

Moody's Investors Service has assigned a Aa1 rating to Bernalillo County's (NM) \$10.75 million General Obligation Bonds, Series 2009A. The rating reflects a large and diverse tax base, strong financial management resulting in continued build-up of reserve, and a moderate debt profile. Proceeds from the current bond sale will be used for recreation, roads and storm projects through-out the county. The bonds are secured by an ad valorem tax levied without limit as to rate or amount on all taxable property within the County.

#### COUNTY GROWTH CONTINUES WITH UNEMPLOYMENT BELOW NATIONAL FIGURES

Moody's believes the county will experience more modest property value increases which will be partially equalized by continued commercial economic development in the County's major cities and the unincorporated areas within its boundaries. Bernalillo County primarily serves the City of Albuquerque (G.O. rated Aa2) and is home to over 32% of the state's total population. Due to the county's proximity to Santa Fe (Aa3), Rio Rancho (A1), and with an international airport located within the county, job growth and tax base expansion have remained healthy. September 2009 unemployment figures are consistent with state levels and well-below national figures at 7.5%. The full valuation has increased by a steady average of 7.5% annually over the last five fiscal years to the sizable fiscal 2010 full valuation of \$43.4 billion, or approximately \$14.32 billion in taxable values. Given a considerable slowing of new construction, county officials conservatively project the tax base to continue increasing 3% annually which is consistent with the annual allowable residential property tax value increase allowable by the state. Officials report several commercial developments which include a solar technology manufacturing company, Sandia Lab expansions, and increasing developments in Albuquerque's downtown. Additionally, Hewlett Packard recently opened a new facility within the county which will employ more than 1,000 employees. An influx of retirees from other states and new job opportunities are driving an increase in the County's population. The population of nearly 630,000 has increased 13% since 2000 after increasing nearly 16% between 1990 and 2000. The County's per capita income in 2000 was equal to 120.4% of the state's average, but was only equal to 96% of the nation's average.

#### PROJECTIONS FOR A FISCAL 2009 SURPLUS

Operating fund revenues are primarily supported by gross receipts tax (GRT) and property tax revenues. Unaudited fiscal 2009, property taxes provided 46.2% of revenues and the GRT provided 40.5% of revenues. The county has increased the GRT levy in recent history including a new 3/16th GRT increment began on January 1, 2005 and a 1/8% tax for the jail operations. The county experienced a slowed trend of GRT receipts in the second half of fiscal 2009. The fiscal 2008 general county GRT collections totaled \$95.63 million which dropped to \$90.97 million in fiscal 2009. Officials report that GRT receipts have continued to decline in fiscal 2010. However, officials report that increased property tax collections and investment income will off-set the GRT revenue loss.

Annually, the county has increased the total general fund balance from \$39.4 million in fiscal 2002 to \$175.66 million in fiscal 2009 (unaudited), or an ample 76.8% of general fund revenues. Increases in recent years are the result of better than anticipated revenue collections and tighter expenditure controls. The state requires counties to maintain 25% of budget expenditures in cash reserve. As such, the fiscal 2009 general fund balance includes a reserve of the 90 day cash level (\$66.3 million). Additionally, the county designates portions of the General Fund reserve (approximately \$99 million) for specific purposes including revenue stabilization and early defeasance of bonds. The unaudited fiscal 2009 surplus of \$3.77 million was slightly higher than officials had previously anticipated. The county attributes the fiscal 2009 surplus to a proactive 2.5% county-wide reduction of expenditures. Officials do not anticipate utilizing reserves at this time and have a balanced budget for fiscal 2010 with no planned appropriation of reserve. Moody's recognizes the strength of the state's reserve requirement and believes the county will continue to maintain a healthy fund balance over the long term.

#### DEBT PROFILE EXPECTED TO REMAIN MODERATE

Moody's believes the county has a history of prudent debt management with bond elections held every two years and rapid principal retirement. Authorization for this issue was approved by voters in general election 2008. The county has no remaining unissued authorization but plans to return to voters in 2010 for bond authorizations in the proposed

amount of approximately \$20 million. The county's direct and overall debt ratios are satisfactory for counties at 0.9% and 2.3%, respectively, both expressed as a percentage of fiscal 2010 full valuation. These figures include \$228 million in outstanding gross receipt tax (GRT) revenue debt. Similar to other New Mexico issuers, the County's principal retirement of general obligation debt is above-median with 67.4% retired in ten years,

#### KEY STATISTICS:

Population: 629,292

FY 2010 full value: \$43.4 billion

2009 full value per capita: \$66,966

Per capita income as % of state: 120.4% (2000 Census)

Direct debt burden: 0.9%

Overall debt burden: 2.3%

Payout (10 years): 67.4%

FY 2008 General Fund balance: \$171.9 million (71.5% of General Fund revenues)

FY 2009 (unaudited) General Fund balance: \$175.66 million (76.8% of General Fund revenues)

FY 2008 Unreserved General Fund balance: \$95.7 million (39.8% of General Fund revenues)

FY 2009 (unaudited) Unreserved General Fund balance: \$99.2 million (43.4% of General Fund revenues)

Post-sale parity debt: \$118.98 million

#### RATING METHODOLOGY USED AND LAST RATING ACTION TAKEN

The principal methodology used in rating Bernalillo county was Moody's General Obligation Issued by U.S. Local Governments, published in October 2009 and available on [www.moody.com](http://www.moody.com) in the Rating Methodologies sub-directory under the Research & Ratings tab. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Rating Methodologies sub-directory on Moody's website.

The last rating action for Bernalillo County was on June 3, 2009 when the underlying general obligation rating for the county was affirmed.