

Five-Year Model Supporting a Public Bank of Santa Fe Abstract

The Brass Tacks Team (BTT) of the Banking on New Mexico initiative of “We Are People Here!” evaluated the potential of a Public Bank for Santa Fe (The Bank) being part of the solution to the debt burden confronting our City.

An exercise was completed to determine whether The Bank could create a loan portfolio that could be the basis for a successful five year start-up plan for The Bank. With the help of the City Finance Department, the Brass Tacks Team was able to determine loans and bonds that would become available for refinancing over a five-year period beginning in 2017, the year we propose opening a Public Bank for Santa Fe in the City of Santa Fe, New Mexico. A small amount of community partnership lending was also included. Though financial experts might prefer to work with a variety of interest rates, we chose a fixed 4% interest rate in our example. BTT restructured existing debt with two goals in mind: 1) lower the City’s Debt Service (principal, interest and fees associated with the loans and bonds) and 2) lower the City’s projected debt.

BTT restructured four existing loans and six bonds and then set out to create five-year projections for a new loan portfolio. Then BTT created “books” for the first year of operation.

Major findings:

By a careful restructuring of the four loans and six bonds available for refinancing into “New Loans,” the City would be able to reduce annual debt service costs by \$1,336,976 and reduce total City debt by \$4,848,694 over a five-year period.

With six of those “New Loans” being available for refinancing in 2017, the Public Bank for Santa Fe could “open for business” on July 1, 2017, with a portfolio of City refinanced loans amounting to \$45,519,398 and save the City \$1,055,586 in debt service costs in its first year of operation.

For its first year of operation, BTT created a Journal for the income and expenses and generated an Income Statement and Balance Sheet for The Bank’s first year of operation. The Team found that a Public Bank for Santa Fe made a profit of \$513,899 in the first year, and made \$10,435,207 in profit over the five-year period.

The results demonstrate that The Bank is a sound economic resource for our community. Our research indicates that The Bank will continue to have a positive cash flow and loan growth. The City of Santa Fe will have a responsible banking partner and the community will begin to see opportunities to start and grow their businesses, or buy affordable homes.

Brass Tacks Team | Banking on New Mexico
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For the full *Five-Year Model Supporting a Public Bank of Santa Fe*, go to http://bankingonnewmexico.org/pdf/BoNM_FiveYearModel_12.2.15.pdf

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