocably so pledged by the Bond Ordinance. The registered owner or owners of the Bonds 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. The Bonds shall not constitute an indebtedness or a debt within the meaning of any constitutional or statutory provision or limitation; nor shall they be considered or held to be general obligations of the City; and each of the Bonds shall recite that it is payable and collectible solely from the Pledged Revenues, the income from which is 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 the Bonds.

## **Funds and Accounts**

The Bond Ordinance creates or continues the following funds and accounts for the Bonds: (i) a Pledged State Shared Gross Receipts Tax Income Fund, (ii) the Convention Center Fee Income Fund, (iii) the Lodgers' Tax Revenue Fund, (iv) a Series 2020 Debt Service Fund, (v) a Series 2020 Refunding Project Escrow Account, and (vi) a Series 2020 Reserve Fund.

## **Disposition of Bond Proceeds**

The proceeds from the sale of the Bonds shall be applied by the City simultaneously with the delivery of the Bonds to the Underwriter in the following manner and priority:

Expenses. An amount necessary, together with other legally available funds of the City, shall be used to pay costs of issuance of the Bonds.

Series 2020 Refunding Escrow Account. Proceeds derived from the sale of the Series 2020 Bonds shall be deposited promptly upon the receipt thereof in the Series 2020 Refunding Escrow Account and shall be used and paid out solely for the purpose of the Refunding Project in compliance with the Escrow Deposit Agreement and applicable law.

Reserve Fund and Reserve Fund Insurance Policy. No deposit shall be required in the Reserve Fund so long as the Pledged Revenues in each Fiscal Year equal or exceed 175% of the maximum annual principal and interest coming due in any subsequent Fiscal Year on all outstanding Parity Bonds, State Shared Gross Receipts Tax Parity Obligations, and Lodgers' Tax/Convention Center Fee Parity Obligations. If the Pledged Revenues in any Fiscal Year are insufficient to meet the test set forth in the preceding sentence, the City shall begin making substantially equal monthly deposits in the Reserve Fund from the first legally available Pledged Revenues so that after 24 months an amount equal to the Minimum Reserve will be held in the Reserve Fund. After funding the Reserve Fund in an amount equal to the Minimum Reserve, no additional payments need be made into the Reserve Fund so long as the moneys therein shall equal not less than the Minimum Reserve. The moneys in the Reserve Fund shall be accumulated and maintained as a continuing reserve to be used, except as provided in paragraph (F) under the heading Deposit of Pledged Revenues and Flow of Funds below, only to prevent deficiencies in the payment of the principal of and interest on the Bonds resulting from failure to deposit into the Debt Service Fund sufficient funds to pay the principal and interest as the same accrue. In the event that the funding of the Reserve Fund is required, the City may satisfy that requirement by depositing a Reserve Fund Insurance Policy with coverage in the amount of the Minimum Reserve. The moneys and/or Reserve Fund Insurance Policy, if any, in the Reserve Fund are irrevocably and exclusively pledged to payment of the Bonds.

Refunding Project Completion. As soon as practicable, after the completion of the Refunding Project, and in any event not more than 60 days after the completion of the Refunding Project, any balance remaining in the Series 2020 Refunding Escrow Account (other than any amount retained by the City for any Refunding Project costs not then due and payable) shall be transferred from the Series 2020 Refunding Escrow Account and deposited in the Series 2020 Debt Service Fund and used by the City to pay principal and interest on the Series 2020 Bonds as same become due.

## **Deposit of Pledged Revenues and Flow of Funds.**

A. Administration of Pledged Revenue Funds. So long as any of the Bonds shall remain outstanding, either as to principal or interest or both, the following payments shall be made monthly from the Pledged Revenues.

B. Debt Service Fund Payments. The following amounts shall be withdrawn from the Convention Center Fee Revenue Fund, and from the Lodgers' Tax Revenue Fund, if the moneys in the Convention Center Fee Revenue Fund are not sufficient to make the required payment (and on parity with other outstanding Lodgers' Tax/Convention Center Fee Parity Bonds or Parity Bonds), and, if the aggregate amount of such moneys in the Convention Center Fee Revenue Fund and the Lodgers' Tax Revenue Fund are still insufficient, then from the State Shared Gross Receipts Tax Revenue Fund (and on parity with other

outstanding State Shared Gross Receipts Tax Parity Bonds or Parity Bonds), and shall be concurrently credited to the Debt Service Fund (unless the City determines that such amounts shall be withdrawn from such funds in some other order):

(1) Monthly, commencing on the first day of the month immediately succeeding the delivery of the Bonds, an amount in equal monthly installments necessary, together with any other moneys therein and available therefor, to pay the next maturing installment of interest on the Bonds, and monthly thereafter, commencing on each Interest Payment Date, one-sixth (1/6) of the amount necessary to pay the next maturing installment of interest on the Bonds then outstanding.

(2) Monthly, commencing on the first day of the month immediately succeeding the delivery of the Bonds, an amount in equal monthly installments necessary, together with any other moneys therein and available therefor, to pay the next maturing installment of principal of the outstanding Bonds and monthly thereafter, commencing on each principal payment date, one-twelfth (1/12) of the amount necessary to pay the next maturing installment of principal on the Bonds then outstanding.

C. Credit. In making the deposits required to be made into the Debt Service Fund, if there are any amounts then on deposit in the Debt Service Fund available for the purpose for which such deposit is to be made, the amount of the deposit to be made pursuant to paragraph B above shall be reduced by the amount available in such fund for such purpose.

D. Transfer of Money out of Debt Service Fund. Each payment of principal and interest becoming due on the Bonds shall be transferred from the Debt Service Fund to the Paying Agent on or before two Business Days prior to the due date of such payment.

E. Reserve Fund and Reserve Fund Insurance Policy. No deposit shall be required in the Reserve Fund so long as the Pledged Revenues in each Fiscal Year equal or exceed 175% of the maximum annual principal and interest coming due in any subsequent Fiscal Year on all outstanding Parity Bonds, State Shared Gross Receipts Tax Parity Obligations, and Lodgers' Tax/Convention Center Fee Parity Obligations. If the Pledged Revenues in any Fiscal Year are insufficient to meet the test set forth in the preceding sentence, the City shall begin making substantially equal monthly deposits in the Reserve Fund from the first legally available Pledged Revenues so that after 24 months an amount equal to the Minimum Reserve will be held in the Reserve Fund. After funding the Reserve Fund in an amount equal to the Minimum Reserve, no additional payments need be made into the Reserve Fund so long as the moneys therein shall equal not less than the Minimum Reserve. The moneys in the Reserve Fund shall be accumulated and maintained as a continuing reserve to be used, except as hereinafter provided in paragraph F immediately below, only to prevent deficiencies in the payment of the principal of and interest on the Bonds resulting from failure to deposit into the Debt Service Fund sufficient funds to pay the principal and interest as the same accrue. In the event that the funding of the Reserve Fund is required, the City may satisfy that requirement by depositing a Reserve Fund Insurance Policy with coverage in the amount of the Minimum Reserve. The moneys and/or Reserve Fund Insurance Policy, if any, in the Reserve Fund are irrevocably and exclusively pledged to payment of the Bonds.

(1) Thereafter, second and subordinate to the payments required as described in paragraph B hereof and concurrently with the payments required for any monthly reserve fund payments for Parity Obligations, State Shared Gross Receipts Tax Parity Obligations or Lodgers' Tax/Convention Center Fee Parity Obligations, there shall be credited monthly to the Reserve Fund, from the Pledged Revenues, such cash amount or amounts, if any, or a Reserve Fund Insurance Policy in a sufficient amount, or both, as are necessary to maintain the Reserve Fund as a continuing reserve in an amount not less than the Minimum Reserve to meet possible deficiencies in the Debt Service Fund. The moneys and a Reserve Fund Insurance Policy, if any, in the Reserve Fund shall be accumulated and maintained as a continuing

reserve to be used, except as hereinafter described in paragraphs F and J below, only to prevent deficiencies in the payment of the principal of and interest on the Bonds hereby authorized resulting from the failure to credit to the Debt Service Fund sufficient funds to pay the principal and interest as the same become due and payable. Cash amounts in the Reserve Fund which together with the amount of a Reserve Fund Insurance Policy, as applicable, are in excess of the Minimum Reserve shall be withdrawn from the Reserve Fund and deposited into the Debt Service Fund (including investment income therefrom) and shall be used to pay the principal of or interest on the Bonds or any obligations refunding the Bonds.

(2) Any Reserve Fund Insurance Policy shall be held by the Paying Agent. In the event of a draw upon a Reserve Fund Insurance Policy, the Paying Agent shall deliver a demand for payment in substantially the form required by the Reserve Fund Insurance Policy issuer to be delivered to the Reserve Fund Insurance Policy issuer at least 3 days prior to the date on which the funds are required. In the event there is cash in the Reserve Fund at the time of a draw from a Reserve Fund Insurance Policy, such cash (including any investments) shall be drawn down completely before any demand is made on the Reserve Fund Insurance Policy. If the Reserve Fund contains reserve fund insurance policies from more than one Reserve Fund Insurance Policy issuer, any draw shall be on a pro-rata basis from both. After such a draw, any available Pledged Revenues, concurrently and on parity with the payments described in subparagraph (1) of this paragraph E, and the payments required to replenish the reserve fund for any additional Parity Obligations, State Shared Gross Receipts Tax Parity Obligations or Lodgers' Tax/Convention Center Fee Parity Obligations, shall be used first to reimburse each Reserve Fund Insurance Policy issuer for such payment of principal of and interest on the Bonds pursuant to the terms of the applicable agreement so as to reinstate each Reserve Fund Insurance Policy and thereafter to replenish any cash in the Reserve Fund

F. Defraying Delinquencies in the Debt Service Fund and Reserve Fund. If, on any Interest Payment Date, the amount on deposit in the Debt Service Fund is insufficient to pay principal of and interest on the Bonds then due, then an amount shall be paid into the Debt Service Fund on such date from the Reserve Fund (if moneys or a Reserve Fund Insurance Policy are then on deposit in the Reserve Fund) equal to the amount of the insufficiency. The money deposited in the Debt Service Fund from the Reserve Fund, if any, shall be replaced in the Reserve Fund in 24 substantially equal monthly deposits commencing on the first day of the first month immediately succeeding the draw on the Reserve Fund. Such accumulation shall be made from the Pledged Revenues second to the payments required as described in paragraph B above. If, in any month, the City shall, for any reason, fail to pay into the Reserve Fund the full amount required, the difference between the amount paid and the amount so stipulated shall be paid therein from the first Pledged Revenues thereafter received and not required to be otherwise applied. The moneys in the Reserve Fund shall be used solely and only for the purpose of paying any deficiencies in the payment of the principal of and the interest on the Bonds; provided, however, that any moneys at any time in excess of the Minimum Reserve in the Reserve Fund may be withdrawn therefrom and applied to any other lawful purpose. Cash accumulated in the Reserve Fund shall not be invested in a manner which could cause the Bonds to become arbitrage bonds within the meaning of the Code. Any investments held in the Reserve Fund shall be valued annually, on or about June 1, at their current fair market value and, if the amount then on deposit in the Reserve Fund exceeds the Minimum Reserve, all amounts in excess of the Minimum Reserve shall be transferred to the Debt Service Fund and used to pay principal of and interest on the Bonds.

G. Payment of Parity Obligations. Concurrently with the payment of the Pledged Revenues required as described in paragraphs B, E and F above, any amounts on deposit in the Pledged Revenue Fund shall be used by the City for the payment of principal of, interest on and debt service reserve fund deposits relating to outstanding Parity Bonds payable from the Pledged Revenues, as the same become due. If funds on deposit in the Pledged Revenue Funds are not sufficient to pay when due the required payments of principal of, interest on and debt service reserve fund deposits relating to the Bonds and any

other outstanding Parity Bonds, then the available funds in the Pledged Revenue Fund will be used, first, on a pro rata basis, based on the amount of principal and interest then due with respect to each series of outstanding Parity Bonds, for the payment of principal of and interest on all series of outstanding Parity Bonds and, second, to the extent of remaining available funds in the Pledged Revenue Fund on a pro rata basis, based on the amount of debt service reserve fund deposits then required with respect to each series of outstanding Parity Bonds, for the required debt service reserve fund deposits for all series of outstanding Parity Bonds.

H. Payment of State Shared Gross Receipts Tax Parity Obligations and Subordinate Obligations. Concurrently with the payment of the Pledged State Shared Gross Receipts Tax Revenues required as described in paragraphs B, E and F above, any amounts on deposit in the State Shared Gross Receipts Tax Revenue Fund shall be used by the City for the payment of principal of, interest on and debt service reserve fund deposits relating to the outstanding State Shared Gross Receipts Tax Parity Bonds and the State Shared Gross Receipts Tax Parity Bonds, if any, hereafter authorized to be issued and payable from the Pledged State Shared Gross Receipts Tax Revenues, as applicable, as the same accrue. If funds on deposit in the State Shared Gross Receipts Tax Revenue Fund are not sufficient to pay when due the required payments of principal of, interest on and debt service reserve fund deposits relating to the Bonds and any other outstanding State Shared Gross Receipts Tax Parity Bonds, then the available funds in the State Shared Gross Receipts Tax Revenue Fund will be used, first, on a pro rata basis, based on the amount of principal and interest then due with respect to each series of outstanding State Shared Gross Receipts Tax Parity Bonds, for the payment of principal of and interest on all series of outstanding State Shared Gross Receipts Tax Parity Bonds and, second, to the extent of remaining available funds in the State Shared Gross Receipts Tax Revenue Fund, on a pro rata basis, based on the amount of debt service reserve fund deposits then required with respect to each series of outstanding State Shared Gross Receipts Tax Parity Bonds, for the required debt service reserve fund deposits for all series of outstanding State Shared Gross Receipts Tax Parity Bonds.

Subsequent to the payments required as described in paragraphs B, E, F and G above and the first paragraph of this paragraph H, any balance remaining in the Pledged State Shared Gross Receipts Tax Revenue Fund, after making the payments hereinabove provided shall be used by the City for the payment of interest on and the principal of outstanding Subordinate State Shared Gross Receipts Tax Revenue Bonds or other obligations, if any, having a lien on any of the Pledged State Shared Gross Receipts Tax Revenues subordinate to the lien thereon of the Parity State Shared Gross Receipts Tax Revenue Bonds, issued and payable from the Pledged State Shared Gross Receipts Tax Revenues, as the same become due. Payments with respect to principal, interest and reserve funds for any such Subordinate State Shared Gross Receipts Tax Revenue Bonds may be made at any intervals as may be provided in the ordinance or resolution authorizing such additional Subordinate State Shared Gross Receipts Tax Revenue Bonds.

I. Payment of Lodgers' Tax/Convention Center Fee Parity Obligations. Concurrently with the payment of the Pledged Lodgers' Tax Revenues or Pledged Convention Center Fee Revenues required as described in paragraphs B, E and F above, any amounts on deposit in the Pledged Lodgers' Tax Revenue Fund or Pledged Convention Center Fee Revenue Fund shall be used by the City for the payment of principal of, interest on and debt service reserve fund deposits relating to additional Lodgers' Tax/Convention Center Fee Parity Bonds, if any, hereafter authorized to be issued and payable from the Pledged Lodgers' Tax Revenue Fund and Pledged Convention Center Fee Revenue Fund, as applicable, as the same accrue. If funds on deposit in the Pledged Lodgers' Tax Revenue Fund or Pledged Convention Center Fee Revenue Fund are not sufficient to pay when due the required payments of principal of, interest on and debt service reserve fund deposits relating to the Bonds and any other outstanding Lodgers' Tax/Convention Center Fee Parity Bonds, then the available funds in the Pledged Lodgers' Tax Revenue Fund and Pledged Convention Center Fee Revenue Fund, as applicable, will be used, first, on a pro rata basis, based on the amount of principal and interest then due with respect to each series of



outstanding Lodgers' Tax/Convention Center Fee Parity Bonds, for the payment of principal of and interest on all series of outstanding Lodgers' Tax/Convention Center Fee Parity Bonds and, second, to the extent of remaining available funds in the Pledged Lodgers' Tax Revenue Fund or Pledged Convention Center Fee Revenue Fund, as applicable, on a pro rata basis, based on the amount of debt service reserve fund deposits then required with respect to each series of outstanding Lodgers' Tax/Convention Center Fee Parity Bonds, for the required debt service reserve fund deposits for all series of outstanding Lodgers' Tax/Convention Center Fee Parity Bonds.

J. Termination Upon Deposits to Maturity. No payment shall be made into the Debt Service Fund or the Reserve Fund if the amounts (excluding any amount in the Reserve Fund represented by a Reserve Fund Insurance Policy) in such funds total a sum at least equal to the entire aggregate amount due as to principal, premium, if any, and interest, on the Bonds to their respective maturities or applicable redemption dates, in which case moneys in the Debt Service Fund and the Reserve Fund in an amount at least equal to such principal and interest requirements shall be used solely to pay such obligations as the same become due, and any moneys in excess thereof in the Debt Service Fund and the Reserve Fund may be used as provided below.

K. Payment of Subordinate Obligations. Subsequent to the payments required as described in paragraphs B, E, F and G above, any balance remaining in the Pledged Revenue Fund, after making the payments hereinabove provided shall be used by the City for the payment of interest on and the principal of Subordinate Bonds or other obligations, if any, having a lien on any of the Pledged Revenues subordinate to the lien thereon of the Bonds hereafter authorized, issued and payable from the Pledged Revenues, as the same become due. Payments with respect to principal, interest and reserve funds for any such Subordinate Bonds may be made at any intervals as may be provided in the ordinance or resolution authorizing such additional Subordinate Bonds.

L. Surplus Revenues. After making all the payments required to be made as described above, the remaining Pledged Revenues, if any, may be applied to any other lawful purpose, as the City may from time to time determine.

### **General Administration of Funds**

The funds designated above shall be administered and invested as follows:

A. Places and Times of Deposits. The funds shall be separately maintained as a trust fund or funds for the purposes established and shall be invested in Permitted Investments or deposited in one or more bank accounts in an Insured Bank or Banks. Each fund or account shall be continuously secured to the extent required by law and shall be irrevocable and not withdrawable by anyone for any purpose other than the designated purpose. Payments shall be made into the proper fund or account on the first day of the month except when the first day shall not be a Business Day, then payment shall be made on the next succeeding Business Day. No later than two Business Days prior to each Interest Payment Date, moneys sufficient to pay interest and principal then due on the Bonds shall be transferred to the Paying Agent. Nothing in the Bond Ordinance shall prevent the City from establishing one or more bank accounts in an Insured Bank or Banks for all the funds required by the Bond Ordinance or shall prevent the combination of such funds and accounts with any other bank account or investments for other funds and accounts of the City.

B. Investment of Moneys. Moneys, if any, in the Series 2020 Reserve Fund shall be invested in accordance with the Bond Ordinance, and moneys in any other fund or account not immediately needed may be invested in any investment permitted by the laws of the State or the Charter. The obligations so purchased as an investment of moneys in any fund or account shall be deemed to be part of such fund or

account, and the interest accruing thereon and any profit realized therefrom shall be credited to such fund or account, and any loss resulting from such investment shall be charged to such fund or account. The City Treasurer shall present for redemption or sale on the prevailing market any obligations so purchased as an investment of moneys in the fund or account whenever it shall be necessary to do so in order to provide moneys to meet any payment or transfer from such fund.

C. Series 2020 Reserve Fund. Moneys, if any, in the Series 2020 Reserve Fund may be invested only in Permitted Investments with an average aggregate weighted term to maturity not greater than five years.

(1) The City shall annually on or about June 1 of each year, commencing on the first June 1 succeeding funding of the Series 2020 Reserve Fund, value the Series 2020 Reserve Fund on the basis of the current fair market value of deposits and investments credited to the Series 2020 Reserve Fund.

(2) If, upon any valuation, the value of the Series 2020 Reserve Fund exceeds the Series 2020 Minimum Reserve, the excess amount shall be withdrawn and deposited into the Series 2020 Debt Service Fund; if the value is less than the applicable requirement, the City shall replenish such amounts from the first Pledged SSGRT Revenues thereafter received not required to be otherwise applied or other monies legally available therefor.

(3) At such time as the Series 2020 Bonds are paid in full or are deemed to be paid in full, the amount on deposit in the Series 2020 Reserve Fund may be used to pay the final installments of principal and interest on the Series 2020 Bonds and otherwise may be withdrawn and transferred to the City to be used for any lawful purpose.

(4) If the amounts described in subparagraph (3) above are used for a purpose other than payment of the Series 2020 Bonds, there shall be delivered an opinion of nationally recognized bond counsel that the purpose for which such funds are to be used is a lawful purpose for which such proceeds may be used under the laws of the State and that such use shall not result in the inclusion of interest on any Bonds in gross income of the recipient thereof for federal income tax purposes.

(5) If moneys have been withdrawn from the Series 2020 Reserve Fund and deposited into the Series 2020 Debt Service Fund to prevent a default on the Series 2020 Bonds, then the City will pay, from Pledged SSGRT Revenues, or other monies legally available therefor, the full amount so withdrawn or so much as shall be required to restore the Series 2020 Reserve Fund, to the Series 2020 Minimum Reserve. Such repayment shall be made as required by the Bond Ordinance.

### **Default, Remedies and City Duties**

Each of the following events is declared in the Bond Ordinance to be an “event of default”:

(a) failure to pay the principal of any of the Bonds when the same becomes due and payable, either at maturity, or by proceedings for redemption, or otherwise; or

(b) failure to pay any installment of interest when the same becomes due and payable;  
or

(c) if the City shall for any reason be rendered incapable of fulfilling its obligations under the Bond Ordinance; or

(d) default by the City 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 a default set forth in subparagraphs (a) and (b) above), and the continuance of such default for thirty (30) days after written notice specifying such default and requiring the same to be remedied has been given to the City by the holders of twenty-five percent (25%) in aggregate principal amount of the Series 2020 Bonds then outstanding; or

(e) the City (i) files a petition or application seeking reorganization or arrangement of debt under Federal Bankruptcy law, or other debtor relief under the laws of any jurisdiction, or (ii) is the subject of such petition or application which the City does not contest or is not dismissed or discharged within sixty (60) days.

Upon the happening and continuance of any of the events of default described above, then and in every case, the holder or holders of not less than twenty-five percent (25%) in aggregate principal amount of the Series 2020 Bonds then outstanding, including, but not limited to, a trustee or trustees therefor, may proceed against the City, the City Council and its agents, officers and employees, but only in their official capacities, to protect and enforce the rights of any holder 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 the appointment of a receiver or for the specific performance of any covenant or agreement contained herein or in an award relating to the execution of any power herein granted for the enforcement of any legal or equitable remedy as such holder or holders may deem most effectual to protect and enforce the rights provided above, or to enjoin any act or thing which may be unlawful or in violation of any right of any Bondholder, or to require the City Council to act as if it were the trustee of an express 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 holders of the Series 2020 Bonds then outstanding. The failure of any Bondholder so to proceed shall not relieve the City or any of its officers, agents or employees of any responsibility for failure to perform, in their official capacities, any duty. Each right or privilege of such holder (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 holder shall not be deemed a waiver of any other right or privilege.

## **Defeasance**

When all principal, interest and prior redemption premium, if any, in connection with the Series 2020 Bonds have been duly paid, the pledge and lien for the payment of the Series 2020 Bonds shall be discharged and the Series 2020 Bonds shall no longer be deemed to be outstanding within the meaning of the Bond Ordinance. Payment shall be deemed made with respect to any Bond or Bonds when the City has placed in escrow with a commercial bank exercising trust powers, an amount sufficient (including the known minimum yield from Defeasance Obligations) to meet all requirements of principal, interest and prior redemption premium, if any, as the same become due to their final maturities or upon designated redemption dates. Any Defeasance Obligations shall become due when needed in accordance with a schedule agreed upon between the City and such bank at the time of the creation of the escrow. Defeasance Obligations within the meaning of this Section shall include only (1) cash, (2) U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series – “SLGs”), and (3) obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

## **Amendment**

The Bond Ordinance may be amended without the consent of the holder of any Bond to cure any ambiguity or to cure, correct or supplement any defect or inconsistent provision contained in the Bond Ordinance. Prior to the date of the initial delivery of the Bonds, the provisions of the Bond Ordinance may

be amended with the written consent of the Underwriter with respect to any changes which are not inconsistent with the substantive provisions of the Bond Ordinance. In addition, the Bond Ordinance may be amended without receipt by the City of any additional consideration, but with the written consent of the holders of seventy-five percent (75%) of the Series 2020 Bonds then outstanding (not including Bonds which may be held for the account of the City); but no ordinance adopted without the written consent of the holders of all outstanding Series 2020 Bonds shall have the effect of permitting:

- (a) An extension of the maturity of any Bond; or
- (b) A reduction of the principal amount or interest rate of any Bond; or
- (c) The creation of a lien upon the Pledged SSGRT Revenues ranking prior to the lien or pledge created by the Bond Ordinance; or
- (d) A reduction of the principal amount of Bonds required for consent to such amendatory ordinance; or
- (e) The establishment of priorities as between Bonds issued and outstanding under the provisions of the Bond Ordinance; or
- (f) The modification of or otherwise affecting the rights of the holders of less than all the outstanding Bonds.

## **SECURITY FOR THE BONDS**

### **Pledge and Security**

Subject to the uses permitted by, and the priorities set forth in the Bond Ordinance, the City will pledge and grant a security interest in the Pledged SSGRT Revenues, the Pledged Convention Center Fee Revenues and the Pledged Lodgers' Tax Revenues (collectively, the "Pledged Revenues") and the amounts and securities on deposit in the Series 2020 Debt Service Fund and the Series 2020 Reserve Fund and the proceeds thereof, for the payment of principal of and interest on the Series 2020 Bonds. The Series 2020 Bonds constitute an irrevocable and first lien, but not necessarily an exclusive first lien, on the Pledged Revenues, as set forth in the Bond Ordinance.

### **Special Limited Obligations**

All of the Bonds and all payments of principal, premium, if any, and interest thereon whether at maturity or on a redemption date, together with any interest accruing thereon, shall be special limited obligations of the City and shall be payable and collectible solely from the Pledged Revenues. The owner or owners of the Bonds 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. The Bonds shall not constitute an indebtedness or a debt of the City within the meaning of any constitutional, charter or statutory provision or limitation, nor shall they be considered or held to be general obligations of the City. Each of the Series 2020 Bonds shall recite that it is payable and collectible solely out of the Pledged Revenues, as set forth in the Bond Ordinance, and that the holders thereof may not look to any general or other municipal fund for the payment of the principal of and interest on the Bonds. Nothing in the Bond Ordinance shall prevent the City from applying other funds of the City legally available therefor to the payment of the Bonds, in its sole discretion.

## PURPOSE AND PLAN OF FINANCING

### Purpose

The net proceeds received by the City from the sale of the Series 2020 Bonds, together with other available funds of the City, will be used to provide funds to refund, refinance, pay and discharge the City's State Shared Gross Receipts Tax Revenue Bonds, Series 2010 maturing on and after June 1, 2020 (the "Call Date") in an aggregate principal amount of \$19,105,000, and to pay costs of issuance of the Series 2020 Bonds. See "THE PROJECT" herein.

On the date of delivery of the Series 2020 Bonds, proceeds of the Bonds will be irrevocably deposited to a refunding escrow account pursuant to the terms of an Escrow Deposit Agreement by and The amounts on deposit in the refunding escrow account, together with any earnings thereon, are expected to be sufficient to pay the interest and principal requirements of the Refunded Bonds on the Call Date.

### Sources and Uses of Funds

The sources and uses for the Series 2020 Bonds are as follows:

| SOURCES OF FUNDS   |    |
|--|----|
| Par Amount of Series 2020 Bonds                            | \$ |
| [Net] Premium  |    |
| TOTAL SOURCES  | \$ |
| USES OF FUNDS  |    |
| Deposit to Series 2020 Refunding Project<br>Escrow Account | \$ |
| Costs of Issuance for Series 2020 Bonds <sup>(1)</sup>     |    |
| Underwriter's Discount                                     |    |
| TOTAL USES   | \$ |

<sup>(1)</sup> Includes financial advisor fees, legal fees, escrow bank fees and other miscellaneous costs and contingencies.

## ANNUAL DEBT SERVICE SUMMARY

The following table sets forth for each fiscal year from 2020 through 2039 the amounts required in each such fiscal year to pay scheduled annual debt service on the Series 2020 Bonds, outstanding Parity SSGRT Obligations, outstanding Subordinate Bonds, as well as the debt service coverage ratio, based on fiscal year 2019 Pledged SSGRT Revenues.

### Series 2020 Bonds Debt Service/Coverage\*

| Fiscal Year<br>Ending<br>June 30 | Debt Service on<br>Outstanding<br>Parity<br>Obligations <sup>(1)</sup> | Debt Service on<br>Outstanding<br>Subordinate Lien<br>Obligations | Estimated Debt<br>Service on 2020<br>Bonds* | Total Debt<br>Service* | Estimated Pledged<br>SSGRT<br>Revenues <sup>(2)</sup> | Debt Service<br>Coverage <sup>*(2)</sup> | Combined<br>Senior and<br>Subordinate<br>Bonds<br>Coverage | % of Estimated<br>FY 2020 Hold<br>Harmless<br>Distribution |
|----------------------------------|--|---|---|------------------------|---|--|--|--|
| 2020                             | \$6,910,292  | \$ 947,129  | \$ 301,902                                  | \$8,159,324            | \$36,615,483  | 5.08                                     | 4.49   | 63%  |
| 2021                             | 5,026,391  | 1,009,059   | 1,204,594                                   | 7,240,044              | 36,316,333  | 5.83                                     | 5.02   | 56%  |
| 2022                             | 4,699,790  | 1,545,334   | 1,202,384                                   | 7,447,508              | 36,017,183  | 6.10                                     | 4.84   | 49%  |
| 2023                             | 4,709,727  | 1,549,528   | 1,204,784                                   | 7,464,038              | 35,718,033  | 6.04                                     | 4.79   | 42%  |
| 2024                             | 2,970,238  | 1,547,479   | 1,206,473                                   | 5,724,189              | 35,418,883  | 8.48                                     | 6.19   | 35%  |
| 2025                             | 2,912,888  | 1,542,811   | 1,207,277                                   | 5,662,975              | 35,119,733  | 8.52                                     | 6.20   | 28%  |
| 2026                             | 2,604,838  | 1,546,596   | 1,207,013                                   | 5,358,446              | 33,923,132  | 8.90                                     | 6.33   | 21%  |
| 2027                             | 1,902,838  | 1,547,869   | 1,205,813                                   | 4,656,519              | 34,820,582  | 11.20                                    | 7.48   | 14%  |
| 2028                             | 1,882,900  | 1,556,336   | 1,203,488                                   | 4,642,723              | 34,521,432  | 11.19                                    | 7.44   | 7%   |
| 2029                             | 1,866,150  | 1,556,241   | 1,205,176                                   | 4,627,566              | 34,222,282  | 11.14                                    | 7.40   | 0%   |
| 2030                             | 1,207,550  | 1,564,373   | 1,203,676                                   | 3,975,598              | 33,923,132  | 14.07                                    | 8.53   | 0%   |
| 2031                             | 1,212,250  | 1,570,159   | 1,205,444                                   | 3,987,853              | 33,923,132  | 14.03                                    | 8.51   | 0%   |
| 2032                             | 1,215,900  | 763,863   | 1,204,923                                   | 3,184,686              | 33,923,132  | 14.01                                    | 10.65  | 0%   |
| 2033                             | 1,218,500  | 765,574   | 1,207,209                                   | 3,191,282              | 33,923,132  | 13.98                                    | 10.63  | 0%   |
| 2034                             | 1,220,050  | 766,468   | 1,202,545                                   | 3,189,063              | 33,923,132  | 14.00                                    | 10.64  | 0%   |
| 2035                             | 1,220,550  | 766,531   | 1,206,123                                   | 3,193,204              | 33,923,132  | 13.98                                    | 10.62  | 0%   |
| 2036                             |  |   | 1,202,463                                   | 1,202,463              | 33,923,132  | 28.21                                    | 28.21  | 0%   |
| 2037                             |  |   | 1,202,498                                   | 1,202,498              | 33,923,132  | 28.21                                    | 28.21  | 0%   |
| 2038                             |  |   | 1,205,391                                   | 1,205,391              | 33,923,132  | 28.14                                    | 28.14  | 0%   |
| 2039                             |  |   | 1,206,241                                   | 1,206,241              | 33,923,132  | 28.12                                    | 28.12  | 0%   |

<sup>(1)</sup> Excludes the City's State Shared Gross Receipts Tax Revenue Bonds, Series 2010, which will be refunded with proceeds of the Series 2020 Bonds.

<sup>(2)</sup> Estimated Pledged SSGRT Revenues are based on actual Pledged SSGRT Revenues received by the City for Fiscal Year ending June 30, 2019, excluding the estimated reduction of Hold Harmless Distributions attributable to the State Shared Gross Receipts Tax for Fiscal Year ending June 30, 2020. The decline in Estimated Pledged SSGRT Revenues shown for Fiscal Years 2020 through 2030 reflects the statutory phase-out of Hold Harmless Distributions that began in fiscal year 2016 and culminates in Fiscal Year 2030, when the Hold Harmless Distributions are eliminated. There is no assurance that Pledged SSGRT Revenues received in the future will equal the Pledged SSGRT Revenues used in coverage computations. See "Gross Receipts Tax Hold Harmless Distributions" and "PLEDGED REVENUES-- *State Shared Gross Receipts Tax Report*" herein. Coverage calculations are based solely on Pledged State Shared Gross Receipts Tax Revenues pledged to payment of the Bonds and outstanding State Shared Gross Receipts Tax Parity Obligations. In addition to the Pledged State Shared Gross Receipts Tax Revenues, the Bonds are also secured by the Pledged Convention Center Fee Revenues and the Pledged Lodgers' Tax Revenues.

\* Preliminary, subject to change.

## **PLEDGED REVENUES**

The Bonds are payable and collectible solely from the Pledged State Shared Gross Receipts Tax Revenues, the Pledged Convention Center Fee Revenues and the Pledged Lodgers' Tax Revenues (as such terms are hereinafter defined and collectively referred to as the "Pledged Revenues").

Pledged State Shared Gross Receipts Tax Revenues means the revenues from the State gross receipts tax derived pursuant to Section 7-9-4 NMSA 1978, imposed on persons engaging in business in the State, which revenues are remitted to the City monthly by the New Mexico Department of Taxation and Revenue pursuant to Section 7-1-6 and 7-1-6.4 NMSA 1978, and which remittances currently equal one and two hundred twenty-five thousandths percent (1.225%) of the taxable gross receipts reported for the City for the month for which such remittances is made; provided that if a greater amount of such gross receipts tax revenues are hereafter provided to be remitted to the City under applicable law, such additional amounts shall be included as revenues pledged pursuant to the Bond Ordinance; and provided further that the amount of revenues pledged pursuant to the Bond Ordinance shall never be less than the greater of: (i) 1.225% of the taxable gross receipts remitted to the City by the State as set forth above, or (ii) the maximum amount at any time provided hereafter to be remitted to the City under applicable law, and includes the distribution to the City made pursuant to Section 7-1-6.46 NMSA 1978, as that distribution relates to the gross receipts tax revenues received pursuant to Section 7-1-6.4 NMSA 1978, which revenues are reduced pursuant to the deductions under Sections 7-9-92 and 7-9-93 NMSA 1978; and provided further, the City intends that Section 3-31-6(C) NMSA 1978 applies expressly to the amount of revenues pledged pursuant to the Bond Ordinance (the term "Pledged State Shared Gross Receipts Tax Revenues" does not include any local option gross receipts tax income received by the City).

Pledged Convention Center Fee Revenues means the revenues received by the City as a fee on the use of a room within a lodging facility in the City imposed pursuant to Sections 5-13-1 through 5-13-15 NMSA 1978 and City Ordinance No. 2360 adopted on March 5, 2007 (codified as Article VIII, Chapter 16, Sections 421 through 433 of the Las Cruces Municipal Code (1997) as amended and supplemented).

Pledged Lodgers' Tax Revenues means 50% of the revenues received by the City for the 5% occupancy tax on lodging within the City imposed pursuant to City Ordinance No. 115, adopted on January 17, 1977 and City Ordinance No. 1011 adopted on July 18, 1988 (codified as Article III, Chapter 16, Sections 61 through 70 of the Las Cruces Municipal Code (1997), as amended and supplemented) and Sections 3-38-13 through 3-38-24 NMSA 1978, less the City's costs of collecting and administering such occupancy tax.

In the Bond Ordinance, "Hold Harmless Distribution" is defined as the distribution to the City made pursuant to Section 7-1-6.46 NMSA 1978, as that distribution relates to the gross receipts tax revenues received pursuant to Section 7-1-6.4 NMSA 1978, which revenues are reduced pursuant to the deductions under Sections 7-9-92 and 7-9-93 NMSA 1978; provided that the percentage of such distribution decreases annually as provided in Section 7-1-6.46 NMSA 1978 each year beginning on July 1, 2015 until the distribution is eliminated after July 1, 2029. See "Gross Receipts Tax Hold Harmless Distributions" herein.

*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. The tax rate for construction businesses is determined by the location of each construction project. The tax rate for utilities is determined by the location of the meter used to record the amount of service consumed by the customer or the location of the telephone set. For cellular service, it is the location of the customer's place of primary use.

Effective July 1, 2019, remote (Internet) sellers with total taxable gross receipts of at least \$100,000 from sales, leases, and licenses of tangible personal property sourced to New Mexico customers in the previous calendar year are required under state laws to start collecting and paying State gross receipts tax on their New Mexico transactions. Effective July 1, 2021, the gross receipts tax sourcing rules will change from point of origin-based sourcing to destination-based sourcing for most categories of gross receipt, allowing for the imposition of local taxes on remote sellers. For services other than professional services, gross receipts and deductions will be reported from the location where the service is performed. Professional services will continue to be reported from the seller's place of business.

*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. See "SPECIAL FACTORS RELATING TO THE BONDS -State Legislation" herein.

*Exemptions.* Some activities and industries are exempt from the Gross Receipts Tax, many by virtue of their taxation under other laws. Exemptions include, but are not limited to, certain receipts of governmental agencies and certain organizations, receipts from the sale of vehicles, occasional sales of property or services, wages, certain agricultural products, dividends, and interest and receipts from the sale of or leasing of natural gas, oil or mineral interests. Various deductions are allowed including but not limited to receipts from various types of sales and 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, receipts from retail sales of food (not including restaurant sales and certain sales of prepared foods), and receipts of licensed medical care providers from Medicare Part C. There are over one hundred specified exemptions and deductions from gross receipts taxation, nevertheless, the general presumption is that all receipts of a person engaging in business in the State of New Mexico are subject to the Gross Receipts Tax.

*Manner of Collection and Distribution of Gross Receipts Tax.* Businesses must make their payments of Gross Receipts Tax on or before the twenty-fifth of each month for taxable events in the prior month. Collection of the State Gross Receipts Tax is administered by the Revenue Division of the Taxation and Revenue Department of the State (the "Revenue Division"), pursuant to Section 7-1-6, NMSA. Collections are first deposited into a suspense fund for the purpose of making disbursements for refunds, among other items. On the last day of each month, the balance of the suspense fund is transferred to the State general fund, less disbursements to the municipalities in the State.

*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.

*State Shared Gross Receipts Tax Report.* Set forth below is a 5-year history of the State Shared Gross Receipts Tax Revenues received by the City:

| Fiscal Year<br>Ended 6/30 | State Gross<br>Receipts Tax<br>Rate | Percentage<br>Distributed to<br>City | State Shared Gross<br>Receipts Tax<br>Revenues <sup>(1)</sup> | Percent Increase<br>(Decrease) |
|---------------------------|-------------------------------------|--------------------------------------|---|--------------------------------|
| 2019                      | 5.125%                              | 1.225%                               | \$37,316,221  | 0.47%                          |
| 2018                      | 5.125%                              | 1.225%                               | 37,140,758  | 3.73%                          |
| 2017                      | 5.125%                              | 1.225%                               | 35,802,887  | 0.27%                          |
| 2016                      | 5.125%                              | 1.225%                               | 35,707,511  | 7.48%                          |
| 2015                      | 5.125%                              | 1.225%                               | 33,221,128  | 3.54%                          |

<sup>(1)</sup> Figures are net of administrative fee imposed by the New Mexico Taxation and Revenue Department. Figures do not include other gross receipts taxes imposed by the City, but do include the share of Hold Harmless Distributions attributable to the State Shared Gross Receipts Tax. While the share of Hold Harmless Distributions attributable to the State Shared Gross Receipts tax are included in Pledged Revenues, the Hold Harmless Distributions will be phased out over a 15-year period, which began July 1, 2015. See "Gross Receipts Tax Hold Harmless Distributions" herein.

Source: Office of Management and Budget, City of Las Cruces

### **Other Gross Receipts Taxes (not pledged)**

Pledged Revenues consist of the 1.225% State Shared Gross Receipts Tax Revenues. The City also imposes certain other gross receipts taxes which are not pledged to the repayment of the Bonds. These include five 0.25% increments of Municipal Gross Receipts Tax (1.25% total), a 0.25% Municipal Infrastructure Gross Receipts Tax, a 0.0625% Municipal Environmental Services Gross Receipts Tax and a 0.375% Municipal Hold Harmless Gross Receipts Tax. The total gross receipts tax rate within the City is 8.3125% (reflecting the combined State (5.125%), County (1.25%) and City (1.9375%) gross receipts tax rates).

## Gross Receipts Reported by Standard Industrial Classification

The following represents total taxable gross receipts reported in the City by Standard Industrial Classification: Total Taxable Gross Receipts

| Classification                                | Calendar Year          |                        |                        |                        |                        |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|
|   | 2015                   | 2016                   | 2017                   | 2018                   | 2019***                |
| Agriculture, Forestry, Fishing & Hunting      | \$ 3,379,858           | \$ 3,392,161           | \$ 3,100,732           | \$ 3,297,829           | \$ 8,433,879           |
| Mining/Oil & Gas Extraction                   | *                      | *                      | *                      | *                      | *                      |
| Utilities                                     | 74,458,975             | 66,468,048             | 82,429,652             | 79,855,375             | 57,148,315             |
| Construction                                  | 221,954,759            | 278,789,341            | 272,506,094            | 242,855,017            | 229,459,880            |
| Manufacturing                                 | 33,987,416             | 31,331,279             | 27,379,879             | 37,094,512             | 32,628,232             |
| Wholesale Trade                               | 46,838,421             | 46,894,826             | 44,337,680             | 46,584,863             | 38,602,698             |
| Retail Trade                                  | 780,981,717            | 769,647,903.16         | 621,283,505            | 862,164,143            | 684,781,228            |
| Transportation & Warehousing                  | 10,929,290             | 10,539,981             | 16,618,585             | 15,657,109             | 11,763,583             |
| Information & Cultural Industries             | 140,531,644            | 128,790,384            | 145,913,084            | 145,784,104            | 108,454,353            |
| Finance and Insurance                         | 19,715,138             | 19,475,947             | 27,735,268             | 49,033,010             | 19,095,134             |
| Real Estate, Rental & Leasing                 | 35,283,225             | 37,221,675             | 39,606,160             | 40,202,571             | 37,224,848             |
| Professional, Scientific & Technical Services | 163,677,481            | 133,183,231            | 151,349,613            | 161,644,288            | 169,590,080            |
| Management of Companies & Enterprises         | 3,409,341              | 3,433,281              | 14,636,586             | 4,347,944              | 3,664,830              |
| Admin & Support, Waste Mgt & Remed            | 23,273,172             | 28,124,933             | 36,405,667             | 46,647,949             | 33,495,574             |
| Educational Services                          | 4,504,376              | 5,662,719              | 5,097,796              | 6,886,861              | 9,268,759              |
| Health Care and Social Assistance             | 392,057,577            | 116,394,492**          | 471,654,167            | 459,117,104            | 368,921,901            |
| Arts, Entertainment & Recreation              | 10,320,109             | 10,799,187             | 13,057,287             | 14,360,427             | 12,992,901             |
| Accommodation & Food Services                 | 253,584,435            | 240,748,808            | 368,299,454            | 279,173,754            | 230,925,364            |
| Other Services (except Public Admin)          | 202,821,367            | 162,498,414            | 288,253,931            | 187,363,535            | 195,407,295            |
| Public Administration                         | *                      | *                      | 14,745,186             | 15,083,783             | 10,775,557             |
| Unclassified Establishments                   | 8,045,130              | 19,812,661             | 8,961,472              | 16,728,519             | 10,145,515             |
| <b>TOTAL TAXABLE</b>                          | <b>\$2,446,029,113</b> | <b>\$2,128,890,915</b> | <b>\$2,668,282,582</b> | <b>\$2,720,966,968</b> | <b>\$2,236,809,554</b> |

Source: New Mexico Taxation and Revenue Department.

\* Not disclosed.

\*\*Health Care and Social Assistance had large negative adjustments in quarters 2 and 3 for taxable gross receipts.

\*\*\*Data available for first 3 quarters of 2019 only.

## Historical Total Gross Receipts Reported For the City

The following represents the total gross receipts and total retail gross receipts reported in the City and the State. Total gross receipts and total taxable gross receipts reported in the tables below include amounts representing the sale of items which may not be subject to Gross Receipts Tax. See "PLEDGED

REVENUES – Taxed Activities” and “PLEGGED REVENUES – *Exemptions*” herein for an explanation of activities which are subject to, or exempt from, Gross Receipts Tax.

| Calendar<br>Year | City of Las Cruces |               |
|------------------|--------------------|---------------|
|                  | Retail Trade       | Total         |
| 2019*            | 1,289,687,619      | 4,873,373,570 |
| 2018             | 1,605,506,003      | 5,887,656,825 |
| 2017             | 1,586,940,353      | 5,372,078,627 |
| 2016             | 1,434,160,212      | 4,466,244,222 |
| 2015             | 1,403,948,772      | 5,169,975,547 |

*Source: City of Las Cruces and New Mexico Taxation and Revenue Department.*

\*Data available for first 3 quarters of 2019 only.

### Historical Taxable Gross Receipts Reported For the City

| Calendar Year | Taxable Gross Receipts<br>Reported in<br>City of Las Cruces |
|---------------|---|
| 2019*         | \$2,236,809,554   |
| 2018          | 2,714,966,968   |
| 2017          | 3,405,704,830   |
| 2016          | 2,128,893,915   |
| 2015          | 2,446,029,113   |

*Source: City of Las Cruces and New Mexico Taxation and Revenue Department.*

\*Data available for first 3 quarters of 2019 only.

### Pledged Convention Center Fee Revenues

*Imposition of Convention Center Fee.* Sections 5-13-1 through 5-13-15 NMSA 1978 authorize local government entities to impose by ordinance a fee, on the use of a room within a lodging facility within the local government entity. Such fee is referred to as the “convention center fee” and may not exceed two dollars and fifty cents (\$2.50) per room for each day the room is occupied. The City Council adopted City Ordinance No. 2360 on March 5, 2007 authorizing the imposition of a convention center fee in the amount of \$2.50 per room, per day, for the use of a room within any lodging facility in the City. Other than the City’s State Shared Gross Receipts Tax Revenue Bonds, Series 2010, which will be refunded with proceeds of the Series 2020 Bonds, the City has no outstanding obligations constituting a lien on the Pledged Convention Center Fee Revenues.

## Historical Pledged Convention Center Fee Revenues

| Fiscal Year<br>Ended June 30 | Pledged Convention<br>Center Fee Revenues |
|------------------------------|---|
| 2019 <sup>(1)</sup>          | \$1,303,403                               |
| 2018                         | 1,278,958                                 |
| 2017                         | 1,261,750                                 |
| 2016                         | 1,262,394                                 |
| 2015                         | 1,202,006                                 |

Source: City of Las Cruces, New Mexico.

(1) Unaudited

## Pledged Lodgers' Tax Revenues

*Imposition of Lodgers' Tax.* Sections 3-38-13 through 3-38-24 NMSA 1978 (the "Lodgers' Tax Act") authorize municipalities to impose by ordinance, an occupancy tax for revenues on lodging within the municipality. Such tax is referred to as the "lodgers' tax" and may not exceed five percent (5%) of the gross taxable rent. The City Council adopted City Ordinance No. 115, on January 17, 1977 and City Ordinance No. 1011 on July 18, 1988 authorizing the imposition of a five percent (5%) occupancy tax on lodging within the City. Pursuant to the Lodgers' Tax Act, fifty percent (50%) of the revenues derived from the lodgers' tax within the City must be used only for advertising, publicizing and promoting tourist related attractions, facilities and events. Thus, the Pledged Lodgers' Tax Revenues equals fifty percent (50%) of the revenues received by the City for the five percent (5%) occupancy tax on lodging within the City, less the City's costs of collecting and administering such occupancy tax. Other than the City's State Shared Gross Receipts Tax Revenue Bonds, Series 2010, which will be refunded with proceeds of the Series 2020 Bonds, the City has no outstanding obligations constituting a lien on the Pledged Lodgers' Tax Revenues.

## Historical Pledged Lodgers' Tax Revenues

| Fiscal Year<br>Ended June 30 | Lodgers' Tax<br>Revenues | Pledged Lodgers' Tax<br>Revenues |
|------------------------------|--------------------------|----------------------------------|
| 2019 <sup>(1)</sup>          | \$2,144,835              | \$1,072,417.50                   |
| 2018                         | 2,185,039                | 1,092,519.50                     |
| 2017                         | 2,042,693                | 1,021,346.50                     |
| 2016                         | 2,089,168                | 1,044,584.00                     |
| 2015                         | 1,941,158                | 970,579.00                       |

Source: City of Las Cruces, New Mexico.

(1) Unaudited

## **ADDITIONAL OBLIGATIONS PAYABLE FROM PLEDGED REVENUES**

### **Parity Obligations**

*Parity Bonds Test.* The Bond Ordinance does not prevent the issuance of additional Parity Bonds payable from and constituting a lien upon the Pledged Revenues on parity with the lien of the Bonds. Before any additional Parity Bonds are actually issued, it must be determined that:

(1) The City is then current in the accumulation of all amounts which are then required to be on deposit in the Debt Service Fund and the Reserve Fund in accordance with the Bond Ordinance; and

(2) The Pledged Revenues received by the City in the Fiscal Year immediately preceding the date of issuance of the proposed additional Parity Bonds shall have been sufficient to pay an amount representing at least 175% of the combined maximum annual principal and interest coming due in any subsequent Fiscal Year on (1) the outstanding Bonds, (2) other outstanding Parity Bonds payable from and constituting a lien upon the Pledged Revenues, and (3) the Parity Bonds proposed to be issued.

(3) If the City has outstanding Parity State Shared Gross Receipts Tax Revenue Bonds or Subordinate State Shared Gross Receipts Tax Revenue Bonds, the requirements for issuing additional Parity State Shared Gross Receipts Tax Revenue Bonds in the Bond Ordinance must be met (see “State Shared Gross Receipts Tax Parity Obligations-- *State Shared Gross Receipts Tax Parity Bonds Test*” below); and

(4) If the City has outstanding Lodgers’ Tax/Convention Center Fee Parity Bonds, the requirements for issuing additional Lodgers’ Tax/Convention Center Fee Parity Bonds in the Bond Ordinance must be met. See “Lodgers’ Tax/Convention Center Fee Parity Obligations-- Lodgers’ Tax/Convention Center Fee Parity Bonds Test” below.

For purposes of the test set forth in clause (2) above, if on the date of issuance of the additional Parity Bonds, (a) any amount of the reserve fund requirement for the additional Parity Bonds is immediately deposited in or credited to the reserve fund for the additional Parity Bonds or, (b) any amount of the reserve fund requirement for any issue of outstanding Parity Bonds is then on deposit in or credited to the reserve fund for any issue of outstanding Parity Bonds, then the amounts on deposit in or credited to the respective reserve funds shall be deducted from the principal and interest coming due in the final Fiscal Year for the additional Parity Bonds or any issue of outstanding Parity Bonds for which such reserve fund was created.

*Certification or Opinion Regarding Pledged Revenues.* A written certificate or opinion by an Independent Accountant or the City Treasurer or Director of Financial Services, that the Pledged Revenues are sufficient to pay the required amounts under the test in paragraph A immediately above, shall conclusively determine the right of the City to issue additional Parity Bonds. The Independent Accountant, City Treasurer or Director of Financial Services may utilize the results of any annual audit to the extent it covers the applicable period.

*Subordinated and Superior Obligations.* The City will not issue additional bonds payable from the Pledged Revenues with a lien on the Pledged Revenues prior and superior to the lien of the Bonds thereon. Nothing contained in the Bond Ordinance will be construed in such a manner as to prevent the issuance by the City of additional bonds payable from the Pledged Revenues with a lien thereon subordinate and junior to the lien of the Bonds thereon, nor to prevent the issuance of bonds or other obligations refunding all or part of the Bonds as permitted by the Bond Ordinance. If the City has outstanding obligations payable from Pledged State Shared Gross Receipts Tax Revenues, the requirements for issuing additional Subordinate

State Shared Gross Receipts Tax Bonds described above must also be met.

### **State Shared Gross Receipts Tax Parity Obligations**

*State Shared Gross Receipts Tax Parity Bonds Test.* The Bond Ordinance does not prevent the issuance of additional State Shared Gross Receipts Tax Parity Bonds payable from and constituting a lien upon the Pledged State Shared Gross Receipts Tax Revenues on a parity with the lien of the Bonds. Before any additional State Shared Gross Receipts Tax Parity Bonds are actually issued, it must be determined that:

(1) The City is then current in the accumulation of all amounts which are then required to be on deposit in the Debt Service Fund and the Reserve Fund in accordance with the Bond Ordinance; and

(2) The Pledged State Shared Gross Receipts Tax Revenues received by the City in the Fiscal Year immediately preceding the date of issuance of the proposed additional State Shared Gross Receipts Tax Parity Bonds shall have been sufficient to pay an amount representing at least 200% of the combined maximum annual principal and interest coming due in any subsequent Fiscal Year on (1) the outstanding Bonds, (2) other outstanding State Shared Gross Receipts Tax Parity Bonds payable from and constituting a lien upon the Pledged State Shared Gross Receipts Tax Revenues, and (3) the State Shared Gross Receipts Tax Parity Bonds proposed to be issued.

For purposes of the test set forth in clause (2) above, if on the date of issuance of the additional State Shared Gross Receipts Tax Parity Bonds, (a) any amount of the reserve fund requirement for the additional State Shared Gross Receipts Tax Parity Bonds is immediately deposited in or credited to the reserve fund for the additional State Shared Gross Receipts Tax Parity Bonds or, (b) any amount of the reserve fund requirement for any issue of outstanding State Shared Gross Receipts Tax Parity Bonds is then on deposit in or credited to the reserve fund for any issue of outstanding State Shared Gross Receipts Tax Parity Bonds, then the amounts on deposit in or credited to the respective reserve funds shall be deducted from the principal and interest coming due in the final Fiscal Year for the additional State Shared Gross Receipts Tax Parity Bonds or any issue of outstanding State Shared Gross Receipts Tax Parity Bonds for which such reserve fund was created.

So long as the Build America Mutual Assurance Company (“BAM”) municipal bond insurance policy for the 2016 Subordinate State Shared Gross Receipts Tax Bonds shall be in force and effect or any amounts are owed to BAM related to the 2016 Subordinate State Shared Gross Receipts Tax Bonds, and in addition to requirements set forth above, before any additional Parity State Shared Gross Receipts Tax Bonds are issued, it must be determined that the Pledged State Shared Gross Receipts Tax Revenues (not including the Hold Harmless Distribution) received by the City in the Fiscal Year immediately preceding the date of issuance of the proposed additional Parity State Shared Gross Receipts Tax Bonds shall have been sufficient to pay an amount representing at least 150% of the combined maximum annual principal and interest coming due in any subsequent Fiscal Year on (1) the outstanding Parity State Shared Gross Receipts Tax Bonds, (2) the outstanding 2016 Subordinate State Shared Gross Receipts Tax Bonds, (3) other outstanding Subordinate State Shared Gross Receipts Tax Bonds, and (4) the Parity State Shared Gross Receipts Tax Bonds proposed to be issued. Compliance with the foregoing requirement shall be evidenced by a certificate as provided in the Bond Ordinance and described in the immediately following paragraph.

*Certification or Opinion Regarding Pledged State Shared Gross Receipts Tax Revenues.* A written certificate or opinion by the City Treasurer or Finance Director, that the Pledged State Shared Gross Receipts Tax Revenues are sufficient to pay the required amounts under the test set forth above, shall

conclusively determine the right of the City to issue additional State Shared Gross Receipts Tax Parity Bonds. The City Treasurer or Finance Director may utilize the results of any annual audit to the extent it covers the applicable period.

*Subordinated and Superior Obligations.* The City will not issue additional bonds payable from the Pledged State Shared Gross Receipts Tax Revenues with a lien on the Pledged State Shared Gross Receipts Tax Revenues prior and superior to the lien of the Bonds thereon. Nothing contained in the Bond Ordinance will be construed in such a manner as to prevent the issuance by the City of additional bonds payable from the Pledged State Shared Gross Receipts Tax Revenues with a lien thereon subordinate and junior to the lien of the Bonds thereon, nor to prevent the issuance of bonds or other obligations refunding all or part of the Bonds as permitted by the Bond Ordinance.

### **Lodgers' Tax/Convention Center Fee Parity Obligations**

*Lodgers' Tax/Convention Center Fee Parity Bonds Test.* The Bond Ordinance does not prevent the issuance of additional Lodgers' Tax/Convention Center Fee Parity Bonds payable from and constituting a lien upon the Pledged Lodgers' Tax Revenues and Pledged Convention Center Fee Revenues on a parity with the lien of the Bonds. Before any additional Lodgers' Tax/Convention Center Fee Parity Bonds are actually issued, it must be determined that:

(1) The City is then current in the accumulation of all amounts which are then required to be on deposit in the Debt Service Fund and the Reserve Fund in accordance with the Bond Ordinance; and

(2) The Pledged Lodgers' Tax Revenues and Pledged Convention Center Fee Revenues received by the City in the Fiscal Year immediately preceding the date of issuance of the proposed additional Lodgers' Tax/Convention Center Fee Parity Bonds shall have been sufficient to pay an amount representing at least 150% of the combined maximum annual principal and interest coming due in any subsequent Fiscal Year on (1) the outstanding Bonds, (2) other outstanding Lodgers' Tax/Convention Center Fee Parity Bonds payable from and constituting a lien upon the Pledged Lodgers' Tax Revenues and Pledged Convention Center Fee Revenues, and (3) the Lodgers' Tax/Convention Center Fee Parity Bonds proposed to be issued.

For purposes of the test set forth in clause (2) above, if on the date of issuance of the additional Lodgers' Tax/Convention Center Fee Parity Bonds, (a) any amount of the reserve fund requirement for the additional Lodgers' Tax/Convention Center Fee Parity Bonds is immediately deposited in or credited to the reserve fund for the additional Lodgers' Tax/Convention Center Fee Parity Bonds or, (b) any amount of the reserve fund requirement for any issue of outstanding Lodgers' Tax/Convention Center Fee Parity Bonds is then on deposit in or credited to the reserve fund for any issue of outstanding Lodgers' Tax/Convention Center Fee Parity Bonds, then the amounts on deposit in or credited to the respective reserve funds shall be deducted from the principal and interest coming due in the final Fiscal Year for the additional Lodgers' Tax/Convention Center Fee Parity Bonds or any issue of outstanding Lodgers' Tax/Convention Center Fee Parity Bonds for which such reserve fund was created.

*Certification or Opinion Regarding Pledged Lodgers' Tax Revenues and Pledged Convention Center Fee Revenues.* A written certificate or opinion by the City Treasurer or Finance Director, that the Pledged Lodgers' Tax Revenues and Pledged Convention Center Fee Revenues are sufficient to pay the required amounts under the test set forth above, shall conclusively determine the right of the City to issue additional Lodgers' Tax/Convention Center Fee Parity Bonds. The City Treasurer or Finance Director may utilize the results of any annual audit to the extent it covers the applicable period.

*Subordinated and Superior Obligations.* The City will not issue additional bonds payable from the Pledged Lodgers' Tax Revenues and Pledged Convention Center Fee Revenues with a lien on the Pledged Lodgers' Tax Revenues and Pledged Convention Center Fee Revenues prior and superior to the lien of the Bonds thereon. Nothing contained in the Bond Ordinance will be construed in such a manner as to prevent the issuance by the City of additional bonds payable from either or both the Pledged Lodgers' Tax Revenues and/or Pledged Convention Center Fee Revenues with a lien on either or both the Pledged Lodgers' Tax Revenues or Pledged Convention Center Fee Revenues subordinate and junior to the lien of the Bonds, nor to prevent the issuance of bonds or other obligations refunding all or part of the Bonds as permitted by the Bond Ordinance.

### **Refunding Bonds**

The provisions of the Bond Ordinance described above are subject to the following exceptions:

*Privilege of Issuing Refunding Obligations.* If at any time the City shall find it desirable to refund any outstanding obligations constituting a lien upon the Pledged Revenues, the Pledged State Shared Gross Receipts Tax Revenues or the Pledged Lodgers' Tax Revenues and Pledged Convention Center Fee Revenues, the Bonds or other obligations, or any part thereof, such obligations may be refunded, but only with the consent of the holders, unless the obligations shall then mature or be callable for redemption, or the plan of refunding calls for payment of the obligations at maturity or at a redemption date, regardless of whether the lien priority is changed by the refunding except that superior obligations are prohibited as provided in the Bond Ordinance.

*Limitation Upon Issuance of Parity Refunding Obligations, State Shared Gross Receipts Tax Parity Refunding Obligations or Lodgers' Tax/Convention Center Parity Refunding Obligations.* No refunding obligations shall be issued with (i) a lien on the Pledged Revenues on a parity with the lien of the Bonds, (ii) a lien on the Pledged State Shared Gross Receipts Tax Revenues on a parity with the lien on the Bonds, or (iii) a lien on the Pledged Lodgers' Tax Revenues and Pledged Convention Center Fee Revenues on a parity with the lien on the Bonds, unless:

(1) The lien on the Pledged Revenues, the Pledged State Shared Gross Receipts Tax Revenues or the Pledged Lodgers' Tax Revenues and Pledged Convention Center Fee Revenues of the outstanding obligations so refunded is on a parity with the lien on the Pledged Revenues, the Pledged State Shared Gross Receipts Tax Revenues or the Pledged Lodgers' Tax Revenues and Pledged Convention Center Fee Revenues of the Bonds; or

(2) The refunding obligations are issued in compliance with the requirements described above under "Parity Obligations -- *Parity Bonds Test*," "State Shared Gross Receipts Tax Parity Obligations -- *State Shared Gross Receipts Tax Parity Bonds Test*" and "Lodgers' Tax/Convention Center Fee Parity Obligations -- *Lodgers' Tax/Convention Center Fee Parity Bonds Test*."

*Refunding Part of an Issue.* The refunding bonds or other refunding obligations 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 holder or holders of such refunding bonds or other refunding obligations shall be subrogated to all of the rights and privileges enjoyed by the owner or owners of the same issue refunded thereby. If only a part of any issue or issues is refunded, then there may be no refunding without the consent of the holders of the unrefunded portion of such obligations, unless:

(1) The refunding obligations do not increase the aggregate principal and interest requirements for any Fiscal Year commencing prior to the last maturity date of such unrefunded obligations; or



(2) The lien of the refunding obligations is subordinate to the lien of any obligations not refunded; or

(3) The refunding bonds or other refunding obligations are issued in compliance with the requirements described above under “Parity Obligations -- *Parity Bonds Test*,” “State Shared Gross Receipts Tax Parity Obligations -- *State Shared Gross Receipts Tax Parity Bonds Test*” and “Lodgers’ Tax/Convention Center Fee Parity Obligations – *Lodgers’ Tax/Convention Center Fee Parity Bonds Test*.”

*Limitation Upon Issuance of Any Refunding Obligations.* Any refunding obligations payable from Pledged Revenues, Pledged State Shared Gross Receipts Tax Revenues or Pledged Lodgers’ Tax Revenues and Pledged Convention Center Fee Revenues shall be issued with such details as the City Council may provide, subject to the inclusion of any such rights and privileges designated above, but without impairing any contractual obligation imposed by any proceedings authorizing any unrefunded portion of any issue or issues, including the Bonds.

### **CITY COVENANTS IN THE BOND ORDINANCE**

The City has covenanted in the Bond Ordinance, among other things:

*Use of Bond Proceeds.* The City will proceed without delay to apply the proceeds of the Bonds as set forth in the Bond Ordinance.

*Payment of Bonds.* The City will promptly pay the principal of and the interest on every Bond at the place, on the date and in the manner specified in the Bond Ordinance and in the Bonds according to the true intent and meaning of the Bond Ordinance.

*City’s Existence.* The City will maintain its corporate identity and existence so long as any of 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 of the Bonds.

*Extension of Interest Payments.* In order to prevent any accumulation of claims for interest after maturity, the City will not directly or indirectly extend or assent to the extension of time for the payment of any claim for interest on any of the Bonds, and the City will not directly or indirectly be a party to or approve any arrangements for any such extension.

*Records.* So long as any of the Bonds remain outstanding, proper books of record and account will be kept by the City, separate and apart from all other records and accounts, showing complete and correct entries of all transactions relating to the Pledged Revenues.

*Audits and Budgets.* The City will, within two hundred seventy (270) days following the close of each Fiscal Year, cause an audit of its books and accounts relating to the Pledged Revenues to be commenced by an Independent Accountant showing the receipts and disbursements in connection with such revenues.

*Other Liens.* Other than as described and identified by the Bond Ordinance, there are no liens or encumbrances of any nature whatsoever on or against the Pledged Revenues.

*Impairment of Contract.* The City agrees that any law, ordinance or resolution of the City that in any manner affects the Pledged Revenues or the Bonds 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 required consents of the holders of the then outstanding Bonds are obtained pursuant to the Bond Ordinance.

*Debt Service Funds and Reserve Funds.* The Debt Service Fund and Reserve Fund shall be used solely and only, and those funds are hereby pledged, for the purposes set forth in the Bond Ordinance.

*Surety Bonds.* Each municipal official and employee being responsible for receiving Pledged Revenues shall be bonded at all times, which bond shall be conditioned upon the proper application of such funds.

*Performing Duties.* The City will faithfully and punctually perform all duties with respect to the Bonds required by the Constitution and laws of the State of New Mexico and the ordinances and resolutions of the City relating to the Bonds.

*Tax Covenants.* The City covenants that it will restrict the use of the proceeds of the Bonds in such manner and to such extent, if any, as may be necessary so that the Bonds will not constitute arbitrage bonds under Section 148 of the Code. The City covenants that it (a) will take or cause to be taken such actions which 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 (b) will not take or permit to be taken any actions which would adversely affect that exclusion, and that it or persons acting for it, will, among other acts of compliance, (i) apply the proceeds of the Bonds to the governmental purpose of the borrowing, (ii) restrict the yield on investment property acquired with those proceeds, (iii) make timely and adequate rebate payments, yield reduction payments or payments of alternative amounts in lieu of rebate to the federal government, if required, (iv) maintain books and records and make calculations and reports, and (v) refrain from certain uses of proceeds, all in such manner and to the extent necessary to assure such exclusion of that interest under the Code. In furtherance of the covenants set forth above, the City established a fund separate from any other funds established and maintained under the Bond Ordinance designated as the Rebate Fund (the “Rebate Fund”). Money and investments in the Rebate Fund shall not be used for the payment of the Bonds, and amounts credited to the Rebate fund shall be free and clear under any pledge under the Bond Ordinance.

*Continuing Disclosure Undertaking.* The officers of the City are authorized to sign such documents and to take such actions in the future with respect to the City’s continuing disclosure obligations as are necessary or desirable to comply with the Continuing Disclosure Undertaking and the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. Notwithstanding any other provisions of the Bond Ordinance, failure of the City to comply with the Continuing Disclosure Undertaking shall not be considered an “event of default”, and holders and beneficial owners of Bonds shall be entitled to exercise only such rights with respect thereto as are provided in the Continuing Disclosure Undertaking.

*Pledged Lodgers’ Tax Revenue and Pledged Convention Center Fee Revenue Covenant.* The City covenants that it will comply with all the requirements of the Act, including the random audit requirement set forth in Section 3-38-17.1 of the Lodgers’ Tax Act and Section 5-13-11 of the Convention Center Financing Act, and will take all other actions necessary to ensure (1) the validity of the ordinances imposing the Lodgers’ Tax and the Convention Center Fee, and (2) the collection of the Pledged Lodgers’ Tax Revenues and Pledged Convention Center Fee Revenues in amounts sufficient to make the debt service payments, when due, on the Bonds and any Parity Bonds, Lodgers’ Tax/Convention Center Fee Parity Bonds or subordinate obligations hereafter issued and payable from the Pledged Lodgers’ Tax Revenues and/or the Pledged Convention Center Fee Revenues.

## THE CITY

### General

The Las Cruces/Doña Ana County area borders Texas and Mexico and has a rich and colorful history, ranging from 16th century Spanish explorations to the landing of the space shuttle. Las Cruces is the second largest city in the State and is the commercial service and cultural center of southern New Mexico. The U.S. Census Bureau ranked the City in the top 30 fastest growing population areas in the country for the last decade.

The economy of the Las Cruces MSA (Metropolitan Statistical Area) is diversified with the major employers being government, primarily White Sands Missile Range, NASA, New Mexico State University, City/County government and the Las Cruces Public School District which accounted for an average of 16,390 jobs in the third quarter of 2016. The remaining non-agricultural jobs are in manufacturing (2,349), wholesale/ retail trade (8,795), natural resources, mining and construction (3,814), transportation/ warehousing/ utilities (1,930), information (695), finance (1,750) and all other services (35,571).

Growth in the economy is demonstrated in the growth of gross receipts from retail trade, assessed valuation, building permits, housing prices, and median household income.

### Government

The City was incorporated in 1907 and operates under a home rule charter with a Council-Manager form of government. Nonpartisan elections are held for members of the City Council of the City (the “Council”) for the election of councilors from six single-member districts and for a Mayor to be nominated and elected at large by the resident and qualified voters of the City.

Councilors and the Mayor are elected for staggered four year terms. The Mayor and the Council and the date of expiration of their current terms are as follows:

| <u>Name</u>        | <u>Office</u> | <u>Current Term Expires</u> |
|--------------------|---------------|-----------------------------|
| Ken Miyagishima    | Mayor         | November 2023               |
| Kasandra Gandara   | Councilor     | November 2023               |
| Tessa Abeyta-Stuve | Councilor     | November 2023               |
| Gabriel Vasquez    | Councilor     | November 2023               |
| Johana Bencomo     | Councilor     | November 2021               |
| Gill M. Sorg       | Councilor     | November 2021               |
| Yvonne M. Flores   | Councilor     | November 2021               |

### Administrative Officers

*Interim City Manager William Studer* Mr. Studer was appointed Las Cruces Interim City Manager in August, 2019. He previously served the City as Assistant City Manager beginning in April 2017. He has served in executive positions in local government for more than 35 years. Prior to beginning service with the City of Las Cruces, Mr. Studer served as Executive Director of the Economic Development Corporation for the Town of Horizon City, Texas and as City Administrator of the recently incorporated City of San Elizario, Texas.

His prior experience includes as a Deputy City Manager with the City of El Paso, Texas from 2004

to 2014 and Deputy City Manager for the City of Arlington, Texas from 1988 to 2003. Mr. Studer also served as Director of the Management Services Department for the City of Arlington, Texas from 1983 to 1988. He began his career in local government in the Office of Budget and Research of the City of Dallas, Texas in 1978. Mr. Studer received his Bachelor of Arts in Political Science from the University of Texas at El Paso. He also is a graduate of the Program for Senior Executives of State and Local Government, John F. Kennedy School of Government Harvard University Cambridge, Massachusetts

*Director of Financial Services Terri L. Gayhart, MBA, CPA, CGMA* Ms. Gayhart has been with the City of Las Cruces since 2019. She has served as Controller for Milwaukee Area Technical College. Just prior to joining the City, she has served as Finance Director for the City of Odessa, Texas. Ms. Gayhart earned her MBA from Concordia University, and Bachelor of Science degree from the State University of New York.

*City Treasurer Karin Byrum, CGFM.* Karin Byrum as the Treasurer for the City of Las Cruces and has responsibility for the management and direction of treasury operations including short-term investment portfolio management, long and short term debt issuance, operational budgeting, bank relationship management and credit card processing. She started with the City in November 2007 and has held various positions in finance including accounting, reporting and management of debt issuance and debt service for the City. She also has over 5 years experience in private sector finance. She obtained her Certified Government Financial Manager certification in 2012. She holds a Bachelors Degree in Accounting from the University of Washington and a Masters in Business Administration from New Mexico State University.

*Interim City Clerk Christine Rivera* Christine Rivera has been with the City of Las Cruces since 2012 and interim city clerk since October of 2019. She received her Certified Municipal Clerk designation in 2016. She earned her Bachelors in Psychology from Louisiana College in 2001 and her Masters in Psychology from Capella University in 2016.

*City Attorney Jennifer Vega-Brown* Ms. Vega-Brown has been with the City of Las Cruces since 2017. She served as assistant county attorney and public information official for Bernalillo County. Just prior to joining the City, she served as assistant city attorney and city attorney for Rio Rancho, New Mexico. Ms. Vega-Brown earned her law degree from the University of New Mexico, and master and bachelor of arts degrees from New Mexico State University.

## **Other Employees**

As of June 30, 2019, the City had approximately 1,600 full time, part time and seasonal employees, approximately 575 of which are represented by labor unions. The City believes that relations with its employees are good.

## **Retirement Plan**

The City participates in a pension plan organized on a statewide basis and operated by the State of New Mexico. The Public Employees' Retirement Association of New Mexico (the Plan"), established by Chapter 167, Laws of 1947, New Mexico Statutes Annotated, 1978 Compilation, as amended, requires contributions, computed as a percentage of salary, from both employee and employer for all full-time employees. The majority of State and municipal employees in New Mexico participate in the Plan. The Plan requires contributions by the City and by employees at rates established by statute.

In addition to retirement benefits, the Plan provides disability benefits, surviving spouse and children's benefits, deferred benefits option and cost of living adjustments for all eligible participants. Employer contributions to the pension plan amounted to \$8,086,946 for the fiscal year ended June 30, 2019. The City's liability under the Plan is limited to the periodic employer contributions, that it is required to make for its participating employees. Future deficits of the Plan are expected to be financed by the State.

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 was effective for fiscal years beginning after June 15, 2014.

The City offers other post-employment benefits through the Retiree Health Care Fund, a cost-sharing multiple employer defined benefit plan administered by the New Mexico Retiree Healthcare Authority. This plan is used to provide post-employment health insurance benefits for eligible employees and their dependents. The contribution requirements are established by and may be amended by the statute. The City's contribution to the fund for Fiscal Year 2019 was 1,457,909. For additional information regarding the post-employment benefit plan, please refer to Note 11 to the City's audited financial statements.

## **City Budgets**

The City adheres to the following procedure in establishing its annual budget: the City Staff prepares a budget which is forwarded to the City Council prior to May 1 for the fiscal year commencing the following July 1; public input is sought by the City Council during the month of May through public hearings; the budget is approved by the City Council and forwarded for approval to the State of New Mexico, Local Government Division of the Department of Finance and Administration; the final budget is returned to the City with recommended changes and modifications; and the final budget is acknowledged by the City Council.

The operating budget includes proposed expenditures and the means of financing them.

The City Manager is authorized to transfer budgeted amounts that are within a designated organizational unit, are within the same fund and do not increase spending for any fund. The City Manager must obtain approval of the City Council and the State prior to making revisions that alter the total expenditures of any fund. As a management control device, the City employs formal budgetary integration at the line item level.

Deficit financing is not permitted under New Mexico law. The level of classification detail at

which expenditure may not legally exceed appropriation for each budget item is the fund level (i.e., General, Water, Sewer, etc.).

## City Strategic Plan

The City has developed a strategic planning process to set long term, broad, policy-level goals to guide actions, initiatives and projects. This planning process has evolved through several stages, most recently with the completion of the 2017-2021 plan.

The 2017-2021 plan theme key is Capital Improvements & Infrastructure (CI&I) Communication, Involvement & Follow-up (COMM&INV) Economic & Community Development (E&CD) Education (EDUC). The objectives for 2019 through 2021 include the following:

In 2019:

- The relationship between the business community and the City was strengthened, as evidenced by:
  - A one-stop shop for licensing and permitting;
  - More small businesses locating downtown;
  - Jointly sponsored events and educational programs;
  - More businesses locating in the West Mesa Industrial Park;
  - Percentage of high school and university graduates staying locally;
  - Increased local contracting for City services and products; and
  - Workforce education and development. (COMM&INV)
- The City provided community access to public transportation connecting downtown, the University, and the Convention Center. (CI&I)
- Fiber optic broadband access became made available to businesses in the West Mesa Industrial Park. (E&CD)
- The community obtained greater access to services and facilities by way of the City and Las Cruces Public Schools' shared services. (EDUC)

In 2020:

- Wi-fi will be available in the downtown, plaza, and Mesquite neighborhood. (E&CD – DOWNTOWN)

In 2021:

- City employees will experience safe working conditions and city vehicles & equipment will be maintained in a cost effective, centralized service center. (CI&I)

In 2022:

- The municipal court facility will assure public safety and provides customer-focused access to court services. (CI&I)
- Through public-private partnerships, 200 additional downtown living spaces will be available. (E&CD – DOWNTOWN)
- Las Cruces will have daily regional flights. (E&CD – TRANSPORTATION)
- The Las Cruces airport terminal will be renovated to accommodate 20,000 enplanements per year. (E&CD – TRANSPORTATION)
- Commuter rail service between Las Cruces and El Paso will be included in the 2025 Metropolitan Transportation Plans for El Paso and Mesilla Valley MPOs. (E&CD – TRANSPORTATION)
- Early childhood education for Las Cruces families will be enhanced with access to interactive children’s museum facility. (EDUC)

## **Industry**

A combination of a well-educated labor force, favorable tax rates and a high quality of living has attracted industry to Las Cruces. The blend of industries contributing to the diversification of the City’s economy include: TMC Design (DOD contractor); Pony Carburetor (manufacturer); White Sands Missile Range (U.S. Army, private industry testing facility), Mountain View Medical Center (hospital), NASA LBJ Test Facility (rocket testing), Sapphire Energy (alternative energy production); Wal-Mart (retail); Tresco, Inc. (sheltered employment); VMC (technical support/communication); F&A Dairy Products (cheese manufacturer); and NMSU Physical Science Laboratory.

## **Education**

The Las Cruces School District No. 2 (the “District”) is the second largest in the State, with an enrollment of approximately 24,603 students for school year 2018-2019. The district has 42 schools: 25 elementary schools (grades pre-K-5), 8 middle schools (grades 6-8), 5 high schools (grades 9-12), 2 alternative schools, including the San Andres Learning Center, which offers vocational and career technical programs for at-risk middle and high school students, and 2 charter schools.

## **New Mexico State University**

New Mexico State University (the “University”), was originally founded in 1888, and in 1889 was established as a land grant college. The University consists of its main campus in the City, with branch campuses located in Alamogordo, Carlsbad, Grants, Doña Ana and a satellite learning center in Albuquerque. The University had a Fall 2019 enrollment (full-time equivalent) of 24,041 students (including four branch campuses). The Fall 2019 enrollment (full-time equivalent) for the Las Cruces campus was 14,298 full time undergraduate and graduate students and 3,146 part-time undergraduate and graduate students. Twenty-eight doctoral programs, 46 master’s degree programs, and 96 undergraduate degree programs are available in the University’s 5 colleges (Agriculture, Consumer and Environmental Sciences, Arts and Sciences, Business, Education, Engineering, Extended Learning, Health and Social Services and Honors) and the Graduate School.



The University's main campus encompasses approximately 3,500 acres and consists of more than 211 academic, research, and auxiliary buildings, and over 400 housing buildings. The University employs over 1,700 faculty members and almost 4,000 staff of which approximately 4,500 are located on campus in Las Cruces. The University's largest single research operation is the Physical Science Laboratory. Research for engineering, space technology, and farm production and related industries are also conducted by various University departments. The University is classified as a Doctoral/Research institution as rated by the Carnegie Foundation. The University anchors the southern end of New Mexico's Rio Grande Research Corridor. The statewide Water Resources Research Institute is situated at the University and studies the State's water supply and demands, conservation and use, as well as ecological and other aspects thereof.

The Doña Ana Community College, affiliated with the University and the area's occupational training school, offers approximately 8,000 students a variety of programs designed to train students for meaningful employment. The program is designed to be flexible and can be programmed to meet the specific training needs of employers.

### **Agriculture**

Many private and commercial farms are located in Doña Ana County. Principal crops include cotton, pecans, alfalfa, onions, lettuce, chile, barley, nursery stock, and feed grains. Water for the various agricultural operations is provided by surface water diverted from the Rio Grande River and approximately 900 irrigation wells. The area's growing season averages about 200 days each year. The livestock, dairy cattle, Stahmann Farms (2,000 irrigated acres), and the poultry industry also provide a significant portion of agricultural income. Several chile processing plants are located in the area with seasonal employment growing to nearly 1,000.

### **Transportation**

Historically a crossroads of the Southwest, Las Cruces is serviced by Interstate Highways I-10 (east-west) and I-25 (north-south). In addition, the City is served by five major U.S. highways and seven State highways. More than 20 interstate, regional, and local motor carriers serve Las Cruces; four of them operate terminals in the area.

Commuter air service and corporate and general aviation service is available at the City's international airport. Major scheduled airline service is provided by El Paso International Airport, approximately 50 miles from Las Cruces.

Daily rail service, with piggyback and container service, is provided by the Santa Fe and Southern Pacific railroads.

### **Labor Force and Percent Unemployed**

The following table, derived from information supplied by the New Mexico Department of Workforce Solutions, presents information on employment within the Las Cruces MSA (Doña Ana County), the State and the United States, for the periods indicated. Unless otherwise noted, the annual

unemployment figures indicate average rates for the entire year and do not reflect monthly or seasonal trends.

### **Employment Information**

| Year                | Las Cruces MSA<br>(Doña Ana County) |                    | State of New Mexico |                    | United States      |
|---------------------|-------------------------------------|--------------------|---------------------|--------------------|--------------------|
|                     | Labor Force                         | Percent Unemployed | Labor Force         | Percent Unemployed | Percent Unemployed |
| 2019 <sup>(1)</sup> | 99,907                              | 5.20%              | 970,597             | 5.50%              | 4.10%              |
| 2018                | 96,769                              | 5.70%              | 940,359             | 4.90%              | 3.90%              |
| 2017                | 95,519                              | 6.50%              | 929,567             | 6.20%              | 4.40%              |
| 2016                | 95,562                              | 7.10%              | 928,732             | 6.70%              | 4.90%              |
| 2015                | 94,548                              | 7.30%              | 927,999             | 6.50%              | 5.30%              |
| 2014                | 94,444                              | 7.30%              | 927,142             | 6.70%              | 6.20%              |
| 2013                | 93,721                              | 7.50%              | 923,899             | 6.90%              | 7.40%              |
| 2012                | 93,767                              | 7.30%              | 927,795             | 7.10%              | 8.10%              |
| 2011                | 93,392                              | 7.60%              | 930,356             | 7.50%              | 8.90%              |
| 2010                | 93,597                              | 7.80%              | 936,088             | 8.10%              | 9.60%              |

<sup>(1)</sup>As of November, 2019.

Source: U.S. Bureau of Labor Statistics, January 2019.

## Covered Wage and Salary Employment by NAICS Code Classification

The following is a history of wage and salary employment for the Las Cruces MSA. The New Mexico Department of Workforce Solutions publishes quarterly reports of covered employment and wages. Beginning with 2001 data, employment was classified according to the new North American Industry Classification System (NAICS).

### Average Annual Covered Wage and Salary Employment, By Major Industrial Sector Non-Agricultural Employment – Las Cruces MSA Annual Average

| Sector                                     | 2015   | 2016   | 2017   | 2018   | 2019   |
|--|--------|--------|--------|--------|--------|
| Grand Total                                | 70,746 | 71,699 | 71,077 | 72,730 | 73,419 |
| Total Private                              | 53,014 | 53,880 | 53,752 | 55,350 | 55,735 |
| Agriculture, Forestry, Fishing and Hunting | 3,384  | 3,275  | 3,259  | 3,114  | 2,879  |
| Mining                                     | 17     | 25     | 35     | 45     | 43     |
| Utilities                                  | 740    | 750    | 743    | 735    | 745    |
| Construction                               | 3,730  | 2,924  | 3,923  | 3,848  | 4,003  |
| Manufacturing                              | 2,266  | 2,363  | 2,357  | 2,378  | 2,728  |
| Wholesale Trade                            | 1,220  | 1,235  | 1,169  | 1,196  | 1,338  |
| Retail Trade                               | 7,626  | 7,568  | 7,541  | 7,478  | 7,236  |
| Transportation and Warehousing             | 1,858  | 1,954  | 1,897  | 1,945  | 2,053  |
| Information                                | 868    | 709    | 642    | 705    | 649    |
| Finance and Insurance                      | 1,782  | 1,769  | 1,732  | 1,698  | 1,695  |
| Real Estate and Rental and Leasing         | 789    | 774    | 778    | 779    | 785    |
| Professional and Technical Services        | 3,870  | 3,814  | 3,607  | 3,599  | 3,766  |
| Management of Companies and Enterprises    | 41     | 47     | 45     | 43     | 61     |
| Administrative and Waste Services          | 3,164  | 3,086  | 2,972  | 4,479  | 3,974  |
| Educational Services                       | 10,733 | 9,818  | 9,566  | 9,866  | 10,150 |
| Health Care and Social Assistance          | 13,384 | 14,525 | 14,724 | 14,986 | 15,152 |
| Arts, Entertainment, and Recreation        | 1,188  | 1,217  | 1,202  | 1,234  | 1,302  |
| Accommodation and Food Services            | 6,918  | 7,258  | 7,278  | 7,509  | 7,832  |
| Other Services, ex. Public Administration  | 1,204  | 1,233  | 1,194  | 1,266  | 1,267  |
| Public Administration                      | 5,486  | 6,359  | 6,412  | 5,826  | 5,798  |
| Federal Government                         | 3,490  | 3,439  | 3,372  | 3,319  | 3,282  |
| State Government                           | 5,566  | 5,713  | 5,480  | 5,353  | 5,303  |
| Local Government                           | 8,674  | 8,547  | 8,439  | 8,587  | 9,098  |

<sup>(1)</sup>Reflects the second quarter of 2019

Source: New Mexico Department of Workforce Solutions.

## Major Employers

The following are the principal employers located in or near the City.

### City of Las Cruces Principal Employers

| <u>Employer Name</u>                | <u>Number of Employees</u> |
|-------------------------------------|----------------------------|
| New Mexico State University         | 6,500+                     |
| Las Cruces Public Schools           | 3,000+                     |
| Peak Behavioral Health Services     | 1,500+                     |
| City of Las Cruces                  | 1,000+                     |
| Memorial Medical Center             | 1,000+                     |
| White Sands Missile Range           | 1,000+                     |
| Wal-Mart                            | 1,000+                     |
| Mountain View Reg. Medical Center   | 750+                       |
| Doña Ana Community College          | 750+                       |
| Doña Ana County                     | 750+                       |
| Addus Healthcare                    | 500+                       |
| National Aeronautics & Space Agency | 500+                       |

*Source: Mesilla Valley Economic Development Authority and New Mexico Department of Workforce Solutions.*

## Per Capita Income

The following table sets forth annual per capita personal income levels for the Las Cruces Metropolitan Statistical Area (“MSA”), the State of New Mexico, and the United States. The Las Cruces MSA and the State’s per capita income level over this period have been lower than the national average.

| <u>Year</u> | <u>Las Cruces MSA</u> | <u>New Mexico</u> | <u>United States</u> |
|-------------|-----------------------|-------------------|----------------------|
| 2016        | \$32,852              | \$38,807          | \$49,571             |
| 2015        | 32,233                | 38,025            | 48,190               |
| 2014        | 30,453                | 36,701            | 46,464               |
| 2013        | 29,305                | 34,752            | 44,493               |
| 2012        | 30,408                | 35,427            | 44,282               |
| 2011        | 29,868                | 34,737            | 42,461               |

*Sources: New Mexico Department of Workforce Solutions and BEA, Survey of Current Business*

## Effective Buying Income

The following table reflects the percentage of households by Effective Buying Income (“EBI”) and a three-year comparison of the estimated median household income as reported by Claritas Inc. EBI is personal income less personal tax and non-tax payments. Personal income includes wages and salaries,

other labor income, proprietors' income, rental income, dividends, personal interest income, and transfer payments. Deductions are made for federal, state, and local taxes, non-tax payments such as fines and penalties, and personal contributions for social security insurance. The following chart depicts the median household EBI level for the Las Cruces MSA, the State of New Mexico and the United States.

| Effective Buying<br>Income Group  | Las Cruces<br>MSA | New Mexico | United States |
|-----------------------------------|-------------------|------------|---------------|
| Under \$25,000                    | 30.55%            | 26.42%     | 20.37%        |
| \$25,000 – 34,999                 | 10.80%            | 10.23%     | 9.21%         |
| \$35,000 – 49,999                 | 15.05%            | 13.64%     | 12.87%        |
| \$50,000 – 74,999                 | 16.09%            | 17.13%     | 17.09%        |
| \$75,000 and over                 | 27.51%            | 32.58%     | 40.46%        |
| 2019 Est. Median Household Income | \$43,267          | \$49,654   | \$60,336      |
| 2018 Est. Median Household Income | \$41,849          | \$48,044   | \$60,133      |
| 2017 Est. Median Household Income | \$39,347          | \$47,043   | \$57,462      |
| 2016 Est. Median Household Income | \$40,884          | \$45,445   | \$55,551      |
| 2015 Est. Median Household Income | \$37,471          | \$45,633   | \$53,706      |

Source: *Spotlight*, January 2020.

## Age Distribution

The following table sets forth a comparative age distribution profile for the City, the State of New Mexico and the United States.

| Age Group    | Las Cruces | New Mexico | United States |
|--------------|------------|------------|---------------|
| 0-17         | 24.10%     | 23.90%     | 22.80%        |
| 18-24        | 13.19%     | 9.80%      | 9.80%         |
| 25-34        | 13.56%     | 13.30%     | 13.40%        |
| 35-44        | 12.20%     | 11.87%     | 12.60%        |
| 45-54        | 10.15%     | 11.90%     | 13.10%        |
| 55 and Older | 26.80%     | 29.23%     | 28.30%        |

Source: *Spotlight*, January 2020.

## Population

Based on information gained from the United States Census Bureau, the following table shows the historical population data for the City of Las Cruces, Doña Ana County and the State of New Mexico.

### **Population**

| <u>Year</u> | <u>City of Las Cruces</u> | <u>Doña Ana County</u> | <u>State of New Mexico</u> |
|-------------|---------------------------|------------------------|----------------------------|
| 2018        | 102,657                   | 214,739                | 2,081,363                  |
| 2010        | 97,618                    | 218,523                | 2,112,957                  |
| 2000        | 74,267                    | 175,524                | 1,821,078                  |
| 1990        | 62,648                    | 136,523                | 1,519,933                  |
| 1980        | 45,086                    | 96,340                 | 1,303,933                  |
| 1970        | 37,857                    | 69,773                 | 1,017,055                  |

*Source: United States Census Bureau.*

### **Building Permits and Assessed Valuations**

The 1980s saw a relatively stable level of building activity within the City. Construction activity reached a low in 1991 and increased at a steady pace throughout the 1990s. Growth continued during the 2000s until the onset of economic and construction slow-downs in 2007.

#### City of Las Cruces, New Mexico **Building Permits**

| <u>Year</u> | <u>Valuation</u> | <u>Number of<br/>Permits</u> |
|-------------|------------------|------------------------------|
| 2019*       | \$179,358,342    | 6,614                        |
| 2018        | 214,378,952      | 4,776                        |
| 2017        | 223,537,332      | 8,422                        |
| 2016        | 219,652,972      | 6,151                        |
| 2015        | 136,270,075      | 3,570                        |
| 2013        | 141,830,679      | 2,463                        |
| 2012        | 162,624,265      | 2,459                        |
| 2011        | 144,071,482      | 2,420                        |
| 2010        | 149,413,272      | 2,903                        |
| 2009        | 181,846,245      | 2,645                        |
| 2008        | 179,621,128      | 2,885                        |

*Source: City of Las Cruces Community Development Department.*

\*Through November 2019.

History of Assessed Values<sup>(1)</sup>

| <u>Tax Year</u> | <u>City of Las Cruces</u> | <u>Doña Ana County</u> |
|-----------------|---------------------------|------------------------|
| 2019            | \$2,452,517,126           | \$4,602,866,403        |
| 2018            | 2,365,635,364             | 4,450,597,884          |
| 2017            | 2,293,290,617             | 4,323,278,362          |
| 2016            | 2,215,682,442             | 4,193,488,596          |
| 2015            | 2,165,733,246             | 4,106,398,168          |
| 2014            | 2,102,950,157             | 3,975,407,290          |
| 2013            | 2,076,068,745             | 3,888,811,543          |
| 2012            | 2,046,371,786             | 3,845,596,953          |
| 2011            | 2,003,490,667             | 3,743,500,833          |
| 2010            | 2,031,926,985             | 3,773,206,269          |
| 2009            | 1,967,709,487             | 3,652,222,577          |
| 2008            | 1,870,174,486             | 3,457,180,390          |
| 2007            | 1,695,414,748             | 3,150,260,440          |
| 2006            | 1,432,914,621             | 2,739,945,874          |
| 2005            | 1,310,337,803             | 2,531,605,987          |

<sup>(1)</sup> As of December 31, 2019.

*Source: City of Las Cruces Planning Department and Doña Ana County Assessor's Office.*

## **Financial Statements**

The following General Fund Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances have been included herein for informational purposes only. Figures were taken from the audit reports prepared by the City. Audited figures are excerpts of the audit reports and do not purport to be complete. Reference is made to the complete audit reports which are available upon request.

**CITY OF LAS CRUCES, NEW MEXICO**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –**  
**GENERAL FUND<sup>(1)</sup>**

|   | <b>2015</b>         |
|---|---------------------|
| <b>Revenues</b>                           |                     |
| Taxes                                     | \$89,728,390        |
| Charges for services                      | 2,750,235           |
| Fees and fines                            | 654,159             |
| Investment income (loss)                  | 972,412             |
| Franchise fees                            | 2,438,470           |
| Licenses and permits                      | 1,072,697           |
| Intergovernmental                         | 7,440               |
| Other                                     | 6,157,893           |
| <b>Total revenues</b>                     | <b>103,781,696</b>  |
| <b>Expenditures</b>                       |                     |
| Current                                   |                     |
| General government                        | 14,600,868          |
| Economic development                      |                     |
| Police                                    | 22,790,188          |
| Fire                                      | 12,150,566          |
| Community development                     | 3,093,414           |
| Community and cultural services           | 5,206,661           |
| Public works                              | 8,426,615           |
| Information technology                    | 3,307,482           |
| Transportation                            | 5,006,488           |
| Parks and Recreation                      | 9,083,711           |
| Capital outlay                            | 5,148,122           |
| <b>Total expenditures</b>                 | <b>88,814,115</b>   |
| <b>Revenues over (under) expenditures</b> | <b>14,967,581</b>   |
| <b>Other Financing Sources (Uses)</b>     |                     |
| Issuance of debt                          | 104,500             |
| Proceeds from sale of capital assets      | 87,238              |
| Payment to agency                         |                     |
| Transfers in                              | 2,332,789           |
| Transfers out                             | (11,587,058)        |
| Total other financing sources (uses)      | (9,062,531)         |
| <b>Net change in fund balances</b>        | <b>5,905,050</b>    |
| Fund balance, beginning of year           | 35,993,868          |
| <b>Fund balances, end of year</b>         | <b>\$41,898,736</b> |



**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GENERAL FUND<sup>(1)</sup>** (continued from prior page)

| Fiscal Year Ended June 30             |               |               |              |              |
|---------------------------------------|---------------|---------------|--------------|--------------|
|                                       | 2016          | 2017          | 2018         | 2019         |
| <b>REVENUES</b>                       |               |               |              |              |
| Local Taxes                           |               |               |              |              |
| Gross receipts                        | \$ 82,347,641 | \$ 81,901,329 | \$85,229,365 | \$84,786,667 |
| Property                              | 11,299,666    | 11,494,458    | 11,958,901   | 12,249,039   |
| Utility franchise                     | 1,163,436     | 1,205,533     | 1,190,900    | -            |
| Total local taxes                     | 94,801,743    | 94,601,320    | \$97,188,266 | 97,035,706   |
| State-shared taxes                    | 502,942       | 460,430       | 531,630      | 524,375      |
| Charges for services                  | 2,842,674     | 2,917,887     | 2,854,738    | 3,278,145    |
| Fees and fines                        | 665,022       | 528,827       | 594,605      | 558,169      |
| Investment income (loss)              | 1,512,627     | 113,036       | (281,792)    | 3,973,385    |
| Franchise fee                         | 2,873,464     | 2,809,073     | 2,707,293    | 3,628,782    |
| Licenses and permits                  | 1,577,456     | 1,655,125     | 1,471,630    | 1,442,183    |
| Operating grants and contributions    | 4,670         | 28,803        | 40,418       | -            |
| Other                                 | 3,972,073     | 4,299,059     | 4,741,366    | 3,995,726    |
|                                       | 13,950,928    | 12,812,240    | 12,659,888   | 14,467,748   |
| Total Revenues                        | 108,761,671   | 107,413,560   | 111,039,055  | 110,761,636  |
| <b>EXPENDITURES</b>                   |               |               |              |              |
| Current:                              |               |               |              |              |
| General government                    | 19,804,279    | 17,803,992    | 17,958,367   | 18,791,042   |
| Economic development                  | -             | 3,778,231     | 3,310,315    | 3,990,650    |
| Police                                | 22,487,668    | 23,046,768    | 23,823,819   | 25,536,609   |
| Fire                                  | 12,576,218    | 12,876,783    | 14,521,364   | 16,282,527   |
| Community development                 | 3,295,856     | 3,233,873     | 3,609,846    | 4,450,169    |
| Quality of Life                       | 5,314,072     | 5,257,888     | 5,842,368    | 6,465,482    |
| Public works                          | 5,241,293     | 11,257,868    | 12,533,426   | 12,111,416   |
| Information technology                | -             | -             | -            | -            |
| Transportation                        | 4,768,996     | -             | -            | -            |
| Parks and recreation                  | 9,142,296     | 9,084,634     | 10,177,121   | 11,032,649   |
| Capital Outlay                        | 5,852,903     | 4,076,635     | 4,867,131    | 4,911,888    |
| Debt service                          |               |               | -            | -            |
| Interest                              | -             | -             | -            | -            |
| Principal                             |               |               | -            | -            |
| Total Expenditures                    | 88,483,581    | 90,416,672    | 96,643,757   | 103,572,432  |
| Revenues Over (Under) Expenditures    | 20,278,090    | 16,996,888    | 14,395,298   | 9,555,602    |
| <b>OTHER FINANCING SOURCES (USES)</b> |               |               |              |              |
| Issuance of debt                      | -             | -             | -            | -            |
| Proceeds from sale of capital assets  | 1,167,038     | 90,230        | 127,905      | 260,372      |
| Payment to agency                     | -             | -             | -            | -            |
| Transfers in                          | 6,577,912     | 3,906,120     | 3,075,574    | 6,293,917    |
| Transfers out                         | (22,861,277)  | (15,465,189)  | (25,214,573) | (17,459,534) |
| Total other financing sources (uses)  | (15,116,277)  | (11,468,839)  | (22,011,094) | (10,905,245) |
| Net Change in Fund Balances           | 5,161,763     | 5,528,049     | (7,615,796)  | (1,349,643)  |
| Fund Balances - Beginning of Year     | 45,302,431    | 50,464,194    | 55,992,243   | 48,376,447   |
| Fund Balances – End of Year           | \$ 50,464,194 | \$55,992,243  | \$48,376,447 | \$47,026,804 |

Source: City of Las Cruces.

(1) Information appearing in the table is derived from the City's audited financial statements, but table is not audited.

*CITY OF LAS CRUCES, NEW MEXICO* **BALANCE SHEET – GENERAL FUND**<sup>(1)</sup>

|   | <b>2015</b>                |
|---|----------------------------|
| <b>Assets</b>   |                            |
| Pooled cash and investments                           | \$30,057,266               |
| Receivables, net                                      | 723,834                    |
| Due from other funds                                  | 1,303,517                  |
| Due from other governmental units                     | 13,454,045                 |
| Inventories   | 1,431,060                  |
| Total assets  | <u>\$46,969,722</u>        |
| <b>Liabilities</b>                                    |                            |
| Accounts and contracts payable                        | \$2,353,894                |
| Accrued liabilities                                   | 2,613,666                  |
| Unearned revenue                                      | 3,450                      |
| Total liabilities                                     | <u>4,971,010</u>           |
| <b>Deferred Inflows of Resources</b>                  |                            |
| Unavailable revenue                                   | 99,976                     |
| Total deferred inflows of resources                   | <u>99,976</u>              |
| <b>Total Liabilities and</b>                          |                            |
| <b>Deferred Inflows of Resources</b>                  | 5,070,986                  |
| <b>Fund Balances</b>                                  |                            |
| <b>Non-spendable:</b>                                 |                            |
| Inventories   | 1,431,060                  |
| <b>Restricted for:</b>                                |                            |
| Public safety programs                                | 2,960                      |
| Housing and community development                     | 20,135                     |
| Public works  | 26,999                     |
| Community and cultural services                       | 36,943                     |
| Facilities  | -                          |
| <b>Committed for:</b>                                 |                            |
| Debt Service  | -                          |
| Health-related programs                               | 5,937,791                  |
| Public works  | -                          |
| Facilities  | -                          |
| <b>Assigned to:</b>                                   |                            |
| Public works  | 477,974                    |
| Community development                                 | 378                        |
| Information technology                                | 29,228                     |
| Office of emergency management reserve                | 50,000                     |
| Economic development                                  | 11,347                     |
| Transportation  | 78,492                     |
| Vehicle acquisition fund                              | 2,416,329                  |
| Facilities  | -                          |
| <b>Unassigned:</b>                                    |                            |
| Unassigned  | 31,379,100                 |
| Total fund balances                                   | <u>41,898,736</u>          |
| Total liabilities, deferred inflows and fund balances | <u><u>\$46,969,722</u></u> |

**CITY OF LAS CRUCES, NEW MEXICO**  
**BALANCE SHEET – GENERAL FUND<sup>(1)</sup>**

|   | 2016                 | 2017                 | 2018                 | 2019                |
|---|----------------------|----------------------|----------------------|---------------------|
| <b>ASSETS</b>   |                      |                      |                      |                     |
| Pooled cash and investments   | \$ 32,447,860        | \$ 39,354,604        | \$ 30,684,330        | \$31,290,527        |
| Restricted cash and investments                                     | -                    | -                    | -                    | -                   |
| Receivables, net  | 946,694              | 1,134,822            | 1,143,993            | 1,003,292           |
| Due from other funds  | 2,000,802            | 3,631,367            | 2,878,509            | 2,356,860           |
| Due from other governmental units                                   | 16,976,363           | 14,868,065           | 15,952,603           | 15,978,747          |
| Inventories   | 1,820,976            | 1,747,278            | 1,561,385            | 1,702,416           |
| Total Assets  | <u>\$54,192,695</u>  | <u>\$60,736,136</u>  | <u>\$52,220,820</u>  | <u>\$52,331,842</u> |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                               |                      |                      |                      |                     |
| Deferred amount from investment Earnings                            | 5,392                | -                    | -                    | -                   |
| <b>Total Deferred Outflow of Resources</b>                          | 5,392                | -                    | -                    | -                   |
| <b>Total Assets and Deferred Outflow of Resources</b>               | \$ 54,198,087        | \$ 60,736,136        | \$ 52,220,820        | \$ 52,331,842       |
| <b>LIABILITIES</b>  |                      |                      |                      |                     |
| Accounts and Contracts Payable                                      | \$ 1,674,871         | \$ 2,437,760         | \$ 1,297,228         | \$ 2,531,580        |
| Due to other funds  | -                    | -                    | -                    | -                   |
| Accrued Liabilities   | 1,953,981            | 2,042,022            | 1,818,586            | 1,878,065           |
| Unearned Revenues   | <u>5,956</u>         | <u>153,709</u>       | <u>257,228</u>       | <u>259,582</u>      |
| Total Liabilities   | 3,634,808            | 4,633,491            | 3,373,042            | 4,669,227           |
| <b>Deferred Inflows of Resources</b>                                |                      |                      |                      |                     |
| Deferred special assessment receipts                                | 99,085               | 101,144              | -                    | -                   |
| Unavailable revenue   | -                    | -                    | 445,097              | 623,374             |
| Deferred amount from investment earnings                            | -                    | <u>9,258</u>         | <u>26,234</u>        | <u>12,437</u>       |
| <b>Total Deferred Inflows of Resources</b>                          | 99,085               | 110,402              | 471,331              | 635,811             |
| <b>Total Liabilities and Deferred Inflows of Resources</b>          | 3,733,893            | 4,743,893            | 3,844,373            | 5,305,038           |
| <b>FUND BALANCES</b>  |                      |                      |                      |                     |
| <b>Non-spendable:</b>   |                      |                      |                      |                     |
| Inventories   | \$ 1,829,976         | \$ 1,747,278         | \$ 1,561,384         | \$ 1,702,416        |
| <b>Restricted For:</b>  |                      |                      |                      |                     |
| General Government  | *                    | 300,953              | 200,000              | -                   |
| Economic Development  | -                    | -                    | 50,317               | 404,793             |
| Public safety programs  | 5,360                | 4,562                | 115,417              | 246,676             |
| Housing and community development                                   | 15,722               | 81,193               | 70,466               | 64,157              |
| Parks and recreation  | -                    | 311,667              | 298,239              | 723,102             |
| Public works  | -                    | 130,569              | 18,220               | -                   |
| Community and cultural services*                                    | 17,922               | 900,220              | 698,041              | 752,400             |
| Debt service funds  | -                    | -                    | -                    | -                   |
| Health-related programs   | -                    | -                    | -                    | -                   |
| Transportation  | 10,691               | -                    | -                    | -                   |
| <b>Committed for:</b>   |                      |                      |                      |                     |
| Health related programs   | -                    | -                    | -                    | -                   |
| Debt service  | 8,034,176            | 8,252,569            | 8,122,444            | 9,007,794           |
| Public safety programs  | -                    | -                    | 2,930,186            | 3,972,450           |
| Public works  | -                    | -                    | -                    | -                   |
| Transportation  | 10,691               | -                    | 4,258,445            | 5,391,042           |
| Community and cultural services*                                    | -                    | -                    | 1,370,000            | 1,370,000           |
| Economic Development  | -                    | -                    | 75,000               | -                   |
| <b>Assigned to:</b>   |                      |                      |                      |                     |
| Economic development  | 1,847,905            | 1,876,732            | 1,977,234            | 2,083,962           |
| Public works  | 635,718              | 194,818              | 231,355              | 308,349             |
| Culture and recreation  | -                    | -                    | -                    | -                   |
| Transportation  | 1,122                | 101,109              | 250,750              | 160,823             |
| Community development   | -                    | -                    | -                    | -                   |
| Vehicle acquisition   | 3,346,971            | 2,306,504            | 1,547,089            | 633,505             |
| <b>Unassigned:</b>  |                      |                      |                      |                     |
| Unassigned:   | 34,727,631           | 39,784,069           | 24,601,860           | 20,205,335          |
| <b>Total fund balances</b>  | <u>50,464,194</u>    | <u>55,992,243</u>    | <u>48,376,447</u>    | <u>47,026,804</u>   |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | <u>\$ 54,198,087</u> | <u>\$ 60,736,136</u> | <u>\$ 52,220,820</u> | <u>\$52,331,842</u> |

Source: City of Las Cruces

\*Designated Quality of Life in 2018.

<sup>(1)</sup> Information appearing in the table is derived from the City's audited financial statements, but table is not audited.

## Other City Obligations

The table below summarizes all outstanding revenue bond obligations of the City as of June 30, 2019.

| Category of Indebtedness   | Issue Date | Original Principal Amount | Interest Rate   | Date of Final Maturity | Amount Outstanding as of 6/30/19 |
|--|------------|---------------------------|-----------------|------------------------|----------------------------------|
| Joint Utility Refunding Revenue Bonds, Series 2010   | 9/14/2010  | \$ 24,840,000             | 2.000 - 4.000%  | 2027                   | \$ 23,400,000                    |
| Gross Receipts Tax Refunding Revenue Bonds, Series 2010 <sup>(1)</sup>                                       | 9/28/2010  | 24,330,000                | 2.000 – 5.000%  | 2037                   | 19, 105,000                      |
| Municipal Gross Receipts Tax Refunding & Improvement Revenue Bonds (Street Projects), Series 2010A           | 9/28/2010  | 12,255,000                | 2.500 – 3.000%  | 2021                   | 2,815,000                        |
| Municipal Gross Receipts Tax Refunding Revenue Bonds (Flood Control Projects), Series 2010B                  | 9/28/2010  | 4,390,000                 | 2.500 – 3.000%  | 2021                   | 955,000                          |
| State Shared Gross Receipts Tax Improvement Revenue Bonds, Series 2011A                                      | 7/12/2011  | 9,640,000                 | 3.000 – 4.000%  | 2023                   | 6,865,000                        |
| Municipal Gross Receipts Tax Revenue Bonds (Flood Control Projects), Series 2011B                            | 7/12/2011  | 1,530,000                 | 2.000 – 3.625%  | 2021                   | 495,000                          |
| State Shared Gross Receipts Tax Improvement Revenue Bonds, Series 2014                                       | 7/29/2014  | 10,000,000                | 2.000 – 4.000%  | 2026                   | 9,435,000                        |
| Municipal Gross Receipts Tax Improvement Revenue Bonds (Street Improvement Projects), Series 2014A           | 7/29/2014  | 8,000,000                 | 2.000 – 4.000%  | 2028                   | 5,940,000                        |
| Municipal Gross Receipts Tax Improvement Revenue Bonds (Flood Control Infrastructure Projects), Series 2014B | 7/29/2014  | 1,500,000                 | 2.000 – 3.000%  | 2024                   | 1,140,000                        |
| Joint Utility Refunding Revenue Bonds, Series 2014A  | 8/26/2014  | 7,125,000                 | 2.000 – 4.000%  | 2025                   | 5,940,000                        |
| Joint Utility Improvement Revenue Bonds, Series 2014B  | 8/26/2014  | 3,425,000                 | 3.000 – 5.000%  | 2034                   | 3,190,000                        |
| State Shared Gross Receipts Tax Refunding Revenue Bonds, Series 2015   | 3/11/2015  | 19,195,000                | 2.250 – 4.000%  | 2035                   | 16,850,000                       |
| Joint Utility Refunding and Improvement Bonds, Series 2015   | 5/12/2015  | 16,895,000                | 2.000 – 5.000%  | 2035                   | 15,850,000                       |
| Hold Harmless Gross Receipts Tax Improvement Revenue Bonds, Series 2015A                                     | 10/27/2015 | 23,075,000                | 3.000 – 5.000%  | 2035                   | 21,860,000                       |
| Taxable Hold Harmless Gross Receipts Tax Improvement Revenue Bonds, Series 2015B                             | 10/27/2015 | 4,020,000                 | 3.000 – 4.125%  | 2035                   | 3,935,000                        |
| Joint Utility System Improvement Revenue Bonds, Series 2015A   | 12/16/2015 | 17,065,000                | 2.375 – 5.000%  | 2035                   | 17,065,000                       |
| Taxable Subordinate Lien State Shared Gross Receipts Tax Improvement Revenue Bonds, Series 2016              | 4/5/2016   | 8,585,000                 | 3.100% - 3.750% | 2031                   | 8,585,000                        |
| State Shared Gross Receipts Tax Improvement Revenue Bonds, Series 2017                                       | 6/22/2017  | 10,570,000                | 3.000% – 5.000% | 2029                   | 7,750,000                        |

|   |           |            |             |      |            |
|---|-----------|------------|-------------|------|------------|
| Subordinate Lien Joint Utility System<br>Improvement Revenue Bonds, Series 2018 | 2/22/2018 | 22,180,000 | 2.00%-4.00% | 2038 | 22,090,000 |
|---|-----------|------------|-------------|------|------------|

|                                       |  |                      |  |  |                      |
|---------------------------------------|--|----------------------|--|--|----------------------|
| <b>Total Revenue Bond Obligations</b> |  | <u>\$228,620,000</u> |  |  | <u>\$193,265,000</u> |
|---------------------------------------|--|----------------------|--|--|----------------------|

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<sup>(1)</sup> Will be refunded with proceeds of the Series 2020 Bonds

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Source: City of Las Cruces and EMMA-Municipal Securities Rulemaking Board.

The table below summarizes all outstanding New Mexico Finance Authority (NMFA) and Department of Housing and Urban Development (HUD) Loan obligations of the City as of June 30, 2019:

| Category of Indebtedness             | Project                  | Issue Date | Original Principal Amount | Interest Rate | Date of Final Maturity | Amount Outstanding as of 6/30/2019 |
|--------------------------------------|--------------------------|------------|---------------------------|---------------|------------------------|------------------------------------|
| 2008 NMFA Note                       | Vehicle Maintenance Shop | 9/12/2008  | \$ 1,708,755              | 1.9-3.85%     | 2018                   | \$ 400,688                         |
| 2009 NMFA Note                       | Parking deck             | 1/23/2009  | 4,999,890                 | 4.650%        | 2021                   | 1,750,000                          |
| 2010 NMFA Note                       | Fire apparatus           | 7/30/2010  | 938,875                   | 2.108%        | 2020                   | 378,361                            |
| 2010 NMFA Note                       | Griggs Walnut            | 1/18/2008  | 1,478,799                 | 2.000%        | 2031                   | 1,257,897                          |
| 2010 HUD Loan                        | Facilities               | 7/21/2010  | 2,000,000                 | 1.700%        | 2030                   | 1,663,000                          |
| 2011 NMFA Note                       | Gas tax refunding        | 10/14/2011 | 2,045,000                 | 0.919%        | 2016                   | 273,441                            |
| 2011 NMFA Note                       | Fire apparatus           | 11/18/2011 | 964,250                   | 0.230%        | 2019                   | 391,967                            |
| 2011 NMFA Note                       | Solid Waste Vehicles     | 12/16/2011 | 1,016,561                 | 032-2.11%     | 2019                   | 423,859                            |
| 2012 NMFA Note                       | 2003 SSGRT refunding     | 6/1/2012   | 2,280,000                 | 0.400%        | 2018                   | 625,000                            |
| 2014 NMFA Note                       | SCSWA projects           | 6/20/2014  | 2,780,000                 | 0.250%        | 2028                   | 1,855,000                          |
| 2014 NMFA Note                       | Fire apparatus           | 12/12/2014 | 443,325                   | 1.975%        | 2022                   | 358,314                            |
| 2015 NMFA Note                       | Solid Waste Equipment    | 1/9/2015   | 2,775,819                 | 0.21-2.01%    | 2022                   | 2,291,625                          |
| 2015 Estate Loan                     | Land Purchase            | 4/16/2015  | 104,500                   | 0.000%        | 2020                   | 52,250                             |
| 2017 NMFA Loan                       | Fire/Police Equipment    | 2/24/2017  | 3,203,527                 | 1.784         | 2023                   | 3,203,527                          |
| 2017 NMFA Loan                       | Joint Utility Projects   | 12/1/2017  | 5,135,000                 | 0.95% - 3.48% | 2037                   | 4,805,000                          |
| 2018 NMFA Loan                       | Fire apparatus           | 7/27/2018  | 1,491,664                 | 1.48%-2.21%   | 2025                   | 1,253,368                          |
| 2018 NMFA Loan                       | Recreation Improvements  | 9/28/2018  | 9,600,000                 | 1.46%-2.51%   | 2027                   | 9,055,000                          |
| 2018 NMFA Loan                       | Street Equipment         | 11/21/2018 | 2,575,000                 | 1.88%-2.59%   | 2025                   | 2,206,000                          |
| 2019 NMFA Loan                       | Assessment District      | 9/27/2019  | 8,870,000                 | 2.14%-2.89%   | 2035                   | 8,870,000                          |
| Total NMFA/HUD Note/Loan Obligations |                          |            | <u>\$54,410,965</u>       |               |                        | <u>\$41,114,297</u>                |

Source: City of Las Cruces

## LITIGATION AND INSURANCE

At the time of the original delivery of the Bonds, the City will deliver a certificate to the effect that no litigation or administrative action of proceedings is pending or, to the knowledge of the appropriate officials, threatened, restraining or enjoining, or seeking to restrain or enjoin, the issuance and delivery of the Bonds, the effectiveness of the Bond Ordinance, the levying or collecting of taxes to pay the principal of and interest on the Bonds or contesting or questioning the proceedings and authority under which the Bonds have been authorized and are to be issued, sold, executed or delivered, or the validity of the Bonds.

The risks of loss through damage to buildings, contents, and heavy equipment, and losses from employee defalcation are covered by commercial insurance purchased from third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. The City has established a self-insurance fund to manage risks related to physical damage to City vehicles, loss associated with actions of employees resulting in damage to the persons or property of others, and for employee injury losses. The risk of loss associated with actions of employees resulting in damage to persons or property of others is subject to limitations of the New Mexico State Tort Claims Act. The self-

insurance fund uses excess insurance agreements to reduce its exposure to large losses from employee on-the-job injuries.

### **FINANCIAL ADVISOR**

RBC Capital Markets, LLC (“RBC CM”) is employed as Financial Advisor to the City of Las Cruces in connection with the issuance of the Bonds. The Financial Advisor’s fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

### **TRANSCRIPT AND CLOSING STATEMENTS**

A complete transcript of proceedings and a no-litigation certificate (described above under “LITIGATION AND INSURANCE”) will be delivered by the City when the Bonds are delivered. The City will at that time also provide a certificate of the City relating to the accuracy and completeness of this Official Statement.

### **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 Bonds, under existing laws, regulations rulings and judicial decisions, and assuming compliance with covenants described herein, interest on Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax for 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 Bonds is excludable from net income for present State of New Mexico income tax purposes.

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 the applicable provisions of the Code 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 has rendered an 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. Bond Counsel expresses no opinion regarding any such consequences. Underwriters of the Bonds, particularly Underwriters that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of Social Security or Railroad Retirement benefits, taxpayers otherwise entitled to claim the earned income credit or taxpayers who may be deemed to have incurred or continued indebtedness to

purchase or carry tax-exempt obligations are advised to consult their tax advisors as to the tax consequences of purchasing or owning the Bonds.

The opinions expressed by Bond Counsel are based upon existing law as of the date of issuance and delivery of the 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 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted, it would apply to Bonds issued prior to enactment. Each Underwriter of the 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.

### **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 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 Financial Advisor, the Underwriter of the Bonds nor Bond Counsel is obligated to defend the tax-exempt status of the Bonds. The City has covenanted in the Bond Ordinance not to take any action that would cause the interest on the Bonds to become includable 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 Underwriter of the Bonds or 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.

### **Original Issue Discount**

The Bonds may be offered at a discount ("original issue discount") equal generally to the difference between public offering price and principal amount. For federal income tax purposes, original issue discount on a bond accrues periodically over the term of the bond as interest with the same tax exemption and alternative minimum tax status as regular interest. The accrual of original issue discount increases the holder's tax basis in the bond for determining taxable gain or loss from sale or from redemption prior to maturity. Holders of Bonds offered at an original issue discount should consult their tax advisors for an explanation of the accrual rules.

### **Original Issue Premium**

The Bonds may be 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 holders' 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 Bonds offered at an original issue premium should consult their tax advisors for an explanation of the amortization rules.

## **FINANCIAL STATEMENTS**

The general purpose financial statements of the City as of June 30, 2018, and for the year then ended, contained in Appendix A to this Official Statement, have been audited by Carr, Riggs & Ingram,



LLC, Certified Public Accountants, Albuquerque, New Mexico, as set forth in their report thereon included in Appendix A hereto. Carr, Riggs & Ingram, LLC has not been engaged to perform, and has not performed since June 30, 2019, any procedures on the financial statements shown in the excerpt. Further, Carr, Riggs & Ingram, LLC has not been engaged to perform and has not performed any procedures relating to financial information or any other information contained in this Official Statement. Copies of the City's comprehensive annual financial report may be requested from the City's Finance Department, 700 North Main Street, Box 20000, Las Cruces, New Mexico 88004. The financial statements are included for informational purposes only.

## **LEGAL MATTERS**

Modrall, Sperling, Roehl, Harris & Sisk, P.A., Albuquerque, New Mexico, as Bond Counsel, will render an opinion with respect to the validity of the Bonds and will render the opinions 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 the Official Statement. Certain legal matters will be passed upon for the Underwriter by McCall, Parkhurst & Horton L.L.P. The fees of Bond Counsel and Special Counsel are contingent upon the issuance and delivery of the Bonds.

## **UNDERWRITING**

The underwriter of the Bonds is HilltopSecurities Inc. (the "Underwriter"). The Underwriter has agreed, subject to certain conditions, to purchase the Series 2020 Bonds from the City pursuant to a Bond Purchase Agreement (the "Bond Purchase Agreement") at a price of \$\_\_\_\_\_ (being the par amount of the Series 2020 Bonds, plus a net reoffering premium of \$\_\_\_\_\_ and less an Underwriter's discount of \$\_\_\_\_\_). The Bond Purchase Agreement provides that the Underwriter will purchase all of the Series 2020 Bonds if any are purchased. The prices at which the Series 2020 Bonds are offered to the public (and the yields resulting therefrom) may vary from the initial public offering prices appearing on the inside cover page of this Official Statement. In addition, the Underwriter may allow commissions or discounts from such initial prices to dealers and others.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its 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.

## **RATING**

The Series 2020 Bonds have been assigned a rating of "Aa3" from Moody's Investors Services ("Moody's"). An explanation of the significance of such rating may be obtained from Moody's.

Such rating reflects only the view of Moody's. The rating is not a recommendation to buy, sell or hold the Bonds and there is no assurance that the rating will not be revised downward or withdrawn entirely by the rating agency, if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of such rating may have an effect on the market price of the Bonds.

## **VERIFICATION OF CERTAIN MATHEMATICAL COMPUTATIONS**

The mathematical accuracy of (i) the computations of the adequacy of the principal amounts and the interest thereon of the Defeasance Obligations and other funds to be deposited in the Escrow Fund, to

provide for the payment, of the principal of, premium and interest on the Refunded Bonds when due or upon early redemption thereof, and (ii) the computations made supporting the conclusion that the yield on the Defeasance Obligations held pursuant to the Escrow Agreement is less than the yield on the Bonds for federal income tax purposes, will be verified by certified public accountants. Such verification will be based, in part, upon information supplied to the certified public accountant and consultant by the Municipal Advisor.

## **CONTINUING DISCLOSURE**

The City will enter into an undertaking (the “Undertaking”), in the form attached as Appendix C to this Official Statement, for the benefit of the holders of the Bonds to provide (i) certain financial information by no later than March 31<sup>st</sup> of each year, beginning March 31, 2021 until the Bonds are no longer outstanding, and (ii) operating data, and to provide notice of certain events, pursuant to the requirements of section (b)(5)(i) of Rule 15c2-12 of the Securities and Exchange Commission (17 C.F.R. § 240.15c2-12). A failure by the City to provide any information required thereunder shall not constitute an Event of Default under the Bond Ordinance. The City has previously entered into continuing disclosure undertakings (each a “Prior Undertaking” and collectively, the “Prior Undertakings”) with respect to certain other obligations of the City in accordance with Rule 15c2-12 and except as described below, during the last five years, the City has complied in all material respects with those Prior Undertakings.

### **Compliance with Prior Continuing Disclosure Undertakings**

The City previously entered into continuing disclosure undertakings (the “Prior Undertakings”) with respect to certain previously issued bonds of the City, which require the filing each year of audited financial statements and annual updates with respect to certain financial information and operating data related to the City (collectively, the “Prior Annual Reports”). Historical filings may not have been linked to all CUSIP-9s related to the Prior Annual Reports. Over the last five years, the City included in its Prior Annual Reports the combined pledged revenues, but did not include the breakout of the Convention Center Fee and Lodgers’ Tax Revenues, as required by certain of the Prior Annual Reports. The City has completed a remedial filing providing the breakout of this information and will continue to provide such breakout in all future filings.

### **Compliance with Continuing Disclosure Undertakings in Future Years**

The City intends to maintain compliance with its continuing disclosure undertakings in future years through the collective oversight and effort of current City finance staff and private consultants, all of whom have experience and knowledge related to the City’s continuing disclosure obligations. Additionally, the City has Continuing Disclosure Procedures on file with the current City finance staff and the City’s private consultants, which were adopted by the City Council on July 7, 2014.

## **ADDITIONAL INFORMATION**

All of the summaries of the statutes, ordinances, resolutions, opinions, contracts, agreements, financial and statistical data, and other related reports described in this Official Statement are subject to the actual provisions of such documents. The summaries do not purport to be complete statements of such provisions and reference is made to such documents, copies of which are either publicly available or available for inspection during normal business hours at the offices of the City Clerk of the City of Las Cruces, City Hall, 700 North Main Street, P.O. Box 20000, Las Cruces, New Mexico 88004, or at the offices of RBC Capital Markets, LLC, 6301 Uptown Blvd. NE, Suite 110, Albuquerque, New Mexico 87110.

### **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 have been authorized by the Las Cruces City Council.

CITY OF LAS CRUCES, NEW MEXICO

By: \_\_\_\_\_  
Ken Miyagishima, Mayor

## **APPENDIX A**

### **EXCERPTS FROM AUDITED FINANCIAL STATEMENTS OF THE CITY OF LAS CRUCES, NEW MEXICO FOR FISCAL YEAR ENDING JUNE 30, 2019**

The City has not requested the consent of Carr, Riggs & Ingram, LLC, 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.



# COMPREHENSIVE ANNUAL FINANCIAL REPORT

For year ended June 30, 2019

L A S C R U C E S . N E W M E X I C O

**STATE OF NEW MEXICO**  
**City of Las Cruces**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2019**

**Prepared by  
Finance Department  
Terri Gayhart,  
Financial Services Director**

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# City of Las Cruces

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# **Introductory Section**

CITY OF LAS CRUCES . NEW MEXICO

**December 2, 2019**

Honorable Mayor and City Council,  
City of Las Cruces, New Mexico

We are pleased to submit the Comprehensive Annual Financial Report for the City of Las Cruces (City), New Mexico, for the fiscal year ended June 30, 2019, in accordance with Article V, Section 5.09, of the City Charter. Responsibility for the accuracy of the presented data and the completeness and fairness of presentation, including all disclosures, rests with the City. We believe the data, as presented, are accurate in all material respects and are presented in a manner that fairly sets forth the financial position and results of operations of the City. Furthermore, we believe that all disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

In the Financial Section of this report, the independent auditor's report is immediately followed by Management's Discussion & Analysis (MD&A). The MD&A provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements, and should be read in conjunction with, this letter of transmittal.

### **Profile of the City**

The City of Las Cruces, incorporated in 1946 and chartered in 1985, is a home-rule municipality with a Council/Manager form of government consisting of a mayor and six council members. The mayor is elected at large for a four-year term. Council members are elected from six member districts for a four-year term. Elections are held on a bi-annual basis. The city manager, appointed by the City Council, is responsible for the management of all City employees and the administration of all City affairs.

This report includes financial statements of the funds required for those activities, organizations, and functions related to the City and that are controlled by or dependent upon the City's governing body, the City Council.

The financial reporting entity consists of the City, a discretely presented component unit: South Central Solid Waste Authority, and one blended component unit: The Downtown Tax Increment Development District. These component units are included in the City's reporting entity because of the significance of their operational relationship or financial relationship with the City. Considering the above criteria, this report includes all funds of the City.

The City provides a full range of services. These services include public safety (police and fire); community services (culture and recreation); facilities; streets, public improvements; planning, zoning, engineering; public utilities (gas, water, wastewater, and solid waste); and general administration of services.

### **Economic Condition and Outlook**

The 2019 economic outlook of the City of Las Cruces shows mixed economic conditions with low growth anticipated in the future. Nevertheless, compared to the nation and the State of New Mexico, Las Cruces MSA has experienced strong economic output growth over the past several years. This is evidenced by the real cumulative growth, which has been higher than the nation and the State at least since 2001.

The U.S. Census Bureau reports median household income for the City of Las Cruces in 2017 at \$40,924. In comparison, the State of New Mexico has a median household income of \$46,718 for 2017, a difference of \$5,794 between the State and the City. However, even though the City has a smaller median household income than the State, the trend has been positive overall, increasing \$2,533 since 2010 .

Unemployment rate for the City of Las Cruces is higher than the State of New Mexico and higher than the Nation. The August 2019 preliminary figures of the seasonally adjusted unemployment rate for the City of Las Cruces is 5.4%, while the State indicates a 4.9% for the same statistic. In comparison, the Nation has 3.7% for the same measurement.

The number of payroll jobs in Las Cruces metropolitan area has increased from a year ago. The preliminary numbers on total non-farm payroll employment in Las Cruces metropolitan area for September 2019 indicate a total of 74,400 payroll jobs. In comparison to the September 2018 figures on the same statistic at 73,800 payroll jobs it represents a slight increase of roughly 600 jobs. The number of Supplemental Nutrition Assistance Program (SNAP) cases by Doña Ana administrative offices was 27,301 on August 2019, which is 164 fewer cases than August 2018.

The new business registrations data indicates a downward tendency in new business registrations. In September 2019, there were 72 new business registrations, which is above the 2010-2018 average for September at 54. Although, during 2018 the number of new business registrations was equal to 2017 numbers at 586. During the first 9 months of 2019 there have been only 3 instances where the current business registrations have out-performed to the 8-year monthly averages from 2010 to 2018, in May, June, and September 2019.



Monthly median listing prices for homes in the City of Las Cruces are collected from 3 agencies: Zillow.com, Trulia.com, and Realtor.com. The median listing home prices according to the three websites are: \$190,500, \$185,000, and \$196,675 for Zillow.com, Trulia.com, and Realtor.com respectively in February 2019.

New Mexico State University (NMSU) has experienced a decline in total students enrolled in Fall at least since 2010. The Office of Institutional Analysis (OIA) indicates that in Fall 2019 there were 14,296 students enrolled in the main campus, which compared to Fall 2010 at 18,552 represents a decrease of 23%. However, although NMSU has seen a decrease in enrollment, it has improved its graduation rates.

### **Long Term Plans and Major Initiatives**

On August 21, 2018 the citizens of Las Cruces approved all four General Obligation Bond projects on the ballot. These projects, estimated to be completed in the next 5 years, are for park improvements including facilities, a new animal shelter facility, replacement of fire station 3 and new and improved recreational trails. Property for the new Fire Station 3 was acquired so that the crew at that station could work out of the existing building and maintain the same level of service for that community. Contracts for design have been awarded for all projects.

The Convention Center expansion construction was 90% complete and on time for the estimated completion date of July 2019. This allowed the Convention Center to accommodate the Municipal League Conference held in Las Cruces in August 2019.

The fiber optic INTERCONNECT and signal improvements continued to add additional intersections to the fully operational Traffic Management Center in fiscal year 2018. Major thoroughfares are being added, such as Lohman Avenue from Nacho to El Paseo, El Paseo from Lohman Avenue to University and University from El Paseo to Telshor.

As part of the City's plan to be a customer focused, higher performing organization, the City has implemented performance-based management throughout all City departments. All City departments have completed the process, known as PEAK Performance, in fiscal year 2019. PEAK stands for perform the mission, evaluate measures, assess outcomes, and keep climbing. Implementation of performance-based budgeting was implemented for the fiscal year 2020 budget.

The City continues to promote sustainability efforts through three major areas of investment including additional photovoltaic systems, retrofitting more lights to LED, and a Utilities Energy Performance contract. After completion of the Utilities contract for upgrades to water and gas meters, the City expanded the contract to review all its facilities for energy efficient measures.

The Church Street and Water Street two-way conversion construction project was completed and fully opened to two-way track of Church and Water Streets. The new traffic patterns of these streets has revived pedestrian-friendly thoroughfares with sidewalks, on street parking, slower moving traffic, and greater access to the Downtown area.

There were 20 goals identified by City Council, with the projected completion date below:

1. The Las Cruces community will experience greater engagement with their City government. 2017
2. Working with the University and other partners, downtown patrons will have access to restaurants, taverns, music, and art. December 31, 2017
3. The City will offer internships, apprenticeships, and mentorship programs to the community. January 1, 2018
4. The community will have City-approved results-oriented plans for sidewalks, parks, median landscaping, and facilities. July 1, 2018
5. Information & referral services for families with young children will be integrated into all appropriate city services. July 1, 2018
6. Las Cruces City Government will be managing for results for customers. July 1, 2018
7. City-led sponsored events will be held downtown. End of 2018
8. Las Cruces businesses will be able to access all permitting and licensing services in an efficient, effective, customer-service focused one-stop shop. December 31, 2018
9. The relationship between the business community and the City will be strengthened. 2019
10. Working with our partners, the community will have access to engaging public transportation connecting downtown, the University, and the Convention Center. 2019
11. Fiber optic broadband access will be available to businesses in the West Mesa Industrial Park. 2019
12. The community will experience greater access to services and facilities by way of the City and Las Cruces Public Schools' shared services. 2019
13. Wi-fi will be available in downtown, Plaza de las Cruces, and the Mesquite neighborhood. 2020
14. City vehicles and equipment will be maintained in a cost-effective centralized service center. 2021
15. The community will experience a cost-effective municipal court facility. 2022
16. Downtown Las Cruces will have an additional 200 living spaces available. 2022

17. Las Cruces will have daily, regional commercial flights. 2022
18. The Las Cruces airport terminal will be renovated to accommodate 20,000 enplanements per year. 2022
19. Commuter rail service between Las Cruces and El Paso will be included in the 2025 Metropolitan Transportation Plan. 2022
20. Las Cruces families will have access to an interactive children's museum facility. 2022

The strategic plan, with progress updates, is available on the City's website for public review.

### **Internal Control Framework**

Integrated within the business systems of the City are the policies and procedures over accounting and financial reporting that make up the internal control framework. The internal control framework provides assurance that the accounting systems and underlying data are reliable; however, there are certain limitations inherent in the internal control framework. Management may choose to accept certain risks because the cost to prevent all risks is not reasonable. Management is responsible for establishing and maintaining effective internal controls. Although some level of risk within the internal control framework is unavoidable, the City's management maintains an attitude of supporting strong and effective internal controls.

### **Financial Information, Management and Control**

The financial position and operating results of the City are provided in the financial statements. Management's discussion and analysis includes financial highlights, describes the financial statements and provides financial analysis of the City's financial position and results of operations. Following is a brief description of financial information, management of financial resources, and financial obligations.

#### **Budgetary Control**

In New Mexico, state statutes mandate that municipalities operate within the confines of a balanced budget. Annual budgets are adopted for all funds. If a fund is not overspent, it is in compliance with state law. All unexpended budget appropriations lapse at the end of the fiscal year.

The City Manager is responsible for presenting an annual budget to the City Council. The Council sets hearings for annual budget review and approves the final budget. The final budget is then submitted to the New Mexico Department of Finance and Administration, Local Government Division. The Local Government Division must then approve and certify the City's operating budget, budget increases and budget transfers between funds.

The adopted budget becomes a document that details a clear and precise picture of the cost of public services that will be provided. The budget is controlled through an integrated accounting system to assure effective fiscal management and accountability. Budget adjustments requested throughout the fiscal year that increase fund expenditures must be approved by the City Council.

## **Taxes**

The allocation of the property tax for fiscal year 2019 and the two preceding years is based on the mill levy below:

| Purpose                | 2019  | 2018  | 2017  |
|------------------------|-------|-------|-------|
| Operational mill levy: |       |       |       |
| Residential            | 8.848 | 8.770 | 6.702 |
| Non-residential        | 9.127 | 9.126 | 7.120 |

The gross receipts tax rate on receipts within the City was 8.3125% at June 30, 2019. The breakdown and sources of the gross receipts tax rate include:

|                                    | Tax Rate | Percent of<br>Total Rate |
|------------------------------------|----------|--------------------------|
| State shared                       | 5.125%   | 61.65%                   |
| Municipal GRT- general purpose     | 1.25%    | 15.04%                   |
| Municipal GRT-infrastructure       | 0.25%    | 3.01%                    |
| Municipal Environmental GRT        | 0.0625%  | 0.75%                    |
| Municipal Hold Harmless GRT        | 0.375%   | 4.51%                    |
| Dona Ana County-local option taxes | 1.25%    | 15.04%                   |
|                                    | 8.3125%  | 100.00%                  |

## **Debt Administration**

The City has significant capacity for future capital and infrastructure acquisitions, should the need arise. The City's current unused general obligation (G.O.) bond capacity is more than \$79 million. On August 21, 2018 City voters approved \$35.6 million of G.O. bonds, of which the City has \$18 million outstanding.

The City had twenty-two revenue bond issues outstanding as of June 30, 2019. Gross receipts tax revenues finance fifteen bond issues. The seven Joint Utilities Revenue Bond issues are secured by the net operating revenues of the utility system. The amount of bonds outstanding at June 30, 2019 was \$91.5 million in governmental bonds and \$89.2 million in utility revenue bonds. Principal payments on bonds totaled \$14.3 million during the fiscal year.

In addition, the City had twelve loans outstanding from the New Mexico Finance Authority and other entities totaling \$19.7 million with principal payments during the fiscal year of \$3.5 million.

## **Independent Audit**

New Mexico State law requires that an annual audit of a governmental unit's financial statements be performed by independent public accountants. Federal law requires that a single audit be performed for federal grant funds as required by the Single Audit Act Amendments of 1996, Office of Management and Budget Circular A-133, and ARRA requirements. Additionally, the City Charter requires an annual audit of all accounts of the City by an independent certified public accountant.

The independent auditor's reports on the financial statements, required supplementary information, and other supplementary information are included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

The independent firm of certified public accountants; Carr, Riggs & Ingram, LLC, has audited the financial statements and related notes. The financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) for local governments as prescribed by the Governmental Accounting Standards Board (GASB).

## **GFOA Award**

Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Las Cruces for the comprehensive annual financial report for the fiscal year ended June 30, 2018. This was the fifteenth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate. This award represents the highest form of recognition in governmental accounting and financial reporting. This is an outstanding accomplishment that demonstrates the professionalism residing in the City's Financial Services Department.

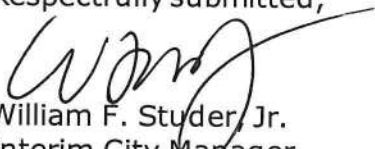
## **Acknowledgments**

The annual audit cannot be completed without the efforts and dedication of the entire Financial Services Department staff and other City departments that provide performance measures and are responsible for responding to the federal single audit.

I would like to express my appreciation to staff for their many hours of hard work devoted to this year's audit.

I would also like to thank the Mayor, City Council, and City Management for their interest and support in planning and conducting the financial affairs of the City in a responsible and progressive manner.

Respectfully submitted,



William F. Studer, Jr.  
Interim City Manager

# **City of Las Cruces**

## List of Principal Officials

June 30, 2019

### **City Council**

---

|                  |           |
|------------------|-----------|
| Ken Miyagishima  | Mayor     |
| Kasandra Gandara | Councilor |
| Gregory Z. Smith | Councilor |
| Gabriel Vasquez  | Councilor |
| Jack Eakman      | Councilor |
| Gill M. Sorg     | Councilor |
| Yvonne Flores    | Councilor |

### **Other Officials**

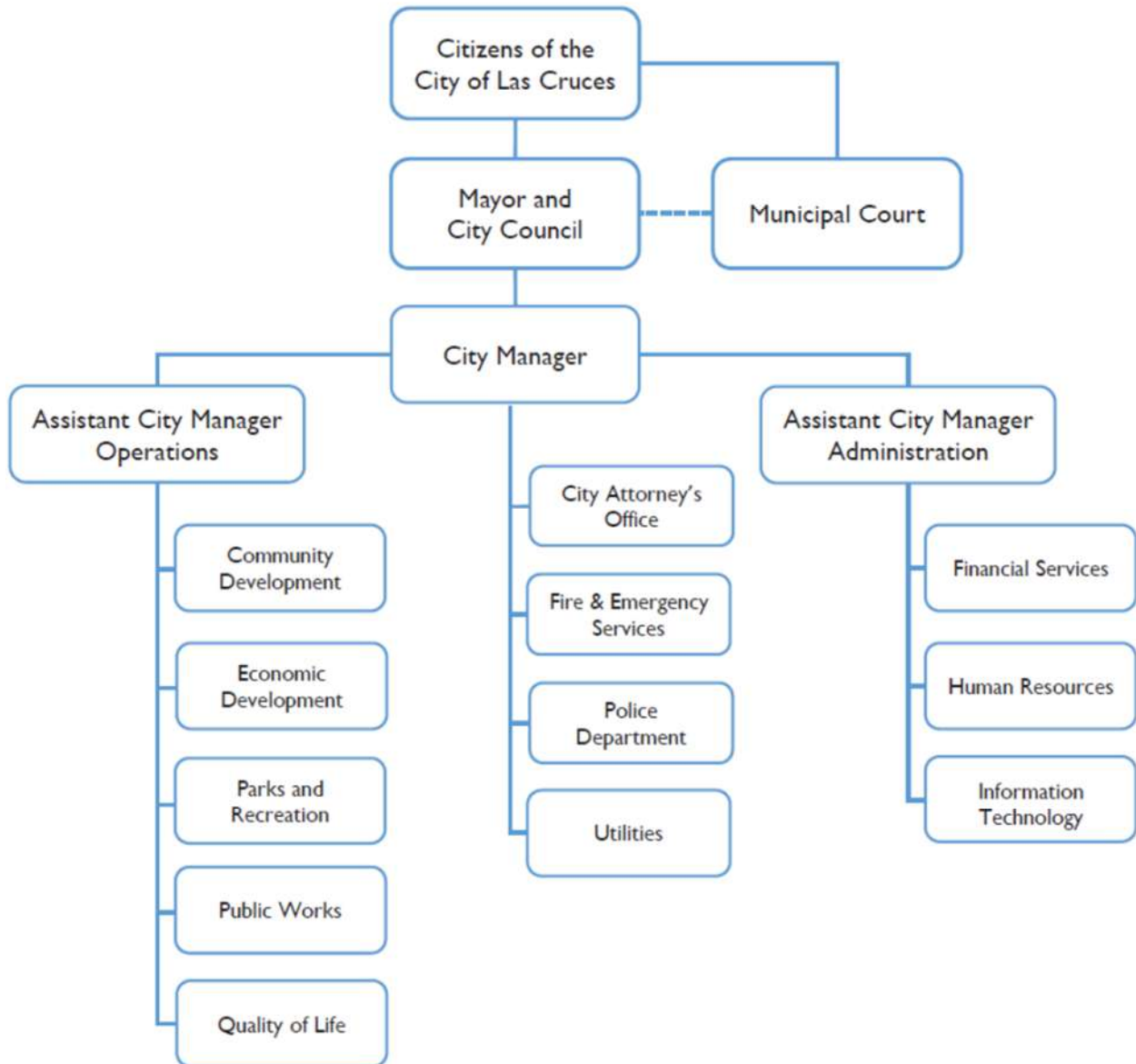
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|                         |  |
|-------------------------|--|
| William F. Studer, Jr   | Interim City Manager                               |
| David P. Dollahon, AICP | Assistant City Manager - Operations                |
| Barbara De Leon         | Interim Assistant City Manager -<br>Administration |

# City of Las Cruces

Organizational Chart

June 30, 2019





**City of Las Cruces**

GFOA Certificate

June 30, 2019



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Las Cruces  
New Mexico**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2018**

*Christopher P. Morill*

Executive Director/CEO

# **Financial Section**

CITY OF LAS CRUCES . NEW MEXICO

## **INDEPENDENT AUDITORS' REPORT**

Brian S. Colón, Esq.  
New Mexico State Auditor  
To the City Council  
City of Las Cruces  
Las Cruces, New Mexico

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the City of Las Cruces, New Mexico ("the City") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City'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 an opinion 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 governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the City of Las Cruces as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 23 to the financial statements, in 2019 the City restated beginning net position for correction of material misstatements in previously issued financial statements. Our opinion is not modified with respect to this matter.

### ***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 25 through 39, the GASB supplementary pension schedules on pages 130 through 131, the GASB supplementary OPEB schedules on pages 132 through 133, and the notes to the required supplementary information on page 134 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge 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***

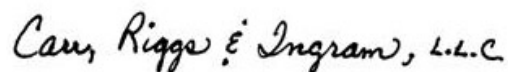
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, the schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) part 200*, Uniform Administrative requirements, Cost Principles, and Audit Requirements for Federal Awards, the combining nonmajor fund financial statements, the budgetary comparisons presented as supplementary information, the schedule of changes in assets and liabilities of agency funds, the statistical section, the schedule of insurance in force, the schedule of pledged collateral, the schedule of special appropriations, the schedule of deposit accounts and investments, the schedule of joint powers agreements, the schedule of expenditures of state awards, and the other disclosures are presented for the 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 (CFR) part 200*, Uniform Administrative requirements, Cost Principles, and Audit Requirements for Federal Awards, the combining nonmajor fund financial statements, the budgetary comparisons presented as supplementary information, the schedule of changes in assets and liabilities of agency funds, the schedule of insurance in force, the schedule of pledged collateral, the schedule of special appropriations, the schedule of deposit accounts and investments, the schedule of joint powers agreements, and the schedule of expenditures of state awards 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 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 schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) part 200*, Uniform Administrative requirements, Cost Principles, and Audit Requirements for Federal Awards, the combining nonmajor fund financial statements, the budgetary comparisons presented as supplementary information, the schedule of changes in assets and liabilities of agency funds, the schedule of insurance in force, the schedule of pledged collateral, the schedule of special appropriations, the schedule of deposit accounts and investments, the schedule of joint powers agreements, and the schedule of expenditures of state awards are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The introductory section, the statistical section, and the other disclosures 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 them.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards* we have also issued our report dated December 2, 2019, on our consideration of the City'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 results of that testing, and not to provide an opinion on the effectiveness of the City'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 the City's internal control over financial reporting and compliance.



Carr, Riggs & Ingram, LLC  
Albuquerque, New Mexico  
December 2, 2019

**City of Las Cruces**  
Management's Discussion & Analysis  
June 30, 2019

The Management Discussion and Analysis presents an overview of the City's financial activities for the fiscal year ended June 30, 2019. It is intended to be read in conjunction with the Letter of Transmittal and the City's financial statements. Comparisons to prior-year balances and activity are presented in accordance with Governmental Accounting Standards Board.

***Financial Highlights***

- The assets and deferred outflows of resources of the City of Las Cruces exceeded its liabilities at the close of the most recent fiscal year by \$542,886,080 (net position). Of this amount, (\$186,029,969) represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- At the close of the current fiscal year, the City of Las Cruces governmental funds reported combined fund balances of \$208,079,522. This is an increase of \$21,143,914 in comparison with the prior year combined fund balance amount of \$186,935,608.
- The pooled cash and investments for the governmental activities increased \$25,599,077 and business-type activities decreased \$25,851,530 for a total decrease of \$252,453.
- The total bond and loan debt for the governmental and business-type activities increased \$14,674,582. During the fiscal year total debt outstanding increased to \$259,242,667 due to the issuance of new debt being a lower amount than payments on existing debt.

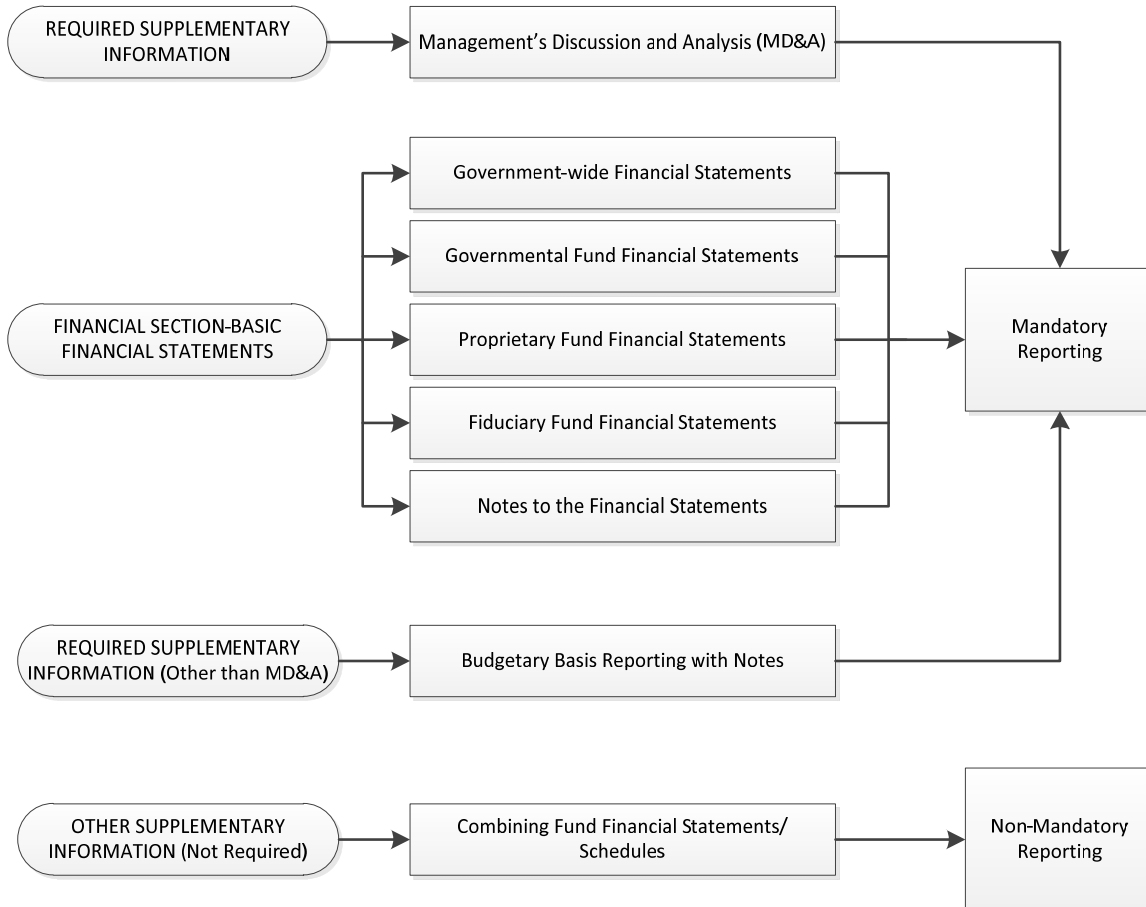
***Overview of the Financial Statements***

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.

The financial statements presented herein include all the activities of the City of Las Cruces using the integrated approach as prescribed by Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements* – and *Management's Discussion and Analysis* – for *State and Local Governments*, and all amendments thereafter.

**City of Las Cruces**  
Management's Discussion & Analysis  
June 30, 2019

The following illustration summarizes the sections and reporting requirements of this financial report.



***Government-wide Financial Statements***

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

The *Statement of Net Position* is a presentation of the City's assets and liabilities, including capital and infrastructure assets, and long-term liabilities. This statement reports the difference between the two as net position. Over time, increases or decreases in net position may help indicate whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net position changed during fiscal year 2019. 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 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, Economic Development, Police, Fire, Quality of Life, Public Works, and Parks and Recreation. The business-type activities of the City include Gas, Water, Wastewater, Solid Waste, Transit, Alternative Fuels and Rio Grande Theatre.

**City of Las Cruces**  
Management's Discussion & Analysis  
June 30, 2019

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the following legally separate component units: South Central Solid Waste Authority (SCSWA), and the Las Cruces Downtown Tax Increment Development District (TIDD). SCSWA is a discretely presented component unit and the financial information for this component unit is reported separately from the primary government in the government-wide financial statements.

The TIDD is a blended component unit of the City, whose board is comprised of the members of the City Council. The purpose of the TIDD is to finance public infrastructure serving the downtown area. The TIDD is presented as a special revenue fund in the financial statements. The funds to acquire or construct public infrastructure within the TIDD District is presented as a capital project fund in the financial statements.

***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. The focus of the fund financial statements is on the City's major funds, although nonmajor funds are also presented in aggregate and further detailed in the supplementary statements. All the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. Fund financial statements allow the City to present information regarding fiduciary funds, since they are not reported in the government-wide financial statements.

***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.

The focus of governmental funds is narrower than that of the government-wide financial statements; therefore, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. Because governmental fund financial statements do not encompass the additional long-term focus of the government-wide financial statements, additional information is provided that explains the relationship (or differences) between them.

The City maintains five governmental fund types for financial reporting purposes. The governmental fund types are General Fund, Special Revenue Funds, Capital Projects Funds, Debt Service Funds and Fiduciary Funds. The City maintains one hundred and five governmental funds, eight of which combine into the General Fund and thirty-two combine to make the Debt Service Fund. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the funds that comprise the General Fund, which is considered to be a major fund. One other governmental fund, Telshor Facility, is also reported as a major fund. The remaining sixty-four governmental funds are combined into a single, aggregated presentation as Other Governmental Funds. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* in the Combining Financial Statements section of this report.



**City of Las Cruces**  
Management's Discussion & Analysis  
June 30, 2019

***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 the fiscal activities relating to Gas, Water, and Wastewater utilities, as well as Solid Waste disposal. The City also uses enterprise funds to account for Transit, Alternative Fuels and Rio Grande Theatre which are reported as non-major enterprise funds. *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 vehicle maintenance and self-insurance. These services have been allocated to *governmental activities* in the government-wide financial statements as they predominantly serve governmental functions.

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 Gas, Water, and Wastewater Utilities, as well as Solid Waste funds, which are considered as major funds of the City. Data from the non-major enterprise funds, as well as all the internal service funds, are combined into single, aggregated presentations in the proprietary fund financial statements. Individual fund data for the non-major enterprise funds and the internal service funds is provided in the form of *combining statements* in the Combining Financial Statements section of this report.

***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside of the primary government. Fiduciary funds are *not* reflected in the government-wide financial statement as the resources of those funds are *not* available to support the City's programs and operations. The Statement of Fiduciary Assets and Liabilities for the agency funds is presented in the basic financial statements section of this report.

***Notes to the Financial Statements***

The Notes are an integral part of the financial statements and provide additional information that is essential to a full understanding and fair presentation of the data provided in both the government-wide and fund financial statements.

***Other Information***

In addition to the basic financial statements and the accompanying notes, this report also presents the required supplementary information of the City's governmental and proprietary funds: general, debt service, special revenue, capital project, enterprise, and internal service funds. Budgetary comparison schedules have been provided which demonstrates budgetary compliance.

***Statistics***

The statistical section provides statistical data on financial trends, revenue and debt capacity, demographic and economic data, and operating information.

**City of Las Cruces**  
Management's Discussion & Analysis  
June 30, 2019

**Government-wide Overall Financial Analysis**

Net position over time, may serve as a useful indicator of a government's financial position. In the case of the City of Las Cruces, assets and deferred outflows of resources exceeded liabilities by \$542,886,080, at the close of the most recent fiscal year.

**Net Position (in 000's)**

Ninety-eight percent of the City's net position is investment in capital assets (i.e., land, land improvements, buildings, equipment, utility infrastructure), net of any related outstanding debt used to acquire those assets. This compares with eighty-two percent in fiscal year 2018. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Thirty-seven percent of the City's net position is resources that are subject to external restrictions on how they may be used. This amount increased by two percent from 2018 due to an increase in grant funding and unspent debt proceeds.

|   | Governmental Activities |                |                |                | Business - Type Activities |                |                |                | Total            |                |                |                |
|---|-------------------------|----------------|----------------|----------------|----------------------------|----------------|----------------|----------------|------------------|----------------|----------------|----------------|
|   | 2019                    | 2018           | 2017           | 2016           | 2019                       | 2018           | 2017           | 2016           | 2019             | 2018           | 2017           | 2016           |
| Current and other assets  | \$ 256,428              | \$ 232,381     | \$ 241,821     | \$ 225,830     | \$ 69,773                  | \$ 94,791      | \$ 81,615      | \$ 93,303      | \$ 326,201       | \$ 327,173     | \$ 323,436     | \$ 319,133     |
| Capital assets  | 415,584                 | 394,169        | 390,521        | 374,118        | \$ 285,250                 | 266,778        | 247,093        | 217,727        | 700,834          | 660,947        | 637,613        | 591,845        |
| <b>Total assets</b>   | <b>672,012</b>          | <b>626,550</b> | <b>632,342</b> | <b>599,948</b> | <b>355,023</b>             | <b>361,569</b> | <b>328,707</b> | <b>311,030</b> | <b>1,027,035</b> | <b>988,119</b> | <b>961,049</b> | <b>910,978</b> |
| Deferred outflows of resources                                    | 30,199                  | 23,445         | 38,156         | 11,215         | 7,924                      | 6,505          | 9,321          | 1,705          | 38,123           | 29,951         | 47,477         | 12,920         |
| Total assets and deferred outflows of resources                   | \$ 702,211              | \$ 649,995     | \$ 670,498     | \$ 611,163     | \$ 362,947                 | \$ 368,074     | \$ 338,029     | \$ 312,735     | \$ 1,065,158     | \$ 1,018,070   | \$ 1,008,526   | \$ 923,898     |
| Current and other liabilities                                     | \$ 17,933               | \$ 8,684       | \$ 156,594     | \$ 23,844      | \$ 5,767                   | \$ 12,300      | \$ 32,376      | \$ 11,447      | \$ 23,700        | \$ 20,984      | \$ 188,970     | \$ 35,291      |
| Long-term liabilities   | 336,446                 | 299,826        | 131,183        | 209,315        | 134,475                    | 137,450        | 79,847         | 79,111         | 470,921          | 437,277        | 211,032        | 288,426        |
| <b>Total liabilities</b>  | <b>354,379</b>          | <b>308,510</b> | <b>287,779</b> | <b>233,159</b> | <b>140,242</b>             | <b>149,751</b> | <b>112,223</b> | <b>90,558</b>  | <b>494,621</b>   | <b>458,261</b> | <b>400,002</b> | <b>323,717</b> |
| Deferred inflows of resources                                     | 22,439                  | 24,551         | 2,032          | 2,152          | 5,212                      | 5,627          | 409            | 628            | 27,651           | 30,178         | 2,441          | 2,780          |
| Invested in capital assets,<br>net of related debt                | 332,301                 | 276,032        | 292,055        | 300,431        | 198,827                    | 160,997        | 185,374        | 204,137        | 531,128          | 437,029        | 477,429        | 504,568        |
| Restricted net position   | 163,899                 | 139,745        | 133,723        | 116,782        | 33,888                     | 47,524         | 28,393         | 29,918         | 197,787          | 187,269        | 162,116        | 146,700        |
| Unrestricted net position   | (170,808)               | (98,842)       | (45,091)       | (41,361)       | (15,222)                   | 4,176          | 11,629         | (12,506)       | (186,030)        | (94,667)       | (33,462)       | (53,867)       |
| <b>Total net position</b>   | <b>325,393</b>          | <b>316,934</b> | <b>380,687</b> | <b>375,852</b> | <b>217,493</b>             | <b>212,697</b> | <b>225,396</b> | <b>221,549</b> | <b>542,886</b>   | <b>529,631</b> | <b>606,084</b> | <b>597,401</b> |
| Total liabilities, deferred inflows of resources and net position | \$ 702,211              | \$ 649,995     | \$ 670,498     | \$ 611,163     | \$ 362,947                 | \$ 368,074     | \$ 338,029     | \$ 312,735     | \$ 1,065,158     | \$ 1,018,070   | \$ 1,008,526   | \$ 923,898     |

**City of Las Cruces**  
Management's Discussion & Analysis  
June 30, 2019

Changes in net position during 2019 and comparative amounts for 2018 and 2017 were:

**Summary of Changes in Position (in 000's)**

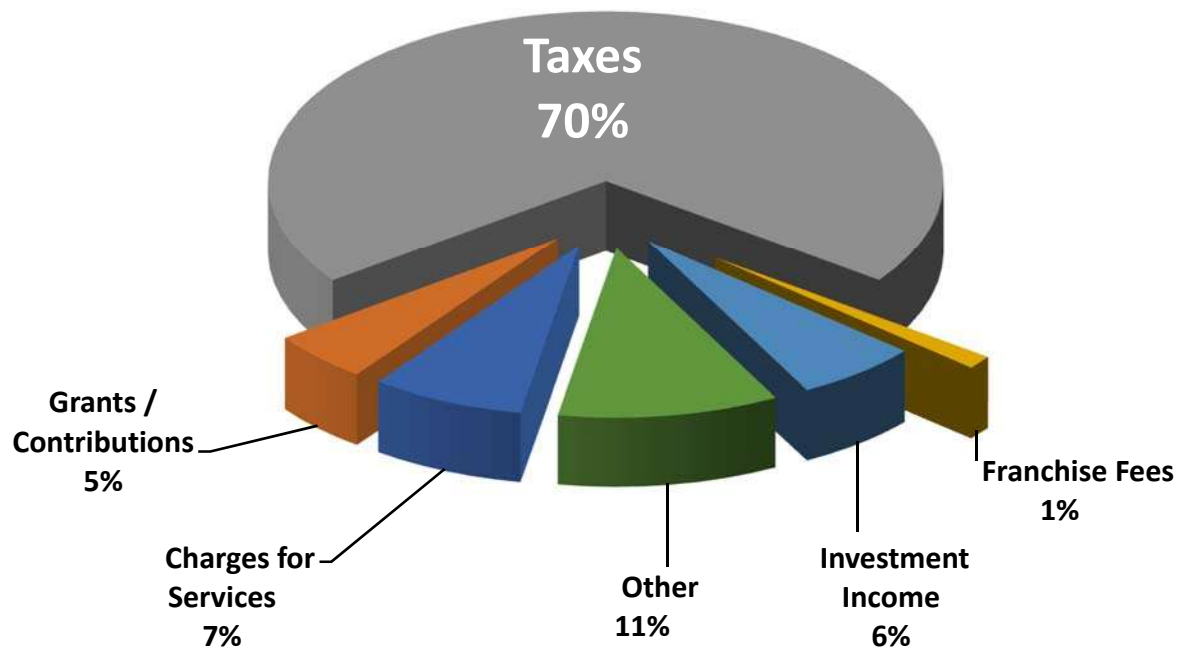
|   | Governmental Activities |                   |                   | Business - type Activities |                   |                   | Total             |                   |                   |
|---|-------------------------|-------------------|-------------------|----------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|   | 2019                    | 2018              | 2017              | 2019                       | 2018              | 2017              | 2019              | 2018              | 2017              |
| <b>Revenues</b>                           |                         |                   |                   |                            |                   |                   |                   |                   |                   |
| Program revenues:                         |                         |                   |                   |                            |                   |                   |                   |                   |                   |
| Charges for services                      | \$ 12,327               | \$ 12,058         | \$ 16,015         | \$ 66,262                  | \$ 56,563         | \$ 63,009         | \$ 78,590         | \$ 68,621         | \$ 79,024         |
| Operating grants and contributions        | 5,159                   | 7,032             | 2,541             | 1,867                      | -                 | 3,244             | 7,026             | 7,032             | 5,786             |
| Capital grants and contributions          | 2,936                   | 959               | 5,420             | 33                         | 3,457             | 266               | 2,970             | 4,416             | 5,686             |
| General revenue:                          |                         |                   |                   |                            |                   |                   |                   |                   |                   |
| Taxes-GRT and property                    | 117,472                 | 112,834           | 114,951           | -                          | -                 | -                 | 117,472           | 112,834           | 114,951           |
| Franchise fees/lodgers tax                | 2,145                   | 2,185             | 2,809             | -                          | -                 | -                 | 2,145             | 2,185             | 2,809             |
| Investment income                         | 9,932                   | 2,942             | 4,416             | 3,127                      | (55)              | 119               | 13,059            | 2,887             | 4,535             |
| Other                                     | 12,544                  | 10,079            | -                 | 123                        | 127               | 536               | 12,666            | 10,206            | 536               |
| Capital asset contribution                | 5,166                   | 629               | -                 | 2,234                      | 1,545             | -                 | 7,399             | 2,174             | -                 |
| <b>Total revenue</b>                      | <b>167,681</b>          | <b>148,718</b>    | <b>146,152</b>    | <b>73,645</b>              | <b>61,637</b>     | <b>67,175</b>     | <b>241,326</b>    | <b>210,355</b>    | <b>213,327</b>    |
| <b>Expenses</b>                           |                         |                   |                   |                            |                   |                   |                   |                   |                   |
| General government                        | 28,864                  | 28,650            | 31,463            | -                          | -                 | -                 | 28,864            | 28,650            | 31,463            |
| Police                                    | 30,132                  | 28,806            | 27,973            | -                          | -                 | -                 | 30,132            | 28,806            | 27,973            |
| Fire                                      | 19,832                  | 17,738            | 14,618            | -                          | -                 | -                 | 19,832            | 17,738            | 14,618            |
| Community development                     | 7,128                   | 6,227             | 4,953             | -                          | -                 | -                 | 7,128             | 6,227             | 4,953             |
| Quality of life                           | 8,209                   | 7,358             | 9,489             | -                          | -                 | -                 | 8,209             | 7,358             | 9,489             |
| Economic development                      | 7,119                   | 5,851             | 6,239             | -                          | -                 | -                 | 7,119             | 5,851             | 6,239             |
| Public works                              | 29,207                  | 29,862            | 25,792            | -                          | -                 | -                 | 29,207            | 29,862            | 25,792            |
| Transportation                            | 1,061                   | 956               | -                 | -                          | -                 | -                 | 1,061             | 956               | -                 |
| Parks and recreation                      | 13,477                  | 12,026            | 2,906             | -                          | -                 | -                 | 13,477            | 12,026            | 2,906             |
| Gas                                       | -                       | -                 | 10,458            | 20,056                     | 12,433            | -                 | 20,056            | 12,433            | 10,458            |
| Water                                     | -                       | -                 | -                 | 19,307                     | 18,740            | 14,082            | 19,307            | 18,740            | 14,082            |
| Wastewater                                | -                       | -                 | -                 | 15,395                     | 15,072            | 18,703            | 15,395            | 15,072            | 18,703            |
| Solid waste                               | -                       | -                 | -                 | 13,354                     | 13,612            | 17,216            | 13,354            | 13,612            | 17,216            |
| Transit/Other                             | -                       | -                 | -                 | 5,827                      | 5,373             | 11,386            | 5,827             | 5,373             | 11,386            |
| Interest on long-term debt                | 4,372                   | 4,439             | -                 | -                          | -                 | 5,249             | 4,372             | 4,439             | 5,249             |
| Debt issuance costs                       | 444                     | -                 | 4,117             | -                          | -                 | -                 | 444               | -                 | 4,117             |
| <b>Total expenses</b>                     | <b>149,846</b>          | <b>141,914</b>    | <b>138,009</b>    | <b>73,940</b>              | <b>65,231</b>     | <b>66,636</b>     | <b>223,786</b>    | <b>207,145</b>    | <b>204,645</b>    |
| Increase in net position before transfers | 17,835                  | 6,804             | 8,143             | (295)                      | (3,594)           | 539               | 17,540            | 3,210             | 8,682             |
| Transfers                                 | (4,974)                 | (4,687)           | (3,308)           | 4,985                      | 4,687             | 3,308             | 11                | -                 | -                 |
| Change in net position                    | 12,861                  | 2,117             | 4,835             | 4,690                      | 1,093             | 3,847             | 17,552            | 3,210             | 8,682             |
| Net position - beginning                  | 316,934                 | 380,687           | 375,852           | 212,697                    | 225,396           | 221,549           | 529,631           | 606,084           | 597,401           |
| Restatement                               | (4,403)                 | (65,870)          | -                 | 106                        | (13,793)          | -                 | (4,297)           | (79,662)          | -                 |
| <b>Net position - ending</b>              | <b>\$ 325,393</b>       | <b>\$ 316,934</b> | <b>\$ 380,687</b> | <b>\$ 217,493</b>          | <b>\$ 212,697</b> | <b>\$ 225,396</b> | <b>\$ 542,886</b> | <b>\$ 529,631</b> | <b>\$ 606,084</b> |

**City of Las Cruces**  
Management's Discussion & Analysis  
June 30, 2019

***Governmental Activities***

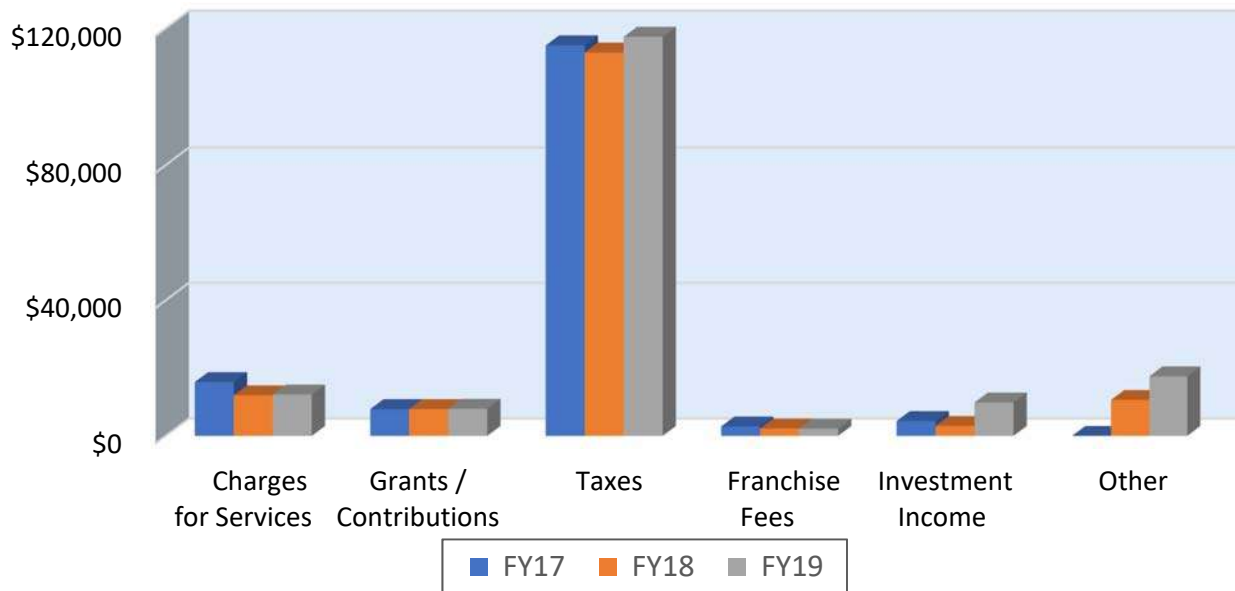
During the current fiscal year, net position for governmental activities increased by \$8,458,261 from the prior fiscal year for an ending balance of \$325,392,760. Gross receipts tax, property tax, and franchise fees increased from \$115.0 million in fiscal year 2018 to \$119.6 million in fiscal year 2019 due to better than expected growth in the economy.

**Governmental Revenues**



**City of Las Cruces**  
Management's Discussion & Analysis  
June 30, 2019

**Revenue by Source (in thousands) – Governmental Activities**



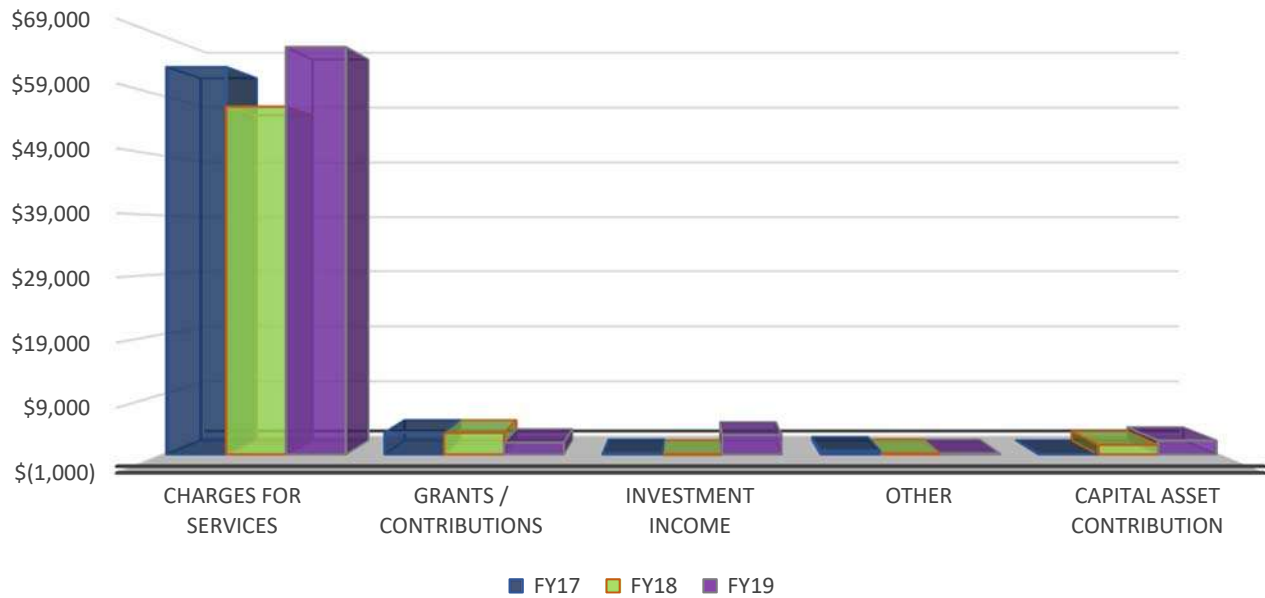
The City's governmental activities expenses increased from \$142 million in fiscal year 2018 to \$149 million in fiscal year 2019. The main increases are due to increased costs in Police of \$1.3 million, Fire increase of \$2.1 million, and Parks and Recreation increase of \$1.5 million.

***Business-type Activities***

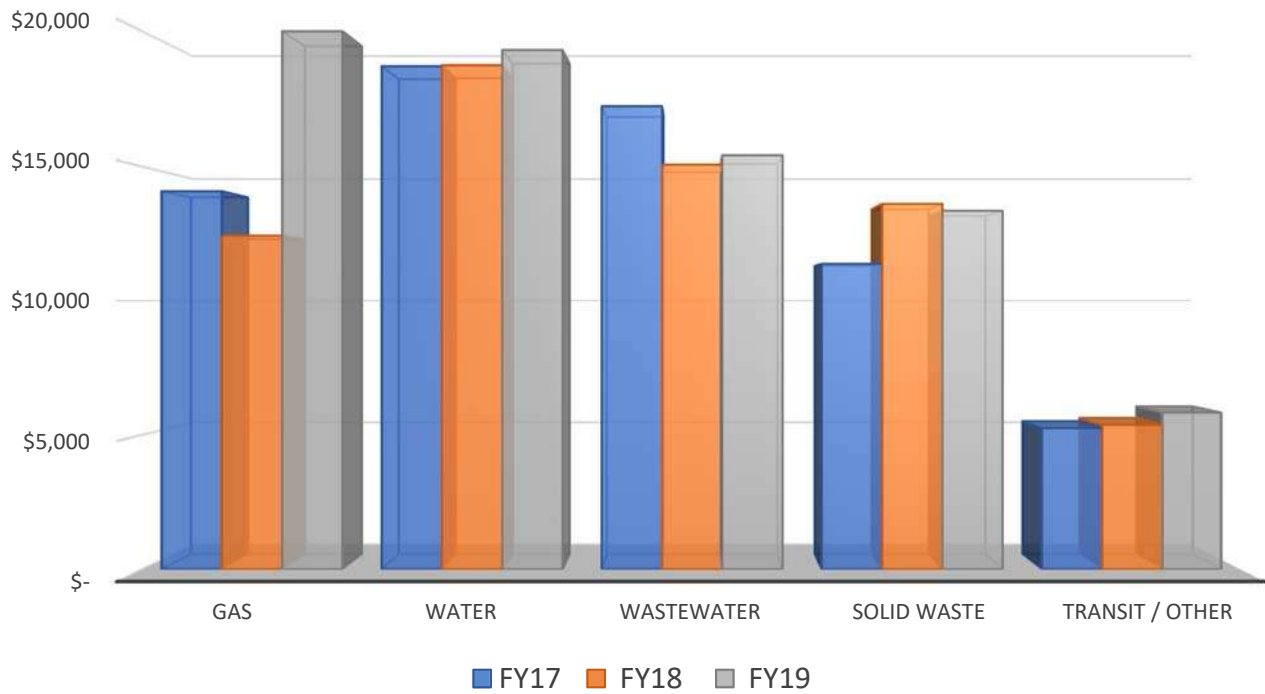
For the City's business-type activities, the net position increased by \$4,796,752 for an ending balance of \$217,493,320. Total revenues increase by \$12.0 million with the highest increase in Charges for Services of \$9.7 million. Total expenses increased by \$8.7 million compared to fiscal year 2018 expenses. Gas increased by \$7.6 million, Water increased by \$0.6 million, Wastewater increased by \$0.3 million, Solid Waste decreased by \$0.3 million, transit and other enterprise funds increased by \$0.5 million.

**City of Las Cruces**  
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**Revenues by Source (in thousands) – Business-type Activities**



**Expenses– Business-type Activities**



**City of Las Cruces**  
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**Financial Analysis of the City's Funds**

Gross receipts tax, the largest revenue source in the general fund, decreased by \$75 thousand from 2018 reflecting the further decrease in state funding reductions which occurred in 2017. Operating and capital grants and contributions decreased by \$104 thousand due to capital funded projects that were not completed in fiscal year 2019 and will be rolled over to fiscal year 2020. Investment income had the highest increase of \$7 million

***Governmental Funds***

The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable resources*. Unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information is useful in assessing the City's financing requirements. Non-financial assets such as governmental buildings, roads, drainage ways and long-term liabilities, such as payables or long-term liabilities that will not be paid with current assets, are excluded. Such information is useful in assessing the City's financing requirements. In particular, the *Unassigned Fund Balance* may serve as a useful measure of the government's net resources available for spending at the end of the fiscal year.

The General Fund, Telshor Facility and Debt Service funds are reported as major governmental funds. As of the end of fiscal year 2019, the City's governmental funds reported combined ending fund balances of \$105.8 million, an increase of \$10.8 million from the prior year due to an increase of issuance of debt. Net transfers out were mainly to transit and the liability internal service fund.

The fund balance of the General Fund is reported in the five categories defined by GASB 54. The non-spendable fund balance of \$1.7 million is for inventories. The restricted fund balance of \$2.2 million is for grants for general government, public safety programs, economic development, community development, parks and recreation, public works and quality of life programs. The committed fund balance of \$19.7 million. The assigned fund balance in the General Fund is \$3.1 million and is mainly for the acquisition of new vehicles and economic development. The allocation to each function is presented in the governmental funds balance sheet. The unassigned fund balance in the General Fund is \$20.2 million. The total fund balance in the General Fund is \$47 million.

Fund balances of other major governmental funds are committed and restricted. The Telshor Facility fund has \$46.9 million restricted for health-related programs, an increase of \$5 million due to higher investment earnings. The fund balance in Debt Service of \$11.8 million is restricted for debt service funds. All other governmental funds are combined and reported as non-major governmental funds. Non-major governmental funds have a restricted fund balance of \$102.9 million for public safety, housing and community development, debt service, public works, quality of life, parks and recreation and transportation. The committed fund balance of \$.25 million is mostly health related and public safety programs.

**City of Las Cruces**  
Management's Discussion & Analysis  
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***General Fund***

The General Fund is the chief operating fund of the City. At the end of fiscal year 2019, unassigned fund balance was \$20.2 million, \$18.1 million represents the amount required by state and local policy to be held in reserve in the General Fund.

The fund balance of the City's General Fund decreased \$1.3 million during the current fiscal year despite revenues coming in higher than expenditures by \$12.9 million. This decrease is attributable to increase in fiscal year 2019 expenditures compared to fiscal year 2018 in all departments except for Public Works and Quality of Life that had a decrease in 2019 actual expenditures compared to fiscal year 2018.

Revenues – Final budgeted amounts were \$90,850 less than the original budgeted amounts with the decrease coming from other revenue.

Total revenues increased \$2.1 million from 2018 due mostly to a \$2.27 million increase in investment income. Investment income had suffered a loss in 2018 compared to 2017. Charges for services also increased by 15% due to increased revenue for paving cuts charged on work orders.

Expenditures - Differences between the original expenditures budget and the final amended expenditures budget totaled \$2.34 million and are briefly summarized as follows:

- The budget for general government increased by \$77 thousand due to the net effect of various budget adjustments throughout the year.
- The budget for economic development increased by \$675 thousand. \$225 thousand is attributable to the increase in budget for the renovate Main Street Program- a budget rollover from fiscal year 2018. \$253 thousand increase is attributable to grant match requirements. \$150 thousand is due to increase in advertising for Virgin Galactic. The remainder is due to the net effect of various operating budget adjustments.
- The budget for police increased by \$144 thousand which is the net effect of monthly budget adjustments, \$47 thousand for personnel and \$97 thousand for operating expenditures.
- The budget for fire increased \$750 thousand. \$716 thousand is due to grant match requirements for a FEMA Safer grant. The remainder is due to the net effect of budget adjustments throughout the year.
- The budget for community development increased by \$45 thousand which is attributable to the net effect of budget adjustments.
- The budget for quality of life decreased by \$5 thousand which is attributable to the net effect of various budget adjustments.
- The budget for public works decreased by \$223 thousand, of which \$110 thousand is for decreased operating expenditures and \$113 thousand is for decreased personnel costs.
- The budget for Parks and Recreation decreased by \$243 thousand which is due to the net effect of various budget adjustments for salaries and other expenses.



**City of Las Cruces**  
Management's Discussion & Analysis  
June 30, 2019

- The budget for capital outlay increased by \$1.12 million which is the net effect of budget adjustments throughout the year- \$690 for major and rolling equipment and \$428 thousand for several large projects that were rolled over from fiscal year 2018.

Actual expenditures were approximately \$5.3 million less than the final expenditures budget. These variances can be briefly summarized as follows:

- The general government actual expenditures were approximately \$1.78 million more than the final budget. The difference to budget can be attributable to an accounting change in expensing insurance premiums to departments versus doing a transfer to the self-insurance fund.
- Actual expenditures for economic development were approximately \$410 thousand less than the final budget. \$127 thousand is due to projects that will be rolled to fiscal year 2020. \$43 thousand is attributable to salary savings throughout the year and \$240 thousand is attributable to conservative spending on operating expenditures so that they were less than estimated.
- Actual expenditures for police were \$329 thousand less than budget. The difference is due mostly to salary savings throughout the year.
- Actual expenditures for fire were approximately \$29 thousand more than budget. The majority is due to personnel budget related to the FEMA Safer grant that will roll over to fiscal year 2020.
- Actual expenditures for community development were approximately \$15 thousand more than budget.
- Actual expenditures for quality of life were approximately \$152 thousand more than budget.
- Actual expenditures for public works were \$1.16 million less than budget. \$470 thousand is attributable to salary savings, \$693 thousand is attributable to savings on electricity and \$392 thousand is attributable to conservative spending on operating expenditures so that they were less than estimated.
- Actual expenditures for parks and recreation were approximately \$350 thousand less than budget. \$252 thousand is attributable to salary savings and \$98 thousand is attributable to conservative spending on various operating expenditures so that they were less than estimated.
- Actual expenditures for capital outlay were approximately \$5.03 million less than budget. This variance is due to projects that were not completed in fiscal year 2019 and will be rolled over to fiscal year 2020.

**City of Las Cruces**  
Management's Discussion & Analysis  
June 30, 2019

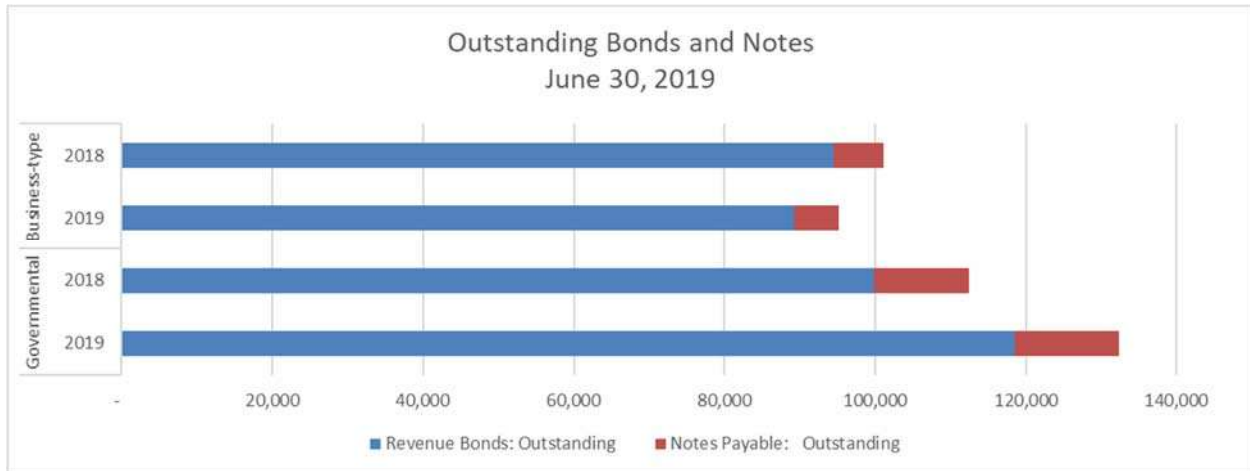
**Long-term Debt**

At the end of fiscal year 2019, the City had total long-term debt outstanding of \$259.24 million in long term liabilities, with a net increase of \$14.65 million over the prior year due to the issuance of new debt.

**Outstanding Bonds and Liabilities to Financial Institutions 2019**

|                                 | <b>Governmental</b>   |                       |                      |
|---------------------------------|-----------------------|-----------------------|----------------------|
|                                 | <b>2019</b>           | <b>2018</b>           | <b>Change</b>        |
| Revenue bonds: outstanding      | \$ 109,515,000        | \$ 99,845,000         | \$ 9,670,000         |
| Revenue bonds: direct borrowing | 9,055,000             | -                     | 9,055,000            |
| Notes payable: outstanding      | 13,745,377            | 12,557,332            | 1,188,045            |
| <b>Total outstanding</b>        | <b>\$ 132,315,377</b> | <b>\$ 112,402,332</b> | <b>\$ 19,913,045</b> |

|                            | <b>Business-type</b> |                       |                       |
|----------------------------|----------------------|-----------------------|-----------------------|
|                            | <b>2019</b>          | <b>2018</b>           | <b>Change</b>         |
| Revenue bonds: outstanding | \$ 89,245,000        | \$ 94,445,000         | \$ (5,200,000)        |
| Notes payable: outstanding | 5,973,061            | 6,714,765             | (741,704)             |
| <b>Total outstanding</b>   | <b>\$ 95,218,061</b> | <b>\$ 101,159,765</b> | <b>\$ (5,941,704)</b> |



Additional information on the City's debt can be found in Note 7.

**City of Las Cruces**  
Management's Discussion & Analysis  
June 30, 2019

**Capital Assets**

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2019 amounts to \$701 million, net of accumulated depreciation. This investment in capital assets includes land, buildings, land and building improvements, leasehold improvements, equipment, infrastructure, and construction in progress. The total increase in the City's investment in capital assets for the current fiscal year, net of accumulated depreciation, was 6 percent.

Additional information on the City's capital assets can be found in Note 4.

**Economic Outlook**

The 2019 economic outlook of the City of Las Cruces shows mixed economic conditions with low growth anticipated in the future. Nevertheless, compared to the nation and the state of New Mexico, Las Cruces MSA has experienced strong economic output growth over the past several years. This is evidenced by the real cumulative growth, which has been higher than the nation and the state at least since 2001.

The U.S. Census Bureau reports median household income for the City of Las Cruces in 2017 at \$40,924. In comparison, the state of New Mexico has a household income of \$46,718 for 2017, a difference of \$5,794 between the State and the City's median household income. However, even though the City has a smaller median household income than the State, the trend has been positive overall since 2010, but decreasing since 2015. In 2015 the median household income in the City was \$41,330 which means that median household income has decreased \$406 in 2 years, but it has increased \$2,533 since 2010.

Unemployment rate for the City of Las Cruces is higher than the State of New Mexico and higher than the Nation. The August 2019 preliminary figures of the seasonally adjusted unemployment rate for the City of Las Cruces is 5.4%, while the State indicates a 4.9% for the same statistic. In comparison, the Nation has 3.7% for the same measurement.

The number of payroll jobs in Las Cruces metropolitan area has increased from a year ago. The preliminary numbers on total non-farm payroll employment in Las Cruces metropolitan area for September 2019 indicate a total of 74,400 payroll jobs. In comparison to the September 2018 figures on the same statistic at 73,800 payroll jobs it represents a slight increase of roughly 600 jobs. The number of Supplemental Nutrition Assistance Program (SNAP) cases by Doña Ana administrative offices was 27,301 on August 2019, which is 164 less cases than August 2018.

The new business registrations data indicates a downward tendency in new business registrations. In September 2019, there were 72 new business registrations, which is above the 2010-2018 average for September at 54. Although, during 2018 the number of new business registrations was equal to 2017 numbers at 586. During the first 9 months of 2019 there have been only 3 instances where the current business registrations have over-performed to the 8-year monthly averages from 2010 to 2018, in May, June, and September 2019.

Monthly median listing prices for homes in the City of Las Cruces are collected from 3 agencies: Zillow.com, Trulia.com, and Realtor.com. Median listing home prices have been increasing since June 2017. The median listing home prices according to the three websites are: \$190,500, \$185,000, and \$196,675 for Zillow.com, Trulia.com, and Realtor.com respectively in February 2019.

**City of Las Cruces**  
Management's Discussion & Analysis  
June 30, 2019

New Mexico State University (NMSU) has experienced a decline in total students enrolled in Fall at least since 2010. The Office of Institutional Analysis (OIA) indicates that in Fall 2019 there were 14,296 students enrolled in the main campus, which compared to Fall 2010 at 18,552 represents a decrease of 23%. However, although NMSU has seen a decrease in enrollment, it has improved its graduation rates.

***Requests for Information***

This financial report is designed to present users with an overview of the City's finances and to demonstrate the City's accountability. If you have questions concerning any of the information provided in this report or need additional financial information, contact

Assistant City Manager  
City of Las Cruces  
PO Box 20000  
Las Cruces, NM 88004

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# **Basic Financial Statements**

CITY OF LAS CRUCES . NEW MEXICO

# City of Las Cruces

## Statement of Net Position

June 30, 2019

|   | Primary Government      |                          |                | Component Unit                      |
|---|-------------------------|--------------------------|----------------|-------------------------------------|
|   | Governmental Activities | Business-Type Activities | Total          | South Central Solid Waste Authority |
| <b>Assets</b>                             |                         |                          |                |                                     |
| Cash and investments                      | \$ 89,469,842           | \$ 23,342,830            | \$ 112,812,672 | \$ 4,619,587                        |
| Receivables, net                          | 22,871,588              | 8,218,473                | 31,090,061     | 819,133                             |
| Due from other governmental units         | 20,351,328              | 724,234                  | 21,075,562     | -                                   |
| Due from South Central Solid Waste        | 1,109,170               | -                        | 1,109,170      | -                                   |
| Inventory                                 | 2,108,973               | 3,065,741                | 5,174,714      | -                                   |
| Restricted cash and investments           | 120,517,210             | 33,888,262               | 154,405,472    | 5,514,522                           |
| Notes receivable                          | -                       | 533,282                  | 533,282        | -                                   |
| Capital assets:                           |                         |                          |                |                                     |
| Land and construction in progress         | 50,481,253              | 16,054,445               | 66,535,698     | 1,638,626                           |
| Other capital assets, net of depreciation | 365,102,883             | 269,195,125              | 634,298,008    | 8,572,773                           |
| Total capital assets                      | 415,584,136             | 285,249,570              | 700,833,706    | 10,211,399                          |
| Total assets                              | 672,012,247             | 355,022,392              | 1,027,034,639  | 21,164,641                          |
| <b>Deferred outflows of resources</b>     |                         |                          |                |                                     |
| Deferred charges from refundings          | -                       | 538,730                  | 538,730        | -                                   |
| Deferred outflows related to pensions     | 29,036,388              | 7,090,083                | 36,126,471     | 1,379,152                           |
| Deferred outflows related to OPEB         | 1,162,387               | 295,522                  | 1,457,909      | 54,150                              |
| Total deferred outflows of resources      | 30,198,775              | 7,924,335                | 38,123,110     | 1,433,302                           |

(Continued)

*The accompanying notes are an integral part of these financial statements.*

**City of Las Cruces**  
Statement of Net Position  
June 30, 2019

|  | Primary Government      |                          |                | Component Unit                      |
|--|-------------------------|--------------------------|----------------|-------------------------------------|
|  | Governmental Activities | Business-Type Activities | Total          | South Central Solid Waste Authority |
| <b>Liabilities</b>                                     |                         |                          |                |                                     |
| Accounts and contracts payable and accrued liabilities | \$ 12,074,144           | \$ 3,013,460             | \$ 15,087,604  | \$ 1,038,692                        |
| Unearned revenue                                       | 5,858,685               | 1,516,876                | 7,375,561      | -                                   |
| Customer deposits                                      | -                       | 1,236,083                | 1,236,083      | -                                   |
| Long-term liabilities:                                 |                         |                          |                |                                     |
| Net pension liability                                  | 128,586,163             | 19,604,017               | 148,190,180    | 5,667,572                           |
| Net OPEB liability                                     | 50,574,492              | 12,913,620               | 63,488,112     | 2,353,760                           |
| Due within one year                                    | 19,951,899              | 6,757,390                | 26,709,289     | 533,002                             |
| Due in more than one year                              | 137,333,742             | 95,199,636               | 232,533,378    | 6,482,510                           |
| Total liabilities                                      | 354,379,125             | 140,241,082              | 494,620,207    | 16,075,536                          |
| <b>Deferred inflows of resources</b>                   |                         |                          |                |                                     |
| Deferred inflows related to pensions                   | 8,165,751               | 1,586,338                | 9,752,089      | 373,773                             |
| Deferred inflows related to OPEB                       | 14,273,386              | 3,625,987                | 17,899,373     | 665,041                             |
| Total deferred inflows of resources                    | 22,439,137              | 5,212,325                | 27,651,462     | 1,038,814                           |
| <b>Net position</b>                                    |                         |                          |                |                                     |
| Net investment in capital assets                       | 332,301,268             | 198,827,368              | 531,128,636    | 8,735,393                           |
| Restricted for:  |                         |                          |                |                                     |
| Public safety programs                                 | 2,188,808               | -                        | 2,188,808      | -                                   |
| Housing and community development                      | 684,658                 | -                        | 684,658        | -                                   |
| Debt service   | 12,405,231              | 29,915,649               | 42,320,880     | -                                   |
| Capital projects                                       | -                       | 2,736,532                | 2,736,532      | -                                   |
| Public works   | 88,129,125              | -                        | 88,129,125     | -                                   |
| Health-related programs                                | 46,932,765              | -                        | 46,932,765     | -                                   |
| Economic development                                   | 7,671,082               | -                        | 7,671,082      | -                                   |
| Parks and recreation                                   | 5,135,081               | -                        | 5,135,081      | -                                   |
| Quality of life  | 752,400                 | -                        | 752,400        | -                                   |
| Customer deposits                                      | -                       | 1,236,083                | 1,236,083      | -                                   |
| Unrestricted   | (170,807,658)           | (15,222,312)             | (186,029,970)  | (3,251,800)                         |
| Total net position                                     | \$ 325,392,760          | \$ 217,493,320           | \$ 542,886,080 | \$ 5,483,593                        |

*The accompanying notes are an integral part of these financial statements.*



**City of Las Cruces**  
Statement of Activities  
For the Year Ended June 30, 2019

|   | Program Revenues |                      |                               |                                  |
|---|------------------|----------------------|-------------------------------|----------------------------------|
|   | Expenses         | Charges for Services | Operating Grants and Revenues | Capital Grants and Contributions |
| <b>Functions/Programs</b>                             |                  |                      |                               |                                  |
| <b>Primary government</b>                             |                  |                      |                               |                                  |
| Governmental activities                               |                  |                      |                               |                                  |
| General government                                    | \$ 28,863,508    | \$ 4,765,984         | \$ -                          | \$ -                             |
| Police  | 30,132,023       | 437,980              | 1,095,618                     | -                                |
| Fire  | 19,832,099       | -                    | 1,372,905                     | -                                |
| Community development                                 | 7,128,458        | 1,487,321            | 1,177,906                     | -                                |
| Quality of life                                       | 8,209,455        | 100,454              | 1,082,484                     | 10,345                           |
| Economic development                                  | 7,118,859        | 1,440,153            | 17,332                        | 1,337,202                        |
| Public works  | 29,206,825       | 1,761,269            | -                             | 1,389,916                        |
| Transportation  | 1,061,280        | -                    | -                             | -                                |
| Parks and recreation                                  | 13,477,054       | 2,334,211            | 412,754                       | 198,833                          |
| Interest on long-term debt                            | 4,372,161        | -                    | -                             | -                                |
| Debt issuance costs                                   | 444,488          | -                    | -                             | -                                |
| Total governmental activities                         | 149,846,210      | 12,327,372           | 5,158,999                     | 2,936,296                        |
| Business-type activities                              |                  |                      |                               |                                  |
| Gas   | 20,055,878       | 19,095,578           | -                             | -                                |
| Water   | 19,307,359       | 19,407,556           | -                             | -                                |
| Wastewater  | 15,395,271       | 12,911,540           | -                             | 33,460                           |
| Solid waste   | 13,354,362       | 13,906,553           | -                             | -                                |
| Transit/other   | 5,827,007        | 941,042              | 1,866,525                     | -                                |
| Total business-type activities                        | 73,939,877       | 66,262,269           | 1,866,525                     | 33,460                           |
| Total primary government                              | \$ 223,786,087   | \$ 78,589,641        | \$ 7,025,524                  | \$ 2,969,756                     |
| <b>Component unit</b>                                 |                  |                      |                               |                                  |
| South Central Solid Waste Authority                   | \$ 14,005,900    | \$ 12,415,938        | \$ 43,929                     | \$ -                             |
| Total component unit                                  | \$ 14,005,900    | \$ 12,415,938        | \$ 43,929                     | \$ -                             |
| General revenues and transfers                        |                  |                      |                               |                                  |
| Taxes:  |                  |                      |                               |                                  |
| Gross receipts  |                  |                      |                               |                                  |
| Property  |                  |                      |                               |                                  |
| Lodgers   |                  |                      |                               |                                  |
| Other   |                  |                      |                               |                                  |
| Investment income (loss)                              |                  |                      |                               |                                  |
| Donated assets  |                  |                      |                               |                                  |
| Capital contribution from ASCMV                       |                  |                      |                               |                                  |
| Gain on sale of capital assets                        |                  |                      |                               |                                  |
| Other   |                  |                      |                               |                                  |
| Transfers   |                  |                      |                               |                                  |
| Total general revenues and transfers                  |                  |                      |                               |                                  |
| Change in net position                                |                  |                      |                               |                                  |
| Net position, beginning of year, as originally stated |                  |                      |                               |                                  |
| Restatement (note 23)                                 |                  |                      |                               |                                  |
| Net position, beginning of year, as restated          |                  |                      |                               |                                  |
| Net position, end of year                             |                  |                      |                               |                                  |

*The accompanying notes are an integral part of these financial statements.*

| Net Revenue (Expense) and Changes in Net Position |                          |                 |                                     |   |
|---|--------------------------|-----------------|-------------------------------------|---|
| Primary Government                                |                          |                 | Component Unit                      |   |
| Governmental Activities                           | Business-type Activities | Total           | South Central Solid Waste Authority |   |
| \$ (24,097,524)                                   | \$ -                     | \$ (24,097,524) | \$                                  | - |
| (28,598,425)                                      | -                        | (28,598,425)    |                                     | - |
| (18,459,194)                                      | -                        | (18,459,194)    |                                     | - |
| (4,463,231)                                       | -                        | (4,463,231)     |                                     | - |
| (7,016,172)                                       | -                        | (7,016,172)     |                                     | - |
| (4,324,172)                                       | -                        | (4,324,172)     |                                     | - |
| (26,055,640)                                      | -                        | (26,055,640)    |                                     | - |
| (1,061,280)                                       | -                        | (1,061,280)     |                                     | - |
| (10,531,256)                                      | -                        | (10,531,256)    |                                     | - |
| (4,372,161)                                       | -                        | (4,372,161)     |                                     | - |
| (444,488)   | -                        | (444,488)       |                                     | - |
| (129,423,543)                                     | -                        | (129,423,543)   |                                     | - |
| -   | (960,300)                | (960,300)       |                                     | - |
| -   | 100,197                  | 100,197         |                                     | - |
| -   | (2,450,271)              | (2,450,271)     |                                     | - |
| -   | 552,191                  | 552,191         |                                     | - |
| -   | (3,019,440)              | (3,019,440)     |                                     | - |
| -   | (5,777,623)              | (5,777,623)     |                                     | - |
| (129,423,543)                                     | (5,777,623)              | (135,201,166)   |                                     | - |
| -   | -                        | -               | (1,546,033)                         |   |
| -   | -                        | -               | (1,546,033)                         |   |
| 95,581,043  | -                        | 95,581,043      |                                     | - |
| 21,890,844  | -                        | 21,890,844      |                                     | - |
| 2,144,835   | -                        | 2,144,835       |                                     | - |
| 1,722,120   | -                        | 1,722,120       |                                     | - |
| 9,932,309   | 3,126,777                | 13,059,086      | 321,466                             |   |
| 3,981,664   | 2,233,598                | 6,215,262       | -                                   |   |
| 1,184,187   | -                        | 1,184,187       | -                                   |   |
| 686,047   | 122,502                  | 808,549         | 95,252                              |   |
| 10,135,519  | -                        | 10,135,519      | 224,996                             |   |
| (4,973,861)                                       | 4,985,103                | 11,242          | (11,242)                            |   |
| 142,284,707                                       | 10,467,980               | 152,752,687     | 630,472                             |   |
| 12,861,164  | 4,690,357                | 17,551,521      | (915,561)                           |   |
| 316,934,499                                       | 212,696,568              | 529,631,067     | 6,399,154                           |   |
| (4,402,903)                                       | 106,395                  | (4,296,508)     | -                                   |   |
| 312,531,596                                       | 212,802,963              | 525,334,559     | 6,399,154                           |   |
| \$ 325,392,760                                    | \$ 217,493,320           | \$ 542,886,080  | \$ 5,483,593                        |   |

The accompanying notes are an integral part of these financial statements.

# City of Las Cruces

## Balance Sheet

### Governmental Funds

June 30, 2019

|  | General Fund         | Debt Service         | Telshor Facility     | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|----------------------|----------------------|----------------------|-----------------------------------|--------------------------------|
| <b>Assets</b>  |                      |                      |                      |                                   |                                |
| Pooled cash and investments  | \$ 31,290,527        | \$ -                 | \$ -                 | \$ 45,559,593                     | \$ 76,850,120                  |
| Restricted cash and investments                                      | -                    | 12,120,889           | 46,823,617           | 61,572,704                        | 120,517,210                    |
| Receivables, net   | 1,003,292            | 6,936,243            | 109,148              | 14,266,198                        | 22,314,881                     |
| Due from other funds   | 2,356,860            | -                    | -                    | -                                 | 2,356,860                      |
| Due from other governmental units                                    | 15,978,747           | 220,464              | -                    | 4,152,117                         | 20,351,328                     |
| Inventories  | 1,702,416            | -                    | -                    | -                                 | 1,702,416                      |
| <b>Total assets</b>  | <b>\$ 52,331,842</b> | <b>\$ 19,277,596</b> | <b>\$ 46,932,765</b> | <b>\$ 125,550,612</b>             | <b>\$ 244,092,815</b>          |
| <b>Liabilities, deferred inflows or resources, and fund balances</b> |                      |                      |                      |                                   |                                |
| <b>Liabilities</b>   |                      |                      |                      |                                   |                                |
| Accounts and contracts payable                                       | \$ 2,531,580         | \$ -                 | \$ -                 | \$ 6,750,169                      | \$ 9,281,749                   |
| Due to other funds   | -                    | -                    | -                    | 2,356,860                         | 2,356,860                      |
| Accrued liabilities  | 1,878,065            | -                    | -                    | 60,695                            | 1,938,760                      |
| Unearned revenue   | 259,582              | 350,000              | -                    | 5,249,103                         | 5,858,685                      |
| <b>Total liabilities</b>   | <b>4,669,227</b>     | <b>350,000</b>       | <b>-</b>             | <b>14,416,827</b>                 | <b>19,436,054</b>              |
| <b>Deferred inflows of resources</b>                                 |                      |                      |                      |                                   |                                |
| Special assessment receipts  | -                    | -                    | -                    | 8,594,948                         | 8,594,948                      |
| Investment earnings  | 12,437               | -                    | -                    | -                                 | 12,437                         |
| Unavailable revenue  | 623,374              | 7,089,869            | -                    | 256,611                           | 7,969,854                      |
| <b>Total deferred inflows of resources</b>                           | <b>635,811</b>       | <b>7,089,869</b>     | <b>-</b>             | <b>8,851,559</b>                  | <b>16,577,239</b>              |
| <b>Total liabilities and deferred inflows of resources</b>           | <b>5,305,038</b>     | <b>7,439,869</b>     | <b>-</b>             | <b>23,268,386</b>                 | <b>36,013,293</b>              |
| <b>Fund balances</b>   |                      |                      |                      |                                   |                                |
| <b>Nonspendable:</b>   |                      |                      |                      |                                   |                                |
| Inventories  | 1,702,416            | -                    | -                    | -                                 | 1,702,416                      |
| <b>Restricted for:</b>   |                      |                      |                      |                                   |                                |
| Economic development   | 404,793              | -                    | -                    | 7,266,289                         | 7,671,082                      |
| Public safety programs   | 246,676              | -                    | -                    | 1,942,132                         | 2,188,808                      |
| Housing and community development                                    | 64,157               | -                    | -                    | 620,501                           | 684,658                        |
| Parks and recreation   | 723,102              | -                    | -                    | 4,411,979                         | 5,135,081                      |
| Public works   | -                    | -                    | -                    | 88,129,125                        | 88,129,125                     |
| Quality of life  | 752,400              | -                    | -                    | -                                 | 752,400                        |
| Debt service   | -                    | 11,837,727           | -                    | 567,504                           | 12,405,231                     |
| Health related programs  | -                    | -                    | 46,932,765           | -                                 | 46,932,765                     |
| <b>Committed for:</b>  |                      |                      |                      |                                   |                                |
| Health related programs  | -                    | -                    | -                    | 211,865                           | 211,865                        |
| Debt service   | 9,007,794            | -                    | -                    | 37,548                            | 9,045,342                      |
| Public safety programs   | 3,972,450            | -                    | -                    | -                                 | 3,972,450                      |
| Public works   | -                    | -                    | -                    | 1,456                             | 1,456                          |

(Continued)

The accompanying notes are an integral part of these financial statements.

# City of Las Cruces

## Balance Sheet

### Governmental Funds

June 30, 2019

|  | General Fund  | Debt Service  | Telshor Facility | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------|---------------|------------------|-----------------------------------|--------------------------------|
| Fund balances (Continued)  |               |               |                  |                                   |                                |
| Committed for (Continued):   |               |               |                  |                                   |                                |
| Transportation   | \$ 5,391,042  | \$ -          | \$ -             | \$ -                              | \$ 5,391,042                   |
| Quality of life  | 1,370,000     | -             | -                | -                                 | 1,370,000                      |
| Assigned to:   |               |               |                  |                                   |                                |
| Economic development   | 2,083,962     | -             | -                | -                                 | 2,083,962                      |
| Public works   | 308,349       | -             | -                | -                                 | 308,349                        |
| Transportation   | 160,823       | -             | -                | -                                 | 160,823                        |
| Vehicle acquisition  | 633,505       | -             | -                | -                                 | 633,505                        |
| Unassigned (deficit)   | 20,205,335    | -             | -                | (906,173)                         | 19,299,162                     |
| Total fund balances  | 47,026,804    | 11,837,727    | 46,932,765       | 102,282,226                       | 208,079,522                    |
| Total liabilities, deferred inflows of<br>resources, and fund balances | \$ 52,331,842 | \$ 19,277,596 | \$ 46,932,765    | \$ 125,550,612                    | \$ 244,092,815                 |

*The accompanying notes are an integral part of these financial statements.*

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## City of Las Cruces

### Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2019

|  |                |
|--|----------------|
| Total fund balances for governmental funds   | \$ 208,079,522 |
| 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 (excludes \$164,335 that are reported in internal services funds)   | 415,419,801    |
| Other assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue and deferred inflows in the funds  | 16,577,239     |
| Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported in the funds (excludes long-term liabilities reported in internal services funds of \$6,891,293 and net pension liability of \$134,596,460 and net OPEB liability of \$50,574,492) | (150,394,348)  |
| The amount due from South Central Solid Waste Authority is not available to pay current-period expenditures and is, therefore, not reported in the funds   | 1,109,170      |
| Deferred outflows of pensions (excludes \$850,621 of deferred outflows from pensions of internal service funds reported below)   | 28,185,767     |
| Net pension liabilities are not reported in governmental funds but are reported on the statement of net position (excludes \$1,936,977 of net pension liabilities of internal service funds reported below)  | (126,649,186)  |
| Deferred inflows of pensions (excludes \$186,928 of deferred inflows from pensions of internal service funds reported below)   | (7,978,823)    |
| Deferred outflows related to OPEB (excludes \$23,732 of deferred outflows from OPEB of internal service funds reported below)  | 1,138,655      |
| Net OPEB liabilities are not reported in governmental funds but are reported on the statement of net position (excludes \$1,048,956 OPEB liabilities of internal service funds reported below)   | (49,525,536)   |
| Deferred inflows of OPEB (excludes \$290,565 of deferred inflows from OPEB of internal service funds reported below)   | (13,982,821)   |
| Assets and liabilities of internal service funds are included in net position of governmental activities   | 3,413,320      |
| Net position of governmental activities  | \$ 325,392,760 |

*The accompanying notes are an integral part of these financial statements.*

# City of Las Cruces

## Statement of Revenues, Expenditures, and Changes in Fund Balance

### Governmental Funds

For the Year Ended June 30, 2019

|                                       | General Fund  | Debt Service  | Telshor Facility | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---------------------------------------|---------------|---------------|------------------|-----------------------------------|--------------------------------|
| <b>Revenues</b>                       |               |               |                  |                                   |                                |
| Taxes                                 |               |               |                  |                                   |                                |
| Gross receipts                        | \$ 84,786,667 | \$ -          | \$ -             | \$ 10,156,739                     | \$ 94,943,406                  |
| Property                              | 12,249,039    | 4,587,022     | -                | 4,772,507                         | 21,608,568                     |
| Lodgers                               | -             | -             | -                | 2,144,835                         | 2,144,835                      |
| State-shared                          | 637,637       | -             | -                | 1,750,492                         | 2,388,129                      |
| Charges for services                  | 3,290,364     | -             | -                | 154,445                           | 3,444,809                      |
| Fees and fines                        | 549,072       | -             | -                | 3,231,163                         | 3,780,235                      |
| Investment income (loss)              | 1,989,566     | 737,264       | 2,720,244        | 3,783,074                         | 9,230,148                      |
| Franchise fees                        | 3,628,782     | -             | -                | -                                 | 3,628,782                      |
| Licenses and permits                  | 1,473,546     | -             | -                | -                                 | 1,473,546                      |
| Intergovernmental                     |               |               |                  |                                   |                                |
| Federal                               | -             | -             | -                | 2,870,480                         | 2,870,480                      |
| State                                 | -             | -             | -                | 5,046,711                         | 5,046,711                      |
| Local                                 | 15,973        | -             | -                | 162,131                           | 178,104                        |
| Other                                 | 4,507,388     | 1,815,987     | 4,199,501        | 1,741,437                         | 12,264,313                     |
| Total revenues                        | 113,128,034   | 7,140,273     | 6,919,745        | 35,814,014                        | 163,002,066                    |
| <b>Expenditures</b>                   |               |               |                  |                                   |                                |
| Current                               |               |               |                  |                                   |                                |
| General government                    | 18,791,042    | -             | -                | 3,842,173                         | 22,633,215                     |
| Police                                | 25,536,609    | -             | -                | 1,219,365                         | 26,755,974                     |
| Fire                                  | 16,282,527    | -             | -                | 1,153,426                         | 17,435,953                     |
| Community development                 | 4,450,169     | -             | -                | 1,279,525                         | 5,729,694                      |
| Quality of Life                       | 6,465,482     | -             | -                | 1,285,527                         | 7,751,009                      |
| Economic development                  | 3,990,650     | -             | -                | 2,937,464                         | 6,928,114                      |
| Public works                          | 12,111,416    | -             | -                | 2,820,328                         | 14,931,744                     |
| Parks and recreation                  | 11,032,649    | -             | -                | 697,983                           | 11,730,632                     |
| Capital outlay                        | 4,911,888     | -             | -                | 32,493,699                        | 37,405,587                     |
| Debt service                          |               |               |                  |                                   |                                |
| Principal                             | -             | 11,681,619    | -                | -                                 | 11,681,619                     |
| Interest and other charges            | -             | 4,372,161     | -                | -                                 | 4,372,161                      |
| Debt issuance costs                   | -             | -             | -                | 444,488                           | 444,488                        |
| Total expenditures                    | 103,572,432   | 16,053,780    | -                | 48,173,978                        | 167,800,190                    |
| Revenues over (under)                 |               |               |                  |                                   |                                |
| expenditures                          | 9,555,602     | (8,913,507)   | 6,919,745        | (12,359,964)                      | (4,798,124)                    |
| <b>Other financing sources (uses)</b> |               |               |                  |                                   |                                |
| Issuance of debt                      |               |               |                  | 31,594,664                        | 31,594,664                     |
| Premiums on issuance of debt          | -             | 1,095,972     | -                | 190,169                           | 1,286,141                      |
| Sale of capital assets                | 260,372       | -             | -                | 424,722                           | 685,094                        |
| Transfers in                          | 6,293,917     | 14,897,434    | -                | 5,834,209                         | 27,025,560                     |
| Transfers (out)                       | (17,459,534)  | -             | (1,897,929)      | (15,291,958)                      | (34,649,421)                   |
| Total other financing sources (uses)  | (10,905,245)  | 15,993,406    | (1,897,929)      | 22,751,806                        | 25,942,038                     |
| Net change in fund balances           | (1,349,643)   | 7,079,899     | 5,021,816        | 10,391,842                        | 21,143,914                     |
| Fund balances, beginning of year      | 48,376,447    | 4,757,828     | 41,910,949       | 91,890,384                        | 186,935,608                    |
| Fund balances, end of year            | \$ 47,026,804 | \$ 11,837,727 | \$ 46,932,765    | \$ 102,282,226                    | \$ 208,079,522                 |

*The accompanying notes are an integral part of these financial statements.*

# City of Las Cruces

## Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities For the Year Ended June 30, 2019

|  |    |            |
|--|----|------------|
| Net change in fund balances—governmental funds | \$ | 21,143,914 |
|--|----|------------|

Total revenues and other financing sources in the governmental funds differ from total revenues for governmental activities in the statement of activities. The difference results primarily from the longterm economic focus of the statement of activities versus the current financial sources focus of the governmental funds. The main components of the difference are described below:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of certain capital outlays is allocated over the estimated useful lives of the assets acquired and reported as depreciation expense. As a result, fund balance decreased by the amount of financial resources expended, whereas net position decreased by the amount of depreciation expense charged for the year:

|   |              |
|---|--------------|
| Capital outlay  | 37,405,587   |
| Depreciation (excludes \$60,559 reported in internal service funds) | (21,122,646) |
| Net book value of disposed capital assets                           | (1,583)      |
| Donated assets  | 5,165,851    |

Proceeds from the issuance of long-term obligations provide current financial resources to governmental funds and increase long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the current year principal repayment reduces long-term liabilities in the statement of net position.

|  |              |
|--|--------------|
| Repayments of bonds and notes payable                      | 11,681,619   |
| Proceeds from bonds and notes payable                      | (31,594,664) |
| Premiums on bond issuance                                  | (1,286,141)  |
| Amortization of premium/discount of bond and notes payable | 451,047      |

|  |           |
|--|-----------|
| The change in the liability for compensated absences affects expenses reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in governmental funds. | (378,724) |
|--|-----------|

|   |             |
|---|-------------|
| Revenues in the statement of activities that do not meet the "availability" criteria for revenue recognition and, therefore, are not reported as revenues in the funds. | (1,608,395) |
|---|-------------|

|  |           |
|--|-----------|
| Principal payments by South Central Solid Waste to the City's debt service fund are reported as revenue in the debt service fund but reduce assets on the statement of net position. | (145,000) |
|--|-----------|

|  |             |
|--|-------------|
| Change in PERA liability affects expenses reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in governmental funds. | (7,996,515) |
|--|-------------|

|  |           |
|--|-----------|
| Change in OPEB liability affects expenses reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in governmental funds. | 1,419,103 |
|--|-----------|

|  |           |
|--|-----------|
| Internal service funds are used by management to charge the costs of certain activities such as insurance and telecommunications to individual funds. The change in net position of internal service funds is reported within governmental activities. | (272,289) |
|--|-----------|

|   |    |            |
|---|----|------------|
| Change in net position of governmental activities | \$ | 12,861,164 |
|---|----|------------|

*The accompanying notes are an integral part of these financial statements.*



# City of Las Cruces

## Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual

### General Fund

For the Year Ended June 30, 2019

|   | 2019             |               |               | 2018  |               |
|---|------------------|---------------|---------------|---|---------------|
|   | Budgeted Amounts |               | Actual        | Variance with<br>Final Budget -<br>Positive<br>(Negative) | Actual        |
|   | Original         | Final         |               |   |               |
| Revenues                                |                  |               |               |   |               |
| Local taxes                             |                  |               |               |   |               |
| Gross receipts                          | \$ 84,971,370    | \$ 84,971,370 | \$ 84,786,667 | \$ (184,703)  | \$ 85,229,365 |
| Property                                | 11,322,518       | 11,322,518    | 12,249,039    | 926,521   | 11,958,901    |
| Total local taxes                       | 96,293,888       | 96,293,888    | 97,035,706    | 741,818   | 97,188,266    |
| State-shared taxes                      | 524,375          | 524,375       | 637,637       | 113,262   | 531,630       |
| Charges for services                    | 3,278,145        | 3,278,145     | 3,290,364     | 12,219  | 2,854,738     |
| Fees and fines                          | 558,169          | 558,169       | 549,072       | (9,097)   | 594,605       |
| Investment income                       | 695,765          | 695,765       | 1,989,566     | 1,293,801   | (281,792)     |
| Franchise fees                          | 3,973,385        | 3,973,385     | 3,628,782     | (344,603)   | 3,898,194     |
| Licenses and permits                    | 1,442,183        | 1,442,183     | 1,473,546     | 31,363  | 1,471,630     |
| Operating grants and<br>contributions   | -                | -             | 15,973        | 15,973  | 40,418        |
| Other                                   | 4,086,576        | 3,995,726     | 4,507,388     | 511,662   | 4,741,366     |
|   | 14,558,597       | 14,467,748    | 16,092,328    | 1,624,580   | 13,850,789    |
| Total revenues                          | 110,852,486      | 110,761,636   | 113,128,034   | 2,366,398   | 111,039,055   |
| Expenditures                            |                  |               |               |   |               |
| Current                                 |                  |               |               |   |               |
| General government                      | 16,936,333       | 17,013,224    | 18,791,042    | (1,777,818)   | 17,958,367    |
| Police                                  | 25,720,550       | 25,865,297    | 25,536,609    | 328,688   | 23,823,819    |
| Fire                                    | 15,502,962       | 16,253,076    | 16,282,527    | (29,451)  | 14,521,364    |
| Community development                   | 4,389,393        | 4,435,141     | 4,450,169     | (15,028)  | 3,609,846     |
| Quality of life                         | 6,318,763        | 6,313,465     | 6,465,482     | (152,017)   | 5,842,368     |
| Economic development                    | 3,725,958        | 4,400,725     | 3,990,650     | 410,075   | 3,310,315     |
| Public works                            | 13,498,693       | 13,275,186    | 12,111,416    | 1,163,770   | 12,533,426    |
| Parks and recreation                    | 11,625,459       | 11,382,468    | 11,032,649    | 349,819   | 10,177,121    |
| Capital outlay                          | 8,822,688        | 9,941,758     | 4,911,888     | 5,029,870   | 4,867,131     |
| Total expenditures                      | 106,540,799      | 108,880,340   | 103,572,432   | 5,307,908   | 96,643,757    |
| Revenues over expenditures              | 4,311,686        | 1,881,296     | 9,555,602     | (2,941,510)   | 14,395,298    |
| Other financing sources (uses)          |                  |               |               |   |               |
| Sale of capital assets                  | 326,656          | 326,656       | 260,372       | (291,511)   | 127,905       |
| Transfers in                            | 4,458,000        | 6,310,921     | 6,293,917     | (17,004)  | 3,075,574     |
| Transfers out                           | (17,672,221)     | (20,925,947)  | (17,459,534)  | 36,230  | (25,214,573)  |
| Total other financing<br>sources (uses) | (12,887,565)     | (14,288,370)  | (10,905,245)  | (272,285)   | (22,011,094)  |
| Net change in fund balance              | (8,575,879)      | (12,407,074)  | (1,349,643)   | (3,213,795)   | (7,615,796)   |
| Fund balance, beginning of year         | 48,376,447       | 48,376,447    | 48,376,447    | -   | 55,992,243    |
| Fund balance, end of year               | \$ 39,800,568    | \$ 35,969,373 | \$ 47,026,804 | \$ (3,213,795)  | \$ 48,376,447 |

The accompanying notes are an integral part of these financial statements.

# City of Las Cruces

## Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Telshor Facility For the Year Ended June 30, 2019

|   | 2019             |               |               |              |   | 2018 |
|---|------------------|---------------|---------------|--------------|---|------|
|   | Budgeted Amounts |               |               |              | Variance with<br>Final Budget -<br>Positive<br>(Negative) |      |
|   | Original         | Final         | Actual        |              | Actual  |      |
| Revenues                                |                  |               |               |              |   |      |
| Investment income (expense)             | \$ 404,568       | \$ 404,568    | \$ 2,720,244  | \$ 2,315,676 | \$ 2,723,824  |      |
| Other                                   | -                | -             | 4,199,501     | 4,199,501    | -   |      |
| Total revenues                          | 404,568          | 404,568       | 6,919,745     | 6,515,177    | 2,723,824   |      |
| Other financing sources (uses)          |                  |               |               |              |   |      |
| Transfers out                           | (400,000)        | (1,897,929)   | (1,897,929)   | -            | (1,320,453)   |      |
| Total other financing<br>sources (uses) | (400,000)        | (1,897,929)   | (1,897,929)   | -            | (1,320,453)   |      |
| Net change in fund balance              | 4,568            | (1,493,361)   | 5,021,816     | 6,515,177    | 1,403,371   |      |
| Fund balance, beginning of year         | 41,910,949       | 41,910,949    | 41,910,949    | 31,055       | 40,507,578  |      |
| Fund balance, end of year               | \$ 41,915,517    | \$ 40,417,588 | \$ 46,932,765 | \$ 6,546,232 | \$ 41,910,949   |      |

The accompanying notes are an integral part of these financial statements.

# City of Las Cruces

## Statement of Net Position

### Proprietary Funds

June 30, 2019

|  | Enterprise Funds |              |             |               |
|--|------------------|--------------|-------------|---------------|
|  | Gas              | Water        | Waste Water | Solid Waste   |
| <b>Assets</b>  |                  |              |             |               |
| Current assets   |                  |              |             |               |
| Pooled cash and investments                                      | \$ 6,784,169     | \$ 2,603,558 | \$ 958,763  | \$ 11,265,842 |
| Accounts receivable, net of allowance for uncollectible accounts | 1,282,116        | 3,153,017    | 1,639,538   | 1,918,681     |
| Due from other governments                                       | -                | 9,756        | -           | -             |
| Inventories  | 984,373          | 973,043      | 928,368     | 179,957       |
| Total current assets   | 9,050,658        | 6,739,374    | 3,526,669   | 13,364,480    |
| Non-current assets   |                  |              |             |               |
| Restricted cash and investments                                  | 12,247,094       | 11,395,252   | 9,557,648   | 688,268       |
| Notes receivable   | -                | 289,122      | 244,160     | -             |
| Advance to other funds   | -                | 1,144,597    | 2,166,714   | -             |
| Capital assets:  |                  |              |             |               |
| Land, water rights and constuction in progress                   | 264,222          | 14,110,794   | 399,124     | 264,635       |
| Other capital assets, net of depreciation                        | 36,420,101       | 123,078,506  | 97,793,661  | 6,072,525     |
| Total capital assets   | 36,684,323       | 137,189,300  | 98,192,785  | 6,337,160     |
| Total non-current assets   | 48,931,417       | 150,018,271  | 110,161,307 | 7,025,428     |
| Total assets   | 57,982,075       | 156,757,645  | 113,687,976 | 20,389,908    |
| <b>Deferred outflows of resources</b>                            |                  |              |             |               |
| Deferred charges from refundings                                 | -                | 226,606      | 312,124     | -             |
| Deferred outflows related to pensions                            | 1,596,285        | 1,254,868    | 1,267,389   | 1,434,553     |
| Deferred outflows related to OPEB                                | 73,162           | 63,152       | 58,502      | 54,414        |
| Total deferred outflows of resources                             | 1,669,447        | 1,544,626    | 1,638,015   | 1,488,967     |

(Continued)

*The accompanying notes are an integral part of these financial statements.*

# City of Las Cruces

## Statement of Net Position

### Proprietary Funds

June 30, 2019

|  | Enterprise Funds          |               | Internal Service Funds |
|--|---------------------------|---------------|------------------------|
|  | Nonmajor Enterprise Funds | Totals        |                        |
| <b>Assets</b>  |                           |               |                        |
| Current assets   |                           |               |                        |
| Pooled cash and investments                                      | \$ 1,730,498              | \$ 23,342,830 | \$ 12,619,722          |
| Accounts receivable, net of allowance for uncollectible accounts | 225,121                   | 8,218,473     | 556,707                |
| Due from other governments                                       | 714,478                   | 724,234       | -                      |
| Inventories  | -                         | 3,065,741     | 406,557                |
| Total current assets   | 2,670,097                 | 35,351,278    | 13,582,986             |
| Non-current assets   |                           |               |                        |
| Restricted cash and investments                                  | -                         | 33,888,262    | -                      |
| Notes receivable   | -                         | 533,282       | -                      |
| Advance to other funds   | -                         | 3,311,311     | -                      |
| Capital assets:  |                           |               |                        |
| Land, water rights and constuction in progress                   | 1,015,670                 | 16,054,445    | -                      |
| Other capital assets, net of depreciation                        | 5,830,332                 | 269,195,125   | 164,335                |
| Total capital assets   | 6,846,002                 | 285,249,570   | 164,335                |
| Total non-current assets   | 6,846,002                 | 322,982,425   | 164,335                |
| Total assets   | 9,516,099                 | 358,333,703   | 13,747,321             |
| <b>Deferred outflows of resources</b>                            |                           |               |                        |
| Deferred charges from refundings                                 | -                         | 538,730       | -                      |
| Deferred outflows related to pensions                            | 1,536,988                 | 7,090,083     | 850,621                |
| Deferred outflows related to OPEB                                | 46,292                    | 295,522       | 23,732                 |
| Total deferred outflows of resources                             | 1,583,280                 | 7,924,335     | 874,353                |

(Continued)

The accompanying notes are an integral part of these financial statements.

# City of Las Cruces

## Statement of Net Position

### Proprietary Funds

June 30, 2019

|  | Enterprise Funds |               |               |               |
|--|------------------|---------------|---------------|---------------|
|  | Gas              | Water         | Waste Water   | Solid Waste   |
| <b>Liabilities</b>                         |                  |               |               |               |
| Current liabilities                        |                  |               |               |               |
| Accounts payable                           | \$ 642,132       | \$ 808,997    | \$ 396,370    | \$ 113,756    |
| Accrued liabilities                        | 200,991          | 376,486       | 239,216       | 120,190       |
| Unearned revenue                           | 1,516,876        | -             | -             | -             |
| Current portion of non-current liabilities | 316,818          | 3,685,071     | 2,269,493     | 449,341       |
| Total current liabilities                  | 2,676,817        | 4,870,554     | 2,905,079     | 683,287       |
| Non-current liabilities                    |                  |               |               |               |
| Customer deposits                          | 655,025          | 221,624       | 156,926       | 202,508       |
| Revenue bonds payable                      | 9,261,253        | 56,491,244    | 22,115,336    | -             |
| Notes payable                              | -                | 2,402,500     | 2,402,500     | 785,203       |
| Compensated absences                       | 260,208          | 259,200       | 197,587       | 121,935       |
| Estimated liability for insurance claims   | -                | -             | -             | -             |
| Accrued landfill closure cost              | -                | -             | -             | 756,000       |
| Advance from other funds                   | -                | 3,311,311     | -             | -             |
| Net pension liability                      | 4,961,912        | 3,697,192     | 3,797,319     | 3,312,840     |
| Net OPEB liability                         | 3,227,977        | 2,770,862     | 2,543,100     | 2,374,504     |
| Total non-current liabilities              | 18,366,375       | 69,153,933    | 31,212,768    | 7,552,990     |
| Total liabilities                          | 21,043,192       | 74,024,487    | 34,117,847    | 8,236,277     |
| <b>Deferred inflow of resources</b>        |                  |               |               |               |
| Deferred inflows related to pensions       | 341,164          | 299,209       | 297,811       | 455,760       |
| Deferred inflows related to OPEB           | 896,095          | 774,287       | 718,490       | 667,807       |
| Total deferred inflows of resources        | 1,237,259        | 1,073,496     | 1,016,301     | 1,123,567     |
| <b>Net position</b>                        |                  |               |               |               |
| Net investment in capital assets           | 30,207,634       | 80,894,483    | 75,710,149    | 5,169,100     |
| Restricted for customer deposits           | 655,025          | 221,624       | 156,926       | 202,508       |
| Restricted for capital projects            | 1,815,448        | 731,858       | 188,554       | 672           |
| Restricted for debt service                | 9,776,621        | 10,441,771    | 9,212,169     | 485,088       |
| Unrestricted                               | (5,083,657)      | (9,085,448)   | (5,075,955)   | 6,661,663     |
| Total net position                         | \$ 37,371,071    | \$ 83,204,288 | \$ 80,191,843 | \$ 12,519,031 |

(Continued)

The accompanying notes are an integral part of these financial statements.

# City of Las Cruces

## Statement of Net Position

### Proprietary Funds

June 30, 2019

|  | Enterprise Funds                |                |                              |
|--|---------------------------------|----------------|------------------------------|
|  | Nonmajor<br>Enterprise<br>Funds | Totals         | Internal<br>Service<br>Funds |
| <b>Liabilities</b>                         |                                 |                |                              |
| Current liabilities                        |                                 |                |                              |
| Accounts payable                           | \$ 36,508                       | \$ 1,997,763   | \$ 822,169                   |
| Accrued liabilities                        | 78,814                          | 1,015,697      | 31,466                       |
| Unearned revenue                           | -                               | 1,516,876      | -                            |
| Current portion of non-current liabilities | 36,667                          | 6,757,390      | 1,948,886                    |
| Total current liabilities                  | 151,989                         | 11,287,726     | 2,802,521                    |
| Non-current liabilities                    |                                 |                |                              |
| Customer deposits                          | -                               | 1,236,083      | -                            |
| Revenue bonds payable                      | -                               | 87,867,833     | -                            |
| Notes payable                              | -                               | 5,590,203      | -                            |
| Compensated absences                       | 146,670                         | 985,600        | 48,408                       |
| Estimated liability for insurance claims   | -                               | -              | 4,893,999                    |
| Accrued landfill closure cost              | -                               | 756,000        | -                            |
| Advance from other funds                   | -                               | 3,311,311      | -                            |
| Net pension liability                      | 3,834,754                       | 19,604,017     | 1,936,977                    |
| Net OPEB liability                         | 1,997,177                       | 12,913,620     | 1,048,956                    |
| Total non-current liabilities              | 5,978,601                       | 132,264,667    | 7,928,340                    |
| Total liabilities                          | 6,130,590                       | 143,552,393    | 10,730,861                   |
| <b>Deferred inflow of resources</b>        |                                 |                |                              |
| Deferred inflows related to pensions       | 192,394                         | 1,586,338      | 186,928                      |
| Deferred inflows related to OPEB           | 569,308                         | 3,625,987      | 290,565                      |
| Total deferred inflows of resources        | 761,702                         | 5,212,325      | 477,493                      |
| <b>Net position</b>                        |                                 |                |                              |
| Net investment in capital assets           | 6,846,002                       | 198,827,368    | 164,335                      |
| Restricted for customer deposits           | -                               | 1,236,083      | -                            |
| Restricted for capital projects            | -                               | 2,736,532      | -                            |
| Restricted for debt service                | -                               | 29,915,649     | -                            |
| Unrestricted                               | (2,638,915)                     | (15,222,312)   | 3,248,985                    |
| <b>Total net position</b>                  | \$ 4,207,087                    | \$ 217,493,320 | \$ 3,413,320                 |

The accompanying notes are an integral part of these financial statements.

# City of Las Cruces

## Statement of Revenues, Expenses and Changes in Net Position

### Proprietary Funds

For the Year Ended June 30, 2019

|   | Enterprise Funds |               |               |               |
|---|------------------|---------------|---------------|---------------|
|   | Gas              | Water         | Waste Water   | Solid Waste   |
| <b>Operating revenues</b>                       |                  |               |               |               |
| Sales/charges                                   | \$ 18,867,002    | \$ 19,225,609 | \$ 12,944,434 | \$ 13,998,894 |
| Provision for uncollectible accounts            | (147,145)        | (71,931)      | (76,393)      | (98,313)      |
| Net sales/charges                               | 18,719,857       | 19,153,678    | 12,868,041    | 13,900,581    |
| Utility extension/service fee                   | 362,322          | 135,605       | 28,990        | -             |
| Rentals   | -                | -             | -             | -             |
| Other   | 13,399           | 118,273       | 14,509        | 5,972         |
| Total operating revenues                        | 19,095,578       | 19,407,556    | 12,911,540    | 13,906,553    |
| Cost of gas, water, and services respectively   | (7,639,634)      | (150,781)     | -             | -             |
| Gross Margin                                    | 11,455,944       | 19,256,775    | 12,911,540    | 13,906,553    |
| <b>Operating expenses</b>                       |                  |               |               |               |
| Personnel services                              | 3,381,236        | 3,398,881     | 2,971,776     | 2,465,291     |
| Supplies  | 382,478          | 441,048       | 1,009,879     | 418,020       |
| Utilities                                       | 26,956           | 1,881,952     | 717,810       | 31,944        |
| Professional services                           | 585,526          | 2,080,743     | 1,056,322     | 5,676,545     |
| Motor pool charges                              | -                | -             | -             | -             |
| Motor fuel                                      | -                | -             | -             | -             |
| Repairs and maintenance                         | 1,043,160        | 1,987,454     | 922,286       | 1,032,823     |
| Rent  | 1,995            | 98,601        | 9,793         | -             |
| Depreciation and amortization                   | 2,684,618        | 3,647,895     | 4,374,902     | 1,622,494     |
| Payment in lieu of taxes                        | 509,503          | 618,889       | 520,272       | 322,192       |
| Administrative charges from other funds         | 3,041,666        | 2,853,479     | 2,664,079     | 2,451,693     |
| Closure/post-closure costs                      | -                | -             | -             | (1,038,629)   |
| Claims and judgments (benefits)                 | -                | -             | -             | -             |
| Insurance                                       | 150,481          | 88,786        | 105,091       | 160,409       |
| Pension expense                                 | 430,113          | 372,867       | 344,763       | 296,535       |
| Other post employment benefit expense (benefit) | (20,934)         | (18,629)      | (18,116)      | (16,519)      |
| Other   | 69,789           | 13,219        | 14,029        | (63,867)      |
| Total operating expenses                        | 12,286,587       | 17,465,185    | 14,692,886    | 13,358,931    |
| Operating income (loss)                         | (830,643)        | 1,791,590     | (1,781,346)   | 547,622       |

(Continued)

The accompanying notes are an integral part of these financial statements.

# City of Las Cruces

## Statement of Revenues, Expenses and Changes in Net Position

### Proprietary Funds

For the Year Ended June 30, 2019

|   | Enterprise Funds                |               |                              |
|---|---------------------------------|---------------|------------------------------|
|   | Nonmajor<br>Enterprise<br>Funds | Totals        | Internal<br>Service<br>Funds |
| <b>Operating revenues</b>                       |                                 |               |                              |
| Sales/charges                                   | \$ 905,065                      | \$ 65,941,004 | \$ 2,677,622                 |
| Provision for uncollectible accounts            | -                               | (393,782)     | -                            |
| Net sales/charges                               | 905,065                         | 65,547,222    | 2,677,622                    |
| Utility extension/service fee                   | -                               | 526,917       | -                            |
| Rentals   | 25,930                          | 25,930        | 2,296,783                    |
| Other   | 10,047                          | 162,200       | 15,735,343                   |
| Total operating revenues                        | 941,042                         | 66,262,269    | 20,709,748                   |
| Cost of gas, water, and services respectively   | -                               | (7,790,415)   | (2,819,360)                  |
| Gross Margin                                    | 941,042                         | 58,471,854    | 17,890,388                   |
| <b>Operating expenses</b>                       |                                 |               |                              |
| Personnel services                              | 3,265,931                       | 15,483,115    | 1,495,604                    |
| Supplies  | 71,394                          | 2,322,819     | 62,268                       |
| Utilities                                       | 41,985                          | 2,700,647     | 25,539                       |
| Professional services                           | 226,052                         | 9,625,188     | 1,425,810                    |
| Motor pool charges                              | 590,662                         | 590,662       | -                            |
| Motor fuel                                      | 457,321                         | 457,321       | -                            |
| Repairs and maintenance                         | 118,873                         | 5,104,596     | 73,202                       |
| Rent  | -                               | 110,389       | 9,919                        |
| Depreciation and amortization                   | 655,566                         | 12,985,475    | 60,559                       |
| Payment in lieu of taxes                        | -                               | 1,970,856     | -                            |
| Administrative charges from other funds         | -                               | 11,010,917    | -                            |
| Closure/post-closure costs                      | -                               | (1,038,629)   | -                            |
| Claims and judgments (benefits)                 | -                               | -             | 16,641,610                   |
| Insurance                                       | 98,032                          | 602,799       | 1,433,391                    |
| Pension expense                                 | 255,267                         | 1,699,545     | 132,354                      |
| Other post employment benefit expense (benefit) | (14,882)                        | (89,080)      | (6,722)                      |
| Other   | 60,806                          | 93,976        | 12,962                       |
| Total operating expenses                        | 5,827,007                       | 63,630,596    | 21,366,496                   |
| Operating income (loss)                         | (4,885,965)                     | (5,158,742)   | (3,476,108)                  |

(Continued)

The accompanying notes are an integral part of these financial statements.



# City of Las Cruces

## Statement of Revenues, Expenses and Changes in Net Position

### Proprietary Funds

For the Year Ended June 30, 2019

|  | Enterprise Funds     |                      |                      |                      |
|--|----------------------|----------------------|----------------------|----------------------|
|  | Gas                  | Water                | Waste Water          | Solid Waste          |
| <b>Non-operating revenues (expenses)</b>                 |                      |                      |                      |                      |
| Gain (loss) on sale of capital assets                    | \$ 11,719            | \$ 1,479             | \$ 2,020             | \$ 107,284           |
| Investment income (loss)                                 | 947,357              | 882,109              | 617,610              | 616,750              |
| Grants - federal   | -                    | -                    | -                    | -                    |
| Grants - State   | -                    | -                    | 33,460               | -                    |
| Interest expense   | (129,657)            | (1,691,393)          | (702,385)            | 4,569                |
| Total non-operating revenues (expenses)                  | 829,419              | (807,805)            | (49,295)             | 728,603              |
| Income (loss) before capital contributions and transfers | (1,224)              | 983,785              | (1,830,641)          | 1,276,225            |
| <b>Capital contributions</b>                             | 298,123              | 1,059,483            | 875,992              | -                    |
| <b>Transfers</b>   |                      |                      |                      |                      |
| Transfers in   | -                    | -                    | 1,381,162            | -                    |
| Transfers (out)  | -                    | -                    | -                    | -                    |
| Change in net position                                   | 296,899              | 2,043,268            | 426,513              | 1,276,225            |
| Net position, beginning of year, as originally stated    | 37,074,172           | 81,161,020           | 79,765,330           | 11,242,806           |
| Restatement -note 23                                     | -                    | -                    | -                    | -                    |
| Net position, beginning of year, as restated             | 37,074,172           | 81,161,020           | 79,765,330           | 11,242,806           |
| <b>Net position, end of year</b>                         | <b>\$ 37,371,071</b> | <b>\$ 83,204,288</b> | <b>\$ 80,191,843</b> | <b>\$ 12,519,031</b> |

(Continued)

The accompanying notes are an integral part of these financial statements.

# City of Las Cruces

## Statement of Revenues, Expenses and Changes in Net Position

### Proprietary Funds

For the Year Ended June 30, 2019

|  | Enterprise Funds                |                |                              |
|--|---------------------------------|----------------|------------------------------|
|  | Nonmajor<br>Enterprise<br>Funds | Totals         | Internal<br>Service<br>Funds |
| <b>Non-operating revenues (expenses)</b>                 |                                 |                |                              |
| Gain (loss) on sale of capital assets                    | \$ -                            | \$ 122,502     | \$ 2,536                     |
| Investment income (loss)                                 | 62,951                          | 3,126,777      | 551,282                      |
| Grants - federal   | 1,853,677                       | 1,853,677      | -                            |
| Grants - State   | 12,848                          | 46,308         | -                            |
| Interest expense   | -                               | (2,518,866)    | -                            |
| Total non-operating revenues (expenses)                  | 1,929,476                       | 2,630,398      | 553,818                      |
| Income (loss) before capital contributions and transfers | (2,956,489)                     | (2,528,344)    | (2,922,290)                  |
| <b>Capital contributions</b>                             | -                               | 2,233,598      | -                            |
| <b>Transfers</b>   |                                 |                |                              |
| Transfers in   | 3,603,941                       | 4,985,103      | 5,050,000                    |
| Transfers (out)  | -                               | -              | (2,400,000)                  |
| Change in net position                                   | 647,452                         | 4,690,357      | (272,290)                    |
| Net position, beginning of year, as originally stated    | 3,453,240                       | 212,696,568    | 3,685,610                    |
| Restatement -note 23                                     | 106,395                         | 106,395        | -                            |
| Net position, beginning of year, as restated             | 3,559,635                       | 212,802,963    | 3,685,610                    |
| <b>Net position, end of year</b>                         | \$ 4,207,087                    | \$ 217,493,320 | \$ 3,413,320                 |

The accompanying notes are an integral part of these financial statements.

**City of Las Cruces**  
Statement of Cash Flows  
*Proprietary Funds*  
For the Year Ended June 30, 2019

|  | <b>Enterprise Funds</b> |               |                    |                    |
|--|-------------------------|---------------|--------------------|--------------------|
|  | <b>Gas</b>              | <b>Water</b>  | <b>Waste Water</b> | <b>Solid Waste</b> |
| <b>Cash flows from operating activities</b>                          |                         |               |                    |                    |
| Cash received from customers   | \$ 20,797,118           | \$ 18,918,424 | \$ 12,635,678      | \$ 13,625,851      |
| Cash paid to suppliers   | (15,840,289)            | (15,997,552)  | (8,743,409)        | (8,936,622)        |
| Cash paid to employees   | (2,940,065)             | (2,584,107)   | (2,517,370)        | (1,818,943)        |
| Claims paid  | -                       | -             | -                  | -                  |
| Other receipts   | 13,398                  | 118,275       | 14,507             | 5,973              |
| Net cash provided (used) by operating activities                     | 2,030,162               | 455,040       | 1,389,406          | 2,876,259          |
| <b>Cash flows from non-capital financing activities</b>              |                         |               |                    |                    |
| Grants and contributions   | -                       | -             | -                  | -                  |
| Transfers in   | -                       | -             | 1,381,163          | -                  |
| Transfers out  | -                       | -             | -                  | -                  |
| Loans for development impact fees                                    | -                       | (27,491)      | (19,834)           | -                  |
| Advance to/from other funds  | -                       | -             | -                  | -                  |
| Net cash provided (used) by non-capital financing activities         | -                       | (27,491)      | 1,361,329          | -                  |
| <b>Cash flows from capital and related financing activities</b>      |                         |               |                    |                    |
| Purchase/transfer of capital assets                                  | (7,485,501)             | (14,770,486)  | (6,523,926)        | (566,088)          |
| Cash proceeds from sale of capital assets                            | 11,719                  | 1,479         | 2,020              | 107,284            |
| Acquisition of other assets  | -                       | -             | -                  | -                  |
| Grants   | -                       | -             | 33,460             | -                  |
| Capital contributions  | 298,122                 | -             | -                  | -                  |
| Proceeds from revenue bonds and notes payable                        | -                       | -             | -                  | (185,209)          |
| Principal paid revenue bonds/lease purchase/advances                 | (247,473)               | (3,831,395)   | (2,313,236)        | (719,353)          |
| Interest paid revenue bonds/lease purchase/advances                  | (129,657)               | (1,661,882)   | (682,878)          | 4,568              |
| Net cash provided (used) by capital and related financing activities | (7,552,790)             | (20,262,284)  | (9,484,561)        | (1,358,798)        |
| <b>Cash flows from investing activities</b>                          |                         |               |                    |                    |
| Cash interest received   | 947,357                 | 882,109       | 617,616            | 616,750            |
| Net cash provided (used) by investing activities                     | 947,357                 | 882,109       | 617,616            | 616,750            |
| Net increase (decrease) in pooled cash and investments               | (4,575,271)             | (18,952,626)  | (6,116,210)        | 2,134,211          |
| Cash and investments, beginning of year                              | 23,606,534              | 32,951,436    | 16,632,621         | 9,819,899          |
| Cash and investments, end of year                                    | \$ 19,031,263           | \$ 13,998,810 | \$ 10,516,411      | \$ 11,954,110      |
| <b>Cash and investments at June 30 consisted of:</b>                 |                         |               |                    |                    |
| Current assets   |                         |               |                    |                    |
| Cash and investments   | \$ 6,784,169            | \$ 2,603,558  | \$ 958,763         | \$ 11,265,842      |
| Non-current assets   |                         |               |                    |                    |
| Restricted cash and investments                                      | 12,247,094              | 11,395,252    | 9,557,648          | 688,268            |
| Total cash and investments, June 30                                  | \$ 19,031,263           | \$ 13,998,810 | \$ 10,516,411      | \$ 11,954,110      |

(Continued)

*The accompanying notes are an integral part of these financial statements.*

**City of Las Cruces**  
Statement of Cash Flows  
*Proprietary Funds*  
For the Year Ended June 30, 2019

|  | <b>Enterprise Funds</b>                  |               |                                       |
|--|--|---------------|---------------------------------------|
|  | <b>Nonmajor<br/>Enterprise<br/>Funds</b> | <b>Totals</b> | <b>Internal<br/>Service<br/>Funds</b> |
| <b>Cash flows from operating activities</b>                          |  |               |                                       |
| Cash received from customers   | \$ 877,730                               | \$ 66,854,801 | \$ 20,161,112                         |
| Cash paid to suppliers   | (2,292,350)                              | (51,810,222)  | (5,625,492)                           |
| Cash paid to employees   | (3,030,789)                              | (12,891,273)  | (1,512,676)                           |
| Claims paid  | -  | -             | (16,927,887)                          |
| Other receipts   | 10,047                                   | 162,200       | -                                     |
| Net cash provided (used) by operating activities                     | (4,435,362)                              | 2,315,505     | (3,904,943)                           |
| <b>Cash flows from non-capital financing activities</b>              |  |               |                                       |
| Grants and contributions   | 2,551,172                                | 2,551,172     | -                                     |
| Transfers in   | 3,603,941                                | 4,985,104     | 5,050,000                             |
| Transfers out  | -  | -             | (2,400,000)                           |
| Loans for development impact fees                                    | -  | (47,325)      | -                                     |
| Advance to/from other funds  | -  | -             | -                                     |
| Net cash provided (used) by non-capital financing activities         | 6,155,113                                | 7,488,951     | 2,650,000                             |
| <b>Cash flows from capital and related financing activities</b>      |  |               |                                       |
| Purchase/transfer of capital assets                                  | (124,336)                                | (29,470,337)  | (5,121)                               |
| Cash proceeds from sale of capital assets                            | -  | 122,502       | 2,536                                 |
| Acquisition of other assets  | -  | -             | -                                     |
| Grants   | -  | 33,460        | -                                     |
| Capital contributions  | -  | 298,122       | -                                     |
| Proceeds from revenue bonds and notes payable                        | -  | (185,209)     | -                                     |
| Principal paid revenue bonds/lease purchase/advances                 | -  | (7,111,457)   | -                                     |
| Interest paid revenue bonds/lease purchase/advances                  | -  | (2,469,849)   | -                                     |
| Net cash provided (used) by capital and related financing activities | (124,336)                                | (38,782,769)  | (2,585)                               |
| <b>Cash flows from investing activities</b>                          |  |               |                                       |
| Cash interest received   | 62,951                                   | 3,126,783     | 551,282                               |
| Net cash provided (used) by investing activities                     | 62,951                                   | 3,126,783     | 551,282                               |
| Net increase (decrease) in pooled cash and investments               | 1,658,366                                | (25,851,530)  | (706,246)                             |
| Cash and investments, beginning of year                              | 72,132                                   | 83,082,622    | 13,325,968                            |
| Cash and investments, end of year                                    | \$ 1,730,498                             | \$ 57,231,092 | \$ 12,619,722                         |
| <b>Cash and investments at June 30 consisted of:</b>                 |  |               |                                       |
| Current assets   |  |               |                                       |
| Cash and investments   | \$ 1,730,498                             | \$ 23,342,830 | \$ 12,619,722                         |
| Non-current assets   |  |               |                                       |
| Restricted cash and investments                                      | -  | 33,888,262    | -                                     |
| Total cash and investments, June 30                                  | \$ 1,730,498                             | \$ 57,231,092 | \$ 12,619,722                         |

(Continued)

*The accompanying notes are an integral part of these financial statements.*

**City of Las Cruces**  
Statement of Cash Flows  
*Proprietary Funds*  
For the Year Ended June 30, 2019

|   | <b>Enterprise Funds</b> |                     |                        |                        |
|---|-------------------------|---------------------|------------------------|------------------------|
|   | <b>Gas</b>              | <b>Water</b>        | <b>Waste<br/>Water</b> | <b>Solid<br/>Waste</b> |
| <b>Reconciliation of operating income to net cash provided (used) by operating activities</b> |                         |                     |                        |                        |
| Operating income (loss)   | \$ (830,643)            | \$ 1,791,590        | \$ (1,781,346)         | \$ 547,622             |
| Adjustments to reconcile operating income to net cash provided by operating activities:       |                         |                     |                        |                        |
| Depreciation and amortization   | 2,684,618               | 3,647,895           | 4,374,902              | 1,622,494              |
| Noncash pension expense   | 430,113                 | 372,867             | 344,763                | 296,535                |
| Noncash OPEB expense (benefit)  | (20,934)                | (18,629)            | (18,116)               | (16,519)               |
| Provision for uncollectible accounts  | 147,145                 | (71,931)            | (76,393)               | (98,313)               |
| Decrease in liability for landfill closure costs  | -                       | -                   | -                      | (36,000)               |
| Change in assets and liabilities:   |                         |                     |                        |                        |
| Accounts receivable   | 78,034                  | (305,717)           | (185,596)              | (182,752)              |
| Inventories   | (97,343)                | (318,597)           | (522,627)              | 444,801                |
| Due to/from other funds   | -                       | -                   | -                      | -                      |
| Due from other governmental agencies  | -                       | -                   | 212,272                | -                      |
| Accounts payable  | (1,882,578)             | (5,109,762)         | (1,086,846)            | (74,279)               |
| Estimated liability for insurance claims  | -                       | -                   | -                      | -                      |
| Wages payable and accrued liabilities   | 2,540                   | 16,878              | 31,119                 | 11,077                 |
| Compensated absences  | 93,013                  | 500,223             | 151,643                | 405,415                |
| Deferred gain of revenue  | 1,483,375               | -                   | -                      | -                      |
| Net pension liability, net of noncash expense   | 520,516                 | 470,782             | 477,007                | 442,573                |
| OPEB liability, net of noncash expense  | (173,368)               | (154,283)           | (150,030)              | (136,807)              |
| Deferred outflows - NPL and OPEB  | (318,283)               | (291,328)           | (302,194)              | (285,425)              |
| Deferred inflows - NPL and OPEB   | (92,427)                | (81,738)            | (79,788)               | (70,498)               |
| Customer deposits   | 6,384                   | 6,791               | 633                    | 6,335                  |
| <b>Total adjustments</b>  | <b>2,860,805</b>        | <b>(1,336,550)</b>  | <b>3,170,752</b>       | <b>2,328,637</b>       |
| <b>Net cash provided (used) by operating activities</b>                                       | <b>\$ 2,030,162</b>     | <b>\$ 455,040</b>   | <b>\$ 1,389,406</b>    | <b>\$ 2,876,259</b>    |
| <b>Non-cash investing/financing activities</b>  |                         |                     |                        |                        |
| Capital contributions of capital assets   | \$ 298,123              | \$ 1,059,483        | \$ 875,992             | \$ -                   |
| <b>Total non-cash investing/financing activities</b>  | <b>\$ 298,123</b>       | <b>\$ 1,059,483</b> | <b>\$ 875,992</b>      | <b>\$ -</b>            |

(Continued)

*The accompanying notes are an integral part of these financial statements.*

**City of Las Cruces**  
Statement of Cash Flows  
*Proprietary Funds*  
For the Year Ended June 30, 2019

|   | <b>Enterprise Funds</b>                  |                |                                       |
|---|--|----------------|---------------------------------------|
|   | <b>Nonmajor<br/>Enterprise<br/>Funds</b> | <b>Totals</b>  | <b>Internal<br/>Service<br/>Funds</b> |
| <b>Reconciliation of operating income to net cash provided (used) by operating activities</b> |  |                |                                       |
| Operating income (loss)   | \$ (4,885,965)                           | \$ (5,158,742) | \$ (3,476,108)                        |
| Adjustments to reconcile operating income to net cash provided by operating activities:       |  |                |                                       |
| Depreciation and amortization   | 655,566                                  | 12,985,475     | 60,559                                |
| Noncash pension expense   | 255,267                                  | 1,699,545      | 132,354                               |
| Noncash OPEB expense (benefit)  | (14,882)                                 | (89,080)       | (6,722)                               |
| Provision for uncollectible accounts  | -  | (99,492)       | -                                     |
| Decrease in liability for landfill closure costs  | -  | (36,000)       | -                                     |
| Change in assets and liabilities:   |  |                |                                       |
| Accounts receivable   | (53,266)                                 | (649,297)      | (548,637)                             |
| Inventories   | -  | (493,766)      | (18,132)                              |
| Due to/from other funds   | (384,945)                                | (384,945)      | -                                     |
| Due from other governmental agencies  | -  | 212,272        | -                                     |
| Accounts payable  | (1,895)                                  | (8,155,359)    | 255,091                               |
| Estimated liability for insurance claims  | -  | -              | (286,277)                             |
| Wages payable and accrued liabilities   | 22,886                                   | 84,500         | 3,520                                 |
| Compensated absences  | 17,061                                   | 1,167,355      | (181)                                 |
| Deferred gain of revenue  | -  | 1,483,375      | -                                     |
| Net pension liability, net of noncash expense   | 406,039                                  | 2,316,917      | 166,694                               |
| OPEB liability, net of noncash expense  | (123,252)                                | (737,740)      | (55,662)                              |
| Deferred outflows - NPL and OPEB  | (271,045)                                | (1,468,275)    | (199,166)                             |
| Deferred inflows - NPL and OPEB   | (56,931)                                 | (381,382)      | 67,724                                |
| Customer deposits   | -  | 20,144         | -                                     |
| Total adjustments   | 450,603                                  | 7,474,247      | (428,835)                             |
| Net cash provided (used) by operating activities  | \$ (4,435,362)                           | \$ 2,315,505   | \$ (3,904,943)                        |
| <b>Non-cash investing/financing activities</b>  |  |                |                                       |
| Capital contributions of capital assets   | \$ -                                     | \$ 2,233,598   | \$ -                                  |
| Total non-cash investing/financing activities   | \$ -                                     | \$ 2,233,598   | \$ -                                  |

*The accompanying notes are an integral part of these financial statements.*

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# City of Las Cruces

## Statement of Fiduciary Assets and Liabilities

### *Agency Funds*

June 30, 2019

#### **Assets**

|   |    |           |
|---|----|-----------|
| Pooled cash and investments               | \$ | 4,097,191 |
| Accounts receivable                       |    | 99,525    |
| Receivable from other government agencies |    | 327,625   |
| Capital assets, net                       |    | 1,340,630 |
| Deferred outflows                         |    | 1,314,410 |
| <hr/>                                     |    |           |
| Total assets                              | \$ | 7,179,381 |
| <hr/>                                     |    |           |

#### **Liabilities**

|                               |    |           |
|-------------------------------|----|-----------|
| Accounts and contract payable | \$ | 699,992   |
| Accrued wages payable         |    | 275,650   |
| Net pension liability         |    | 3,687,757 |
| Net OPEB liability            |    | 2,452,275 |
| Deferred inflows              |    | 951,041   |
| Revenue collected in advance  |    | 4,890     |
| Fund held for others          |    | (892,224) |
| <hr/>                         |    |           |
| Total liabilities             | \$ | 7,179,381 |
| <hr/>                         |    |           |

*The accompanying notes are an integral part of these financial statements.*



**City of Las Cruces**  
Notes to Financial Statements  
June 30, 2019

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - DESCRIPTION AND REPORTING ENTITY**

The City of Las Cruces (the "City") is a municipal corporation established under the laws of the State of New Mexico and operates under a Home Rule Charter. The City was incorporated in 1946 and operates under a Council/Manager form of government consisting of a Mayor and six Council members. The Mayor is elected at-large for a four-year term. Council members are elected from six single member districts to four-year terms. Elections are held bi-annually. The City Manager, appointed by the City Council, is responsible for the management of all City employees and the administration of all City affairs.

The accompanying financial statements present the activities of the City of Las Cruces and its two component units; legally separate organizations for which the City is financially accountable. The component units are:

| <b>Component Unit</b>                              | <b>Included in the Reporting Entity Because:</b>   | <b>Separate Financial Statements</b>  |
|--|--|---|
| South Central Solid Waste Authority, (SCSWA)       | In accordance with the joint powers agreement (JPA), SCSWA revenues are the primary source of debt service for City bonds issued to construct a regional landfill and transfer station. According to GASB Statement No. 61, the SCSWA qualifies as a discretely presented component unit, due to the following reasons: There is a joint powers agreement (JPA) between the City of Las Cruces and SCSWA and the City of Las Cruces is still considered one of the largest customers for SCSWA. If SCSWA ever defaults, then the City of Las Cruces will take over the organization and pledged EGRT to cover the outstanding debt/loan/leases. The criteria of equity interest also exists and the City of Las Cruces will receive any assets if the component unit ever decides to dissolve. | Separate financial statements are available for SCSWA at 700 N. Main St., Las Cruces, New Mexico 88001. |
| Downtown Tax Increment Development District (TIDD) | The Board members for the TIDD are also the City Councilors, which allows the City to impose its will. According to GASB Statement No. 61, the TIDD qualifies as a blended component unit. Mainly due to management having operational responsibility for the blended component unit.  | Presented as a blended component unit of the City.  |

SCSWA is reported as discretely presented component unit in the accompanying financial statements while the TIDD is reported as a blended component unit.

**City of Las Cruces**  
Notes to Financial Statements  
June 30, 2019

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - BASIS OF PRESENTATION, BASIS OF ACCOUNTING**

Basis of Presentation

*Government-Wide Statements*—The statement of net position and the statement of activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Under GASB 33, the City defines “available” to be 60 days after the fiscal year end. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. Proprietary fund operating expenses include the cost of services, administrative and general expenses, and depreciation on capital assets.

*Fund Financial Statements*—The fund financial statements provide information about the City’s funds, including its fiduciary funds. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

**City of Las Cruces**  
Notes to Financial Statements  
June 30, 2019

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - BASIS OF PRESENTATION, BASIS OF ACCOUNTING  
(Continued)**

The City reports the following as major governmental funds:

*General Fund*

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 Fund*

The Debt Service fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of the governmental funds.

*Special Revenue Fund*

The Telshor Facility fund accounts for the net proceeds of the facility lease with LifePoint Hospitals, doing business as Memorial Medical Center. Lease proceeds are used for health-related programs and projects.

The City reports the following major enterprise funds:

The Gas fund accounts for the activities of the City's natural gas utility, which provides service to the residents of the City and some residents within the County.

The Water fund accounts for the activities of the City's natural water utility, which provides service to the residents of the City and some residents within the County and also includes the water development fund.

The Wastewater fund accounts for the activities of the City's wastewater utility, which provides service to the residents of the City and some residents within the County and also includes the waste water development fund.

The Solid Waste fund accounts for the activities of the City's solid waste utility, which provides service to the residents of the City and some residents within the County.

The City also reports the following fund types:

*Internal Service Funds*—used to report activities that provide goods or services to other funds, departments or agencies of the City and its component units on a cost-reimbursement basis. These activities include Internal Services and Self Insurance.

*Agency Funds*—used to account for monies held by the City in a custodial capacity. These funds do not report operations or have a measurement focus. The funds held by the City in a fiduciary capacity include: Mesilla Valley Regional Dispatch Authority; Metro Narcotics Agency; Branigan Estate (proceeds of sales of assets is used to purchase books for the library); Gifts and Memorials; Veteran's Memorial Wall; Animal Service Center of the Mesilla Valley; High Intensity Drug Trafficking Area.

**City of Las Cruces**  
Notes to Financial Statements  
June 30, 2019

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - BASIS OF PRESENTATION, BASIS OF ACCOUNTING  
(Continued)**

Measurement Focus, Basis of Accounting

*Government-Wide, Proprietary, and Fiduciary Fund Financial Statements*—The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include gross receipts and property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from gross receipts taxes are recognized when the underlying transaction takes place. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

*Governmental Fund Financial Statements*—Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, sales taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted 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 liabilities at the date of the financial statements. Actual results could differ from those estimates.

**City of Las Cruces**  
Notes to Financial Statements  
June 30, 2019

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - BASIS OF PRESENTATION, BASIS OF ACCOUNTING  
(Continued)**

Fair Value of Financial Instruments

The City's financial instruments consist of investments in securities, bonds, and notes payable. The City estimates that the fair value of all its financial instruments does not differ materially from their aggregate carrying values in the accompanying statement of net assets. The estimated fair value amounts have been determined by the City using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the City could realize in a current market exchange. None of the financial instruments are held for trading purposes.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Equity

*Cash Equivalents and Investments*

The City pools idle cash from all funds for the purpose of increasing income through investment activities. A "Pooled Cash" concept is used in maintaining the cash and investment accounts in the accounting records. Under this method, all cash is pooled for investment purposes and each fund has equity in the pooled amount. All amounts included in pooled cash and investments are considered to be cash equivalents for the purposes of the statement of cash flows.

Investments are stated at fair value.

*Restricted Cash and Investments*

The amount of cash held representing utility deposits is classified as restricted on the *Statement of Net Assets—Propriety Funds*. Also, certain proceeds of joint utility revenue bonds, as well as resources set aside for their repayment, and resources set aside to fund capital asset replacements and landfill closure obligations, are classified as restricted as their use is limited.

Receivables

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied each year on July 1 on the taxable valuation of property location in the City as of the preceding January 1. The taxable valuations for the various classes of property are determined by the County Assessor and the State of New Mexico Department of Taxation and Revenue at one-third of assessed valuation. Taxes are payable in two equal installments on November 10 and April 10 and become delinquent after 30 days. Property taxes receivable are deemed to be substantially collectible.

All trade receivables are shown net of an allowance for uncollectible amounts. The allowance for doubtful accounts is based on management's assessment of the collectability of specific customer accounts, the aging of the accounts receivable, historical experience, and other currently available evidence. Notes receivable in the statement of net assets consist of rehabilitation and redevelopment loans that are generally not expected or scheduled to be collected in the subsequent year.

**City of Las Cruces**  
Notes to Financial Statements  
June 30, 2019

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - BASIS OF PRESENTATION, BASIS OF ACCOUNTING  
(Continued)**

Inventories and Prepaid Items

Inventories are valued at cost using the weighted average cost method. The costs of governmental fund-type inventories are recorded as expenditures when 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.

Capital Assets

Capital assets are defined as assets with an initial individual cost or fair value of more than \$5,000 and an estimated useful life in excess of one year. Purchased and constructed capital assets are reported at cost or estimated historical cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The City has retroactively reported all major general infrastructures in these financial statements.

In accordance with provisions of GASB No. 34, the City regards library materials (e.g., books, tapes, etc.), as individual assets versus collections and, therefore, they are not capitalized. Museum collections and exhibits are considered a collection but are not capitalized as allowed by GASB 34. Also, the initial purchase of software meeting the City's capital asset definition is capitalized; however, periodic costs for software upgrades are not capitalized due to the rapid change in technology.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

| <u>Asset Class</u>         | <u>Estimated Useful Lives</u> |
|----------------------------|-------------------------------|
| Infrastructure             | 30–50                         |
| Land improvements          | 30                            |
| Buildings and improvements | 30                            |
| Vehicles                   | 4–12                          |
| Office equipment           | 3–10                          |
| Computer equipment         | 3–10                          |

Accounts and contracts payables

The liability for accounts and contracts payables reported in the government-wide and proprietary fund statement consist of unpaid amounts due to vendors and amounts for unpaid contracts.

Long-term Debt

In the government-wide financial statements, long-term debt is reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method or the straight-line method if the difference from the effective interest method is minimal.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing 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.

**City of Las Cruces**  
Notes to Financial Statements  
June 30, 2019

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - BASIS OF PRESENTATION, BASIS OF ACCOUNTING  
(Continued)**

Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the Public Employee Retirement Authority ("PERA") and additions to/deduction 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.

Net OPEB Liability

For purposes of measuring the net post-employment liability, deferred outflows of resources and deferred inflows of resources related to post-employment, and post-employment expenses, information about the fiduciary net position of the Retiree Health Care Act ("RCHA") and additions to/deduction from RCHA's fiduciary net position have been determined on the same basis as they are reported by RCHA, 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.

Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Pollution Remediation

The City has implemented the provisions of Government Accounting Standards Board Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. Accordingly, liabilities are accrued in government-wide and proprietary fund financial statements when certain obligating events occur. Accrued pollution remediation costs are expensed unless they meet the criteria for capitalization in GASB Statement No. 49.

Fund Balance

Prior to FY2011, the City reported the governmental fund balances as Reserved and Unreserved. Effective FY2011, the City implemented GASB 54 and reports the governmental fund balances in five categories, which include:

- 1) Non-spendable fund balance – amounts that are not in a spendable form or are required to be maintained intact. Examples are inventory or long-term receivables.
- 2) Restricted fund balance – amounts that can be spent only for the specific purposes imposed by creditors, grantors, contributors, or laws and regulations of other governments. An example is federal grants.

**City of Las Cruces**  
Notes to Financial Statements  
June 30, 2019

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - BASIS OF PRESENTATION, BASIS OF ACCOUNTING  
(Continued)**

- 3) Committed fund balance – amounts to be used for specific purposes as determined by Council resolution, a formal action of the City's highest level of decision-making authority. Commitments established by the City Council may be changed or lifted only by an action of the City Council through resolution, taking the same formal action that imposed the original constraint.
- 4) Assigned fund balance – comprises amounts *intended* to be used by the City for specific purposes. Intent can be expressed by the City Council, or by an official or body to which the City Council delegates the authority. In governmental funds other than the General Fund, assigned fund balance represents the amount that is not restricted or committed but has earmarked by the governing body by accounting them in these funds.
- 5) Unassigned fund balance – is the residual classification of the General Fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose. Only the General Fund may report "positive" amounts of unassigned Fund Balance. General Fund types other than the general fund are permitted to report "negative" amounts of unassigned fund balance and is not appropriate to report a positive unassigned balance. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned for those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

It is essential that the City maintain adequate levels of fund balance in the General Fund to mitigate revenue fluctuations and unanticipated expenditures. Therefore, the City has adopted a formal fund balance policy. The fund balance policy establishes a minimum amount to be held in the fund balance of the General Fund of 16.66%, or 2/12, of the annual budgeted expenditures. This policy applies only to the chief operating fund of the City - the General Fund. The State of New Mexico requires that a 1/12 reserve be maintained in the General Fund. The 2/12 reserve is reported in the financial statements as Unassigned Fund Balance. Total minimum fund balance was \$18,146,723 for the year ended June 30, 2019.

When multiple categories of fund balance are available for expenditure (for example, a construction project is being funded partly by a grant, funds set aside by the City Council, and unassigned fund balance), the City will start with the most restricted category and spend those funds first before moving down to the next category of available funds.



**City of Las Cruces**  
Notes to Financial Statements  
June 30, 2019

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - BASIS OF PRESENTATION, BASIS OF ACCOUNTING  
(Continued)**

The City of Las Cruces reports fund balances by specific function. These functions may include multiple purposes for the use of these fund balances. Further detail for certain major functions is listed below:

|  | General Fund | Other Funds | Total        |
|--|--------------|-------------|--------------|
| <b>Non-Spendable:</b>                    |              |             |              |
| Inventories:                             | \$ 1,702,416 | \$ -        | \$ 1,702,416 |
| <b>Restricted:</b>                       |              |             |              |
| Economic Development                     | 404,793      | 7,266,289   | 7,671,082    |
| Public Safety                            |              |             |              |
| Police                                   | -            | 568,166     | 568,166      |
| Fire                                     | 246,676      | 706,415     | 953,091      |
| Municipal Court                          | -            | 667,551     | 667,551      |
| Housing and Community Development        |              |             |              |
| MPO Planning                             | 64,157       | -           | 64,157       |
| Affordable Housing Trust                 | -            | 534,294     | 534,294      |
| Housing & Community                      | -            | 86,207      | 86,207       |
| Parks and Recreation                     | 723,102      | 4,411,979   | 5,135,081    |
| Public works                             |              |             |              |
| Streets Maintenance & Operations         | -            | 37,497,196  | 37,497,196   |
| Flood Control                            | -            | 7,957,175   | 7,957,175    |
| Facilities Maintenance                   | -            | 37,793,531  | 37,793,531   |
| Downtown                                 | -            | 1,304,045   | 1,304,045    |
| Griggs & Walnut                          | -            | 3,577,178   | 3,577,178    |
| Quality of Life                          | 752,400      | -           | 752,400      |
| Debt Service                             | -            | 12,405,231  | 12,405,231   |
| Health Related Programs                  |              |             |              |
| Held for Investments Proceeds to Benefit | -            | 46,932,765  | 46,932,765   |

(Continued)

**City of Las Cruces**  
Notes to Financial Statements  
June 30, 2019

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - BASIS OF PRESENTATION, BASIS OF ACCOUNTING (Continued)**

|                             | General Fund  | Other Funds    | Total          |
|-----------------------------|---------------|----------------|----------------|
| <b>Committed:</b>           |               |                |                |
| Health-related programs     | \$ -          | \$ 211,865     | \$ 211,865     |
| Debt Service                | 9,007,794     | 37,548         | 9,045,342      |
| Public Safety               |               |                |                |
| Police                      | 3,972,450     | -              | 3,972,450      |
| Public Works                | -             | 1,456          | 1,456          |
| Transportation              | 5,391,042     | -              | 5,391,042      |
| Quality of life             | 1,370,000     | -              | 1,370,000      |
| Subtotal                    | 23,634,830    | 161,958,891    | 185,593,721    |
| <b>Assigned to:</b>         |               |                |                |
| Economic Development        | 2,083,962     | -              | 2,083,962      |
| Public Works                | 308,349       | -              | 308,349        |
| Transportation              | 160,823       | -              | 160,823        |
| Vehicle Acquisition Fund    |               |                |                |
| Parks & Recreation Vehicle  | 32,000        | -              | 32,000         |
| Quality of Life Replacement | 12,000        | -              | 12,000         |
| City Replacement            | 65,000        | -              | 65,000         |
| Police Vehicle Replacement  | 524,505       | -              | 524,505        |
| <b>Unassigned (deficit)</b> | 20,205,335    | (906,173)      | 19,299,162     |
| <b>Total fund balance</b>   | \$ 47,026,804 | \$ 161,052,718 | \$ 208,079,522 |

**Net Position:** Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets: Consists of capital assets, net of net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The City includes unspent bond proceeds in the amount of \$58,911,208 in governmental activities, \$3,411,829 in the Gas Enterprise Fund, \$6,170,709 in the Water Enterprise Fund, and \$3,960,234 in the Waste Water Enterprise Fund. The City deducts capital-related accounts payable from the net investment in capital assets, consisting of \$3,309,057 for governmental activities, \$375,497 for the Gas Enterprise Fund, \$178,116 for the Water Enterprise Fund, and \$17,063 in the Waste Water Enterprise Fund.
- b. Restricted net position: Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted Net Position: All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

**City of Las Cruces**  
Notes to Financial Statements  
June 30, 2019

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - BASIS OF PRESENTATION, BASIS OF ACCOUNTING  
(Continued)**

Budgets

The City budget is prepared on a basis consistent with accounting principles generally accepted in the United States of America (GAAP), using an estimate of the anticipated revenues and expenditures. Annual appropriated budgets are adopted for all funds. All unexpended appropriations will lapse at the end of the fiscal year. The State of New Mexico Department of Finance and Administration (DFA) allows GAAP budgeting to the extent cash and investments required for operations are available. Budgets of the City's component unit (SCSWA) are also prepared on a GAAP basis.

New Mexico State law prohibits a municipality from making expenditures in excess of approved appropriations. For local governments the legal level of budgetary control is at the fund level. If a fund is not overspent, it is in compliance with state law. The budget may be amended by the City Council; however, DFA approval must be obtained on budget increases and budget transfers between funds.

Adoption of New Accounting Pronouncements

For the year ended June 30, 2019, the City implemented the provisions of GASB Statement No. 83, *Certain Asset Retirement Obligations*, and Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*.

New Accounting Pronouncements

The following accounting pronouncements have been recently issued, but not yet adopted by the City. Management anticipates that, upon adoption by the City, none of these statements will have a significant impact on the City's financial position or results of operations. Pronouncements that are not applicable to the City have been omitted.

- Statement No. 84: *Fiduciary Activities*
- Statement No. 87: *Leases*
- Statement No. 89: *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90: *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*
- Statement No. 91: *Conduit Debt Obligations*

**City of Las Cruces**  
Notes to Financial Statements  
June 30, 2019

**NOTE 3: CASH AND INVESTMENTS**

The City follows the practice of pooling cash and investments of all funds with the City Treasurer except for restricted funds generally held by outside custodians and certain special revenue, debt service reserve, and capital projects funds. The cash and investment pool is not reported as a trust and agency fund. Each fund's equity in the pool is included in "Cash and investments" on its balance sheet or statement of net position.

**Cash and Investments**

|                                     |               |
|-------------------------------------|---------------|
| Governmental activities             | \$ 89,469,842 |
| Business-type activities            | 23,342,830    |
| Total primary government            | 112,812,672   |
| South Central Solid Waste Authority | 4,619,587     |

**Restricted cash and investments**

|   |                |
|---|----------------|
| Governmental activities                           | 120,517,210    |
| Business-type activities                          | 33,888,262     |
| Total primary government                          | 154,405,472    |
| Fiduciary funds (less amount due to fiscal agent) | 4,097,191      |
| South Central Solid Waste Authority               | 5,514,522      |
| Total cash and investments                        | \$ 281,449,444 |

Total cash and investments at fair value are as follows:

|                                  | <b>Pooled Cash<br/>&amp; Investments</b> | <b>Other Cash<br/>&amp; Investments</b> | <b>Total</b>   |
|----------------------------------|--|---|----------------|
| Carrying amount of bank deposits | \$ 9,592,017                             | \$ 827,963                              | \$ 10,419,980  |
| Investments                      | 159,093,603                              | 83,907,939                              | 243,001,542    |
| Cash on hand                     | -  | 16,797                                  | 16,797         |
| Cash with fiscal agent           | -  | 27,342,964                              | 27,342,964     |
| Accrued interest                 | 668,161                                  | -                                       | 668,161        |
| Total cash and investments       | \$ 169,353,781                           | \$ 112,095,663                          | \$ 281,449,444 |

**Bank Balance of Deposits**

*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. The City's investment ordinance requires collateralization of 100% of the uninsured portion of the City's deposits with financial institutions. Securities pledged by financial institutions are accepted at market value, except obligations of the state of New Mexico and its subdivisions, which are accepted at par value. As of June 30, 2019, the City's deposits, totaling \$14,012,345 was insured by FDIC or collateralized by a letter of credit with FHLB CINCINNATI valued at \$25,000,000 and thus was not exposed to custodial credit risk.

**City of Las Cruces**  
Notes to Financial Statements  
June 30, 2019

**NOTE 3: CASH AND INVESTMENTS (Continued)**

Investments

The City's investment policy allows investment in: a) U.S. Treasury obligations; b) U.S. government agency and instrumentality obligations; c) repurchase agreements whose underlying securities and/or collateral consist of allowed investments described in (a) or (b) above; d) accounts of deposit at federally-insured financial institutions; e) pooled funds maintained by the State Treasurer; and f) mutual funds whose portfolios consist solely of allowed investments.

The City may also invest money identified as long-term in the pools of the New Mexico State Council (SIC) subject to annual review and approval by the City Council. The SIC is a component unit of the primary government of the State of New Mexico. The fair value of the City's position in the SIC pools is the same as the value of the pool shares.

As of June 30, 2019, the City had the following investments:

| <b>Investment Type</b>                | <b>Fair Value</b>  | <b>Weighted<br/>Avg Maturity<br/>Yrs</b> |
|---------------------------------------|--------------------|--|
| <b>Pooled Investments</b>             |                    |  |
| U.S. agency coupon and discount bonds | \$ 152,748,895     | 9.01                                     |
| U.S. treasury bills and notes         | 5,343,636          | 0.21                                     |
| Negotiable CD's                       | 1,001,072          | 0.79                                     |
| <b>Total Pooled Cash Investments</b>  | <b>159,093,603</b> |  |
| <b>Telshor Facility Fund</b>          |                    |  |
| U.S. agency coupons                   | 21,857,708         | 5.06                                     |
| External investment equity pools      | 22,800,860         | N/A                                      |
| U.S. treasury bills                   | 1,991,640          | 0.20                                     |
| <b>Total Telshor Facility Fund</b>    | <b>46,650,208</b>  |  |
| <b>Water and Waste Water</b>          |                    |  |
| U.S. agency coupon bonds              | 6,433,344          | 2.81                                     |
| <b>Total Water and Waste</b>          | <b>6,433,344</b>   |  |
| <b>Gas</b>                            |                    |  |
| U.S. agency coupon bonds              | 836,439            | 0.03                                     |
| <b>Total Water and Waste</b>          | <b>836,439</b>     |  |
| <b>Capital Projects</b>               |                    |  |
| U.S. agency coupon bonds              | 10,188,683         | 0.06                                     |
| U. S. treasury bills                  | 14,970,293         | 0.10                                     |
| <b>Total Capital Project</b>          | <b>25,158,976</b>  |  |

(Continued)

**City of Las Cruces**  
Notes to Financial Statements  
June 30, 2019

**NOTE 3: CASH AND INVESTMENTS (Continued)**

| Investment Type          | Fair Value     | Weighted<br>Avg Maturity<br>Yrs |
|--------------------------|----------------|---------------------------------|
| <b>Debt Service</b>      |                |                                 |
| U.S. agency coupon bonds | \$ 1,982,620   | 0.41                            |
| Total debt service       | 1,982,620      |                                 |
| <b>TIDD</b>              |                |                                 |
| U.S. agency coupon bonds | 2,846,352      | 0.06                            |
| Total TIDD               | 2,846,352      |                                 |
| Total investments        | \$ 243,001,542 |                                 |

*Interest Rate Risk.* The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The investment pool includes step-up coupon securities that total \$114,702,875 issued by U.S. government agencies that are callable by the issuer under certain circumstances. For purposes of calculating weighted average maturity, the City uses years to maturity.

*Credit Risk.* The City's investment policy lists the criteria for selecting investments and the order of priority as follows: 1) safety; 2) liquidity; and 3) yield. As of June 30, 2019, the City's investments in coupon bonds of U.S. agencies were rated AA+ or better by Standard & Poor's and Aaa by Moody's Investors Service. The external investment pools of the NM State Investment Council are not rated.

*Custodial Credit Risk.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that securities held in street name with a broker or dealer be insured, and that all other securities be held by the City or a third-party safekeeping financial institution acting as trustee for the City. As of June 30, 2019, all of the City's securities are held in either the street name or by a third-party financial institution in the City's name.

*Concentration of Credit Risk.* The City's formal investment policy places no limit on the amount the City may invest in any one issuer. As of June 30, 2019, 35% of the City's investment pool was in Fannie Mae (FNMA), 29% was in Federal Home Loan Mortgage Corporation (FHLMC), 27% in Federal Home Loan Bank (FHLB), 5% was in Federal Farm Credit Bank (FFCB), 3% was in U.S. Treasuries and 1% was in Certificates of Deposits. Of the Telshor Fund, 33% was in FHLB and 41% was in FFCB, 11% was in FNMA, 6% was in FAMC and 9% was in U.S. Treasuries. Of the Water and Wastewater Funds portfolio, 100% was in FHLB. Of the Gas Funds portfolio, 100% was in FHLB. Of the TIDD Funds portfolio, 100% was in FNMA. Of the Debt Service Fund portfolio 100% was FHLB. Of the Capital Projects, 26% was in FHLB, 15% was in FHLMC and 59% was in U.S. Treasuries.

**City of Las Cruces**  
Notes to Financial Statements  
June 30, 2019

**NOTE 3: CASH AND INVESTMENTS (Continued)**

*Fair Market Value Hierarchy.* The City categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets: Level 2 inputs are significant other observable inputs: Level 3 inputs are significant unobservable inputs. The valuation method for recurring fair value measurements of investments is the market approach.

The City has the following recurring fair value measurements as of June 30, 2019:

| <b>Investment Type</b>                    | <b>Level 1</b>       | <b>Level 2</b>        |
|---|----------------------|-----------------------|
| New Mexico State Investment Councils Pool | \$ 17,656,116        | \$ 5,144,744          |
| U.S. Agencies Securities                  | 11,807,729           | 185,086,310           |
| U.S. Treasuries Securities                | 22,305,569           | -                     |
| Negotiable CDs                            | -                    | 1,001,074             |
| <b>Total pooled investments</b>           | <b>\$ 51,769,414</b> | <b>\$ 191,232,128</b> |

*Investment Pools.* The City's investment in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is a 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does operate in a manner consistent with the SEC's Rule 2a7 of the Investment Act of 1940.

The City's investment in pools at June 30, 2019 are shown below:

|   | <b>Reported<br/>Amount</b> | <b>Weighted<br/>Average Fair<br/>Value</b> | <b>Maturity</b> |
|---|----------------------------|--|-----------------|
| State Investment Council Large Cap Active Equity Pool   | \$ 7,786,450               | \$ 7,786,450                               | N/A             |
| State Investment Council Large Cap Index Equity Pool    | 5,144,744                  | 5,144,744                                  | N/A             |
| State Investment Council Non-U.S. Developed Equity Pool | 3,220,062                  | 3,220,062                                  | N/A             |
| State Investment Council Mid/Small Cap Equity Pool      | 6,649,604                  | 6,649,604                                  | N/A             |

**City of Las Cruces**  
Notes to Financial Statements  
June 30, 2019

**NOTE 4: CAPITAL ASSETS**

Primary Government

Capital asset activity for the City for the year ended June 30, 2019, was as follows:

|  | Beginning<br>Balance | Increases     | Decreases    | Ending<br>Balance |
|--|----------------------|---------------|--------------|-------------------|
| Governmental activities                          |                      |               |              |                   |
| <i>Capital assets not being depreciated</i>      |                      |               |              |                   |
| Land and land rights                             | \$ 27,794,614        | \$ 412,271    | \$ -         | \$ 28,206,885     |
| Land improvements                                | 19,125,120           | -             | -            | 19,125,120        |
| Construction in progress                         | 1,421,957            | 1,727,291     | -            | 3,149,248         |
| Total capital assets not being depreciated       | 48,341,691           | 1,439,644     | -            | 50,481,253        |
| <i>Other capital assets</i>                      |                      |               |              |                   |
| Buildings and building improvements              | 153,998,650          | 6,543,534     | -            | 160,542,183       |
| Airport runways                                  | 28,519,373           | 1,037,479     | -            | 29,556,852        |
| Infrastructure                                   | 48,246               | 1,257,867     | -            | 1,306,113         |
| Park improvements                                | 24,541,028           | 591,326       | -            | 25,132,354        |
| Land improvement remediation                     | 1,667,011            | 107,562       | -            | 1,774,573         |
| Machinery and equipment                          | 55,209,702           | 5,733,757     | (1,005,070)  | 59,938,390        |
| Roads network                                    | 350,616,974          | 21,602,174    | (470,294)    | 371,748,855       |
| Flood control network                            | 37,348,228           | 3,915,974     | (25,480)     | 41,238,722        |
| Total other capital assets at cost               | 651,949,211          | 40,789,673    | (1,500,843)  | 691,238,043       |
| <i>Less accumulated depreciation for</i>         |                      |               |              |                   |
| Buildings and building improvements              | (46,048,583)         | (4,804,333)   | -            | (50,852,916)      |
| Airport runway                                   | (11,977,466)         | (867,030)     | -            | (12,844,497)      |
| Park improvements                                | (6,654,406)          | (728,730)     | -            | (7,383,136)       |
| Land improvement remediation                     | (598,968)            | (110,646)     | -            | (709,614)         |
| Machinery and equipment                          | (41,480,174)         | (3,851,994)   | 699,641      | (44,632,526)      |
| Roads network                                    | (186,249,943)        | (9,774,515)   | 445,058      | (195,579,400)     |
| Flood control network                            | (13,112,594)         | (1,045,957)   | 25,480       | (14,133,071)      |
| Total accumulated depreciation                   | (306,122,134)        | (21,183,205)  | 1,170,178    | (326,135,160)     |
| Total other capital assets at historic cost, net | 345,827,077          | 19,606,468    | (330,665)    | 415,584,136       |
| Governmental activities capital assets, net      | \$ 394,168,768       | \$ 21,046,112 | \$ (330,665) | \$ 415,584,136    |



**City of Las Cruces**  
Notes to Financial Statements  
June 30, 2019

**NOTE 4: CAPITAL ASSETS (Continued)**

Depreciation expense was charged to business-type funds as follows:

|                                   | <b>Governmental<br/>Activities</b> |
|-----------------------------------|------------------------------------|
| Police                            | \$ 1,346,258                       |
| Fire                              | 1,087,899                          |
| Quality of Life                   | 1,108,809                          |
| Public works                      | 13,473,952                         |
| Information technology (Gen Govt) | 1,833,536                          |
| Transportation                    | 114,611                            |
| Parks and Recreation              | 1,210,364                          |
| Economic Development              | 946,669                            |
| Community development             | 548                                |
| ISF depreciation expense          | 60,559                             |
| <b>Total depreciation expense</b> | <b>\$ 21,183,205</b>               |

The received donated assets in the amount of \$3,981,664 and a contribution of \$1,184,187 from ASCMV.

Land and land rights increased by \$47 thousand with the purchase of land located at 1700 E. Nevada for the Nevada Street Neighborhood Initiatives.

Construction in progress increased by approximately \$1.4 million from the Mesa Outdoor Fitness Park, two fire engines, and the 2018 GO Bond projects: park development, a new animal shelter, and the Fire Station 3 replacement. Ongoing projects include the Amador Hotel, Community Competition Pool, and Downtown Underground Infrastructure.

Airport Infrastructure increased by approximately \$1 million due to the Airfield Electrical Vault Expansion, Terminal Apron Rehabilitation, and Airport Wildlife Perimeter Fence. City infrastructure increased by \$1.25 million from the Public Safety Radio Combiner project and the University/I-25 Interchange Improvements.

Park Improvements increased by approximately \$591 thousand, which included work done on Calle Abuelo Park, Highland Community Park, Pioneer Women's Park, Veteran's Memorial Park, Klein Park Electrical Improvements, Metro Verde South Tract B Park, I-10/I-25 Landscape Improvements, the East Mesa Recreation Trail, playground equipment at various city parks, and various trail improvements.

Roads increased by approximately \$21.6 million, which included the Metro Verde South, Legends West North, and Sonoma Ranch North subdivisions, as well as street, sidewalk, lighting, and traffic control improvements on various city streets.

The City spent approximately \$5.7 million for equipment and vehicle purchases for Las Cruces Police and Fire Departments, Public Works, Parks & Recreation, Economic Development, and other city departments. Decreases in machinery and equipment were due to the retirement of items sent to auction.

**City of Las Cruces**  
Notes to Financial Statements  
June 30, 2019

**NOTE 4: CAPITAL ASSETS (Continued)**

Business Type Activities

|   | Beginning<br>Balance | Increases     | Decreases   | Ending<br>Balance |
|---|----------------------|---------------|-------------|-------------------|
| Business type activities                            |                      |               |             |                   |
| <i>Capital assets not being depreciated</i>         |                      |               |             |                   |
| Land and water rights                               | \$ 15,443,482        | \$ -          | \$ -        | \$ 15,443,482     |
| Construction in progresss                           | 599,674              | 11,289        | -           | 610,963           |
| Total capital assets not being<br>depreciated       | 16,043,156           | 11,289        | -           | 16,054,445        |
| <i>Other capital assets</i>                         |                      |               |             |                   |
| Buildings and building improvements                 | 11,460,277           | 1,403,646     | -           | 12,863,923        |
| Land improvements                                   | 335,172              | 3,519         | -           | 338,691           |
| Distribution and collection system                  | 82,411,937           | 2,189,176     | -           | 84,601,113        |
| Utilities transmission                              | 291,076,885          | 26,435,539    | (486,900)   | 317,025,524       |
| Machinery and equipment                             | 34,236,759           | 1,426,440     | (1,343,565) | 34,319,634        |
| Total other capital assets at<br>historic cost      | 419,521,030          | 31,458,320    | (1,830,464) | 449,148,885       |
| <i>Less accumulated depreciation for</i>            |                      |               |             |                   |
| Buildings and building improvements                 | (4,630,954)          | (443,562)     | -           | (5,074,516)       |
| Land improvements                                   | (250,104)            | (5,308)       | -           | (255,412)         |
| Distribution and collection system                  | (42,685,072)         | (1,457,637)   | -           | (44,142,708)      |
| Utilities transmission                              | (100,371,713)        | (7,586,147)   | 486,899     | (107,470,961)     |
| Machinery and equipment                             | (20,848,481)         | (3,492,821)   | 1,331,138   | (23,010,164)      |
| Total accumulated depreciation                      | (168,786,324)        | (12,985,475)  | 1,818,037   | (179,953,761)     |
| Total other capital assets at<br>historic cost, net | 250,734,707          | 18,472,845    | (12,428)    | 269,195,125       |
| Business type activities<br>capital assets, net     | \$ 266,777,863       | \$ 18,484,134 | \$ (12,428) | \$ 285,249,570    |

Depreciation expense was charged to business-type funds as follows:

|                            | Business<br>Type<br>Activities |
|----------------------------|--------------------------------|
| Gas                        | \$ 2,684,618                   |
| Water                      | 3,647,895                      |
| Wastewater                 | 4,374,902                      |
| Solid waste                | 1,622,494                      |
| Other                      | 655,566                        |
| Total depreciation expense | \$ 12,985,475                  |

**City of Las Cruces**  
Notes to Financial Statements  
June 30, 2019

**NOTE 4: CAPITAL ASSETS (Continued)**

The City received donations in the amount of \$2,233,598.

There were no increases or decreases in land and water rights. Construction in progress increased by \$11, 289 for construction of transit-related infrastructure.

Buildings and building improvements increased by approximately \$1.4 million primarily due to purchasing various utilities metal buildings for gas, water, wastewater, and solid waste; as well as adjusting the utilities building for upgrades, and other services.

Land improvements increased by \$3 thousand for a project to fence the recycling section of the Foothills Landfill.

Distribution and collection system increased by approximately \$2.1 million primarily due to six donated subdivisions.

Utilities transmission increased by \$25.7 million primarily due to gas, water, and wastewater infrastructure additions and associated infrastructure adjustment costs for interest. Decreases in utilities transmission were due to utilities infrastructure disposals.

The City spent approximately \$1.4 million for equipment and vehicle purchases for Utilities and Transit departments. Decreases in machinery and equipment were due to the retirement of items sent to auction, trade-ins, and items not located during the fixed asset verification.

**NOTE 5: RECEIVABLES AND PAYABLES**

Governmental activities receivables were as follows at June 30, 2019:

|  | <b>General<br/>Fund</b> | <b>Debt<br/>Service</b> | <b>Telshor<br/>Facility</b> | <b>Other<br/>Governmental<br/>Funds</b> | <b>Internal<br/>Service<br/>Funds</b> | <b>Total<br/>Governmental<br/>Activities</b> |
|--|-------------------------|-------------------------|-----------------------------|---|---------------------------------------|--|
| Accounts                                 | \$ 1,068,431            | \$ -                    | \$ -                        | \$ 4,646,992                            | \$ 556,707                            | \$ 6,272,130                                 |
| Dockets                                  | 5,201,161               | -                       | -                           | -                                       | -                                     | 5,201,161                                    |
| Interest                                 | -                       | -                       | 109,148                     | 3,254,851                               | -                                     | 3,363,999                                    |
| Contracts                                | -                       | -                       | -                           | 4,282,266                               | -                                     | 4,282,266                                    |
| Special assessments                      | -                       | 6,936,243               | -                           | 5,354,577                               | -                                     | 12,290,820                                   |
| Less: allowance for<br>doubtful accounts | (5,266,300)             | -                       | -                           | (3,272,488)                             | -                                     | (8,538,788)                                  |
| Total governmental<br>receivables        | \$ 1,003,292            | \$ 6,936,243            | \$ 109,148                  | \$ 14,266,198                           | \$ 556,707                            | \$ 22,871,588                                |

**City of Las Cruces**  
Notes to Financial Statements  
June 30, 2019

**NOTE 5: RECEIVABLES AND PAYABLES (Continued)**

Governmental Activities

Special assessments receivables of \$4,974,340 and related interest receivables of \$2,904,298 represent amounts due from local developers to reimburse the City for the construction of subdivisions or other improvements for residential development. Though a majority of special assessments are not scheduled for collection within the next fiscal year, amounts are expected to be fully collected. The receivables are deferred and reported in the Sonoma Ranch fund.

Governmental activities due from other governments were as follows at June 30, 2019:

|   | <b>General<br/>Fund</b> | <b>Debt<br/>Service</b> | <b>Other<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Activities</b> |
|---|-------------------------|-------------------------|---|--|
| Taxes   |                         |                         |   |  |
| Property tax  | \$ 819,519              | \$ 220,464              | \$ 341,279                              | \$ 1,381,262                                 |
| GRT tax   | 14,704,067              | -                       | 1,591,778                               | 16,295,845                                   |
| Gas tax   | -                       | -                       | 304,798                                 | 304,798                                      |
| TIDD tax  | -                       | -                       | 88,351                                  | 88,351                                       |
| MVD tax   | 96,325                  | -                       | -                                       | 96,325                                       |
| Federal   | 524                     | -                       | 224,173                                 | 224,697                                      |
| State   | 19,536                  | -                       | 1,545,465                               | 1,565,001                                    |
| Local   | -                       | -                       | 56,273                                  | 56,273                                       |
| Other   | 338,776                 | -                       | -                                       | 338,776                                      |
| Total governmental<br>due from other<br>governments | \$ 15,978,747           | \$ 220,464              | \$ 4,152,117                            | \$ 20,351,328                                |

Business-type activities receivables were as follows at June 30, 2019:

|                                | <b>Accounts<br/>Receivable</b> | <b>Allowance<br/>for Doubtful<br/>Accounts</b> | <b>Accounts<br/>Receivables,<br/>Net</b> |
|--------------------------------|--------------------------------|--|--|
| Gas                            | \$ 2,073,910                   | \$ (791,794)                                   | \$ 1,282,116                             |
| Water                          | 3,568,237                      | (415,220)                                      | 3,153,017                                |
| Waste water                    | 1,980,192                      | (340,654)                                      | 1,639,538                                |
| Solid waste                    | 2,372,913                      | (454,232)                                      | 1,918,681                                |
| Other enterprise funds         | 229,221                        | (4,100)  | 225,121                                  |
| Total business-type activities | \$ 10,224,473                  | \$ (2,006,000)                                 | \$ 8,218,473                             |

**City of Las Cruces**  
Notes to Financial Statements  
June 30, 2019

**NOTE 5: RECEIVABLES AND PAYABLES (Continued)**

Business-type Activities

The accounts receivable for business-type activities are related to the provision of utility services to City customers. Receivables are shown net of an allowance for doubtful accounts. The allowance for doubtful accounts is based on management's assessment of the collectability of specific customer accounts, the aging of the accounts receivable, historical experience, and other currently available evidence.

Due from other governments for business-type activities consists of receivables from the Federal and State governments for transit-related grants in the nonmajor proprietary funds, of \$714,003 and \$475, respectively, and contractual amounts due from other governments in the Water Proprietary Fund of \$9,756.

Governmental activities accounts payable and accrued liabilities at June 30, 2019 were as follows:

|                                      | <b>Vendors</b>       | <b>Accrued<br/>Salaries<br/>and Benefits</b> | <b>Accrued<br/>Taxes</b> | <b>Total<br/>Accounts<br/>Payables<br/>and Accrued<br/>Liabilities</b> |
|--------------------------------------|----------------------|--|--------------------------|--|
| <i>Governmental activities</i>       |                      |  |                          |  |
| General Fund                         | \$ 2,531,580         | \$ 1,807,030                                 | \$ 71,035                | \$ 4,409,645   |
| Debt Service                         | -                    | -  | -                        | -  |
| Telshor Facility                     | -                    | -  | -                        | -  |
| Other governmental                   | 6,750,169            | 60,695                                       | -                        | 6,810,864  |
| Internal service funds               | 822,169              | 31,466                                       | -                        | 853,635  |
| <b>Total governmental activities</b> | <b>\$ 10,103,918</b> | <b>\$ 1,899,191</b>                          | <b>\$ 71,035</b>         | <b>\$ 12,074,144</b>   |

Business-type activities accounts payable and accrued liabilities at June 30, 2019 were as follows:

|   | <b>Vendors</b>      | <b>Salaries<br/>and Benefits</b> | <b>Accrued<br/>Interest</b> | <b>Taxes<br/>Payable</b> | <b>Total<br/>Payables<br/>and Accrued<br/>Liabilities</b> |
|---|---------------------|----------------------------------|-----------------------------|--------------------------|---|
| <i>Business-type activities</i>           |                     |                                  |                             |                          |   |
| Gas                                       | \$ 642,132          | \$ 111,001                       | \$ 28,333                   | \$ 61,657                | \$ 843,123  |
| Water                                     | 808,997             | 110,786                          | 174,312                     | 91,388                   | 1,185,483   |
| Waste water                               | 396,370             | 112,590                          | 74,885                      | 51,741                   | 635,586   |
| Solid waste                               | 113,756             | 54,999                           | 3,655                       | 61,536                   | 233,946   |
| Other enterprise funds                    | 36,508              | 76,287                           | -                           | 2,527                    | 115,322   |
| <b>Total business-type<br/>activities</b> | <b>\$ 1,997,763</b> | <b>\$ 465,663</b>                | <b>\$ 281,185</b>           | <b>\$ 268,849</b>        | <b>\$ 3,013,460</b>                                       |

**City of Las Cruces**  
Notes to Financial Statements  
June 30, 2019

**NOTE 6: INTERFUND ASSETS, LIABILITIES AND TRANSFERS**

Primary Government

Governmental interfund receivable and interfund payables as of June 30, 2019 were as follows:

|                                      | Interfund<br>Receivable | Interfund<br>Payable  | Total        |
|--------------------------------------|-------------------------|-----------------------|--------------|
| <b>Governmental activities</b>       |                         |                       |              |
| <i>General fund</i>                  |                         |                       |              |
| Nonmajor governmental funds          | \$ 2,356,860            | \$ -                  | \$ 2,356,860 |
| <i>Nonmajor governmental funds</i>   |                         |                       |              |
| General fund                         | -                       | (2,356,860)           | (2,356,860)  |
| <b>Total governmental activities</b> | <b>\$ 2,356,860</b>     | <b>\$ (2,356,860)</b> | <b>\$ -</b>  |

The governmental fund balances reflect short-term advances from the general fund to funds with a credit cash balance. Credit cash balances are related to grant activity where grant expenditure are followed by grant reimbursements. Grant funding is generally used for senior programs, certain police activities, and capital grant for equipment, roadways flood controls, and airport improvements.

Business-type Activities

Business-type activities interfund receivable and interfund payables as of June 30, 2019 were as follows:

|                                       | Interfund<br>Receivable | Interfund<br>Payable  | Total          |
|---------------------------------------|-------------------------|-----------------------|----------------|
| <b>Business-type activities</b>       |                         |                       |                |
| <i>Major enterprise funds</i>         |                         |                       |                |
| Water Fund                            | \$ -                    | \$ (1,144,597)        | \$ (1,144,597) |
| Water Fund                            | -                       | (2,166,714)           | (2,166,714)    |
| Water Fund                            | 1,144,597               | -                     | 1,144,597      |
| Waste Water Fund                      | 2,166,714               | -                     | 2,166,714      |
| <b>Total business-type activities</b> | <b>\$ 3,311,311</b>     | <b>\$ (3,311,311)</b> | <b>\$ -</b>    |

The business-type activities interfund balance reflect long-term advance of pooled cash between utilities. The water development fund, included in the water fund borrowed cash from the waste water development fund, included in the waste water fund in fiscal year 2012, with a ten-year repayment schedule including interest. The water development fund advance will be repaid in 2023.

**City of Las Cruces**  
Notes to Financial Statements  
June 30, 2019

**NOTE 6: INTERFUND ASSETS, LIABILITIES AND TRANSFERS (Continued)**

Interfund transfers for the fiscal year ended June 30, 2019 consisted of the following:

| Transfers From                                  | Transfers To    | Amount       |              | Purpose                            |
|---|-----------------|--------------|--------------|------------------------------------|
|   |                 | 2019         | 2018         |                                    |
| BETWEEN GOVERNMENTAL AND BUSINESS-TYPE COLUMNS: |                 |              |              |                                    |
| Operating or Debt Subsidy:                      |                 |              |              |                                    |
| General Fund                                    | Transit Funds   | \$ 1,956,445 | \$ 2,136,615 | Operating subsidy for transit fund |
| Gasoline Tax Fund                               | Transit Funds   | 615,094      | 837,700      | Operating subsidy for transit fund |
| Telshor Facility fund                           | Transit Funds   | 897,929      | -            | Operating subsidy for transit fund |
| General Fund                                    | Theatre Fund    | 120,000      | 120,000      | Operating subsidy for theatre fund |
| Nonmajor  |                 |              |              |                                    |
| governmental funds                              | Theatre Fund    | 14,473       | -            | Operating subsidy for theatre fund |
| SCSWA   | Debt Service    | 11,242       |              | Debt service subsidy from pledged  |
| Revenue Allocation:                             |                 |              |              |                                    |
| Environmental gross receipts tax fund           | Wastewater fund | 1,381,162    | 1,592,537    | Transfer share of tax revenue      |

(Continued)

**City of Las Cruces**  
Notes to Financial Statements  
June 30, 2019

**NOTE 6: INTERFUND ASSETS, LIABILITIES AND TRANSFERS (Continued)**

| Transfers From   | Transfers To                | Amount    |           | Purpose  |
|--|-----------------------------|-----------|-----------|--|
|  |                             | 2019      | 2018      |  |
| BETWEEN FUNDS WITHIN GOVERNMENTAL OR BUSINESS-TYPE COLUMNS |                             |           |           |  |
| Operating or Debt Subsidy:                                 |                             |           |           |  |
| General fund   | General fund                | 3,204,584 | 4,445,000 | Transfer between general funds                         |
| General fund   | Debt service funds          | 8,122,444 | 8,422,958 | Debt Service for subsidy from pledged revenues         |
| General fund   | Nonmajor governmental funds | 892,291   | 1,470,000 | Transfer to prisoner care and affordable housing       |
| General fund   | Internal service funds      | 2,650,000 | 6,965,000 | Funding for City fleet and insurance funds             |
| Debt service funds   | Debt service funds          | -         | 14,580    | Transfer excess reserves to debt service funds         |
| Debt service funds   | General fund                | -         | 169       | Transfer excess debt service funds to general fund     |
| Debt service funds   | Nonmajor governmental funds | -         | 305       | Transfer excess debt service funds to non major funds  |
| Nonmajor governmental funds                                | Debt service funds          | 6,763,745 | 5,313,739 | Debt service subsidy from pledged revenues             |
| Nonmajor governmental funds                                | General fund                | 3,089,336 | 2,627,381 | Transfers for administrative and engineering costs     |
| Internal service funds                                     | General fund                | -         | -         | Move services to general fund, administrative fees     |
| Internal service funds                                     | Internal service funds      | 2,400,000 | -         | Transfer between internal service funds                |
| Telshor Facility fund                                      | General fund                | -         | 448,024   | Funding for general operations and vehicle acquisition |
| Nonmajor governmental funds                                | Nonmajor governmental funds | -         | 5,406,582 | Transfer between nonmajor governmental funds           |
| Capital Contributions:                                     |                             |           |           |  |
| Nonmajor governmental funds                                | Nonmajor governmental funds | 3,070,000 | 2,678,460 | Transfer to capital projects                           |
| General fund   | Nonmajor governmental funds | 513,770   | 6,100,000 | Transfer to capital improvement reserves               |
| Revenue Allocation:  |                             |           |           |  |
| Telshor Facility fund                                      | Nonmajor governmental funds | 1,000,000 | 872,429   | Recurring allocation of special revenue                |
| Environmental gross receipts tax fund                      | Nonmajor governmental funds | 358,148   | 388,733   | Transfer share of tax revenue                          |
| Gasoline tax fund  | Nonmajor governmental funds | -         | 2,774,882 | Transfer share of tax revenue                          |

Transfers are used for (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.



**City of Las Cruces**  
Notes to Financial Statements  
June 30, 2019

**NOTE 7: LONG-TERM LIABILITIES**

Primary Government

Changes in long-term liabilities are as follows:

**Governmental activities**

|  | Balance<br>June 30, 2018 | Additions     | Deletions     | Balance<br>June 30, 2019 | Due Within<br>One Year |
|--|--------------------------|---------------|---------------|--------------------------|------------------------|
| General obligation bonds   | \$ -                     | \$ 18,000,000 | \$ -          | \$ 18,000,000            | \$ 4,050,000           |
| Tax Revenue bonds  | 99,845,000               | -             | 8,330,000     | 91,515,000               | 8,790,000              |
| Unamortized premium/discount<br>on sales tax revenue bonds                     | 5,734,548                | -             | 451,047       | 5,283,501                | 451,049                |
| Bonds from direct borrowing<br>and direct placements                           | -                        | 9,600,000     | 545,000       | 9,055,000                | 1,055,000              |
| Unamortized premium/discount<br>from direct borrowing and<br>direct placements | -                        | 1,286,141     | -             | 1,286,141                | 107,179                |
| Note payable   | 12,557,332               | 3,994,664     | 2,806,619     | 13,745,377               | 2,719,871              |
| Pollution remediation  | 7,359,858                | -             | -             | 7,359,858                | -                      |
| Estimated liability for insurance<br>claims                                    | 7,117,750                | 134,353       | 421,322       | 6,830,781                | 1,936,783              |
| Compensated absences   | 3,831,259                | 6,198,440     | 5,819,716     | 4,209,983                | 842,017                |
|  | \$ 136,445,747           | \$ 39,213,598 | \$ 18,373,704 | \$ 157,285,641           | \$ 19,951,899          |

**Business-Type Activities**

|  | Balance<br>June 30, 2018 | Additions     | Deletions     | Balance<br>June 30, 2019 | Due Within<br>One Year |
|--|--------------------------|---------------|---------------|--------------------------|------------------------|
| Utility revenue bonds  | \$ 94,445,000            | \$ -          | \$ 5,200,000  | \$ 89,245,000            | \$ 5,530,000           |
| Unamortized premium/discount<br>on utility revenue bonds       | 5,052,101                | -             | 337,134       | 4,714,967                | 337,134                |
| Notes payable from direct<br>borrowing and direct<br>placement | 6,714,765                | -             | 741,704       | 5,973,061                | 607,858                |
| Landfilled closure and post-<br>closure costs (Note 8)         | 828,000                  | -             | 36,000        | 792,000                  | 36,000                 |
| Compensated absences   | 1,082,472                | 1,719,535     | 1,570,009     | 1,231,998                | 246,398                |
|  | \$ 108,122,338           | \$ 1,719,535  | \$ 7,884,847  | \$ 101,957,026           | \$ 6,757,390           |
| Total long-term debt   | \$ 244,568,085           | \$ 40,933,133 | \$ 26,258,551 | \$ 259,242,667           | \$ 26,709,289          |

Claims and judgment liabilities have typically been liquidated in the general fund and the self-insurance fund (an internal service fund). Compensated absences typically have been liquidated in the fund to which the employees are assigned. For governmental activities, most compensated absences liquidate in the general fund. For business-type activities, each major fund and transit have a significant share of the liquidations. The balances for compensated absences and claims and adjustments are adjusted to include all internal service fund balances in governmental activities.

**City of Las Cruces**  
Notes to Financial Statements  
June 30, 2019

**NOTE 7: LONG-TERM LIABILITIES (Continued)**

General Obligation Bonds

The City held a special election on August 21, 2018. The electors of the City authorized the issuance of general obligation bonds to secure funds for the following purpose in the following amounts: Question 1 - \$16.9 million to construct improvements to parks, including sport fields and other related facilities; Question 2 - \$9.8 million to construct a new animal shelter facility and related improvement facilities; Question 3 - \$6.2 million to construct a replacement fire station facility for Fire Station 3, including acquisition of necessary land; Question 4 - \$2.7 million to construct and improve recreational walking, jogging, and biking trails including acquisition of necessary land.

In 2019, the City issued \$18 million in General Obligation Bonds, Series 2019 with an average coupon rate of 4.41%. The proceeds of these bonds were used as follows: Question 1 - \$6,491,090, Question 2 - \$6,103,470, Question 3 - \$4,156,980 and Question 4 - \$1,248,460. The bonds require annual principal payments and semi-annual interest payments through August 1, 2030.

The Constitution of the State of New Mexico limits the amount of general-purpose general obligation bonds that may be issued by a municipality to four percent of the taxable valuation of property located within the City. At June 30, 2019, assessed valuation is \$2,441,185,014 for a maximum bonding capacity of \$97,647,401. Total general obligation debt outstanding at year end was \$18,000,000 with remaining debt capacity of \$79,647,401.

General obligation bonds payable is as follows:

| <b>Purpose</b>                         | <b>Original<br/>Date</b> | <b>Due<br/>Date</b> | <b>Issue</b>  | <b>Balance<br/>Outstanding</b> | <b>Interest<br/>Rates %</b> |
|--|--------------------------|---------------------|---------------|--------------------------------|-----------------------------|
| Facilities and improve<br>trails/parks | 3/13/2019                | 2030                | \$ 18,000,000 | \$ 18,000,000                  | 3-5                         |
|  |                          |                     |               | \$ 18,000,000                  | \$ 18,000,000               |

Future debt service requirement for general obligation bonds is:

| <b>Year Ending June 30,</b> | <b>Principal</b> | <b>Interest</b> | <b>Total</b>  |
|-----------------------------|------------------|-----------------|---------------|
| 2020                        | \$ 4,050,000     | \$ 632,844      | \$ 4,682,844  |
| 2021                        | 4,100,000        | 526,050         | 4,626,050     |
| 2022                        | 985,000          | 398,925         | 1,383,925     |
| 2023                        | 985,000          | 349,675         | 1,334,675     |
| 2024                        | 985,000          | 300,425         | 1,285,425     |
| 2025-2029                   | 4,925,000        | 788,000         | 5,713,000     |
| 2030-2034                   | 1,970,000        | 59,100          | 2,029,100     |
|                             | \$ 18,000,000    | \$ 3,055,019    | \$ 21,055,019 |

**City of Las Cruces**  
Notes to Financial Statements  
June 30, 2019

**NOTE 7: LONG-TERM LIABILITIES (Continued)**

Description of Bonds

In 2010, Municipal Gross Receipts Revenue Refunding Bonds, Series A and B, were issued to refund the 1999 A and B Gross Receipts Tax Bonds and the 2006 Street Improvement and Flood Control NMFA notes. The bonds are secured by a pledge of certain future gross receipts tax through maturity. For the current year, such pledged revenues totaled \$14.6 million. Principal payments on the bonds for the current year for the Series A and Series B bonds were \$510,000 and \$190,000, respectively. Interest payments were \$46,950 and \$17,700, respectively.

State-shared Gross Receipts Tax Revenue Bonds, Series 2010, were issued to refund the 2008 NMFA Convention Center note. The bonds are secured through maturity by state-shared gross receipts tax and lodger's tax revenues. Such revenues totaled \$39.5 million in 2018. For the current year, principal and interest paid was \$675,000 and \$915,206, respectively.

In 2012, Municipal Gross Receipts Revenue Bonds, Series 2011A and 2011B were issued to fund street and facilities improvements and improve flood control. Series 2011A bonds are secured by state-shared gross receipts tax revenues through maturity. These pledged revenues were \$37.1 million in 2019. Series 2011B bonds are secured by certain future gross receipts tax through maturity. In fiscal year 2019, such pledged revenues totaled \$7.5 million. Principal payments on the bonds for the current year for the Series A and Series B bonds were \$940,000 and \$95,000, respectively. Interest payments were \$195,925 and \$9,969, respectively.

State-shared Gross Receipts Tax Revenue Bonds, Series 2014, were issued to fund roadway construction and facility construction and equipment. The bonds are secured through maturity by state-shared gross receipts tax revenues. Such revenues totaled \$37.4 million in 2018. For the current year, principal and interest paid was \$750,000 and \$184,350 respectively.

In 2014, Municipal Gross Receipts Revenue Bonds, Series 2014A and 2014B were issued to fund street improvements and improve flood control. Series 2014A bonds are secured by certain future gross receipts tax through maturity. For the current year, such pledged revenues totaled \$7.5 million. Series 2014B bonds are secured by certain future gross receipts tax through maturity. In fiscal year 2019, such pledged revenues totaled \$7.5 million. Principal payments on the bonds for the current year for the Series A and Series B bonds were \$400,000 and \$150,000, respectively. Interest payments were \$146,719 and \$22,200 respectively.

The City issued \$19,195,000 bond par amount in State-shared Gross Receipts Tax Refunding Bonds, Series 2015 to defease and refund the Series 2005 State-shared Gross Receipts tax bonds and pay the costs of issuance. The proceeds for the advance refunding were deposited in an irrevocable trust and the associated debt was defeased and subsequently called on June 1, 2015. The true interest cost on the new bond series is 2.73 percent with a final maturity of June 1, 2035. The net present value savings resulting from this refunding is \$2,724,805. The difference in cash flow requirements to service the old debt of \$29,526,983 and the cash flows to service the debt of \$26,014,758 is \$3,512,225. The bonds are secured through maturity by state-shared gross receipts tax revenues. Such revenues totaled \$37.1 million in 2019. For the current year, principal and interest paid was \$670,000 and \$524,088 respectively.

In 2015, Hold Harmless Gross Receipts Revenue Bonds, Series 2015A and 2015B were issued to fund street and facility improvements and economic development projects. The Series 2015A and 2015B bonds are secured by certain future gross receipts tax through maturity. For the current year, such pledged revenues totaled \$10.2 million. Principal payments on the bonds for the current year for the Series A and Series B bonds were \$840,000 and \$155,000 respectively. Interest payments were \$763,775 and \$139,779, respectively.

**City of Las Cruces**  
Notes to Financial Statements  
June 30, 2019

**NOTE 7: LONG-TERM LIABILITIES (Continued)**

Taxable Subordinate Lien State-shared Gross Receipts Improvement Revenue Bonds, Series 2016 were issued to fund street and infrastructure improvements in the Metro Verde development area. The Series 2016 bonds are secured by a subordinate lien on certain future gross receipts tax through Maturity. For the current year, such pledged revenues totaled \$37.1 million. The City expects to be reimbursed for costs of the project through the Metro Verde Voluntary Assessment District. Principal and interest payments on the bonds for the current year were \$510,000 and \$282,253 respectively.

The City issued \$5,000,000 bond par amount in Flood Control Municipal Gross Receipts Tax Bonds, Series 2016. The bonds were issued to fund various flood control projects within the City. The Series 2016 bonds are secured by the fifth one-quarter of one percent municipal gross receipts tax revenues. For fiscal year 2019, such pledged revenues totaled \$7.5 million. Principal and interest payments on the Series 2016 bonds in the current year were \$710,000 and \$156,700 respectively.

In 2017, State-Shared Gross Receipts Tax Revenue Bonds, Series 2017 were issued to fund street and facility construction and improvement projects. The Series 2017 bonds are secured through maturity by state-shared gross receipts tax revenues. For the current year, such pledged revenues totaled \$37.1 million. Principal and interest payments on the bonds in the current year were \$1,735,000 and \$435,550 respectively.

In 2018, the City issued \$9.6 million in Hold Harmless Gross Receipts Revenue Bonds, Series 2018 in a private placement with the New Mexico Finance Authority. The proceeds of these bonds were used for the construction of a competitive pool enclosure. The Series 2018 bonds are secured by certain future gross receipts tax through maturity. For the current year, such pledged revenues totaled \$10.2 million. Principal and interest payments on the bonds in the current year were \$545,000 and \$134,957 respectively.

In the event of default, the holder or holders of not less than 25% in aggregate principal amount of the bonds may proceed against the City to protect and enforce their rights under the Bond Ordinances.

**City of Las Cruces**  
Notes to Financial Statements  
June 30, 2019

**NOTE 7: LONG-TERM LIABILITIES (Continued)**

Debt Service Requirements

Tax revenue bonds payable by governmental activities are summarized as follows:

| Type   | Purpose                        | Original Date | Due Date | Issue          | Balance Outstanding | Interest Rates % |
|--|--------------------------------|---------------|----------|----------------|---------------------|------------------|
| Gross receipts tax refunding                           | Street projects refunding      | 9/28/2010     | 2021     | \$ 12,255,000  | \$ 1,055,000        | 2.5-3.0          |
| Gross receipts tax refunding                           | Flood control refunding        | 9/28/2010     | 2021     | 4,390,000      | 400,000             | 2.5-3.0          |
| Gross receipts tax refunding                           | Convention center refunding    | 9/28/2010     | 2037     | 24,330,000     | 19,105,000          | 2.0-5.0          |
| Gross receipts tax refunding                           | Facilities and improve streets | 7/19/2011     | 2023     | 9,640,000      | 4,130,000           | 3.0-4.0          |
| Gross receipts tax refunding                           | Flood control                  | 7/19/2011     | 2021     | 1,530,000      | 200,000             | 2.0-3.63         |
| Gross receipts tax refunding                           | Facilities and improve streets | 7/29/2014     | 2026     | 10,000,000     | 5,745,000           | 2.0-4.0          |
| Gross receipts tax refunding                           | Street improvement             | 7/29/2014     | 2028     | 8,000,000      | 4,055,000           | 2.0-4.0          |
| Gross receipts tax refunding                           | Flood control                  | 7/29/2014     | 2024     | 1,500,000      | 690,000             | 2.0-3.0          |
| Gross receipts tax refunding                           | City Hall refunding            | 3/11/2015     | 2035     | 19,195,000     | 14,920,000          | 2.25-4.0         |
| Gross receipts tax refunding                           | Facilities and improve streets | 11/27/2015    | 2035     | 23,075,000     | 19,415,000          | 3.0-5.0          |
| Gross receipts tax refunding                           | Economic Development           | 10/27/2015    | 2035     | 4,020,000      | 3,485,000           | 3.0-4.13         |
| Gross receipts tax refunding                           | Streets in assessment district | 4/5/2016      | 2031     | 8,585,000      | 7,575,000           | 3.1-3.75         |
| Gross receipts tax refunding                           | Flood control                  | 8/24/2016     | 2028     | 5,000,000      | 2,990,000           | 2.0-5.0          |
| Gross receipts tax refunding                           | Facilities and improve streets | 6/22/2017     | 2029     | 10,570,000     | 7,750,000           | 3.0-5.0          |
| Total bonds  |                                |               |          | 142,090,000    | 91,515,000          |                  |
| Gross receipts tax revenue                             | Pool Cover                     | 9/28/2018     | 2027     | 9,600,000      | 9,055,000           | 1.46-2.51        |
| Total bonds from direct borrowing and direct placement |                                |               |          | 9,600,000      | 9,055,000           |                  |
| Total tax revenue bonds payable                        |                                |               |          | \$ 151,690,000 | \$ 100,570,000      |                  |

**City of Las Cruces**  
Notes to Financial Statements  
June 30, 2019

**NOTE 7: LONG-TERM LIABILITIES (Continued)**

Future debt service requirements for governmental activities revenue bonds are:

| Year Ending June 30, | Bonds         |               | Bonds from Direct Borrowings<br>and Direct Placement |            | Total          |
|----------------------|---------------|---------------|--|------------|----------------|
|                      | Principal     | Interest      | Principal  | Interest   |                |
| 2020                 | \$ 8,790,000  | \$ 3,497,268  | \$ 1,055,000   | \$ 191,980 | \$ 13,534,248  |
| 2021                 | 7,205,000     | 3,128,793     | 1,080,000  | 174,889    | 11,588,682     |
| 2022                 | 6,580,000     | 2,842,643     | 1,090,000  | 155,557    | 10,668,200     |
| 2023                 | 6,855,000     | 2,571,093     | 1,115,000  | 134,629    | 10,675,722     |
| 2024                 | 5,900,000     | 2,301,819     | 1,140,000  | 111,771    | 9,453,590      |
| 2025-2029            | 27,525,000    | 8,234,363     | 3,575,000  | 177,204    | 39,511,567     |
| 2030-2034            | 21,280,000    | 3,820,243     | -  | -          | 25,100,243     |
| 2035-2037            | 7,380,000     | 503,131       | -  | -          | 7,883,131      |
|                      | \$ 91,515,000 | \$ 26,899,353 | \$ 9,055,000   | \$ 946,030 | \$ 128,415,383 |

Defeased Bonds

During prior fiscal years, the City entered into various advance refunding transactions related to certain of its bonded debt. A portion of the proceeds of the refunding issues was placed in trust and used to purchase securities of the U.S. government and related agencies at various interest rates and maturities sufficient to meet all debt service requirements of the refunded debt. The assets are administered by trustees and are restricted for retirement of refunded debt. The liability for the refunded bonds and the related securities and escrow accounts are not included in the accompanying financial statements since the City defeased its obligation for the payment of the refunded debt upon completion of the refunding transactions.

As of June 30, 2019, no defeased bonds are outstanding.

Non-recourse (Conduit) Debt

The City has issued Industrial Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are obligated for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2019, no Industrial Revenue bonds are outstanding. In November 2018, F&A Dairy Products redeemed all outstanding Industrial Revenue bonds.

Arbitrage

Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986 is subject to arbitrage rebate requirements. The requirements stipulate, in general, that the earnings from the investment of tax-exempt bond proceeds, which exceed related interest expenditures on the bonds, must be remitted to the federal government on every fifth anniversary of each bond issue. The City periodically engages an independent consultant to determine whether the City has an arbitrage liability. No arbitrage liability is reported in the financial statements as of June 30, 2019.

**City of Las Cruces**  
Notes to Financial Statements  
June 30, 2019

**NOTE 7: LONG-TERM LIABILITIES (Continued)**

Governmental Activities Notes Payable

Details of governmental activities notes payable are:

| Type           | Purpose                 | Original Date | Due Date | Original Issue | Outstanding   | Interest Rates % |
|----------------|-------------------------|---------------|----------|----------------|---------------|------------------|
| 2009 NMFA Note | Parking deck            | 1/23/2009     | 2021     | \$ 4,999,890   | \$ 500,000    | 3.25-5.50        |
| 2010 NMFA Note | Fire apparatus          | 7/30/2010     | 2020     | 938,875        | 163,724       | 0.59-3.34        |
| 2010 NMFA Note | Griggs Walnut           | 1/18/2008     | 2032     | 1,478,799      | 1,051,362     | 2.00             |
| 2010 HUD Loan  | Facilities              | 7/21/2010     | 2030     | 2,000,000      | 1,416,000     | 2.00             |
| 2011 NMFA Note | Fire apparatus          | 11/18/2011    | 2019     | 964,250        | -             | 0.23-1.83        |
| 2014 NMFA Note | SCSWA projects          | 6/20/2014     | 2023     | 2,780,000      | 1,430,000     | 0.25-3.31        |
| 2014 NMFA Note | Fire apparatus          | 12/12/2014    | 2022     | 443,325        | 182,419       | 0.21-1.86        |
| 2016 NMFA Note | Various heavy equipment | 2/24/2017     | 2023     | 3,203,527      | 2,077,504     | 1.05-2.05        |
| 2016 NMFA Note | Street improvements     | 6/9/2017      | 2030     | 5,115,000      | 3,465,000     | 0.94-2.59        |
| 2018 NMFA Note | Fire apparatus          | 7/27/2018     | 2025     | 1,419,664      | 1,253,368     | 1.48-2.21        |
| 2018 NMFA Note | Street heavy equipment  | 11/21/2018    | 2025     | 2,575,000      | 2,206,000     | 1.88-2.59        |
|                |                         |               |          | \$ 25,918,330  | \$ 13,745,377 |                  |

The 2010 NMFA-Fire apparatus loan is secured through maturity by fire protection fund revenues which totaled \$785,327 in 2019. The 2010 NMFA Griggs Walnut Plume note is secured by the 1995 environmental gross receipts tax revenues which totaled \$1,874,371 in 2019. The 2010 HUD loan is secured by The Museum of Nature and Science property in the City. The 2014 SCSWA Projects loan is secured by the SCSWA operating revenues and City and County Environmental Gross Receipts taxes. The 2016 NMFA streets improvement is secured by the first 1/4% increment of the municipal gross receipts tax revenues which totaled \$7.5 million in 2019. The 2018 Gas Tax loan is secured by gasoline tax revenues which totaled \$1,741,423 in 2019. The 2018 NMFA fire apparatus loan is secured by the second 1/4% increment of the municipal gross receipts tax revenue which totaled \$7.5 million in 2019.

The remaining notes payable in the table above are secured through maturity by the state-shared gross receipts tax which totaled \$37.1 million in 2019.

Principal and interest paid on the outstanding notes in the current year was \$2,806,619 and \$350,171 respectively.

In the event of default, NMFA may take any action necessary to collect the payments then due and to become due or to enforce performance of any agreement of the City in the Loan Agreement or the Intercept Agreement. Intercept agreement allows NMFA to have the pledged revenues paid directly to them rather than the City.

**City of Las Cruces**  
Notes to Financial Statements  
June 30, 2019

**NOTE 7: LONG-TERM LIABILITIES (Continued)**

Debt Service Requirements

Future debt service requirements for governmental activities notes payable are:

| Year Ending June 30, | Notes from Direct Borrowing and<br>Direct Placement |                     | Total                |
|----------------------|---|---------------------|----------------------|
|                      | Principal   | Interest            |                      |
| 2020                 | \$ 2,719,871  | \$ 328,879          | \$ 3,048,750         |
| 2021                 | 1,940,866   | 272,009             | 2,212,875            |
| 2022                 | 1,725,191   | 225,312             | 1,950,503            |
| 2023                 | 1,701,935   | 189,078             | 1,891,013            |
| 2024                 | 1,199,312   | 150,947             | 1,350,259            |
| 2025-2029            | 3,683,026   | 367,895             | 4,050,921            |
| 2030-2032            | 775,176   | 26,232              | 801,408              |
|                      | <u>\$ 13,745,377</u>                                | <u>\$ 1,560,352</u> | <u>\$ 15,305,729</u> |

Business-Type Activities

Joint Utility Revenue Bonds

In 2006, the City issued \$17,575,000 in joint utility revenue bonds (Series 2006). Certain proceeds of this issuance were deposited in the Acquisition Fund and used to finance the acquisition, installation, and construction of water and wastewater capital improvements. Additionally, certain proceeds were used to fund the Reserve Requirement and pay costs of issuance relating to these bonds.

On May 12, 2015, the City issued \$16,895,000 of 2015 joint utility refunding bonds to defease the Series 2006 bonds. The total interest cost on the new bond is 2.4 percent with a final maturity of June 1, 2035. The gain from this refunding is \$429,226 and the present value savings resulting from this refunding is \$1,038,837. The difference in cash flow requirements to service the old debt of \$15,746,075 and the cash flows to service the debt of \$12,914,300 is \$2,831,775.

In 2009, the City issued \$17.6 million in joint utility refunding revenue bonds (Series 2009) to defease \$18.2 million of outstanding 1997 Series bonds and refund \$2.0 million of outstanding 2000 Series bonds. These monies contemporaneously funded a reserve account for the Series 2009 bonds and paid all costs and expenses pertaining to their issuance.

In 2010, the City issued \$24.8 million in joint utility refunding revenue bonds (Series 2010) to refund eight 2003 through 2007 NMFA notes with \$24.8 million outstanding. This refunding also established a reserve account and paid all costs of issuance.

On August 26, 2014, the City issued \$7,125,000 of joint utility refunding revenue bonds (Series 2014A) to defease and refund the 2005 joint utility revenue bonds. Proceeds were deposited in an escrow fund that then paid the outstanding balance of the bonds on June 1, 2015. Certain other proceeds were used to fund a debt service reserve account and pay costs of issuance relating to these bonds. The average interest of the Series 2014A bonds is 3.42 percent. The City had a gain of \$266,052 and obtained a net present value savings from this refunding of \$529,520. The cash flows to service the refunding bonds is \$985,728 less than the cash flows required to service the debt on the 2005 bonds.



**City of Las Cruces**  
Notes to Financial Statements  
June 30, 2019

**NOTE 7: LONG-TERM LIABILITIES (Continued)**

The City issued \$3.4 million in joint utility improvement revenue bonds (Series 2014B). The proceeds of these bonds were used to improve the City's Joint Utility System, fund a reserve account and pay costs of issuance relating to these bonds.

In 2015, the City issued \$16.9 million in joint utility refunding and improvement revenue bonds (Series 2015) to refund and defease \$13.1 million of outstanding 2006 Series bonds. The proceeds were also used to improve the City's Joint Utility System, fund a standalone surety reserve, and pay all costs of issuance.

In 2015, the City issued \$17.1 million in joint utility improvement revenue bonds (Series 2015A). The proceeds of these bonds were used to expand and improve the City's joint utility system and pay all issuance costs. The requirement for a reserve account was satisfied with surety bond insurance.

In 2016, the City issued 16.3 million in joint utility improvement revenue bonds (Series 2016). The proceeds of these bonds were used to expand and improve the City's joint utility system. The requirement for reserve account was satisfied with a surety bond insurance.

In 2018, the City issued 22.2 million in joint utility improvement revenue bonds subordinate lien (Energy Performance Contract), Series 2018. The proceeds of these bonds were used to expand and improve the City's joint utility system and pay all issuance costs. The requirement for a reserve account was satisfied with surety bond insurance.

In the event of default, the holder or holders of not less than 25% in aggregate principal amount of the bonds may proceed against the City to protect and enforce their rights under the Bond Ordinance.

Joint utility revenue bonds are summarized as follows as of June 30, 2019:

| <b>Purpose</b>                                | <b>Issue Date</b> | <b>Due Date</b> | <b>Original Issued</b> | <b>Oustanding</b>    | <b>Interest Rates %</b> |
|---|-------------------|-----------------|------------------------|----------------------|-------------------------|
| Series 2010 refunding bond                    | 9/14/2010         | 2027            | \$ 24,840,000          | \$ 17,740,000        | 2.0-4.0                 |
| Series 2014 refunding bond                    | 8/26/2014         | 2025            | 7,125,000              | 4,125,000            | 2.0-4.0                 |
| Series 2014B system improvement bond          | 8/26/2014         | 2034            | 3,425,000              | 2,770,000            | 3.0-5.0                 |
| Series 2015 refunding and rehabilitation bond | 5/12/2015         | 2035            | 16,895,000             | 12,475,000           | 2.0-5.0                 |
| Series 2015A improvement bond                 | 12/16/2015        | 2035            | 17,065,000             | 15,205,000           | 2.38-5.0                |
| Series 2016 Improvement revenue bond          | 10/19/2016        | 2036            | 16,375,000             | 14,840,000           | 2.13-5.0                |
| Series 2018 Improvement revenue bond          | 2/22/2018         | 2038            | 22,180,000             | 22,090,000           | 2.0-4.0                 |
|   |                   |                 | <b>\$ 107,905,000</b>  | <b>\$ 89,245,000</b> |                         |

**City of Las Cruces**  
Notes to Financial Statements  
June 30, 2019

**NOTE 7: LONG-TERM LIABILITIES (Continued)**

Future debt service requirements for business-type activities joint utility revenue bonds are:

| <b>Year Ending June 30,</b> | <b>Principal</b>     | <b>Interest</b>      | <b>Total</b>          |
|-----------------------------|----------------------|----------------------|-----------------------|
| 2020                        | \$ 5,530,000         | \$ 3,224,894         | \$ 8,754,894          |
| 2021                        | 5,830,000            | 3,038,644            | 8,868,644             |
| 2022                        | 6,355,000            | 2,802,444            | 9,157,444             |
| 2023                        | 6,715,000            | 2,549,257            | 9,264,257             |
| 2024                        | 6,910,000            | 2,287,807            | 9,197,807             |
| 2025-2029                   | 26,635,000           | 7,611,007            | 34,246,007            |
| 2030-2034                   | 19,920,000           | 4,032,005            | 23,952,005            |
| 2035-2038                   | 11,350,000           | 867,162              | 12,217,162            |
|                             | <u>\$ 89,245,000</u> | <u>\$ 26,413,220</u> | <u>\$ 115,658,220</u> |

The 2010, 2014A, 2014B, and 2015 JU revenue bond ordinances provide that the net revenue of the City's joint utility systems shall be at least 125% of the maximum outstanding debt requirements for the utility system. These bonds are not a general obligation to the City but are payable and collectible solely out of the net revenues of the joint utility systems. Net revenue as defined in the bond ordinances means the revenue after deducting operation and maintenance expenses. Operation and maintenance expenses include all reasonable and necessary current expenses of the City, paid or accrued, for operating, maintaining, and repairing the system; and shall include, without limiting the generality of the foregoing, legal and overhead expenses of the various City departments directly related and reasonably allocable to the administration of the system, insurance premiums, the reasonable charge of depository banks and paying agents, contractual services, professional services required by this ordinance, salaries and administrative expenses, labor, and the cost of materials and supplies used for current operation; but shall not include any allowance for depreciation, payments in lieu of taxes, liabilities incurred by the City as a result of its negligence in the operation of the system, improvements, extension, enlargements or betterment, or any charges for the accumulation of reserves for capital replacements. The net revenue for the fiscal year ended June 30, 2019 exceeded the maximum annual debt service requirement. Bond reserve accounts have been established to accumulate funds where necessary.

The bond ordinances provide that any monies in any fund or account may be invested in any legal investment permitted by law, with the stipulation that investments of amounts in the escrow account will be made only in federal securities. The obligations so purchased as an investment of monies in a fund or account will be deemed at all times to be part of such fund or account, and the interest accruing thereon and any profit realized therefrom will be credited to the fund or account, and any loss resulting from each investment will be charged to the fund or account. The City Treasurer will present for redemption or sale on the prevailing market any obligations so purchased as an investment of monies in the fund or account whenever it will be necessary to do so in order to provide monies to meet any payment or transfer from such fund or account.

**City of Las Cruces**  
Notes to Financial Statements  
June 30, 2019

**NOTE 7: LONG-TERM LIABILITIES (Continued)**

Bond covenants require reporting of the number of utility customers served, which were as follows for the year ended June 30, 2019:

|                  | Water  | Waste Water | Gas    | Solid Waste |
|------------------|--------|-------------|--------|-------------|
| Residential      | 32,655 | 31,621      | 38,378 | 33,189      |
| Commercial/other | 4,527  | 3,462       | 3,146  | 2,741       |
| Total            | 37,182 | 35,083      | 41,524 | 35,930      |

Business-type Activities Notes Payable

The notes payable for the business-type activities are paid from the net revenues of the utility system. City ordinance 1593, adopted by the City Council on December 18, 1996, provides authority for the City to issue additional debt with a parity lien on the pledged revenues of the utility system.

A comparison of the pledged revenues recognized during the year with the required debt service for the year is presented in the Pledged-Revenue Bond/Note Coverage Schedule located in the statistical section.

In the event of default, the New Mexico Finance Authority may take any action necessary to collect the payments then due and to become due or to enforce performance of any agreement of the City in the Loan Agreement.

Details of business-type activities notes payable are:

| Type           | Purpose                        | Original Date | Due Date | Original Issue | Outstanding  | Interest Rates % |
|----------------|--------------------------------|---------------|----------|----------------|--------------|------------------|
| 2011 NMFA Note | Solid Waste Vehicles           | 12/16/2011    | 2019     | \$ 1,016,561   | \$ -         | 0.32-2.11        |
| 2015 NMFA Note | Solid Waste Equipment          | 1/9/2015      | 2022     | 2,775,819      | 1,168,061    | 0.21-2.01        |
| 2017 NMFA Note | Joint Utility Improvement Bond | 12/1/2017     | 2037     | 5,135,000      | 4,805,000    | 0.95-3.48        |
|                |                                |               |          | \$ 8,927,380   | \$ 5,973,061 |                  |

Future debt service requirements for business-type activities notes payable are:

| Year Ending June 30, | Principal    | Interest     | Total        |
|----------------------|--------------|--------------|--------------|
| 2020                 | \$ 607,858   | \$ 144,955   | \$ 752,813   |
| 2021                 | 613,945      | 136,325      | 750,270      |
| 2022                 | 626,258      | 126,200      | 752,458      |
| 2023                 | 235,000      | 114,550      | 349,550      |
| 2024                 | 235,000      | 110,767      | 345,767      |
| 2025-2029            | 1,250,000    | 482,156      | 1,732,156    |
| 2030-2034            | 1,430,000    | 306,281      | 1,736,281    |
| 2035-2037            | 975,000      | 67,853       | 1,042,853    |
|                      | \$ 5,973,061 | \$ 1,489,087 | \$ 7,462,148 |

**City of Las Cruces**  
Notes to Financial Statements  
June 30, 2019

**NOTE 8: LANDFILL CLOSURE AND POST-CLOSURE CARE COST**

State and federal laws and regulations require placement of a final cover on landfill sites when waste is no longer accepted and performance of certain maintenance and monitoring functions at the sites for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that a landfill stops accepting waste, a portion of the closure and post closure costs are reported as an operating expense in each period based on landfill capacity used as of each balance sheet date.

The City's landfill closure and post-closure care liability is reported as \$792,000 as of the year ended June 30, 2019. Actual closure and post-closure care costs may be higher due to inflation, changes in technology, or changes in regulations. The liability reported reflects a decrease in the estimate of total closure and post-closure costs of \$36,000 during the fiscal year ended June 30, 2019. The Foothills landfill is at 100% capacity and closed.

In 2014, 10 acres were closed and are no longer available for waste acceptance. Currently there is a total of 390 acres available which has an estimated life of 89.6 years. Of the total cells, design has been completed for the eastern 200 acres and 190 acres have been utilized for disposal.

The City enacted a 1/16th cent environmental gross receipts tax that became effective January 1, 1995, to raise funds for environmental costs such as for landfill closure and post-closure care. The landfill closure was not funded from the EGRT fund during the year due to additional revenues from landfill charges and investment income.

**NOTE 9: POLLUTION REMEDIATION OBLIGATION – CHANGE IN ACCOUNTING ESTIMATE**

Certain property owned by the City has been declared a Superfund Site by the Environmental Protection Agency (EPA). The EPA has determined that the City is a responsible party along with Doña Ana County, which also owns part of the contaminated property. On April 20, 2005, the City and Doña Ana County established a memorandum of understanding for a Joint Superfund Project (JSP) to work collaboratively with the EPA to complete the Remedial Investigation and Feasibility Study (RIFS) within the Superfund process. In December 2004, the JSP submitted a good-faith offer to the EPA for a Funding Agreement to achieve this objective. In April 2005, a negotiated funding agreement in the amount of \$800,000, payable to the EPA to complete the RIFS, was signed. In October 2005, the EPA and its contractor began the remaining fieldwork, which was completed in fiscal year 2007. As a result of this study, the City accrued a liability of \$6,890,106 to pay its share of the pollution remediation cost, as follows:

|                  | <b>Total<br/>Obligation</b> | <b>City's<br/>Portion</b> |
|------------------|-----------------------------|---------------------------|
| Capital assets   | \$ 5,151,978                | \$ 2,575,989              |
| Operating costs  | 1,459,664                   | 729,832                   |
| Completion costs | 7,168,571                   | 3,584,285                 |
|                  | <u>\$ 13,780,213</u>        | <u>\$ 6,890,106</u>       |

The City and County each received a \$3.5 million construction drawdown loan from the New Mexico Finance Authority (NMFA) to cover some of the costs of the pollution remediation project. City project costs of \$1,478,799 were funded using loan proceeds. The City has begun repayment of the loan using Environmental Gross Receipt Tax funds.

**City of Las Cruces**  
Notes to Financial Statements  
June 30, 2019

**NOTE 9: POLLUTION REMEDIATION OBLIGATION – CHANGE IN ACCOUNTING ESTIMATE (Continued)**

The City and County also received \$243,000 for design and engineering in grant funds from the New Mexico Environment Department. As of June 30, 2019, all \$243,000 was applied to design and engineering costs. Construction on the project completed and remediation operations began August 2012.

The pollution remediation obligation is reported in long-term liabilities in the statement of net position (see Note 7). The pollution remediation obligation is an estimate and is subject to revision because of the price increases or reductions, changes in technology or changes in applicable laws or regulations. The City periodically uses consultants to evaluate the site and potential liability.

On January 4, 2018, the City received a Unilateral Administrative Order from the EPA. As of June 30, 2019, the City's outstanding pollution remediation obligation with this Order was estimated at \$7,359,858. There was no change compared to fiscal year 2018. The City is still in litigation regarding the liability, although a settlement is expected to be reached by December 31, 2019.

**NOTE 10: DEFERRED COMPENSATION PLAN**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Service Code Section 457. The plan, available to all City employees, permits them to defer taxation on a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are solely the property and rights of the plan participants. The City has 777 active participants in the plan as of June 30, 2019.

City of Las Cruces employees who work 20 or more hours a week participate in a defined-benefit, contributory retirement plan through the Public Employees Retirement Act of the State of New Mexico, a cost-sharing multiple employer public employee retirement system administered by the Public Employees Retirement Association (PERA). Benefit provisions are established and may only be amended by state statute. Information pertaining to the actuarially computed present value of vested accumulated plan benefits and non-vested accumulated plan benefits, the plan's net position available for benefits and the assumed rate of return used in computing the present value, and ten year historical trend information presenting PERA's progress in accumulating sufficient assets to pay benefits when due is not available through individual government agencies participating in the plan. Actuarial pension data for the State of New Mexico, as employer, is provided at the state-wide level in a separately issued audit report of PERA. The report may be obtained by writing to PERA, PO Box 2123, 1120 Paseo de Peralta, Santa Fe, NM 88504-2323. Additional contact information is located at [www.pera.state.nm.us](http://www.pera.state.nm.us).

**City of Las Cruces**  
Notes to Financial Statements  
June 30, 2019

**NOTE 11: NEW MEXICO RETIREE HEALTH CARE PLAN**

***General Information about the OPEB***

***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 multiple employer cost sharing defined benefit 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.

**City of Las Cruces**  
Notes to Financial Statements  
June 30, 2019

**NOTE 11: NEW MEXICO RETIREE HEALTH CARE PLAN (Continued)**

**Employees covered by benefit terms.** At June 30, 2019, the Fund's measurement date, the following employees were covered by the benefit terms:

|  |         |
|--|---------|
| <b>Plan Membership</b>                     |         |
| Current retirees and surviving spouses     | 51,205  |
| Inactive and eligible for deferred benefit | 11,471  |
| Current active members                     | 93,349  |
|  | <hr/>   |
|  | 156,025 |
| <hr/>                                      |         |
| <b>Active membership</b>                   |         |
| State general                              | 19,593  |
| State police and corrections               | 1,886   |
| Municipal general                          | 17,004  |
| Municipal police                           | 3,820   |
| Municipal FTRE                             | 2,290   |
| Educational Retirement Board               | 48,756  |
|  | <hr/>   |
|  | 93,349  |
|  | <hr/>   |

**Contributions** – Employer and employee contributions to the Fund total 3% for non-enhanced 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. Contributions to the Fund from the City were \$1,457,909 for the year ended June 30, 2019.

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2019, the City reported a liability of \$63,488,112 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2018. At June 30, 2019, the City's proportion was 1.50874 percent.

**City of Las Cruces**  
Notes to Financial Statements  
June 30, 2019

**NOTE 11: NEW MEXICO RETIREE HEALTH CARE PLAN (Continued)**

For the year ended June 30, 2019, the City recognized OPEB benefit of \$401,235. At June 30, 2019 the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|   | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred Inflows<br/>of Resources</b> |
|---|---|--|
| Differences between expected and actual experience  |   |  |
| Changes of assumptions  | \$ -  | \$ 11,853,447                            |
| Net difference between projected and actual earnings<br>on pension plan investments                     | -   | 792,156                                  |
| Changes in proportion and differences between<br>contributions and proportionate share of contributions |   | 1,495,590                                |
| City's contributions subsequent to the measurement date   | 1,457,909                                     | -  |
| Difference between expected and actual experience   | -   | 3,758,181                                |
| <b>Total</b>  | <b>\$ 1,457,909</b>                           | <b>\$ 17,899,373</b>                     |

Deferred outflows of resources totaling \$1,457,909 represent the City's contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

|                     |           |                     |
|---------------------|-----------|---------------------|
| Year ended June 30: |           |                     |
| 2020                | \$        | (4,484,006)         |
| 2021                |           | (4,484,006)         |
| 2022                |           | (4,484,006)         |
| 2023                |           | (3,534,949)         |
| 2024                |           | (912,408)           |
| <b>Total</b>        | <b>\$</b> | <b>(17,899,373)</b> |

Two of the City's agencies funds, ASCMV, and MVRDA, and the component unit, SCSWA have the following deferred inflows of \$239,299, \$475,374 and \$665,041 respectively; deferred outflows of \$19,222, \$38,696, and \$54,150 respectively; and net OPEB liabilities of \$772,777, \$1,679,498, and \$2,353,760 respectively. For further information see ASCMV, MVRDA, and SCSWA's separately issued financials statements.



**City of Las Cruces**  
Notes to Financial Statements  
June 30, 2019

**NOTE 11: NEW MEXICO RETIREE HEALTH CARE PLAN (Continued)**

**Actuarial assumptions.** The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions:

|                             |   |
|-----------------------------|---|
| Actuarial valuation date    | June 30, 2017   |
| 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                   | 2.50% for ERB; 2.25% for PERA members   |
| Projected payroll increases | 3.5% to 12.50%, based on years of service including inflation   |
| 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 for Medicare medical plan costs   |
| Mortality                   | ERB members: RP-2000 Combined Healthy Mortality Table with White Collar Adjustment (males) and GRS Southwest Region Teacher Mortality Table (females)<br>PERA members: RP-2000 Combined Healthy Mortality |

**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.

The best estimates for the long-term expected rate of return is summarized as follows:

| <b>Asset Class</b>            | <b>Long-Term<br/>Rate of Return</b> |
|-------------------------------|-------------------------------------|
| U.S. core fixed income        | 2.1%                                |
| U.S. equity - large cap       | 7.1                                 |
| Non U.S. - emerging markets   | 10.2                                |
| Non U.S. - developed equities | 7.8                                 |
| Private equity                | 11.8                                |
| Credit and structured finance | 5.3                                 |
| Real estate                   | 4.9                                 |
| Absolute return               | 4.1                                 |
| U.S. equity - small/mid cap   | 7.1                                 |

**City of Las Cruces**  
Notes to Financial Statements  
June 30, 2019

**NOTE 11: NEW MEXICO RETIREE HEALTH CARE PLAN (Continued)**

**Discount Rate.** The discount rate used to measure the Fund's total OPEB liability is 4.08% as of June 30, 2018. 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, 2029. 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, 4.08% is the blended discount rate.

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates. The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.08 percent) or 1-percentage-point higher (5.08 percent) than the current discount rate:

| <b>1% Decrease<br/>(3.08%)</b> | <b>Current<br/>Discount Rate<br/>(4.08%)</b> | <b>1% Increase<br/>(5.08%)</b> |
|--------------------------------|--|--------------------------------|
| <u>\$ 76,835,566</u>           | <u>\$ 63,488,112</u>                         | <u>\$ 52,967,344</u>           |

The following presents the net OPEB liability of the City, 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:

| <b>1% Decrease</b>   | <b>Current Trend<br/>Rates</b> | <b>1% Increase</b>   |
|----------------------|--------------------------------|----------------------|
| <u>\$ 51,329,683</u> | <u>\$ 63,488,112</u>           | <u>\$ 68,082,208</u> |

**OPEB plan fiduciary net position.** Detailed information about the OPEB plan's fiduciary net position is available in NMRHCA's audited financial statements for the year ended June 30, 2018.

**Payable Changes in the Net OPEB Liability.** At June 30, 2019, the City did not have a payable due to NMRHCA for the year ended June 30, 2019.

**City of Las Cruces**  
Notes to Financial Statements  
June 30, 2019

**NOTE 12: MULTIPLE-EMPLOYER COST SHARING PENSION PLANS**

General Information about the Pension Plan

*Public Employees Retirement Fund.* 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 Officers, 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 (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-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), each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund, unless specifically excluded.

Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for TIER I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members. Generally, the amount of retirement pension is based on final average salary, which is defined under Tire I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivor's annuities are also available.

*Benefits provided.* For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2018 available at <http://s3.amazonaws.com/boardaudio/cafr/CAFR2018Final.pdf>.

**City of Las Cruces**  
Notes to Financial Statements  
June 30, 2019

**NOTE 12: MULTIPLE-EMPLOYER COST SHARING PENSION PLANS (Continued)**

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.

*Contributions.* The contribution requirements of defined benefit plan members and ASCMV 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 FY18 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on page 43 of the PERA FY18 annual audit report at <http://www.nmpera.org/financial-overview/comprehensive-annual-financial-report>.

The PERA coverage options that apply to City of Las Cruces are: General Municipal, Police and Fire. Statutorily required contributions to the pension plan from the City of Las Cruces were \$8,086,946 and employer paid member benefits that were “picked up” by the employer were \$3,346,212 for the year ended June 30, 2019. These contributions of the City include its discretely presented component unit and fiduciary funds.

*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, 2017. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2018, 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 performed 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. The City of Las Cruces 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, 2018. Only employer contributions for the pay period end dates that fell within the period of July 1, 2017 to June 30, 2018 were included in the total contributions for a specific employer.

Regular and any adjustment contributions that applied to fiscal year ended June 30, 2018 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.

Two of the City’s agency funds, MVRDA and High Intensive Drug Trafficking Area (“HITDA”), and the component unit, SCSWA have the following deferred inflows of \$116,421, \$69,627 and \$373,773 respectively; deferred outflows of \$489,277, \$228,057 and \$1,379,152 respectively; and NPL of \$1,765,309, \$387,069 and \$5,667,572 respectively. For further information see the agencies and component unit’s separately issued financials statements.

**City of Las Cruces**  
Notes to Financial Statements  
June 30, 2019

**NOTE 12: MULTIPLE-EMPLOYER COST SHARING PENSION PLANS (Continued)**

In addition, the City's agency fund, ASCMV is a participating employer in the PERA Fund Division: General Municipal, with a separate proportionate share of net pension liability. ASCMV reports deferred inflows of \$50,320, deferred outflows of \$539,158, and NPL of \$1,535,379. For further information see ASCMV's separately issued financials statements.

For PERA Fund Division: General Municipal, at June 30, 2019, the City of Las Cruces reported a liability of \$71,990,380 for its proportionate share of the net pension liability. At June 30, 2019, the Municipal's proportion was 4.9331 percent, which was slightly lower from its proportional measured as of June 30, 2018.

For the year ended June 30, 2019, the City of Las Cruces recognized PERA Fund Division Municipal's pension expense of \$7,125,286, which excludes the City's fiduciary funds and discretely presented component units. At June 30, 2019, the City of Las Cruces reported PERA Fund Division Municipal deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

| <b>City of Las Cruces - Municipal</b>  | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred Inflows<br/>of Resources</b> |
|--|---|--|
| Changes of assumption  | \$ 5,722,557                                  | \$ 385,986                               |
| Differences between expected and actual experience   | 1,824,243                                     | 1,762,537                                |
| Net difference between projected and actual earnings<br>on pension plan investment                               | 4,681,164                                     | -  |
| Changes in proportion and differences between<br>employer contributions and proportionate share of contributions | 23,452  | 533,829                                  |
| City of Las Cruces contributions subsequent to the<br>measurement date   | 3,998,222                                     | -  |
| <b>Total</b>   | <b>\$ 16,249,639</b>                          | <b>\$ 2,682,351</b>                      |

The City made contributions subsequent to the measurement date June 30, 2018 in the amount of \$3,998,222. The subsequent contributions are reported as deferred outflows of resources related to pensions and will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

|                     |           |                  |
|---------------------|-----------|------------------|
| Year ended June 30: |           |                  |
| 2020                | \$        | 6,400,487        |
| 2021                |           | 2,424,236        |
| 2022                |           | 514,258          |
| 2023                |           | 230,085          |
| <b>Total</b>        | <b>\$</b> | <b>9,569,066</b> |

**City of Las Cruces**  
Notes to Financial Statements  
June 30, 2019

**NOTE 12: MULTIPLE-EMPLOYER COST SHARING PENSION PLANS (Continued)**

For PERA Fund Division: Police, at June 30, 2019, the City of Las Cruces reported a liability of \$33,450,650 for its proportionate share of the net pension liability. At June 30, 2019, the Police proportion was 4.9026 percent, which was higher from its proportion measured as of June 30, 2018, of 4.8996 percent.

For the year ended June 30, 2019, the City of Las Cruces recognized PERA Fund Division Police's pension expense of \$3,451,069. At June 30, 2019, the City of Las Cruces reported PERA Fund Division Municipal deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

| <b>City of Las Cruces - Police</b>   | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred Inflows<br/>of Resources</b> |
|--|---|--|
| Changes of assumption  | \$ 3,816,765                                  | \$ 204,497                               |
| Differences between expected and actual experience   | 1,637,589                                     | 3,315,826                                |
| Net difference between projected and actual earnings<br>on pension plan investment                               | 2,301,880                                     | -  |
| Changes in proportion and differences between<br>employer contributions and proportionate share of contributions | 12,628  | 168,104                                  |
| City of Las Cruces contributions subsequent to the<br>measurement date   | 2,129,015                                     | -  |
| <b>Total</b>   | <b>\$ 9,897,877</b>                           | <b>\$ 3,688,427</b>                      |

The City made contributions subsequent to the measurement date June 30, 2018 in the amount of \$2,129,015. The subsequent contributions are reported as deferred outflows of resources related to pensions and will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

|                     |           |                  |
|---------------------|-----------|------------------|
| Year ended June 30: |           |                  |
| 2020                | \$        | 2,580,861        |
| 2021                |           | 594,778          |
| 2022                |           | 784,410          |
| 2023                |           | 120,386          |
| <b>Total</b>        | <b>\$</b> | <b>4,080,435</b> |

**City of Las Cruces**  
Notes to Financial Statements  
June 30, 2019

**NOTE 12: MULTIPLE-EMPLOYER COST SHARING PENSION PLANS (Continued)**

For PERA Fund Division: Fire, at June 30, 2019, the City of Las Cruces reported a liability of \$42,749,150 for its proportionate share of the net pension liability. At June 30, 2019, the Fire proportion was 6.6789 percent, which was higher from its proportion measured as of June 30, 2018, of 6.1198 percent.

For the year ended June 30, 2019, the City of Las Cruces recognized PERA Fund Division Fire's pension expense of \$5,507,106. At June 30, 2019, the City of Las Cruces reported PERA Fund Division Municipal deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

| <b>City of Las Cruces - Fire</b>   | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred Inflows<br/>of Resources</b> |
|--|---|--|
| Changes of assumption  | \$ 2,468,903                                  | \$ 156,101                               |
| Differences between expected and actual experience   | 686,989                                       | 3,117,683                                |
| Net difference between projected and actual earnings<br>on pension plan investment                               | 1,499,101                                     | -  |
| Changes in proportion and differences between<br>employer contributions and proportionate share of contributions | 3,364,253                                     | 107,527                                  |
| City of Las Cruces contributions subsequent to the<br>measurement date   | 1,959,709                                     | -  |
| <b>Total</b>   | <b>\$ 9,978,955</b>                           | <b>\$ 3,381,311</b>                      |

The City made contributions subsequent to the measurement date June 30, 2018 in the amount of \$1,959,709. The subsequent contributions are reported as deferred outflows of resources related to pensions and will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

|                     |           |                  |
|---------------------|-----------|------------------|
| Year ended June 30: |           |                  |
| 2020                | \$        | 2,439,980        |
| 2021                |           | 974,963          |
| 2022                |           | 1,139,433        |
| 2023                |           | 83,559           |
| <b>Total</b>        | <b>\$</b> | <b>4,637,935</b> |

**City of Las Cruces**  
Notes to Financial Statements  
June 30, 2019

**NOTE 12: MULTIPLE-EMPLOYER COST SHARING PENSION PLANS (Continued)**

*Actuarial assumptions.* The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2018. These assumptions were adopted by the Board for use in the June 30, 2017 actuarial valuation.

|                              |  |
|------------------------------|--|
| 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  | 7.25% annual rate, net of investment expense   |
| · Projected benefit payment  | 100 years  |
| · Payroll Growth             | 3.00%  |
| · Projected salary increases | 3.25% to 13.50% annual rate  |
| · Includes inflation at      | 2.50% annual rate first 9 years, 2.75% all other years   |
| · Mortality Assumption       | The mortality assumptions are based on the RPH-2014 Blue Collar mortality table with female ages set forward one year. Future improvement in mortality rates is assumed using 60% of the MP-2017 projection scale generationally. For non-public safety groups, 25% of in-service deaths are assumed to be duty related and 35% are assumed to be duty-related for public safety groups. |
| · Experience Study Dates     | July 1, 2008 to June 30, 2017 (demographic) and July 1, 2010 through June 20, 2018 (economic)  |

*Long-Term Expected 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:

| <b>ALL FUNDS - Asset Class</b>            | <b>Target Allocation</b> | <b>Long-Term Expected Real Rate of Return</b> |
|---|--------------------------|---|
| Global Equity                             | 43.50%                   | 7.48%   |
| Risk Reduction & Mitigation               | 21.50%                   | 2.37%   |
| Credit Oriented Fixed Income              | 15.00%                   | 5.47%   |
| Real Assets to include Real Estate Equity | 20.00%                   | 6.48%   |
| Total                                     | 100.0%                   |   |



**City of Las Cruces**  
Notes to Financial Statements  
June 30, 2019

**NOTE 12: MULTIPLE-EMPLOYER COST SHARING PENSION PLANS (Continued)**

*Discount rate:* Previously, a select and ultimate rate of return assumption had been added for funding purposes but new economic assumptions were adopted for the June 30, 2018 valuations including the change to a 7.25 percent static rate. The discount rate used to measure the total pension liability is 7.25 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 7.25% 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.

*Sensitivity of the City of Las Cruces 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 the City of Las Cruces' net pension liability in each PERA Fund Division that City of Las Cruces participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.25%) or one percentage point higher (8.25%) than the single discount rate. These calculations include the total liability attributable to the City, its component unit, and its fiduciary funds.

| <b>PERA Fund Division – Municipal</b>                                | <b>1% Decrease<br/>(6.25%)</b> | <b>Current Discount Rate<br/>(7.25%)</b> | <b>1% Increase<br/>(8.25%)</b> |
|--|--------------------------------|--|--------------------------------|
| City of Las Cruces' proportionate share of the net pension liability | \$ 62,060,672                  | \$ 71,990,380                            | \$ 81,920,088                  |
| <b>PERA Fund Division – Police</b>                                   | <b>1% Decrease<br/>(6.25%)</b> | <b>Current Discount Rate<br/>(7.25%)</b> | <b>1% Increase<br/>(8.25%)</b> |
| City of Las Cruces' proportionate share of the net pension liability | \$ 28,836,767                  | \$ 33,450,650                            | \$ 38,064,533                  |
| <b>PERA Fund Division – Fire</b>                                     | <b>1% Decrease<br/>(6.25%)</b> | <b>Current Discount Rate<br/>(7.25%)</b> | <b>1% Increase<br/>(8.25%)</b> |
| City of Las Cruces' proportionate share of the net pension liability | \$ 36,852,716                  | \$ 42,749,150                            | \$ 48,645,584                  |

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://www.pera.state.nm.us/publications.html>.

**City of Las Cruces**  
Notes to Financial Statements  
June 30, 2019

**NOTE 13: RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts and civil rights claims (including law enforcement and employment related exposures); theft, damage and destruction of its real and personal assets; workers' compensation losses; errors and omissions of City officers and officials; and natural disasters. The City uses the insurance fund (an internal service fund) to account for and finance its uninsured risks of loss. At various periods in past years, certain risk exposures were insured, and the City continues to benefit from case coverage on claims that were incurred during those claim years. As of fiscal year, 2016 Employee healthcare benefits and premiums were moved from the General Fund to the internal services funds which is the direct cause for increase in the amount reported for Health Programs.

The insurance fund tracks claim on a fund-by-fund basis and assesses charges to each fund based on historical claims experience and the need to establish a reserve for unanticipated catastrophic losses. The claims liabilities reported in the insurance fund are based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

The risk of loss associated with actions of employees resulting in damage to persons or property of others is subject to limitations of the New Mexico State Tort Claims Act. The self-insurance fund uses excess worker's compensation insurance agreements to reduce its exposure to large losses from employee on-the-job injuries. Excess insurance permits recovery of a portion of losses from the excess insurer, although it does not discharge the primary liability of the fund as direct insurer of the risks.

Self-insurance premiums and program costs (claims, fees, and transfers to other funds, less reimbursed expenses) were:

|                        | <b>Programs Cost<br/>(Benefits)</b> | <b>Premiums</b>        |
|------------------------|-------------------------------------|------------------------|
| Health Program         | \$ 15,537,458                       | \$ (14,658,796)        |
| Workers Compensation   | -                                   | (805,722)              |
| Liability Insurance    | 1,104,150                           | -                      |
| Unemployment Insurance | -                                   | (35,001)               |
| <b>Total</b>           | <b>\$ 16,641,608</b>                | <b>\$ (15,499,519)</b> |

Changes in the insurance fund's estimated liability for insurance claims were:

|  |                     |
|--|---------------------|
| Estimated liability for insurance claims, beginning of year  | \$ 7,117,750        |
| Current year claims and changes in estimates                 | 16,640,568          |
| Payment of claims liabilities                                | (16,927,537)        |
| <b>Estimated liability for insurance claims, end of year</b> | <b>\$ 6,830,781</b> |

**City of Las Cruces**  
Notes to Financial Statements  
June 30, 2019

**NOTE 14: DEVELOPMENT IMPACT FEES**

Development impact fee activity for the year ended June 30, 2019 is shown below. Unspent fees collected in previous years can be netted with overspent fees and are available for expenditure in the current fiscal year.

**Parks Impact Fees**

|                       |    |           |
|-----------------------|----|-----------|
| Impact Fees Collected | \$ | 1,446,354 |
| Investment Income     |    | 204,360   |
| Expenditures          |    | (759,889) |
| Net Parks Impact Fees | \$ | 890,825   |

**Public Safety Impact Fees**

|                               |    |             |
|-------------------------------|----|-------------|
| Impact Fees Collected         | \$ | 666,050     |
| Investment Income             |    | 52,954      |
| Expenditures                  |    | -           |
| Transfers Out                 |    | (1,292,016) |
| Net Public Safety Impact Fees | \$ | (573,012)   |

**Water Impact Fees**

|                       |    |             |
|-----------------------|----|-------------|
| Impact Fees Collected | \$ | 861,102     |
| Transfers In          |    | 252,954     |
| Investment Income     |    | 21,475      |
| Expenditures          |    | (1,010,238) |
| Net Water Impact Fees | \$ | 125,293     |

**Wastewater Impact Fees**

|                            |    |             |
|----------------------------|----|-------------|
| Impact Fees Collected      | \$ | 1,347,293   |
| Investment Income          |    | 176,453     |
| Expenditures               |    | (1,808,448) |
| Net Wastewater Impact Fees | \$ | (284,703)   |

**Total Impact Fees**

|                   |    |             |
|-------------------|----|-------------|
| Collections       | \$ | 4,320,798   |
| Investment Income |    | 455,242     |
| Expenditures      |    | (3,578,575) |
| Transfers         |    | (1,039,062) |
| Net Impact Fees   | \$ | 158,403     |

**City of Las Cruces**  
Notes to Financial Statements  
June 30, 2019

**NOTE 15: TELSHOR FACILITY LEASE MEMORIAL MEDICAL CENTER/PROVINCE HOSPITAL (TELSHOR FACILITY)**

In 1966, the City and the County adopted a joint resolution to create a joint county-municipal hospital to provide medical services to all of the citizens of Doña Ana County. The hospital was constructed and operated by the City and County through a Board of Trustees until 1998, when it was leased to Memorial Medical Center, Inc. (MMCI), a New Mexico not-for-profit corporation.

On June 1, 2004, the City, the County, and MMCI jointly terminated the lease. On that date, the City and County executed a 40-year lease agreement for the hospital facilities and equipment with PHC-Las Cruces, Inc. (PHC), a New Mexico corporation and a wholly-owned subsidiary of Province Healthcare Corporation, a Delaware corporation. In accordance with the lease agreement PHC deposited amounts into escrow accounts to cover contingencies of the hospital and pay hospital liabilities specified in the agreement, including outstanding bonds.

The net lease proceeds, after these deposits and liabilities, are summarized as follows:

| <b>Total lease amount</b>                   | <b>Total</b>   | <b>City Portion</b> |
|---|----------------|---------------------|
| Total lease amount                          | \$ 150,000,000 | \$ 75,000,000       |
| Less:                                       |                |                     |
| Hospital liabilities assumed by PHC         | 9,247,375      | 4,623,688           |
| Amounts deposited into escrow to cover      |                |                     |
| medical malpractice and other contingencies | 14,445,892     | 7,222,946           |
| Payment of outstanding hospital bonds       | 50,038,987     | 25,019,493          |
| Payment of outstanding pension liabilities  | 24,100,000     | 12,050,000          |
| Closing costs                               | 1,000          | 500                 |
| Cash paid by PHC to the City and County     | \$ 52,166,746  | \$ 26,083,373       |

As part of the PHC lease, the City and County received amounts needed to cover specific future costs. The maximum amounts of these costs are as follows:

|   | <b>Total</b>  | <b>City Portion</b> |
|---|---------------|---------------------|
| Employee severance agreements                     | \$ 987,266    | \$ 493,633          |
| Construction costs                                | 1,278,414     | 639,207             |
| Future payments to MMC for expended care services | 19,200,000    | 9,600,000           |
| Hospital property taxes                           | 5,000,000     | 2,500,000           |
|   | \$ 26,465,680 | \$ 13,232,840       |

The proceeds of the PHC lease are reported in a special revenue fund (Telshor Facility fund) because the City Council adopted a resolution restricting the use of the lease proceeds to fund health-related programs and health-related capital projects.

**City of Las Cruces**  
Notes to Financial Statements  
June 30, 2019

**NOTE 15: TELSHOR FACILITY LEASE MEMORIAL MEDICAL CENTER/PROVINCE HOSPITAL (TELSHOR FACILITY)  
(Continued)**

The asset purchase agreement entitles PHC to compensation solely from the escrow account if PHC incurs any losses, including the discharge of malpractice liabilities, in connection with events that occurred on or prior to the closing.

MMCI began distributing its cash and investments equally between the City and the County in July 2004. MMCI retained cash to pay certain liabilities. Any cash remaining at the end of the liquidation process will be distributed equally between the City and the County. In April 2005, PHC merged with LifePoint Hospitals. The lease continues with LifePoint Hospitals.

The City and County received \$4,199,501 as final distributions from the escrow accounts in fiscal year 2019. The total MMCI cash distribution from the escrow accounts were \$27,075,089, including interest of \$2,863,530. The City's total portion was \$13,537,544, including interest of \$1,431,765.

**NOTE 16: LAS CRUCES CONVENTION CENTER**

In 2008, the City began construction of the Las Cruces Convention Center. Construction and furnishing the convention center was completed in December 2010, with the grand opening in January 2011. The City retains ownership of all the furnishings, equipment, and the convention center facility.

During FY17 the City entered into an amended contract through June 30, 2017 with four remaining optional one-year extensions with Global Spectrum, henceforth referred to as Spectra, to manage the facility and grounds on behalf of the City. Spectra is responsible for operations and maintenance of all physical and mechanical facilities necessary for the operation, maintenance, and management of the convention center. All facility staff and other personnel are hired by Spectra and are employees or independent contractors of Spectra. Compensation to Spectra during FY19 for management services was a fixed management fee.

The City applied to the state for the governmental liquor license pursuant to 60-6A-101, NMSA 1978. In accordance with the management agreement, the liquor license will be leased to Spectra and will be used exclusively for the operation of the convention center. The operations manager will ensure that all activities associated with the liquor license shall strictly conform to New Mexico law and the regulations of the New Mexico Alcohol and Gaming Division of the New Mexico Regulation and Licensing Department.

An annual operating budget was prepared by Spectra and provided to the City. The operating budget included a projection of operating revenues and expenses for the fiscal year. The annual budget was subject to the review and approval of the City. The City agreed to provide a one-time facility operating fee of \$50,000 and restored any deficit in this balance to the operating account on a monthly basis. During FY19, the City paid \$151,882 to Spectra.

In order to utilize energy incentives relating to the installation of solar panels, the City must and does pay the electric bills directly. This funding totaled \$69,587 in FY19.

**City of Las Cruces**  
Notes to Financial Statements  
June 30, 2019

**NOTE 16: LAS CRUCES CONVENTION CENTER (Continued)**

Spectra maintained independent records, in accordance with generally accepted accounting principles, of the operations and maintenance of the convention center. The City had the right to audit the records. Additionally, Spectra provided monthly financial statements to the City, and a copy of their audited annual financial statements. The City has not received a copy of the FY19 audited annual financial statements due to the contract expiring on June 30, 2019. Beginning July 1, 2019, a new company, SMG, will be taking over the operations and management of the convention center. On October 1, 2019, SMG merged with ASM Global. Due to this merge, ASM Global will be taking over the operations and management of the convention center.

**City of Las Cruces**  
Notes to Financial Statements  
June 30, 2019

**NOTE 17: MAJOR CONSTRUCTION COMMITMENTS**

| Project  | Fund                                  | Contract Amount      | Spent to Date        | Commitment Remaining | Source of Payment                               |
|--|---------------------------------------|----------------------|----------------------|----------------------|---|
| <b>Government</b>  |                                       |                      |                      |                      |   |
| Downtown Two-Way Conversion: Church & Water Streets                            | Capital Projects                      | \$ 11,789,476        | \$ 9,872,988         | \$ 1,916,488         | 2015 TIDD Street Bond                           |
| Arroyo Road  | VAD Street Projects                   | 1,533,925            | 1,471,365            | 62,561               | 2016 Voluntary Assessment District Bond         |
| Palmer Subdivision Reconstruction  | Capital Projects                      | 4,228,709            | 2,618,769            | 1,609,939            | 2015A Hold Harmless Bond                        |
| Roadrunner Parkway Extension   | Capital Projects                      | 2,532,286            | 1,642,454            | 889,832              | Various Street and Flood Control Bonds          |
| Convention Center Expansion  | Capital Projects                      | 4,958,915            | 4,310,283            | 648,632              | 2015A Hold Harmless Bond                        |
| Sonoma Ranch Boulevard Mile 2  | VAD Street Projects                   | 2,866,853            | 2,171,464            | 695,390              | 2016 Voluntary Assessment District Bond         |
| Red Hawk Golf Road Reconstruction  | VAD Street Projects                   | 2,426,890            | 852,800              | 1,574,090            | 2016 Voluntary Assessment District Bond         |
| Las Cruces International Airport - Terminal Parking Apron Reconstruction       | Capital Projects Reimbursement Grants | 158,621              | 103,104              | 55,517               | Federal Grants/State Legislative Appropriations |
| Casa de Peregrinos Emergency Food Services Center                              | Capital Projects Reimbursement Grants | 85,800               | 7,789                | 78,011               | State Legislative Appropriations                |
| Alameda Estate Reconstruction  | 2015A Hold Harmless Street Projects   | 1,607,107            | 183,087              | 1,424,019            | 2015A Hold Harmless Bond                        |
| East Mesa Recreation Area - Outdoor Fitness Court                              | Public Park Development               | 78,950               | -                    | 78,950               | Park Development Impact Fees                    |
| Crack Sealing Maintenance Project 2018-2019                                    | GRT Street Maintenance                | 268,098              | 159,636              | 108,462              | Gross Receipts Tax                              |
| Calle Abuelo Neighborhood Park   | Public Park Development               | 109,368              | 28,222               | 81,146               | Park Development Impact Fees                    |
| University Avenue Pedestrian Crossing HAWK Signal                              | Capital Projects                      | 238,357              | 112,397              | 125,960              | State Legislative Appropriations                |
| 2018-2019 Pavement Replacement   | Capital Projects                      | 1,069,886            | 903,237              | 166,649              | 2016 Flood Bonds/2017 NMFA Loans                |
| South Telshor Boulevard ADA Improvements - Phase III                           | Capital Projects                      | 177,285              | 51,097               | 126,188              | Local Government Road Fund/Gross Receipts Tax   |
| West Court Avenue Improvements   | Capital Projects                      | 1,408,578            | -                    | 1,408,578            | 2016 Flood Bonds/2015A Hold Harmless Bonds      |
| Rio Grande Theatre - Retrofit Braced Frames/Structural Steel Connection Points | 2015A Hold Harmless Street Projects   | 131,354              | -                    | 131,354              | 2015A Hold Harmless Bond                        |
| <b>Total</b>   |                                       | <b>\$ 35,670,458</b> | <b>\$ 24,488,692</b> | <b>\$ 11,181,766</b> |   |

**City of Las Cruces**  
Notes to Financial Statements  
June 30, 2019

**NOTE 17: MAJOR CONSTRUCTION COMMITMENTS (Continued)**

| Project  | Fund                            | Contract<br>Amount | Spent to Date | Commitment<br>Remaining | Source of Payment                  |
|--|---------------------------------|--------------------|---------------|-------------------------|------------------------------------|
| <b>Joint Utilities</b>   |                                 |                    |               |                         |                                    |
| Gas Infrastructure Rehabilitation                                      | Gas Capital Improvements        | \$ 425,101         | \$ 217,052    | \$ 208,050              | Gas Utility Rates                  |
| Talavera Gas Pipeline Extension  | Gas Capital Improvements        | 1,517,991          | 460,674       | 1,057,317               | Gas Utility Rates                  |
| Gas Infrastructure Reconstruction Projects                             | Gas 2015A Bond Projects         | 1,736,742          | 862,682       | 874,060                 | 2015 Joint Utility Bond            |
| Gas Infrastructure - Energy Performance Equipment                      | Gas 2018 JU Projects            | 5,400,320          | 4,077,412     | 1,322,908               | 2018 Joint Utility Bond            |
| Water Infrastructure Reconstruction Projects                           | Water 2015A Bond Projects       | 4,615,975          | 3,150,087     | 1,465,887               | 2015 Joint Utility Bond            |
| Water 2017 Projects - Infrastructure Rehabilitation                    | Water 2017 JU Improvements      |                    |               |                         |                                    |
|  | Revenue Bond                    | 1,125,350          | 257,882       | 867,468                 | 2017 Joint Utility Bond            |
| Water Infrastructure - Energy Performance Equipment                    | Water 2018 JU Improvements      |                    |               |                         |                                    |
|  | Revenue Bond                    | 16,323,680         | 13,873,524    | 2,450,156               | 2018 Joint Utility Bond            |
| Water Infrastructure Rehabilitation                                    | Water Capital Improvements      | 154,655            | 24,360        | 130,295                 | Water Utility Rates                |
| Water Infrastructure - Investment-Grade Energy Audit                   | Water 2007 NMFA Projects        | 68,756             | -             | 68,756                  | Water Development Impact Fees      |
| Water Infrastructure Rehabilitation - Vistas Subdivision               | Water 2007 NMFA Projects        | 597,819            | 440,523       | 157,296                 | Water Development Impact Fees      |
| Water Infrastructure Improvements - West Court                         | Water 2014 Bond Projects        | 74,147             | -             | 74,147                  | 2014 Joint Utility Bond            |
| Wastewater Infrastructure Development - JHWWTF Gas Engine              | Wastewater Development          | 1,075,057          | 949,768       | 125,288                 | Wastewater Development Impact Fees |
| Wastewater Infrastructure Development                                  | Wastewater Development          | 41,818             | -             | 41,818                  | Wastewater Development Impact Fees |
| Wastewater 2015A Infrastructure Reconstruction Projects                | Wastewater 2015A Bond Projects  | 2,122,131          | 1,148,970     | 973,161                 | 2016 Joint Utility Bond            |
| Wastewater Infrastructure Development                                  | Wastewater 2017 JU Improvements |                    |               |                         |                                    |
|  | Revenue Bond                    | 822,234            | 239,708       | 582,526                 | 2017 Joint Utility Bond            |
| Wastewater Infrastructure Development - JHWWTF Equipment Replacements  | Wastewater 2017 JU Improvements |                    |               |                         |                                    |
|  | Revenue Bond                    | 961,382            | 146,699       | 814,683                 | 2017 Joint Utility Bond            |
| Wastewater Infrastructure Reconstruction Projects                      | Wastewater Capital Improvements | 3,031,489          | 2,341,707     | 689,782                 | 2017 Joint Utility Bond            |
| Wastewater Infrastructure Reconstruction - JHWWTF Roofing Improvements | Wastewater Capital Improvements | 67,623             | -             | 67,623                  | 2017 Joint Utility Bond            |

(Continued)



**City of Las Cruces**  
Notes to Financial Statements  
June 30, 2019

**NOTE 17: MAJOR CONSTRUCTION COMMITMENTS**

| Project  | Fund  | Contract<br>Amount   | Spent to Date        | Commitment<br>Remaining | Source of Payment       |
|--|---|----------------------|----------------------|-------------------------|-------------------------|
| <b>Joint Utilities (Continued)</b>                           |   |                      |                      |                         |                         |
| Wastewater Investment-<br>Grade Energy Audit                 | Wastewater 2006<br>Bond<br>Rehabilitation<br>Projects | \$ 30,900            | \$ -                 | \$ 30,900               | 2006 Joint Utility Bond |
| Wastewater 2014<br>Infrastructure<br>Reconstruction Projects | Wastewater 2014<br>Bond Projects                      | 44,569               | 26,442               | 18,127                  | 2014 Joint Utility Bond |
| <b>Total</b>   |   | <b>\$ 40,237,739</b> | <b>\$ 28,217,490</b> | <b>\$ 12,020,248</b>    |                         |

**NOTE 18: CONTINGENT LIABILITIES**

The City receives financial assistance from federal and state grants and entitlements. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims may result in a liability of the applicable funds. The City believes that liabilities resulting from disallowed amounts will not have a material effect on the City's financial statements.

The City is a defendant in various lawsuits. Management estimates that balances available in the self-insurance fund are sufficient to settle such lawsuits. Management is not aware of any other pending or threatened litigation that would adversely affect the City's financial position.

**NOTE 19: DOWNTOWN TAX INCREMENT DEVELOPMENT DISTRICT (TIDD)**

In December of 2007, Las Cruces formed the state's first Tax Increment Development District (TIDD) for downtown revitalization. The Downtown TIDD is defined by certain geographic boundaries and receives an incremental portion of the gross receipts tax and property tax collected in this geographic area. Dona Ana County and the City contribute 75% of the incremental gross receipts tax is collected in the district. Additionally, both City and County contribute 75% of the incremental property tax assessed in the district.

The tax revenues that go to the TIDD are used for downtown public improvements and revitalization of the downtown area. TIDD priorities have been set by the TIDD Board for the following years. These priorities include rebuilding public bathrooms and redoing Parking Lot 7, located behind the Rio Grande Theater; reconstruction of Campo Street to make it more pedestrian friendly and connect downtown to the Mesquite neighborhood. Projects for future years include the restoration of the Historic Amador Hotel and construction of a parking garage.

**City of Las Cruces**  
Notes to Financial Statements  
June 30, 2019

**NOTE 20: AFFILIATED ORGANIZATIONS AND JOINT POWERS AGREEMENTS**

The City of Las Cruces (City) is a participant in the following five affiliated organizations, four of which are joint ventures. Other than the City bonds secured by South Central Solid Waste Authority, the City is unaware of any circumstances that would cause a significant benefit or burden to the participating governments.

Mesilla Valley Regional Dispatch Authority

Mesilla Valley Regional Dispatch Authority ("MVRDA") was formed through a Joint Powers Agreement ("JPA") between the City, Dona Ana County ("County"), the Village of Hatch, the Town of Mesilla, the City of Sunland Park and the City of Anthony. The JPA provides for a governing board for the MVRDA. The MVRDA is governed by a Board that consists of thirteen members including an elected official of the City, appointed by the City Council; a member of the County Board of Commissioners, appointed by the Commission; the City Manager; the County Manager; the City Police Chief; the County Sheriff; the City Fire Chief; the County Fire Chief; one member appointed by the Board of Trustees for the Town of Mesilla; one member appointed by the Board of Trustees for the Village of Hatch; one member appointed by the City Council for the City of Sunland Park; one member appointed by the City Council for the City of Anthony; and one member shall be appointed by a majority vote of the MVRDA Board.

The JPA outlines financial contributions of all member of the JPA. The amount of contributions to the MVRDA budget for Mesilla, Hatch, Sunland, and Anthony shall be determined by the MVRDA Board on an annual basis as part of the process for a budget proposal to the City and County. The contributions shall be based on the number of calls expected for responses within Mesilla, Hatch, Sunland and Anthony, and not based upon a percentage of the MVRDA budget. The remaining contribution requirements are accessed to the City and County via a 53%, 47% split respectively. The Joint Powers Agreement provides that if the agreement is terminated, all real or personal property contributed by the parties shall be returned to the respective party that contributed such property and any all surplus real or personal property or any surplus money accrued by MVRDA pursuant to the JPA shall be returned to the City, County, Hatch, Mesilla, Sunland and Anthony, in proportion to the most recent budgetary contribution percentages applicable.

The City is the fiscal agent for the organization and accounts for its resources in an agency fund. Separate audited financial statements were prepared for the year ended June 30, 2019. Requests for copies of financial statements can be made to the City's Chief Administrative Officer.

Metro Narcotics Agency

The City is a participant in a joint City-County-State controlled substances investigation project for the City/County area. The organization is governed by a board of eight individuals. The City and County each appoint three members; the remaining two members are the State Police Chief and the District Attorney.

All persons (agents and support staff) assigned to Metro are paid by their respective agencies. The City and the County make contributions to cover the net operating expenses of the organization in proportion to the number of agents assigned to the organization by the two entities. The joint powers agreement provides that if the agreement is terminated by all parties, assets and monies acquired without federal involvement will be distributed in proportion equal to their investment. Assets received from the federal government pursuant to the federal asset-sharing procedures will be distributed to the parties in proportion to their contribution to operational expenses.

The City is the fiscal agent for the organization and accounts for it in an agency fund. Separate audited financial statements were prepared for the year ended June 30, 2019. Request for copies of financial statements can be made to the City of Las Cruces' Chief Administrative Officer.

**City of Las Cruces**  
Notes to Financial Statements  
June 30, 2019

**NOTE 20: AFFILIATED ORGANIZATIONS AND JOINT POWERS AGREEMENTS (Continued)**

Metropolitan Planning Organization

The City is a participant in the Mesilla Valley Metropolitan Planning Organization (“MPO”). The MPO is established by a Joint Powers Agreement (JPA) between the City of Las Cruces, Dona Ana County, and the Town of Mesilla (most recently updated in 2013). The MPO is governed by a committee of ten; three each appointed by the City, County, and Town, plus the District One Engineer from the New Mexico Department of Transportation (NMDOT). The committee was constituted for the purpose of establishing, overseeing, and directing transportation related policy for the Las Cruces Urbanized Area and is required for the purposes of using federal transportation funding in the area.

The parties agree that some of the expense of the transportation process will be provided for by federal transportation planning funds from the United States Department of Transportation (USDOT) Federal Highway Administration (FHWA) Section 112 funds and the Federal Transit Administration (FTA) Section 5303 funds, as administered and distributed by the NMDOT. Expenses not so provided shall be assumed by participating agencies according the Financial Contributions section of the JPA.

The parties may terminate the JPA by giving written notice at least ninety days prior to the effective date of termination.

South Central Solid Waste Authority

The City is a participant in South Central Solid Waste Authority (“SCSWA”), a City-County joint venture that establishes a mechanism for designing, constructing, financing, operating and maintaining regional solid waste landfills and related facilities. SCSWA is reported as a component unit of the City because its revenues are the primary source of debt service for City bonds issued to construct a regional landfill and transfer station.

The repayment of the bonds is secured by a pledge of the Authority’s net revenues from operation of the facility. If the net revenues are not enough to satisfy the debt service requirements, the proceeds of the 1/16% Municipal Environmental Services Gross Receipts Tax of the City and the 1/8% County Environmental Services Gross Receipts Tax of the County are pledged.

SCSWA is governed by a board comprised of six working members and two ex-officio members. Three of the members are appointed from the City Council by the Mayor and three members are appointed from the County Commission by the Chairman. The two ex-officio members are the City Manager and the County Manager or their designees.

The City serves as the fiscal agent for the Authority for the term of the agreement. The fiscal agent is compensated for services rendered to the Authority in the amount of \$154,000 per year base rate. The base rate increases each year by the Consumer Price Index.

The joint venture agreement may be terminated upon the mutual consent of both parties and shall not be terminated so long as any revenue bonds issued under the agreement by the City are outstanding.

In 2019, the City of Las Cruces and Dona Ana County paid approximately \$3 million and \$1 million, respectively, to SCSWA for solid waste services provided.

**City of Las Cruces**  
Notes to Financial Statements  
June 30, 2019

**NOTE 20: AFFILIATED ORGANIZATIONS AND JOINT POWERS AGREEMENTS (Continued)**

Animal Service Center of the Mesilla Valley

Animal Service Center of the Mesilla Valley was formed through a joint powers agreement (JPA) between the City and County. The JPA provides for a governing board for the Authority. The ASCMV is governed by a Board that consists of six members and two ex-officio members. Three members are appointed from the City Council by the Mayor with the advice and consent of the City Council. Three members are appointed from the County Commission by the Chair with the advice and consent of the County Commission. The two ex-officio members are the City Manager and the County Manager, or their designees.

It is the mission of the center to provide safe shelter for all lost, mistreated, and abandoned animals of the Mesilla Valley and surrounding communities. The operations of the Authority began in February 2009. ASCMV receives funding from members of the JPA. During fiscal year 2019, ASCMV received \$1,250,000 from the City and \$1,250,000 from County.

The City is the fiscal agent for the organization and accounts for it in an agency fund. Separate audited financial statements were prepared for the year ended June 30, 2019. Request for copies of financial statements can be made to the City's Chief Administrative Officer.

**NOTE 21: TAX ABATEMENTS**

The City enters into property tax abatement agreements with new local businesses under the Community Development Incentive Act NMSA 1978 3-64-1 through 3-64-5, the Industrial Revenue Bond Act NMSA 1978 3-32-1 through 3-32-16. Under these Acts, municipalities may grant tax abatements for the purpose of attracting or retaining businesses and economic development within their jurisdictions.

For the fiscal year ended June 30, 2019, the City abated property taxes totaling \$34,496 under the Community Development Incentive Act. A property tax abatement of 100% of the Commercial / Personal property tax for ten years was given to an energy company for constructing and operating a new photovoltaic generating facility in the City.

Under the Industrial Revenue Bond Act, municipalities may grant property tax abatements for the purpose of inducing manufacturing, industrial and commercial enterprises to locate or expand in the state. A property tax abatement of 100% of the Commercial / Personal property tax was granted to a cheese manufacturing company by means of issuing an industrial revenue bond. The industrial revenue bond provided the company funds to purchase equipment enabling them to meet environmental regulations and remain operating in the City. The abatement in fiscal year 2019 amounted to \$11,869. The abatement was only effective for the months July through November 2018. The cheese manufacturer, F&A Dairy, sold the company to Saputo Cheese USA, Inc. on November 30, 2018 and paid off the bond.

**NOTE 22: SUBSEQUENT EVENTS**

The date to which events occurring after June 30, 2019, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is December 2, 2019, which is the date on which the financial statements were available to be issued.

**City of Las Cruces**  
Notes to Financial Statements  
June 30, 2019

**NOTE 22: SUBSEQUENT EVENTS (Continued)**

The City is in the process of receiving a Public Project Revolving Fund Infrastructure Loan through private placement with the New Mexico Finance Authority in the amount of \$8,870,000. The targeted closing date is September 27, 2019. This loan will have a net effective interest rate of 2.70% and a final maturity date of June 1, 2035. This loan will be secured by a subordinate lien on the State Shared Gross Receipts Tax. This loan is designated for the construction of Metro Verde Phase II Voluntary Assessment District project.

In November 2019, the City of Las Cruces was notified that the City's Clerks office had inadvertently posted personal information associated with a campaign disclosure report. On November 20, 2019, the City self-reported the described non-compliance incident concerning its existing procedure, policies, and the state's statutes related to campaign disclosure requirements, to its independent public accounting firm concerned with the annual financial audit, the Office of the State Auditor of New Mexico, and the New Mexico Attorney General. The City did report as required to all parties.

**NOTE 23: RESTATEMENT TO PRIOR PERIOD**

The objective of a net position restatement is to accurately reflect prior period's net position and improve the relevancy and usefulness of financial information. The transit fund's fund balance was restated in the amount of \$106,395 to recognize a receivable from 2018 not previously accrued. The governmental activities net position was restated in the amount of \$4,402,903 to recognize prior year unearned revenue.

# **Required Supplementary Information**

CITY OF LAS CRUCES . NEW MEXICO

# City of Las Cruces

## Schedule of the City's Proportionate Share of the Net Pension Liability Public Employees Retirement Association (PERA) Last 10 Fiscal Years\*

|   | 2019          | 2018          | 2017          | 2016          | 2015          |
|---|---------------|---------------|---------------|---------------|---------------|
| <b>City of Las Cruces proportion of the net pension liability (asset)</b>   |               |               |               |               |               |
| Municipal   | 4.93%         | 4.97%         | 5.01%         | 5.03%         | 4.64%         |
| Police  | 4.90%         | 4.90%         | 4.91%         | 5.01%         | 5.10%         |
| Fire  | 6.68%         | 6.12%         | 5.79%         | 5.87%         | 5.72%         |
| <b>City of Las Cruces proportionate share of the net pension liability (asset)</b>  |               |               |               |               |               |
| Municipal   | \$ 71,990,380 | \$ 63,198,637 | \$ 73,329,081 | \$ 49,796,563 | \$ 36,171,147 |
| Police  | 33,450,650    | 27,220,489    | 36,200,879    | 23,390,154    | 16,640,441    |
| Fire  | 42,749,150    | 35,014,102    | 38,617,182    | 29,442,649    | 23,884,004    |
| <b>City of Las Cruces covered payroll</b>   |               |               |               |               |               |
| Municipal   | \$ 46,232,164 | \$ 44,588,361 | \$ 42,932,089 | \$ 38,628,050 | \$ 37,425,872 |
| Police  | 11,906,454    | 11,625,976    | 11,333,930    | 10,991,888    | 11,050,695    |
| Fire  | 9,051,778     | 8,487,146     | 7,417,574     | 6,733,578     | 6,694,291     |
| <b>City of Las Cruces proportionate share of the net pension liability (asset) as a percentage of its covered payroll</b> |               |               |               |               |               |
| Municipal   | 156.56%       | 141.74%       | 170.80%       | 128.91%       | 96.65%        |
| Police  | 280.95%       | 234.14%       | 319.40%       | 212.79%       | 150.58%       |
| Fire  | 472.27%       | 412.55%       | 520.62%       | 437.25%       | 356.78%       |
| <b>Plan fiduciary net position as a percentage of the total pension liability</b>   |               |               |               |               |               |
|   | 71.13%        | 73.74%        | 69.18%        | 76.99%        | 81.29%        |

\*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City of Las Cruces will present information for those years for which information is available. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30 of the previous year.

*See independent auditors' report.  
See notes to required supplementary information.*

**City of Las Cruces**  
Schedule of the City's Contributions  
Public Employees Retirement Association (PERA)  
Last 10 Fiscal Years\*

|  | 2019          | 2018          | 2017          | 2016          | 2015          |
|--|---------------|---------------|---------------|---------------|---------------|
| <b>Municipal</b>   |               |               |               |               |               |
| Contractually obligated contribution                                   | \$ 3,998,222  | \$ 4,260,265  | \$ 4,008,076  | \$ 3,983,174  | \$ 6,016,189  |
| Contributions in related to the<br>contractually required contribution | 3,988,222     | 4,260,265     | 4,008,076     | 3,983,174     | 6,016,189     |
| Contribution deficiency (excess)                                       | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          |
| City of Las Cruces covered payroll                                     | \$ 46,232,164 | \$ 44,610,105 | \$ 42,932,089 | \$ 38,628,050 | \$ 37,425,872 |
| Contributions as a percentage of<br>covered payroll                    | 8.65%         | 9.55%         | 9.34%         | 10.31%        | 16.07%        |
| <b>Police</b>  |               |               |               |               |               |
| Contractually obligated contribution                                   | \$ 2,129,015  | \$ 1,957,872  | \$ 1,340,980  | \$ 2,180,472  | \$ 1,740,991  |
| Contributions in related to the<br>contractually required contribution | 2,129,015     | 1,957,872     | 1,340,980     | 2,180,472     | 1,740,991     |
| Contribution deficiency (excess)                                       | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          |
| City of Las Cruces covered payroll                                     | \$ 11,906,454 | \$ 10,359,111 | \$ 11,333,930 | \$ 10,991,888 | \$ 11,050,695 |
| Contributions as a percentage of<br>covered payroll                    | 17.88%        | 18.90%        | 11.83%        | 19.84%        | 15.75%        |
| <b>Fire</b>  |               |               |               |               |               |
| Contractually obligated contribution                                   | \$ 1,959,709  | \$ 1,837,467  | \$ 1,094,091  | \$ 1,659,724  | \$ 1,323,824  |
| Contributions in related to the<br>contractually required contribution | 1,959,709     | 1,837,467     | 1,094,091     | 1,659,724     | 1,323,824     |
| Contribution deficiency (excess)                                       | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          |
| City of Las Cruces covered payroll                                     | \$ 9,051,778  | \$ 8,487,145  | \$ 7,417,574  | \$ 6,733,578  | \$ 6,694,291  |
| Contributions as a percentage of<br>covered payroll                    | 21.65%        | 21.65%        | 14.75%        | 24.65%        | 19.78%        |

The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City of Las Cruces will present information for those years for which information is available.

*See independent auditors' report.  
See notes to required supplementary information.*



## City of Las Cruces

### Schedule of Employer's Proportionate Share of the Net OPEB Liability of New Mexico Retiree Health Care Act Plan New Mexico Retiree Health Care Authority (NMRHCA) Plan Last 10 Fiscal Years\*

|  | As of and for<br>the Year Ended<br>June 30, 2019 | As of and for<br>the Year Ended<br>June 30, 2018 |
|--|--|--|
| City of Las Cruces' proportion of the net OPEB liability   | 1.58074%   | 1.49262%   |
| City of Las Cruces' proportionate share of the net OPEB liability  | \$ 63,488,112                                    | \$ 67,640,543                                    |
| City of Las Cruces' covered-employee payroll   | \$ 67,823,495                                    | \$ 41,631,772                                    |
| City of Las Cruces' proportionate share of the net OPEB liability as a<br>percentage of its covered-employee payroll | 93.61%   | 162.47%  |
| Plan fiduciary net position as a percentage of the total OPEB liability  | 13.14%   | 11.34%   |

\* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City of Las Cruces will present information for those years for which information is available.

*See independent auditors' report.  
See notes to required supplementary information.*

**City of Las Cruces**  
Schedule of Employer Contributions  
New Mexico Retiree Health Care Authority (NMRHCA) Plan  
Last 10 Fiscal Years\*

|  | As of and for<br>the Year Ended<br>June 30, 2019 | As of and for<br>the Year Ended<br>June 30, 2018 |
|--|--|--|
| Contractually required contributions                                 | \$ 1,457,909                                     | \$ 1,300,015                                     |
| Contributions in relation to the contractually required contribution | (1,457,909)                                      | (1,300,015)                                      |
| Contribution deficiency (excess)                                     | \$ -   | \$ -   |
| City of Las Cruces' covered-employee payroll                         | \$ 67,823,495                                    | \$ 41,631,772                                    |
| Contributions as a percentage of covered-employee payroll            | 2.15%  | 3.00%  |

\* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City of Las Cruces will present information for those years for which information is available.

*See independent auditors' report.  
See notes to required supplementary information.*

# City of Las Cruces

## Notes to Required Supplementary Information

June 30, 2019

### **Public Employees Retirement Association (PERA)**

Changes of benefit terms The Public Employee Retirement Association (PERA) Fund, COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY18 audit available at [https://reports.saonm.org/media/audits/366\\_Public\\_Employees\\_Retirement\\_Association\\_FY2018\\_Final.pdf](https://reports.saonm.org/media/audits/366_Public_Employees_Retirement_Association_FY2018_Final.pdf)

Changes of assumptions The PERA of New Mexico Annual Actuarial Valuation as of June 30, 2018 report is available at <http://www.nmpera.org/assets/uploads/downloads/retirement-fund-valuation-reports/6-30-2018-PERA-Valuation-Report-FINAL.pdf>.

The summary of Key Findings for the PERA Fund (on page 2 of the report).

### **New Mexico Retiree Health Care Authority (NMRHCA) Plan**

Changes of benefit terms. The NMRHCA eligibility benefits changes in recent years are described in Note 1 of the NMRHC FY18 audit available at [http://www.nmrhca.org/uploads/FileLinks/5fccea70107e4b9fa9b1a47723691d2a/NM\\_RHCA\\_Audited\\_FS\\_6.30.18.pdf](http://www.nmrhca.org/uploads/FileLinks/5fccea70107e4b9fa9b1a47723691d2a/NM_RHCA_Audited_FS_6.30.18.pdf).

Changes of assumptions. The New Mexico Retiree Healthcare Authority (NMRHCA) Actuarial Valuation as of June 30, 2018 report is available at [http://www.nmrhca.org/uploads/FileLinks/4310380076d642ecb015117ae3cdbae8/5559596\\_NMRHCA\\_GASB74\\_Report\\_as\\_of\\_June\\_30\\_2018.pdf](http://www.nmrhca.org/uploads/FileLinks/4310380076d642ecb015117ae3cdbae8/5559596_NMRHCA_GASB74_Report_as_of_June_30_2018.pdf). See the notes to the financial statements beginning on page 15 which summarizes actuarial assumptions and methods effective with the June 30, 2018 valuation.

*See independent auditors' report.*

## APPENDIX B

### FORM OF BOND COUNSEL OPINION

\_\_\_\_\_, 2020

City of Las Cruces  
Las Cruces, New Mexico

\$ \_\_\_\_\_  
**State Shared Gross Receipts Tax Refunding  
Revenue Bonds  
Series 2020**

Ladies and Gentlemen:

We have acted as bond counsel to the City of Las Cruces, New Mexico (the “City”) in connection with the issuance and sale by the City of its \$ \_\_\_\_\_ State Shared Gross Receipts Tax Refunding Revenue Bonds, Series 2020 (the “Series 2020 Bonds”). The Bonds are issued pursuant to the Constitution and laws of the State of New Mexico (the “State”) and Ordinance No. \_\_\_\_, adopted on \_\_\_\_\_, 2020, as supplemented by Pricing Certificate executed and delivered on \_\_\_\_\_, 2020 (collectively, 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 those portions of the Constitution and the laws of the State and the United States of America relevant to the opinions herein, a certified transcript of proceedings of the Council, the governing body of the City (the “Transcript”), and other proceedings and documents relevant to the authorization and issuance by the City of the Bonds, including the form of the Bonds in the Bond Ordinance. As to the questions of fact material to our opinion, we have relied upon the Transcript and other representations and certifications of public officials 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 constitute 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. As more fully described in the Bond Ordinance, the Series 2020 Bonds are payable as to principal and interest, solely from, and are secured by a first lien pledge (but not an exclusive first lien pledge) of Pledged State Shared Gross Receipts Tax Revenues, Pledged Lodger’s Tax Revenues and Pledged Convention Center Fee Revenues (collectively, “Pledged Revenues”) of the City. The owners of the Bonds have no right to have property taxes levied by the City for the payment of principal and interest 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 a specific preference item 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 above are subject to continuing compliance by the City with covenants regarding federal tax law contained in the Bond Ordinance and 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 legislation as of the date of issuance and delivery of the Bonds, and we express no opinion as of any date subsequent thereto or with respect to any pending legislation.

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 that we deem relevant to render such opinions and are not a guarantee of result.

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

### FORM OF CONTINUING DISCLOSURE UNDERTAKING

#### CONTINUING DISCLOSURE UNDERTAKING

Section 1. Recitals. This Continuing Disclosure Undertaking (the “Undertaking”) is executed and delivered by the City of Las Cruces, New Mexico (the “City”) in connection with the issuance of its \$\_\_\_\_\_ State Shared Gross Receipts Tax Refunding Revenue Bonds, Series 2020 (the “Bonds”). The Bonds are being issued pursuant to the general laws of the State, including Sections 3-31-1 to 3-31-12 of the New Mexico Statutes Annotated, 1978 Compilation, as amended and supplemented, the Charter of the City, other applicable New Mexico laws, Ordinance No. \_\_\_\_\_ adopted by the City Council on \_\_\_\_\_, 2020 as supplemented by a pricing certificate executed and delivered (collectively, the “Ordinance”). Pursuant to the Ordinance and to allow the Underwriter 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 or operating data 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 section of the Official Statement entitled “PLEDGED REVENUES.” Annual Financial Information will include Audited Financial Statements if available.

(b) “Audited Financial Statements” means the City’s annual 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”), which financial statements have been prepared 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](http://emma.msrb.org).

(d) “Event” means the information or circumstances described in Section 3(d).

(e) “Financial Obligation” shall mean a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of (i) or (ii). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board in compliance with the Rule.

(f) “MSRB” means the Municipal Securities Rulemaking Board. The current address of the MSRB is 1900 Duke Street, Suite 600, Alexandria, Virginia, 22314, phone (703) 797-6600 fax (703) 797-6708.

(g) “Official Statement” means the Official Statement dated \_\_\_\_\_, 2020, delivered in connection with the original issue and sale of the Bonds.

(h) “Report Date” means March 31 of each year, beginning in 2021.

(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 Financial Information and Reporting of Event.

(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) This paragraph (d) shall govern the giving of notices of the occurrence of any of the following Events with respect to the Bonds:

(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 Bondholders, if material;

(viii) bond calls, if material, or tender offers;

(ix) defeasances;

(x) release, substitution or sale of property securing repayment of the Bond, if material;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or a similar event with respect to the District 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;

(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) At any time the Bonds are outstanding, the City shall file, in a timely manner not in excess of ten (10) business days after the occurrence of an Event, a notice of such occurrence with EMMA.

(f) At any time the Bonds are outstanding, the City shall provide to EMMA, notice in a timely manner not in excess of ten (10) business days after the occurrence of any failure of the City to timely provide the Annual Financial Information and Audited Financial Statements as specified in Section 3 hereof.

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 has 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. The City shall file a notice of any such termination with EMMA.

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 such term is defined in 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: \_\_\_\_\_, 2020

CITY OF LAS CRUCES, NEW MEXICO

[CITY SEAL]

By: \_\_\_\_\_  
Ken Miyagishima, Mayor

Attest:

By: \_\_\_\_\_  
Christine Rivera, Interim City Clerk