

June 1, 2009

**Summary:**  
**Bernalillo County, New Mexico;  
General Obligation**

**Primary Credit Analyst:**

Sussan Corson, New York (1) 212-438-2014; [sussan\\_corson@standardandpoors.com](mailto:sussan_corson@standardandpoors.com)

**Secondary Credit Analyst:**

Matthew Reining, San Francisco (1) 415-371-5044; [matthew\\_reining@standardandpoors.com](mailto:matthew_reining@standardandpoors.com)

**Table Of Contents**

---

Rationale

Outlook

Related Research

**Summary:**

# Bernalillo County, New Mexico; General Obligation

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

Complete ratings information is available to RatingsDirect subscribers at [www.ratingsdirect.com](http://www.ratingsdirect.com). All ratings affected by this rating action can be found on Standard & Poor's public Web site at [www.standardandpoors.com](http://www.standardandpoors.com); under Ratings in the left navigation bar, select Find a Rating.

Copyright © 2009, Standard & Poors, a division of The McGraw-Hill Companies, Inc. (S&P). S&P and/or its third party licensors have exclusive proprietary rights in the data or information provided herein. This data/information may only be used internally for business purposes and shall not be used for any unlawful or unauthorized purposes. Dissemination, distribution or reproduction of this data/information in any form is strictly prohibited except with the prior written permission of S&P. Because of the possibility of human or mechanical error by S&P, its affiliates or its third party licensors, S&P, its affiliates and its third party licensors do not guarantee the accuracy, adequacy, completeness or availability of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. S&P GIVES NO EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall S&P, its affiliates and its third party licensors be liable for any direct, indirect, special or consequential damages in connection with subscribers or others use of the data/information contained herein. Access to the data or information contained herein is subject to termination in the event any agreement with a third-party of information or software is terminated.

Analytic services provided by Standard & Poor's Ratings Services (Ratings Services) are the result of separate activities designed to preserve the independence and objectivity of ratings opinions. The credit ratings and observations contained herein are solely statements of opinion and not statements of fact or recommendations to purchase, hold, or sell any securities or make any other investment decisions. Accordingly, any user of the information contained herein should not rely on any credit rating or other opinion contained herein in making any investment decision. Ratings are based on information received by Ratings Services. Other divisions of Standard & Poor's may have information that is not available to Ratings Services. Standard & Poor's has established policies and procedures to maintain the confidentiality of non-public information received during the ratings process.

Ratings Services receives compensation for its ratings. Such compensation is normally paid either by the issuers of such securities or third parties participating in marketing the securities. While Standard & Poor's reserves the right to disseminate the rating, it receives no payment for doing so, except for subscriptions to its publications. Additional information about our ratings fees is available at [www.standardandpoors.com/usratingsfees](http://www.standardandpoors.com/usratingsfees).

Any Passwords/user IDs issued by S&P to users are single user-dedicated and may ONLY be used by the individual to whom they have been assigned. No sharing of passwords/user IDs and no simultaneous access via the same password/user ID is permitted. To reprint, translate, or use the data or information other than as provided herein, contact Client Services, 55 Water Street, New York, NY 10041; (1)212.438.7280 or by e-mail to: [research\\_request@standardandpoors.com](mailto:research_request@standardandpoors.com).