

**Bernalillo County, New Mexico**

**Fiscal Year 2015 Annual Report**

May 2016

**Debt Management Policy & Guidelines**  
(as amended January 26, 2016)

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## **Purpose**

In accordance with the Debt Policy and Guidelines approved by the Bernalillo County Commission as amended on January 16, 2016, the Finance team is providing an annual report representing Bernalillo County's financial position as of FY15 (year ended 6/30/2015). 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. Results of previous year's financings
  
- II. Rating agency reports and rating status
  
- III. Bond capacity and relevant comparable financial ratios
  
- IV. All bond financings in progress or anticipated for the subsequent fiscal year
  
- V. Any changes to the Debt Management Policy & Guidelines.

### Additional Information:

- Median Comparison
- Glossary of Terms

## I. 2015 Bond Sales (Rated: Aaa/AAA/AAA)

The County issued two series of General Obligation Bonds in Fiscal Year ended June 30, 2015. County Voters approved \$27.571MM of bonds at an election on November 4, 2014. The first issue of that election, \$17,281,000 were sold on a competitive sale on February 17, 2015. The best bid, by Piper Jaffray, resulted in an interest rate of 2.52%. The balance of the authorization will be sold in FY2016.

The 2015 bond projects of the 2014 Election Cycle are as follows:

- \$4,260,000 for parks and recreation
- \$4,541,000 for public safety
- \$900,000 for library
- \$4,250,000 for roads
- \$2,130,000 for design, construction and repair of storm sewer and wastewater systems
- \$1,200,000 for constructing and equipping public buildings

The County refunded its Series 2005, 2005A and 2006 General Obligation Bonds for interest rate savings. The Bonds were sold at a competitive sale on February 17, 2015. The best bid, by Morgan Stanley, resulted in an interest rate of 1.92%

- Over \$1,140,000 in Present Value Savings
- The amount of saving equates to 8.01% of the bonds that were refunded, which exceeds the required thresholds pursuant to the Debt Policy.
- Also, in compliance with the County's Debt Policy, the final maturity of debt was not extended.
- The rate of the bonds refunded was lowered from 4.18% to a 1.917%

2015A Savings				
Year	Prior Debt Service	Refunding Debt Service	Savings	Present Value
8/15/2015	273,380	181,236	92,143	91,567
8/15/2016	1,983,136	1,862,731	120,405	131,732
8/15/2017	1,974,336	1,856,731	117,605	127,147
8/15/2018	1,965,346	1,848,731	116,615	124,395
8/15/2019	1,977,266	1,868,731	108,534	115,351
8/15/2020	1,981,156	1,870,531	110,625	115,790
8/15/2021	1,217,094	1,151,181	65,913	67,639
8/15/2022	1,201,684	1,132,181	69,503	69,783
8/15/2023	1,199,297	1,127,381	71,916	70,937
8/15/2024	1,199,475	1,126,781	72,694	70,602
8/15/2025	1,197,722	1,123,156	74,566	71,168
8/15/2026	724,413	680,419	43,994	41,412
8/15/2027	719,981	680,794	39,187	36,951
	<b>17,614,286</b>	<b>16,510,587</b>	<b>1,103,699</b>	<b>1,134,474</b>

PV of savings from cash flow \$ 1,134,474

Plus: Refunding funds on hand \$ 6,292

**Net PV Savings \$ 1,140,767**

(1) Reflects initial bid. The Series 2015A bonds were resized with a net premium of \$715,582.24

## II. History of County General Obligation Ratings

History of Moody's Ratings

Rating Date	Rating Action	Outlook Action
May 14 to Present	Aaa	Stable
Aug 11 to Feb 13	Aaa	Negative
July-11	Affirmed Aaa	RUR Possible Downgrade
May-10	Migrated to Aaa	No Outlook
Nov 06 to Dec 09	Aa1	No Outlook

History of Standard & Poor's Ratings

Rating Date	Rating Action	Outlook Action
Oct 07 to Present	Affirmed AAA	Stable
August-07	Upgraded to AAA	Stable
November-06	Affirmed AA+	Stable

History of Fitch Ratings

Rating Date	Rating Action	Outlook Action
May 14 to Present	Affirmed AAA	Stable
February-13	AAA	Stable

RUR: Rating Under Review  
 Negative Outlook based on the reliance of federal government during sequestration.

**Moody's:** Moody's Investors Service has assigned a Aaa rating to Bernalillo County's, NM General Obligation Bonds. Moody's also has affirmed the Aaa rating on the county's outstanding parity debt. The outlook remains stable. The outlook for Bernalillo County is stable, reflecting the slow but positive economic recovery, anticipated maintenance of healthy reserves over the medium term, as well as the improved investment policy and internal controls recently implemented. The county's concentration in federal employment and procurement could be negatively impacted by federal spending reductions, which could erode economic stability and impact gross receipts tax collections. Future rating actions will assess the county's economic stability as well as management's ability to structurally balance operations.

**S&P:** 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; Weak budgetary performance, with operating deficits in the general fund and at the total governmental fund level in fiscal 2015; Very strong budgetary flexibility, with an available fund balance in fiscal 2015 of 43% of operating expenditures; Very strong liquidity, with total government available cash at 67.4% of total governmental fund expenditures and 7.5x governmental debt service, and access to external liquidity that we consider strong; Strong debt and contingent liability position, with debt service carrying charges at 9.0% of expenditures and net direct debt that is 74.4% of total governmental fund revenue, as well as low overall net debt at less than 3% of market value and rapid amortization, with 80% of debt scheduled to be retired in 10 years; and Very strong institutional framework score.

**Fitch:** FINANCES PRESSURED BUT STILL SOUND: The county's financial position has been affected by spending pressures, particularly in public safety, but remains solid. Financial reserves remain large despite three consecutive years of sizable draw downs. Enhanced revenues and stabilized detention center spending should allow the county to restore structural balance as planned. FAVORABLE DEBT PROFILE: The county's debt profile remains positive, as evidenced by moderate debt levels, a rapid GO and GRT bond principal payout rate, moderate carrying costs, and modest capital plans. BROAD ECONOMY: The county's economic base is broad but has been slow to recover from recessionary employment losses. The unemployment rate remains moderate. The county's recent development as a technology hub may aid its recovery while further enhancing economic diversity.

## II. History of Gross Receipts Tax Revenue Ratings

History of Moody's Ratings

Series	Rating Action
2010 to Present	Aa2
2010	Moody's Recalibrated scale
2004 to 2009	Aa3

History of Standard & Poor's Ratings

Series	Rating Action
2007 to Present	AAA
2006	AA+
2004 to 2005	AA

History of Fitch Ratings

Series	Rating Action
2010 to Present	AA+
2004 to 2005	AA

**Moody's:** Assignment Of The Aa2 Rating Reflects Adequate Legal Provisions; Satisfactory Debt Service Coverage; Economic And Population Hub Of New Mexico And Strong Fiscal Management, Healthy Reserves Expected To Continue

**S&P:** Positive pledged revenue collection trends leading to strong coverage, strong legal covenants, and management's limited plans to issue additional parity debt. The outlook remains stable. The ratings reflect the area economy's diversification; the strong legal provisions, including a historical additional bonds test that required 2x future maximum annual debt service coverage, after payment for indigent aid, and a fully funded debt service reserve; the pledged revenue stream's consistent growth.

**Fitch:** Solid GRT Coverage: Debt service coverage of the county's gross receipt tax (GRT) revenue bonds remains solid; furthermore, legal and practical limitations on further leverage are strong.

### III. GO Bond Capacity after 2015 Issuance & Residential Tax Rates

<b>Bonding Capacity</b>	
2014 Assessed Valuation	\$ 14,835,047,140
Legal Bonding Capacity (4% of assessed valuation)	\$ 593,401,886
Less total bonds to be outstanding <sup>(1)</sup>	\$ 126,631,000
Capacity in excess of present requirements	\$ 466,770,886

(1) Excludes the Refunded Bonds refunded with proceeds of the Series 2015A Bonds and includes the Series 2015 Bonds.

#### **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 \$14.2 million of additional potential revenue

<b>Within 20 Mill Limit for General Purposes</b>				
	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
State of New Mexico	\$ -	\$ -	\$ -	\$ -
<b>Bernalillo County</b>	<b>7.254</b>	<b>7.320</b>	<b>7.208</b>	<b>6.866</b>
City of Albuquerque	6.494	6.544	6.544	6.544
AMAFCA	0.177	0.179	0.176	0.170
Albuquerque MSD # 12	<u>0.276</u>	<u>0.278</u>	<u>0.274</u>	<u>0.264</u>
<b>Total</b>	<b>\$ 14.201</b>	<b>\$ 14.321</b>	<b>\$ 14.202</b>	<b>\$ 13.844</b>
<b>Over 20 Mill Limit - Interest, Principal, Judgement, etc.</b>				
	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
State of New Mexico	\$ 1.360	\$ 1.360	\$ 1.360	\$ 1.362
<b>Bernalillo County - Debt Service</b>	<b>1.265</b>	<b>1.246</b>	<b>0.897</b>	<b>0.897</b>
<b>Bernalillo County - Other</b>	<b>0.012</b>	<b>0.013</b>	<b>0.013</b>	<b>0.113</b>
City of Albuquerque	4.976	4.976	4.976	4.976
AMAFCA	0.675	0.675	0.675	0.675
Albuquerque MSD #12	10.255	10.187	10.189	10.189
UNM Hospital	6.342	6.400	6.400	6.400
Central New Mexico CC	<u>3.377</u>	<u>3.392</u>	<u>3.344</u>	<u>3.237</u>
<b>Total</b>	<b>\$ 28.262</b>	<b>\$ 28.249</b>	<b>\$ 27.854</b>	<b>\$ 27.849</b>
<b>TOTAL LEVY</b>				
	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
State of New Mexico	\$ 1.360	\$ 1.360	\$ 1.360	\$ 1.362
<b>Bernalillo County</b>	<b>8.531</b>	<b>8.579</b>	<b>8.118</b>	<b>7.876</b>
City of Albuquerque	11.470	11.520	11.520	11.520
AMAFCA	0.852	0.854	0.851	0.845
Albuquerque MSD #12	10.531	10.465	10.463	10.453
UNM Hospital	6.342	6.400	6.400	6.400
Central New Mexico CC	<u>3.377</u>	<u>3.392</u>	<u>3.344</u>	<u>3.237</u>
<b>Total Residential</b>	<b>\$ 42.463</b>	<b>\$ 42.570</b>	<b>\$ 42.056</b>	<b>\$ 41.693</b>
<b>Total Non-Residential in</b>	<b>\$ 46.132</b>	<b>\$ 45.995</b>	<b>\$ 46.125</b>	<b>\$ 46.713</b>

Source: New Mexico Department of Finance & Administration.

### III. GO Financial Ratios as of June 30, 2015

#### 1. Net Bonded Debt Per Capita <= 1%

Bernalillo County Population (based on 2015 CAFR)	675,551
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Net GO Bonded Debt	125,091,000
Less: Cash (in debt service fund)	(12,966,734)
Sub-Total Direct Debt	112,124,266
Net Bonded Debt Per Capita	\$ 165.97
Bernalillo County Income per Capita (2012 US Department of Commerce)	37,471

**Direct Debt as a Percentage to Income per Capita 0.44%**

#### 2. Net GO Bonded Debt as % of Assessed Taxable Valuation <=2%

GO Bond Balance	\$ 125,091,000
New Bond Issue	-
Net GO Bonded Debt	125,091,000
Assessed Valuation (tax year 2014)	14,835,047,143

**Net GO Bonded Debt as % of Assessed Taxable Valuation 0.84%**

#### 3. Direct & Overlapping Debt as % to Assessed Valuation <=10%

Direct & Overlapping	\$ 1,304,294,055
New Bond Issue	-
Net Total Direct & Overlapping Debt	1,304,294,055
Assessed Valuation	14,835,047,143

**GO Debt as % of Assessed Valuation 8.8%**

#### 4. Direct Debt as % to Full Valuation <=.66%

GO Bond Balance	\$ 125,091,000
New Bond Issue	-
Net GO Bonded Balance	125,091,000
Full Value	45,357,232,032

**GO Debt as % of Full Valuation 0.28%**

### III. GRT Authorized vs Imposed

Type of Tax & Purpose	Total Taxing Authority	Percentage Imposed	FY15 Revenue*	Unused Authority	Potential Add'l Revenue
1 County GRT <sup>(1)</sup>	0.3750%	0.3750%	\$ 64,547,550	0.0000%	\$ -
2 County 1/16th GRT <sup>(1) (4)</sup>	0.0625%	0.0625%	10,757,925	0.0000%	-
3 County Infrastructure GRT <sup>(2) (3) (5)</sup>	0.1250%	0.0000%	-	0.1250%	21,323,229
4 County Capital Outlay GRT <sup>(1) (3)</sup>	0.2500%	0.0000%	-	0.2500%	42,646,458
5 County Healthcare GRT <sup>(1) (3) (4) (7)</sup>	0.1250%	0.1250%	10,741,422	0.0000%	-
6 County Jail GRT <sup>(1) (3)</sup>	0.1250%	0.1250%	21,495,918	0.0000%	-
7 County Environmental Services GRT <sup>(2)</sup>	0.1250%	0.1250%	2,853,444	0.0000%	-
8 County Regional Transit GRT <sup>(8)</sup>	0.1250%	0.1250%	19,457,458	0.0000%	-
9 County Hold Harmless GRT <sup>(4) (6)</sup>	0.3750%	0.0000%	-	0.3750%	58,372,374
10 County Quality of Life GRT	0.2500%	0.0000%	-	0.2500%	42,646,458
<b>Total Local Option GRT</b>	<b>1.9375%</b>	<b>0.9375%</b>	<b>\$ 129,853,717</b>	<b>1.0000%</b>	<b>\$ 164,988,519</b>
11 County Emergency Comm. & Medical GRT <sup>(1) (3)</sup>	0.2500%	0.0000%	-	0.2500%	42,646,458
12 County Local Hospital GRT <sup>(1) (3)</sup>	0.5000%	0.0000%	-	0.5000%	85,292,916
13 County Fire Protection GRT <sup>(2)</sup>	0.2500%	0.0000%	-	0.2500%	6,247,084

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.

\* FY 2015 Actuals

Note: Effective July 1, 2015 the County has imposed two 1/8<sup>th</sup> increments of Hold Harmless GRT and rescinded the County 1/16<sup>th</sup> GRT. The 2<sup>nd</sup> 1/8<sup>th</sup> HHGRT Revenues will solely be used for Mental Health Projects.

#### % Total Rates as of June 30, 2015

	City Imposed	County Imposed	State Imposed	Total
Bernalillo County	0.0000	0.9375	5.1250	6.0625
Albuquerque	1.0625	0.8125	5.1250	7.0000
State Fair Grounds	0.0000	0.9375	5.1250	6.0625
Los Ranchos de Albuquerque	1.1250	0.8125	5.1250	7.0625
Rio Rancho (Partial)	1.6875	0.8125	5.1250	7.6250
Village of Tijeras	1.5000	0.8125	5.1250	7.4375

### III. GRT Financial Ratios as of June 30, 2015

<b>5. Annual GRT Debt Service as % of GF Expenditures &lt;=5%</b>		
FY 2015 Annual GF GRT Debt Service	\$	10,388,820
FY 2015 General Fund Expenditures		242,537,975
<b>Annual GF GRT Debt Service as % of GF Expenditures</b>		<b>4.28%</b>
<b>6. GRT Debt Service Coverage from Pledge Revenue &gt;3.0</b>		
Pledge Revenue (Legal definition)*	\$	42,031,700
Max annual Debt Service		14,324,960
<b>GRT Debt Service Coverage from Pledge Revenue</b>		<b>2.93</b>
<b>7. General Fund Balance as a % of Revenues &gt;42%</b>		
General Fund Balance as of June 30, 2015	\$	128,657,366
Revenues		244,282,592
<b>General Fund Balance as a % of Revenues</b>		<b>52.67%</b>
<b>8a. 3/12th Reserve Fund &gt;25%</b>		
Reserve Fund Balance Required for FY2016	\$	66,939,899
General Fund Budgeted Expenditures		269,762,463
Less Roads Budget		(3,004,302)
Total General Fund Budgeted Expenditures as of 9/16/2015		266,758,161
<b>3/12th and 1/12 Roads Reserve Requirement for 2015</b>		<b>25.09%</b>
<b>8b. Revenue Stabilization Fund 3% - 5%</b>		
<b>Unreserved &amp; Undesignated Fund Balance as % of Revenues</b>		
Unreserved & Undesignated	\$	13,488,123
Prior Year Operating Expenditures		258,699,893
<b>Unreserved &amp; Undesignated Fund Balance as % of Revenues</b>		<b>5.21%</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%.

## IV. Future Financing – 2016 General Obligation Plan of Finance

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- The County's 2015 assessed value as reported by the County Assessor is \$15,119,077,244
- The County's outstanding general obligation debt is limited by the State Constitution to 4% of assessed value or \$604,763,089.
- As of February 1, 2016, the County has \$114,336,000 of outstanding debt making the County 19.15% bonded to capacity or \$490,427,089 of remaining capacity.
- General obligation bond questions in the aggregate amount of \$27,541,000 was placed on the November 4, 2014 ballot and approved by voters.
- The County sold \$17.281 million in general obligation bonds in 2015 in conjunction with \$12,485,000 general obligation refunding bonds which refunded the County's outstanding 2005, 2005A and 2006 General Obligation Bonds. The 2016 Bonds consist of \$10.290 million of bonds authorized from the 2014 election.
- The 2016 bond projects are as follows:
  - \$2,200,000 for parks and recreation
  - \$900,000 for library
  - \$4,820,000 for roads
  - \$2,370,000 for design, construction and repair of storm sewer and wastewater systems
- In conjunction with the anticipated 2016 new money issuance, the County plans to refund the outstanding Series 2007 and Series 2007A General Obligation Bonds.

## 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 home rule 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 is a long-term goal.
- [www.bernco.gov/finance/debt-investment-policies.aspx](http://www.bernco.gov/finance/debt-investment-policies.aspx)

**The County did not propose any changes to the GO Debt management Policy & Guidelines for 2015.**

## 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.

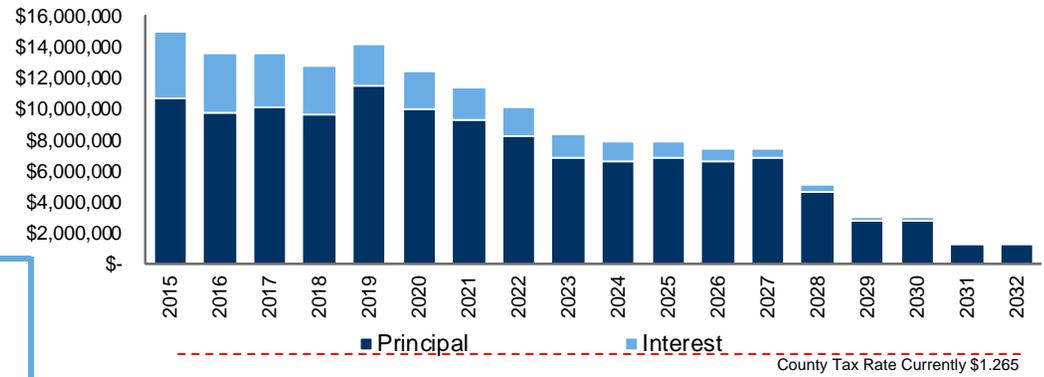
**The County did not propose and changes to the GRT Debt management Policy & Guidelines for 2015.**

Additional Information

# I. Summary of County's Outstanding Debt Programs as of June 30, 2015

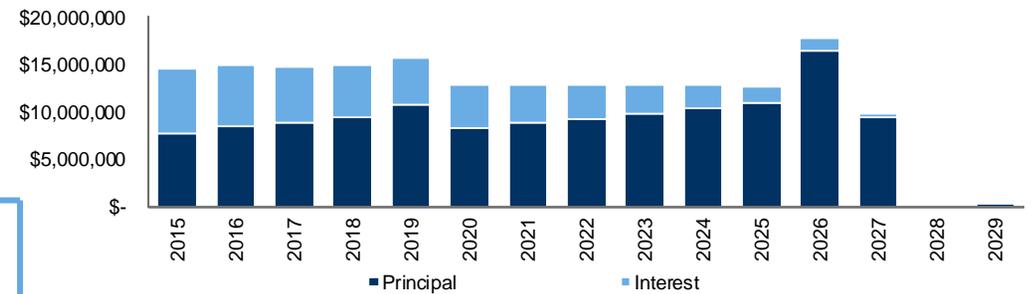
## Summary of County's GO Bond Program

- Outstanding General Obligation Debt, as of June 30, 2015
  - The County has seventeen General Obligations bonds outstanding
  - \$126,631,000 in Par Amount Outstanding
  - Average Rate of the County's outstanding GO debt is 3.26%
  - The County has \$10,290,000 authorized and unissued GO Bonds



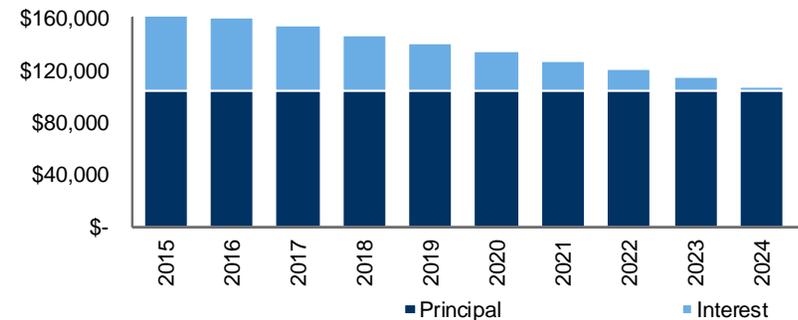
## Summary of County's GRT Bond Program

- Outstanding Gross Receipts Tax Debt, as of June 30, 2015
  - The County has six Gross Receipts Tax Revenue bonds outstanding
  - \$129,190,000 in Par Amount Outstanding
  - Average Rate of the County's outstanding GRT debt is 5.47%
  - 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, 2015
  - The County has one 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 2011 to 2015

Selected Financials and other Datapoints	Bernalillo County, NM					Notes
	2015	2014	2013	2012	2011	
<b>Financial Data : Financial Statistics &amp; Ratios</b>						
Total General Fund Revenues (\$000)	245,101	234,880	233,182	247,758	224,059	
General Fund Balance as % of Revenues	52.5	59.3	77.6	83.6	83.4	Aaa >30%
Total General Fund Balance (\$000)	128,657	139,202	180,983	207,059	186,930	
General Net Cash as % of General Revenues	52.4	59.8	74.1	83.1	82.3	Aaa >25%
<b>Financial Data : Tax Base Statistics and Ratios</b>						
Total Full Value (\$000)	44,549,691	43,952,302	43,619,464	43,796,245	43,590,087	Aaa >\$12B
Full Value Per Capita (\$)	65,946	65,190	64,696	65,032	64,966	Aa \$150,000 > n > 65,000
Top Ten TaxPayers as % of Total	2.6	2.5	2.9	2.7	N/A	
<b>Financial Data : Debt Statistics &amp; Ratios</b>						
Direct Net Debt Outstanding (\$000)	245,026	247,851	256,195	252,830	272,955	as a % of Operating Revenue = 0.75x A 0.67x , n 3.0x
Overall Net Debt Outstanding (\$000)	1,298,059	1,342,876	1,335,837	1,319,429	1,334,175	
Direct Net Debt as % of Full Value	0.6	0.6	0.6	0.6	0.6	Aaa < 0.75%
Direct Net Debt Per Capita (\$)	363	368	380	375	407	
Debt Burden (Overall Net Debt as % Full Value)	2.9	3.1	3.1	3	3.1	
Overall Net Debt Per Capita (\$)	1,921	1,992	1,981	1,959	1,988	
Payout, 10 Years, General Obligation Debt (%), Current Value	78.3	78.1	78.1	78.1	78.1	
<b>Financial Data : Governmental Activities Statistics and Ratios</b>						
Operating Revenues (\$000)	326,709	320,784	312,418	316,635	304,697	0.96x Baa 0.98x > n > 0.95x
Operating Expenses (\$000)	324,003	348,002	326,733	303,048	359,182	
Cash & Investments (\$000)	242,431	252,343	277,326	313,342	318,288	
3-Year Avg of Moody's ANPL / Full Value	N/A	N/A	1.4	1.2	N/A	
3-Year Avg of Moody's ANPL / Operating Revenues	N/A	N/A	2.5	2	N/A	
Quick Ratio	6.8	6.8	8.6	8.8	5.7	
Current Ratio	8.3	8.1	10.1	10.1	6.7	
<b>Financial Data : Demographic Statistics</b>						
Median Family Income as % of U.S. (2010 Census)	95	95	95	95	95	Aa 90%-150%

## 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.
- **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 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.
- **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.

## Glossary of Terms

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- **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.
- **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 and a statewide portion which is used to fund public schools.
- **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.
- **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 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 CNM'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.