

**New Issue: MOODY'S ASSIGNS Aaa RATING TO BERNALILLO COUNTY'S (NM) \$4.2 MILLION  
GENERAL OBLIGATION BONDS, SERIES 2011; OUTLOOK REMAINS NEGATIVE**

---

Global Credit Research - 23 Sep 2011

**Aaa RATING AFFECTS \$101.6 MILLION IN OUTSTANDING PARITY DEBT, INCLUSIVE OF CURRENT SALE**

County  
NM

**Moody's Rating**

ISSUE	RATING
General Obligation Bonds, Series 2011	Aaa
<b>Sale Amount</b>	\$4,200,000
<b>Expected Sale Date</b>	09/26/11
<b>Rating Description</b>	General Obligation

**Opinion**

NEW YORK, Sep 23, 2011 -- Moody's Investors Service has assigned a Aaa rating to Bernalillo County's \$4.2 million General Obligation Bonds, Series 2011. Concurrently, we have affirmed the Aaa rating on the county's \$101.6 million in outstanding parity debt, inclusive of the current sale. The outlook is negative. Proceeds from the current sale will be used to fund various projects around the county, including library, parks and recreation, and facility improvements.

**SUMMARY RATING RATIONALE**

The bonds are secured by a direct and continuing ad valorem tax levied against all taxable property within the county, without limitation as to rate or amount. Assignment of the Aaa rating reflects the county's large and diverse tax base, strong management and historically stable financial operations characterized by ample reserves, and favorable debt profile.

Moody's negative outlook on Bernalillo County's Aaa rating is due to the county's indirect linkages to the weakened credit profile of the U.S. government. The negative outlook relates to Moody's August 2, 2011 decision to confirm the Aaa government bond rating of the United States and assign a negative outlook. We believe that Bernalillo County's rating could be affected by a downgrade of the U.S. government's rating. In the coming weeks we will assess Bernalillo County's degree of vulnerability to sovereign risk in terms of its reliance on capital markets, dependence on federal revenues, sensitivity to macroeconomic cycles, and available financial resources to offset risks related to the U.S. government, in order to determine whether to maintain the negative outlook. Please see the Press Release from August 4 entitled "Moody's Confirms Aaa Ratings of 5 U.S. States and 303 Other Public Finance Issuers Indirectly Linked to U.S. Government Bond Rating; Negative Outlooks Assigned" for more information on this rating action.

**STRENGTHS**

Sizeable regional economy

Strong financial management practices demonstrated by conservative budgeting and healthy reserves

**CHALLENGES**

Relatively weak socio demographic indicators compared to other Aaa ratings

Operating pressures associated with dependence on economically sensitive revenues

**DETAILED CREDIT DISCUSSION**

**ECONOMIC AND POPULATION HUB OF NEW MEXICO**

Located in north central New Mexico, Bernalillo County encompasses the entire City of Albuquerque (Aa1 general obligation rating with negative outlook) and is home to approximately one-third of the state's population. The county's population has grown approximately 19% since the 2000 U.S. Census to an estimated 662,564 residents. The county's full value decreased approximately 2.1% FY 2011 to a still sizable \$42.47 billion. Preliminary FY 2012 full value shows an additional 0.2% decline to \$42.38 billion, derived from an assessed valuation of \$13.9 billion. County officials report declines in assessed value are attributable to decreased residential appraisal values. The recent declines in full value have led to a moderate 3.6% average annual growth rate over the past five years. Management anticipates the tax base will remain stable in the near future.

Significant institutional presence, including the University of New Mexico and Kirtland Air Force Base, supports economic stability. The July 2011 unemployment rate of 7.4% was above the state (7.2%), but below the nation (9.3%) for the same reporting period. Large private sector employers in the county include Sandia National Laboratories, Intel Corporation, and Hewlett Packard. The 2000 Census per capita income of \$20,790 was a favorable 120.4% of the State but a more modest 96.3% of the US.

**STRONG FISCAL MANAGEMENT YIELDS HEALTHY RESERVES**

The county has consistently posted surpluses annually since 2001, boosting the General Fund balance from \$38.8 million (36.8% of revenues)

at FYE 2001 to an ample \$194 million (83.9% of revenues) at FYE 2010. Management previously anticipated a flat to modest operating surplus for FY 2010, but due to increased property taxes and gross receipt taxes, revenues were able to yield an operating surplus of \$18.4 million. General Fund operating revenues were largely derived from property taxes (47.9%) and gross receipts taxes (38.5%). The state requires maintenance of 25% of budgeted expenditures in cash reserve. The FY 2010 General Fund balance includes a reserved portion equivalent to 31.9% of operations (\$65.2 million at FYE 2010). Additionally, the county designates portions of the General Fund balance for specific purposes including revenue stabilization, infrastructure replacement, and early defeasance of bonds. Management anticipates a cash basis General Fund operating surplus of approximately \$3.6 million for FYE 2011. However, officials report GASB required mark-to-market of the county's investments will likely decrease reserves approximately \$8 million, resulting in an estimated FYE 2011 General Fund balance of a still healthy \$189 million (81.6% of budgeted FY 2011 revenues). We believe the county officials will continue to manage finances conservatively and maintain a healthy fund balance over the long term.

#### MANAGEABLE DEBT PROFILE EXPECTED TO CONTINUE

Inclusive of the current sale, the county's debt burdens are modest at 0.7% direct and 2.4% overall, both expressed as a percentage of preliminary fiscal 2012 full value. The debt burdens are inclusive of \$155.1 million in GRT debt (Aa2) and a \$20 million Tax and Revenue Anticipation Note (MIG 1), which the county plans to pay off at maturity. The county has \$20.8 million general obligation debt authorization remaining and officials report plans to hold an additional bond election in 2012, which is consistent with the county's practice of holding bond elections every two years. Given the favorable rate of amortization (76.5% of principal retired in ten years), we believe the county's debt profile will remain manageable. The county has no exposure to variable rate debt or interest rate derivatives.

#### OUTLOOK

Moody's negative outlook on Bernalillo County's Aaa rating is due to the county's indirect linkages to the weakened credit profile of the U.S. government. The negative outlook relates to Moody's August 2, 2011 decision to confirm the Aaa government bond rating of the United States and assign a negative outlook. We believe that Bernalillo County's rating could be affected by a downgrade of the U.S. government's rating. In the coming weeks we will assess Bernalillo County's degree of vulnerability to sovereign risk in terms of its reliance on capital markets, dependence on federal revenues, sensitivity to macroeconomic cycles, and available financial resources to offset risks related to the U.S. government, in order to determine whether to maintain the negative outlook. Please see the Press Release from August 4 entitled "Moody's Confirms Aaa Ratings of 5 U.S. States and 303 Other Public Finance Issuers Indirectly Linked to U.S. Government Bond Rating; Negative Outlooks Assigned" for more information on this rating action.

#### WHAT COULD CHANGE THE RATING - UP

\*Not applicable

#### WHAT COULD CHANGE THE RATING - DOWN

\*Deterioration of financial reserves

\*Change in the US rating that results in pressure on local government Aaa ratings

#### KEY STATISTICS

Estimated Population: 662,564

Preliminary FY 2012 Full Value: \$42.38 billion

Full Value per Capita: \$63,958

Per Capita Income (2000 U.S. Census): \$20,790 (120.4% of state; 96.3% of U.S.)

Direct Debt Burden: 0.7%

Overall Debt Burden: 2.4%

Payout of Principal (10 years): 76.5%

FY 2010 Total General Fund Balance: \$194.1 million (83.9% of General Fund revenues)

FY 2010 Unreserved General Fund Balance: \$117.6 million (50.8% of General Fund revenues)

Post-sale Parity Debt Outstanding: \$101.57 million

#### PRINCIPAL METHODOLOGY

The principal methodology used in this rating was General Obligation Bonds Issued by U.S. Local Governments published in October 2009. Please see the Credit Policy page on [www.moody's.com](http://www.moody's.com) for a copy of this methodology.

#### REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides relevant regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides relevant regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides relevant regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity

page for the respective issuer on [www.moodys.com](http://www.moodys.com).

Information sources used to prepare the rating are the following: parties involved in the ratings, parties not involved in the ratings, public information.

Moody's considers the quality of information available on the rated entity, obligation or credit satisfactory for the purposes of issuing a rating.

Moody's adopts all necessary measures so that the information it uses in assigning a rating is of sufficient quality and from sources Moody's considers to be reliable including, when appropriate, independent third-party sources. However, Moody's is not an auditor and cannot in every instance independently verify or validate information received in the rating process.

Please see Moody's Rating Symbols and Definitions on the Rating Process page on [www.moodys.com](http://www.moodys.com) for further information on the meaning of each rating category and the definition of default and recovery.

Please see ratings tab on the issuer/entity page on [www.moodys.com](http://www.moodys.com) for the last rating action and the rating history.

The date on which some ratings were first released goes back to a time before Moody's ratings were fully digitized and accurate data may not be available. Consequently, Moody's provides a date that it believes is the most reliable and accurate based on the information that is available to it. Please see the ratings disclosure page on our website [www.moodys.com](http://www.moodys.com) for further information.

Please see [www.moodys.com](http://www.moodys.com) for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

#### **Analysts**

Keaton Hoppe  
Analyst  
Public Finance Group  
Moody's Investors Service

Kristin Button  
Backup Analyst  
Public Finance Group  
Moody's Investors Service

#### **Contacts**

Journalists: (212) 553-0376  
Research Clients: (212) 553-1653

Moody's Investors Service, Inc.  
250 Greenwich Street  
New York, NY 10007  
USA



© 2011 Moody's Investors Service, Inc. and/or its licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

**CREDIT RATINGS ARE MOODY'S INVESTORS SERVICE, INC.'S ("MIS") CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MIS DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. CREDIT RATINGS DO NOT CONSTITUTE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS ARE NOT RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. CREDIT RATINGS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MIS ISSUES ITS CREDIT RATINGS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.**

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources Moody's considers to be reliable, including, when

appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process. Under no circumstances shall MOODY'S have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of MOODY'S or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if MOODY'S is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information. The ratings, financial reporting analysis, projections, and other observations, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. Each user of the information contained herein must make its own study and evaluation of each security it may consider purchasing, holding or selling. NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

MIS, a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MIS have, prior to assignment of any rating, agreed to pay to MIS for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at [www.moody's.com](http://www.moody's.com) under the heading "Shareholder Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Any publication into Australia of this document is by MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657, which holds Australian Financial Services License no. 336969. This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001.

Notwithstanding the foregoing, credit ratings assigned on and after October 1, 2010 by Moody's Japan K.K. ("MJKK") are MJKK's current opinions of the relative future credit risk of entities, credit commitments, or debt or debt-like securities. In such a case, "MIS" in the foregoing statements shall be deemed to be replaced with "MJKK". MJKK is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO.

This credit rating is an opinion as to the creditworthiness or a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors. It would be dangerous for retail investors to make any investment decision based on this credit rating. If in doubt you should contact your financial or other professional adviser.