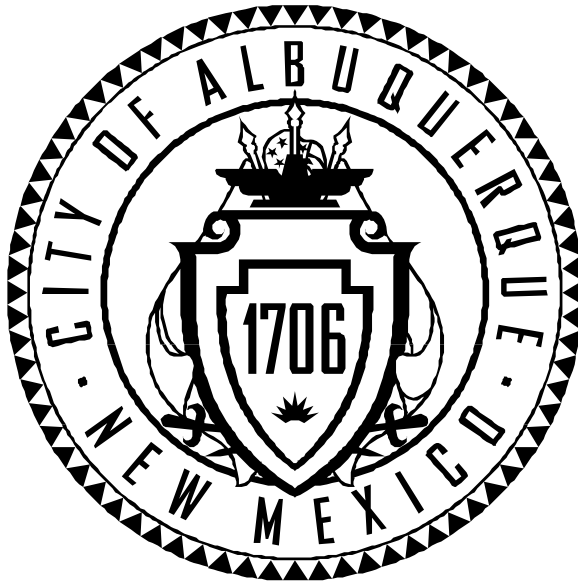


CITY OF ALBUQUERQUE



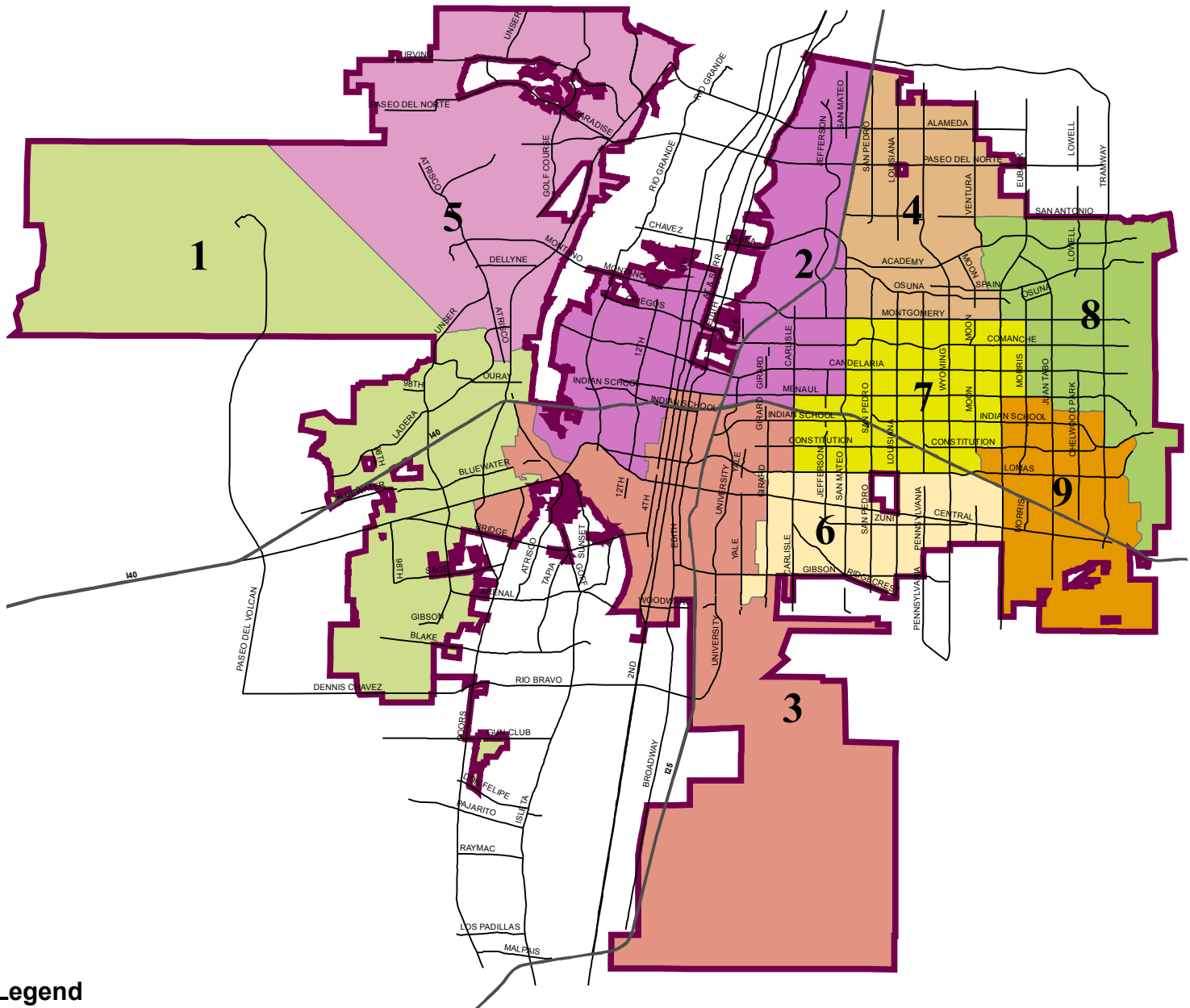
ANNUAL INFORMATION STATEMENT

DATED JANUARY 26, 2010

**IN CONNECTION WITH BONDS AND
OTHER OBLIGATIONS**

CITY COUNCIL DISTRICTS

Albuquerque City Council Districts and Albuquerque Municipal Limit



Legend

-  Rio Grande
-  Albuquerque Municipal Limit

Albuquerque City Council District

- | | |
|--|--|
|  1: Ken Sanchez |  6: Rey Garduno |
|  2: Debbie O'Malley |  7: Michael D. Cook |
|  3: Isaac Benton |  8: Trudy Jones |
|  4: Brad Winter |  9: Don Harris |
|  5: Dan Lewis | |

0 0.5 1 2 3
Miles



Data provided by
City of Albuquerque AGIS and
Bernalillo County Public Works.

Map prepared January 6, 2010
by City of Albuquerque City Council Services.

CITY OF ALBUQUERQUE

MAYOR

Richard J. Berry

CITY COUNCIL

Ken Sanchez (President)	District 1
M. Debbie O'Malley	District 2
Isaac Benton	District 3
Brad Winter	District 4
Dan Lewis	District 5
Rey Garduño	District 6
Michael D. Cook	District 7
Trudy Jones (Vice President)	District 8
Don Harris	District 9

ADMINISTRATION

David S. Campbell, Chief Administrative Officer

Darren White, Chief Public Safety Officer

Randy M. Autio, Esq., Interim City Clerk

DEPARTMENT OF FINANCE AND ADMINISTRATIVE SERVICES

Lou D. Hoffman, CCM, P.E., Director

Cilia E. Aglialoro, CTP, Treasurer

Christopher H. Daniel, CTP, CPA, Assistant Treasurer-Cash Management

Greg Stricklin, CPA, Accounting Officer

OFFICE OF MANAGEMENT AND BUDGET

Mark Sandoval, Acting Budget Officer

Jacques Blair, PhD., City Economist

LEGAL DEPARTMENT

Robert M. White, Esq., City Attorney

Susan Biernacki, Esq., Assistant City Attorney

BOND COUNSEL

Brownstein Hyatt Farber Schreck, LLP, Albuquerque, New Mexico

DISCLOSURE COUNSEL

Modrall, Sperling, Roehl, Harris & Sisk, P.A., Albuquerque, New Mexico

SPECIAL TAX COUNSEL

Kutak Rock LLP, Denver, Colorado

FINANCIAL ADVISOR

RBC Capital Markets Corporation, Albuquerque, New Mexico

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INTRODUCTION

This “Annual Information Statement Dated January 26, 2010 in Connection with Bonds and Other Obligations” (the “Annual Statement”) has been prepared by the City to provide certain financial and other information relating to the City, its various enterprise operations and its other projects, the revenues of which secure certain outstanding long-term obligations of the City. The Annual Statement is intended for use by existing holders of the City’s obligations and by investors in such obligations in the secondary market. The Annual Statement also includes annual financial information and operating data which the City has agreed in certain continuing disclosure undertakings to provide on an annual basis for the benefit of its bondholders. See “CONTINUING DISCLOSURE UNDERTAKINGS.”

City Council (the “Council”) actions taken after January 1, 2010, including information relating to bonds, notes or other obligations of the City issued or incurred after that date, are not included in the Annual Statement. Other information contained in the Annual Statement is current as of January 1, 2010, unless specifically stated otherwise in the Annual Statement. The information in the Annual Statement is subject to change without notice and the delivery of the Annual Statement shall not create any implication that the affairs of the City have remained unchanged since the date of its delivery. The distribution of the Annual Statement by the City does not in any way imply that the City has obligated itself to update the information therein. All financial and other information presented in the Annual Statement has been provided by the City from its records, except for information expressly attributed to other sources believed to be reliable.

The City does not intend that the Annual Statement be relied on as specific offering information in connection with the primary offering and issuance by the City of bonds, notes or other obligations. The presentation of information, including tables of receipts from taxes, enterprise revenues and other information, is intended to show recent historical information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the City or its enterprises. No representation is made that past experiences, as might be shown by such financial and other information, will necessarily continue in the future.

Questions regarding information contained in the Annual Statement should be directed to Cilia Aglialoro, Treasurer, City of Albuquerque, Albuquerque/Bernalillo County Government Center, One Civic Plaza, NW, Albuquerque, New Mexico 87102 (P.O. Box 1293, Albuquerque, New Mexico 87103), Telephone (505) 768-3309, Fax (505) 768-3447. Information about the City may also be obtained through the City’s web site, www.cabq.gov. A copy of the Annual Statement will be posted to the City’s web site as soon as the audited financial information is available.

CONTINUING DISCLOSURE UNDERTAKINGS

Pursuant to the requirements of Rule 15c2-12 of the Securities and Exchange Commission (the “SEC”), the City has entered into continuing disclosure undertakings (the “Disclosure Undertakings”) for the benefit of holders of the following outstanding bonds of the City:

- (1) Gross Receipts Tax Refunding Revenue Bonds, Series 1996;
- (2) Airport Refunding Revenue Bonds, Series 1997;
- (3) Refuse Removal and Disposal System Revenue Bonds, Series 1998;
- (4) General Obligation Storm Sewer Bonds, Series 2000B;
- (5) Taxable Golf Course Net Revenue/Gross Receipts Tax Revenue Bonds, Series 2001;
- (6) Refuse Removal and Disposal System Revenue Bonds, Series 2001B;
- (7) General Obligation Bonds, Series 2001A and B;
- (8) Airport Refunding Revenue Bonds, Series 2001;
- (9) General Obligation Taxable Baseball Stadium Bonds, Series 2001C;
- (10) General Obligation Storm Sewer Bonds, Series 2002C;
- (11) General Obligation General Purpose Bonds, Series 2003B;
- (12) General Obligation Storm Sewer Bonds, Series 2003C;
- (13) Airport Refunding and Improvement Revenue Bonds, Series 2004A and Taxable Series 2004B;
- (14) Gross Receipts/Lodgers' Tax Refunding Revenue Bonds, Series 2004A and Taxable Series 2004B;
- (15) General Obligation General Purpose Bonds, Series 2005A;
- (16) General Obligation Storm Sewer Bonds, Series 2005B;
- (17) General Obligation General Purpose Bonds, Series 2007B;
- (18) General Obligation Storm Sewer Bonds, Series 2007C;
- (19) Airport Refunding Revenue Bonds, Series 2008;
- (20) Airport Refunding Revenue Bonds, Series 2008B-C;
- (21) Gross Receipts Tax Refunding Revenue Bonds, Taxable Series 2008A;
- (22) General Obligation General Purpose Bonds, Series 2008A;
- (23) General Obligation Storm Sewer Bonds, Series 2008B;
- (24) Subordinate Lien Airport Refunding Revenue Bonds, Series 2008D-E;
- (25) Gross Receipts Tax Revenue Refunding Bonds (Beach, Bluewater and Manzano Vista Projects), Series 2008B;
- (26) General Obligation General Purpose Bonds, Series 2009A;
- (27) Gross Receipts Tax/Lodgers' Tax Refunding Revenue Bonds, Series 2009A; and
- (28) Gross Receipts Tax Refunding Revenue Bonds, Series 2009B.

In each of its Disclosure Undertakings, the City has agreed to file certain annual information with the Municipal Securities Rulemaking Board. Timely filing of the information provided in the Annual Statement, including the City's current audited financial statements, with the Municipal Securities Rulemaking Board satisfies the disclosure requirements set forth in the Disclosure Undertakings. In recent years, the City's year end audits have not been released by the State Auditor in time for the City to make filings within the time required by certain of its Disclosure Undertakings. Other than the delay in filing its audited financial statements, the City has been in compliance with the requirements of its Disclosure Undertakings.

FISCAL YEAR 2009 FINANCIAL INFORMATION NOT AVAILABLE

Unaudited financial information for Fiscal Year 2009 is not currently included in this Annual Statement. In January 2009, the City brought on-line a complete

replacement of its accounting and human resources system. This project is a major effort impacting City-wide financial processes. The City, over the past several months and in an ongoing effort, has sought to reconcile and verify all converted financial data. As of the date of this Annual Statement, the City is unable to provide reliable financial information for Fiscal Year 2009 and has consequently not included in this version of the Annual Statement unaudited financial information for Fiscal Year 2009 resulting in multiple blanks in this version of the Annual Statement. The City intends to supplement the Annual Statement immediately upon compilation of reliable unaudited information for Fiscal Year 2009.

The City's audited financial statements for Fiscal Year 2009 are not complete. As soon as the audit is complete and approved by the New Mexico State Auditor, the City will attach audited financial information to this Annual Statement and file its audited financial statement for Fiscal Year 2009 with the Municipal Securities Rulemaking Board.

OUTSTANDING CITY OBLIGATIONS

Summary of Outstanding Obligations

The City has issued and there are outstanding certain general obligation bonds payable from property tax revenues and limited obligations payable from State and municipal gross receipts tax revenues, net revenues of various City enterprise operations, special property assessments, and certain single family and multifamily housing programs. These outstanding obligations are generally described below and certain terms of such obligations are summarized in the Comprehensive Audited Financial Report of the City of Albuquerque, Audited General Purpose Financial Statements as of and for the Fiscal Year ended June 30, 2009 ("CAFR"), a portion of which will be attached hereto as Appendix A upon its release from the State Auditor. Other information relating to the City's outstanding obligations, including information about debt service coverage ratios, can be obtained from the CAFR; the CAFR can be viewed at and downloaded from the City's website, www.cabq.gov upon its release from the State Auditor. Certain of these obligations are further secured by municipal bond insurance, letters of credit and other credit enhancement provided by various entities as described in "Credit Enhancement" under this caption. The CUSIP numbers for each maturity of the City's outstanding obligations, as applicable, are listed in Appendix B hereto.

Ratings of City Obligations

The assigned ratings on the City's bonds reflect only the respective views of the rating agencies. These ratings are the long-term ratings of the City with respect to the bonds. Some City bonds are credit enhanced and, assuming the credit enhancer has a higher rating than the underlying rating on the bonds, have a rating which is based on the rating of the credit enhancer rather than the rating of the City for such bonds. See "Credit Enhancement" under this caption. Any explanation of the significance of the ratings may be obtained from the respective rating agency. There can be no assurance that these ratings will continue for any given period of time or that any rating will not be lowered or withdrawn entirely by a rating agency, if in its judgment circumstances so warrant. Any downward change in, or withdrawal

of, a rating may have an adverse effect on the marketability and/or market price of the City's bonds.

Tax-Supported Obligations

General Obligation Debt

Outstanding General Obligation Bonds. The City presently has outstanding general purpose general obligation bonds in an outstanding aggregate principal amount of \$191,735,000, and storm sewer general obligation bonds in an outstanding aggregate principal amount of \$41,205,000.

In a regular municipal election held October 6, 2009, the issuance of \$146,103,000 general purpose general obligation bonds and \$13,837,000 storm sewer general obligation bonds was approved. It is expected that the City will issue general obligation bonds in the aggregate principal amount of \$80,000,000 in summer 2010.

City of Albuquerque Outstanding General Obligation Bonds As of January 1, 2010

<u>Issue</u>	<u>Principal Amount Of Original Issue</u>	<u>Currently Outstanding</u>
<u>General Purpose G.O. Bonds:</u>		
September 2001	\$46,315,000	\$4,110,000
October 2001 – Taxable Stadium	10,000,000	1,000,000
July 2003	81,805,000	19,900,000
June 2005	90,595,000	45,185,000
September 2007	43,045,000	32,345,000
June 2008	39,000,000	34,225,000
June 2009	<u>54,970,000</u>	<u>54,970,000</u>
Total	<u>\$365,730,000</u>	<u>\$191,735,000</u>
<u>Water, Sewer and Storm Sewer G.O. Bonds:</u>		
July 2000	\$6,750,000	\$1,200,000
September 2001	4,510,000	4,510,000
February 2002	5,600,000	5,400,000
July 2003	9,440,000	9,440,000
June 2005	11,575,000	11,575,000
September 2007	5,080,000	5,080,000
June 2008	<u>4,000,000</u>	<u>4,000,000</u>
Total	<u>\$46,955,000</u>	<u>\$41,205,000</u>
<u>Total General Obligation Bonds</u>	<u>\$412,685,000</u>	<u>\$232,940,000</u>

The Constitution of the State of New Mexico (the “State”) limits the amount of general purpose general obligation indebtedness of the City to 4% of the assessed value of taxable property within the City. Based on the most recent assessed value of real property in the City of \$12,299,076,660, as shown below, and the City's outstanding general purpose general

obligation debt of \$191,735,000, the City has the capacity to issue \$300,228,066 aggregate principal amount of general purpose general obligation bonds in the future.

**City of Albuquerque
Test for Maximum General Purpose G.O. Bonds**

4% of Assessed Value of \$12,299,076,660:	\$491,963,066
Outstanding (General Purpose subject to 4% limitation):	\$191,735,000
Available for Future Issues:	\$300,228,066

* See the table below entitled "Assessed Valuation (County Tax Year 2009 - Fiscal Year 2010)."

**City of Albuquerque
Assessed Valuation
(County Tax Year⁽¹⁾ 2009 - Fiscal Year 2010)**

Market Value of Property Assessed ⁽²⁾	\$44,050,430,187
(1/3 Market Value)	\$14,683,476,729
Less Exemptions	(2,058,492,433)
Plus Centrally Assessed (Corporate)	325,907,636
Certified Net Tax Base ⁽³⁾	\$12,950,891,932

- (1) The County Tax Year ("Tax Year") begins November 1 and ends October 31.
- (2) Reflects market values submitted to the State by the County Assessor prior to properties assessed late. Value shown was used to assess property taxes for the tax year. Current values could vary from value shown. A method of increasing assessed valuation for residential property upon change of ownership was declared unconstitutional under the New Mexico Constitution in an August, 2009 Second Judicial District Court decision. The effect of the Court decision on recent or future increases in residential property values is uncertain and the City makes no predictions in that regard.
- (3) This Certified Net Tax Base is based on information received from the County Assessor's Office. Taxable value is determined by dividing market value by three and subtracting exemptions.

Sources: City of Albuquerque, Department of Finance and Administrative Services; Bernalillo County Assessor; New Mexico Department of Finance and Administration.

**City of Albuquerque
Direct and Overlapping General Obligation Debt
As of January 1, 2010**

Gross G.O. Bonded Debt	\$232,940,000 ⁽¹⁾
Less G.O. Sinking Fund Balance (November 30, 2009)	0
Net G.O. Bonded Debt	<u>\$232,940,000</u>

	G.O. Debt	Tax Year 2009 Assessed Valuation	% Applicable to City	Net Overlapping
City of Albuquerque	\$232,940,000	\$12,299,076,660	100.00%	\$232,940,000
Albuquerque Public Schools	454,820,000	14,592,436,772	84.28%	383,322,296
Albuquerque Metropolitan Arroyo Flood Control Authority	33,825,000	14,233,345,747	86.41%	29,228,183
Central New Mexico Community College	53,825,000	17,315,713,663	71.03%	38,231,898
Bernalillo County	106,330,000	14,823,104,676	82.97%	88,222,001
State of New Mexico	453,730,000	54,399,590,794	22.61%	<u>102,582,758</u>
Total Direct and Overlapping G.O. Debt				<u>\$874,532,731</u>

Ratios

Direct and Overlapping G.O. Debt as Percent of Taxable Assessed Valuation	7.11%
Direct and Overlapping G.O. Debt as Percent of Actual Market Valuation	1.99%
Assessed Valuation Per Capita (2009 Estimated Population 521,999) ⁽²⁾	\$ 23,561.49
Direct and Overlapping G.O. Debt Per Capita	\$ 1,675.35

(1) Amount does not include any bonds which have been advance refunded and fully defeased by an escrow containing cash and securities.

(2) Population estimated by City of Albuquerque Office of Management & Budget.

Sources: City of Albuquerque, Department of Finance and Administrative Services; Bernalillo County Assessor; New Mexico Department of Finance and Administration.

City of Albuquerque
Ratio of Net General Obligation Debt to Taxable Value
And Net General Obligation Debt Per Capita

General Obligation Debt

<u>Fiscal Year</u>	<u>Population⁽¹⁾</u>	<u>Taxable Value(000s)⁽²⁾</u>	<u>Total G.O. Debt (000s)</u>	<u>Debt Service Fund (000s)⁽³⁾</u>	<u>Net G.O. Debt (000s)</u>	<u>Ratio of Net G.O. Debt To Taxable Value</u>	<u>Net G. O. Debt Per Capita</u>
2000	449,140	\$6,856,281	\$152,825	\$24,832	\$127,993	1.87%	\$284.97
2001	454,291	6,900,667	138,180	10,707	127,473	1.85%	280.60
2002	464,011	7,423,666	117,440	18,230	99,210	1.34%	213.81
2003	472,814	7,623,843	160,055	45,493	114,562	1.50%	242.30
2004	483,249	7,887,551	126,810	46,158	80,652	1.02%	166.90
2005	494,477	8,285,493	239,205	19,487	219,718	2.65%	444.34
2006	504,949	9,307,581	276,205	9,977	266,228	2.86%	527.24
2007	511,008	9,858,169	235,765	8,139	227,626	2.31%	445.45
2008	511,008	10,949,766	292,620	87,565	205,055	1.87%	401.28
2009	521,999	11,581,011	297,968	27,602	270,366	2.33%	517.94

(1) Population is estimated for all years except for June 30, 2000 which is based on Bureau of Census data. Estimates provided by City of Albuquerque Planning Department.

(2) Assessment made by County Assessor. The taxable ratio by State statute is one-third of assessed value.

(3) Available for debt service.

Source: City of Albuquerque, Department of Finance and Administrative Services (unless otherwise noted).

City of Albuquerque
Aggregate Debt Service
For Outstanding General Obligation Bonds
As of January 1, 2010

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2010	\$ 44,135,000	\$ 9,557,856	\$ 53,692,856
2011	41,930,000	7,733,300	49,663,300
2012	34,915,000	5,938,013	40,853,013
2013	34,915,000	4,532,788	39,447,788
2014	27,585,000	2,995,863	30,580,863
2015	16,230,000	1,895,600	18,125,600
2016	16,230,000	1,277,925	17,507,925
2017	10,910,000	669,450	11,579,450
2018	6,090,000	243,600	6,333,600
Total	<u>\$ 232,940,000</u>	<u>\$ 34,844,395</u>	<u>\$ 267,784,395</u>

Source: City of Albuquerque, Department of Finance and Administrative Services.

City of Albuquerque
Historical General Obligation Bond Debt Service
As a Percent of Total General Fund Expenditures

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Fund Expenditures (Excluding G.O. Debt Service)⁽¹⁾</u>	<u>Debt Service as a % of Total General Fund Expenditures (Excluding G.O. Debt Service)</u>
2000	\$38,750,000	\$8,357,440	\$47,107,440	\$300,822,796	15.7%
2001	71,570,000	9,046,715	80,616,715	320,782,941	25.1%
2002	49,810,000	8,215,773	58,025,773	321,419,453	18.1%
2003	33,245,000	7,596,953	40,841,953	326,383,639	12.5%
2004	52,220,000	9,366,770	61,586,770	349,401,983	17.6%
2005	87,355,917	7,747,457	95,103,374	393,168,745	24.2%
2006	76,440,000	10,562,178	87,002,178	445,130,907	19.5%
2007	71,270,000	8,869,510	80,139,510	475,697,255	16.8%
2008	74,625,000	9,205,374	83,830,374	481,785,495	17.4%
2009	65,028,000	9,634,353	74,662,353	451,379,000	16.5%

(1) Includes transfers and other financing uses.

Sources: City of Albuquerque Comprehensive Annual Financial Reports.

Current Ratings of the General Obligation Bonds. The City's outstanding general obligation bonds are currently rated "Aa2" by Moody's Investors Service, Inc. ("Moody's"), "AAA" by Standard & Poor's Ratings Service ("S&P") and "AA" by Fitch, Inc. ("Fitch"). The City's General Obligation Bonds, Series 2003B and Series 2003C have municipal bond insurance. However, the underlying ratings on these bonds are higher than the current ratings for the respective bond insurers and, therefore, the underlying ratings, and not the credit enhanced ratings, should be considered the ratings on the bonds. See "Credit Enhancement" under this caption.

State Gross Receipts Tax Obligations

Outstanding State Gross Receipts Tax Obligations. The City presently has outstanding the following series of special limited obligation bonds and loans secured by a pledge of revenues received by the City as a distribution from the State of the City's share of the State gross receipts tax as described in "FINANCIAL INFORMATION - Gross Receipts Taxes - State Gross Receipts Taxes."

**City of Albuquerque
Outstanding State Gross Receipts Tax Obligations
As of January 1, 2010**

<u>Issue</u>	<u>Principal Amt. of Original Issue</u>	<u>Outstanding Principal Amount</u>
Gross Receipts Tax Refunding Revenue Bonds, Series 1996 (Old Lien Tax Obligation)	\$18,315,000	\$1,445,000
Taxable Golf Revenue/Gross Receipts Tax Bonds Series 2001 ⁽¹⁾	2,420,000	625,000
New Mexico Finance Authority Stadium Loan #1 (2002) ⁽²⁾	6,000,000	5,071,258
New Mexico Finance Authority Stadium Loan #2 (2002) ⁽³⁾	9,000,000	7,455,640
Taxable Gross Receipts Tax Refunding Revenue Bonds, Series 2008A	16,655,000	14,200,000
Gross Receipts Tax Revenue Refunding Bonds (Beach, Bluewater and Manzano Vista Projects), Series 2008B ⁽⁴⁾	11,275,000	11,105,000
Gross Receipts Tax Refunding Revenue Bonds, Series 2009B	28,305,000	<u>28,305,000</u>
Total		<u>\$68,206,898</u>

(1) These bonds are also payable from net revenues of the City's golf courses.

(2) This loan is also payable from lease payments due to the City from the lessee of the baseball stadium.

(3) This loan is also payable from surcharges imposed on ticket sales, concessions and other goods and services sold at the baseball stadium.

(4) These Bonds are also payable from the net revenues of certain City housing projects.

Outstanding State Gross Receipts/Lodgers' Tax Bonds. The City has outstanding the following series of special limited obligations secured by a pledge of both state gross receipts tax revenues distributed to the City by the State as described in "FINANCIAL INFORMATION - Gross Receipts Taxes - State Gross Receipts Taxes" and 50% of the revenues received by the City from the 5% lodgers' tax levied, as described in "FINANCIAL INFORMATION - Lodgers' Tax and Hospitality Fee."

City of Albuquerque
Outstanding State Gross Receipts/Lodgers' Tax Bonds
As of January 1, 2010

<u>Issue</u>	Principal Amt. Of Original Issue	Outstanding Principal Amt.
Gross Receipts/ Lodgers' Tax Refunding and Improvement Bonds, Series 1991B ⁽¹⁾	\$20,095,587	\$3,970,000
Tax-Exempt Gross Receipts Tax/Lodgers' Tax Refunding Revenue Bonds, Series 2004A	31,965,000	31,965,000
Taxable Gross Receipts Tax/Lodgers' Tax Refunding Revenue Bonds, Series 2004B	28,915,000	27,960,000
Gross Receipts/ Lodgers' Tax Refunding Revenue Bonds, Series 2009A	10,535,000	<u>10,535,000</u>
Total Outstanding State Gross Receipts/Lodgers' Tax Obligations		<u>\$74,430,000</u>

(1) These bonds were issued as capital appreciation bonds. Principal maturity values shown.

Outstanding Hospitality Fee Obligations. The City presently has outstanding the following special limited obligation secured by Hospitality Fee revenues received by the City as described in “FINANCIAL INFORMATION – Lodgers’ Tax and Hospitality Fee.”

**City of Albuquerque
Outstanding Hospitality Fee NMFA Loan**

<u>Issue</u>	<u>Project Financed</u>	<u>Principal Amount of Original Issue</u>	<u>Outstanding Principal Amount</u>	<u>Reserve Fund Balances</u>	<u>Optional Redemption Provisions</u>
New Mexico Finance Authority Hospitality Fee Loan (2004)	Convention Center Improvements	\$5,700,000	\$3,245,000	\$750,944	Callable on any interest payment date

Combined Debt Service. The following schedule shows, for each calendar year, the total combined debt service estimated for all outstanding bonds of the City payable from state gross receipts tax revenues. The pledge securing the Old Lien Tax Obligations (the Series 1991B Bonds and Series 1996 Bonds) is made as to the tax revenues produced by the 1% portion of the 1.225% tax applied to gross receipts in the City and distributed to the City by the State. The pledge securing the New Lien Tax Obligations is made as to state gross receipts tax revenues the City receives from the entire 1.225% distribution from the State. See “FINANCIAL INFORMATION - Gross Receipts Taxes - State Gross Receipts Taxes.”

Total Combined Debt Service Outstanding Gross Receipts Tax Obligations

Calendar Year	Series 1991B ⁽¹⁾	Series 1996	Series 2001	NMFA Stadium Lease Loan	NMFA Surcharge Stadium Loan	Series 2004A	Series 2004B	Series 2008A	Series 2008B	Series 2009A	Series 2009B	Combined Debt Service Requirements
2010	-	\$742,250	\$341,650	\$503,603	\$689,682	\$1,575,635	\$1,737,367	\$3,261,227	\$878,788	\$451,923	\$1,723,821	\$11,887,248
2011	-	813,750	346,775	503,174	688,986	1,575,635	1,723,839	3,260,674	880,988	479,919	1,790,150	12,045,770
2012	\$560,000	-	-	502,721	688,261	1,575,635	1,740,079	3,259,490	877,588	479,919	1,797,550	11,463,795
2013	590,000	-	-	502,245	687,504	1,575,635	1,714,796	3,260,868	878,788	559,919	1,793,600	11,546,616
2014	585,000	-	-	501,741	686,711	1,575,635	1,729,779	3,259,940	879,388	621,719	2,164,600	11,983,514
2015	600,000	-	-	501,209	685,881	1,575,635	1,728,264	-	880,638	682,369	4,268,650	10,922,645
2016	540,000	-	-	500,646	685,012	1,575,635	1,795,059	-	880,888	745,019	4,303,900	11,026,157
2017	545,000	-	-	500,051	684,100	1,575,635	1,802,541	-	880,138	806,019	4,309,900	11,103,382
2018	550,000	-	-	499,420	683,143	1,575,635	1,803,676	-	878,388	873,269	4,302,650	11,166,181
2019	-	-	-	498,751	682,138	1,575,635	1,818,733	-	880,638	1,485,669	4,362,400	11,303,964
2020	-	-	-	498,044	681,084	1,575,635	1,816,904	-	881,638	1,562,169	4,375,400	11,390,873
2021	-	-	-	497,293	679,976	1,575,635	1,818,996	-	881,388	1,642,169	4,313,400	11,408,856
2022	-	-	-	496,496	678,810	1,575,635	1,809,741	-	879,888	1,725,169	874,650	8,040,389
2023	-	-	-	495,650	677,584	1,575,635	1,864,678	-	877,138	453,706	-	5,944,390
2024	-	-	-	494,751	676,294	1,575,635	1,820,302	-	877,413	1,936,806	-	7,381,200
2025	-	-	-	493,796	674,934	1,575,635	1,891,735	-	880,388	1,954,150	-	7,470,638
2026	-	-	-	492,781	673,503	1,575,635	4,131,833	-	876,525	-	-	7,750,277
2027	-	-	-	-	-	1,575,635	4,220,896	-	881,088	-	-	6,677,619
2028	-	-	-	-	-	1,575,635	4,306,109	-	877,656	-	-	6,759,400
2029	-	-	-	-	-	1,575,635	4,396,918	-	877,344	-	-	6,849,897
2030	-	-	-	-	-	3,875,635	2,182,215	-	879,881	-	-	6,937,731
2031	-	-	-	-	-	5,747,535	403,866	-	-	-	-	6,151,401
2032	-	-	-	-	-	5,841,375	403,866	-	-	-	-	6,245,241
2033	-	-	-	-	-	5,937,625	403,866	-	-	-	-	6,341,491
2034	-	-	-	-	-	3,592,625	2,838,866	-	-	-	-	6,431,491
2035	-	-	-	-	-	6,257,625	268,967	-	-	-	-	6,526,592
2036	-	-	-	-	-	1,502,375	5,123,967	-	-	-	-	6,626,342
2037	-	-	-	-	-	6,690,875	-	-	-	-	-	6,690,875
Total	<u>\$3,970,000</u>	<u>\$1,556,000</u>	<u>\$688,425</u>	<u>\$8,482,372</u>	<u>\$11,603,603</u>	<u>\$70,958,370</u>	<u>\$7,297,858</u>	<u>\$16,302,199</u>	<u>\$18,466,577</u>	<u>\$16,459,913</u>	<u>\$40,380,671</u>	<u>\$246,073,975</u>

(1) Final maturity values shown.

The State-Shared Gross Receipts Tax Revenues of the City attributable to the 1.225% levy for Fiscal Year 2009 were \$176,702,867 (unaudited). The maximum calendar year combined debt service requirements for the outstanding State-Shared Gross Receipts Tax Obligations of the City as shown in the preceding table are \$12,045,770 (occurring in calendar year 2011). The coverage ratio of the Fiscal Year 2009 State-Shared Gross Receipts Tax Revenues to such maximum calendar year combined debt service requirements is 14.67x.

Current Ratings of State Gross Receipts Tax Bonds. The City's outstanding state gross receipts tax bonds are currently rated "Aa3" by Moody's, "AAA" by S&P, and "AA" by Fitch.

2009 Debt Calculations for Tax-Supported Obligations

The following table summarizes (i) the total outstanding obligations of the City as of January 1, 2010 payable from General Fund tax revenues, (ii) the property tax debt of certain overlapping jurisdictions and (iii) the per capita debt resulting from such aggregate outstanding amounts as of such date.

**City of Albuquerque
Debt Calculations for Tax-Supported Obligations
Outstanding as of January 1, 2010**

<u>General Obligation Debt</u> ⁽²⁾	<u>Total Outstanding</u>	<u>Per Capita (Population of 521,999⁽¹⁾)</u>
Net Direct G.O. Debt	\$232,940,000	\$446.25
Overlapping Jurisdiction G.O. Debt	<u>641,592,731</u>	<u>1,229.10</u>
Total Direct and Overlapping G.O. Debt	<u>\$874,532,731</u>	<u>\$1,675.35</u>
<u>Special Tax Obligations</u>		
State Shared Gross Receipts Tax Bonds ⁽³⁾	\$68,206,898	\$130.66
Hospitality Fee Loan ⁽⁴⁾	3,245,000	6.22
State Gross Receipts/Lodgers' Tax Bonds ⁽⁵⁾	<u>74,430,000</u>	<u>142.59</u>
Direct Special Tax Obligations	<u>\$145,881,898</u>	<u>\$279.47</u>
TOTAL OVERALL TAX-SUPPORTED OBLIGATIONS	<u>\$1,020,428,563</u>	<u>\$1,954.85</u>

(1) Estimates provided by City Planning Department.

(2) See table entitled "City of Albuquerque Direct and Overlapping General Obligation Debt as of January 1, 2010" under this caption.

(3) See table entitled "City of Albuquerque Outstanding State Gross Receipts Tax Obligations as of January 1, 2010" under this caption.

(4) See table entitled "City of Albuquerque Outstanding Hospitality Fee NMFA Loan" under this caption.

(5) See table entitled "City of Albuquerque Outstanding State Gross Receipts/Lodgers' Tax Bonds as of January 1, 2010" under this caption.

Enterprise Obligations

Airport Revenue Bonds

Outstanding Airport Revenue Bonds. The City presently has outstanding the following special limited obligations secured by net revenues of the Albuquerque Airport and Double Eagle II Airport. See “ENTERPRISE OPERATIONS - Albuquerque Airport.”

City of Albuquerque
Outstanding Airport Revenue Bonds as of January 1, 2010

<u>Issue</u>	<u>Project Financed</u>	<u>Principal Amount of Original Issue</u>	<u>Outstanding Principal Amount</u>	<u>Reserve Fund Balances</u>	<u>Optional Redemption Provisions⁽¹⁾</u>
Airport Refunding Revenue Bonds, Series 1997 ⁽²⁾	Refunding	\$33,310,000	\$5,440,000	Ambac surety	7/1/09 and thereafter @100%
Airport Revenue Bonds, Series 2001 ⁽²⁾	Refunding	42,550,000	22,840,000	Ambac surety	7/1/11 @100%
Subordinate Lien Taxable Airport Refunding Revenue Bonds, Series 2004A ⁽³⁾⁽⁴⁾	Refunding	20,610,000	15,600,000	MBIA surety	7/1/13 @100%
Senior Lien Airport Improvement Revenue Bonds, Series 2004B ⁽⁴⁾	Fuel Facility, Terminal and Improvement	30,000,000	24,990,000	MBIA surety	7/1/13 @100%
Airport Refunding Revenue Bonds, Series 2008A ⁽⁵⁾	Refunding	13,640,000	13,320,000	FSA surety	N/A
Airport Refunding Revenue Bonds, Series 2008B- C ⁽⁵⁾	Refunding	21,290,000	18,600,000	FSA surety	7/1/19 @ 100%
Subordinate Lien Airport Refunding Revenue Bonds, Series 2008D- E ⁽³⁾	Refunding	34,540,000	29,730,000	\$3,454,000	N/A
Airport Refunding Revenue Bonds, Series 2009A	Refunding	26,080,000	26,080,000	N/A	7/1/20 @100%
Commercial Paper Note	Communications, Fire Alarms, and Mechanical/Electrical	14,960,000	<u>9,183,000</u>	N/A	10/6/2010 @ 100%
Total Airport Revenue Bonds			<u>\$165,783,000</u>		

- (1) These bonds are also subject to mandatory redemption at par on the dates and under certain circumstances relating to damage to or destruction of the Airport or condemnation of all or a part of the Airport as described in the bond documents relating to such bonds.

- (2) Ambac Assurance Corporation has provided its bond insurance policy in connection with these bonds. See “Credit Enhancement” under this caption.
- (3) These bonds are payable from net revenues of the Airport on a subordinate parity lien basis to the other outstanding Airport revenue bonds, which are sometimes referred to herein as “Senior Parity Obligations.” See also “Credit Enhancement” under this caption for a description of certain credit enhancement relating to the Series 2004A Bonds.
- (4) MBIA Insurance Corporation has provided its bond insurance policy in connection with these bonds. See “Credit Enhancement” under this caption.
- (5) Financial Security Assurance Inc. has provided its bond insurance policy in connection with these bonds. See “Credit Enhancement” under this caption.

Combined Debt Service. The following schedule shows, for each calendar year, the estimated total combined debt service payable for the outstanding Airport revenue bonds of the City.

Total Combined Outstanding Debt Service of Airport Obligations

Calendar Year	Series 1997 Bonds	Series 2001 Bonds	Series 2004B Bonds	Series 2008A Bonds	Series 2008 B&C Bonds	Series 2009A Bonds	Total Senior Parity Obligations	Series 2004A Bonds	Series 2008D-E Bonds	Total Subordinate Parity Obligations	Total Combined Requirements
2010	\$2,067,200	\$4,994,040	\$2,798,688	\$951,750	\$3,518,542	\$2,064,755	\$17,894,975	\$2,213,614	\$6,779,048	\$8,992,662	\$26,887,637
2011	2,057,450	3,769,350	2,715,188	951,850	3,431,672	3,252,825	18,588,334	2,245,254	6,843,850	9,089,104	27,677,438
2012	2,065,613	3,770,463	2,665,088	949,950	3,619,617	3,250,525	18,801,254	2,208,474	6,882,850	9,091,324	27,892,578
2013	-	3,768,513	2,576,588	2,407,700	3,423,952	3,256,125	17,992,877	2,206,891	6,992,100	9,198,991	27,191,867
2014	-	3,768,231	2,493,338	2,414,000	3,614,926	3,254,325	18,179,820	2,214,338	6,814,500	9,028,838	27,208,658
2015	-	3,769,081	2,410,088	2,429,500	1,736,420	3,255,275	4,950,364	2,211,970	-	2,211,970	18,527,334
2016	-	3,760,525	2,326,838	2,429,500	493,213	3,253,825	4,508,900	2,173,466	-	2,173,466	17,232,366
2017	-	-	2,260,238	2,414,500	482,213	3,249,975	4,146,925	2,170,667	-	2,170,667	13,452,592
2018	-	-	2,193,638	2,415,000	556,013	3,254,975	3,959,625	1,881,469	-	1,881,469	13,296,094
2019	-	-	2,110,388	-	531,213	3,255,175	3,741,775	-	-	-	9,011,775
2020	-	-	2,027,138	-	501,000	-	383,138	-	-	-	2,528,138
2021	-	-	1,956,375	-	-	-	291,375	-	-	-	1,956,375
2022	-	-	1,885,613	-	-	-	220,613	-	-	-	1,885,613
2023	-	-	1,814,850	-	-	-	149,850	-	-	-	1,814,850
2024	-	-	1,739,925	-	-	-	74,925	-	-	-	1,739,925
Total	<u>\$6,190,263</u>	<u>\$27,600,203</u>	<u>\$33,973,975</u>	<u>\$17,363,750</u>	<u>\$21,908,778</u>	<u>\$31,347,780</u>	<u>\$164,464,749</u>	<u>\$19,526,142</u>	<u>\$34,312,348</u>	<u>\$53,838,490</u>	<u>\$218,303,239</u>

Note: Columns may not add to totals due to rounding.

In the ordinances pursuant to which the City's Airport Obligations have been issued, the City has agreed to charge all users of the Airport reasonable rates sufficient to produce Net Revenues (as adjusted in accordance with the authorizing ordinances) annually to pay 120% of the debt service requirements on all outstanding Senior Parity Obligations ("Test No. 1") and 110% of the debt service requirements on all Outstanding Airport Obligations ("Test No. 2"). The Net Revenues of the Airport for Fiscal Year 2009 were \$_____ (unaudited). The maximum calendar year combined debt service requirements for all outstanding Senior Parity Obligations are \$_____ (occurring in calendar year 2010). With respect to Test No. 1, the coverage ratio of the Net Revenues for the Airport for Fiscal Year 2009 (\$_____) to such maximum estimated calendar year debt service requirements is ____x. The maximum calendar year combined debt service requirements for all Outstanding Airport Obligations are estimated to be \$_____ (occurring in calendar year 20__). With respect to Test No. 2, the coverage ratio of the net revenues of the Airport for Fiscal Year 2009, plus investment income from debt service funds (which is not included in Test No. 1) (\$_____) to such maximum estimated calendar year debt service requirements is ____x.

Historical Debt Service Coverage. The following table sets forth historical debt service coverage for both Senior Lien Obligations and Subordinate Lien Obligations.

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009⁽³⁾</u>
Airport Revenues ⁽¹⁾	\$64,287	\$66,397	\$67,969	\$75,256	
Less:					
Operation and Maintenance Expenses	24,616	25,601	27,618	29,846	
Net Airport Revenues	<u>\$39,671</u>	<u>\$40,796</u>	<u>\$40,352</u>	<u>\$45,410</u>	
Coverage Test One					
Senior Lien Debt Service Requirements	\$12,299	\$13,191	\$14,585	\$14,757	
Test One debt coverage ratio (1.2x)	3.23	3.09	2.77	3.08	
Coverage Test Two					
Interest income from Debt Service Funds	<u>\$547</u>	<u>\$706</u>	<u>\$825</u>	<u>\$736</u>	
Net Airport Revenues plus interest income	<u>\$40,218</u>	<u>\$41,503</u>	<u>\$41,177</u>	<u>\$46,146</u>	
Total Debt Service Requirements	\$18,750	\$21,166	\$25,257	\$25,875	
Test Two debt service coverage ratio (1.1x) ⁽²⁾	2.14	1.96	1.63	1.78	

⁽¹⁾ Dollars in thousands.

⁽²⁾ The numbers herein, calculated consistent with requirements under applicable debt instruments for the City's Airport Obligations, vary from the unaudited statistical information reported in tables appended to the City's Comprehensive Annual Financial Report ("CAFR") for prior fiscal years which was calculated pursuant to other accounting practices. Potential investors are advised to refer to the coverage calculations herein, not those appended to the CAFR, in making investment decisions.

⁽³⁾ See "FISCAL YEAR 2009 FINANCIAL INFORMATION NOT AVAILABLE".

Source: City of Albuquerque

Current Ratings of the Airport Revenue Bonds. The majority of the City's outstanding Airport obligations are credit enhanced. However, in certain circumstances the underlying ratings on the respective bonds are currently higher than the current ratings for the respective bond insurers and, therefore, the underlying ratings, and not the credit-enhanced ratings,

should be considered the ratings on the Airport obligations. In those instances, the underlying ratings are applicable. See “Credit Enhancement” under this caption. The following underlying ratings have been assigned to the Senior Parity Obligations: “Aa3” by Moody’s, “A+” by S&P and “A+” by Fitch. The following underlying ratings have been assigned to the Subordinate Parity Obligations: “A1” by Moody’s, “A” by S&P and “A” by Fitch.

Joint Water and Sewer System Obligations

The joint water and sewer system was owned by the City and operated by its Public Works Department until December 17, 2003 (the “Water/Sewer System”), and revenue bond debt relating to the Water/Sewer System continues to be outstanding. In 2003, the New Mexico Legislature adopted Laws 2003, Chapter 437 (Section 72-1-10, NMSA 1978) which created the Albuquerque Bernalillo County Water Utility Authority (the “Authority”) and provided that all functions, appropriations, money, records, equipment and other real and personal property pertaining to the Water/Sewer System would be transferred to the Authority. The legislation also provides that the debts of the City payable from net revenues of the Water/Sewer System shall be debts of the Authority and that the Authority shall not impair the rights of holders of outstanding debts of the Water/Sewer System. The City has transferred functions, appropriations, money records, equipment and other real and personal property pertaining to the Water/Sewer System to the Authority and the policy-making functions of the Water/Sewer System have been transferred to the Authority. The Authority and the City entered into a Memorandum of Understanding dated July 1, 2007, under which the City provides certain administrative support to the Authority.

Information relating to outstanding Water/Sewer System obligations may be found in the Annual Information Statement of the Authority dated January 26, 2010 on file with the Municipal Securities Rulemaking Board.

Refuse Removal and Disposal System Revenue Bonds

Outstanding Refuse System Revenue Bonds. The City presently has outstanding the following special limited obligations secured by net revenues of the City’s refuse removal and disposal system. See “ENTERPRISE OPERATIONS - Refuse Removal and Disposal System.”

City of Albuquerque
Outstanding Refuse Removal and Disposal Revenue Bonds
As of January 1, 2010

<u>Issue</u>	<u>Project Financed</u>	<u>Principal Amt. Of Original Issue</u>	<u>Outstanding Principal Amt.</u>	<u>Reserve Fund Balances</u>	<u>Optional Redemption Provisions ⁽¹⁾</u>
Refuse Removal and Disposal Revenue Bonds, Series 1998 ⁽²⁾	System improvements	\$10,170,000	\$3,395,000	Ambac surety	Callable at any time at par
Refuse Removal and Disposal Revenue Bonds, Series 2001B ⁽³⁾	System improvements and refunding	14,205,000	7,960,000	FSA surety	Not callable
NMFA – Refuse Removal and Disposal Loan (2004)	System Improvements	5,800,000	3,074,866	N/A	Callable on any interest payment date
NMFA – Refuse Removal and Disposal Loan (2008)	System Improvements	2,600,000	<u>2,265,940</u>	N/A	Callable on any date after March 14, 2009
Total Refuse System Revenue Bonds			<u>\$16,695,806</u>		

- (1) Certain of these bonds are also subject to mandatory sinking fund redemption at par on the dates and otherwise as described in the bond documents relating to such bonds.
- (2) Ambac Assurance Corporation has provided its municipal bond insurance in connection with these bonds. See “Credit Enhancement” under this caption.
- (3) Financial Security Assurance Inc. has provided its municipal bond insurance in connection with these bonds. See “Credit Enhancement” under this caption.

Combined Debt Service and Coverage Ratio. The following schedule shows, for each calendar year, the total combined debt service requirements payable for the City's outstanding refuse system revenue bonds through their respective final maturity dates.

**City of Albuquerque
Total Combined Debt Service
Outstanding Refuse System Revenue Bonds
As of January 1, 2010**

Calendar Year	Series 1998 Bonds	Series 2001A & B Bonds	NMFA Loan (2004)	NMFA Loan (2008)	Combined Debt Service Requirements
2010	\$949,193	\$2,929,950	\$677,796	\$412,350	\$4,969,288
2011	949,213	2,933,700	677,837	412,275	4,973,025
2012	946,863	<u>2,925,950</u>	677,883	412,164	4,962,859
2013	<u>946,856</u>	--	677,932	412,049	2,036,837
2014	--	--	<u>677,986</u>	<u>411,892</u>	<u>1,089,878</u>
Total	<u>\$3,792,125</u>	<u>\$8,789,600</u>	<u>\$3,389,434</u>	<u>\$2,060,730</u>	<u>\$18,031,887</u>

In the ordinances pursuant to which the City's refuse system obligations have been issued, the City has agreed to charge users of the system such reasonable rates as are sufficient to produce net revenues annually to pay 150% of the annual debt service requirements on all outstanding refuse system obligations. The unaudited net revenues of the City's solid waste and refuse disposal system for Fiscal Year 2009 were \$_____. See "ENTERPRISE OPERATIONS - Refuse Removal and Disposal System." The maximum calendar year combined debt service requirements for the outstanding refuse system revenue bonds of the City (as shown above) are \$4,973,025 (occurring in calendar year 2011). The coverage ratio of the 2009 refuse system net revenues (\$_____) to such maximum calendar year combined debt service requirements (\$4,973,025) is ____x. For Fiscal Year 2009, the ratio of net revenues (\$_____) to actual debt service (\$_____) was equal to ____.

Current Ratings of the Refuse System Revenue Bonds. A portion of the City's outstanding refuse system revenue bonds are credit enhanced. However, in certain circumstances the underlying ratings on the respective bonds are currently higher than the ratings on the bond insurer. In those instances, the underlying ratings are applicable. See "Credit Enhancement" under this caption. The City's outstanding refuse system revenue bonds have underlying ratings of "A1" by Moody's, "AA-" by S&P, and "AA" by Fitch.

Golf Course Obligations

Outstanding Golf Course Bonds. The City presently has outstanding one series of special limited obligations secured by net revenues of the City's golf courses as well as by a pledge of the state gross receipts tax. See "ENTERPRISE OPERATIONS - Golf Courses."

City of Albuquerque Outstanding Golf Course Bonds As of January 1, 2010

<u>Issue</u>	<u>Project Financed</u>	<u>Principal Amount Of Original Issue</u>	<u>Outstanding Principal Amount</u>	<u>Reserve Fund Balances</u>	<u>Optional Redemption Provisions</u>
Taxable Golf Course Net Revenue/Gross Receipts Tax Revenue Bonds, Series 2001 ⁽¹⁾⁽²⁾	Golf Course Facilities	\$2,420,000	\$625,000	N/A	Callable at any time at par

- (1) MBIA Insurance Corporation has provided its municipal bond insurance in connection with these bonds. See "Credit Enhancement" under this caption.
- (2) These bonds are also secured by a pledge of revenues received by the City as a distribution from the State of the City's share of the state gross receipts tax. State gross receipts tax revenues are used to pay debt service on these bonds only to the extent that net revenues from the City's golf courses are not sufficient to pay such debt service. The coverage ratio of the maximum annual debt service on the bonds (\$346,775 in 2011) compared to the City's state gross receipts tax revenues in Fiscal Year 2009 (\$176,702,867) was 509.56x.

Debt Service and Coverage Ratio. The following schedule shows, for each calendar year, the total debt service requirements payable for the City's outstanding golf course bonds through their final maturity date.

City of Albuquerque Total Debt Service Outstanding Golf Course Bonds As of January 1, 2010

<u>Calendar Year</u>	<u>Series 2001 Bonds</u>
2010	\$341,650
2011	<u>346,775</u>
Total	<u>\$688,425</u>

In the ordinance pursuant to which the City's golf course obligations have been issued, the City has agreed to charge users of the system reasonable rates sufficient to produce net revenues annually to pay (i) the annual operation and maintenance expenses of the City's golf courses, and (ii) 150% of the maximum calendar year principal and interest requirements for the Series 2001 Bonds and any additional golf course obligations (excluding the accumulation of any reserves therefore but including any amounts coming due under mandatory sinking fund redemption provisions). The amount available in Fiscal Year 2009 that constituted the net

revenues of the City's golf courses was \$_____ (unaudited). The coverage ratio of Fiscal Year 2009 net revenues (\$_____) to maximum annual debt service (\$346,775 in Fiscal Year 2011) is ____x. See "ENTERPRISE OPERATIONS - Golf Courses - Golf Course Financial Information." The coverage ratio of Fiscal Year 2009 state gross receipts tax, which is also pledged toward payment of the golf course bonds, (\$_____ to such maximum fiscal year debt service requirements of \$346,775) is ____x.

Current Ratings of the Golf Course Revenue Bonds. The City's outstanding golf course bonds are credit enhanced. However, the underlying rating on the golf course bonds is currently higher than the current rating for the bond insurer and, therefore, the underlying rating, and not the credit-enhanced rating, should be considered the ratings on the golf course bonds.

Special Assessment District Obligations

Special Assessment District ("SAD") Bonds are special and limited obligations of the City, payable from certain assessments levied against the property specially benefited by the improvements. The assessments constitute a lien on each parcel of land in the district as to the respective amounts relating to such parcel, which lien has a priority on the land equal to the lien thereon for general and ad valorem taxes and superior to all other liens, claims and taxes. The City currently has no special assessment district bonds outstanding but does have loans from the New Mexico Finance Authority ("NMFA") to which special assessments have been pledged.

Outstanding Special Assessment District Loans. The NMFA has loaned funds to the City to finance improvements to certain special assessment districts. Such NMFA loans ("SAD NMFA Loans") are special and limited obligations of the City payable solely from certain assessments levied against the property specially benefited by the improvements. There are currently four SAD NMFA Loans outstanding in an aggregate principal amount of \$2,239,093.

**City of Albuquerque
Outstanding Special Assessment District Obligations
As of January 1, 2010**

<u>SAD NMFA Loans</u>	<u>Principal Amt. Of Original Issue</u>	<u>Outstanding Principal Amt.</u>	<u>Redemption Provisions</u>
SAD 222 (October 2001): NMFA Tax-Exempt Loan	\$2,605,539	\$50,072	Optional and special redemption
SAD 216 (May 2002): NMFA Tax-Exempt Loan	1,314,322	253,256	Optional and special redemption
SAD 227 (February 2004): NMFA Tax-Exempt Loan	8,170,888	1,771,054	Optional and special redemption
Taxable Loan	404,255	<u>164,711</u>	
Total Special Assessment District Obligations		<u>\$2,239,093</u>	

Current Ratings of the Special Assessment District Loans. The City's outstanding SAD NMFA Loans are unrated.

Housing Obligations

Collateralized Mortgage Obligations

1988 CMO Bonds. On December 28, 1988, the City issued its Municipal Refunding Collateralized Mortgage Obligations, Series 1988A (the "1988 CMO Bonds") in the aggregate principal amount of \$43,650,000. The 1988 CMO Bonds were outstanding as of January 1, 2010 in the aggregate principal amount of \$5,000,000. The only 1988 CMO Bonds currently outstanding are the Class A-4 Bonds which are zero coupon or capital appreciation bonds. Interest on the 1988 CMO Bonds is subject to federal income taxation.

The 1988 CMO Bonds were issued to provide funds for the purpose of refunding and defeasing the City's Residential Mortgage Revenue Refunding Bonds, Series 1980. The 1988 CMO Bonds are secured by mortgage loans (the "Mortgage Loans") with liens on one-to-four family residences (including condominiums) in the City, originally owned by persons of low and moderate income, and by moneys and securities held under the indenture relating to those Bonds. The Mortgage Loans currently are being serviced for the City by mortgage servicing institutions pursuant to certain agreements (collectively, each an "Agreement" and, together, the "Agreements"). Each Mortgage Loan bears interest at a rate of not less than 8.25% per annum, with an initial term of not less than 25 years. Certain scheduled payments on the 1988 CMO Bonds are unconditionally and irrevocably guaranteed pursuant to a bond insurance policy from Financial Guaranty Insurance Corporation.

The bond insurance policy, the Mortgage Loans, the Agreements, and certain payments received by the Trustee, together with amounts available in the reserve account, and certain other amounts held under the 1988 Indenture, constitute the security for the 1988 CMO Bonds.

Multifamily Revenue Bonds

On December 16, 2008, the City issued its Gross Receipts Tax Revenue Refunding Bonds (Beach, Bluewater and Manzano Vista Projects) Series 2008B (the “Series 2008B Bonds”) in the original principal amount of \$11,275,000 for the purpose of refunding the City’s Affordable Housing Projects Refunding Revenue Bonds, Series 2000.

The Series 2008B Bonds are secured by a lien on, and payable from, State Gross Receipts Tax Revenues and the net revenues of the Beach Apartments Project, the Manzano Vista Apartments Project and the Bluewater Village Apartments Project and certain funds and accounts created under the ordinance authorizing issuance of the Series 2008B Bonds. See “OTHER PROJECTS OF THE CITY - Housing Projects.”

A Project Revenue Stabilization Fund was established which, as of January 1, 2010, had a balance of \$500,379.12. Also in connection with the refunding, a Repair and Replacement Fund was established for the benefit of the three projects which, as of January 1, 2010, had a balance of \$500,003.87.

Transit-Related Obligations

On July 25, 2006, the City entered into a Lease-Purchase Agreement with BOSC, Inc. for the purchase of buses for the City’s Transit Department. The City pledged grant revenues it is scheduled to receive from the United States Federal Transit Authority (“FTA”) pursuant to 49 U.S.C. Section 5307 and FTA Regulations for repayment of the Lease-Purchase Agreement. The City has not pledged any ad valorem or gross receipts tax revenues toward repayment of the Lease-Purchase Agreement.

The following schedule shows, for each calendar year, the total debt service requirements payable for the City’s outstanding Transit Department Lease-Purchase Agreement through the anticipated final maturity date.

**City of Albuquerque
Debt Service Schedule
Outstanding Transit Department Lease-Purchase Agreement
As of January 1, 2010**

<u>Date</u>	<u>Payment</u>	<u>Prepayment Option</u>
1/1/2010	\$1,348,748	\$15,180,746
7/1/2010	1,348,748	14,154,588
1/1/2011	1,348,748	13,106,625
7/1/2011	1,348,748	12,036,393
1/1/2012	1,348,748	10,943,418
7/1/2012	1,348,748	9,827,217
1/1/2013	1,348,748	8,687,297
7/1/2013	1,348,748	7,523,154
1/1/2014	1,348,748	6,334,272
7/1/2014	1,348,748	5,120,127
1/1/2015	1,348,748	3,880,182
7/1/2015	1,348,748	2,613,887
1/1/2016	1,348,748	1,320,684
7/1/2016	1,348,748	0

Credit Enhancement

The following table sets forth certain information concerning the providers of credit enhancement (including municipal bond insurance and letters of credit) supporting outstanding obligations of the City. Certain City bonds with municipal bond insurance have underlying ratings which are higher than the ratings of the respective municipal bond insurer. In those instances, the underlying rating on the bonds is applicable rather than the credit-enhanced ratings. **The City makes no representation as to the financial status of or otherwise about any of such credit providers; investors should contact the respective provider for any such information.**

City of Albuquerque **Credit Enhancement Supporting Outstanding Obligations of the City**

<u>Name of Credit Provider</u>	<u>Outstanding Aggregate Principal Amount of Obligations Supported</u>	<u>Present Ratings of Credit Provider</u> ⁽¹⁾	<u>Credit Enhanced Obligations</u>
Ambac Assurance Corporation	\$26,235,000	S&P: CC Moody's: Caa2	· Refuse Removal and Disposal Revenue Bonds, Series 1998 ⁽²⁾ · Airport Refunding Revenue Bonds, Series 2001 ⁽²⁾
Financial Guaranty Insurance Corporation	14,440,0000	S & P: rating withdrawn Moody's: rating withdrawn	· Municipal Refunding Collateralized Mortgage Obligations, Series 1988 · General Obligation Bonds, Series 2003C ⁽²⁾
Assured Guaranty Municipal Corp. (formerly Financial Security Assurance)	103,775,000	S & P: AAA Moody's: Aa3	· Gross Receipts/Lodgers' Tax Refunding and Improvement Revenue Bonds, Series 1991B · Refuse Removal and Disposal Refunding Revenue Bonds, Series 2001B · Tax-Exempt Gross Receipts Tax/Lodgers' Tax Refunding Revenue Bonds, Series 2004A · Taxable Gross Receipts Tax/Lodgers' Tax Refunding Revenue Bonds, Series 2004B · Airport Refunding Revenue Bonds, Series 2008A · Airport Refunding Revenue Bonds, Series 2008B-C
National Public Finance Guaranty Co. (formerly MBIA Insurance Corporation)	62,560,000	S & P: A Moody's: Baa1	· Gross Receipts Tax Refunding Revenue Bonds, Series 1996 ⁽²⁾ · Taxable Golf Course Net Revenue/ Gross Receipts Tax Revenue Bonds, Series 2001 ⁽²⁾ · General Obligation Bonds, Series 2003B ⁽²⁾ · Subordinate Lien Taxable Airport Refunding Revenue Bonds, Series 2004A ⁽³⁾ · Senior Lien Airport Improvement Revenue Bonds, Series 2004B ⁽³⁾

(1) To the City's knowledge as of December 4, 2009.

(2) Denotes bonds which have underlying ratings higher than the current ratings from both S & P and Moody's of the municipal bond insurer for that series of bonds.

(3) Denotes bonds which have underlying ratings higher than the current Moody's rating of the municipal bond insurer of that series of bonds.

ECONOMIC AND DEMOGRAPHIC INFORMATION

The statistics set forth below have been obtained from the referenced sources. The City has assumed that the information obtained from sources other than the City is accurate without independently verifying it. Historical figures provided under this caption have not been adjusted to reflect economic trends such as inflation. The following information, to the extent obtained from sources other than the City, is not to be relied upon as a representation or guarantee of the City.

The City and Metropolitan Area

Albuquerque is the largest city in the State, accounting for roughly one-quarter of the State's population. Located at the center of the State in Bernalillo County (the "County") at the intersection of two major interstate highways and served by both rail and air, Albuquerque is the major trade, commercial and financial center of the State.

City of Albuquerque Area in Square Miles

	<u>Square Miles</u>
December 31, 1885	0.36
December 31, 1940	11.15
December 31, 1950	48.81
December 31, 1960	61.94
December 31, 1970	82.72
December 31, 1980	100.31
December 31, 1990	137.46
June 30, 2000	181.70
June 30, 2001	184.80
June 30, 2002	187.00
June 30, 2003	187.50
June 30, 2004	188.50
June 30, 2005	188.70
June 30, 2006	188.80
June 30, 2007	188.80
June 30, 2008	188.80
June 30, 2009	188.80

Source: City of Albuquerque Planning Department

Population

The Albuquerque Metropolitan Statistical Area ("MSA") was re-defined on January 1, 1994 to include Bernalillo, Sandoval and Valencia Counties. The Census added Torrance County to the estimate of the MSA in the 2000 Census.

Population

<u>Year</u>	<u>City</u>	<u>Bernalillo County</u>	<u>Albuquerque MSA</u>	<u>State</u>
1960	201,189	262,199	292,500 ⁽¹⁾	951,023
1970	244,501	315,774	353,800 ⁽¹⁾	1,017,055
1980	332,920	420,262	485,500 ⁽¹⁾	1,303,303
1990	384,736	480,577	589,131	1,515,069
2000 April ⁽²⁾	448,607	556,678	729,649	1,819,046
2000 ⁽³⁾	450,372	557,133	731,674	1,820,704
2001 ⁽³⁾	455,848	562,388	739,327	1,828,330
2002 ⁽³⁾	466,419	573,387	753,210	1,848,986
2003 ⁽³⁾	475,447	582,378	765,381	1,867,909
2004 ⁽³⁾	486,676	593,734	779,751	1,889,266
2005 ⁽³⁾	498,716	606,502	797,146	1,912,884
2006 ⁽³⁾	509,621	618,048	815,979	1,937,916
2007 ⁽³⁾	518,271	627,785	833,044	1,964,402
2008 ⁽³⁾	521,999	635,139	845,913	1,984,356

- (1) Because Valencia County was split into two counties in 1981, official data is not available prior to that year for the Albuquerque MSA. Figures shown represent estimates by the University of New Mexico Bureau of Business and Economic Research.
- (2) April of 2000 is the month and year of the Census. It is reported as the benchmark; all other years are as of July of the year. The Census in 2000 expanded the Albuquerque MSA to include Tarrant County, population of 16,911.
- (3) 2000 through 2008 data: U.S. Dept. of Commerce, Bureau of the Census, Population Division.

Sources: U.S. Dept. of Commerce, Bureau of the Census, except as indicated in footnotes.

Population in the City grew at a compounded annual rate of 1.97% during the 1960s, 3.13% during the 1970s, 1.46% during the 1980s and 1.55% during the 1990s. The percentage of the State's population in the City was 21.2% in 1960, 24.0% in 1970, 25.5% in 1980, 25.4% in 1990 and 24.7% in 2000.

Age Distribution

The following table sets forth a comparative age distribution profile for the City, the State and the United States.

2009 Population by Age Group

<u>Age</u>	<u>% City</u>	<u>% State</u>	<u>% U.S.</u>
0-17	25.04	25.42	24.35
18-24	9.60	10.16	9.77
25-34	14.21	13.51	13.33
35-49	20.68	19.67	21.32
50 and Older	30.47	31.24	31.21
2009 Est.			
Median Age	35.85	35.72	36.83

Source: Claritas Inc., May 2009.

Employment

General

Employment in the Albuquerque area in the period from Fiscal Year 2000 to Fiscal Year 2009 grew at an average of 1.06% a year. This growth is limited due to declines in employment in calendar years 2002 and 2009. The economy posted strong growth in Fiscal Years 2006 and 2007 but growth slowed to 0.4% in Fiscal Year 2008 and declined by 2.2% in Fiscal Year 2009. The third quarter of calendar year 2009 shows further declines with employment down 4.8% compared to the same quarter of 2008. From Fiscal Year 2008 to 2009 the largest job losses occurred in construction, manufacturing, and trade transportation and utilities. Health services and government were the only sectors to have an increase in the number of jobs during that time period.

The information on non-agricultural employment for the State and the Albuquerque MSA reported in the following table represents estimates by the New Mexico Department of Labor. More detailed information on non-agricultural employment can be found in the table entitled "Estimated Non-Agricultural Wage and Salary Employment for the Albuquerque MSA Fiscal Years 2000-2009" under the heading "Major Industries" under this caption.

Non-Agricultural Employment (000s Omitted)

Calendar Year	<u>Albuquerque MSA</u>			<u>New Mexico</u>		<u>United States</u>	
	<u>Employment</u>	%		<u>Employment</u>	%	<u>Employment</u>	%
		<u>Chg.</u>			<u>Chg.</u>		<u>Chg.</u>
2000	352.0	2.1%		736.9	2.1%	130,597	2.1%
2001	361.8	2.8%		753.1	2.2%	132,252	1.3%
2002	361.2	-0.2%		760.7	1.0%	130,876	-1.0%
2003	362.4	0.4%		770.6	1.3%	130,116	-0.6%
2004	366.1	1.0%		782.5	1.5%	130,474	0.3%
2005	373.5	2.0%		798.8	2.1%	132,475	1.5%
2006	385.2	3.1%		821.3	2.8%	135,016	1.9%
2007	394.4	2.4%		838.5	2.1%	136,970	1.4%
2008	396.0	0.4%		847.2	1.0%	137,762	0.6%
2009	387.2	(2.2)%		831.8	(1.8)%	134,629	(2.3)%

Sources: Albuquerque MSA and New Mexico data based on figures from the New Mexico Department of Work Force Solutions; U.S. data from the U.S. Department of Labor.

Civilian Employment/Unemployment Rates

Calendar Year	Civilian Labor Force	<u>Albuquerque MSA</u>		<u>Unemployment Rates</u>		
		<u>Number Employed</u>	<u>Number Unemployed</u>	<u>Albuquerque MSA</u>	<u>New Mexico</u>	<u>United States</u>
2000	372,306	357,484	14,822	3.98%	5.20%	4.08%
2001	374,600	359,375	15,225	4.06%	4.88%	4.15%
2002	375,725	357,817	17,908	4.77%	5.23%	5.48%
2003	378,677	358,587	20,090	5.31%	5.75%	5.90%
2004	382,496	361,483	21,013	5.49%	5.93%	5.80%
2005	388,795	368,664	20,131	5.18%	5.50%	5.30%
2006	398,624	381,090	17,534	4.40%	4.66%	4.82%
2007	406,593	391,876	14,717	3.62%	3.74%	4.53%
2008	410,541	395,383	15,158	3.69%	3.67%	4.94%
2009	410,606	388,025	22,581	5.50%	5.26%	7.55%
Oct-2009	409,225	377,359	31,866	7.80%	7.50%	10.20%

The following table lists the major employers in the Albuquerque area and their estimated number of full-time and part-time employees for 2009. Albuquerque Public Schools, University of New Mexico, Kirtland Air Force Base, Sandia National Laboratories, the City and Presbyterian Healthcare Services were the largest employers in the Albuquerque area.

Major Employers in the Albuquerque Area⁽¹⁾ By Number of Employees – 2009

<u>Organization</u>	<u>Employees</u>	<u>Description</u>
Kirtland Air Force Base (Civilian) ⁽²⁾	16,533	Air Force Materiel Command
University of New Mexico	15,260	Educational Institution
Albuquerque Public Schools	14,000	Public School District
Sandia National Labs	8,400	Science-Based Technologies that Support National Security
Presbyterian Healthcare Services	7,425	Hospital/Medical Services
City of Albuquerque	6,072	Government
State of New Mexico	5,710	Government
UNM Hospital	5,455	Hospital/Medical Services
Lovelace	3,400	Hospital/Medical Services
Intel Corporation	3,300	Semiconductor Manufacturer
Bernalillo County	2,530	Government
Rio Rancho Public Schools	1,920	Public School District
Central New Mexico Community College	1,855	Educational Institution
New Mexico Veterans Affairs Healthcare Sys.	1,800	Hospital/Medical Services
Sandia Resort & Casino	1,800	Resort & Casino
T-Mobile	1,500	Customer Service Center
Verizon Wireless	1,500	Technical Data Services & Customer Service Center
Isleta Casino & Resort	1,200	Casino & Resort
Los Lunas Public Schools	1,200	Educational Institution

- (1) For a discussion regarding major employers and certain changes which may impact their number of employees, see "Major Industries" under this caption.
- (2) Kirtland's employment figures include civilian federal employees and contractors on and off base, including Sandia National Labs. However, Sandia National Labs is also shown separately since Sandia and Kirtland publish data in different cycles.

Source: Albuquerque Economic Development, Inc.

Major Industries

The following narrative discusses the trends in each major sector of the Albuquerque economy. The latest information available to the City in calendar year 2009 is provided unless otherwise noted. The City makes no projections or representations, nor shall the provision of such information create any implication that there has been no change in the described employment sectors of the City or that any historical trends set forth herein will continue. The table in this section entitled "Estimated Non-Agricultural Wage and Salary Employment for the Albuquerque MSA, Fiscal Years 2000-2009" provides detailed information regarding employment growth within key sectors of the economy for that period.

Trade, Transportation and Utilities. This sector is composed of retail trade, wholesale trade, transportation and utilities and constitutes approximately 17% of Albuquerque MSA employment. As a whole, employment in this sector increased by an annual average of 0.03% from Fiscal Year 2000 to 2009. Wholesale trade and utilities lost employment in this period and retail trade grew by approximately 0.57%. Retail is an important sector for the City, and retail trade makes up approximately 40% of gross receipts tax revenues. Despite the slow growth in employment in the Albuquerque MSA, gross receipts tax revenues for the retail trade sector grew strongly in the past several years but declined in Fiscal Year 2009. Given the current economic recession, there have been several recent layoffs in this sector with closures of several chain stores. Employment in the sector as a whole declined nearly 5% in Fiscal Year 2009 and has continued to decline in Fiscal Year 2010.

Educational and Health Services. Albuquerque is a major regional medical center. Presbyterian Healthcare Services is one of the largest employers in the area. This is one of the fastest growing categories in the Albuquerque MSA economy. From Fiscal Year 2000 to 2009 the average annual growth was 4.0%. The sector now makes up 13.6% of non-agricultural employment. Much of this growth is due to a change in Medicare policy that allows payment for home healthcare. The educational sector is small in comparison to health services. Exact numbers are not available, but the educational sector has also grown substantially in the past several years. In Fiscal Year 2009 the educational and health services sector was seemingly unaffected by the recession and employment increased over 5%.

Leisure and Hospitality. This category includes eating and drinking establishments as well as hotels and other tourist related facilities. Albuquerque has benefited from the interest in the Southwest and from efforts to promote the City and to attract major conventions to the City's convention center. The hotel stock in the City of Albuquerque has increased substantially in the past few years. Occupancy has averaged around 60% for the past five years. In Fiscal Year 2005 there was growth in lodgers' tax revenues of 3.3%, 10.7% in Fiscal Year 2006, 7.3% in Fiscal Year 2007 and 7.4% in Fiscal Year 2008. However, lodgers' tax revenues in Fiscal Year 2009 show a decline of 11.2% compared to Fiscal Year 2008. In the

first four months of Fiscal Year 2010 lodgers' tax revenue declined 7.9% from the same period in Fiscal Year 2009. This is noteworthy as the last quarter of Fiscal Year 2009 was down over 20% from the previous year.

Professional and Business Services. This category includes temporary employment agencies and some of Albuquerque's back-office operations, Sandia National Labs ("Sandia") and other scientific and research facilities. This sector had average annual growth of approximately 1% from Fiscal Year 2000 to Fiscal Year 2009. After several years of growth, growth in Fiscal Year 2008 was only 1.3% and declined 2.3% in Fiscal Year 2009. The size of the budget for Sandia has remained about \$2.2 billion for the past three fiscal years. According to the Albuquerque Journal, Sandia is expected to continue to operate at current levels for the next few years. While the primary mission of Sandia is to design and maintain nuclear weapons components, it has expanded its work for other federal agencies. The first phase of a \$450 million project called Microsystems and Engineering Sciences Applications facility ("MESA") started in the summer of 2003. This is the largest project ever at Sandia and met its goal to be fully functional in 2008. The project has the basic purpose of helping modernize safety, security, and reliability functions of the United States nuclear deterrent and contributes to other national security missions. The Center for Integrated Nanotechnologies ("CINT") officially opened its doors in August 2006 at Sandia. CINT is one of five new Nanoscale Science Research Centers being created by the Office of Science of the United States Department of Energy. The Sandia Science and Technology Park is an effort to house research facilities and/or manufacturing that benefit from the expertise available from Sandia. The park, as of March 29, 2009, had 29 tenants.

Manufacturing. This sector accounted for 8.6% of City employment in Fiscal Year 1996, declining to 5.2% in Fiscal Year 2009. Employment in this sector peaked in Fiscal Year 1998 at 28,342, declining to 20,248 in Fiscal Year 2009, a loss of 8,094 jobs. In Fiscal Year 2009 there was a loss of 1,158 jobs. These figures include the layoffs at Eclipse Aviation and Advent Solar. However, the manufacturing sector has held up better in Albuquerque than it has in the United States economy.

On November 16, 2008 Eclipse Aviation Corporation ("Eclipse") filed for federal bankruptcy protection under Chapter 11 as a reorganization. However, in March 2009, a federal bankruptcy judge converted Eclipse's Chapter 11 bankruptcy to a Chapter 7 bankruptcy to liquidate the company's assets. In September 2009, the assets of Eclipse Aviation Corporation were purchased by Eclipse Aerospace, Inc., which began operations at the Albuquerque Airport on September 1, 2009. The City is currently considering approval of revised leases with Eclipse Aerospace. Eclipse Aerospace currently has 55 employees in Albuquerque and 25 in Chicago. The company anticipates 150-200 employees in Albuquerque by the end of Calendar Year 2010.

The City has provided the basic infrastructure for an aerospace tech park of 300 acres near the City's Double Eagle II Airport. Eclipse historically controlled approximately 150 of the 300 available acres in the aerospace tech park. The bulk of the major infrastructure for the project has been completed.

Tempur-Pedic Inc., a mattress manufacturer, is estimated to employ approximately 300 workers. In 2009, General Mills, which has been in the City since 1991, announced a \$100 million dollar expansion project which will add 160,000 square feet to their facility and 60 additional jobs.

Schott Solar has built a manufacturing plant at Mesa Del Sol and is currently building its workforce for operations. They have long range plans to employ 1,500 workers.

General Electric has announced that it will close its Albuquerque jet engine plant in the third quarter of 2010, which will result in a loss of approximately 400 jobs.

Information. This sector includes businesses in publishing, broadcasting, telecommunications and internet service establishments. The sector had an average annual decline of 1.9% from Fiscal Year 2000 to Fiscal Year 2009. The slow down includes closures of MCI and QWEST call centers in 2004 and Comcast's closure of its call center, which resulted in the layoff of 160 people, in the fall of 2009. The film industry is also included in this sector and there has been significant activity in this sector in recent years. The City estimates the film industry generated \$83 million in Fiscal Year 2007, \$130 million in Fiscal Year 2008 and \$112 million in the first 6 months of Fiscal Year 2009 for the local economy. In addition to movies being filmed in Albuquerque, a large sound studio (Albuquerque Studios) has been built at Mesa del Sol. The studio that Sony Imageworks planned to build adjacent to Albuquerque Studios has been put on hold due to current economic conditions.

Government. Over the past ten years government employment (comprised of federal, state and local employees) has increased its share slightly from 19.5% to 21.2%. "Government" (as defined by the U.S. Department of Labor for purposes of reporting non-agricultural employment) does not include military employment; military employment in the Albuquerque MSA represents approximately 4,860 jobs. In addition, "government" does not include employment at Sandia. Sandia is operated by a private contractor, although funded by the federal government (primarily the Department of Energy) and its approximately 8,400 jobs are counted in the business services sector. Several of the largest employers in the Albuquerque area are in the government sector, including Albuquerque Public Schools, the University of New Mexico, Kirtland Air Force Base, and the City.

Kirtland AFB is a major military installation and home to over 150 different operations. The University of New Mexico's Bureau of Business and Economic Research has estimated that total military employment in the Albuquerque MSA has declined from 6,946 in 1998 to approximately 4,860 in 2008. The general downtrend of military jobs since 1998 reflects the decision of the military to replace military jobs with civilians where possible.

Federal government employment increased by approximately 800 jobs from Fiscal Year 2000 to Fiscal Year 2009. The census added temporary jobs and accounts for most of the 444 job increase in Fiscal Year 2009. Local government employment during this time period increased by 9,100 jobs, in large part because of the inclusion of Indian casinos in this sector. Since early 1995, when gaming compacts were signed with the State, Indian casinos have grown substantially and have undertaken significant capital improvements. This represents the efforts of certain Indian Pueblos to make their casinos into destination resorts.

Financial Activities. This sector includes finance, insurance, including credit intermediation, and real estate. Employment in the sector remained relatively flat with a slight average decline of 0.66% from Fiscal Year 2000 to Fiscal Year 2009. Since Fiscal Year 2006, the sector has lost approximately 1,000 jobs; 623 of those in 2009. The job losses result primarily from the slowdown in the real estate market and the problems of the financial sector in general.

Construction. Construction employment in the Albuquerque MSA is generally cyclical. There can be large increases in employment due to large road projects, commercial expansions, or strong residential construction and large decreases upon completion of such projects. Fiscal Year 2007 had employment of 31,150, a new maximum for this sector and an increase of 7,600 jobs from Fiscal Year 2003. The sector lost 1,533 jobs in Fiscal Year 2008 and 3,761 in Fiscal Year 2009 in large part due to the slowdown in single family and commercial construction.

In 2006 single family housing in the City declined by nearly 29%. The number of single family permits in 2007 was 36.7% below the same period in 2006 and this slowdown continued through 2009. Single family permits peaked in 2006 averaging approximately 400 permits per month. In the first six months of 2009 average single family permits were 38 permits per month. The second half of 2009 has showed a bit of recovery with an average of 68 permits per month, with the month of November 2009 reaching 87 permits. In 2008, there were 344 multifamily units permitted, 310 units below the 654 multifamily units permitted in 2007. This trend continues in the first eleven months of 2009 where 268 units have been permitted.

The value of new commercial permits increased by 24.6% in 2007 and 11.2% in 2008, but declined by 81% in the first eleven months of 2009. Public construction, while weak in 2007, increased nearly eight times in 2008 to a record level of construction. Much of this increase was due to construction of new school facilities by Albuquerque Public Schools. In the first eleven months of 2009 the value of permits issued for new public projects declined by 71%. Also the value of additions and alterations, which are predominately non-residential construction, increased by 6.8% in 2007 and 12.5% in 2008, but decreased by 21% in the first eleven months of 2009.

Construction Building Permits Issued in the City of Albuquerque

	<u>Single Residential⁽¹⁾</u>		<u>Multi-Residential</u>		<u>Commercial Buildings</u>		<u>Public Buildings</u>				
<u>Year</u>	<u># of Permits</u>	<u>\$ Value</u>	<u># of Units</u>	<u># of Permits</u>	<u>\$ Value</u>	<u># of Permits</u>	<u>\$ Value</u>	<u># of Permits</u>	<u>\$ Value</u>	<u>Additions & Alterations \$ Value</u>	<u>Total Permits \$ Value</u>
1998	3,449	316,741,579	367	13	12,984,822	129	113,526,149	5	4,150,517	141,112,977	588,516,044
1999	3,601	341,061,779	390	21	18,144,931	102	88,001,238	9	31,258,900	126,411,527	604,878,375
2000	3,367	318,777,857	210	14	10,513,303	123	133,839,520	10	45,144,700	176,202,823	684,812,517
2001	4,138	389,087,259	792	47	36,509,058	121	113,707,767	11	9,848,356	149,130,782	698,283,222
2002	4,434	451,295,687	1,212	24	50,570,538	102	91,737,800	2	2,900,000	206,841,623	803,345,648
2003	5,034	554,888,261	720	35	46,232,739	118	95,467,862	7	33,258,787	163,555,378	893,403,027
2004	4,975	629,042,637	462	15	24,637,800	117	117,591,103	12	21,439,556	137,816,901	930,527,997
2005	4,686	741,415,158	469	10	25,052,416	148	179,734,320	15	80,658,927	150,691,562	1,177,552,383
2006	3,347	584,012,539	884	20	77,119,478	124	157,948,170	6	63,901,069	195,999,123	1,078,980,379
2007	2,090	384,299,882	654	18	52,105,765	129	196,784,533	7	12,861,230	209,368,074	855,419,484
2008	658	120,946,205	344	10	25,859,413	115	218,765,317	13	103,970,153	240,718,542	710,334,526
Growth 07-08	(68.5)%	(68.5)%	(47.4)%	(44.4)%	(50.4)%	(10.9)%	11.2%	85.7%	708.4%	15.0%	(17.0)%
FY08 (9 months)	623	115,153,856	341	11	27521028	102	185,881,728	14	109,758,985	239,344,515	677,660,112
FY09 (9 months)	566	96,059,368	268	18	25121477	44	35,194,538	14	31,828,971	188,795,582	376,999,936
Growth FY09	(9.1)%	(6.6)%	(21.4)%	63.6%	(8.7)%	-56.9%	(81.1)%	0.0%	(71.0)%	(21.1)%	(44.4)%

(1) Figures do not include manufactured housing.

<u>Total Housing Units in the City of Albuquerque:</u>	<u>Total Units</u>	<u>Single Family</u>	<u>Multi Family</u>	<u>Mobile Homes & Other</u>
As of 1990 Census	166,870	101,780	55,931	9,159
As of 2000 Census	198,714	126,643	63,285	8,786
1990-2000 housing units added	31,844	24,863	7,354	(373)
Units Permitted (2001-2009)	35,733	29,928	5,805	NA
Estimated Units as of November 2008	234,447	156,571	69,090	8,786

Historical Employment by Sector

The following table describes by industry sector the estimated nonagricultural wage and salary employment for the Albuquerque MSA during the past ten years.

Estimated Nonagricultural Wage and Salary Employment for the Albuquerque MSA Fiscal Years 2000-2009
(\$000 omitted)

Category	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2008 to 2009	Annual Average Growth 2000 to 2009
Total Nonagricultural	352,008	361,783	361,150	362,417	366,058	373,467	385,200	394,367	396,042	387,188	(2.24)%	1.06%
Natural Resources and Mining and Construction	22,267	24,875	24,058	23,500	24,783	27,200	30,417	31,150	29,617	25,856	(12.70)%	1.67%
Manufacturing	26,892	28,058	25,567	24,133	22,783	22,742	23,433	24,133	22,883	20,248	(11.52)%	(3.10)%
Computer and Electronics Manufacturing	65,608	66,500	65,642	65,924	65,858	66,425	67,183	68,176	69,133	65,773	(4.86)%	0.03%
Trade Transportation and Utilities	14,133	14,075	13,592	13,233	12,908	12,808	13,083	13,292	13,367	12,506	(6.44)%	(1.35)%
Wholesale Trade	40,925	41,800	41,492	42,083	42,425	43,225	43,683	44,167	44,833	43,057	(3.96)%	0.57%
Retail Trade	10,550	10,625	10,558	10,608	10,525	10,392	10,417	10,717	10,933	10,210	(6.61)%	(0.36)%
Transportation, Warehousing and Utilities	10,875	11,233	11,400	10,542	9,900	8,992	9,008	9,375	9,200	9,136	(0.70)%	(1.92)%
Information	19,483	19,625	19,117	18,850	18,950	19,192	19,375	19,167	18,983	18,360	(3.28)%	(0.66)%
Financial Activities	57,733	59,083	57,958	57,658	58,067	59,992	61,992	63,492	64,342	62,867	(2.29)%	0.95%
Professional, Scientific and Technical Services ⁽¹⁾	36,983	38,025	40,392	42,042	43,758	45,708	47,108	48,542	49,850	52,606	5.53%	3.99%
Management/Administration/Support	32,900	34,025	34,392	35,308	36,200	36,017	37,408	39,158	39,392	37,882	(3.83)%	1.58%
Educational and Health Services	10,792	11,050	11,242	11,608	11,733	11,808	11,992	12,183	12,325	12,289	(0.29)%	1.45%
Leisure and Hospitality	68,475	69,308	71,383	72,850	74,025	75,392	77,283	78,992	80,317	82,171	2.31%	2.05%
Food Services and Drinking Places	32,433	33,175	34,792	35,567	36,133	37,067	38,075	39,067	40,208	41,589	3.43%	2.80%
Other Services	21,917	22,333	22,658	23,133	23,850	24,258	24,800	25,375	25,625	25,654	0.11%	1.76%
Government	14,125	13,800	13,933	14,150	14,042	14,067	14,408	14,550	14,483	14,927	3.07%	0.62%
Federal Government	352,008	361,783	361,150	362,417	366,058	373,467	385,200	394,367	396,042	387,188	(2.24)%	1.06%
State Government	22,267	24,875	24,058	23,500	24,783	27,200	30,417	31,150	29,617	25,856	(12.70)%	1.67%
Local Government	26,892	28,058	25,567	24,133	22,783	22,742	23,433	24,133	22,883	20,248	(11.52)%	(3.10)%

(1) Represents total from the Professional and Business Services category and is not broken down between Professional, Scientific and Technical Services and Management/Administration/Support as disclosed in Fiscal Years 1999-2006.

Source: Data provided by the New Mexico Department of Labor.

Income

The following table sets forth annual per capita personal income levels for the Albuquerque MSA, the State and the United States. The Bureau of Economic Analysis defines “earnings” as including wages and salaries, proprietor’s income and other labor income (such as bonuses).

Per Capita Personal Income

Calendar Year	Albuquerque MSA	New Mexico	United States
2000	\$25,845	\$22,752	\$30,318
2001	27,989	24,796	31,149
2002	27,859	25,063	31,470
2003	28,276	25,773	32,284
2004	29,488	27,300	33,899
2005	30,880	28,931	35,447
2006	32,364	30,587	37,728
2007	33,305	32,163	39,430
2008	NA	33,430	40,208

Sources: Bureau of Economic Analysis, U.S. Department of Commerce.

FINANCIAL INFORMATION

General

Taxes and Revenues

The City is a home rule charter municipality. No tax imposed by the governing body of a charter municipality, unless authorized by general law, becomes effective until approved at an election of its voters. Taxes authorized by general law that may be imposed without an election include a property tax for general purposes (up to a maximum of 7.65 mills), which is set by the State Department of Finance and Administration, and certain local-option gross receipts taxes, except that an election to impose certain local-option gross receipts taxes must be called if required by statute or if the governing body provides in the ordinance that the tax shall not be effective until approved at an election or upon the filing of a petition meeting certain requirements requesting that an election be held. The City does not have the power to impose a tax on income.

The general policy of the City is to charge for services where those who benefit from the services are easily identified and charged according to their use and benefit. Thus, refuse, golf and airport services are intended to be self-supporting. Permits and inspection fees are established in relation to the cost of providing control and inspection and as permitted by law. Other fees, including admission fees to the zoo, fees charged participants in adult sports programs, rider charges for transit services, charges for municipal parking facilities, and fees charged for filing of plats and subdivisions, help offset some of the costs of providing these services.

Budget Process - Operating Funds

The City operates on a Fiscal Year basis, from July 1 through June 30. Pursuant to the City Charter, the Mayor, in consultation with the Council, formulates the City's operating budget and submits it to the Council on or before April 1 of each year. Budget data is prepared on the modified accrual basis, consistent with the City's basis of accounting. Governmental funds, expendable trust funds, and agency funds use the modified accrual basis of accounting, while enterprise and nonexpendable trust funds are on an accrual basis. Transactions are recorded in individual funds and each is treated as a separate entity. The Council is required to hold at least three public hearings and must adopt an operating budget within sixty (60) days after it is proposed by the Mayor or the Mayor's proposed budget is deemed adopted. The annual City operating budget determines departmental appropriations by program. Expenditures may not legally exceed appropriations. The financial officers and staff of each department are responsible for monitoring and controlling the expenditures of their departments to ensure that budgeted appropriations for their departments are not exceeded. The City's Office of Management and Budget monitors expenditures and revenues quarterly. Budget amendments during or after the end of the Fiscal Year require approval of the Mayor and the Council, except that the Mayor has authority to adjust program budgets up to 5% or \$100,000, whichever is less, provided that no such adjustment shall result in a change in the total expenditures authorized in the budget for City government as a whole.

Budget Process - Estimates, Forecasting and Revision of Revenues

In May or June of each year the Council adopts a budget for the upcoming Fiscal Year (beginning July 1). The City prepares revenue forecasts for five-year periods (referred to as the "Five-Year Forecast") each December and updates the budget year forecast prior to introduction of the Mayor's proposed general fund budget. All revenue forecasts are prepared by the Office of Management and Budget. These forecasts make certain adjustments to revenue forecasts in the current budget based on events occurring since the preparation of the budget and provide a starting point for preparation of the next year's budget. The Forecast Advisory Committee, comprised of economists and others from City government, the University of New Mexico, State government and the private sector, reviews forecasts and makes recommendations. After incorporating any recommendations of the Advisory Committee, the Five-Year Forecast is presented to the Council. In response to changing conditions and revenue forecasts, the City may amend the budget at any time during the year.

The latest five-year forecast for Fiscal Years 2010-2014 was presented to the Council in January 2009. This forecast was used to help develop the Fiscal Year 2010 budget.

Budget Process - Capital Funds

The budget amounts of the capital project funds and certain of the special revenue funds are individual project budgets authorized by the Council for the entire length of the project which are not necessarily the same as the Fiscal Year of the City. Pursuant to City ordinance, the Mayor develops a capital implementation program ("CIP"), which consists of a ten-year plan of capital expenditures, including a more detailed two-year CIP budget, and submits it to the Council by January 23 of each odd-numbered year. See "Capital Implementation Program" below. The Council is required to hold at least one public hearing and must approve the budget as proposed or as the Council amends it within sixty (60) days after the submission date. The Mayor may change the amount designated for a specific capital

project in a CIP budget without Council approval, if the total change does not exceed 20% of the original amount designated for the project.

A City ordinance also sets forth requirements for Council review and approval of certain applications or proposals for federal grants. Once the Council has approved a federal grant application, the Mayor is authorized to expend any funds awarded as a result of the grant application if the grant does not require the City's commitment of funds or resources which were approved by the Council to be increased by more than 10% and if the goals, objectives and proposed programs included in the application approved by the Council have not changed.

The General Fund

General Fund Revenues

The General Fund is the City's primary operating fund and is used to account for the general operations of the City and for all financial resources, except those required to be accounted for in another fund. Set forth below are discussions of General Fund revenues in Fiscal Year 2009 and proposed budget for Fiscal Year 2010.

Fiscal Year 2009 Approved Budget

The Fiscal Year 2009 approved budget decreases total expenditures by \$16.1 million or 3% below the Fiscal Year 2008 estimated actual expenditure level. If compared to the Fiscal Year 2007 expenditure level, there is a decrease of \$1.9 million. The significant decreases from Fiscal Year 2008 are the reduction in basic services transfers of \$6.7 million, the reduction in the transfer to the Vehicle and Equipment Replacement Fund of \$3.8 million and the elimination of the one-time transfer of \$9.0 million to the County for jail operations. Even though there are significant wage increases for fire fighters and police, the increases were primarily absorbed by Public Safety Quarter Cent Tax revenues. The slowdown in Fiscal Year 2008 affects the balances moving forward and the economy is expected to show some continued weakness. There is also a reduction in gross receipts tax of 1/8th cent that took effect on July 1, 2008. Total General Fund revenues are 1.8% above the Fiscal Year 2008 revised budget.

Gross Receipts Taxes. Tax base growth is expected to be 2%; however, coupled with the 1/8th cent cut in the gross receipts tax rate, total gross receipts tax revenue, combined local option gross receipts tax revenues and state gross receipts tax revenues, is expected to decline by 3.2% in Fiscal Year 2009 compared to actual gross receipts tax revenues for Fiscal Year 2008. Gross receipts tax revenues are a significant source of the City's operating budget, i.e. 68% in Fiscal Year 2009, down from 72% between Fiscal Years 2005 through 2008.

Local Tax Revenues. To offset some of the decline in revenue in the proposed Fiscal Year 2009 Budget, one mill, or approximately \$11 million, of property tax revenue was shifted from the Debt Program to Operations.

Licenses and Permits. Building permits are expected to remain at the level of Fiscal Year 2008.

Charges for Services. These revenues are expected to remain near Fiscal Year 2008 levels.

Other Transfers. Transfers from other funds are expected to increase by \$7.3 million. These one-time transfers include a \$3.5 million transfer from the Vehicle/Computer Project Fund, \$1.3 million transfer of evidence money, \$1.6 million transfer from the Capital Acquisition Fund, and \$750,000 transfer from the Gas Tax Road Fund.

Update to Fiscal Year 2009 Approved Budget. During the Five-Year Forecast and the Fiscal Year 2010 budget process the City revised the Fiscal Year 2009 budget. Estimated expenditures were reduced by \$13.4 million with a reduction of \$18.5 million in recurring revenues. The reduction was needed to offset the projected decline in revenues of \$19.3 million. The primary source of revenue decline is gross receipts tax revenues. The expected growth in the gross receipts tax base fell from 2% in the Fiscal Year 2009 budget to a projected decline of 4.5%. Total revenues are expected to decline somewhat less due to a continuation of food and medical hold harmless distributions from the State related to certain gross receipt tax deductions, and distributions for the municipal share of the state compensating tax. Other declines from the 2009 budget occur in building permit revenues, which continue to slow, and in interest earnings as interest rates have fallen.

Fiscal Year 2010 Approved Budget

The approved Fiscal Year 2010 budget increases total expenditures by \$13.7 million or 2.97% above the current Fiscal Year 2009 estimated actual expenditure level. If compared to the Fiscal Year 2009 original budget, the Fiscal Year 2010 budget level is relatively flat at \$474.9 million. This still remains below the FY 2007 actual expenditure level of \$475.7 million. The significant decrease from Fiscal Year 2009 is the elimination of 180 permanent full and part-time vacant positions equaling \$10 million. This decrease is mostly offset by the increase in wages for City employees. Sworn Police and Fire personnel are budgeted at the negotiated increase for Fiscal Year 2010 of \$6.1 million. All other employees are budgeted for a pay increase with a six month delay effective January 2010. Even though there are significant wage increases for Fire and Police, part of the increases were already built into the Five-Year Forecast and the additional increases were primarily absorbed by Public Safety Quarter Cent Tax revenues.

The approved Fiscal Year 2010 budget was built on the assumption that total revenue would decrease slightly assuming the City did not shift two mills in property tax and enjoy the one time revenue transfer from the special assessment district program. However, with the shift in property tax of \$23.6 million and the one time transfer of special assessment district revenue of \$4.4 million there is an overall increase in revenue of \$25.6 million or a growth of 5.74% from the estimated actual Fiscal Year 2009 level. Total recurring revenue exceeds recurring appropriations by \$26 thousand in Fiscal Year 2010 with recurring revenue growing at 6.9% and recurring expenditures increasing at 6.3%.

Gross Receipts Taxes. Gross receipts tax revenues are expected to remain weak, with base growth of 0%. In total there is a small increase of 0.4% due to an increase in the municipal compensating tax, and a shift of food and medical hold harmless distributions from the State to the City's General Fund. Gross receipts taxes will decline as a percentage of the City's operating budget, down from 68% in Fiscal Year 2009 to 64% in Fiscal Year 2010.

Local Tax Revenues. To offset some of the decline in revenue, two mills of property tax revenue was shifted from the Debt Program to General Fund Operations.

Licenses and Permits. Building permits are expected to increase 18%, following declines since Fiscal Year 2006.

Charges for Services. These revenues are expected to increase about 5% from Fiscal Year 2009 levels. The increase due to gains in construction related charges and increases in indirect overhead.

Other Transfers. These transfers from other funds are expected to decrease by \$3 million. This is down due to the large one-time revenues transferred in Fiscal Year 2009. The declines were somewhat offset by the one-time transfer of \$4.4 million from the special assessment district fund as several projects were closed.

Update to Fiscal Year 2010 Budget. Revenues continue to decline more than was anticipated when the Fiscal Year 2010 Budget was prepared. In the first 5 months of Fiscal Year 2010 gross receipts tax revenue, as measured by the tax base, is down 9% compared to the same 5 months of Fiscal Year 2009. The Fiscal Year 2010 Budget expected revenues to remain at Fiscal Year 2009 levels, however that has not occurred. While it is expected that the economy will recover and revenues will be down less than 9%, the City's Administration has sent legislation to the City Council that includes a target reduction of \$19 million below the Fiscal Year 2010 Budget.

General Fund

(\$000's)	Original Budget FY/09	Estimated Actual FY/09 ⁽¹⁾	Change Original FY/09 & Est. FY/09	% Change	Proposed Budget FY/10	Change Estimated FY/09 & FY/10	% Change Est. FY/09 and FY/10
Revenue:							
Recurring	\$455,827	\$435,958	(\$19,869)	-4.36%	\$466,040	\$30,082	6.90%
Nonrecurring	\$10,150	\$10,679	\$529	5.21%	\$6,232	(\$4,447)	-41.64%
TOTAL	\$465,977	\$446,637	(\$19,340)	-4.15%	\$472,272	\$25,635	5.74%
Appropriations:							
Recurring	\$456,870	\$438,376	(\$18,494)	-4.05%	\$466,014	\$27,638	6.30%
Nonrecurring	\$17,813	\$22,860	\$5,047	28.33%	\$8,910	(\$13,950)	-61.02%
TOTAL	\$474,683	\$461,236	(\$13,447)	-2.83%	\$474,924	\$13,688	2.97%

(1) City compiled the Estimated Actual figures for Fiscal Year 2009 in relation to the preparation of the Fiscal Year 2010 Budget.

Details on the City's budgets through the Fiscal Year 2010 proposed budget are available on the City website at <http://www.cabq.gov/budget/>.

General Fund Balances

The following table shows actual revenues, expenditures and fund balances for the General Fund in Fiscal Years 2004-2008, and approved budgets for Fiscal Years 2009 and 2010.

General Fund Revenues, Expenditures and Fund Balances Fiscal Years 2004-2009 (\$000)

	Actual	Actual	Actual	Actual	Approved Budget	Estimated Actual ⁽¹⁾	Approved Budget	Annual Chg 09 Unaudited Approved 10	Average Annual Chg 05-10
REVENUES	2005	2006	2007	2008	2009	2009	2010		
Taxes:									
Property Tax	\$26,153	\$28,605	\$30,883	\$34,232	\$46,109	\$ 47,884	\$72,717	57.7%	22.7%
Gross Receipts Tax	134,936	147,742	152,823	143,202	127,446	121,919	123,232	-3.3%	-1.8%
Other Taxes	17,953	18,752	18,909	19,508	20,133	20,399	20,079	-0.3%	2.3%
Water Authority PILOT/Franchise	4,770	5,203	5,112	4,999	5,195	4,999	5,064	-2.5%	1.2%
Payment in lieu of taxes	1,122	1,465	1,609	1,679	1,533	1,543	1,526	-0.5%	6.3%
Total Taxes	184,934	201,766	209,337	203,620	200,416	196,744	222,618	11.1%	3.8%
Licenses & Permits	15,026	15,203	13,253	10,769	10,424	8,356	9,357	-10.2%	-9.0%
Intergovernmental Revenue:									
State and Federal Grants	145	1,060	216	583	25	240	194	676.0%	6.0%
State Shared Revenue:									
Gross Receipts Tax	162,583	173,955	188,323	187,007	192,089	179,738	179,738	-6.4%	2.0%
Other State Shared	4,791	4,868	4,747	5,043	4,828	5,133	5,153	6.7%	1.5%
County	332	562	385	314	258	243	283	9.7%	-3.1%
Total Intergovernmental Revenue	167,851	180,444	193,671	192,946	197,200	185,354	185,368	-6.0%	2.0%
Charges for Services	41,287	41,680	39,591	40,319	42,613	42,501	44,657	4.8%	1.6%
Miscellaneous	2,598	6,059	14,118	4,556	4,266	2,785	2,450	-42.6%	-1.2%
Other Transfers	2,112	2,140	3,024	3,615	11,058	10,897	7,822	-29.3%	29.9%
TOTAL REVENUES	413,807	447,293	472,993	455,824	465,977	446,637	472,272	1.4%	2.7%
Beginning Fund Balance	64,786	85,424	87,350	84,646	51,459	58,686	46,502		
TOTAL RESOURCES	478,593	532,718	560,343	540,470	517,436	505,323	518,774	0.3%	1.6%
EXPENDITURES									
General government	58,613	62,600	70,772	70,126	69,600	-	61,681		
Public safety	163,130	203,897	207,679	210,509	213,187	-	218,226		
Cultural and recreation	57,242	65,591	67,767	59,788	71,196	-	68,783		
Public works	8,444	-	-	-	-	-	-		
Municipal Development ⁽²⁾	-	24,800	27,314	26,788	29,662	-	30,462		
Highways and Streets	9,817	-	-	NA	NA	-	-		
Health	8,699	9,951	12,751	14,032	13,762	-	14,057		
Human services	31,903	28,409	31,047	40,426	34,583	-	34,602		
Other transfers out	55,320	50,118	58,367	60,116	42,693	-	47,062		
TOTAL EXPENDITURES	393,168	445,367	475,697	481,785	474,683	461,236	474,873	0.0%	3.8%
ENDING FUND BALANCE	85,424	87,350	84,646	58,685	42,753	44,087	43,901		
TOTAL ADJUSTMENTS⁽³⁾	(3,935)	(5,645)	(8,368)	(4,797)	(9)	(119)	(1,174)		
Reserves	38,239	47,411	49,084	46,668	41,883	38,436	41,310		
AVAILABLE FUND BALANCE	43,250	34,294	27,194	7,220	861	5,532	1,417		
Ending fund balance as percent of total expenditure ⁽⁴⁾	21.7%	19.6%	17.79%	12.2%	9.0%	9.6%	9.2%		
Recurring revenues	400,827	438,531	454,756	435,917	455,827	435,958	466,040	6.9%	3.1%
Recurring expenditures	372,032	413,212	414,704	426,297	456,870	435,376	466,014	7.0%	4.6%

(1) The City compiled the Estimated Actual figures for Fiscal Year 2009 in relation to the preparation of the Fiscal Year 2010 Budget.

(2) Beginning in Fiscal Year 2006, the categories Public Works and Highways and Streets were included in Municipal Development.

(3) Adjustments reflect changes in reserves for encumbrances and other accounting adjustments. The adjustments for the designation for future appropriations are not made following the change in reserve policy in Fiscal Year 2003.

(4) The reserve policy change is, as of Fiscal Year 2003, 8.33% of total expenditures. In prior years the reserve policy was 5% of recurring revenues.

Revenues

Intergovernmental Revenues

The principal source of intergovernmental revenues to the City's General Fund is the distribution made by the State to the City from the state gross receipts tax. The state gross receipts tax distribution to a municipality equals 1.225% of the gross receipts collected in that municipality. In addition to the 1.225% gross receipts tax distribution, intergovernmental revenues include distributions of gasoline and cigarette taxes and of motor vehicle fees.

Municipally Determined Revenues

The City's primary revenue sources, other than intergovernmental revenues, include, in order of magnitude, the municipal (local option) gross receipts tax, the real property tax and charges for services.

Local Option Gross Receipts Taxes. The City has authority under the Municipal Local Option Gross Receipts Taxes Act (Sections 7-19D-1, *et seq.* NMSA 1978 as amended) to impose up to 1.50% municipal gross receipts tax on the gross receipts of any person engaging in business in the City. The municipal gross receipts tax imposed by the City on January 1, 2010 is 1.00%. The City is statutorily authorized to impose a municipal infrastructure gross receipts tax in the maximum amount of 0.25%. Currently, the City imposes a 0.0625% municipal infrastructure gross receipts tax for general purposes. The City has authority to impose an additional 0.0625% municipal infrastructure gross receipts tax for general purposes without a referendum and may impose, with voter approval, an additional 0.125% municipal infrastructure gross receipts tax for general municipal purposes, infrastructure, regional transit and/or economic development. The City has authority to impose a 0.0625% municipal environmental services gross receipts tax and a 0.25% municipal capital outlay gross receipts tax for municipal infrastructure and other purposes, but has declined to impose these taxes. If the City becomes a member of a regional transit district, upon request from the district, the City, after an election approving the tax, shall impose a municipal regional transit gross receipts tax of up to 0.50% for a public transit system, public transit projects or services for the district.

Real Property Tax. The City is authorized to impose a maximum levy of 7.650 mills for City operations. In Fiscal Year 2009, 3.971 mills were imposed on residential property and 4.544 mills were imposed on commercial property. These revenues are subject to yield control. See "Property Taxes" below.

Charges for Services. Many services provided by the City's General Fund agencies are provided to the public or other governmental entities on a fee basis. Services for which fees are charged include the following: engineering services, patching and paving, filings of plats and subdivisions, photocopying, sales of maps and publications, swimming pools, meals and other activities at senior centers, animal control and zoo admissions. The City also has a cost allocation plan which is used as a basis for assessing indirect overhead charges on non-General Fund agencies and on capital expenditures.

Property Taxes

Generally

The State Constitution limits the rate of real property taxes which all taxing jurisdictions can levy for operations to a maximum of 20 mills (\$20.00 per \$1,000 of assessed valuation). Beginning in Fiscal Year 1987, the maximum levy for City operations (the "operational levy") has been 7.650 mills. The operational levy is subject to yield control. The yield control provisions of Section 7-37-7.1 NMSA 1978, as amended, require that the Local Government Division of the New Mexico Department of Finance and Administration annually adjust operational mill levies subject to yield control after the reassessment of property to prevent revenues on locally assessed residential and non-residential properties from increasing by more than the sum of 5% for inflation plus the growth in the tax base due to new value. In cases in which a rate is set for a governmental unit that is imposing a newly authorized rate pursuant to Section 7-37-7 NMSA 1978, the rate must be at a level that will produce in the first year of imposition revenues no greater than that which would have been produced if the valuation of property subject to the imposition had been the valuation in the Tax Year in which the increased rate was authorized by the taxing district. The yield control provisions do not apply to the general obligation debt service levy.

A 1998 amendment to the State Constitution allows the State Legislature to enact legislation providing for the assessment of residential properties at levels different than the current estimated market value of a home on the basis of age, income, or home ownership. Section 7-36-21.2 NMSA 1978, as amended, limits increases in the value of residential property for taxation purposes beginning with the Tax Year 2001. The section provides that, with respect to properties within a county assessing properties in the aggregate at or greater than 85% of their market value, a property's new valuation shall not exceed 103% of the previous year's valuation or 106.1% of the valuation two years prior to the Tax Year in which the property is being valued. This does not apply to residential properties in their first year of valuation, physical improvements made to the property or instances where the owner or the zoning of the property has changed in the year prior to the Tax Year for which the value of the property is being determined. After reassessment for Tax Year 2002, the City exceeded the 85% ratio of assessment to market value and the limitation on new valuation increases was applied for Tax Year 2003. Re-assessing residential property to current market value after change in ownership was declared unconstitutional under the New Mexico Constitution in the case of Dzur v. Bernalillo County Protests Board, No. CV-2008-12410, filed in Second Judicial District Court on August 12, 2009. The Court decision held that the substantially higher increase allowed upon sale of a residential property over similar residential properties protected by the 3% annual valuation increase violated the uniformity clause. The Bernalillo County Assessor did not appeal the District Court decision to the New Mexico Court of Appeals and has stated an intention to roll back assessed valuations. A similar case has been certified to the New Mexico Court of Appeals by another judge in the Second Judicial District and the New Mexico Legislature may consider revising the statutes or proposing further Constitutional amendments to the voters of the State to comply with the Court decision. Section 7-36-21.3 NMSA 1978, as amended, freezes the property tax valuation for single family dwellings owned and occupied by persons 65 or older and whose taxable gross income does not exceed \$18,000. The valuation is frozen at the level of the 2001 Tax Year, if the

person was then 65, or frozen in the subsequent year in which the person has his or her 65th birthday. Section 7-36-21.3 NMSA 1978, freezes the property tax valuation for single family dwellings owned and occupied by persons who are disabled and whose taxable gross income does not exceed \$18,000. The valuation is frozen at the level of the 2003 Tax Year, if the person was then determined to be disabled, or in the subsequent year in which the person is determined to be disabled.

Rates

The total rates for City property taxes in effect for Tax Year 2009 (Fiscal Year 2010) are 11.048 mills for residential and 11.520 mills for commercial property. As set by the State Department of Finance and Administration, the general obligation bond debt service levy for Tax Year 2009 (Fiscal Year 2010) is 4.976 mills and the operational levy is 6.072 mills residential and 6.544 mills non-residential.

<u>Purpose of Property Tax</u>	<u>Total Taxing Authority</u>	<u>Levy Imposed</u>	<u>Unused Authority</u>
Operations:	7.650 mills		
Residential		6.072 mills	1.578 mills
Commercial		6.544 mills	1.106 mills
Debt Service: ⁽¹⁾	12.000 mills ⁽²⁾		
Residential		4.976 mills	7.024 mills
Commercial		4.976 mills	7.024 mills

- (1) Debt service levy is a function of assessed value and bonds outstanding authorized in City general elections every two years.
- (2) The City is authorized to contract debt, after an election, and is required to levy a tax, not exceeding 12 mills on the dollar, for payment of the debt from such election. The 12 mill limitation is applicable at the time of bond issuance and prohibits issuance of a general obligation bond if the anticipated mill levy necessary to satisfy debt service is greater than 12 mills. An existing general obligation can require imposition of the mill levy in excess of 12 mills if so required to meet debt service obligations.

Source: City of Albuquerque, Office of City Treasurer.

State law mandated a statewide reassessment of properties in 1986 (Fiscal Year 1987), when 1980 market values became the basis for determining assessed valuation. Subsequent statewide reassessments were conducted in 1990 and odd numbered years thereafter each of which brought valuations in line with the market value of two years prior to such reassessment. It is anticipated that the State, through County Assessor offices, will continue the policy of biennial reassessments to maintain valuation at current and correct value, as required by statute.

Limits Regarding General Obligation Indebtedness

The aggregate amount of general obligation indebtedness of the City for general purposes under the State Constitution is limited to 4% of, and the single debt limitation to 12 mills on, the assessed value of taxable property within the City (excepting the construction or purchase of a water or sewer system with general obligation indebtedness, which has no limit). Schools are limited to 6% of the assessed valuation and counties are limited to 4% of the

assessed valuation. The only special purpose district overlapping the City is the Albuquerque Metropolitan Arroyo Flood Control Authority, which is limited by State statute as to the amount of bonded debt which can be issued, which is currently \$80,000,000.

**City of Albuquerque
Summary of Outstanding Obligations
as of January 1, 2010**

	Currently Outstanding
<u>General Obligation Bonds:</u>	
General Purpose G. O. Bonds (Subject to 4% debt limitation)	\$191,735,000
Storm Sewer G.O. Bonds (Secured by Ad Valorem taxes)	<u>41,205,000</u>
TOTAL GENERAL OBLIGATION BONDS	<u>\$232,940,000</u>
<u>Revenue Bonds:</u>	
State Shared GRT	\$68,206,898
State Shared GRT/Lodgers	74,430,000
State Shared GRT/Golf	625,000
Airport Revenue	165,783,000
Transit Bus Lease	16,185,551
Refuse Removal and Disposal	16,695,806
Special Assessment Districts	2,239,093
Hospitality Fee	<u>3,245,000</u>
TOTAL REVENUE BONDS	<u>\$347,410,348</u>
TOTAL G.O. AND REVENUE BONDS	<u>\$580,350,348</u>

Tax Administration

The County is charged with the responsibility of administering the assessment and collection of property taxes for the City. The State assesses corporate property such as utilities, pipelines and railroads which cross county lines. Assessments are made as of January 1 of each year, with one-half of the taxes on that assessment due the following November 10 and one-half due April 10 of the next calendar year. The taxes due November 10 become delinquent December 11, while the April 10 payment becomes delinquent May 11. Properties on which taxes are delinquent are transferred to the State, which conducts a tax sale if taxes remain unpaid. The proceeds of the tax sale are remitted to the political subdivisions at the rates of the then current tax levy.

City of Albuquerque Net Taxable Property Values

<u>Tax Year</u> ⁽¹⁾	<u>Real Property</u>	<u>Corporate Property</u>	<u>Personal Property</u>	<u>Net Taxable Valuation</u>	<u>Percent (%) Growth Per Year</u>
2000 ⁽²⁾	\$6,185,937,198	\$403,859,568	\$310,904,220	\$6,900,700,986	0.65%
2001	6,657,461,354	347,858,674	413,809,882	7,419,129,910	7.51%
2002	6,880,088,229	361,189,032	378,149,519	7,619,420,780	2.70%
2003	7,132,035,544	332,740,564	419,057,494	7,883,833,602	3.47%
2004	7,582,619,605	314,998,373	387,875,178	8,285,493,156	5.09%
2005	8,602,349,098	324,655,661	380,575,833	9,307,580,592	12.34%
2006	9,133,223,501	342,401,308	382,543,969	9,858,168,778	5.92%
2007	10,175,391,552	367,219,331	407,155,155	10,949,766,038	11.07%
2008	10,767,888,832	374,068,647	439,054,344	11,581,011,823	5.76%
2009	11,535,490,917	325,907,636	437,678,107	12,299,076,660	6.20%

(1) Tax Year begins November 1 and ends October 31.

(2) As of October in each year.

Source: Bernalillo County Treasurer's Office.

Top 15 Ad Valorem Taxpayers for Tax Year 2008 (Fiscal Year 2009)⁽¹⁾

<u>Name of Taxpayer</u>	<u>Taxable Value</u> ⁽²⁾ <u>2009 Assessed</u>	<u>Tax Amount</u> ⁽³⁾	<u>Percentage of</u> <u>Total City</u> <u>Assessed</u> <u>Valuation</u>
Qwest Corp.	\$83,386,020	\$4,312,058	0.720%
PNM Electric	83,585,450	4,037,081	0.722%
New Mexico Gas Co.	26,148,288	1,257,613	0.226%
Southwest Airlines	23,890,766	1,116,941	0.206%
Mesa Del Sol LLC	23,040,098	1,077,171	0.199%
Comcast Cablevision of New Mexico	17,498,511	818,090	0.151%
Simon Property Group Ltd (Cottonwood Mall)	15,960,737	746,196	0.138%
HUB Albuquerque LLC/HRPT Properties	14,261,573	701,639	0.123%
Verizon Wireless (VAW) LLC	14,771,926	690,028	0.128%
Coronado Center LLC	13,946,530	652,028	0.120%
Ardent Health Service Inc.	13,823,319	646,268	0.119%
T-Mobile Texas LP	13,622,457	645,098	0.118%
Pacifica Mesa Studios LLC	12,147,972	567,942	0.105%
AHS Albuquerque Regional Medical Center	12,049,803	563,352	0.104%
GEM Lobos LLC	<u>10,932,490</u>	<u>555,591</u>	<u>0.094%</u>
	<u>\$379,065,940</u>	<u>\$18,387,096</u>	<u>3.273%</u>

- (1) Major taxpayers are those taxpayers that have a tax bill on a single piece of property of at least \$50,000. In figuring the total tax bills for these taxpayers, only their properties with tax bills of \$50,000 or more are included except Public Service Company (PNM), which has multiple tax bills. The list is compiled once a year, usually in November, and does not reflect final net taxable values. As a result of methodology, year to year comparisons may not be meaningful.
- (2) The aggregate net taxable value of the top 15 taxpayers for Tax Year 2008 represents only 3.3% of the total net taxable value of the City for 2009. See the following table entitled "City of Albuquerque History of Property (Ad Valorem) Tax Levy and Collection."
- (3) The tax amounts shown include assessments by jurisdictions other than the City.

Source: Bernalillo County Treasurer's Office.

City of Albuquerque
History of Property (Ad Valorem) Tax Levy and Collection

Fiscal Year	Total Current Tax Levy⁽¹⁾	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Total Collections as Percent of Current Levy	City Debt Service Collections	Percent of Total City Levy
2000	\$73,887,459	\$68,707,603	92.99%	\$1,164,751	\$69,872,383	94.57%	\$58,518,340	79.2%
2001	76,929,102	72,563,755	94.33%	4,365,348	76,929,102	100.00%	63,496,146	82.5%
2002	82,074,357	78,096,507	95.15%	800,726	78,897,233	96.13%	62,709,843	76.4%
2003	85,014,269	81,327,454	95.66%	4,084,547	85,412,001	100.46%	67,971,422	79.9%
2004	87,976,148	84,534,873	96.09%	3,674,088	88,208,961	100.26%	63,153,644 ⁽²⁾	71.8%
2005	92,559,948	88,965,021	96.12%	3,234,797	92,199,818	99.61%	66,046,681	71.4%
2006	102,290,447	99,100,903	96.88%	3,189,545	102,290,447	100.00%	75,054,147	73.4%
2007	109,792,820	106,845,546	97.32%	2,374,766	109,220,312	99.48%	77,749,060	70.8%
2008	121,288,852	117,075,560	96.53%	4,107,018	121,182,578	99.91%	86,949,406	71.7%
2009	128,353,335	123,524,371	96.24%	4,828,964	128,353,335	100.00%	89,078,618	69.4%

(1) Includes both operating and debt service levies. Reported each January by the County Treasurer based on tax bills, including those under protest.

(2) Since debt service mill levy decreased from 8.976 mills in Fiscal Year 2003 to 7.976 mills in Fiscal Year 2004, City debt service collections decreased slightly.

City of Albuquerque
Property Tax Rates
Weighted Average Residential and Non-Residential
Per \$1,000 Assessed Valuation
All Overlapping Governmental

Fiscal Year	Total Tax Levy	City	Bernalillo County	State of New Mexico	Schools	Central NM Community College	Flood Control Authority	Hospital	Conservancy District
2000	42.499	11.080	8.270	1.482	8.505	2.578	0.939	4.016	5.629
2001	43.701	11.166	8.558	1.529	8.527	3.179	0.962	4.184	5.596
2002	45.571	11.161	8.635	1.765	8.503	2.628	0.943	6.500	5.436
2003	44.701	11.153	8.532	1.123	7.883	3.174	0.937	6.500	5.399
2004	46.668	11.154	9.549	1.520	8.497	3.175	0.936	6.500	5.337
2005	46.160	11.149	9.536	1.028	8.493	3.174	0.934	6.500	5.346
2006	44.367	11.080	8.369	1.234	8.415	3.069	0.920	6.317	4.963
2007	44.766	11.148	8.575	1.291	8.489	3.489	0.936	6.487	4.655
2008	46.169	11.112	8.464	1.250	10.582	3.151	0.926	6.429	4.255
2009	46.535	11.180	8.697	1.150	10.637	3.187	0.937	6.500	4.247

Source: Bernalillo County Treasurer's Office.

Gross Receipts Taxes

State Gross Receipts Taxes

Imposition of Tax. The Gross Receipts and Compensating Tax Act (Sections 7-9-1 through 7-9-91, NMSA 1978, as amended), authorizes the State to impose the state gross receipts tax which is levied by the State for the privilege of doing business in the State and is collected by the Department of Taxation and Revenue (the “Department”). The state gross receipts tax is levied at 5.00% of taxable gross receipts. Of the 5.00 cents collected per dollar of taxable gross receipts reported for a particular municipality, 1.225% is remitted monthly to each municipality based on the prior month’s filings. The total gross receipts tax rate imposed in the City effective on January 1, 2010 is 6.75%.

Taxed Activities. For the privilege of engaging in business in the State, the state gross receipts tax is imposed upon any person engaging in business in the State. “Gross Receipts” is defined in the Gross Receipts and Compensating Tax Act as the total amount of money or value of other consideration received from selling property in the State (including tangible personal property handled on consignment in the State), from leasing property employed in the State, from selling certain research and development services performed outside the State the product of which is initially used in the State and from performing services in the State. The definition excludes cash discounts allowed and taken, the state gross receipts tax payable on transactions for the reporting period and any county gross receipts tax, county fire protection excise tax, county and municipal gross receipts tax, any type of time-price differential and certain gross receipts or gross receipts taxes imposed by an Indian tribe or pueblo. Unlike most other states, the State taxes sales and services, including legal services and certain medical services. For a description of the percentages of gross receipts tax revenues that have been historically received in various other sectors, see “Gross Receipts Taxes - Historical Taxable Gross Receipts” under this caption.

Exemptions. Some activities and industries are exempt from the state gross receipts tax, many by virtue of their taxation under other laws. Exemptions include but are not limited to receipts of governmental agencies and certain organizations (some of which are taxable by the State, with no local distribution), receipts from the sale of vehicles, occasional sales of property or services, wages, certain agricultural products, dividends, receipts from the sale of prescription drugs and certain federal government paid medical expenses and interest and receipts from the sale of or leasing of natural gas, oil or mineral interests. Various deductions are also allowed, including, but not limited to, receipts from various types of sales or leases of tangible personal property or services, receipts from sales to governmental agencies or certain organizations, receipts from processing certain agricultural products, receipts from certain publication sales, certain receipts from interstate commerce transactions and receipts from the sale of certain food and certain medical services. See “Imposition of Tax” under this caption. In spite of the numerous specified exemptions and deductions from gross receipts taxation, the general presumption is that all receipts of a person engaging in business in the State are subject to the state gross receipts tax.

Administration of the Tax. Businesses must make their payments of state gross receipts tax on or before the twenty-fifth of each month for taxable events in the prior month. Collection of the state gross receipts tax is administered by the Revenue Division of the Taxation and Revenue Department of the State (the "Revenue Division"), pursuant to Section 7-1-6 NMSA 1978. Collections are first deposited into a suspense fund for the purpose of making disbursements for refunds, among other items. On the last day of each month, the balance of the suspense fund is transferred to the State general fund, less the following disbursements to the municipalities in the State. The Revenue Division remits monthly to municipalities, including the City, an amount equal to the product of the quotient of 1.225% divided by the tax rate times the net receipts (total amount paid by taxpayers less any refunds disbursed) attributable to the gross receipts of businesses located in the municipality and other designated areas.

Remedies for Delinquent Taxes. The Revenue Division may assess state gross receipts taxes to a taxpayer who has not paid the taxes due to the State. If any taxpayer to whom state gross receipts taxes have been assessed or upon whom demand for payment has been made does not make payment thereof (or protest the assessment or demand for payment) within 30 days after the date of assessment or demand for payment, the taxpayer becomes a delinquent taxpayer. Such taxpayer remains delinquent until payment of all the taxes due, including interest and penalties, or until security is furnished for the payment thereof. The Revenue Division may, under certain circumstances, enter into an agreement with a delinquent taxpayer to permit monthly installment payments for a period of not more than 36 months. Interest is due on any delinquent tax from the first day following the day on which it is due at the rate of 1.25% per month until paid, without regard to any installment agreement. However, if the state gross receipts tax is paid within 10 days after demand is made, no interest shall be imposed for the period after the date of demand.

The Revenue Division may levy upon all property or rights to property of a delinquent taxpayer and sell the same in order to collect the delinquent tax. The amount of delinquent state gross receipts taxes is also a lien in favor of the State upon all property and rights to property of the delinquent taxpayer, which lien may be foreclosed as provided by State statutes.

Historical Revenues. The state gross receipts tax revenues received by the City for the past five Fiscal Years are as follows:

**Historical State Gross Receipts Tax Revenues
(1.225% Received by the City from State Gross Receipts Tax)**

<u>Fiscal Year</u>	<u>Revenues</u>
2005	\$162,583,140
2006	172,886,999
2007	187,099,929
2008	187,006,638
2009	176,702,867

Certain of the revenues received from this tax are pledged to the payment of gross receipts tax bonds of the City. Some of those bonds are also secured by other revenues of the City, such as lodgers' taxes. See "FINANCIAL INFORMATION – Lodgers' Tax and Hospitality Fee."

Municipal and Other Gross Receipts Taxes

Imposition of Tax. In addition to receiving a distribution from the State, the Municipal Local Option Gross Receipts Taxes Act (Sections 7-19D-1 through 7-19D-16 NMSA 1978, as amended) authorizes the City under State law to impose up to 1.50% municipal gross receipts tax in increments of one-eighth of one percent on the gross receipts of any person engaging in business in the City. The City currently imposes 1.00% municipal gross receipts tax. One half of one percent (0.50%) is used for general purposes and the revenues are deposited into a fund pledged to secure certain outstanding municipal gross receipts tax bonds of the City. An additional 0.25% municipal gross receipts tax is imposed to provide for street maintenance, roadway improvements, an increase in the level of services provided by the public transit system, and construction of a bikeway system. A 0.25% increment of municipal gross receipts tax is imposed to provide for public safety, a variety of social-service programs and detention facility expenses. The City has also imposed a 0.0625% municipal infrastructure gross receipts tax for general purposes. The City has authority to impose, but has not imposed: a second 0.0625% municipal infrastructure gross receipts tax, without a referendum; an additional 0.125% municipal infrastructure tax for general municipal purposes, infrastructure, regional transit and/or economic development, with a positive referendum; a 0.25% municipal capital outlay gross receipts tax for municipal infrastructure and other purposes, with a positive referendum; and a 0.0625% municipal environmental services gross receipts tax. If the City becomes a member of a regional transit district, upon request from the district, the City, after an election approving the tax, is required to impose a municipal regional transit gross receipts tax of up to 0.5% for a public transit system or public transit projects or services for the district. The tax may be imposed in increments of 0.0625%.

On December 18, 2006, the City Council formed five tax increment development districts (the "Districts") for the Mesa del Sol project in southeast Albuquerque. Pursuant to the City Council's action, 67% of certain gross receipts tax generated within the Districts will be available for payment of bonds, the proceeds of which will be used for construction of public infrastructure within the Districts by the developer of the project. The remaining 33% of applicable gross receipts tax revenues generated within the Districts but not dedicated to Mesa del Sol will flow to the City. These tax increment revenues that the City has dedicated to the Districts will be pledged to tax increment revenue bonds that the District intends to issue. The state began collecting tax revenues for the Districts in January 2008.

On October 6, 2008, the City formed tax increment development districts for Winrock and Quorum at ABQ Uptown. The City dedicated 70% of certain local option gross receipts tax increment and 75% of property tax increment generated within the two districts. These tax increment revenues that the City has dedicated to the Districts will be pledged to tax increment

revenue bonds that the District intends to issue for public infrastructure improvements that will ultimately be dedicated to the City.

Historical Revenues. The revenues received by the City as a result of its imposition of municipal gross receipts tax and municipal infrastructure gross receipts tax for the past five Fiscal Years are as follows:

**City of Albuquerque
Historical Municipally Imposed Gross Receipts Tax Revenues**

<u>Fiscal Year</u>	<u>Revenues</u>
2005	\$165,642,182
2006	180,818,933
2007	188,585,429
2008	177,868,928
2009	154,563,130 ⁽¹⁾

(1) Reduction in 2009 revenues due to a decrease in gross receipts tax rate by .125%
Source: City of Albuquerque, Department of Finance and Administrative Services.

Taxing Authority and Payments

The following table outlines the gross receipts taxes to be paid to the State, the City and County by businesses in the City.

Fiscal Year 2009 Gross Receipts Tax Paid
(as of January 1, 2010)

<u>Type of Tax & Purpose</u>	<u>Percentage Imposed</u>
Municipal GRT	0.7500%
Municipal Infrastructure GRT	0.0625
Bernalillo County GRT	0.8125
State-Shared GRT	1.2250
State GRT	<u>3.7750</u>
Total	<u>6.6250%</u>

Source: City of Albuquerque, Office of City Treasurer.

The following table describes the City's taxing authority and the percentage it currently imposes to generate gross receipts tax revenues to the City:

Fiscal Year 2009 Taxing Authority and Gross Receipts Tax Imposed
For the Benefit of the City of Albuquerque (as of January 1, 2010)

<u>Type of Tax & Purpose</u>	<u>Total Taxing Authority</u>	<u>Percentage Imposed</u>	<u>Unused Authority</u>
Municipal GRT			
General Purposes ⁽¹⁾	0.5000%	0.5000%	
General Purposes	0.5000%	0.0000%	0.5000%
Transportation ⁽²⁾	0.2500%	0.0000%	0.2500%
Public Safety	<u>0.2500%</u>	<u>0.2500%</u>	
<i>Total Municipal GRT</i>	<u>1.5000%</u>	<u>0.7500%</u>	<u>0.7500%</u>
Municipal Infrastructure GRT			
General Purpose	0.1250%	0.0625%	0.0625%
Econ. Dev. & Transit	0.1250%	0.0000%	0.1250%
Municipal Environmental GRT	0.0625%	0.0000%	0.0625%
Municipal Capital Outlay GRT	0.2500%	0.0000%	0.2500%
Regional Transit GRT	<u>0.5000%</u>	<u>0.0000%</u>	<u>0.5000%</u>
<i>Total Other GRT</i>	<u>1.0625%</u>	<u>0.0625%</u>	<u>1.0000%</u>
Total Impositions by the City		<u>0.8125%</u>	
State-Shared GRT		<u>1.2250%</u>	
Total Distribution to the City		<u>2.0375%</u>	

(1) Represents the municipal gross receipts tax pledged by the City to secure certain outstanding bonds.

(2) Voters reauthorized imposition of the transportation tax at 0.2500% effective July 1, 2010.

Source: City of Albuquerque, Office of City Treasurer.

Historical Taxable Gross Receipts

The table which follows provides information about the City's taxable gross receipts by sector since 1999.

City of Albuquerque
Taxable Gross Receipts by Sector and Total Gross Receipts ⁽¹⁾
Fiscal Years 2000-2009 (\$000,000s omitted)

% of Total Shares by Sector

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004⁽³⁾</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2000</u>	<u>2009</u>
Construction	\$ 1,098.70	\$ 1,307.60	\$ 1,250.60	\$ 1,213.50	\$ 1,354.50	\$ 1,543.20	\$ 1,797.40	\$ 1,934.40	\$ 1,561.70	\$ 1,446.50	10.42%	9.91%
Manufacturing	319.40	308.60	283.70	233.70	275.00	266.50	278.00	319.10	312.30	263.70	3.03%	1.81%
Wholesale Trade	604.80	608.00	630.50	738.00	855.45	867.70	806.90	857.00	671.30	556.90	5.73%	3.81%
Retail Trade	4,158.70	4,367.60	4,345.00	4,652.60	5,036.70	5,126.70	5,484.80	5,948.40	6,352.60	6,025.80	39.42%	41.27%
Fin, Insur., & Real Estate	292.20	292.70	270.40	269.40	284.75	284.60	308.30	386.70	368.70	312.40	2.77%	2.14%
All Other Sectors	4,075.00	4,131.60	4,189.80	4,365.80	4,696.13	4,978.60	5,312.10	5,650.00	5,891.90	5,994.70	38.63%	41.06%
Total Taxable Gross Receipts ⁽²⁾	\$10,548.80	\$11,016.10	\$10,970.00	\$11,473.00	\$12,502.52	\$13,067.20	\$13,987.50	\$15,095.50	\$15,158.50	\$14,599.90	100.00%	100.00%
Total Gross Receipts Reported	\$18,294.20	\$20,836.90	\$20,708.30	\$20,153.40	\$22,406.90	\$24,598.90	\$26,521.30	\$28,111.70	\$28,753.40	\$26,625.80		

- (1) Albuquerque taxable gross receipts are according to distribution month, which lags reporting month by one month and activity month by two months. While taxable gross receipts is the reported tax base, the actual tax distributions may differ from those calculated by applying the tax and distribution rates to taxable gross receipts for any of a number of reasons (e.g., the filing taxpayer did not include a check or the check was returned; an adjustment was made for a previous over or under distribution to the City). Actual distributions average within 1-2% of computed tax due based on reported taxable gross receipts.
- (2) Totals may not add due to rounding.
- (3) The groupings by Standard Industrial Classification are not available after Fiscal Year 2003 with the exception of Construction and Retail Trade.

Source: New Mexico Taxation and Revenue Department.

Manner of Collection and Distribution

Businesses must make their payments of gross receipts taxes on or before the twenty-fifth day of each month for taxable events in the prior month. Collection of the state gross receipts tax and municipal gross receipts taxes is administered by the Department, pursuant to Section 7-1-6 NMSA 1978, as amended. Collections are first deposited into a suspense fund for the purpose of making disbursements for refunds, among other items. On the last day of each month, the balance of the suspense fund is transferred to the State general fund, less the above-described disbursements to the municipalities and counties in the State and less required distributions to pay debt service on certain State bonds.

Remedies for Delinquent Taxes

The Department may assess gross receipts taxes to a taxpayer who has not paid the taxes due to the State. If any taxpayer to whom gross receipts taxes have been assessed does not make payment (or protest the assessment or furnish security for payment) before 30 days after the date of assessment, the taxpayer becomes a delinquent taxpayer. A delinquent taxpayer remains delinquent until payment of all the taxes due, including interest and penalties, or until security is furnished for the payment. The Department may, under certain circumstances, enter into an agreement with a delinquent taxpayer to permit monthly installment payments for a period of not more than 60 months. Interest is due on any delinquent taxes from the first day following the day on which it is due at the rate of 15.0% per year, computed on a daily basis until paid, without regard to any installment agreement. However, if the gross receipts taxes are paid within 10 days after demand is made, no interest accrues.

The Department may levy upon all property or rights to property of a delinquent taxpayer and sell the same in order to collect the delinquent tax. The amount of delinquent state gross receipts taxes is also a lien in favor of the State upon all property and rights to property of the delinquent taxpayer which lien may be foreclosed as provided by State statutes.

Gasoline Tax

Generally

The rate of State tax on gasoline is \$0.17 per gallon. The gasoline tax is imposed on registered distributors of gasoline in the State at the time the gasoline is received by a registered distributor. Gasoline is generally deemed to be “received” when delivered to a registered distributor for resale to a wholesaler or retailer in the State. The registered distributor is responsible for filing gasoline tax returns with, and paying the gasoline tax due to, the Department on or before the twenty-fifth day of the month following the month in which the gasoline is received in the State. Distributors are required to include the gasoline tax in the resale price of gasoline sold to a purchaser. Delinquent taxpayers may be required to file a surety bond in favor of the State to ensure prompt filing of reports and the payment of all taxes levied by the Gasoline Tax Act. “Registered tribal distributors” are permitted to deduct the tax from gasoline sold at the wholesale level. Each registered tribe is limited to total annual sales of 30 million gallons.

The amount of the distribution of gasoline tax receipts from the State (“State Shared Gasoline Tax Receipts”) is 10.38%. See the table entitled “Historical State Gasoline Tax Receipts” under this caption.

Distribution of the Gasoline Tax

Net receipts are the amount paid to the Department in any month less any refunds. Ninety percent (90%) of the amount distributed by the Department is paid to treasurers of municipalities in the proportion that the taxable motor fuel sales in each of the municipalities bears to the aggregate taxable motor fuel sales in all municipalities in the State. The remaining 10% is distributed by the Department to counties in the State.

Historical Receipts

The following table sets forth the historical distributions of State Shared Gasoline Tax Receipts for Fiscal Years 2000-2009.

**City of Albuquerque
Historical State Gasoline Tax Receipts**

<u>Fiscal Year</u>	<u>State Gasoline Tax Receipts</u>
2000	\$4,604,981
2001	4,661,581
2002	4,431,007
2003	4,293,636
2004	4,476,207
2005	4,686,513
2006	4,883,012
2007	5,500,512
2008	5,301,238
2009	5,177,825

Sources: City of Albuquerque Comprehensive Annual Financial Reports for 2000 to 2008.

Lodgers' Tax and Hospitality Fee

Generally

The lodgers’ tax is levied pursuant to the Lodgers’ Tax Act (Sections 3-38-13 through 3-38-24 NMSA 1978, as amended) and is imposed, with certain limited exceptions, on all revenues derived from the furnishing of lodging within the City. The tax rate imposed by the City is 5% and is imposed on the gross taxable rent paid for lodging (but not including state gross receipts tax or local gross receipts tax).

Lodgers' tax revenues are pledged to the payment of the City's gross receipts/lodgers' tax bonds in an amount equal to fifty percent (50%) of the revenues produced by the City's imposition of the lodgers' tax, less certain administrative costs. Under the Lodgers' Tax Act, a municipality located in a class A county, such as the City, imposing an occupancy tax (such as the lodgers' tax) of more than two percent (2%) is required to use not less than one-half of the proceeds derived from the tax for the purposes of advertising, publicizing, and promoting the convention center and certain other tourist facilities or attractions within the City. The City uses the 50% of the lodgers' tax revenues not pledged to the payment of bonds to satisfy this requirement.

Historical Lodgers' Tax Revenues

The gross taxable rent and the lodgers' tax revenues derived from the 5% lodgers' tax and collected by the City for the last five Fiscal Years are as follows:

City of Albuquerque Historical Lodgers' Tax Revenues

<u>Fiscal Year</u>	<u>Gross Taxable Rent</u> ⁽¹⁾	<u>Lodgers' Tax Revenues</u>
2005	\$180,207,820	\$9,019,206
2006	199,914,580	9,995,729
2007	215,953,560	10,797,678
2008	230,047,005	11,502,350
2009	204,212,140	10,210,607

(1) Defined by the Lodgers' Tax Act to mean "the total amount of rent paid for lodging, not including the state gross receipts tax or local sales taxes."

Source: City of Albuquerque, Department of Finance and Administrative Services.

Hospitality Fee

The State Legislature passed the Hospitality Fee Act (Sections 3-38A-1 through 3-38A-12 NMSA 1978) which became effective in June 2003. Under the Act, the City has authority to impose, without a referendum, a hospitality fee of up to 1% of the gross rent proprietors receive from tourist accommodations within the City. On April 19, 2004, the City enacted its ordinance imposing the hospitality fee. The Hospitality Fee Act includes a section which repeals the Act effective July 1, 2028. As required by the Hospitality Fee Act, twenty-five percent of the fees collected are to be used for advertising to publicize and promote tourist-related attractions, facilities and events, twenty-five percent of the fees collected are to be used to extinguish debt incurred by a municipality for a metropolitan court facility, and the remaining fifty percent is to be used to equip and furnish the City's Convention Center. Hospitality fee revenues, in an amount equal to fifty percent (50%) of the revenues produced by the City's imposition of the fee, less certain administrative costs, are pledged to the payment of the City's Hospitality Fee New Mexico Finance Authority loan dated September 9, 2004 in the principal amount of \$4,270,000. Fees collected under the Hospitality Fee Act were \$2,300,470 in Fiscal Year 2008 and \$2,042,120 in Fiscal Year 2009.

Employee Contracts

There were 6,072 full-time employment positions funded by the City for Fiscal Year 2010. As of January 1, 2010, of the filled positions, approximately 84% of City employees are affected by union contracts. There are seven bargaining units within the City. The City's union contracts are as follows: Albuquerque Officers' Association (A.F.S.C.M.E. Local 1888, AFL-CIO); Clerical and Technical Employees (A.F.S.C.M.E. Local 2962, AFL-CIO); United Transportation Union; Blue Collar workers (A.F.S.C.M.E. Local 624, AFL-CIO); Albuquerque Area Firefighters Union; Albuquerque Police Officers' Association; and Management Union (A.F.S.C.M.E. Local 3022, AFL-CIO). None of the City's union contracts expire in Fiscal Year 2010.

Retirement Plan

The employees of the City are members of the State Public Employees Retirement Association. The City contributes to the plan amounts which vary from 7.0% to 21.25% of eligible employees' salaries.

The last actuarial valuation attesting to the availability of funds to cover the obligations of the plan is as of June 30, 2009. A copy of the certification letter prepared by Gabriel, Roeder, Smith & Company, Actuaries and Consultants, is on file and is available from the State Public Employees Retirement Association, upon request. The City has no unfunded liabilities with respect to the availability of funds to cover the obligations of the retirement plan.

Capital Implementation Program

General

The City finances a substantial portion of its traditional municipal capital improvements with general obligation bonds. However, certain improvements are financed with revenue bonds. The City's Capital Implementation Program consists of a ten-year program, with a general obligation bond election held every odd-numbered year to approve the two-year capital budget portion of the program.

Impact Fees

The City of Albuquerque's Impact Fee Ordinances were adopted by the Council on November 15, 2004 and implemented on June 10, 2005.

An impact fee is a one-time charge imposed on new development to help fund the costs of capital improvements that are necessitated by and attributable to new development. Impact fees may not be charged retroactively and may not be used for maintenance or repair. The cost calculation formulas recognize that new development in areas where major infrastructure already exists will have lower costs.

The four types of new infrastructure that the City of Albuquerque impact fees support are: public safety facilities, drainage facilities, park, recreation, trails and open space facilities and roadway facilities. Service areas have been identified for each type of infrastructure.

The program supplements the existing Capital Implementation Program. The funds from the impact fees are used to develop infrastructure on a pay-as-you go basis and do not affect the City's current general obligation bond program or the City's bonding capacity.

Total Impact Fees

<u>Fiscal Year</u>	<u>Total Collected</u>
2006	\$3,791,949
2007	8,210,661
2008	11,409,977

Source: City of Albuquerque, Planning Department.

Financial Statements

The audited financial statements of the City at June 30, 2009 and for the year then ended will be attached hereto in Appendix A upon release from the State Auditor. See Appendix A, Audited Financial Statements for Fiscal Year 2009.

ENTERPRISE OPERATIONS

Albuquerque Airport

Generally

Definitions. The following definitions are applicable to the discussion of the City's Airport System.

"ABQ" is defined as the Albuquerque International Sunport, which is located five miles southeast of downtown Albuquerque and is adjacent to Kirtland Air Force Base, an active United States Air Force ("USAF") installation.

"Airport" is defined as any or all of the City's existing and future Airport Facilities, and any interest of the City therein, including, without limitation, the Airport System, all land, buildings, structures, roadways and facilities thereof or related thereto of whatsoever character and wheresoever situated, within or without the boundaries of the City, and all enlargements, additions, substitutions, improvements, extensions and equipment appertaining thereto, including, but not limited to, any parking facility for automobiles and other motor vehicles located at any Airport Facility and any industrial or commercial property located on land constituting a part of the Airport property; but excluding any special facility or related revenues until there has been defeasance of all special facilities obligations payable from such special facility or the lessees or operators thereof.

"Airport Facilities" is defined as the property comprising the Airport, including, without limitation, runways, terminals and other aircraft parking facilities, taxiways, aprons, approach and clear zones, safety areas, infield areas, landing and navigational aids, terminal

and other buildings and any other facilities and land areas used in connection with the use and operation of any such facility.

“Airport Obligations” is defined as all bonds, notes or other instruments which evidence a borrowing payable from and secured by net revenues of the Airport, now outstanding or hereafter issued or incurred, including Airport bonds designated as Senior Parity Obligations, Subordinate Parity Obligations and Junior Lien Obligations, including Third Lien Parity Obligations.

“Airport System” is defined as Albuquerque International Sunport (ABQ) and Double Eagle II Airport (AEG).

“Double Eagle II Airport” is defined as the general aviation reliever airport owned and operated by the City.

General. ABQ is the principal air carrier airport serving the Albuquerque Metropolitan Area and the State of New Mexico (the State). ABQ is owned by the City and operated by the City’s Aviation Department.

ABQ is classified as a “medium hub” airport by the FAA. According to the Airports Council International-North America records, in 2008 ABQ ranked as the 56th busiest airport in the United States as measured by enplaned passengers and the 63rd busiest airport as measured by enplaned and deplaned air cargo tonnage. ABQ serves primarily an “origination-and-destination” (“O&D”) air traffic market. In Fiscal Year 2009, O&D passengers comprised an estimated 79.6% of passengers enplaned at ABQ. (See “Airport Service Area” under this caption.) In addition to ABQ, the City also owns and operates Double Eagle II Airport, a general aviation reliever airport.

ABQ has two principal runways for air carrier use: Runway 8-26, the primary runway, which is 13,800 feet long and 150 feet wide; and Runway 3-21 which is 10,000 feet long and 150 feet wide. Runway 12-30 is a crosswind runway primarily used for general aviation operations and is 6,000 feet in length and 150 feet in width. The City is undertaking an environmental assessment to close Runway 17-35, a crosswind air carrier runway that is not in regular use.

ABQ is served by seven mainline airlines and two commuter airlines. These airlines served 31 destinations in the U.S. and 1 destination in Mexico in September 2009. The airlines with the largest market share of enplaned passengers at ABQ in Fiscal Year 2009 were: Southwest Airlines (54.4%), American Airlines (11.9%), US Airways (5.3%), Delta Air Lines (5.1%), Frontier Airlines (3.9%), and United Airlines (3.7%). (See following section “Airlines Serving ABQ.”)

Terminal Building

The major airline passenger facilities at ABQ include the 543,000 square foot main terminal building (the “Terminal Building”) with 22 air carrier aircraft gates. In addition, there is one commuter gate, serving two commuter airlines with six aircraft parking positions. The Terminal Building is supported by a two-level terminal loop roadway system, a 3,400 space automobile parking structure, and a 534 space surface parking lot.

The present Terminal Building was built in 1965 and was expanded in 1987 to add a new concourse, security office, passenger screening area, baggage claim area, and additional restrooms. The City is undertaking certain projects to rehabilitate and modernize the Terminal Building and expects to complete these projects in 2011. (See following section “Airport System Capital Program.”)

Agreement with the United States Air Force

Runways, taxiways, land, and facilities at ABQ (the “Airfield”) were deeded to the City by the United States Air Force (the “USAF”) in 1962. The USAF currently shares the use of the airfield with the City under a lease agreement obligating the USAF to make an annual rental payment of \$50,000. The deed contains a reversion clause, which becomes effective if the City does not continue to use the airfield as an airport. Further, the U.S. Government has a right of re-entry if the City does not comply with the covenants and restrictions in the deed and the lease agreement. The agreement also requires the USAF to provide aircraft rescue and fire fighting services at ABQ.

Airport Service Area

The ABQ Service Area includes the Albuquerque MSA (Bernalillo, Sandoval, Valencia and Torrance Counties) and the Santa Fe MSA (Santa Fe and Los Alamos Counties).

ABQ also serves a secondary area consisting of the remainder of the State. The limits of a secondary area are generally defined by the range and quality of airline service at other air carrier airports. There are seven air carrier airports in the surrounding states of Arizona, Colorado, Texas and Utah that provide airline service and together define the limits of the secondary area, including Amarillo International Airport to the east, Denver International Airport to the north, El Paso International Airport to the south, Lubbock International Airport to the southeast, Dallas/Ft. Worth International Airport to the southeast, Phoenix Sky Harbor International Airport to the southwest and Salt Lake City International Airport to the northwest. As of September 2009, there were nine other airports in the State that provided scheduled commuter airline service during Fiscal Year 2008.

Airlines Serving ABQ

ABQ was served by the following airlines as of September 2009:

Signatory Passenger Airlines

- American Airlines
- Continental Airlines
- Delta Air Lines⁽¹⁾
- Frontier Airlines
- Southwest Airlines
- United Airlines
- US Airways

Signatory Cargo Airlines⁽²⁾

- FedEx
- United Parcel Service

Affiliate Airlines

ExpressJet Airlines d/b/a Continental Airlines
Lynx Aviation ⁽³⁾
Shuttle America d/b/a United Express
SkyWest Airlines d/b/a Delta Connection and United Express

Commuter Airlines

Great Lakes Aviation
Pacific Wings d/b/a New Mexico Airlines

Non-Signatory Passenger Airlines

AeroMexico Connect⁽⁴⁾

(1) Delta and Northwest merged in 2008. On January 1, 2010, the FAA authorized both Airlines to operate under the Delta Certificate and Northwest Airlines effectively ceased to exist.

(2) DHL terminated services to ABQ in 2009 but still maintains its operating agreement.

(3) Operates as a subsidiary of Frontier Airlines.

(4) Ceased operations at ABQ in January 2010.

The City maintains agreements with all airlines providing regular service at ABQ. Together, the passenger airlines leased approximately 85% of the airline rentable space in the Terminal Building (See following section “Airline Agreements”).

Additional Baggage Screening Requirements

Under ATSA, all checked baggage must be screened for explosives by the TSA. At ABQ, the screening of bags is performed using a combination of explosive detection system (“EDS”) and explosive trace detection equipment.

Even though the City is in compliance with the ATSA requirements for baggage screening, it has installed an in-line EDS for Southwest, which has been the largest carrier at ABQ as measured by enplaned passengers for over fifteen fiscal years. The in-line baggage system for Southwest was necessary to mitigate existing operational inefficiencies in the processing of checked baggage. The installation provides additional space and equipment to meet estimated future demand. The TSA operates non-in-line EDS and explosive trace detection equipment to screen checked baggage for other airlines in their baggage make-up areas on the west side of the Terminal Building. The City believes that these installations are adequate to meet existing and estimated future demand. The City has performed various studies on integrating an in-line EDS on the west side of the Terminal Building which may be needed in the future, if justified by demand and substantial grant funding is received.

Security Checkpoint Reconfiguration and Meeter/Greeter Area Addition

Due to congestion and delays resulting from heightened security and new restrictions on public access to the concourses, a new security checkpoint and new area for the “meeters and greeters” of arriving passengers was constructed at ABQ. The project was completed in 2004.

Historical Aircraft Operations and Enplaned Passengers

In Fiscal Year 2009, there were approximately 175,670 aircraft operations (landings and takeoffs) at ABQ, a decrease of 12.8% from 201,560 in Fiscal Year 2008. In Fiscal Year 2009, 3,014,347 passengers enplaned at ABQ, a decrease of 11.8% from 3,417,525 in Fiscal Year 2008. The decrease in airline traffic is attributable primarily to the national economic recession.

The following table presents the number of passengers enplaned by all airlines at ABQ from Fiscal Year 2000 to Fiscal Year 2009.

Historical Enplaned Passengers Albuquerque International Sunport

<u>Fiscal</u>		<u>Percent Inc/Dec</u>
<u>Year</u>	<u>Number</u>	<u>From Prior Year</u>
2000	3,160,245	2.1
2001	3,151,608	(0.3)
2002	3,043,775	(3.4)
2003	3,010,471	(1.1)
2004	3,121,162	3.7
2005	3,191,906	2.3
2006	3,299,021	3.4
2007	3,263,210	(1.1)
2008	3,417,525	4.7
2009	3,014,347	(11.8)

Source: City of Albuquerque, Aviation Department.

The total number of enplaned passengers at ABQ decreased at an average annual rate of 0.26% per year between Fiscal Years 2000 and 2009. For the nation as a whole, the number of enplaned passengers increased at an average annual rate of 1.3% between calendar years 1999 and 2008 (the most recent period for which national data is available).

As the financial crisis and economic recession deepened in the second half of 2008, airlines reduced departing seat capacity at airports including ABQ. Southwest's strategy to reallocate departing seat capacity to large-hub airports disproportionately affected medium-hub airports such as ABQ. The economic downturn also depressed consumer spending and resulted in reduced demand for air travel. Combined, these factors resulted in an 11.8% reduction in enplaned passenger traffic in Fiscal Year 2009.

Airline Market Shares of Enplaned Passengers. In Fiscal Years 2005 through 2009, Southwest and American combined, accounted for at least 66.3% of enplaned passengers at ABQ. In Fiscal Year 2009, Southwest enplaned the largest share of passengers (54.4%), followed by with American, US Airways, Delta, Frontier, and United, which collectively enplaned 29.9% of passengers.

The market share of enplaned passengers by affiliate regional and commuter airlines at ABQ has increased steadily (from 9.0% in Fiscal Year 2005 to 9.9% in Fiscal Year 2009) as

airlines have replaced mainline jet service with regional jet service provided by affiliate airlines.

The following table presents the market shares of enplaned passengers by airline for Fiscal Years 2005 through 2009:

Historical Airline Market Shares of Enplaned Passengers

	<u>FY2005</u>	<u>FY2006</u>	<u>FY2007</u>	<u>FY2008</u>	<u>FY2009</u>
	% Share	% Share	% Share	% Share	% Share
	Enplaned	Enplaned	Enplaned	Enplaned	Enplaned
	<u>Passengers</u>	<u>Passengers</u>	<u>Passengers</u>	<u>Passengers</u>	<u>Passengers</u>
Major/National:					
Southwest Airlines	51.6	51.4	51.6	50.6	54.4
American Airlines	11.6	12.3	12.0	11.1	11.9
Delta Air Lines	8.1	7.4	6.3	5.8	5.1
US Airways (America West)	6.1	6.4	6.3	5.5	5.3
United Airlines	5.6	4.3	4.3	4.9	3.7
Continental Airlines	4.9	5.1	5.6	4.0	2.2
ExpressJet ⁽¹⁾	-	-	0.3	3.4	0.7
Northwest Airlines ⁽²⁾	2.8	2.6	2.5	2.5	2.9
Frontier Airlines ⁽³⁾	<u>0.3</u>	<u>1.8</u>	<u>1.6</u>	<u>2.3</u>	<u>3.9</u>
Subtotal	<u>91.0</u>	<u>91.3</u>	<u>90.5</u>	<u>90.1</u>	<u>90.1</u>
Regional and Commuter:					
Mesa Airlines	1.4	0.9	0.6	0.2	.0
SkyWest	4.5	5.5	6.1	4.9	5.8
Other	<u>3.1</u>	<u>2.3</u>	<u>2.8</u>	<u>4.8</u>	<u>4.1</u>
Subtotal	<u>9.0</u>	<u>8.7</u>	<u>9.5</u>	<u>9.9</u>	<u>9.9</u>
TOTAL	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.00%</u>	<u>100.00%</u>

⁽¹⁾ ExpressJet ceased operations as a Signatory Airline at ABQ as of September 2, 2008.

⁽²⁾ Delta and Northwest merged in 2008 and now operate under Delta's name and operating certificate.

⁽³⁾ Filed for bankruptcy protection (Chapter 11) on April 10, 2008. Frontier successfully emerged from Chapter 11 bankruptcy on October 1, 2009.

Note: Columns may not add to totals shown because of rounding.

Source: City of Albuquerque, Aviation Department.

Airport Administration

Mr. James D. Hinde is the Acting Director of Aviation. Mr. Hinde was appointed to this position by Mayor Richard J. Berry in December 2009. He previously served as Acting Director of Aviation from January 2007 to March 2007 under Mayor Chavez' administration. He has worked for the City's Aviation Department for eighteen years as Manager of Engineering, Manager of Engineering and Environmental Affairs, and Planning Manager. Prior to his work with the City he was involved in design, project management, and inspection with several private engineering firms.

Mr. N. David Norman is the Director of Operations, responsible for the Operations Division, consisting of Airfield Operations, Airport Communications Center, Facilities Maintenance, Custodial Services, Aviation Police, Airfield Maintenance and the Double Eagle II Airport. Following retirement from the United States Air Force in 1996, Mr. Norman joined the City's Aviation Department as an Airfield Operations Duty Officer until 2005, at which

time he was employed as an Airport Operations Duty Manager with Metropolitan Washington Airports Authority. Mr. Norman assumed his current position in November 2006.

Ms. Pam White is the Director of Finance and is responsible for the Finance and Administration Division, consisting of airport revenue bonds, operating budget(s), capital improvement program, debt service, PFC program, as well as the Finance Division, Contract Administration, Landside Operations, and Business Development. Ms. White has nineteen years experience in finance, administration and government accounting. Prior to joining the Aviation Department, Ms. White was employed with the New Mexico Department of Transportation in accounting and finance. In her last six years with the Department she was the Finance and Business Manager for the Aviation Division. Ms. White has a Bachelor of Science in Business Administration/Accounting, is a member of Cambridge Who's Who, is enrolled in the American Association of Airport Executives certification program, and is pursuing an MBA.

Airport Financial Information; Airport Fund

General. The Airport Fund is a separately maintained enterprise fund of the City. The general policy of the City with regards to enterprise funds has been to impose charges for services that can be measured and that benefit specific persons or entities, including users of the Airport System. The charges are calculated to recover the cost of providing the service.

Historical Financial Results. The following tables compare historical financial results of the Airport System.

Historical Airport System Revenues⁽¹⁾ (Dollar amounts in thousands)

	2005		2006		2007		2008		2009 ⁽²⁾
Airline Revenues	\$28,181	43.8%	\$29,303	44.1%	\$26,352	38.6%	\$28,887	38.3%	
Nonairline Revenues:									
Terminal Building	12,534	19.3	11,855	19.1	13,771	20.2	15,337	20.4	
PFCs	7,929	12.3	8,230	12.3	8,303	12.1	8,559	11.4	
CFCs	4,100	6.4	4,354	6.5	5,375	7.9	6,308	8.4	
Parking Area	7,059	11.0	7,694	11.6	7,997	11.7	8,272	11.0	
Passengers									
Miscellaneous	4,527	7.2	5,106	6.4	6,399	9.5	7,994	10.5	
TOTAL	\$64,330	100.0	\$66,542	100.0	\$68,197	100.0	\$75,357	100.0	

⁽¹⁾ These revenue figures differ from those in the Historical Debt Service Coverage table herein in that this table includes only the Airport System's Operating Fund whereas the Historical Debt Service Coverage table includes the Capital Fund and the Debt Service Fund.

⁽²⁾ See "FISCAL YEAR 2009 FINANCIAL INFORMATION NOT AVAILABLE".

Source: City of Albuquerque General Ledger reports (Fiscal Year 2009 unaudited).

Airline Revenues. Airline revenues include revenues received from the Signatory Airlines, Affiliate Airlines, Commuter Airlines, Signatory Cargo Airlines, and Non-Signatory Airlines. Components of airline revenues include Terminal Building space rentals, loading bridge use fees, baggage claim device charges, landing fees, cargo building rentals, and cargo apron rentals (See following section "Airline Agreements").

Amounts paid by the Signatory and Affiliate Airlines pursuant to the Airline Agreements constitute a major source of revenues to the Airport. As a whole, the Signatory Airlines represented approximately 90.1% of commercial enplaned passengers at ABQ in Fiscal Year 2009. Airline revenues constituted 37.5% of Gross Airport Revenues in Fiscal Year 2009 (unaudited).

Passenger Facility Charges (PFC). In March 1996, the FAA approved the City's application to collect a total of \$49,638,000 over a period of approximately six years by imposing a \$3.00 PFC on each enplaning revenue passenger at ABQ. The closeout amendment for this application increased the collection authority by \$135,870. In June 2002, the FAA approved the City's second PFC application which allows the City to impose a \$3.00 PFC at ABQ for a total collection amount of \$44,483,079. A closeout amendment to this application was approved by the FAA in April 2008. The total collection amount was amended to \$41,844,636 to reflect actual collections and uses of PFC revenues. The FAA approved a third PFC application in the amount of \$66,066,726. PFCs collected under the third application are being used to fund certain Terminal Building modernization and roadway projects. In October 2009, the City submitted an amendment to the third PFC which requested an increase by \$2,819,173. The amendment identified an increase to projects such as terminal rehabilitation, upgrades to flight and baggage information systems, and mechanical/electrical/fire safety upgrades. The amendment also identified a decrease to projects such as the communication center upgrade, the federal inspection station, and passenger checkpoint. In November 2009, the FAA approved and amended the third PFC in the amount of \$68,885,899 with an expiration date of July 2016.

PFC revenues are available to pay Airport Obligations issued to finance eligible projects and have been and will be used to reimburse the City for investments made by the City in eligible projects. PFC revenues are included by the City as part of Gross Airport Revenues to the extent available to pay Airport Obligations, as directed by a designated officer of the City.

The following table sets forth the annual collections of PFCs from Fiscal Year 2005 through Fiscal Year 2009.

PFC Revenues
(Dollar amounts in thousands)

<u>Fiscal Year</u>	<u>PFCs Collected⁽¹⁾</u>
2005	\$7,929
2006	8,230
2007	8,303
2008	8,559
2009	7,380

⁽¹⁾ PFCs received by the City net of collection and handling fees retained by airlines. The airlines are permitted to retain a portion of each PFC collected (currently \$0.11 of each PFC collected) as compensation for collecting and handling PFCs.

Source: City of Albuquerque, Aviation Department.

The actual amount of PFC revenues received each Fiscal Year varies depending on the number of qualifying passenger enplanements at ABQ. Reduction in the number of enplaned passengers will generally cause a proportionate reduction in PFC revenues.

The FAA may terminate the City's authority to impose the PFCs under certain circumstances. With respect to an airline operating at ABQ under bankruptcy protection, it is unclear whether the City would be afforded the status of a secured creditor with regard to PFC fees collected or accrued with respect to that airline. The City continued to receive PFC revenues from Frontier, during the period of its bankruptcy from April 2008 until October 1, 2009.

For medium-hub airports such as ABQ, Federal Airport Improvement Program (AIP) entitlement funds are reduced by 50% following the imposition of a PFC of \$3.00 or less. These grants are to be reduced by 75% following the imposition of a PFC greater than \$3.00.

Nonairline Revenues. Nonairline revenues include the rental car facility fees and concessions, nonairline terminal building space rentals, terminal food and beverage concessions, terminal news and gift stores, advertising program, and other miscellaneous agreements. The largest component of nonairline revenues in Fiscal Year 2009 was the rental car privilege fees.

Non-airline Terminal Building concession revenues are generated under agreements with three food and beverage operators (the "Food and Beverage Concession Agreements"); JDDA Concessions of New Mexico, Fresquez Concessions, Inc., and Black Mesa Coffee Company to provide food and beverage services within the Terminal Building, and five retail concession operators (the "Retail Concession Agreements") including Avila Retail Development & Management, El Mercado del Sol, Inc., Page Industries, Hudson-Garza, and Sweet Tooth, LLC. These five retail concession operators offer a variety of retail merchandise including newspapers, magazines, books, Native American art and jewelry, southwest apparel and New Mexico souvenirs. The City exercised the first of two options to extend the Retail Concession Agreements on January 1, 2010 for a one-year period. Under the terms of the agreements, each operator is required to pay the City the greater of (i) a percentage of gross revenues or (ii) a minimum annual guarantee ("MAG") amount. The MAG amount is to be adjusted each year to equal 85% of each company's prior year's percentage of gross revenues paid to the City, but the MAG amount in any year will not be less than the first full contract year.

The City executed new food and beverage concession agreements in 2008 and is in the process of implementing the new concession program. The City expects the new program to result in increased privilege fees to the City.

Rental Car Facility Revenues. In connection with the March 2001 opening of the Rental Car Facility, eight On-Airport Rental Car Companies entered into five-year lease agreements with the City, which have been extended an additional five years, for the use and lease of counter space at the customer service building and parking spaces in the ready/return

parking area.¹ Pursuant to these agreements, the City receives: (a) privilege fees in the amount of 9% of gross revenues against a minimum annual guarantee; (b) a monthly fee for use of ready/return parking spaces; and (c) reimbursement for any Airport operating expenses allocated to the Rental Car Facility. In addition, the City has executed 20-year leases with the On-Airport Rental Car Companies for use and lease of the service center facilities and vehicle storage areas. Under the agreements, the On-Airport Rental Car Companies are required to collect a Customer Facility Charge (“CFC”) per rental car contract day to be used for the operation of the rental car shuttle bus system and to pay debt allocated to the Rental Car Facility and associated roadways. CFC revenues and all rentals, fees and charges imposed by the City and collected from the rental car companies accounted for approximately 25.6% of Gross Airport Revenues in Fiscal Year 2009 (See following section “Customer Facility Charge”).

Parking Area Revenues. Public parking facilities include a garage with 3,400 spaces for short-term parking and a surface lot north of the parking garage with 534 spaces for long-term parking. The City anticipates opening an additional parking lot in the fourth quarter of Fiscal Year 2010 with approximately 400 parking spaces. Other parking facilities at ABQ include three employee lots, which together provide approximately 600 spaces.

Public parking rates in the short-term lot are \$1.00 for the first half-hour, increasing to a maximum rate of \$7.00 per day or \$10.00 per day after 72 hours. Rates in the long-term lot are \$6.00 per day or \$8.00 per day after 72 hours. The public parking facilities generated revenues totaling \$7,561,922 (\$7,475,086 in public parking revenues plus \$86,836 in employee parking revenues), totaling in Fiscal Year 2009. Public parking revenues decreased from Fiscal Year 2008 to Fiscal Year 2009 as a result of decreased passenger traffic. The City also receives revenues from commercial vehicle lane fees and taxicab permits.

Additional Airfield Revenue. The City also collects revenue for the use of the Airfield by the military (including Kirtland Air Force Base under its agreement) and nonscheduled and charter airlines.

Revenues from Other Areas. Revenues from Other Areas at ABQ principally include land and building rentals. Included are other governmental agency facilities, aircraft hangers, manufacturing and production facilities and various other property leases. Other major sources of leased site rental revenues include the Albuquerque Grand Airport Hotel, general aviation fixed base operators and air cargo building rentals. The Albuquerque Grand Airport Hotel, located at ABQ, pays a percentage of gross revenues for food, alcoholic beverages, room rentals and other miscellaneous categories against minimum annual guarantees. The Albuquerque Grand Airport Hotel lease runs through March 31, 2063 and the Hotel will begin a \$6.5 million renovation in February 2010 which is anticipated to be complete by July 2010. Following completion of the renovation, the hotel will reopen as the Sheraton Albuquerque Airport Hotel. The City anticipates an increase in revenues it receives from the Albuquerque Grand Airport Hotel following the completion of the renovation.

¹ Advantage Rent-A-Car filed for Chapter 11 Bankruptcy on December 8, 2008, and on December 26, 2008 they provided notice of rejection of the two leases with the City. In 2009, Simply Wheelz, LLC acquired the assets of Advantage Rent-A-Car and on June 1, 2009, began operations at the Rental Car Facility. On February 28, 2009, Dollar Rent A Car ceased operations at ABQ Airport. The City estimates that the lost lease revenues will be approximately \$18,000 per month.

Eclipse Aviation Corporation (“Eclipse”) entered into certain lease agreements with the City for various facilities at ABQ. In Fiscal Year 2008, Eclipse paid the City approximately \$1.2 million in rents and fees for these facilities. In November 2008, Eclipse ceased operations at ABQ and filed for Chapter 11 bankruptcy protection, subsequently converted to Chapter 7 of the Bankruptcy Code. In September 2009, the assets of Eclipse Aviation Corporation were purchased by Eclipse Aerospace, Inc., which began operations at the ABQ on September 1, 2009 pursuant to the existing lease agreements. The City is currently considering approval of renegotiated and revised leases with Eclipse Aerospace. Eclipse Aerospace currently has 55 employees in Albuquerque and 25 in Chicago. The company anticipates 150-200 employees in Albuquerque by the end of calendar year 2010.

The Transportation Security Administration (“TSA”) began leasing the refurbished, historic terminal building to the west of the main Terminal Building in October 2002. Under the lease agreement, TSA is leasing approximately 11,000 square feet for a term of ten years.

Double Eagle II Airport Revenues. The City has two agreements with a fixed base operator to provide services to general aviation operators at Double Eagle II. The City also maintains various land and building leases, including a lease for a 15,000 square foot hangar facility owned by the City.

Federal Grants. The City receives annual federal grant moneys from the FAA through the Airport Improvement Program (“AIP”). These funds are not included in the calculation of Gross Airport Revenues. AIP grants received by the City are either entitlement (determined by formula) or discretionary (determined the prioritization by FAA of projects across the nation as a whole). Between Fiscal Year 1996 and Fiscal Year 2009, the City received a total of \$73,153,599 in AIP grants and entitlement/discretionary funds. In Fiscal Year 2009, the City received \$5.5 million for the rehabilitation of Taxiway E and \$9.4 million for Terminal Apron – Phase 2/Taxiway E Centerline Lights at ABQ and \$5.5 million for Runway 4-22 reconstruction at Double Eagle II, \$2.9 million of which was from the American Recovery and Reinvestment Act. In addition, a \$12.1 million project to reconstruct and widen the highway from 2 lanes to 4 lanes from Interstate 40 to Double Eagle II Airport is currently underway. The road project is funded primarily by Federal Highway Administration grants.

There can be no assurance as to the amount of such funding the Airport will receive in future years. The City’s financial plan for funding its Capital Program assumes that the City will receive AIP grants to fund the eligible portions of certain projects. In the event that AIP grants are not available, the City would either elect to delay or cancel certain projects or seek to fund the project with other sources, possibly including additional debt.

Airline Agreements

General. The City maintains agreements with all airlines providing regular service at ABQ. These agreements establish procedures for calculating rentals, fees, and charges for airline use and occupancy of Airport facilities. The term of the Signatory Passenger Airline and Signatory Cargo Airline Agreements (collectively, the “Signatory Airline Agreements”) extends five (5) years, from July 1, 2006 to June 30, 2011. In addition to the Signatory Airline Agreements, the City maintains Affiliate Airline Operating Agreements, Commuter Airline Operating Agreements, and Non-Signatory Airline Agreements with other airlines serving ABQ; the term of these agreements is month-to-month.

The City generally uses a cost center approach to recover operating and capital costs through airline rates and charges. Cost components include allocable operating expenses, annual debt service plus 20% coverage on Senior Lien Obligations, amortization charges for Capital Fund investments, and deposits to certain reserve accounts. Nonsignatory airlines pay use fees calculated to approximate signatory airline rates, usually with a 15% premium.

Under the terms of the Airline Agreements, the rentals, fees and charges are remitted monthly by the airlines to the City and are to be reviewed at least annually and recalculated as necessary, effective July 1 of each Fiscal Year. Non-signatory airlines pay use fees calculated to approximate Signatory airline rates, usually with a 15% premium. Rentals, fees and charges are calculated by the City based upon its proposed annual budget for the Airport System for the upcoming Fiscal Year. If at any time during a Fiscal Year, any of the rental, fee, or charge rates is estimated by the City to vary 10% or more from the estimates based upon year-to-date cost or activity, the City has the right to adjust such rates for the balance of that Fiscal Year. Following the close of each Fiscal Year, the City recalculates airline rates and charges to reflect actual costs and activity. Any difference is refunded to the Signatory Airlines (in the case of a surplus) or paid to the City (in the case of a deficit).

If the City decides to fund additional improvements to ABQ from the proceeds of additional Airport Obligations or the Capital Fund, and the proposed funding would cause a projected increase in airline rental rates or landing fees of more than 10% in any Fiscal Year versus rates that would otherwise be charged, the City is required to notify the Signatory Airlines. Within 60 days of the City's notice, the Signatory Airlines are required to meet and provide the City with concurrence or non-concurrence with respect to the proposed capital improvement. Concurrence is deemed to have been received unless concurrence is specifically withheld by the Signatory Airlines. If concurrence is specifically withheld by Signatory Airlines representing a two-thirds interest (66.7% or more of airline rentals, fees, and charges paid to the City in the immediately preceding Fiscal Year, or, in the case of a project solely in the Airfield or at Double Eagle II, 66.7% of landing fees paid to the City in the immediately preceding Fiscal Year), then the City is not able to include allocable costs in the calculation of airline rentals, fees, and charges.

The Airline Agreements are subordinate to any revenue bond ordinances relating to the Airport System.

Signatory Passenger Airline Agreements. The Signatory Passenger Airlines have each entered into Amended and Restated Scheduled Airline Operating Agreement and Terminal Building Leases (Signatory Passenger Airline Agreements) with the City for the use and lease of certain facilities at ABQ. The following is only a brief summary of certain provisions of the Signatory Passenger Airline Agreements.

Signatory Passenger Airlines and Signatory Cargo Airlines (collectively, the "Signatory Airlines") pay the City landing fees per 1,000-pound unit of maximum certified gross landing weight for the use of the Airfield. The landing fee rate is calculated according to a cost center residual methodology, whereby the City recovers 100% of the costs allocable to the Airfield.

Under the Signatory Passenger Airline Agreements, Terminal Building rental rates are calculated according to a commercial compensatory method based on rentable space and include a credit of certain concession revenues generated in the Terminal Building. Ticket

counter, airline operations, and certain other space is leased on a per square foot basis. Holdrooms are leased on a per holdroom basis. The baggage claim area and the passenger circulation area are leased jointly, with allocable rentals recovered by formula. The credit is also distributed among the Signatory Passenger Airlines by formula. Loading bridge charges are calculated using a modified residual methodology and consist of a combination of a fixed fee charged per loading bridge to recover allocable capital costs and an operating fee charged per departing flight to recover allocable operating costs.

Each Signatory Airline has priority in using gates assigned to it on a preferential basis to accommodate its scheduled flights. However, the City may assign a preferential gate for use by others in periods when not in use by the renting Signatory Airline. The City has the right, but not the obligation, to reassign a Signatory Airline's preferentially assigned gate to another Signatory Airline, if the renting Signatory Airline's average scheduled gate utilization falls below four flights per gate per day, and the City determines that there is a reasonable need for the preferential use of such gate by another Signatory Airline.

Signatory Cargo Airline Agreements. The Signatory Cargo Airlines have each entered into a Signatory Cargo Airline Agreement with the City concerning their use of the air cargo facilities at ABQ. Under the current Air Cargo Airline Agreements, each of the Signatory Cargo Airlines leases exclusive-use space in ABQ's air cargo building and preferential-use apron parking spaces at the air cargo apron. Rates and charges for these facilities are calculated under a modified commercial compensatory approach, whereby the Signatory Cargo Airlines pay a rate calculated using a market-value approach.

Affiliate Airline Operating Agreements. The City maintains Affiliate Airline Operating Agreements with passenger airlines operating as regional affiliates of Signatory Passenger Airlines. Service provided by these airlines is marketed and sold by Signatory Passenger Airlines under capacity purchase agreements and not by the Affiliate Airline itself.

Under the terms of the Affiliate Airline Agreements, Affiliate Airlines pay the same landing fee rate as the Signatory Passenger Airlines and participate in the year-end recalculation of airline rates and charges. Other rentals and fees for the use of Terminal Building are paid by the Signatory Passenger Airline on behalf of the Affiliate Airline.

Commuter Airline Agreements. The City maintains Commuter Airline Leases and Operating Agreements with airlines providing commuter service throughout New Mexico. Under the terms of the Commuter Airline Agreements, commuter airlines pay the same landing fee rate as the Signatory Passenger Airlines, but do not participate in the year-end recalculation of airline rates and charges. The agreements also allow the commuter airlines to pay fixed rates to rent space in the Terminal Building.

Non-Signatory Airline Agreements. The City maintains Non-Signatory Airline Operating Agreements with certain airlines providing service at ABQ on both a scheduled and non-scheduled basis. These agreements allow airlines to occupy space in the Terminal Building or cargo buildings on a month-to-month basis. Additionally the Non-Signatory Airline Agreements specify the fees to be paid for the use of Airport facilities, generally calculated to simulate 115% of the applicable Signatory Airline rate. Non-Signatory Airlines do not participate in the year-end recalculation of airline rates and charges.

Customer Facility Charges

The Rental Car Facility is located on approximately 76 acres on the west side of ABQ. Eight rental car companies operated from the Rental Car Facility as of September 2009 (“On-Airport Rental Car Companies”). All rental car companies serving ABQ are required to transport their customers between the Terminal Building and the Rental Car Facility on a common rental car shuttle bus system. There are 1,239 ready/return spaces at the Rental Car Facility.

Customer Facility Charges (“CFC”) are calculated to recover: (i) the costs of providing, operating and maintaining the common rental car shuttle bus system, which transports rental car customers to and from the Terminal Building and Rental Car Facility; (ii) debt service requirements on Airport Obligations issued to finance the Rental Car Facility and which may be issued in the future for the Rental Car Facility; and (iii) other allocable costs associated with common areas in the customer service building and access roadways. The City may recalculate the fee at least annually based on these costs and the projected number of rental car transaction days. The CFC is currently \$3.90 per contract day.

In the event that the projected CFC revenues in any year are less than the costs described above, the On-Airport Rental Car Companies are required to pay the City additional rent equal to the shortfall in CFC revenues. Excess revenues from the CFC in any year may be used in any year to pre-pay debt service requirements or Airport Obligations issued to finance the Rental Car Facility, to pay any allowable Airport cost, or to reduce the CFC rate for the following year.

Airport System Capital Program

The Capital Program for the Airport System for Fiscal Years 2009 through 2012 includes approximately \$136.0 million of planned projects and another \$77.4 million of demand-responsive projects. Demand-responsive projects are those which will be undertaken if predetermined thresholds of passenger activity are met and the City receives Airline support. The City at this time does not anticipate the need to provide funding for the demand-responsive projects during the period 2009 to 2012.

As part of a City-wide effort, the Aviation Department is in the process of developing a leading-edge sustainability program that intended to make the Airport System carbon neutral by the year 2030. The program will incorporate LEED certification for sites and buildings, “green” practices and policy making and pursuit of innovative technologies related to water, energy, construction and the indoor and outdoor environments. This is a long-term planning and implementation effort, and the City expects future capital expenditures to be at least partially offset by reduced operating and maintenance costs.

Planned improvements to the Terminal Building include extensive refurbishment and modernization, including an expanded communication center, fire safety upgrades, lighting modernization, signage modernization and restroom upgrades, as well as expansion and renovation to public areas to accommodate demand. The long-term parking lot will also be expanded. These projects are expected to optimize terminal operations in the short term (5 year

period) and delay the need to build the new Terminal Building anticipated in the master plan. Demand-responsive projects include the implementation of a centralized in-line explosives detection system (EDS), screening for all checked baggage and additional gates on Concourse B.

The City completed the Terminal Apron – Phase I and Taxiway E at ABQ in Fiscal Year 2008. Planned Airfield projects include the Terminal Apron – Phase II rehabilitation project and the rehabilitation of the South General Aviation Apron (expected to begin in Fiscal Year 2011). Demand-responsive projects for the Airfield include air cargo development, a new belly freight complex, and construction of a new airfield maintenance complex.

Infrastructure investments planned at Double Eagle II Airport between Fiscal Years 2009 and 2012 will support planned commercial and industrial development. A control tower was commissioned by the FAA in Fiscal Year 2009. Planned projects for Fiscal Year 2010 and Fiscal Year 2011 include completion of the reconstruction of Runway 4/22 and Taxiway A, extension of Taxiway B, and the continuation of an environmental assessment for extension of the runways and reconfiguration of the roadways. The City also anticipates construction of a fire station at Double Eagle II Airport during calendar years 2012 and 2013.

Joint Water and Sewer System

The Water/Sewer System was owned by the City and operated by its Public Works Department until December 17, 2003 and revenue bond debt relating to the Water/Sewer System continues to be outstanding. In 2003, the New Mexico Legislature adopted Laws 2003, Chapter 437 (Section 72-1-10, NMSA 1978) which created the Albuquerque Bernalillo County Water Utility Authority (the “Authority”) and required that all functions, appropriations, money, records, equipment and other real and personal property pertaining to the Water/Sewer System be transferred to the Authority. The legislation also provides that the debts of the City payable from net revenues of the Water/Sewer System shall be debts of the Authority and that the Authority shall not impair the rights of any holders of outstanding debts of the Water/Sewer System. The City has transferred functions, appropriations, money records, equipment and other real and personal property pertaining to the Water/Sewer system to the Authority and the policy-making functions of the Water/Sewer System have been transferred to the Authority. The Authority and the City entered into a Memorandum of Understanding dated July 1, 2007, under which the City provides certain administrative support to the Authority.

Information relating to Water/Sewer System may be found in the Annual Information Statement of the Authority dated January 26, 2010 on file with each Nationally Recognized Municipal Securities Information Repository. Financial information and information relating to the operations of the Water/Sewer System for years prior to Fiscal Year 2004 may be found in the Annual Information Statement of the City dated January 20, 2004 on file with each NRMSIR.

Refuse Removal and Disposal System

The City operates its Refuse Removal and Disposal System (the “Refuse System”) through its Solid Waste Management Department. The City has no competitors for refuse removal and disposal services within the City limits. The City collects all residential refuse and imposes a fee on each residential unit. Commercial refuse service is provided to all commercial users at a set fee. However, businesses may haul self-generated refuse, if they obtain a City permit to do so. Although businesses may haul self-generated refuse outside of the City limits to landfills which are not operated by the City, the City does not consider that this has a material effect on the City’s landfill operations.

Landfills

The City uses a landfill site, which has been registered with State and federal authorities since May 1990. The permit for the City’s Cerro Colorado landfill allows only licensed commercial haulers to dispose of solid waste at the landfill site. Residents are not allowed to haul waste to the landfill and, instead, must use the convenience centers described below. If current waste disposal operations continue unchanged, the landfill is expected to reach capacity in 2041. However, it is the stated goal of the City to close the landfill by 2030 and move toward an energy producing waste solution. The landfill presently meets or exceeds all federal and state regulations. To continue in compliance with federal requirements, the City installed a methane gas collection system for the first six cells of the Cerro Colorado landfill.

Collection System

Historically, the residential collection system consisted of one-person crews using side-loading packer vehicles for regular household refuse and recycling. The collection of refuse and recycling occurs once a week. Each household is provided with a 95-gallon container on wheels. The container is wheeled to the curb by the resident on his/her weekly collection day and is serviced by a fully automated collection vehicle, which utilizes a hydraulic arm to grab, lift and empty the container. Residential customers receive one coupon every year typically in the month of August which can be redeemed for 30 clear bags which are used for recyclables. The monthly refuse fee includes the cost of the recycling bags. The regular work schedule for the residential and recycling collection is five eight-hour days a week. Residential routes include 48 Automatic Routes, 12 Recycling Routes, Multi-Family Dwelling Recycling, the Green Waste Pilot Program, and Recycle Bank which consist of 10,000 participants. The total residential refuse vehicles include the daily route vehicles and also the back-up fleet.

The City does not handle refuse collection for Albuquerque Public Schools or the University of New Mexico, two of the region’s major employers, although those entities do use the City’s landfill for a fee.

The City has a hazardous waste awareness program, a household hazardous waste collection program, and a landfill monitoring and remediation program, which are funded from Refuse System revenues. The City does not accept hazardous, toxic or asbestos waste in its landfill. Only biomedical waste that has been previously incinerated is accepted. Both City and State regulatory agencies have established policies to strictly monitor these matters.

The commercial collection system is containerized to the maximum extent possible. Containers varying in size from two cubic yards to eight cubic yards are mechanically dumped into packer trucks. Large generators of refuse use roll-off containers. Collection frequency and container size is determined by the needs of the customer and is factored into the fee calculation. Commercial routes include two rear packers, 20 roll-offs and 34 front-loading routes.

The Solid Waste Department received approval from the New Mexico Solid Waste Bureau to operate a green waste composting site at the Cerro Colorado Landfill. The majority of materials for the green waste composting program is collected and then transported to the Cerro Colorado Landfill composting site from two of the three Solid Waste Department Convenience Centers and Green Waste Curb Side Pilot and Seasonal Programs. Primary materials include leaves, grass clippings, tree trimmings and other assorted yard trimmings. Collected manures will be used as an amendment with the primary materials for the composting process. The department is researching and working to establish markets for the compost or mulch products.

Convenience Centers

The City has constructed three convenience centers for public use, which accept residential haul-your-own waste and small commercial haulers with a vehicle size of less than two tons. The solid waste brought to the convenience centers is collected in large roll-off containers and 120-cubic-yard trailers and hauled to the Cerro Colorado landfill by the City as part of the convenience center's operations. The tonnage collected at the convenience centers represents approximately 8% of the total annual tonnage disposed of at the Cerro Colorado landfill. The current fee at the convenience centers is \$3.47 per load for individuals and \$9.08 per load for small commercial haulers, not including tax.

Recycling Programs

The City provides curbside recycling service for approximately 175,000 residential households every week. Due to the varying levels of participation across the City, there are twelve routes operating Monday through Wednesday and ten routes operating on Thursday and Friday. Manual side-loader vehicles are utilized to service each household. This requires the driver to exit the vehicle at every stop, pick up the material by hand and place it into the truck. The City collects corrugated cardboard, plastic, tin, aluminum, newspaper, mixed paper and junk mail at the curb. The City also provides 20 recycle drop-off sites conveniently located across the city in which citizens can drop-off their recyclables.

In March 2007, the City implemented the new Multi-Family Dwelling Recycling Program. All apartment complexes with 25 units or more are required to provide recycling services for their residents. Any complexes with less than 25 units are eligible for recycling services upon request. Each complex is provided with 96-gallon green recycle carts based upon the level of need. The service charge for collection is \$1.89 per unit.

The City's pilot recycling program began in November 2007 and currently consists of 10,000 households who receive weekly curbside recycling collection service using a 64-gallon

recycle cart. The City also offers an incentive program wherein residents earn points for recycling efforts that can be used for discounts on products and services with participating merchants.

All of the recyclables collected are processed and prepared for market at the City's recycling processing facility, referred to as the Intermediate Processing Facility. Materials are then sold to various vendors for recycling. Currently the market for recyclable goods is down and prices are low. The level of projected revenues from the sale of recyclables and the \$1.89 per resident charge for recycling services covers the cost of service. The Curbside Recycle Cart Pilot Program participants are currently not being charged any additional fees for service.

Weeds, Litter and Graffiti Removal and Community Outreach

As part of the Solid Waste Management Department's overall mission of protecting and preserving the environment, the Department is also responsible for the removal of weeds, litter and graffiti from the City's major thoroughfares and public properties. Revenues produced from this mission are expected by the City to be at a minimal level compared to budgeted expenses for such responsibilities.

The Clean City Division mission is to enhance the City's condition and meet the community's needs for a clean environment and improved quality of life within the City limits. Clean City is currently utilizing six principle programs; the Weed & Litter Program, Community Support Program, Large Items Pick up Program, City of Albuquerque Office Paper Recycling Program, and the City-wide Drop Off Recycling Program.

The Weed & Litter Program has divided approximately 188 square miles in the City into five major sections and provides safe removal of weeds and litter from major thoroughfares along curb lines and undeveloped medians on a scheduled basis throughout the year. The Clean City Division removes illegal dumping from public and private properties and seeks liens against private property as necessary for properties deemed in violation of the weed and litter ordinance by the City Zoning Enforcement Division.

The Keep Albuquerque Beautiful (KAB) Program is also supported by the Solid Waste Department and acts as a community outreach entity to promote awareness of environmental issues related to solid waste, recycling and sustainability. KAB is an affiliate of the National Keep America Beautiful organization and is funded by grant money from the State of New Mexico.

Solid Waste Management Administration

Mr. John Soladay is the Director of the Solid Waste Management Department and has more than 34 years of public service. He started his career in Southern California where he spent 25 years with the City of Redondo Beach, retiring as the Public Works Director in the late 1990's. Since coming to the City of Albuquerque, John has served as the Fleet Manager; Associate Director of the Department of Municipal Development managing the Facilities and Energy Divisions; Sustainability Officer in the Mayor's office working on the Albuquerque Green Initiative; and for the last two years as Environmental Health Director before accepting the position of Solid Waste Director.

Ms. Jill Holbert is the Deputy Director of the Solid Waste Department. She brings over 20 years of experience in integrated solid waste management; including waste reduction, recycling, composting and solid and household hazardous waste management. Prior to joining the Department, Ms. Holbert worked for the Solid Waste Bureau of the New Mexico Environment Department. She also served as the Solid Waste Management Division Director with the City of Santa Fe and manager of Santa Fe County's solid waste and recycling program. She holds a Master of Science degree in Community Development from the University of California and a bachelor's degree in Natural Resources from the University of Michigan.

Mr. Michael L. Torrez, Ed.D. is the Associate Director of the Solid Waste Management Department of the City. Mr. Torrez has 20 years with the City, coming to Solid Waste Management Department from the Department of Municipal Development where he managed the department's Parking Division. Mr. Torrez holds two Masters Degrees and a Doctorate in Training and Learning Technologies. Mr. Torrez has been a professor with the University of Phoenix for the past 21 years, teaching courses in Management, Human Resources and Employment Law. In his career, Mr. Torrez has written six publications on various subjects related to career planning and performance, including a text book "Managing Human Resources."

Mr. Michael R. Smith is the Associate Director of Administration for the Solid Waste Management Department. Mr. Smith has over 30 years of public and private sector experience as a manager, entrepreneur, business consultant, and educator. He has been serving with the City of Albuquerque over 24 years. He holds a Bachelors Degree in Management, a Masters Degree in Organizational Management, a Masters Degree equivalent in Industrial/Organizational Psychology, and is completing a Ph.D in Psychology. Mr. Smith is a professor for National American University. For the last 7 years he has taught undergraduate and graduate courses in the Management, Business Development, Sociology, Human Resources Management, Organizational Leadership, and Psychology disciplines. In his consulting practice, Mr. Smith has created and facilitated business and learning systems for the Entertainment/Hospitality, Aerospace Manufacturing, Computer Manufacturing, Law Enforcement, Medical, Federal, State, and Municipal Governments, Higher Education, Non-Profit, and Retail segments of the business world.

Mr. Stephen C. Falk, CPA, is the Fiscal Manager of the Solid Waste Management Department. Mr. Falk has over 26 years of financial accounting experience, working as an auditor in public accounting, a financial manager in private industry, and in various governmental accounting positions. Mr. Falk has been a Certified Public Accountant for 26 years, and has worked for the City for the last 16 years.

Ms. Natalie Y. Howard is the Superintendent of Administrative Services for the Solid Waste Management Department. Ms. Howard has over 20 years of private and public sector experience and has been serving the City for approximately 16 years. Ms. Howard has a public relations, customer service, and financial background. She managed the Keep Albuquerque Beautiful Program, and served as the Communications and Billing Manager for the Solid Waste Management Department. She currently manages the administrative branch of the department. In addition, she is an instructor for the University of Phoenix and a certified

mediator for the City. Ms. Howard received her bachelor's degree in Sociology and earned a Master's Degree in Public Administration from the University of New Mexico.

Refuse System Financial Information

Operational Data and Tonnage History for the Refuse System. Shown below are the operational data and solid waste tonnage history for the Refuse System for Fiscal Years 2000 through 2009.

City of Albuquerque Refuse System Operational Data Fiscal Years 2000-2009 Collections

<u>Fiscal Year</u>	<u>Residential/ Recycling Units</u>	<u>Routes</u>	<u>Commercial Units</u>	<u>Routes</u>	<u>Refuse Employees</u>	<u>Collection Vehicles</u>
2000	138,726	52	14,710	54	410	137
2001	141,300	52	14,710	56	409	137
2002	142,445	52	14,720	56	409	137
2003	147,097	47	14,725	56	403	137
2004	156,106	49	11,674	56	405	147
2005	160,201	40	11,436	52	414	154
2006	164,491	43	12,611	55	414	160
2007	167,782	44	13,346	56	432	164
2008	172,828	48	14,219	56	450	170
2009	175,162	48	13,086	56	427	171

Source: City of Albuquerque, Solid Waste Management Department.

City of Albuquerque Solid Waste Tonnage History Fiscal Years 2000-2009

<u>Fiscal Year</u>	<u>Commercial</u>	<u>Residential</u>	<u>Convenience Center, Private Haul, Other</u>	<u>Total Department</u>
2000	212,555	170,750	112,523	495,828
2001	220,326	190,004	91,446	501,776
2002	216,549	162,254	91,006	469,809
2003	228,324	178,503	96,421	503,248
2004	224,350	179,290	104,350	527,990
2005	237,786	159,778	111,889	509,453
2006	239,670	190,527	118,661	548,858
2007	248,014	204,083	142,933	595,030
2008	231,977	203,043	168,717	603,737
2009	214,463	188,229	301,725	704,417

Source: City of Albuquerque, Solid Waste Management Department.

Budget, Rates and Charges. The capital and operating budgets for the Refuse System are submitted to the Council by March 1 of each year for the following fiscal year. The Council considers the budgets, together with the rates necessary to finance the operation and

capital improvements, and adopts the budget and rates necessary for the next fiscal year no later than 60 days after their receipt. Biannually, decade capital plans are also prepared and adopted. These plans are modified by the annual budget process as immediate needs become clear. The current decade capital plan (2009-2018) calls for expenditures of approximately \$56 million financed with a combination of operating cash and refuse revenue bonds.

The rates for residential collection, commercial collection and the use of the Cerro Colorado landfill are established from time to time by City ordinance and are not subject to approval by any other regulatory body. The current rate for residential collection is \$10.75 per month. Commercial rates vary considerably based on the size of container and frequency of service. Current landfill fees by tonnage (not including tax) are \$7.14 for up to 500 pounds, \$14.28 for 501 to 1,000 pounds, \$21.41 for 1,001 to 1,500 pounds, and \$28.55 for 1,501 to 2,000 pounds. Other rates apply for use of the landfill for certain categories of waste such as tires and contaminated soil. The current fee at the convenience centers is \$3.47 per load for individuals and \$9.08 per load for small commercial haulers, not including tax. Included in the rate structure is a fuel surcharge assessed to all refuse customers when the price of diesel fuel exceeds \$1.11 per gallon.

The following tables present a limited 10-year summary of the history of refuse service rate adjustments implemented by the City showing the effective date of such adjustments. See “Historical Financial Information” under this caption. The City anticipates that additional rate increases will be necessary in the near future based on findings in the Integrated Waste Planning Study and Rate Analysis the Department is in the process of completing. The Study seeks, in part, to modernize recycling, encourage commercial recycling, implement a rate structure that reflects current costs and encourages more residential recycling. The Department anticipates the City Council will consider the rate analysis in the FY11 Budget process and, if adopted, will require a rate increase to offset the costs of additional capital needs.

**City of Albuquerque
Refuse System
Residential Collection Fee Adjustments**

<u>Month</u>	<u>Year</u>	<u>Monthly Rate</u>	<u>% Increase</u>
June	2000	\$9.91	5.7
June	2001	9.94	0.3
June	2002	9.94	0.0
June	2003	10.24	3.0
June	2004	10.24	0.0
June	2005	10.24	0.0
June	2006	10.75	5.0
June	2007	10.75	0.0
June	2008	10.75	0.0
June	2009	10.75	0.0

Source: City of Albuquerque, Solid Waste Management Department.

Landfill Fee Adjustment

<u>Month</u>	<u>Year</u>	<u>Rate</u>	<u>% Increase</u>
June	2000	\$125.00/ton (tires)	25.0
June	2001	105.65/ton (tires)	(-15.0)
June	2002	105.65/ton (tires)	0.0
June	2003	105.65/ton (tires)	0.0
June	2004	105.65/ton (tires)	0.0
June	2005	105.65/ton (tires)	0.0
June	2006	110.93/ton (tires)	5.0
June	2007	110.93/ton (tires)	0.0
June	2008	110.93/ton (tires)	0.0
June	2009	110.93/ton (tires)	0.0

Source: City of Albuquerque, Solid Waste Management Department.

Convenience Center Fee Adjustments

<u>Month</u>	<u>Year</u>	<u>Rate</u>	<u>% Increase</u>
June	2000	\$3.15/load (residential)	5.0
		8.28/load (commercial)	4.0
June	2001	3.25/load (residential)	4.0
		8.40/load (commercial)	2.0
June	2002	3.25/load (residential)	0.0
		8.40/load (commercial)	0.0
June	2003	3.30/load (residential)	2.0
		8.65/load (commercial)	3.0
June	2004	3.30/load (residential)	0.0
		8.65/load (commercial)	0.0
June	2005	3.30/load (residential)	0.0
		8.65/load (commercial)	0.0
June	2006	3.47/load (residential)	5.0
		9.08/load (commercial)	5.0
June	2007	3.47/load (residential)	0.0
		9.08/load (commercial)	0.0
June	2008	3.47/load (residential)	0.0
		9.08/load (commercial)	0.0
June	2009	3.47/load (residential)	0.0
		9.08/load (commercial)	0.0

Source: City of Albuquerque, Solid Waste Management Department.

Refuse System Billing and Collections. The City's Solid Waste Management Department (SWMD) bills approximately 180,000 accounts on a monthly basis for commercial and residential garbage collection, recycling collection and disposal fees. The City has an active agreement with the Albuquerque Bernalillo County Water Utility Authority (ABCWUA) to bill jointly for water and refuse services via the Customer Care and Billing System (CC&B). SWMD pays a portion of all incurred operating costs on an annual basis. As part of this agreement, the ABCWUA manages collections of delinquent accounts for the

SWMD with the exception of accounts that only incur refuse or landfill charges and do not incur water charges.

The Water/Refuse utility bill indicates the current amount due, the past due balance and any necessary adjustments to the account. If a customer is more than 30 days delinquent, the customer is officially in “collections” status and begins receiving collection letters. After 90 days, the customer receives a 15-day trial shut-off notice. If the ABCWUA or the City does not receive a response from the customer, the City, for health and safety reasons, will continue to collect the customer’s refuse, but ABCWUA has the authority to shut off the customer’s water until the bill is paid or the customer has made arrangements for payment.

For accounts with only refuse service, the City requires a deposit from the customer. This deposit is applied to the account upon service termination as per the Refuse Ordinance. The City applies a 1.5% per month penalty to all delinquent bills. Under most circumstances, at any time a bill is delinquent, a lien on the customer’s property can be filed.

Historical Financial Information. The following table compares revenues and expenses over the past five Fiscal Years.

City of Albuquerque
Refuse Removal and Disposal System
Historical Financial Information
Fiscal Years 2005-2009
(\$000)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009⁽¹⁾</u>
Total operating revenues	\$45,537	\$46,541	\$50,447	\$52,511	
Non-operating revenues					
(expenses):					
Interest ⁽²⁾	579	484	695	631	
Other	9	(229)	286	123	
Gain (loss) on disposition of property & equipment	(1,187)	(74)	(125)	(168)	
Fuel Surcharge	--	1,332	2,041	2,691	
Transfers in/(out)	<u>(576)</u>	<u>700</u>	<u>800</u>	<u>1,300</u>	
Total adjusted revenues	<u>\$44,362</u>	<u>\$48,754</u>	<u>\$54,144</u>	<u>\$57,088</u>	
Total operating expenses (excluding interest expense)	\$41,129	\$45,763	\$49,106	\$54,493	
Less:					
Payments in lieu of taxes	(676)	(986)	(1,058)	(1,052)	
Depreciation	(6,032)	(6,378)	(6,017)	(6,796)	
Amortization	(202)	(22)	(13)	(4)	
Other	-	-	(4)	(48)	
Total adjusted operating expenses	<u>\$34,219</u>	<u>\$38,377</u>	<u>\$42,014</u>	<u>\$46,593</u>	
Net revenues available for debt service	<u>\$10,143</u>	<u>\$10,377</u>	<u>\$12,130</u>	<u>\$10,495</u>	

(1) See "FISCAL YEAR 2009 FINANCIAL INFORMATION NOT AVAILABLE".

(2) GASB-31 Market Value Adjustment (Interest)

Source: City of Albuquerque Comprehensive Annual Financial Reports.

The decline in net revenues available for debt service in Fiscal Year 2008 arises from commercial customers who have reduced waste. Commercial waste correlates to overall economic patterns and drops as businesses see a decrease in business.

The increase in net revenues available for debt service in Fiscal Year 2009 is the result of land developers cleaning out old landfill sites for future development, at a reduced tipping fee and the City does not believe it is recurring revenue.

Capital Improvement Projects. The Council has implemented a limitation on all Solid Waste Department Capital Improvement Projects spending. The Solid Waste Department Capital Improvement Projects debt service payment cannot exceed 11% of the total operating expenses.

Golf Courses

Generally

The City currently owns and operates four municipal golf courses: Arroyo del Oso, Ladera, Los Altos and Puerto del Sol (collectively, the “Golf Courses”). Each of the Golf Courses offers a pro shop and food and banquet services to varying degrees.

The City presently has outstanding one series of special limited obligations secured by net revenues of the City’s golf courses, which bonds also have a lien on the City’s state shared gross receipts tax revenues. The Taxable Golf Revenue/Gross Receipts Tax Bonds, Series 2001 are currently outstanding in the principal amount of \$625,000.

All four golf courses are maintained by the City’s Golf Management Division. The City has contracted with certain third parties (collectively, the “Concessionaires”) to manage the pro shop operations, concessions and certain other operations at each Golf Course. New Mexico Golf, Ltd., a New Mexico corporation, has operated the pro shop and concessions at Arroyo del Oso and Puerto del Sol since their openings. Los Altos Golf Course Concessions, Inc., a New Mexico corporation, has operated the pro shop and concessions at Los Altos Golf Courses since its opening in 1960. Westside Golf, Inc., a New Mexico corporation, has operated the pro shop and concessions at Ladera Golf Course since 1995. In 2009, the City renegotiated the contracts with Westside Golf, Inc. The expiration date for the Concessionaires’ contracts are Los Altos Golf Course – December 31, 2015; Ladera Golf Course – December 31, 2014; Arroyo del Oso Golf Course – December 31, 2013 and Puerto del Sol Golf Course – December 31, 2013.

Pursuant to their respective agreements with the City, the Concessionaires are obligated to operate the pro shop and food service areas (including the provision of staff), collect greens fees on behalf of the City, and prepare daily cash reports and annual audits. In exchange for the exclusive right to run such operations at the Golf Courses, Concessionaires pay to the City a percentage of all gross receipts received, exclusive of green fees, as a result of such operations (which percentage varies among the Golf Courses) and guarantee a minimum annual payment to the City. The City receives 100% of the green fees collected. The Concessionaires and the City each have the right to terminate the agreements for cause upon 30 days’ notice.

Market and Usage

All four Golf Courses are open year round, only closing for Christmas Day and severely inclement weather. The majority of rounds are played by local residents, with estimated 5% of play coming from tourism and outside tournaments. The table below sets forth the estimated number of nine and eighteen-hole rounds played at each Golf Course over the past five fiscal years. The Parks and Recreation Department is developing a full golf program to increase golf awareness and increase junior golf participation. Additionally, the Golf Courses will begin utilizing an on-line program for pre-registering for tee times to simplify the process for patrons.

Rounds Played at City of Albuquerque Golf Courses Fiscal Years 2005-2009

<u>Golf Course</u>	<u>2005</u>	<u>% Change</u>	<u>2006</u>	<u>% Change</u>	<u>2007⁽¹⁾</u>	<u>% Change</u>	<u>2008</u>	<u>% Change</u>	<u>2009</u>	<u>% Change</u>
Arroyo Del Oso	116,180	1.12%	123,766	6.53%	109,131	(11.82)%	107,146	(1.82)%	108,874	1.6%
Ladera	69,198	6.52%	65,766	(4.96)%	45,490	(30.83)%	59,771	31.39%	63,266	5.8%
Los Altos	76,401	(7.42)%	86,424	13.12%	79,877	(7.58)%	75,363	(5.65)%	73,105	(3.0)%
Puerto Del Sol	49,468	(3.53)%	52,481	6.09%	49,106	(6.43)%	47,362	(3.55)%	44,215	(6.6)%

(1) Rounds and revenues declined in Fiscal Year 2007 due to unusually heavy rains in August 2006 along with low temperatures and heavy snowfalls in December 2006 and January 2007. In addition, Ladera's Executive Nine was closed, renovated and reopened for play which negatively impacted the number of rounds played at Ladera.

Source: City of Albuquerque, Parks and Recreation Department.

The present management of the Parks and Recreation Department of the City, including the Golf Management Division, is as follows:

Barbara Baca, Director, Parks and Recreation Department. In December 2009, Ms. Baca was appointed Director for the City of Albuquerque Parks & Recreation Department in November 2009. Ms. Baca started her career with the Department in 1983 with the Open Space Division. Ms. Baca worked collaboratively with Open Space volunteers and advocates to develop the Rio Grande Valley State Park Management Plan to protect the Rio Grande Bosque. She was the co-author of the Northwest Mesa Escarpment Plan which led to the creation of Petroglyph National Monument. She also worked for the National Park Service Rivers, Trails and Conservation Assistance Program for 3 years in Washington, D.C.

Ms. Baca is a native of Albuquerque graduating from West Mesa High School where she ran track, and played volleyball and basketball. She attended U.N.M. on an athletic scholarship and played volleyball for four years earning a Bachelors Degree in Recreation. She also holds a Masters degree in Recreation Administration from the University of Colorado, Boulder.

Leonard Berg, CGCS, Division Manager, Golf Management, Parks and Recreation Department. Mr. Berg joined the City golf staff in June of 2008. He has more than 40 years experience in the golf course industry which includes 30 years as a Certified Golf Course Superintendent. Mr. Berg has worked and/or managed golf operations at private and public golf facilities. Mr. Berg attended Pennsylvania State University where he successfully completed the Turfgrass Management Program. In order to maintain his Certification status in the golf industry, he has attained over 100 hours of continuing education credits from the Golf Course Superintendents Association of America. He has been president of two golf associations, the Midwest Association of Golf Course Superintendents and the Chicagoland Association of Golf Course Superintendents.

Andres Garcia, Fiscal Manager, Parks and Recreation Department. Mr. Garcia has been with the City for 24 years. He has worked for the Parks and Recreation Department for the last 15 years. In 2007, he was promoted to Fiscal Manager for the Department. Mr. Garcia received a BA in Business Administration (with a concentration of study in Accounting and Management) from the College of Santa Fe.

Golf Course Financial Information

Historical Financial Information. The table below compares revenues, expenses, and amounts available for debt service over the past five Fiscal Years.

City of Albuquerque-Golf Course Historical Financial Information - Fiscal Years 2005-2009

					(unaudited)	% Increase (Decrease) Between '05 & '09
<u>Operating</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009⁽²⁾</u>	
<u>Revenues</u>						
Charges for Services ⁽¹⁾	<u>\$3,823,904</u>	<u>\$4,122,256</u>	<u>\$3,860,049</u>	<u>\$4,221,394</u>		
<u>Operating Expenses</u>						
Salaries and Fringe Benefits	\$1,936,607	\$1,760,218	\$1,956,318	\$1,976,021		
Professional Services	3,406	-	1,968	8,028		
Utilities	745,904	824,147	933,251	1,098,238		
Supplies	83,582	74,020	92,504	90,836		
Travel	342	902	4,829	2,879		
Fuel, Repairs and Maintenance	381,117	361,731	437,956	412,579		
Contractual Services	84,134	63,260	67,990	49,335		
Indirect Overhead	174,000	291,590	387,759	398,551		
Other Operating Expenses	90,345	108,107	117,510	104,691		
Depreciation	288,994	295,622	276,787	286,215		
<u>Total Operating Expenses</u>	<u>3,788,431</u>	<u>3,779,597</u>	<u>4,276,872</u>	<u>4,428,373</u>		
<u>Operating Income</u>	<u>35,473</u>	<u>342,659</u>	<u>(416,823)</u>	<u>(206,979)</u>		
 <u>Non-Operating Revenues/ Expenses</u>						
Interest on Investments	\$44,627	\$22,977	\$25,279	\$2,579		
Bond Issue Costs (Amortization)	(12,749)	(10,801)	(9,056)	(7,357)		
Gain (Loss) on Sale of Property	(809)	0	0	0		
Interest Expense	(92,122)	(29,659)	(94,824)	(78,617)		
Other	<u>89,161</u>	<u>101,069</u>	<u>101,479</u>	<u>46,129</u>		
Total Non-Operating Revenue	<u>28,108</u>	<u>83,586</u>	<u>22,878</u>	<u>(37,266)</u>		
<u>Income (Loss) Before Transfers</u>	<u>63,581</u>	<u>426,245</u>	<u>(400,817)</u>	<u>(262,649)</u>		
<u>Operating Transfers Out</u>	<u>(62,643)</u>	<u>(92,973)</u>	<u>(87,085)</u>	<u>(95,606)</u>		
<u>Change in Net Assets</u>	<u>938</u>	<u>333,272</u>	<u>(487,902)</u>	<u>(358,255)</u>		

Amount Available for Debt Service

Net Income	\$938	\$333,272	(\$487,902)	(\$338,113)
Add: Depreciation	288,994	295,622	276,787	286,215
Interest Expense	92,122	29,337	94,824	78,617
Payment in Lieu of Taxes	62,643	92,973	87,085	95,719
Amortization	12,749	10,801	9,056	7,357
Change in Market Value of Investments	(8,471)	(2,364)	(1,276)	(399)
Less Gain (Loss) on Sale of Assets	<u>809.00</u>	<u>0</u>	<u>(186.00)</u>	<u>0</u>
Less contributed capital	(10,069)	(10,410)	0	(20,142)
Amount Available for Debt Service	<u>\$439,715</u>	<u>\$749,231</u>	<u>(\$21,612)</u>	<u>\$122,166</u>

(1) Charges for Services are comprised of revenues from greens fees and concessions. See "Fee Structure and Revenues."

(2) See "FISCAL YEAR 2009 FINANCIAL INFORMATION NOT AVAILABLE".

Source: City of Albuquerque, Parks and Recreation Department.

Structure and Revenues. Golf Course revenues consist primarily of green fees and concessions. Rates at the Golf Courses are evaluated annually and were increased effective January 2010. Regular fees for 18 holes at all Golf Courses are \$22.50 for weekdays, \$29.00 for weekends, \$28.00 for weekday tournaments and \$32.00 for weekend and holiday tournaments. Reduced rates are offered for seniors, juniors and seasonal special play and annual passes are offered. In 2008, the City passed an ordinance that allows the Parks and Recreation Department to increase rates on an as needed basis. The Parks and Recreation Department is evaluating the need for a rate increase in 2011.

The table below sets forth revenues for the Golf Courses for the past five fiscal years.

**City of Albuquerque Golf Course Revenues
Fiscal Years 2005-2009**

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	(unaudited) <u>2009⁽¹⁾</u>
Greens Fees					
Los Altos	\$754,663	\$879,745	\$853,651	\$897,076	
Arroyo	1,325,678	1,431,389	1,333,197	1,390,366	
Puerto	458,416	499,773	517,023	520,108	
Ladera	761,229	711,637	619,125	716,595	
Annual					
Passes	<u>183,317</u>	<u>187,848</u>	<u>137,198</u>	<u>285,460</u>	
Total	<u>\$3,483,303</u>	<u>\$3,710,392</u>	<u>\$3,460,194</u>	<u>\$3,809,605</u>	
Concessions					
Los Altos	\$39,758	\$78,201	\$99,303	\$95,038	
Arroyo	176,772	206,619	204,119	185,937	
Puerto	30,822	25,351	45,725	34,082	
Ladera	<u>93,249</u>	<u>101,693</u>	<u>50,708</u>	<u>96,732</u>	
Total	<u>\$340,551</u>	<u>\$411,864</u>	<u>\$399,855</u>	<u>\$411,789</u>	
Total Greens					
Fees and	<u>\$3,823,854</u>	<u>\$4,122,256</u>	<u>\$3,860,049</u>	<u>\$4,221,394</u>	
Concessions					
Other					
Revenues					
Interest	\$44,627	\$20,242	\$17,570	\$(2,532)	
Rentals	44,848	51,977	56,818	14,813	
Misc.	<u>44,587</u>	<u>51,693</u>	<u>45,661</u>	<u>30,307</u>	
Total	<u>\$134,062</u>	<u>\$123,912</u>	<u>\$120,049</u>	<u>\$42,588</u>	
Total	<u>\$ 3,957,916</u>	<u>\$4,246,168</u>	<u>\$3,980,098</u>	<u>\$4,263,982</u>	
Revenue					

(1) See "FISCAL YEAR 2009 FINANCIAL INFORMATION NOT AVAILABLE".

Source: City of Albuquerque, Parks and Recreation Department.

Net revenues in Fiscal Year 2009 from the City's golf courses were insufficient, standing alone, to meet the 150% debt service coverage ratio required for the outstanding Taxable Golf Course Net Revenue/Gross Receipts Tax Revenue Bonds, Series 2001. The bonds are also payable with state shared gross receipts taxes.

OTHER PROJECTS OF THE CITY

Special Assessment Districts

The City first began its Special Assessment District Program (the "SAD Program") in 1919 and used available statutory procedures at that time for creation of paving programs and paving districts until 1965. The Council adopted the Albuquerque Special Assessment District Policy Ordinance (the "SAD Policy Ordinance") on October 21, 1996 which consolidates and updates policies and procedures. The SAD Policy Ordinance provides that the City may pledge certain supplemental revenues to bonds for SADs where (a) the City owns the improvements; (b) the SAD is contiguous to existing urban facilities or services; and (c) the SAD is for the

benefit of the central urban or established urban areas of the City and certain developing urban areas. A minimum property value/lien ratio of 3:1 is required if an owner of property within a SAD will be responsible for 20% or more of the total proposed special assessment liens in the SAD. In addition to the City policy, Sections 3-33-1 through 3-33-43 NMSA 1978, as amended and supplemented, govern the creation of special assessment districts.

Public Improvement Districts

The Public Improvement District Act was enacted by the State Legislature in 2001 and codified in Sections 5-11-1 through 5-11-27, NMSA 1978, as amended and supplemented (the “PID Act”). The PID Act provides procedures for local governments to create public improvement districts (“PIDs”) through a petition and hearing process, followed by approval through an election of property owners and qualified resident electors. PIDs are authorized to finance various infrastructure and improvements, including water and sewer systems, streets and trails, parks, electrical, gas and telecommunications systems, public buildings, libraries and cultural facilities, school facilities, equipment and related costs of operation and administration.

The PID Act provides for financing based on levying property taxes on land within a PID, imposing special levies based on benefit to property, front footage, acreage, cost of improvements (or other factors apart from assessed valuation), and by providing for use charges for improvements or revenue-producing projects or facilities. PID taxes, levies and charges may be pledged to pay debt service on bonds issued by a PID. Under the Act, PID bonds are not obligations of the State of New Mexico or the local government jurisdiction in which the PID is located, but are obligations solely of the PID issuing the bonds. The Council adopted the Albuquerque Public Improvement District Policy Ordinance (the “PID Policy Ordinance”) in February 2003, which enacts policies and procedures for processing and approving applications for approval of PIDs within the City's boundaries.

The Council has approved four public improvement districts within the City; Ventana West Public Improvement District, Montecito Estates Public Improvement District, Saltillo Public Improvement District and The Trails Public Improvement District. Each of the public improvement districts has issued special levy revenue bonds to finance construction of certain public infrastructure.

Housing Projects

Beach Apartments Project

The Beach Apartments Project, acquired by the City from the Resolution Trust Corporation (“RTC”) in July 1991 with proceeds of its \$1,265,000 Multifamily Mortgage Revenue Bonds (Beach Apartments Project), Series 1991 (the “Series 1991 Bonds”). The complex was conveyed subject to a land use restriction agreement between the City and RTC which stipulates that not less than 35% of the units in the property be made available to households with incomes less than 65% of the area median income, adjusted for family size. The Beach Apartments Project consists of 74 units located in six two and three-story buildings, and the apartment building complex includes a swimming pool and on-site security personnel.

The City refunded the Series 1991 Bonds upon the issuance of the Refunded Bonds. The table below shows the number and types of units of the Beach Apartments.

Number and Types of Units	
<u>Number of Units</u>	<u>Types of Units</u>
13	Studio
8	One Bedroom
49	Two Bedroom
4	Three Bedroom

Annual occupancy rates for the Beach Apartments Project have ranged between 90.2% and 98.0% during 2004 to 2009. For Fiscal Year 2009 (unaudited), the Beach Apartments Project generated total revenues of \$479,877.82 and incurred \$329,132.89 in operating and other expenses, resulting in net income of \$150,744.93 for that period.

Manzano Vista Apartments Project

The Manzano Vista Apartments Project, purchased by the City in January 1994 with proceeds of its \$3,030,000 Multifamily Mortgage Revenue Bonds (Manzano Vista, formerly Dorado Village Apartments, Project), Series 1994 (the “Series 1994 Bonds”), consists of 158 units. The complex was purchased at foreclosure auction and was conveyed by foreclosure deed subject to a use agreement between the City and the U.S. Department of Housing and Urban Development (“HUD”). The use agreement has expired. Although Manzano Vista has no deed restrictions, the City provides 25% of the units in this complex as affordable housing. The City refunded the Series 1994 Bonds upon the issuance of the Refunded Bonds. The table below shows the number and types of units of the Manzano Vista Apartments.

Number and Types of Units	
<u>Number of Units</u>	<u>Types of Units</u>
24	One Bedroom
104	Two Bedroom
30	Three Bedroom

Annual occupancy rates for the Manzano Vista Apartments Project have ranged between 85.1% and 97.0% during 2004 to 2009. For Fiscal Year 2009 (unaudited), the Manzano Vista Apartments Project generated total revenues of \$1,203,579.40 and incurred \$1,032,830.09 in operating and other expenses, resulting in a net income of \$170,749.31 for that period.

Bluewater Village Apartments Project

The Bluewater Village Apartments Project is a 200-unit multi-family building and was acquired by the City with proceeds of its \$11,245,000 Affordable Housing Project/Gross Receipts Tax Subordinate Lien Revenue Bonds, Series 1996 (the “Series 1996 Bonds”). The Bluewater Village Apartments are operated as a mixed-income community, i.e., a portion of the units will be occupied by low and moderate-income families. The City refunded the Series 1996 Bonds upon the issuance of the Refunded Bonds. The table below shows the number and types of units.

Number and Types of Units	
<u>Number of Units</u>	<u>Types of Units</u>
50	One Bedroom
80	Two Bedroom
60	Three Bedroom
10	Four Bedroom

Annual occupancy rates for the Bluewater Village Apartments Project have ranged between 92.0% and 94.7% during 2004 to 2009. For Fiscal Year 2009 (unaudited), the Bluewater Village Apartments Project generated total revenues of \$1,454,527.15 and incurred \$722,670.53 in operating and other expenses, resulting in net income of \$731,856.62 for that period.

INVESTMENT POLICIES AND PROCEDURES

The City has adopted an Investment Policy (the “Investment Policy”) established and maintained by the Investment Oversight Committee which guides the City’s financial decisions. The Investment Oversight Committee reviews the Investment Policy annually and recommends changes as necessary. The Investment Oversight Committee is established by ordinance and consists of five voting members; the Director of Finance and Administrative Services serves as the Chair of the Investment Committee. Day-to-day management of the City’s Investment Program is delegated to the Treasury Division of the Department of Finance and Administrative Services, and specifically to the Investment Manager of the Treasury Division.

The City seeks to balance three primary objectives for its cash portfolio:

- maintaining sufficient liquidity to meet financial obligations;
- diversifying investments among asset classes to ensure safety of principal; and
- earning a market rate of return (subject to permitted investment constraints).

The liquidity goal is achieved by matching investment maturities with the expected timing of obligations. Diversification (safety) is accomplished through implementation of a strategic asset allocation, derived from modern portfolio theory concepts. Attainment of a market return is measured by benchmarking the portfolio against a relevant market index.

Recognizing that cash is an earning asset, the City tries to invest cash balances over amounts required to meet current financial obligations to achieve the highest rate of return consistent with the primary objectives of preservation of principal and maintenance of adequate liquidity. One of the major objectives of the City is to ensure the safety of its principal, which is accomplished by limiting credit risk and interest rate risk. Except for Non-Discretionary Funds, the City seeks to achieve a rate of return on investments at least equal to the average rate of return on the one year U.S. Treasury bill for the reporting period, or other appropriate performance measure as determined by the Investment Committee.

The City attempts to diversify its use of investment instruments to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial

institutions or maturities. The Investment Policy generally provides that, with the exception of U.S. Treasury securities and authorized pools, no more than 50% of the total investment portfolio can be invested in a single security type or with a single financial institution or at a single maturity. Furthermore, in an attempt to limit the City's exposure to the possibility of loss due to interest rate fluctuations, the City will commit no less than 80% of the funds in the commingled investment pool or other discretionary funds to maturities of no more than three (3) years from date of purchase. No more than 20% of the funds may be invested in maturities of up to five (5) years. Investment of non-discretionary assets, including funds to be held in trust, may be committed to maturities up to ten (10) years from the date of purchase.

The Investment Policy permits the City to invest in (a) direct obligations of the United States Treasury; (b) obligations of certain specified government-sponsored agencies; (c) accounts, certificates of deposit or time deposits with qualifying banks and savings and loan associations located in Bernalillo County, New Mexico; (d) bonds or securities of the State of New Mexico, its agencies, or certain of its subdivisions; (e) certain specified repurchase agreements; (f) specified short-term investment and other funds maintained by the State of New Mexico; (g) money market instruments and other securities of commercial banks, brokers-dealers and other specified financial investors; and (h) other permissible investments permitted under statutes of the State of New Mexico. Proceeds of bonds, amounts set aside to pay bonds and reserve funds relating thereto may also be invested in certain tax-exempt obligations and other investments specified in documents relating to the bonds and approved by the Council.

FORWARD-LOOKING STATEMENTS

This Annual Information Statement contains statements relating to future results that are “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. When used in this Annual Information Statement, the words “estimate,” “forecast,” “intend,” “expect,” “project,” “intend,” “budget,” “plan” and similar expressions identify forward-looking statements.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVES KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

LITIGATION

According to the City, there is no action, suit, proceeding, inquiry, investigation or controversy of any nature pending, or to the City's knowledge threatened, involving the City (i) in any way questioning (A) the authority of any officer of the City to exercise the duties and

responsibilities of his or her office or (B) the existence, powers or authority of the City; or (ii) which, except as and to the extent disclosed below may result, either individually or in the aggregate, in final judgments against the City materially adversely affecting its financial condition.

New Mexico Tort Claims Act Limitations

The New Mexico Tort Claims Act limits liability to (i) \$100,000 for damage to or destruction of property arising out of a single occurrence, (ii) \$300,000 for all past and future medical and medically-related expenses arising out of a single occurrence, (iii) \$400,000 to any person for any number of claims arising out of a single occurrence for all damages other than property damage and medical and medically-related expenses, as permitted under the New Mexico Tort Claims Act, and (iv) \$750,000 for all claims other than medical or medically-related expenses arising out of a single occurrence. In two consolidated cases, the City had two judgments entered against it that exceeded these caps on damages under the New Mexico Tort Claims Act. In August 1998, the New Mexico Supreme Court declared the cap on damages unconstitutional as to these two cases only. However, the Court changed the standard from an "intermediate scrutiny" standard to a "rational basis" standard by which the constitutionality issue will be determined in future cases. Since the "rational basis" standard is a lesser standard of scrutiny, the City expects that the cap will be upheld, if challenged in the future. The City has not experienced a material adverse financial impact on claims as a result of the decision in these cases.

Risk Management

Based on historical data, the City believes the Risk Management Fund (an internal service fund) is adequately funded. During Fiscal Year 2007, a comprehensive actuarial review was done to gauge the adequacy of the reserves for both the Workers' Compensation and Tort Liability programs. The actuarial review validated that the current "incurred but not yet reported" reserves were adequate for reserves in anticipation of adverse developments in reported cases and for claims which may have occurred but have not yet been reported. The cash balance grew by \$9,448,436 during Fiscal Year 2008. In Fiscal Year 2009, a comprehensive actuarial study was conducted to again validate the fund's adequacy. Moreover, pursuant to Section 41-4-25(B) NMSA 1978, in the event of a judgment against the City in excess of \$1,000,000 the City, with Council approval, may levy a tax on real property to provide for the payment of catastrophic losses. Finally, the City has reserve amounts created by the City's policy to reserve one-twelfth of the General Fund budgeted amount.

APPROVAL OF ANNUAL STATEMENT

This Annual Statement and its distribution and use for the purposes herein have been authorized and approved by the City.

Submitted for Approval by:

Department of Finance and
Administrative Services

/s/ Lou D. Hoffman

Approved by:

Chief Administrative Officer

/s/ David S. Campbell

APPENDIX A

Independent Auditors' Report, Managements' Discussion and Analysis, Audited Basic Financial Statement, and Notes to Financial Statements

As of and for the Fiscal Year ended June 30, 2009

The City's financial statements for Fiscal Year 2009 are expected to be audited by Moss Adams LLP, independent certified public accountants and then submitted to the New Mexico State Auditor for review and approval. The financial statements for Fiscal Year 2009 are not completed and will be provided upon their completion and approval of the State Auditor.

APPENDIX B

CUSIP Numbers for Outstanding City Bonds

<u>Bond Issue name</u>	<u>D/S Month & Year</u>	<u>Cusip</u>	<u>Principal</u>
Airport Refunding 1997	July 2010	013538EV1	\$1,700,000
Airport Refunding 1997	July 2011	013538EW9	1,805,000
Airport Refunding 1997	July 2012	013538EX7	1,935,000
Airport Refunding 2001	July 2010	013538GF4	\$3,830,000
Airport Refunding 2001	July 2011	013538GG2	2,770,000
Airport Refunding 2001	July 2012	013538GH0	2,920,000
Airport Refunding 2001	July 2013	013538GJ6	3,075,000
Airport Refunding 2001	July 2014	013538GK3	3,240,000
Airport Refunding 2001	July 2015	013538GL1	3,415,000
Airport Refunding 2001	July 2016	013538GM9	3,590,000
Airport Refunding 2004 A	July 2010	013538GT4	\$1,485,000
Airport Refunding 2004 A	July 2011	013538GU1	1,575,000
Airport Refunding 2004 A	July 2012	013538GV9	1,605,000
Airport Refunding 2004 A	July 2013	013538GW7	1,675,000
Airport Refunding 2004 A	July 2014	013538GX5	1,760,000
Airport Refunding 2004 A	July 2015	013538GY3	1,840,000
Airport Refunding 2004 A	July 2016	013538GZ0	1,890,000
Airport Refunding 2004 A	July 2017	013538HA4	1,980,000
Airport Refunding 2004 A	July 2018	013538HB2	1,790,000
Airport Refunding 2004 B	July 2010	013538HF3	\$1,670,000
Airport Refunding 2004 B	July 2011	013538HG1	1,670,000
Airport Refunding 2004 B	July 2012	013538HH9	1,670,000
Airport Refunding 2004 B	July 2013	013538HJ5	1,665,000
Airport Refunding 2004 B	July 2014	013538HK2	1,665,000
Airport Refunding 2004 B	July 2015	013538HL0	1,665,000
Airport Refunding 2004 B	July 2016	013538HM8	1,665,000
Airport Refunding 2004 B	July 2017	013538HN6	1,665,000
Airport Refunding 2004 B	July 2018	013538HP1	1,665,000
Airport Refunding 2004 B	July 2019	013538HQ9	1,665,000
Airport Refunding 2004 B	July 2020	013538HR7	1,665,000
Airport Refunding 2004 B	July 2021	013538HS5	1,665,000
Airport Refunding 2004 B	July 2022	013538HT3	1,665,000
Airport Refunding 2004 B	July 2023	013538HU0	1,665,000
Airport Refunding 2004 B	July 2024	013538HV8	1,665,000
Airport Refunding Revenue Bonds 2008	July 2010	013538HX4	\$330,000
Airport Refunding Revenue Bonds 2008	July 2011	013538HY2	340,000
Airport Refunding Revenue Bonds 2008	July 2012	013538HZ9	350,000
Airport Refunding Revenue Bonds 2008	July 2013	013538JA2	1,820,000
Airport Refunding Revenue Bonds 2008	July 2014	013538JB0	1,890,000
Airport Refunding Revenue Bonds 2008	July 2015	013538JC8	2,000,000
Airport Refunding Revenue Bonds 2008	July 2016	013538JD6	2,100,000
Airport Refunding Revenue Bonds 2008	July 2017	013538JE4	2,190,000
Airport Refunding Revenue Bonds 2008	July 2018	013538JF1	2,300,000
Airport Refunding Revenue Bonds 2008B	July 2010	013538JH7	\$2,300,000
Airport Refunding Revenue Bonds 2008B	July 2011	013538JJ3	2,300,000

<u>Bond Issue name</u>	<u>D/S Month & Year</u>	<u>Cusip</u>	<u>Principal</u>
Airport Refunding Revenue Bonds 2008B	July 2012	013538JK0	2,600,000
Airport Refunding Revenue Bonds 2008B	July 2013	013538JL8	2,545,000
Airport Refunding Revenue Bonds 2008B	July 2014	013538JM6	2,875,000
Airport Refunding Revenue Bonds 2008B	July 2015	013538JN4	1,150,000
Airport Refunding Revenue Bonds 2008C	July 2010	013538JQ7	\$425,000
Airport Refunding Revenue Bonds 2008C	July 2011	013538JR5	435,000
Airport Refunding Revenue Bonds 2008C	July 2012	013538JS3	435,000
Airport Refunding Revenue Bonds 2008C	July 2013	013538JT1	425,000
Airport Refunding Revenue Bonds 2008C	July 2014	013538JU8	420,000
Airport Refunding Revenue Bonds 2008C	July 2015	013538JV6	420,000
Airport Refunding Revenue Bonds 2008C	July 2016	013538JW4	400,000
Airport Refunding Revenue Bonds 2008C	July 2017	013538JX2	405,000
Airport Refunding Revenue Bonds 2008C	July 2018	013538JY0	495,000
Airport Refunding Revenue Bonds 2008C	July 2019	013538JZ7	490,000
Airport Refunding Revenue Bonds 2008C	July 2020	013538KA0	480,000
Sub-Lien Airport Refunding Revenue Bonds 2008D	July 2010	013538 KC6	\$4,210,000
Sub-Lien Airport Refunding Revenue Bonds 2008E	July 2010	013538 KE2	\$1,145,000
Sub-Lien Airport Refunding Revenue Bonds 2008E	July 2011	013538 KF9	5,650,000
Sub-Lien Airport Refunding Revenue Bonds 2008E	July 2012	013538 KG7	5,915,000
Sub-Lien Airport Refunding Revenue Bonds 2008E	July 2013	013538 KH5	6,320,000
Sub-Lien Airport Refunding Revenue Bonds 2008E	July 2014	013538 KJ1	6,490,000
General Obligation General Purpose 2001A	July 2010	013518P41	\$4,110,000
General Obligation Stadium 2001C	July 2010	013518Q73	\$1,000,000
General Obligation General Purpose 2003B	July 2010	013518T39	\$7,335,000
General Obligation General Purpose 2003B	July 2011	013518T47	7,335,000
General Obligation General Purpose 2003B	July 2012	013518T54	5,230,000
General Obligation General Purpose 2005 A	July 2010	013518U60	\$11,355,000
General Obligation General Purpose 2005 A	July 2011	013518U78	11,350,000
General Obligation General Purpose 2005 A	July 2012	013518U86	11,350,000
General Obligation General Purpose 2005 A	July 2013	013518U94	11,130,000
General Obligation General Purpose 2007B	July 2010	013518V69	\$5,350,000
General Obligation General Purpose 2007B	July 2011	013518V77	5,350,000
General Obligation General Purpose 2007B	July 2012	013518V85	5,345,000
General Obligation General Purpose 2007B	July 2013	013518V93	5,345,000
General Obligation General Purpose 2007B	July 2014	013518W27	5,345,000
General Obligation General Purpose 2007B	July 2015	013518W35	2,805,000
General Obligation General Purpose 2007B	July 2016	013518W43	2,805,000
General Obligation General Purpose 2008A	July 2010	013518W84	\$4,775,000
General Obligation General Purpose 2008A	July 2011	013518W92	4,775,000
General Obligation General Purpose 2008A	July 2012	013518X26	4,775,000
General Obligation General Purpose 2008A	July 2013	013518X34	4,775,000

<u>Bond Issue name</u>	<u>D/S Month & Year</u>	<u>Cusip</u>	<u>Principal</u>
General Obligation General Purpose 2008A	July 2014	013518X42	4,775,000
General Obligation General Purpose 2008A	July 2015	013518X59	4,775,000
General Obligation General Purpose 2008A	July 2016	013518X67	4,775,000
General Obligation General Purpose 2008A	July 2017	013518X75	800,000
General Obligation General Purpose 2009A	July 2010	013518X91	\$6,110,000
General Obligation General Purpose 2009A	July 2011	013518Y25	6,110,000
General Obligation General Purpose 2009A	July 2012	013518Y33	6,110,000
General Obligation General Purpose 2009A	July 2013	013518Y41	6,110,000
General Obligation General Purpose 2009A	July 2014	013518Y58	6,110,000
General Obligation General Purpose 2009A	July 2015	013518Y66	6,110,000
General Obligation General Purpose 2009A	July 2016	013518Y74	6,110,000
General Obligation General Purpose 2009A	July 2017	013518Y82	6,110,000
General Obligation General Purpose 2009A	July 2018	013518Y90	6,090,000
General Obligation Storm Sewer 2000B	July 2010	013518N27	\$1,200,000
General Obligation Storm Sewer 2001B	July 2010	013518P58	\$200,000
General Obligation Storm Sewer 2001B	July 2011	013518P66	4,310,000
General Obligation Storm Sewer 2002C	July 2010	013518S22	\$2,700,000
General Obligation Storm Sewer 2002C	July 2011	013518S30	2,700,000
General Obligation Storm Sewer 2003C	July 2012	013518T62	\$2,105,000
General Obligation Storm Sewer 2003C	July 2013	013518T70	7,335,000
General Obligation Storm Sewer 2005 B	July 2013	013518V28	\$220,000
General Obligation Storm Sewer 2005 B	July 2014	013518V36	11,355,000
General Obligation Storm Sewer 2007C	July 2015	013518W50	\$2,540,000
General Obligation Storm Sewer 2007C	July 2015	013518W68	2,540,000
General Obligation Storm Sewer 2008B	July 2017	013518X83	\$4,000,000
Gross Receipts Tax Refunding 1996	July 2010	01354HEQ1	\$670,000
Gross Receipts Tax Refunding 1996	July 2011	01354HER9	775,000
Gross Receipts Tax Refunding 2008A	July 2010	01354PCK8	\$2,605,000
Gross Receipts Tax Refunding 2008A	July 2011	01354PCL6	2,705,000
Gross Receipts Tax Refunding 2008A	July 2012	01354PCM4	2,825,000
Gross Receipts Tax Refunding 2008A	July 2013	01354PCN2	2,960,000
Gross Receipts Tax Refunding 2008A	July 2014	01354PCP7	3,105,000
Gross Receipts Tax Refunding 2008B	July 2010	01354PCR3	\$320,000
Gross Receipts Tax Refunding 2008B	July 2011	01354PCS1	335,000
Gross Receipts Tax Refunding 2008B	July 2012	01354PCT9	345,000
Gross Receipts Tax Refunding 2008B	July 2013	01354PCU6	360,000
Gross Receipts Tax Refunding 2008B	July 2014	01354PCV4	375,000
Gross Receipts Tax Refunding 2008B	July 2015	01354PCW2	395,000
Gross Receipts Tax Refunding 2008B	July 2016	01354PCX0	415,000

<u>Bond Issue name</u>	<u>D/S Month & Year</u>	<u>Cusip</u>	<u>Principal</u>
Gross Receipts Tax Refunding 2008B	July 2017	01354PCY8	435,000
Gross Receipts Tax Refunding 2008B	July 2018	01354PCZ5	455,000
Gross Receipts Tax Refunding 2008B	July 2019	01354PDA9	480,000
Gross Receipts Tax Refunding 2008B	July 2020	01354PDB7	505,000
Gross Receipts Tax Refunding 2008B	July 2021	01354PDC5	530,000
Gross Receipts Tax Refunding 2008B	July 2022	01354PDD3	555,000
Gross Receipts Tax Refunding 2008B	July 2023	01354PDE1	580,000
Gross Receipts Tax Refunding 2008B	July 2026	01354PDF8	1,930,000
Gross Receipts Tax Refunding 2008B	July 2030	01354PDG6	3,090,000
Gross Receipts Tax Refunding 2009B	July 2010	01354PDH4	\$440,000
Gross Receipts Tax Refunding 2009B	July 2011	01354PDJ0	440,000
Gross Receipts Tax Refunding 2009B	July 2012	01354PDK7	465,000
Gross Receipts Tax Refunding 2009B	July 2013	01354PDL5	475,000
Gross Receipts Tax Refunding 2009B	July 2014	01354PDM3	865,000
Gross Receipts Tax Refunding 2009B	July 2015	01354PDN1	2,995,000
Gross Receipts Tax Refunding 2009B	July 2016	01354PDP6	3,180,000
Gross Receipts Tax Refunding 2009B	July 2017	01354PDQ4	3,345,000
Gross Receipts Tax Refunding 2009B	July 2018	01354PDR2	3,505,000
Gross Receipts Tax Refunding 2009B	July 2019	01354PDS0	3,740,000
Gross Receipts Tax Refunding 2009B	July 2020	01354PDT8	3,940,000
Gross Receipts Tax Refunding 2009B	July 2021	01354PDU5	4,075,000
Gross Receipts Tax Refunding 2009B	July 2022	01354PDV3	840,000
Golf Course Net Revenue/GRT Series 2001	July 2010	01354T AJ5	\$300,000
Golf Course Net Revenue/GRT Series 2001	July 2011	01354T AK2	325,000
Gross Receipts/Lodgers 1991B	July 2012	01354MCT6	\$560,000
Gross Receipts/Lodgers 1991B	July 2013	01354MCU3	590,000
Gross Receipts/Lodgers 1991B	July 2014	01354MCV1	585,000
Gross Receipts/Lodgers 1991B	July 2015	01354MCW9	600,000
Gross Receipts/Lodgers 1991B	July 2016	01354MCX7	540,000
Gross Receipts/Lodgers 1991B	July 2017	01354MCY5	545,000
Gross Receipts/Lodgers 1991B	July 2018	01354MCZ2	550,000
Gross Receipts Tax/Lodger Refunding 2004 A	July 2030	01354MDB4	\$2,300,000
Gross Receipts Tax/Lodger Refunding 2004 A	July 2031	01354MDB4	4,280,000
Gross Receipts Tax/Lodger Refunding 2004 A	July 2032	01354MDC2	4,575,000
Gross Receipts Tax/Lodger Refunding 2004 A	July 2033	01354MDC2	4,900,000
Gross Receipts Tax/Lodger Refunding 2004 A	July 2034	01354MDE8	2,800,000
Gross Receipts Tax/Lodger Refunding 2004 A	July 2035	01354MDE8	5,605,000
Gross Receipts Tax/Lodger Refunding 2004 A	July 2036	01354MDE8	1,130,000
Gross Receipts Tax/Lodger Refunding 2004 A	July 2037	01354MDE8	6,375,000
Gross Receipts Tax/Lodger Refunding 2004 B	July 2010	01354MDL2	\$205,000
Gross Receipts Tax/Lodger Refunding 2004 B	July 2011	01354MDM0	200,000
Gross Receipts Tax/Lodger Refunding 2004 B	July 2012	01354MDN8	225,000
Gross Receipts Tax/Lodger Refunding 2004 B	July 2013	01354MDP3	210,000
Gross Receipts Tax/Lodger Refunding 2004 B	July 2014	01354MDQ1	235,000
Gross Receipts Tax/Lodger Refunding 2004 B	July 2015	01354MDR9	245,000

<u>Bond Issue name</u>	<u>D/S Month & Year</u>	<u>Cusip</u>	<u>Principal</u>
Gross Receipts Tax/Lodger Refunding 2004 B	July 2016	01354MDR9	325,000
Gross Receipts Tax/Lodger Refunding 2004 B	July 2017	01354MDR9	350,000
Gross Receipts Tax/Lodger Refunding 2004 B	July 2018	01354MDR9	370,000
Gross Receipts Tax/Lodger Refunding 2004 B	July 2019	01354MDR9	405,000
Gross Receipts Tax/Lodger Refunding 2004 B	July 2020	01354MDR9	425,000
Gross Receipts Tax/Lodger Refunding 2004 B	July 2021	01354MDR9	450,000
Gross Receipts Tax/Lodger Refunding 2004 B	July 2022	01354MDR9	465,000
Gross Receipts Tax/Lodger Refunding 2004 B	July 2023	01354MDR9	545,000
Gross Receipts Tax/Lodger Refunding 2004 B	July 2024	01354MDR9	530,000
Gross Receipts Tax/Lodger Refunding 2004 B	July 2025	01354MDS7	630,000
Gross Receipts Tax/Lodger Refunding 2004 B	July 2026	01354MDS7	2,905,000
Gross Receipts Tax/Lodger Refunding 2004 B	July 2027	01354MDS7	3,155,000
Gross Receipts Tax/Lodger Refunding 2004 B	July 2028	01354MDS7	3,415,000
Gross Receipts Tax/Lodger Refunding 2004 B	July 2029	01354MDS7	3,695,000
Gross Receipts Tax/Lodger Refunding 2004 B	July 2030	01354MDS7	1,685,000
Gross Receipts Tax/Lodger Refunding 2004 B	July 2034	01354MDS7	2,435,000
Gross Receipts Tax/Lodger Refunding 2004 B	July 2036	01354MDS7	4,855,000
Gross Receipts/Lodgers 2009A	July 2013	01354MEH0	\$80,000
Gross Receipts/Lodgers 2009A	July 2014	01354MEJ6	145,000
Gross Receipts/Lodgers 2009A	July 2015	01354MEK3	210,000
Gross Receipts/Lodgers 2009A	July 2016	01354MEL1	280,000
Gross Receipts/Lodgers 2009A	July 2017	01354MEM9	355,000
Gross Receipts/Lodgers 2009A	July 2018	01354MEN7	440,000
Gross Receipts/Lodgers 2009A	July 2019	01354MEP2	1,070,000
Gross Receipts/Lodgers 2009A	July 2020	01354MEQ0	1,200,000
Gross Receipts/Lodgers 2009A	July 2021	01354MER8	1,340,000
Gross Receipts/Lodgers 2009A	July 2022	01354MES6	1,490,000
Gross Receipts/Lodgers 2009A	July 2023	01354MET4	280,000
Gross Receipts/Lodgers 2009A	July 2024	01354MEU1	1,775,000
Gross Receipts/Lodgers 2009A	July 2025	01354MEV9	1,870,000
Refuse Removal and Disposal 1998	July 2010	013630CW6	\$795,000
Refuse Removal and Disposal 1998	July 2011	013630CX4	830,000
Refuse Removal and Disposal 1998	July 2012	013630CY2	865,000
Refuse Removal and Disposal 1998	July 2013	013630CZ9	905,000
Refuse Removal and Disposal 2001B	July 2010	013630DQ8	\$2,525,000
Refuse Removal and Disposal 2001B	July 2011	013630DR6	2,655,000
Refuse Removal and Disposal 2001B	July 2012	013630DS4	2,780,000