



**Moody's Investors Service**

November 7, 2005

Mr. Dan Mayfield  
Director of Finance  
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Albuquerque, NM 87102

Plaza of the Americas  
600 North Pearl St., Suite 2165  
Dallas, Texas 75201  
Tel: 214-220-4350

Dear Mr. Mayfield,

We wish to inform you that on November 4, 2005, Moody's Rating Committee assigned a **Aa1** rating to the Bernalillo County's (NM) General Obligation Bonds, Series 2005A.

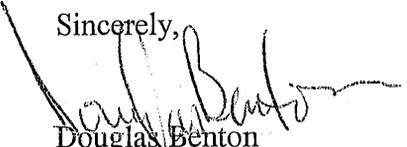
In order for us to maintain the currency of our ratings, we request that you provide ongoing disclosure, including annual financial and statistical information.

Moody's will monitor the rating and reserves the right, at its sole discretion, to revise or withdraw the rating at any time in the future.

The rating as well as any revisions or withdrawals thereof will be publicly disseminated by Moody's through normal print and electronic media and in response to verbal requests to Moody's rating's desk.

Should you have any questions regarding the above please do not hesitate to contact me or the analyst assigned to this transaction, Maria (Gabi) Erickson at 214-220-4353.

Sincerely,



Douglas Benton

Vice President/Senior Credit Officer

cc: Marlo Torres  
Hughes & Strumor, Ltd. Co.  
P.O. Box 1610  
Albuquerque, NM 87103

DB/mjd



Moody's Investors Service

Global Credit Research

New Issue

4 NOV 2005

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New Issue: Bernalillo (County of) NM

**MOODY'S ASSIGNS Aa1 RATING TO BERNALILLO COUNTY'S [NM] \$5.3 MILLION GENERAL OBLIGATION BONDS, SERIES 2005A**

**RATING AFFIRMATION AFFECTS \$87.7 MILLION IN OUTSTANDING PARITY DEBT, INCLUDING CURRENT ISSUE**

County  
NM

**Moody's Rating**

ISSUE	RATING
General Obligation Bonds, Series 2005A	Aa1
<b>Sale Amount</b> \$5,261,000	
<b>Expected Sale Date</b> 11/08/05	
<b>Rating Description</b> General Obligation Limited Tax	

**Opinion**

NEW YORK, Nov 4, 2005 -- Moody's Investors Service has assigned a Aa1 rating to Bernalillo County's (NM) upcoming sale of \$5.3 million General Obligation Bonds, Series 2005A. Concurrently, Moody's has affirmed the Aa1 rating on the county's \$82.5 million in outstanding parity debt. The high quality rating reflects the county's role as the population and economic hub for the State of New Mexico, solid financial management with reserve levels consistently above state mandate, and a modest debt profile typical of counties across the state. Proceeds from the sale of bonds will be used for various permitted purposes throughout the county, particularly in the public safety, parks and recreation, roads and library departments. The bonds represent direct obligations of the county, payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the county.

**DIVERSE TAX BASE CONTINUES TO EXPERIENCE FAVORABLE GROWTH**

Bernalillo County primarily serves the City of Albuquerque (G.O. rated Aa3) and is home to over 31% of the state's total population. Due to the county's proximity to Santa Fe, Rio Rancho, and with an international airport located within the county, job growth and tax base expansion has continued despite slowdowns in other parts of the country. Taxable values have grown at an average 5.2% annually over the past five years, up to a fiscal 2006 value of \$11 billion. The fiscal 2006 assessed valuation (AV) is derived from a full valuation of \$33.0 billion and it represents an increase of \$911 million over prior year. Officials attribute a substantial portion of this increase to new construction in residential properties, which has historically driven AV growth. Also, this year the appraisal district completed a total reappraisal of non-residential properties which brought their values up by \$440 million. Going forward, county officials conservatively project annual AV growth rates to continue at 3%. In addition, job growth remains healthy with Eclipse Aviation, a manufacturer of corporate jets, increasing its job force by 300 employees and Tempur-Pedic opening one of its largest manufacturing facilities contributing 250 jobs to the area. Expansion of private employment is supported by governmental stability given the presence of the University of New Mexico, Sandia National Labs, and Kirtland Air Force Base. Moody's believes as reappraisals continue and ongoing development adds value to the tax roll, the county's tax base will continue to expand at a favorable rate providing support for debt service.

**INCREASING REVENUES STRENGTHEN SIZABLE RESERVES**

Historically the county financial operations have been well-maintained through conservative budgeting and ample reserve levels. Over the past four years, the county's general fund balance averaged 34% of operating

revenues, surpassing the state mandate of maintaining 3 months of operations in reserves. The general fund balance increased to \$47.9 million at fiscal year-end 2004 from \$43.4 million in fiscal 2003. Unaudited results for fiscal 2005 suggest a subsequent increase in the general fund to \$51 million. While a similar reserve level is expected at fiscal year-end 2006, officials plan to use some reserves in fiscal 2007 to fund the in-house development of a new financial system. County operations are primarily supported by property taxes (58.1%) and gross receipts taxes (22.5%). In fiscal 2004, property tax revenues increased 18% over prior year primarily due to changes in mill levy rates. Gross receipts taxes (GRT) grew 7.4% in fiscal 2004, pushing the average annual increase to 4.9% over the past three years. For fiscal 2005, officials anticipate a substantial increase of approximately \$16 million in GRT collections as the county implemented an additional 3/16th tax rate increment effective January 2005. Fiscal 2006 GRT collections are expected to incorporate the full effect of this tax rate increase, which is projected to generate nearly \$13 million more in revenue for the general fund. Moody's believes the county's consistently well-maintained financial operations, coupled with growth in major revenue sources are key components to the Aa1 rating.

#### DEBT PROFILE EXPECTED TO REMAIN LOW

The county has a history of prudent debt management with bond elections held every two years to authorize bond packages of approximately \$16 million each. This issuance exhausts the 2002 and 2004 bond authorizations, while the next bond election is slated for November 2006. Inclusive of the current sale, the county's direct and overall debt ratios are low at 0.4% and 1.5%, respectively, both expressed as a percent of the county's full valuation and net of debt supported by GRT revenues. Similar to other New Mexico issuers, the county's principal retirement is above average with 60.2% retired in ten years.

#### KEY STATISTICS:

2005 Est. Population: 562,678

2006 Full Value: \$33.0 billion

2006 Full Value per Capita: \$58,659

Direct Debt Ratio: 0.4%

Overall Debt Ratio: 1.5%

Payout of Principal (10 years): 60.2%

FY 2004 General Fund balance: \$47.9 million (31.6% of General Fund revenues)

Per Capita Income as % of State: 120.4% (2000 Census)

Post-Sale Parity Debt Outstanding: \$87.7 million

#### Analysts

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