

**Bernalillo County, New Mexico**

**Fiscal Year 2017 Annual Report**

January 23, 2018

**Debt Management Policy & Guidelines**

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## **Purpose**

In accordance with the Debt Policy and Guidelines approved by the Bernalillo County Commission as amended on January 26, 2016, the Finance team is providing an annual report representing Bernalillo County's financial position as of FY17 (year ended 6/30/2017). This report includes appropriate measurements to evaluate the County's credit status, in comparison to other jurisdictions and financial benchmarks. In addition, information about significant events affecting outstanding debt, a summary statement to the overall status of the County's debt obligations and debt management process has been provided.

- I. Summary Statement
- II. Results of previous year's financings
- III. Rating agency reports and rating status
- IV. Bond capacity and relevant comparable financial ratios
- V. All bond financings completed, in progress or anticipated for the subsequent fiscal year
- VI. Debt Management Policy & Guidelines

### Additional Information:

- Median Comparison
- Glossary of Terms

## I. Summary Statement

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- The Bernalillo County Finance Division has analyzed the existing debt position of the County and has assessed the impact of future financing requirements on the county's ability to service additional debt. Review and analysis of the County's debt position is performed to provide a capital financing plan for infrastructure and other improvements. The County's debt position is stable with ample reserve levels, which are expected to improve over the near term, and sustaining a favorable debt profile. Currently Bernalillo County is at 19.67% Bonded to Capacity, which enables a steadfast property tax mill rate of \$1.265. Additionally, the County has ample revenue-raising flexibility, strong expenditure flexibility, low liability burden, and exceptionally strong financial resilience through economic downturns relative to expected revenue volatility.

The County utilizes a bond cycle for General Obligation Bonds in which elections are held every two years in an amount which results in a tax rate of approximately \$1.265. Debt is repaid over 15 years and structured with level principal payments. Estimated capacity is \$36 to \$38 million.

- Long-term financing projections are linked with economic, demographic and financial resources expected to be available to repay the debt. Decisions regarding the use of debt are based upon a number of factors including, but not limited to, the long-term needs of the County and the amount of resources available to repay the debt. The debt policy is not expected to anticipate every future contingency in the County's capital program or future operational needs. Sufficient flexibility is required to enable county management to respond to unforeseen circumstances or new opportunities, when appropriate.
- The County will maintain direct tax supported debt at a manageable level that takes into account economic factors including population, assessed valuation, and other current and future tax-supported essential needs. The decision to issue bonds, by either competitive or negotiated sale, is based upon which alternative will provide the county with lower costs. The Board of County Commissioners decides on an issue-by-issue basis which method of sale would be most appropriate. The County encourages the use of competitive sales for all issues unless circumstances dictate otherwise. Negotiated sales are considered if the sale is a complex financing structure. If a negotiated sale is anticipated, the Finance Division and County Bond Counsel establish a list of pre-qualified underwriters. The sales process has been enhanced by adopting the 2016 legislation of a delegation authority by the Commissioners to the County staff to approve final interest rates on bonds. This improves the flexibility to sell bonds on a date which the County Commission may not be able to meet and may lead to lower borrowing costs.

## II. 2017 General Obligation (“GO”) Bond Sale (Rated: Aaa/AAA/AAA)

- The County issued one series of General Obligation Bonds in the fiscal year ended June 30, 2017. County voters approved \$36.255MM of bonds at an election on November 8, 2016. The first issue of that election, \$18,285,000, were sold at competitive sale on February 21, 2017. The best bid, by Janney Montgomery, resulted in an interest rate of 2.323%.

### Sources of Funds

Par Amount	18,285,000.00
Premium	1,178,031.85
	<b>19,463,031.85</b>

### Uses of Funds

Project Fund	19,255,000.00
Cost of Issuance	175,000.00
Underwriter's Discount	28,455.12
Deposit to Debt Service Fund	4,576.73
	<b>19,463,031.85</b>

### Bond Summary Statistics

Dated Date	03/28/2017
Arbitrage Yield	2.253%
True Interest Cost (TIC)	2.323%
Net Interest Cost (NIC)	2.450%
All-In TIC	2.567%
Average Coupon	3.955%
Average Life (years)	4.18
Duration of Issue (years)	3.77
Total Interest	3,021,876
Net Interest	1,872,300
Total Debt Service	21,306,876
Maximum Annual Debt Service	8,250,100
Average Annual Debt Service	1,385,313

### 2017 Bond Projects (2016 Bond Election)

\$MM	Project	\$MM	Project
\$0.750	Library	\$4.550	Roads
\$2.500	Public Safety	\$2.800	Storm Drainage
\$3.655	Parks and Recreation	\$2.500	Housing
\$2.500	Public Works		

### Series 2017 Bond Debt Service

Period Ending	Principal	Coupon	Interest	Debt Service
8/15/17	\$ 3,435,000	5.000%	\$ 324,176	\$ 3,759,176
8/15/18	7,570,000	5.000%	680,100	8,250,100
8/15/19	520,000	5.000%	301,600	821,600
8/15/20	520,000	5.000%	275,600	795,600
8/15/21	520,000	5.000%	249,600	769,600
8/15/22	520,000	5.000%	223,600	743,600
8/15/23	520,000	5.000%	197,600	717,600
8/15/24	520,000	5.000%	171,600	691,600
8/15/25	520,000	5.000%	145,600	665,600
8/15/26	520,000	4.000%	119,600	639,600
8/15/27	520,000	4.000%	98,800	618,800
8/15/28	520,000	3.000%	78,000	598,000
8/15/29	520,000	3.000%	62,400	582,400
8/15/30	520,000	3.000%	46,800	566,800
8/15/31	520,000	3.000%	31,200	551,200
8/15/32	520,000	3.000%	15,600	535,600
	<b>\$ 18,285,000</b>		<b>\$ 3,021,876</b>	<b>\$ 21,306,876</b>

### III. History of County General Obligation Bond Ratings

Year	Moody's	Outlook	S&P	Outlook
2006	Aa1		AA+	Stable
2007	Aaa		AAA	Stable
2010	Aaa		AAA	Stable

Year	Moody's	Outlook	S&P	Outlook	Fitch	Outlook
2011	Aaa	Neg.	AAA	Stable		
2013	Aaa	Stable	AAA	Stable	AAA	Stable
Present	Aaa	Stable	AAA	Stable	AAA	Stable

### Commentary on the County from 2017 Rating Reports

#### Moody's:

The Aaa rating reflects the county's large tax base that serves as the economic engine of the state, the economic stability offered by institutional presences, ample reserve levels, which are expected to improve over the near-term, and a favorable debt profile

#### Strengths

- Large and diverse tax base that serves as the economic engine for the State of New Mexico
- Healthy financial reserves that are state mandated and policy driven
- Low debt burden

#### Challenges

- Tepid economic recovery with moderate reliance on gross receipts taxes (GRT) revenues
- Above average pension burden

#### Standard and Poor's:

The GO rating reflects our view of the county's:

- Strong economy, with access to a broad and diverse metropolitan statistical area (MSA)'
- Very strong management, with strong financial policies and practices under our Financial Management Assessment (FMA) methodology;
- Very strong budgetary flexibility, with an available fund balance in FY16 of 50% of operating expenditures;
- Very strong liquidity, with total gov. cash at 60.2% of total gov. fund expenditures and 6.3x gov. debt service, and access to external liquidity we consider strong;
- Strong debt and contingent liability position, with debt service carrying charges of 9.5% of expenditures and net direct debt that is 68.8% of total gov. fund revenue, as well as low overall net debt at less than 3% of market value and rapid amortization, with 82.4% of debt scheduled to be retired in 10yrs

The rating could be pressured during our two-year outlook horizon if the local economy were to enter into a period of retraction.

#### Fitch:

#### Key Rating Drivers

The AAA rating is based on the county's ample revenue-raising flexibility, strong expenditures flexibility, low liability burden, and exceptionally strong financial resilience through economic downturns relative to expected revenue volatility

### III. History of County Gross Receipts Tax (“GRT”) Bond Ratings

Year	Moody’s	S&P	Fitch
2004	Aa3	AA	
2006	Aa3	AA+	AA

Year	Moody’s	S&P	Fitch
2007	Aa3	AAA	AA
2010	Aa2	AAA	AA+

### Commentary on the County from 2017 Rating Reports

**Moody’s:**

- Large and diverse tax base that serves as the economic engine for the State of New Mexico
- Tepid economic recovery with moderate reliance on gross receipts taxes (GRT) revenues

**Standard and Poor’s:**

- The county’s general fund revenue mix relies upon a combination of property taxes, which account for about 48% of audited fiscal 2016 revenue, and gross receipt taxes (GRT), which account for 46%. When combined, both revenue lines have produced three consecutive years of annual growth due in part to the growing local economy and strong growth within the GRT revenue lines.

**Fitch:**

- The 'AA+' GRT bond rating reflects the positive pledged revenue growth prospects and ample resilience to revenue declines.

## IV. FY 2017 GO Bond Capacity & Residential Tax Rates

### Bonding Capacity

FY2017 Assessed Valuation (TY 2016)	\$ 15,592,904,243
Bonding Capacity (4%)	623,716,170
Current Bonds Outstanding	122,700,000
Capacity in Excess of Present Requirements	\$ 501,016,170
<b>% Bonded to Capacity</b>	<b>19.67%</b>

### Property Tax Revenue

- Per state statute the County can impose up to \$11.85 mils for operational purposes
- The County currently maintains a non-residential tax rate of \$10.75 mils leaving approximately 1 mil or \$15.6 million of additional potential revenue

Within 20 Mill Limit for General Purposes					
Total Levy	2016	2015	2014	2013	2012
State of New Mexico	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Bernalillo County</b>	<b>7.090</b>	<b>7.245</b>	<b>7.254</b>	<b>7.320</b>	<b>7.208</b>
City of Albuquerque	6.339	6.493	6.494	6.544	6.544
AMAFA	0.173	0.177	0.177	0.179	0.176
Albuquerque MSD # 12	0.270	0.275	0.276	0.278	0.274
<b>Total</b>	<b>\$ 13.872</b>	<b>\$ 14.190</b>	<b>\$ 14.201</b>	<b>\$ 14.321</b>	<b>\$ 14.202</b>

Over 20 Mill Limit - Interest, Principal, Judgement, etc.					
Total Levy	2016	2015	2014	2013	2012
State of New Mexico	\$ 1.360	\$ 1.360	\$ 1.360	\$ 1.360	\$ 1.360
<b>Bernalillo County - Debt Service</b>	<b>1.265</b>	<b>1.265</b>	<b>1.265</b>	<b>1.246</b>	<b>0.897</b>
<b>Bernalillo County - Other</b>	<b>0.206</b>	<b>0.211</b>	<b>0.012</b>	<b>0.013</b>	<b>0.013</b>
City of Albuquerque	4.976	4.976	4.976	4.976	4.976
AMAFA	0.675	0.675	0.675	0.675	0.675
Albuquerque MSD #12	10.217	10.256	10.256	10.187	10.189
UNM Hospital	6.198	6.334	6.342	6.400	6.400
Central New Mexico CC	3.776	3.381	3.377	3.392	3.344
<b>Total</b>	<b>\$ 28.673</b>	<b>\$ 28.458</b>	<b>\$ 28.263</b>	<b>\$ 28.249</b>	<b>\$ 27.854</b>

TOTAL LEVY					
Total Levy	2016	2015	2014	2013	2012
State of New Mexico	\$ 1.360	\$ 1.360	\$ 1.360	\$ 1.360	\$ 1.360
<b>Bernalillo County</b>	<b>8.561</b>	<b>8.721</b>	<b>8.531</b>	<b>8.579</b>	<b>8.118</b>
City of Albuquerque	11.315	11.469	11.470	11.520	11.520
AMAFA	0.848	0.852	0.852	0.854	0.851
Albuquerque MSD #12	10.487	10.531	10.532	10.465	10.463
UNM Hospital	6.198	6.334	6.342	6.400	6.400
Central New Mexico CC	3.776	3.381	3.377	3.392	3.344
<b>Total Residential</b>	<b>\$ 42.545</b>	<b>\$ 42.648</b>	<b>\$ 42.464</b>	<b>\$ 42.570</b>	<b>\$ 42.056</b>
<b>Total Non-Residential in</b>	<b>\$ 45.132</b>	<b>\$ 46.132</b>	<b>\$ 46.132</b>	<b>\$ 45.995</b>	<b>\$ 46.125</b>

Source: New Mexico Department of Finance & Administration.

## IV. GO Financial Ratios as of June 30, 2017

<b>1. Net Bonded Debt Per Capita &lt;= 1%</b>	
Bernalillo County Population (based on 2017 CAFR)	676,753
.	
Net GO Bonded Debt	122,700,000
Less: Cash (in debt service fund)	(13,051,123)
Sub-Total Direct Debt	109,648,877
Net Bonded Debt Per Capita	\$162.02
Bernalillo County Income per Capita (2016 US Department of Commerce)	41,050
<b>Direct Debt as a Percentage to Income per Capita</b>	<b>0.39%</b>
<b>2. Net GO Bonded Debt as % of Assessed Taxable Valuation &lt;=2%</b>	
GO Bond Balance	\$ 122,700,000
New Bond Issue	-
Net GO Bonded Debt	122,700,000
Assessed Valuation (tax year 2017)	15,592,904,243
<b>Net GO Bonded Debt as % of Assessed Taxable Valuation</b>	<b>0.79%</b>
<b>3. Direct &amp; Overlapping Debt as % to Assessed Valuation &lt;=10%</b>	
Direct & Overlapping	\$ 1,517,126,997
New Bond Issue	-
Net Total Direct & Overlapping Debt	1,517,126,997
Assessed Valuation	15,592,904,243
<b>GO Debt as % of Assessed Valuation</b>	<b>9.73%</b>
<b>4. Direct Debt as % to Full Valuation &lt;=.66%</b>	
GO Bond Balance	\$ 122,700,000
New Bond Issue	-
Net GO Bonded Balance	122,700,000
Full Value	46,778,712,729
<b>GO Debt as % of Full Valuation</b>	<b>0.26%</b>
<b>% Bonded to Capacity</b>	<b>19.67%</b>

Source: Bernalillo County 2017 CAFR

## IV. GRT Authorized vs. Imposed

Type of Tax & Purpose	Total Taxing Authority	Percentage Imposed	FY17 Revenue	Unused Authority	Potential Add'l Revenue
1 County GRT <sup>(1)</sup>	0.3750%	0.3750%	\$ 57,678,445	0.0000%	\$ -
2 County 1/16th GRT <sup>(1) (4)</sup>	0.0625%	0.0625%	10,252,303	0.0000%	-
3 County Infrastructure GRT <sup>(2) (3) (5)</sup>	0.1250%	0.0000%	-	0.1250%	2,922,659
4 County Capital Outlay GRT <sup>(1) (3) (5)</sup>	0.2500%	0.0000%	-	0.2500%	38,452,297
5 County Healthcare GRT <sup>(1) (3) (4) (7)</sup>	0.1250%	0.1250%	11,174,110	0.0000%	-
6 County Jail GRT <sup>(1) (3)</sup>	0.1250%	0.1250%	22,354,971	0.0000%	-
7 County Environmental Services GRT <sup>(2)</sup>	0.1250%	0.1250%	2,922,659	0.0000%	-
8 County Regional Transit GRT <sup>(8)</sup>	0.1250%	0.1250%	20,490,769	0.0000%	-
9 County Hold Harmless GRT <sup>(4) (6)</sup>	0.3750%	0.3750%	40,466,982	0.0000%	-
11 County Emergency Comm. & Medical GRT <sup>(1) (3) (5)</sup>	0.2500%	0.0000%	-	0.2500%	38,452,297
12 County Fire Protection GRT <sup>(2) (5)</sup>	0.2500%	0.0000%	-	0.2500%	5,845,317
13 County Quality of Life GRT <sup>(1) (3) (5)</sup>	0.2500%	0.0000%	-	0.2500%	38,452,297
<b>Total Local Option GRT</b>	<b>1.6875%</b>	<b>1.3125%</b>	<b>\$ 165,340,239</b>	<b>0.3750%</b>	<b>\$ 124,124,866</b>

- 1) County-wide taxable gross receipts.  
 2) Unincorporated taxable gross receipts  
 3) Ability to impose on January/July.  
 4) Effective 0.125% July 1, 2017.  
 5) Requires election prior to imposition

- 6) Can be imposed by ordinance only not subject to referendum  
 7) Bernalillo County does not receive 1/16th of this enactment as it is intercepted by the State for Medicaid.  
 8) Bernalillo County does not budget and expend these funds as it is a pass through funds for Regional Transit Department.

### Surrounding Communities' GRT Rate (as of 7/1/17)

	City Imposed	County Imposed	State Imposed	Total
Bernalillo County	0.0000	1.3125	5.1250	6.4375
Albuquerque	1.1875	1.1875	5.1250	7.5000
State Fair Grounds	0.0000	1.3125	5.1250	6.4375
Los Ranchos de Albuquerque	1.1250	1.1875	5.1250	7.4375
Rio Rancho (Partial)	1.6875	1.1875	5.1250	8.0000
Village of Tijeras	1.5000	1.1875	5.1250	7.8125

## IV. GRT Financial Ratios as of June 30, 2017

<b>5. Annual GRT Debt Service as % of GF Expenditures &lt;=5%</b>		
FY 2017 Annual GF GRT Debt Service	\$	10,743,178
FY 2017 General Fund Expenditures		239,737,415
<b>Annual GF GRT Debt Service as % of GF Expenditures</b>		<b>4.48%</b>
<b>6. GRT Debt Service Coverage from Pledge Revenue &gt;3.0x</b>		
Pledge Revenue (Legal definition)*	\$	83,128,572
Max annual Debt Service		14,927,773
<b>GRT Debt Service Coverage from Pledge Revenue</b>		<b>5.57x</b>
<b>7. General Fund Balance as a % of Revenues &gt;42%</b>		
General Fund Balance as of June 30, 2017	\$	142,332,751
Revenues		261,928,138
<b>General Fund Balance as a % of Revenues</b>		<b>54.34%</b>
<b>8a. 3/12th Reserve Fund &gt;25%</b>		
Reserve Fund Balance Required for FY2017	\$	77,907,509
General Fund Budgeted Expenditures		313,632,902
Less Roads Budget		(3,004,302)
Total General Fund Budgeted Expenditures		310,628,600
<b>3/12th and 1/12 Roads Reserve Requirement for 2017</b>		<b>25.08%</b>
<b>8b. Revenue Stabilization Fund 3% - 5%</b>		
<b>Unreserved &amp; Undesignated Fund Balance as % of Revenues</b>		
Unreserved & Undesignated	\$	15,681,645
Prior Year Operating Expenditures		241,002,822
<b>Unreserved &amp; Undesignated Fund Balance as % of Operating Expenditures</b>		<b>6.51%</b>

\* The County pledges its 1<sup>st</sup> and 2<sup>nd</sup> County GRT Revenue less \$1MM for indigent care.

Effective 4/9/2015 the County will pledge additional revenue from the 1<sup>st</sup> Hold Harmless GRT Revenue towards all GRT debt as well as the 2<sup>nd</sup> Hold Harmless GRT Revenue towards the 2010A Bonds.

Effective FY2015 the 2/12<sup>th</sup> reserve was removed to Revenue Stabilization and reduced to 3 to 5% of prior fiscal year Operating Expenditures.

\*\*Section Numbering per Bernalillo County's Debt Management Policy and Guidelines, dated January 12, 2016

Source: Bernalillo County 2017 CAFR

## V. Completed Financing - 2017 GRT Bond Sales (Rated: Aa2/AAA/AA+)

- In October 2017, the County issued \$47.020MM in Series 2017A & B GRT Bonds. The two series of bonds were sold separately at a competitive sale on October 25, 2017. The best bid for the Series 2017A bonds, by Hilltop Securities, resulted in an interest rate of 2.938%. The best bid for the Series 2017B bonds, by Morgan Stanley, resulted in an interest rate of 3.202%.

### Financing Details for the Series 2017A & B GRT Bonds

Issue:	Gross Receipts Tax Revenue Bonds	
Purpose:	<b>New Money</b> <i>(Fund County's acquisition and renovation of new Administration building)</i>	<b>New Money</b> <i>(Fund County's energy efficiency work at the Metropolitan Detention Center)</i>
Par Amount:	\$34,940,000	\$12,080,000
Ratings:	S&P: AAA   Moody's: Aa2   Fitch: AA+	
Security:	<b>Pledge of certain County GRT increments</b> <i>(payment source: General Fund)</i>	<b>Pledge of certain County GRT increments</b> <i>(payment source: Metropolitan Detention Center budget)</i>
Structure:	Fixed rate, Tax-Exempt (2019 – 2037)	Fixed rate, Tax-Exempt (2019 – 2042)
Optional Redemption:	10-yr par call (June 15, 2027)	10-yr par call (June 15, 2027)
First Interest Payment:	June 15, 2018	June 15, 2018
Sale Date:	October 25, 2017	
Sale Method:	Competitive Sale (Grant Street Electronic Platform)	
Closing Date:	November 16, 2017	

# V. Future Financing – 2018 General Obligation Plan of Finance

**Background**

- The County's FY2018 assessed value as reported by the County Assessor is \$16,116,114,678
- The County's outstanding general obligation debt is limited by the State Constitution to 4% of assessed value or \$644,644,587
- As of December 2, 2017, the County has \$112,985,000 of outstanding debt making the County 17.53% bonded to capacity or \$514,659,587 off remaining capacity
- General obligation bond questions in the aggregate amount of \$36,255,000 were placed on the November 8, 2016 ballot and approved by voters

**Future Financing**

- The 2018 Bonds will consist of \$16 million of bonds (\$17 million is authorized from the 2016 election). The 2018 bond projects are as follows:

<b>2018 Bond Projects (Remaining from 2016 Bond Election Authorization) <sup>(1)</sup></b>			
<b>\$MM</b>	<b>Project</b>	<b>\$MM</b>	<b>Project</b>
\$0.750	Library	\$3.000	Storm Drainage
\$1.800	Parks and Recreation	\$2.350	Public Works
\$8.100	Roads		

1) - \$1.00mm has been set aside for Land Mobile Radio. This authorized amount will be sold at a later date.

## V. GO Bond Capacity after 2018 Issuance & Residential Tax Rates

<b>Bonding Capacity</b>	
2017 Assessed Valuation	\$ 16,116,114,678
Bonding Capacity (4%)	644,644,587
Current Bonds Outstanding (1/5/18)	112,985,000
Proposed Series 2018 Financing	17,000,000
Capacity in Excess of Present Requirements	\$ 514,659,587
<b>% Bonded to Capacity</b>	<b>17.53%</b>

### Property Tax Revenue

- Per state statute the County can impose up to \$11.85 mils for operational purposes
- The County currently maintains a non-residential tax rate of \$10.75 mils leaving approximately 1 mil or \$16.1 million of additional potential revenue

<b>Within 20 Mill Limit for General Purposes</b>					
Total Levy	2017	2016	2015	2014	2013
State of New Mexico	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Bernalillo County</b>	<b>6.996</b>	<b>7.090</b>	<b>7.245</b>	<b>7.254</b>	<b>7.320</b>
City of Albuquerque	6.241	6.339	6.493	6.494	6.544
AMAFCA	0.171	0.173	0.177	0.177	0.179
Albuquerque MSD # 12	0.266	0.270	0.275	0.276	0.278
<b>Total</b>	<b>\$ 13.674</b>	<b>\$ 13.872</b>	<b>\$ 14.190</b>	<b>\$ 14.201</b>	<b>\$ 14.321</b>

<b>Over 20 Mill Limit - Interest, Principal, Judgement, etc.</b>					
Total Levy	2017	2016	2015	2014	2013
State of New Mexico	\$ 1.360	\$ 1.360	\$ 1.360	\$ 1.360	\$ 1.360
<b>Bernalillo County - Debt Service</b>	<b>1.265</b>	<b>1.265</b>	<b>1.265</b>	<b>1.265</b>	<b>1.246</b>
<b>Bernalillo County - Other</b>	<b>0.202</b>	<b>0.206</b>	<b>0.211</b>	<b>0.012</b>	<b>0.013</b>
City of Albuquerque	4.976	4.976	4.976	4.976	4.976
AMAFCA	0.675	0.675	0.675	0.675	0.675
Albuquerque MSD #12	10.186	10.217	10.256	10.256	10.187
UNM Hospital	6.400	6.198	6.334	6.342	6.400
Central New Mexico CC	3.789	3.776	3.381	3.377	3.392
<b>Total</b>	<b>\$ 28.853</b>	<b>\$ 28.673</b>	<b>\$ 28.458</b>	<b>\$ 28.263</b>	<b>\$ 28.249</b>

<b>TOTAL LEVY</b>					
Total Levy	2017	2016	2015	2014	2013
State of New Mexico	\$ 1.360	\$ 1.360	\$ 1.360	\$ 1.360	\$ 1.360
<b>Bernalillo County</b>	<b>8.463</b>	<b>8.561</b>	<b>8.721</b>	<b>8.531</b>	<b>8.579</b>
City of Albuquerque	11.217	11.315	11.469	11.470	11.520
AMAFCA	0.846	0.848	0.852	0.852	0.854
Albuquerque MSD #12	10.452	10.487	10.531	10.532	10.465
UNM Hospital	6.400	6.198	6.334	6.342	6.400
Central New Mexico CC	3.789	3.776	3.381	3.377	3.392
<b>Total Residential</b>	<b>\$ 42.527</b>	<b>\$ 42.545</b>	<b>\$ 42.648</b>	<b>\$ 42.464</b>	<b>\$ 42.570</b>
<b>Total Non-Residential in</b>	<b>\$ 44.132</b>	<b>\$ 45.132</b>	<b>\$ 46.132</b>	<b>\$ 46.132</b>	<b>\$ 45.995</b>

Source: New Mexico Department of Finance & Administration.

## V. History of County GRT Bond Ratings

Year	Moody's	S&P	Fitch
2004	Aa3	AA	
2006	Aa3	AA+	AA

Year	Moody's	S&P	Fitch
2007	Aa3	AAA	AA
2010	Aa2	AAA	AA+

### Commentary on the County from 2017AB GRT Revenue Bond Rating Reports

#### Moody's:

The Aa2 rating is reflective of the County's large and stable economy; adequate legal provisions despite lack of debt service reserve fund; solid maximum annual debt service coverage; & moderate historic revenue volatility, which is mitigated by a demonstrated willingness to implement & pledge add'l revenue streams to the bonds.

#### Strengths

- Sizeable economy
- Strong projected maximum annual debt service coverage
- Implementation and pledging of additional revenue streams

#### Challenges

- Tepid economic recovery post-Recession
- Lack of Debt Service Reserve Fund
- 15 year hold harmless phase-out, which will mute revenue growth

#### Standard and Poor's:

The GRT rating reflects our view of the county's:

- Strong, 4.91x maximum annual debt service (MADS) coverage;
- Strong, 2x additional bonds test and dependence on pledged revenue for general operations, which reduces the likelihood of significant additional parity debt;
- Strong retail sales per capita, at 125% of the national level, reflecting the county's role as the economic center for the region, with strong links to the government, defense related research, health care, and high technology sectors'
- Low level of funding interdependencies with the federal government

Should additional debt issuances or declines in GRT significantly dilute coverage, we could lower the rating.

#### Fitch:

#### Key Rating Drivers

The AA+ rating reflects the positive pledged revenue growth prospects and ample resilience to revenue declines.

## VI. Debt Management Policy & Guidelines – Key Points – General Obligation

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- General Obligation Bonds will be used to finance only those purposes as provided by State statute or Urban Charter County powers
- The average life of the general obligation debt incurred should not be greater than the projected average life of the assets being financed. Final maturity shifted to 15 years from 20 years.
- Maintain or improve general obligation bond ratings
- Limitation of General Obligation Bonds outstanding to no more than 4% of assessed valuation of taxable property within the County as established in the State Constitution
- Unless otherwise justified, a current/advance refunding transaction shall require a present value savings of at least 3% of the principal amount of the refunding debt being issued and shall incorporate all costs of issuance expenses
- Payment date of principal and interest to be migrated to twice a year February 15 and August 15 for future debt
- Level principal payment debt structure
- [www.bernco.gov/finance/debt-investment-policies.aspx](http://www.bernco.gov/finance/debt-investment-policies.aspx)

***The County amended the GO Debt management Policy & Guidelines on January 26, 2016***

## VI. Debt Management Policy & Guidelines – Key Points – GRT

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1. GRT Revenue Bonds shall be used to finance capital improvements and long-term assets associated with, but not limited to constructing, acquiring, improving etc. public buildings, public parking facilities, public safety, water utilities, street and storm, parks and open space, and public transit.
2. GRT Revenue Bonds shall be used after considering alternative funding sources, such as federal and state grants and project revenues.
3. Maturity - The term of the GRT Revenue Bonds shall not exceed the average useful life of the improvements or assets being funded.
4. Principal and interest on GRT Revenue Bonds shall be structured to
  - a) Achieve a low borrowing cost for the County;
  - b) Accommodate the debt service payments of existing debt; and
  - c) Respond to perceptions of market demand.
5. The County shall maintain or improve its GRT bond ratings.
6. Capitalized Interest – GRT Revenue Bonds may require that capitalized interest on the bonds be funded from bond proceeds.
7. Reserve Fund – GRT Revenue Bonds may require a Debt Service Reserve Fund in order to secure a credit rating or provide insurance coverage.
8. Additional Bonds Test – The County shall maintain, when issuing new GRT debt, an additional bonds test = 2.00x (debt service) computed for a period of 12 consecutive calendar months out of the preceding 18 months. The additional bonds test allows the County to issue additional bonds if the County can produce net revenues annually to pay 200% maximum of annual debt service requirements on all outstanding parity obligations.
9. Unless otherwise justified, a current/advance refunding transaction shall require a present value savings of at least 3% of the principal amount of the refunding debt being issued and shall incorporate all costs of issuance expenses.

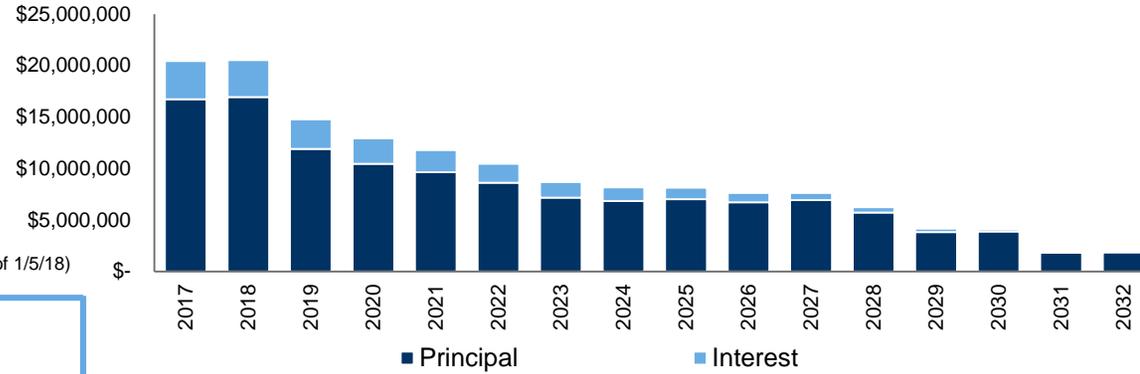
***The County amended the GRT Debt management Policy & Guidelines on January 26, 2016***

Additional Information

# I. Summary of County's Outstanding Debt Programs as of June 30, 2017

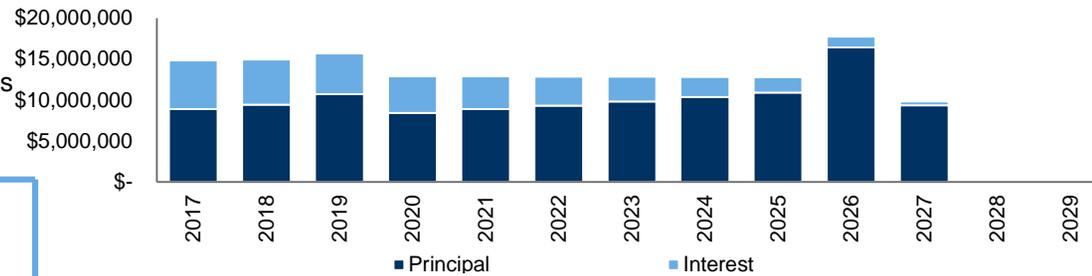
## Summary of County's GO Bond Program

- Outstanding General Obligation Debt, as of June 30, 2017
  - The County has seventeen General Obligations bonds outstanding
  - \$122,700,000 in Par Amount Outstanding
  - Average Rate of the County's outstanding GO debt is 3.03%
  - The County has \$17,000,000 authorized and unissued GO Bonds (as of 1/5/18)



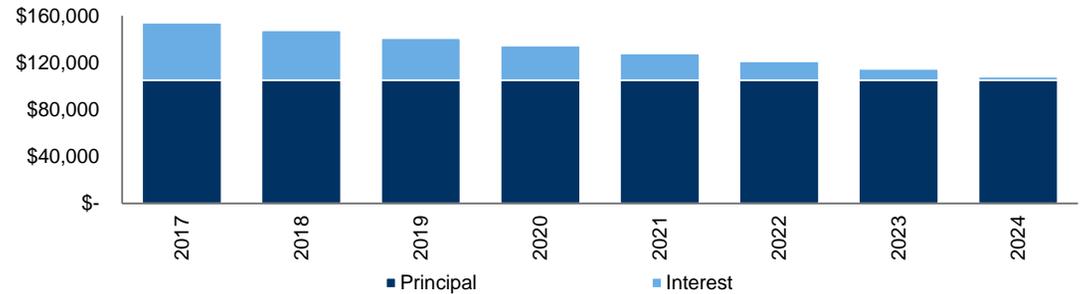
## Summary of County's GRT Bond Program

- Outstanding Gross Receipts Tax Debt, as of June 30, 2017
  - The County has six Gross Receipts Tax Revenue bonds outstanding
  - \$102,135,000 in Par Amount Outstanding
  - Average Rate of the County's outstanding GRT debt is 5.20%
  - Security for the outstanding debt is the 1<sup>st</sup> and 2<sup>nd</sup> County GRT Increments
  - No authorized and unissued GRT Bonds



## Summary of County's SAD Bond Program

- Outstanding Special Assessment District ("SAD") Debt, as of June 30, 2017
  - The County has one series of SAD bonds outstanding, 2003B
  - \$2,085,000 in Par Amount Outstanding
  - Average Rate of the County's outstanding SAD debt is 6.25%
  - All \$2,085,000 in Outstanding Par matures on December 15, 2023



## Key Financial Ratios 2013 to 2017

Selected Financials and other Data points	2017	2016	2015	2014	2013
<b>Financial Data : Financial Statistics &amp; Ratios</b>					
Total General Fund Revenues (\$000)	261,928	258,551	245,101	234,880	233,182
General Fund Balance <sup>(1)</sup> as % of Revenues	54.34	50.6	52.5	59.3	77.6
Total General Fund Balance <sup>(1)</sup> (\$000)	142,333	130,865	128,657	139,202	180,983
General Net Cash as % of General Revenues		49.4	52.4	59.8	74.1
<b>Financial Data : Tax Base Statistics and Ratios</b>					
Total Full Value <sup>(1)</sup> (\$000)	48,348,344	45,402,635	44,549,691	43,952,302	43,619,464
Full Value Per Capita <sup>(1)</sup> (\$)	71,442	67,208	65,946	65,190	64,696
Top Ten Taxpayers as % of Total	3.04	2.2	2.6	2.5	2.9
<b>Financial Data : Debt Statistics &amp; Ratios</b>					
Direct Net Debt Outstanding (\$000)	231,826	234,021	245,026	247,851	256,195
Overall Net Debt Outstanding (\$000)	1,517,127	1,382,823	1,298,059	1,342,876	1,335,837
Direct Net Debt as % of Full Value	0.5	0.5	0.6	0.6	0.6
Direct Net Debt Per Capita (\$)	343	346	363	368	380
Debt Burden <sup>(1)</sup> (Overall Net Debt as % Full Value)	3.1	3.0	2.9	3.1	3.1
Overall Net Debt Per Capita (\$)	2,242	2,047	1,921	1,992	1,981
Payout, 10 Years, General Obligation Debt (%), Current Value	80.9	84.1	78.3	78.1	78.1
<b>Financial Data : Governmental Activities Statistics and Ratios</b>					
Operating Revenues (\$000)	378,295	366,280	326,709	320,784	312,418
Operating Expenses (\$000)	355,487	325,717	324,003	348,002	326,733
Cash & Investments (\$000)	273,027	257,597	242,431	252,343	277,326
3-Year Avg of Moody's ANPL <sup>(1)</sup> / Full Value	1.4	1.4	1.3	1.4	1.4
3-Year Avg of Moody's ANPL <sup>(1)</sup> / Operating Revenues	200.4	200.4	210	238.3	239.8
Quick Ratio	9.1	8.2	6.8	6.8	8.6
Current Ratio	10.1	10.1	8.3	8.1	10.1
<b>Financial Data : Demographic Statistics</b>					
Median Family Income as % of U.S. (2010 Census)	95	95	95	95	95

(1) See Glossary of Terms

## Glossary of Terms

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- **Amortization:** The process of paying the principal amount of an issue of securities by periodic payments either directly to bondholders or to a sinking fund for the benefit of bondholders.
- **AD Valorem Tax:** A direct tax calculated “according to value” of property. Ad valorem tax is based on an assigned valuation (market or assessed) of real property and, in certain cases, on a valuation of tangible or intangible personal property.
- **Assessed Valuation.** The portion of a property’s value which is subject to property taxes. In New Mexico the assessment ratio is one-third of full value or market value.
- **Bond:** (1) The written evidence of debt, which upon presentation entitles the bondholder or owner to a fixed sum of money plus interest. The debt bears a stated rate(s) of interest or states a formula for determining that rate and matures on a date certain. (2) For purposes of computations made on a “per bond” basis, a \$1,000 increment of a security
- **Bond Counsel:** An outside counsel to the issuer who gives an opinion on the tax-exempt status and validity of the bond issue.
- **Bond Rating:** A bond rating is the method of evaluating the quality and safety of a bond. This rating provides a relative measure of risk and uncertainty that reflects an issuer’s ability and willingness to repay the debt incurred and the likelihood of default. The CNM’s credit is reviewed annually, and all new CNM debt and other obligation issuances undergo a comprehensive review, resulting in a rating at the time of issuance.
- **Coverage:** The ratio of available revenues available annually to pay debt service over the annual debt service requirement. This ratio is one indication of the availability of revenues for payment of debt service.
- **Debt Burden:** Measures of the financial leverage of a community. Ultimately, the more leveraged a tax base is, the more difficult it is to service existing debt and to afford additional debt, and the greater the likelihood that tax base or financial deterioration will result in difficulties funding fixed debt service expenditures. A high debt burden relative to operating revenues implies a possibility that debt will consume a greater portion of the local government’s budget in future years.
- **Debt Reserve Fund:** A fund in which monies are deposited to be applied to pay debt service if pledged revenues are insufficient to satisfy the debt service requirements. This fund may be funded with bond or other obligation proceeds at the time of issuance, through the accumulation of pledged revenues, with a surety or other type of guaranty policy, or only upon the occurrence of a specified event (e.g., upon failure to comply with a requirement in a bond contract).
- **Debt Service:** The amount of money necessary to pay interest on outstanding bonds, the principal of maturing or redeemed bonds and any required contributions to a sinking fund for term bonds. This amount is also known as the “debt service requirement.” “Annual debt service” refers to the total principal and interest required to be paid in a calendar year, fiscal year, or bond fiscal year. “Total debt service” refers to the total principal and interest paid throughout the life of a bond issue. “Average annual debt service” refers to the average debt service payable each year on an issue. “Maximum annual debt service” refers to the amount of debt service for the year in which the greatest amount of debt service payments are required and is often used in calculating required reserves and in additional debt tests.
- **Debt Service Fund:** A fund in which monies are deposited to assure the timely availability of sufficient funds for the payment of debt service requirements. Typically, the amounts of the revenues to be deposited into the debt service fund and the timing of such deposits are structured to ensure a proper matching between debt service fund deposits and debt service payments becoming due.
- **Depository Trust Company (“DTC”):** Acts as securities depository for the Securities. DTC also facilitates the post-trade settlement among DTC’s participants of sales and other securities transactions through electronic computerized book-entry transfers between participants’ accounts. This eliminates the need for physical movement of securities certificates.

## Glossary of Terms

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- **Direct Debt:** is the amount of all long-term debt (generally debt supported by general revenues and taxes such as G.O. debt) less sinking fund accumulations and less self-supporting enterprise debt.
- **Disclosure Counsel:** Legal counsel hired by the issuer to provide due diligence and complete the issuer's offering document and continuing disclosure requirements.
- **Financial Advisor:** An investment banking firm which advises the issuer in all facets of the bond process. A financial advisor acts in a fiduciary capacity and advises on debt capacity, debt structure, time schedules, interest rates and generally coordinates all professionals in the process of issuing bonds.
- **Fund Balance:** Describes the net financial resources available to an entity and includes "unassigned" plus "assigned" fund balance. The fund balance communicates valuable information about both the past and the future. The existing balance depicts the cumulative effects of the local government's financial history. It also identifies the liquid resources available to fund unforeseen contingencies as well as likely future liabilities.
- **Full Value:** I.e. the market value of taxable property or tax base accessible to the municipality. The tax base represents the well from which a local government draws its revenues. A larger tax base (measured by full value, or the total taxable value of property) in general offers a local government a broader, more flexible, and more diverse pool from which it can draw revenues.
- **Full Value Per Capita:** Full value per capita scales the taxable property available to generate resources to a per resident metric. The per resident property wealth of the tax base depicts the availability of tax-generating resources relative to the users of the services those resources fund.
- **Interest:** The amount paid by a borrower as compensation for the use of borrowed money. Issuers of municipal bonds pay interest on funds borrowed from purchasers of their bonds. This amount is generally calculated as an annual percentage of the principal amount.
- **Issuer:** A governmental entity through which tax-exempt local government bonds are issued.
- **Issuer's Counsel (General Counsel):** An in-house or outside counsel who gives an opinion on the legality of an Issuer's actions under applicable enabling statutes.
- **Leveraging:** The use of various financial instruments or borrowed capital, such as margin, to increase the potential return of an investment.
- **Mill Levy:** The "tax rate" that is applied to the assessed value of a property. One mill is one dollar per \$1,000 dollars of assessed value. It consists of a local portion which is used to fund area services or debt service expenses.
- **Net Debt:** the local government's gross debt burden including all GO bonds, notes, loans, capital leases. This calculation may include lease, other appropriation-backed debt, and special fund debt as well if the analysis concludes these securities represent future claims on operating resources. Then debt for essential service utilities (such as water and sewer systems) that is self-supporting from user fees, based on a coverage calculation is subtracted.
- **Net Debt Per Capita:** A measurement of the value of a government's debt expressed in terms of the amount attributable to each citizen under the government's jurisdiction.

## Glossary of Terms

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- **Overall Debt / Overlapping Debt:** The issuer's proportionate share of the debt of other local governmental units that either overlap it (the issuer is located either wholly or partly within the geographic limits of the other units) or underlie it (the other units are located within the geographic limits of the issuer). The debt is generally apportioned based upon relative assessed values.
- **Par Amount:** The amount of principal of a security that must be paid at maturity
- **Parity Bonds:** Two or more issues or series of bonds that have the same priority of claim or lien against pledged revenues or other security.
- **Pension:**
  - **Average of Moody's - Adjusted Net Pension Liability to Full Value:** Seeks to measure the magnitude of a local government's pension obligations (as adjusted by a rating agency) relative to its tax base. Similar to the debt burden evaluation, the tax base is used as a proxy for future revenue-generating capacity to amortize allocated accrued pension obligations for which trust assets (PERA) are not currently set aside.
  - **Average of Moody's-Adjusted Net Pension Liability to Operating Revenues:** This metric seeks to measure pension obligations relative to the size of the local government's budget. The metric attempts to reflect the prospect that amortization of allocated accrued net pension obligations could sap revenues out of future-year budgets and lead to funding shortfalls.
- **Pledged Revenue:** The funds obligated for the payment of debt service and the making of other deposits required by the bond contract.
  - **Gross Pledge or Gross Revenue Pledge** – A pledge that all revenues received will be used for debt service prior to deductions for any costs or expenses.
  - **Net Pledge or Net Revenue Pledge** – A pledge that net revenues (revenues less operation and maintenance expenses) will be used for payment of debt service.
- **Principal:** Generally, the face amount or par value of a security payable on the maturity date.
- **Refunding:** Refunding is the process of refinancing outstanding debt by issuing new debt. The County's Debt Policy allows for refunding to generate interest savings, restructure debt service, or eliminate burdensome covenants.
- **Underwriter:** A financial institution that agrees to purchase an Issuer's bonds at either a set price or at a price as dictated by the public markets. An underwriter does not have a fiduciary responsibility to the issuer.
- **Underwriter's Counsel:** Legal counsel hired by the Underwriter to represent the underwriter or underwriters, provides the Bond Purchase Agreement and in some cases completes the issuer's offering document.