

New Issue: Bernalillo (County of) NM

MOODY'S ASSIGNS Aa1 RATING TO BERNALILLO COUNTY [NM] \$10 MILLION GO BONDS, SERIES 2006

AFFIRMATION OF THE Aa1 AFFECTS \$92 MILLION IN PARITY DEBT, INCLUDING CURRENT ISSUE

County
NM

Moody's Rating

ISSUE	RATING
General Obligation Bonds, Series 2006	Aa1
Sale Amount	\$10,000,000
Expected Sale Date	11/09/06
Rating Description	GOULT

Opinion

NEW YORK, Nov 6, 2006 -- Moody's Investors Service has assigned a Aa1 rating to Bernalillo County's [NM] \$10 million General Obligation Bonds, Series 2006. At the same time, Moody's has affirmed the Aa1 rating on the County's \$82.2 million in outstanding parity debt. Proceeds from the current bond sale will be used to fund improvements for drainage, roads, parks and public safety. The bonds are secured by an ad valorem tax levied without limit as to rate or amount on all taxable property within the County. Assignment of the high-quality Aa1 rating reflects a large and diverse tax base that continues to experience favorable growth rates. The rating also takes into consideration a healthy financial position and consistently low debt burden.

TAX BASE EXPANSION AND POPULATION GROWTH CONTINUE AT STEADY PACE

Bernalillo County primarily serves the City of Albuquerque (G.O. rated Aa3) and is home to over 31% of the state's total population. Due to the county's proximity to Santa Fe, Rio Rancho, and with an international airport located within the county, job growth and tax base expansion has continued over the last several years. The full valuation has increased by a steady average of 5% annually over the last five fiscal years and in 2007, the full valuation was a sizable \$35.5 billion. Tax base growth can be primarily attributed to new construction of residential and commercial properties. Going forward, county officials conservatively project the tax base to continue increasing 3% annually.

An influx of retirees from other States and new job opportunities are driving an increase in the County's population. The population of nearly 594,000 has increased 7% since 2000 after increasing 15% between 1990 and 2000. The County's wealth levels have remained fairly constant compared to the State between the 1990 and 2000 census years. The County's PCI in 2000 was \$20,790, equal to 120.4% of the State and in 1990, the PCI was 120.9% of the State. The County's wealth levels remain low compared to the rest of the Nation with the 2000 PCI equal to 96% of the US. Moody's believes the population and tax base growth rates will continue at the historical pace given no signs of a slowdown. Moody's also believes the favorable economic development occurring throughout the County will continue to support revenue growth.

GENERAL FUND FINANCIAL POSITION REMAINS SOLID AT FYE 2006

General Fund operations are primarily supported by gross receipts tax (GRT) and property tax revenues. In fiscal 2005, property taxes provided 51% of revenues and the GRT provided 31% of revenues. Although the GRT could potentially be a volatile revenue source, the historical trend has been positive. In 2005, a new 3/16th GRT increment began on January 1, 2005 which increased the GRT 43% over the prior year and supported an additional 24% increase the next year given a full year of collection. For fiscal 2007, the GRT is budgeted to increase 23% given a new 1/8th GRT that began July 1, 2006 for jail operations, which were assumed by the county from the city in fiscal 2007. Increased expenditures for jail operations will offset this additional revenue.

After increasing the fund balance to \$72 million, or 43% of General Fund revenues in fiscal 2005, the fund balance is projected to increase again to \$97 million for the 2006 fiscal year end. Increases in recent years are the result of better than anticipated revenue collections and tighter expenditure controls. The State requires counties to maintain 25% in the fund balance and in fiscal 2005, the unreserved portion of the fund

balance was \$65 million, or 38.8% of General Fund revenues. The fund balance is budgeted to increase to \$102 million for fiscal 2007. Some of the designated fund balance may be used for one time capital expenditures; however, Moody's recognizes the strength of the State's requirement and believes the county will continue to maintain a healthy fund balance over the long term.

DEBT PROFILE EXPECTED TO REMAIN LOW

The county has a history of prudent debt management with bond elections held every two years to authorize bond packages of approximately \$16 million each. The County has \$3.2 million in authorized but unissued bonds from a bond election approved by voters in 2004. Additionally, the County is going to voters this month for a new \$18 million authorization. The county's direct and overall debt ratios are low at 0.4% and 1.3%, respectively. Similar to other New Mexico issuers, the county's principal retirement is above average with 62% retired in ten years. The debt burdens will likely remain favorable over the long term, despite future debt, given the rate of principal retirement and ongoing tax base growth.

KEY STATISTICS:

Population: 593,765

2007 Full Value: \$35 billion

2007 Full Value per Capita: \$63,767

2000 PCI: \$20,790 (120% of State)

Direct debt burden: 0.4%

Overall debt burden: 1.3%

Payout (10 years): 61.5%

FY 2005 General Fund balance: \$72.3 million (43% of General Fund revenues)

FY 2006 Unaudited General Fund balance: \$97 million (56.6% of General Fund revenues)

Post-sale parity debt: \$92.2 million

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