

Bernalillo County, New Mexico

Fiscal Year 2019 Annual Report

1/31/2020

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 June 25, 2019, the Finance team is providing an annual report representing Bernalillo County's financial position as of FY19 (year ended 6/30/2019). 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

- 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 19.25% 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 \$39 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. 2018 General Obligation (“GO”) Bond Sale (Rated: Aaa/AAA/AAA)

- The County issued two series of General Obligation Bonds in the fiscal year ended June 30, 2019. County voters approved \$36.255MM of bonds at an election on November 8, 2016. The second issue of that election, \$16,000,000, were sold at competitive sale on July 10, 2018. The best bid, by Morgan Stanley resulted in an interest rate of 2.656%

2018 Bond Projects (2016 Bond Election)			
\$MM	Project	\$MM	Project
\$8.100	Roads	\$1.800	Parks & Recreation
\$3.000	Storm Drain	\$2.350	Facility Improvement
\$0.750	Library		

Sources of Funds	
Par Amount	16,000,000.00
Premium	1,559,289.00
Total	17,559,289.00

Uses of Funds	
Project Fund	16,000,000.00
Cost of Issuance	164,085.00
Underwriter's Discount	27,735.30
Additional Proceeds	1,367,468.70
Total	17,559,289.00

Bond Summary Statistics	
Dated Date	08/08/2018
Arbitrage Yield	2.429%
True Interest Cost (TIC)	2.656%
Net Interest Cost (NIC)	2.839%
All-In TIC	2.830%
Average Coupon	4.347%
Average Life (years)	6.35
Duration of Issue (years)	5.51
Total Interest	4,415,022
Net Interest	2,883,469
Total Debt Service	20,415,022
Maximum Annual Debt Service	5,346,622
Average Annual Debt Service	1,359,240

Series 2018 GO Bonds Debt Service				
Period Ending	Principal	Coupon	Interest	Debt Service
8/15/19	\$ 4,580,000	5.000%	\$ 766,622	\$ 5,346,622
8/15/20	820,000	5.000%	523,000	1,343,000
8/15/21	820,000	5.000%	482,000	1,302,000
8/15/22	820,000	5.000%	441,000	1,261,000
8/15/23	820,000	5.000%	400,000	1,220,000
8/15/24	820,000	5.000%	359,000	1,179,000
8/15/25	820,000	5.000%	318,000	1,138,000
8/15/26	820,000	5.000%	277,000	1,097,000
8/15/27	820,000	5.000%	236,000	1,056,000
8/15/28	820,000	5.000%	195,000	1,015,000
8/15/29	820,000	5.000%	154,000	974,000
8/15/30	820,000	4.000%	113,000	933,000
8/15/31	820,000	4.000%	80,200	900,200
8/15/32	820,000	3.000%	47,400	867,400
8/15/33	760,000	3.000%	22,800	782,800
	\$ 16,000,000		\$ 4,415,022	\$ 20,415,022

II. 2019 General Obligation (“GO”) Bond Sale (Rated: Aaa/AAA/AAA)

- County voters approved \$38.700MM of bonds at an election, November 6, 2018. The first issue of that election, \$23,135,000, were sold at competitive sale on February 26, 2019. The best bid, by Morgan Stanley, resulted in an interest rate of 2.478%

Sources of Funds

Par Amount	23,135,000.00
Premium	2,137,478.40
Total	25,272,478.40

Uses of Funds

Project Fund	23,135,000.00
Cost of Issuance	203,600.00
Underwriter's Discount	29,127.54
Additional Proceeds	1,904,750.86
Total	25,272,478.40

Bond Summary Statistics

Dated Date	03/26/2019
Arbitrage Yield	2.416%
True Interest Cost (TIC)	2.478%
Net Interest Cost (NIC)	2.614%
All-In TIC	2.607%
Average Coupon	3.846%
Average Life (years)	7.39
Duration of Issue (years)	6.37
Total Interest	6,578,127
Net Interest	4,469,776
Total Debt Service	29,713,127
Maximum Annual Debt Service	5,888,390
Average Annual Debt Service	1,931,166

2019 Bond Projects (2018 Bond Election)

\$MM	Project	\$MM	Project
\$2.310	Roads	\$3.300	Parks & Recreation
\$1.750	Storm Drain	\$6.050	Public Safety
\$.875	Library	\$7.100	Facility Improvement
\$.250	Public Housing	\$1.500	Fleet & Heavy equipment

Series 2019 GO Bond Debt Service

Period Ending	Principal	Coupon	Interest	Debt Service
8/15/20	\$ 4,500,000	5.000%	\$ 1,388,390	\$ 5,888,390
8/15/21	1,340,000	5.000%	776,644	\$ 2,116,644
8/15/22	1,340,000	5.000%	709,644	\$ 2,049,644
8/15/23	1,340,000	5.000%	642,644	\$ 1,982,644
8/15/24	1,340,000	5.000%	575,644	\$ 1,915,644
8/15/25	1,340,000	5.000%	508,644	\$ 1,848,644
8/15/26	1,340,000	5.000%	441,644	\$ 1,781,644
8/15/27	1,340,000	5.000%	374,644	\$ 1,714,644
8/15/28	1,340,000	4.000%	307,644	\$ 1,647,644
8/15/29	1,340,000	4.000%	254,044	\$ 1,594,044
8/15/30	1,340,000	3.000%	200,444	\$ 1,540,444
8/15/31	1,340,000	3.000%	160,244	\$ 1,500,244
8/15/32	1,340,000	3.000%	120,044	\$ 1,460,044
8/15/33	1,340,000	3.125%	79,844	\$ 1,419,844
8/15/34	1,215,000	3.125%	37,969	\$ 1,252,969
	\$ 23,135,000		\$ 6,578,127	\$ 29,713,127

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 2019 Rating Reports

Moody's:

The Aaa rating reflects the county's stable credit profile, supported by a large and regionally-important tax base, which is expected to continue to expand over the near term; healthy financial position, with conservative budgeting resulting in a trend of sizeable surpluses; and, a low debt profile in line with peers.

Strengths

- Large and diverse tax base that serves as the economic engine for the State of New Mexico
- Healthy financial position
- Low debt burden

Challenges

- A trend of deficits, beyond current projections, that materially reduce reserves
- Significant tax base contractions or sustained declines in GRT collections
- Further increases to pension and fixed cost burdens that are no longer in line with peers

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 fiscal 2018 if 65.0% of operating expenditures;
- Very strong liquidity, with total gov. cash at 82.3% of total gov. fund expenditures and 9.0x gov. debt service, and access to external liquidity we consider strong;
- Strong debt and contingent liability profile, with debt service carrying charges of 9.2% of expenditures and net direct debt that is 63.9% of total gov. fund revenue, as well as low overall net debt at less than 3.0% of market value and rapid amortization, with 85.6% of debt scheduled to be retired in 10yrs; and
- Very strong institutional framework score

Fitch:

Key Rating Drivers

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

III. 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 - Present	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.

IV. FY 2019 GO Bond Capacity & Residential Tax Rates

Bonding Capacity

FY2019 Assessed Valuation (TY 2018)	\$ 16,602,331,808
Bonding Capacity (4%)	664,093,272
Current Bonds Outstanding (6/30/19)	127,825,000
Capacity in Excess of Present Requirements	\$ 536,268,272
% Bonded to Capacity	19.25%

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

Within 20 Mill Limit for General Purposes					
Total Levy	2018	2017	2016	2015	2014
State of New Mexico	\$ -	\$ -	\$ -	\$ -	\$ -
Bernalillo County	7.022	6.996	7.090	7.245	7.254
City of Albuquerque	6.253	6.241	6.339	6.493	6.494
AMAFCA	0.172	0.171	0.173	0.177	0.177
Albuquerque MSD # 12	0.267	0.266	0.270	0.275	0.276
Total	\$ 13.714	\$ 13.674	\$ 13.872	\$ 14.190	\$ 14.201

Over 20 Mill Limit - Interest, Principal, Judgement, etc.					
Total Levy	2018	2017	2016	2015	2014
State of New Mexico	\$ 1.360	\$ 1.360	\$ 1.360	\$ 1.360	\$ 1.360
Bernalillo County - Debt Service	1.265	1.265	1.265	1.265	1.265
Bernalillo County - Other	0.203	0.202	0.206	0.211	0.012
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	10.206	10.186	10.217	10.256	10.256
UNM Hospital	6.400	6.400	6.198	6.334	6.342
Central New Mexico CC	3.799	3.789	3.776	3.381	3.377
Total	\$ 28.884	\$ 28.853	\$ 28.673	\$ 28.458	\$ 28.263

TOTAL LEVY					
Total Levy	2018	2017	2016	2015	2014
State of New Mexico	\$ 1.360	\$ 1.360	\$ 1.360	\$ 1.360	\$ 1.360
Bernalillo County	8.490	8.463	8.561	8.721	8.531
City of Albuquerque	11.229	11.217	11.315	11.469	11.470
AMAFCA	0.847	0.846	0.848	0.852	0.852
Albuquerque MSD #12	10.473	10.452	10.487	10.531	10.532
UNM Hospital	6.400	6.400	6.198	6.334	6.342
Central New Mexico CC	3.799	3.789	3.776	3.381	3.377
Total Residential	\$ 42.598	\$ 42.527	\$ 42.545	\$ 42.648	\$ 42.464
Total Non-Residential in	\$ 47.985	\$ 47.985	\$ 47.940	\$ 47.488	\$ 46.132

Source: New Mexico Department of Finance & Administration.

IV. GO Financial Ratios as of June 30, 2019

1. Net Bonded Debt Per Capita <= 1%	
Bernalillo County Population (based on 2018 CAFR)	678,686
Net GO Bonded Debt	127,825,000
Less: Cash (in debt service fund)	(16,284,306)
Sub-Total Direct Debt	111,540,694
Net Bonded Debt Per Capita	\$164.35
Bernalillo County Income per Capita (2016 US Department of Commerce)	44,057
Direct Debt as a Percentage to Income per Capita	0.37%
2. Net GO Bonded Debt as % of Assessed Taxable Valuation <=2%	
GO Bond Balance	\$ 127,825,000
New Bond Issue	-
Net GO Bonded Debt	127,825,000
Assessed Valuation (tax year 2018)	16,602,331,808
Net GO Bonded Debt as % of Assessed Taxable Valuation	0.77%
3. Direct & Overlapping Debt as % to Assessed Valuation <=10%	
Direct & Overlapping	\$ 1,585,062,462
New Bond Issue	-
Net Total Direct & Overlapping Debt	1,585,062,462
Assessed Valuation	16,602,331,808
GO Debt as % of Assessed Valuation	9.55%
4. Direct Debt as % to Full Valuation <=.66%	
GO Bond Balance	\$ 127,825,000
New Bond Issue	-
Net GO Bonded Balance	127,825,000
Full Value	49,806,995,424
GO Debt as % of Full Valuation	0.26%
% Bonded to Capacity	19.25%

IV. GRT Authorized vs. Imposed

Type of Tax & Purpose	Total Taxing Authority	Percentage Imposed	FY19 Revenue*	Unused Authority	Potential Add'l Revenue
1 County GRT ⁽¹⁾	0.3750%	0.3750%	\$ 74,350,939	0.0000%	\$ -
2 County 1/16th GRT ^{(1) (4)}	0.0625%	0.0625%	12,391,823	0.0000%	-
3 County 1/12th GRT	0.0833%	0.0000%	-	0.0833%	2,269,289
4 County Infrastructure GRT ^{(2) (3) (5)}	0.1250%	0.0000%	-	0.1250%	3,405,296
5 County Capital Outlay GRT ^{(1) (3)}	0.2500%	0.0000%	-	0.2500%	45,499,286
6 County Healthcare GRT ^{(1) (3) (4) (7)}	0.1250%	0.1250%	12,428,283	0.0000%	-
7 County Jail GRT ^{(1) (3)}	0.1250%	0.1250%	24,860,306	0.0000%	-
8 County Environmental Services GRT ⁽²⁾	0.1250%	0.1250%	3,466,149	0.0000%	-
9 County Fire Protection GRT ⁽²⁾	0.2500%	0.0000%	-	0.2500%	6,810,591
10 County Regional Transit GRT ⁽⁸⁾	0.1250%	0.1250%	22,936,288	0.0000%	-
11 County Hold Harmless GRT ^{(4) (6)}	0.3750%	0.3750%	68,248,929	0.0000%	-
Total Local Option GRT	2.0208%	1.3125%	\$ 218,682,718	0.7083%	\$ 57,984,462

- 1) County-wide taxable gross receipts.
- 2) Unincorporated taxable gross receipts
- 3) Ability to impose on January/July.
- 4) Can be imposed without election
- 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 1/1/20)

	City Imposed	State Imposed	Total
Bernalillo County	0.0000	5.1250	6.4375
Albuquerque	1.5625	5.1250	7.8750
State Fair Grounds	0.0000	5.1250	6.4375
Los Ranchos de Albuquerque	1.1250	5.1250	7.4375
Rio Rancho (Partial)	1.8125	5.1250	8.1250
Village of Tijeras	1.5625	5.1250	7.8750

IV. GRT Financial Ratios as of June 30, 2019

5. Annual GRT Debt Service as % of GF Expenditures <=5%		
FY 2019 Annual GF GRT Debt Service	\$	11,205,510
FY 2019 General Fund Expenditures		275,437,414
Annual GF GRT Debt Service as % of GF Expenditures		4.07%
6. GRT Debt Service Coverage from Pledge Revenue >3.0		
Pledge Revenue (Legal definition)*	\$	113,512,751
Max annual debt service		15,836,686
GRT Debt Service Coverage from Pledge Revenue		7.17
7. General Fund Balance as a % of Revenues >42%		
General Fund Balance as of June 30, 2019	\$	212,341,433
Revenues		319,881,081
General Fund Balance as a % of Revenues		66.38%
8a. 3/12th Reserve Fund >25%		
Reserve Fund Balance Required for FY2019	\$	91,946,738
General Fund Budgeted Expenditures		370,315,094
Less Roads Budget		(3,792,213)
Total General Fund Budgeted Expenditures		366,522,881
3/12th and 1/12 Roads Reserve Requirement for 2018		25.09%
8b. Revenue Stabilization Fund 3% - 5%		
Unreserved & Undesignated Fund Balance as % of Revenues		
Unreserved & Undesignated	\$	18,515,755
Prior Year Operating Expenditures		254,661,405
Unreserved & Undesignated Fund Balance as % of Operating Expenditures		7.27%

* The County pledges its 1st and 2nd County GRT Revenue less \$1MM for indigent care.
Effective 4/9/2015 the County will pledge additional revenue from the 1st Hold Harmless GRT Revenue towards all GRT debt as well as the 2nd Hold Harmless GRT Revenue towards the 2010A Bonds.

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

V. Future Financing – 2020 General Obligation Plan of Finance

Background

- The County’s FY2020 assessed value as reported by the County Assessor is \$17,172,340,060
- The County’s outstanding general obligation debt is limited by the State Constitution to 4% of assessed value or \$686,893,602
- As of December 31, 2019, the County has \$115,245,000 of outstanding debt making the County 18.00% bonded to capacity or \$563,273,602 of remaining capacity
- General obligation bond questions in the aggregate amount of \$38,700,000 were placed on the November 2018 ballot and approved by voters

Future Financing

- The 2020 Bonds will consist of \$8.375 million of bonds (\$1 million is authorized from the 2016 election). The 2020 bond projects are as follows:

2019 Bond Projects			
\$MM	Project	\$MM	Project
\$0.875	Library	\$1.750	Storm Drainage
\$1.650	Parks and Recreation	\$0.750	County Buildings
\$1.000	Housing	\$2.350	Public Safety

V. GO Bond Capacity after 2020 Issuance & Residential Tax Rates

Bonding Capacity	
Assessed Valuation	\$ 17,172,340,660
Bonding Capacity (4%)	686,893,626
Current Bonds Outstanding	115,245,000
Proposed Series 2019 Financing	8,375,000
Capacity in Excess of Present Requirements	\$ 563,273,626
% Bonded to Capacity	18.00%

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 \$16.6 million of additional potential revenue

Within 20 Mill Limit for General Purposes						
Total Levy	2019	2018	2017	2016	2015	
State of New Mexico	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bernalillo County	7.105	7.022	6.996	7.090	7.245	
City of Albuquerque	6.313	6.253	6.241	6.339	6.493	
AMAFCA	0.174	0.172	0.171	0.173	0.177	
Albuquerque MSD # 12	0.269	0.267	0.266	0.270	0.275	
Total	\$ 13.861	\$ 13.714	\$ 13.674	\$ 13.872	\$ 14.190	
Over 20 Mill Limit - Interest, Principal, Judgement, etc.						
Total Levy			2017	2016	2015	
State of New Mexico	\$ 1.360	\$ 1.360	\$ 1.360	\$ 1.360	\$ 1.360	\$ 1.360
Bernalillo County - Debt Service	1.265	1.265	1.265	1.265	1.265	1.265
Bernalillo County - Other	0.204	0.203	0.202	0.206	0.211	
City of Albuquerque	4.976	4.976	4.976	4.976	4.976	4.976
AMAFCA	0.675	0.675	0.675	0.675	0.675	0.675
Albuquerque MSD #12	10.319	10.206	10.186	10.217	10.256	
UNM Hospital	6.400	6.400	6.400	6.198	6.334	
Central New Mexico CC	3.823	3.799	3.789	3.776	3.381	
Total	\$ 29.022	\$ 28.884	\$ 28.853	\$ 28.673	\$ 28.458	
TOTAL LEVY						
Total Levy			2017	2016	2015	
State of New Mexico	\$ 1.360	\$ 1.360	\$ 1.360	\$ 1.360	\$ 1.360	\$ 1.360
Bernalillo County	8.574	8.490	8.463	8.561	8.721	
City of Albuquerque	11.289	11.229	11.217	11.315	11.469	
AMAFCA	0.849	0.847	0.846	0.848	0.852	
Albuquerque MSD #12	10.588	10.473	10.452	10.487	10.531	
UNM Hospital	6.400	6.400	6.400	6.198	6.334	
Central New Mexico CC	3.823	3.799	3.789	3.776	3.381	
Total Residential	\$ 42.883	\$ 42.598	\$ 42.527	\$ 42.545	\$ 42.648	
Total Non-Residential in	\$ 47.983	\$ 47.985	\$ 47.985	\$ 47.940	\$ 47.488	

Source: New Mexico Department of Finance & Administration.

VI. Debt Management Policy & Guidelines – Long Term Debt Financing – General Obligation

- 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.berncogov/finance/debt-investment-policies.aspx

The County amended the Debt Management Policy & Guidelines on June 25, 2019

VI. Debt Management Policy & Guidelines- Long Term Financing– Gross Receipt Taxes (GRT)

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.

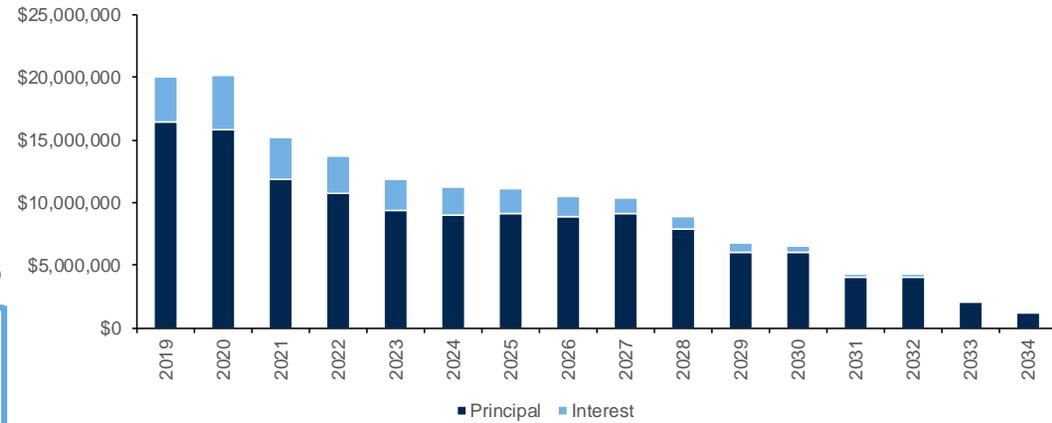
The County amended the Debt Management Policy & Guidelines on June 25, 2019

Additional Information

I. Summary of County's Outstanding Debt Programs as of June 30, 2019

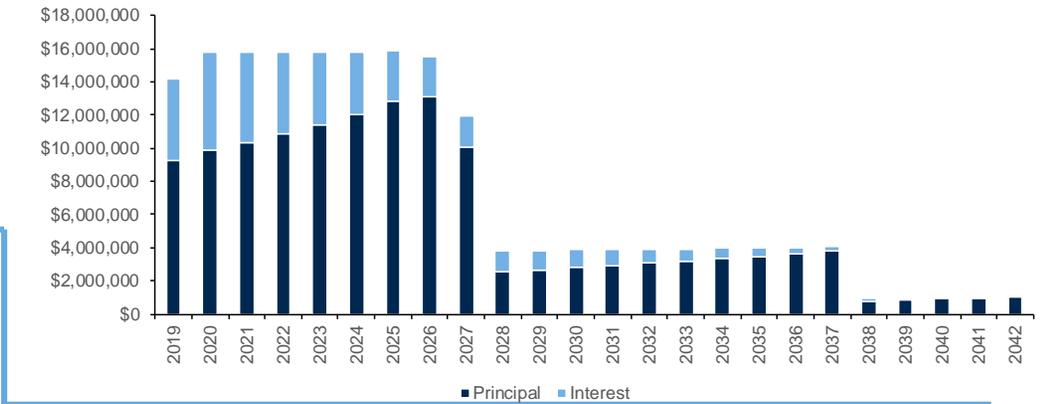
Summary of County's GO Bond Program

- Outstanding General Obligation Debt, as of June 30, 2019
 - The County has fourteen General Obligations bonds outstanding
 - \$131,730,000 in Par Amount Outstanding
 - Average Rate of the County's outstanding GO debt is 3.51%
 - The County has \$38,700,000 authorized and unissued GO Bonds (as of 6/30/19)



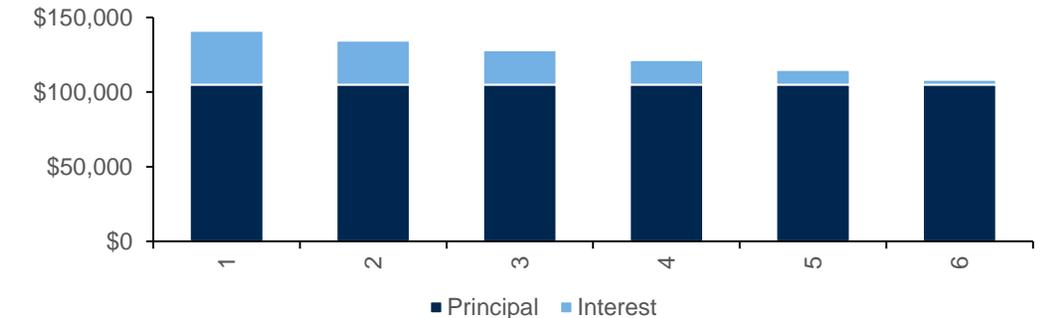
Summary of County's GRT Bond Program

- Outstanding Gross Receipts Tax Debt, as of June 30, 2019
 - The County has eight Gross Receipts Tax Revenue bonds outstanding
 - \$135,815,000 in Par Amount Outstanding
 - Average Rate of the County's outstanding GRT debt is 5.20%
 - Security for the outstanding debt is the 1st and 3rd County GRT Increments



Summary of County's SAD Bond Program

- Outstanding Special Assessment District ("SAD") Debt, as of June 30, 2018
 - The County has one series of SAD bonds outstanding, 2003B
 - \$630,000 in Par Amount Outstanding
 - Average Rate of the County's outstanding SAD debt is 6.25%
 - All \$630,000 in Outstanding Par matures on December 15, 2023



Key Financial Ratios 2015 to 2019

	Bernalillo County, NM				
Selected Financials and other Data points	2019	2018	2017	2016	2015
Financial Data : Financial Statistics & Ratios					
Total General Fund Revenues (\$000)	319,881	301,886	261,928	258,551	245,101
General Fund Balance ⁽¹⁾ as % of Revenues	66.38	59.19	54.34	50.6	52.5
Total General Fund Balance ⁽¹⁾ (\$000)	212,341	178,691	142,333	130,865	128,657
General Net Cash as % of General Revenues				49.4	52.4
Financial Data : Tax Base Statistics and Ratios					
Total Full Value ⁽¹⁾ (\$000)	55,193,096	49,806,995	48,348,344	45,402,635	44,549,691
Full Value Per Capita ⁽¹⁾ (\$)	81,322	73,597	71,442	67,208	65,946
Top Ten Taxpayers as % of Total	2.808	3.28	3.04	2.2	2.6
Financial Data : Debt Statistics & Ratios					
Direct Net Debt Outstanding (\$000)	257,145	254,980	231,826	234,021	245,026
Overall Net Debt Outstanding (\$000)	1,451,650	1,615,641	1,517,127	1,382,823	1,298,059
Direct Net Debt as % of Full Value	0.5	0.5	0.5	0.5	0.6
Direct Net Debt Per Capita (\$)	379	377	343	346	363
Debt Burden ⁽¹⁾ (Overall Net Debt as % Full Value)	2.6	3.2	3.1	3.0	2.9
Overall Net Debt Per Capita (\$)	2,145	2,387	2,242	2,047	1,921
Payout, 10 Years, General Obligation Debt (%), Current Value	85.93	87.67	80.9	84.1	78.3
Financial Data : Governmental Activities Statistics and Ratios					
Operating Revenues (\$000)	450,795	425,844	375,827	366,280	326,709
Operating Expenses (\$000)	392,927	376,117	363,421	325,717	324,003
Cash & Investments (\$000)	452,490	365,286	273,027	257,597	242,431
3-Year Avg of Moody's ANPL ⁽¹⁾ / Full Value			1.4	1.4	1.3
3-Year Avg of Moody's ANPL ⁽¹⁾ / Operating Revenues			200.4	200.4	210
Quick Ratio	10.2	8.7	9.1	8.2	6.8
Current Ratio	11.8	10.4	10.1	10.1	8.3
Financial Data : Demographic Statistics					
Median Family Income as % of U.S. (2010 Census)	95	95	95	95	95

(1) See Glossary of Terms

Glossary of Terms

- **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

- **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

- **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.