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Summary:

Bernalillo County, New Mexico; General Obligation

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Credit Profile		
US$10. mil GO bnds ser 2009 due 06/01/2019		
Long Term Rating	AAA/Stable	New
Bernalillo Cnty GO		
Long Term Rating	AAA/Stable	Affirmed

Rationale

Standard & Poor's Ratings Services assigned its 'AAA' long-term rating, and stable outlook, to Bernalillo County, N.M.'s series 2009 general obligation (GO) bonds. At the same time, Standard & Poor's affirmed its 'AAA' rating, with a stable outlook, on the county's parity GO debt.

The rating reflects what we view as Bernalillio County's:

- Central role in the state economy;
- Diversified and expanding economic base with particular links to the government, defense-related research, health care, and high-tech sectors;
- Affordable cost of living despite average income and wealth levels;
- Strong financial management and consistent maintenance of strong fund balances; and
- Low overall debt burden and moderate debt service carrying charges.

Unlimited ad valorem property taxes levied on all taxable property within the county secure the bonds. County officials will use bond proceeds to fund public health, roads, and library projects.

Bernalillo County, with a population estimate of 630,737 in 2008, or about 30% of New Mexico's population, encompasses Albuquerque, N.M., which serves as the state's financial and commercial center. Given the county's commercial importance, per capita retail sales are what we view as strong at 128% of the national average. According to estimates from the Bureau of Labor Statistics, the county's unemployment rate, which averaged 4.1% in 2008, rose slightly to 5.8% in February 2009, which is still well below the national rate of 8.1% in the same month. According to IHS Global Insight Inc., manufacturing employment fell by 9.4% for the Albuquerque metropolitan statistical area between March 2008 and March 2009. In early 2009, Intel Corp. (A+/Stable/A-1+) announced another 100-200 layoffs at its Rio Rancho plant, and in February 2009 Eclipse Aviation, a light jet manufacturer in Albuquerque, filed for bankruptcy and suspended all operations laying off more than 800 employees. In addition, construction and mining employment is down 15.6% compared with the previous year due to the housing slowdown. Somewhat offsetting employment declines are public university and highway construction projects. Furthermore, Fidelity Investments Life Insurance Co. (A+/Negative/--) and Schott Solar recently opened their facilities and a new solar company plans to construct a $400 million manufacturing facility to employ 1,000 people. County median household effective buying income and per capita effective buying income were what we view as a good 95% and 99% of the national level, respectively, in 2008.

Management has continued to maintain what we consider strong general fund reserves equal to, or greater than, 25% of expenditures, the state-mandated minimum general fund reserve requirement. The county closed fiscal 2008 with a $25 million operating surplus that increased the combined general fund reserve requirement and unreserved balance to a strong $160 million in our view, or 81% of expenditures and transfers. The county's general fund received a total of $95.8 million of gross receipt tax revenues, or nine 1/16 increments, in fiscal 2008; total gross receipt taxes accounted for 40% of general fund revenues. In fiscal 2009, management estimates a $2 million general fund surplus despite flat gross receipts tax revenues due to higher property tax revenue and interest income. In fiscal 2010, county officials have budgeted for flat property taxes and a 2% increase in gross receipts taxes.

The county collects a 1/18 correctional gross receipts tax, which generates $22 million to support a portion of the operations of the county detention center; the detention center's annual budget totaled $60 million in fiscal 2009 and Bernalillo County has supported the balance of jail operations with other general county revenue. The jail population exceeds capacity and county officials continue to review their options to reduce overcrowding and control costs. Options for relieving cost and population pressures include housing less state prisoners and expanding community custodian programs.

Standard & Poor's deems Bernalillo County's management practices "strong" under its Financial Management Assessment (FMA) methodology. An FMA of strong indicates practices are strong, well embedded, and likely sustainable. Highlights of the county's financial policies include a required minimum fund balance equal to 25% of expenditures, which meets the county's cash flow needs and statutory requirements. Management bases revenue forecasts on historical trends and uses University of New Mexico Bureau of Business Research economic data when forecasting revenues. Management prepares weekly expenditure reports and provides quarterly budget status reports to the county commissioners, who amend the budget quarterly, as needed. Bernalillo County has adopted a noncomprehensive debt management policy. The board of county commissioners annually adopts a six-year rolling capital improvement plan and links projects with ongoing operational costs to the operating budget. Management prepares five-year financial forecasts that it presents to the county commissioners during the budget adoption process. The county commissioners have adopted an annually reviewed investment management policy and management provides the county commissioners with quarterly investment reports.

Overall debt is what we consider low at $1,542 per capita and 2.3% of true value, including overlapping debt and about $200 million of gross-receipt-tax-supported debt. We view amortization as about average with 53% of GO and gross receipts tax principal being retired over 10 years. The annual debt service carrying charge in 2008 was what we view as moderate at 11.3% of governmental expenditures, less capital outlay. The voters authorized more than $20 million of GO bonds in 2008 and the county will have $10.75 million of GO authorization remaining after this issuance for buildings, recreational facilities, and repair of storm sewer and wastewater systems.

Outlook

The stable outlook reflects Standard & Poor's expectation that the stable and expanding economic base will continue to generate strong gross-receipt-tax collections in the general fund and that management will continue to maintain a strong general fund position in line with its reserve policy despite ongoing pressures incurred from county jail operational costs.

Related Research

USPF Criteria: "GO Debt," Oct. 12, 2006

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