NEW ISSUE - BOOK-ENTRY-ONLY

$50,610,000
CITY OF ALBUQUERQUE, NEW MEXICO
Airport Revenue Bonds

$20,610,000 Subordinate Lien Taxable Refunding Bonds Series 2004A	$30,000,000 Senior Lien Improvement Bonds Series 2004B (AMT)

Dated: Date of Issue **Due: July 1, as shown on inside cover**

The City of Albuquerque, New Mexico Subordinate Lien Taxable Airport Refunding Revenue Bonds, Series 2004A (the "Series 2004A Bonds") and City of Albuquerque, New Mexico Senior Lien Airport Improvement Revenue Bonds, Series 2004B (the "Series 2004B Bonds" and together with the Series 2004A Bonds, the "Series 2004 Bonds") will be issued as fully registered bonds in denominations of $5,000 or any integral multiple thereof. The Depository Trust Company will act as securities depository for all of the Series 2004 Bonds through its nominee, Cede & Co. One or more fully registered bonds in denominations in the aggregate equal to the principal amount of each maturity of each series of the Series 2004 Bonds will be registered in the name of Cede & Co. Individual purchases of Series 2004 Bonds will be made in book-entry form only and beneficial owners of the Series 2004 Bonds will not receive physical delivery of bond certificates, except as described herein. Upon receipt of payments of principal and interest, DTC will remit such payments to DTC participants for subsequent disbursement to beneficial owners of the Series 2004 Bonds.

Principal of and interest on the Series 2004 Bonds will be payable to DTC, or its nominee, as owner of the Series 2004 Bonds by the Treasurer of the City of Albuquerque, New Mexico, as Paying Agent, Registrar and Authenticating Agent. Interest on the Series 2004 Bonds is payable on January 1 and July 1 of each year, commencing July 1, 2004, as more fully described herein.

See the inside cover page for maturities, principal amounts, interest rates and prices or yields.

The Series 2004 Bonds are subject to optional and extraordinary redemption prior to maturity, as more fully described herein.

The Series 2004 Bonds are being issued pursuant to a Bond Ordinance adopted by the City for the purposes of refunding a portion of the City's outstanding Subordinate Lien Adjustable Rate Taxable Airport Revenue Bonds, Series 2000B and financing capital improvements to the City's Airport. **The Series 2004 Bonds will be special and limited obligations of the City, payable solely from the Net Revenues of the Airport and related facilities and certain funds and accounts, as described herein. The Series 2004 Bonds will not be general obligations of the City and neither the faith and credit of the City nor the use of the taxing power or general resources of the City will be pledged for the payment thereof.**

Payment of the principal of and interest on the Series 2004 Bonds when due will be insured by municipal bond insurance policies to be issued by MBIA Insurance Corporation ("MBIA") simultaneously with the delivery of the Series 2004 Bonds.

MBIA

Interest on the Series 2004A Bonds is includible in gross income for federal income tax purposes. In the opinion of Kutak Rock LLP, Special Tax Counsel, under existing laws, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and continuing compliance with certain covenants described in "TAX MATTERS" herein, interest on the Series 2004B Bonds (including original issue discount treated as interest, if any) is excluded from gross income for federal income tax purposes except that such exclusion does not apply with respect to interest on any Series 2004B Bonds for any period during which such Series 2004B Bonds are held by a person who is a "substantial user" of the projects financed by the Series 2004B Bonds or by a person "related" to such "substantial user" within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"). Special Tax Counsel is further of the opinion that interest on the Series 2004B Bonds (including original issue discount treated as interest, if any) constitutes an item of tax preference for purposes of determining the federal alternative minimum tax for individuals and corporations. Under existing laws, regulations, rulings and judicial decisions, Special Tax Counsel is further of the opinion that interest on the Series 2004 Bonds is exempt from New Mexico state income taxes. See "TAX MATTERS" herein.

Approval of certain legal matters will be passed on by Brownstein Hyatt & Farber, P.C., Albuquerque, New Mexico, as Bond Counsel. Certain tax matters will be passed on by Kutak Rock LLP, Denver, Colorado, Special Tax Counsel. Certain legal matters will be passed on by the City Attorney or an Assistant City Attorney for the City and by Modrall, Sperling, Roehl, Harris & Sisk, P.A., Albuquerque, New Mexico, as Disclosure Counsel to the City. The Underwriters are being represented in connection with their purchase of the Series 2004 Bonds by Sutin, Thayer & Browne A Professional Corporation. It is expected that a single certificate for each maturity of each series of the Series 2004 Bond will be issued to DTC in New York, New York on or before March 23, 2004.

Citigroup

JPMorgan **RBC Dain Rauscher Inc.** **UBS Financial Services Inc.**

March 1, 2004

MATURITY SCHEDULE

$20,610,000 Series 2004A Bonds
(Cusip No. 013538)

Maturity Date (July 1)	Principal Amount	Interest Rate	Yield	Cusip No.
2005	$ 635,000	1.630%	1.630%	GN7
2006	800,000	2.170	2.170	GP2
2007	965,000	2.720	2.720	GQ0
2008	1,150,000	3.210	3.210	GR8
2009	1,460,000	3.600	3.600	GS6
2010	1,485,000	3.930	3.930	GT4
2011	1,575,000	4.240	4.240	GU1
2012	1,605,000	4.460	4.460	GV9
2013	1,675,000	4.630	4.630	GW7
2014	1,760,000	4.680	4.680	GX5
2015	1,840,000	4.810	4.810	GY3
2016	1,890,000	4.910	4.910	GZ0
2017	1,980,000	5.010	5.010	HA4
2018	1,790,000	5.110	5.110	HB2

$30,000,000 Series 2004B Bonds
(Cusip No. 013538)

Maturity Date (July 1)	Principal Amount	Interest Rate	Yield	Cusip No.
2007	$1,670,000	2.000%	2.000%	HC0
2008	1,670,000	2.375	2.400	HD8
2009	1,670,000	2.700	2.730	HE6
2010	1,670,000	5.000	2.980	HF3
2011	1,670,000	3.000	3.250	HG1
2012	1,670,000	5.000	3.490	HH9
2013	1,665,000	5.000	3.690	HJ5
2014	1,665,000	5.000	3.860	HK2
2015*	1,665,000	5.000	4.010	HL0
2016	1,665,000	4.000	4.120	HM8
2017	1,665,000	4.000	4.230	HN6
2018*	1,665,000	5.000	4.330	HP1
2019*	1,665,000	5.000	4.410	HQ9
2020	1,665,000	4.250	4.510	HR7
2021	1,665,000	4.250	4.560	HS5
2022	1,665,000	4.250	4.630	HT3
2023	1,665,000	4.500	4.690	HU0
2024	1,665,000	4.500	4.730	HV8

* Priced to July 1, 2014 call at par.

No dealer, salesman, or other person has been authorized to give any information or to make any representation, other than the information contained in this Official Statement, in connection with the offering of the Series 2004 Bonds, and, if given or made, such information or representations must not be relied upon as having been authorized by the City or the Underwriters. This Official Statement does not constitute an offer or solicitation in any jurisdiction in which such offer or solicitation is not authorized, or in which any person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation.

The information contained in this Official Statement has been obtained from the City and other sources which are deemed to be reliable. The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. The information in this Official Statement is subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or others since the date hereof.

THE PRICES AT WHICH THE SERIES 2004 BONDS ARE OFFERED TO THE PUBLIC BY THE UNDERWRITERS (AND THE YIELDS RESULTING THEREFROM) MAY VARY FROM THE INITIAL PUBLIC OFFERING PRICES APPEARING ON THE INSIDE COVER PAGE HEREOF. IN ADDITION, THE UNDERWRITERS MAY ALLOW CONCESSIONS OR DISCOUNTS FROM SUCH INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS. IN CONNECTION WITH THE OFFERING OF THE SERIES 2004 BONDS, THE UNDERWRITERS MAY EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2004 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The Series 2004 Bonds have not been registered under the Securities Act of 1933, nor has the Bond Ordinance been qualified under the Trust Indenture Act of 1939, in reliance upon exemptions contained in such Acts. The registration and qualification of the Series 2004 Bonds in accordance with applicable provisions of the securities laws of the states in which the Series 2004 Bonds have been registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation thereof. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity, nor any agency or department thereof, has passed upon the merits of the Series 2004 Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

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CITY OF ALBUQUERQUE

MAYOR
Martin J. Chavez

CITY COUNCIL

Miguel A. Gomez	District 1
M. Debbie O'Malley	District 2
Eric G. Griego (Vice President)	District 3
Brad Winter	District 4
Michael Cadigan (President)	District 5
Martin T. Heinrich	District 6
Sally Mayer	District 7
Craig E. Loy	District 8
Tina Cummins	District 9

CHIEF ADMINISTRATIVE OFFICER
Jay Czar

DEPUTY CHIEF ADMINISTRATIVE OFFICERS
Gail D. Reese, Chief Financial Officer
James B. Lewis, Chief Operating Officer
Nicholas Bakas, Chief Public Safety Officer
Teri Baird, Chief of Staff
Judy N. Chavez, City Clerk

DEPARTMENT OF FINANCE & ADMINISTRATIVE SERVICES
Sandra M. Doyle, CMA, Director
Lou D. Hoffman, CCM, City Treasurer
Cilia Aglialoro, Assistant Treasurer-Debt
William B. Smith, CCM, Assistant Treasurer-Cash

OFFICE OF MANAGEMENT AND BUDGET
Anna Lambeson, PhD, Budget Officer
Jacques Blair, PhD, City Economist

AIRPORT STAFF
John D. Rice, Director of Aviation
Dennis A. Parker, AAE Director of Planning and Development
Paul Valigura, Associate Director of Finance
Wayne Hanzich, Director of Operations
James Fitzgerald, Esq., Assistant City Attorney (assigned to Aviation Department)

LEGAL DEPARTMENT
Robert M. White, Esq., City Attorney
Susan Biernacki, Esq., Assistant City Attorney

AIRPORT CONSULTANT
Leigh Fisher Associates, A Division of Jacobs Consultancy, San Francisco, California

BOND COUNSEL
Brownstein Hyatt & Farber P.C., Albuquerque, New Mexico

SPECIAL TAX COUNSEL
Kutak Rock LLP, Denver, Colorado

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

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INTRODUCTION

This Official Statement, which includes the cover page and appendices hereto, provides certain information in connection with the offer and sale of the Subordinate Lien Taxable Airport Refunding Revenue Bonds, Series 2004A (the "Series 2004A Bonds") and Senior Lien Airport Improvement Revenue Bonds, Series 2004B (the "Series 2004B Bonds" and, together with the Series 2004A Bonds, the "Series 2004 Bonds") being issued by the City of Albuquerque, New Mexico (the "City"). Capitalized terms used herein and not defined have the meanings specified in City Ordinance Sixteenth Council Bill No. F/S O-03-3, adopted by the City on January 21, 2004 (the "Bond Ordinance") and a resolution of the City Council adopted by the City on March 1, 2004 (the "Sale Resolution" and, together with the Bond Ordinance, the "Bond Legislation"). See Appendix C - "Summary of Certain Provisions of the Bond Legislation."

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Series 2004 Bonds to potential investors is made only by means of the entire Official Statement.

The City of Albuquerque

The City, founded in 1706, is the largest city in the State of New Mexico (the "State"), accounting for approximately one-quarter of the State's population. The City is a home rule municipality, with its charter originally adopted in 1971, and has a Mayor-Council form of government with a salaried full-time Mayor elected every four years. As reported by the Bureau of the Census in 2000, the City had a population of approximately 448,607 people and, as of September 30, 2003, encompassed 189.66 square miles. For general financial and other information concerning the City, copies of the City's most recent Annual Information Statement may be obtained upon request as described in "ADDITIONAL INFORMATION." See also, Appendix B - "Report of the Airport Consultant." *This information is referenced herein for general descriptive purposes only and does not affect the limited nature of the City's obligation on the Series 2004 Bonds.*

Albuquerque International Sunport

The Albuquerque International Sunport ("the Airport") is the principal air carrier airport serving the Albuquerque Area (as described in "ALBUQUERQUE INTERNATIONAL SUNPORT - Airport Service Area") and other parts of the State of New Mexico. Owned by the City of Albuquerque and operated by the City's Aviation Department, the Airport is five miles southeast of downtown Albuquerque. The City also owns and operates Double Eagle II Airport, a general aviation reliever airport (the "Reliever Airport" and, together with the Airport, the "Airports"). The term "Airport" is defined by the Bond Ordinance to mean all of the City's existing and future Airport Facilities, including the Albuquerque International Sunport, Double Eagle II Airport and all related facilities except Special Facilities (as defined by the Bond Ordinance) and will include the Projects.

Albuquerque is classified as a medium hub[*] by the Federal Aviation Administration (the "FAA"). According to City records, for the fiscal year ended June, 30 2003, approximately 3.0 million passengers enplaned at the Airport. The City's fiscal year ends June 30 and is referred to in this Official Statement as the "Fiscal Year."

Purposes of the Series 2004 Bonds

Proceeds from the sale of the Series 2004A Bonds, together with other legally available funds of the City, will be used to refund $20,000,000 of the City's outstanding Subordinate Lien Adjustable Rate Taxable Airport Revenue Bonds, Series 2000B which mature in the year 2020 (the "Refunded Bonds") on the date of issuance of the Series 2004A Bonds. See "PLAN OF FINANCING – The Refunding."

Proceeds from the sale of the Series 2004B Bonds, together with other legally available funds of the City, will be used for the construction and improvement of the following Airport projects (collectively, the "Projects"): (i) planning, constructing and equipping a consolidated commercial passenger and cargo aircraft fueling facility (the "Fuel Facility Project"); (ii) constructing, improving and equipping improvements to the terminal complex, including the terminal buildings parking structure (the "Terminal Complex Project"); and (iii) planning, designing, constructing and making roadways, utilities and landscaping improvements at the Airport (the "Road, Utility and Landscaping Project"). See "PLAN OF FINANCING - The Projects."

Proceeds of the Series 2004 Bonds, together with certain other amounts legally available to the City, will also be used to pay costs of issuance of the Series 2004 Bonds, to fund the reserve requirements for the Series 2004 Bonds and, with respect to the Series 2004B Bonds, to pay capitalized interest on the Series 2004B Bonds for a period of approximately two years. See "PLAN OF FINANCING - Sources and Uses of Funds."

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[*] A medium hub is defined as a community that accounts for between 0.25% and 0.99% of the total enplaned revenue passengers in all services and all operations of U.S. certificated route air carriers within the 50 states, the District of Columbia, and territorial possessions of the United States.

Authority for Issuance

The Series 2004 Bonds are being issued under the authority of and pursuant to the laws of the State of New Mexico, the home rule power of the City derived from the State Constitution, the City Charter and the Bond Legislation.

Terms of the Series 2004 Bonds

General

The Series 2004A Bonds will be issued in the aggregate principal amount of $20,610,000. The Series 2004B Bonds will be issued in the aggregate principal amount of $30,000,000. The Series 2004 Bonds will be dated their date of issue. Interest on the Series 2004 Bonds is payable on January 1 and July 1 of each year, commencing July 1, 2004 and will mature on the dates and in the amounts and will bear the interest rates shown on the inside of the front cover (unless redeemed prior to maturity).

The Series 2004 Bonds are issuable in denominations of $5,000 or integral multiples thereof.

Book-Entry-Only System

Individual purchases of the Series 2004 Bonds will be made in book-entry form only and purchasers of the Series 2004 Bonds will not receive physical delivery of bond certificates, except as more fully described herein. Payments of principal of and interest and redemption premium, if any, on the Series 2004 Bonds will be made directly to The Depository Trust Company ("DTC") or its nominee, Cede & Co., by the City Treasurer, as Paying Agent, Registrar and Authenticating Agent (the "Fiscal Agent"), so long as DTC or Cede & Co. is the sole registered owner. Upon receipt of such payments, DTC is to remit such payments to the DTC participants for subsequent disbursement to the beneficial owners of the Series 2004 Bonds. In reading this Official Statement, it should be understood that while the Series 2004 Bonds are in book-entry-only form, references in other sections of this Official Statement to owners of Series 2004 Bonds ("Owners") should be read to include the person for whom the Participants (as hereinafter defined) and indirect participants acquire an interest in the Series 2004 Bonds, but (i) all rights of ownership must be exercised through DTC and the book-entry-only system and (ii) notices that are to be given to Owners by the City or the Fiscal Agent will be given only to DTC. See Appendix G - "Book-Entry-Only System."

Redemption of the Series 2004 Bonds

Each series of the Series 2004 Bonds will be subject to optional and extraordinary redemption prior to maturity, at the redemption prices and during the periods specifically described herein. See "THE SERIES 2004 BONDS – Redemption of the Series 2004 Bonds."

Additional Airport Obligations

The Bond Ordinance permits the issuance of additional obligations of the Airports with a lien on Net Revenues (as defined below). The City must meet certain tests prior to the issuance of additional obligations with a lien on Net Revenues senior to or on a parity with the lien of the Series 2004A Bonds, or on a parity with the lien of the Series 2004B Bonds, on Net Revenue. No obligations may be issued with a lien on Net Revenues senior to the lien thereon of the Series 2004B Bonds. See "SECURITY AND SOURCES OF PAYMENT – Additional Airport Obligations." Existing and future obligations of the Airports are referred to in this Official Statement as "Airport Obligations."

Sources of Payment for the Series 2004 Bond

Special Limited Obligations

The Series 2004 Bonds will be special, limited obligations of the City, payable, collectible or reimbursable solely from Net Revenues, Series 2004A Bond proceeds and the earnings thereon (with respect to the Series 2004A Bonds) and Series 2004B Bond proceeds and the earnings thereon (with respect to the Series 2004B Bonds). Payment of the principal of and interest on the Series 2004 Bonds when due will be insured by financial guaranty insurance policies to be issued by MBIA Insurance Corporation ("MBIA") simultaneously with the delivery of the Series 2004 Bonds as described in "Bond Insurance" under this caption. Separate debt service reserve funds for the Series 2004A Bonds and the Series 2004B Bonds will also be established as described in "Reserve Account" under this caption. The Refunded Bonds will be paid on the date the Series 2004A bonds are issued. See "SECURITY AND SOURCES OF PAYMENT" and "BOND INSURANCE."

Net Revenues

Net Revenues are defined by the Bond Ordinance to mean the Gross Airport Revenues less Operation and Maintenance Expenses. "Gross Airport Revenues" include substantially all of the income and revenues directly or indirectly derived by the City from the operation of the Airports. The City generates Gross Airport Revenues primarily by assessing fees and charges payable by air carriers, general aviation operations, concessionaires and other users of the Airport, including but not limited to revenues from the operation of parking facilities at the Airport. **The land and facilities comprising the Airports, including the Projects, will not be pledged to secure payment of the Series 2004 Bonds or any other Airport Obligations.** "Operation and Maintenance Expenses" include substantially all of the reasonable and necessary current expenses of the City, paid or accrued, related to operating, maintaining and repairing the Airports. See "PLAN OF FINANCING," "SECURITY AND SOURCES OF PAYMENT," "ALBUQUERQUE INTERNATIONAL SUNPORT" and Appendix C - "Summary of Certain Provisions of the Bond Legislation."

Reserve Account

Separate reserve accounts will be established to secure payment of the Series 2004A Bonds and Series 2004B Bonds which are to be initially funded with surety bonds (the "Surety Bonds") as described in "SECURITY AND SOURCES OF PAYMENT - Reserve Account."

Rate Covenant

In the Bond Legislation, the City has covenanted to impose rates and charges for use of the Airports at levels necessary or appropriate to produce the following Net Revenues in each Fiscal Year (the "Rate Covenant") (i) not less than 120% of the annual Debt Service Requirements of all outstanding Senior Parity Obligations and (ii) together with investment income in the debt service and debt service reserve funds and accounts, not less than 110% of the annual Debt Service Requirements of all outstanding Airport Obligations. See "SECURITY AND SOURCES OF PAYMENT – Rate Covenant." For purposes of meeting the Rate Covenant, Gross Airport Revenues may, at the City's option, include unencumbered funds from Net Revenues of prior Fiscal Years (including amounts from the Capital Fund) deposited in the Revenue Fund but only in an amount not to exceed 20% of the Debt Service Requirements of Airport Obligations for the Fiscal Year in which the deposit to the Revenue Fund is made for Airport Obligations.

Outstanding Airport Obligations; Priority of Payment

Airport Obligations include Senior Parity Obligations, Subordinate Parity Obligations, Junior Lien Obligations and any other bonds, notes or other instruments which evidence a borrowing payable from and secured by Net Revenues, now outstanding or hereafter issued or incurred. The City has previously issued or incurred other outstanding Airport Obligations (the "Outstanding Airport Obligations"). Senior Parity Obligations and Subordinate Parity Obligations are collectively referred to in this Official Statement as "Parity Obligations."

The Series 2004B Bonds will be issued with a lien on Net Revenues on a parity with the lien on Net Revenues of the City's Senior Parity Obligations. As of the date of this Official Statement, the City has the following Senior Parity Obligations outstanding in the total aggregate principal amount of $108,550,000: Airport Refunding Revenue Bonds, Series 1997; Airport Refunding Revenue Bonds, Series 1998; and Airport Refunding Revenue Bonds, Series 2001.

The Series 2004A Bonds will be issued with a lien on Net Revenues on a parity with the lien on Net Revenues of the City's Subordinate Parity Obligations. As of the date of this Official Statement the City has the following Subordinate Parity Obligations outstanding in the total aggregate principal amount of $74,500,000 (not including the Refunded Bonds): Airport Subordinate Lien Adjustable Tender Refunding Revenue Bonds, Series 1995; Subordinate Lien Adjustable Rate Airport Revenue Bonds, Series 2000A and Subordinate Lien Adjustable Rate Airport Revenue Bonds, Series 2000B. $20,000,000 of the Series 2000B Bonds is to be refunded with proceeds of the Series 2004A Bonds. The City has also entered into an interest rate exchange agreement with AIG-FP in connection with the Series 1995 Refunding Bonds (the "Exchange Agreement"). The City's periodic interest payments and termination payment, if any, under the Exchange Agreement are also Subordinate Parity Obligations.

See "SECURITY AND SOURCES OF PAYMENT - Outstanding Airport Obligations."

Bond Insurance

For information concerning MBIA and its financial guaranty insurance policies to be issued in connection with the Series 2004 Bonds, see "BOND INSURANCE" and Appendix E - "Specimen Financial Guaranty Insurance Policy."

Events and Other Factors Affecting the Airline Industry and the Airport

The Airport, like all major airports in the United States, has been adversely affected by the terrorist attacks that occurred in the United States on September 11, 2001 (the "September 11 Events"), the economic slowdown (which commenced prior to the September 11 Events), the recent hostilities in Iraq and Afghanistan and the financial difficulties of the airlines. As a result, the Airport incurred increased operating costs in 2002 and 2003. During this period aviation activity and enplaned passenger traffic declined as most major airlines have reduced service levels to control costs in response to decreased passenger demand and financial losses. Several airlines, including one airline operating at the Airport, United Airlines ("United"), have filed for bankruptcy protection. United, which accounted for approximately 6.1% of enplanements and approximately 4.0% of revenues at the Airport in Fiscal Year 2003, continues to operate at the Airport while it restructures under bankruptcy protection. See "CERTAIN INVESTMENT CONSIDERATIONS." Detailed information regarding enplaned passengers at the Airport and activity-based revenues, consisting primarily of landing fees, passenger facility charges ("PFCs"), Customer Facility Charges ("CFCs"), concession revenue and parking revenue, is set forth under "ALBUQUERQUE INTERNATIONAL SUNPORT," and Appendix B - "Report of the Airport Consultant."

Reduced operating levels at the Airport may continue for a period of time and to a degree that is uncertain. The future levels of aviation activity and enplaned passenger traffic at the Airport will depend upon several factors including, among others, the financial condition of individual airlines and the viability of continued service, as well as local, regional, national and international economic and political conditions, international hostilities such as those that recently occurred in Iraq, world health concerns such as the outbreak of Severe Acute Respiratory Syndrome ("SARS") in 2003, airline service and route networks, availability and price of aviation fuel, airline economics (including labor relations), airline bankruptcies, competition, airfares and airline industry consolidation and capacity of both the national air traffic control system and the Airport. See "ALBUQUERQUE INTERNATIONAL SUNPORT," "REPORT OF THE AIRPORT CONSULTANT," "CERTAIN INVESTMENT CONSIDERATIONS" and Appendix B - "Report of the Airport Consultant."

Commitment to Provide Continuing Disclosure

The City will agree for the benefit of the Owners that, so long as the Series 2004 Bonds remain outstanding and as required by law, the City will provide its audited financial statements and other financial information and operating data to each nationally recognized municipal securities information repository approved in accordance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, and will file a notice of certain specific material events with the Municipal Securities Rulemaking Board. See "CONTINUING DISCLOSURE UNDERTAKING" and Appendix F - "Form of Continuing Disclosure Undertaking." Because certain of the previous year end audits by its independent certified accountant have not been received by the City in time to make filings within 180 days of the end of the City's Fiscal Year, the audited financial statements have been filed late, but have been filed within 210 days of the end of the Fiscal Year. The City anticipates that this situation will continue because of the requisite timing for receiving audited financial information. Other than the delay in filing such audited financial statements, the City is currently in compliance with all of the requirements of its previous disclosure undertakings.

Forward-Looking Statements

This Official 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 Official Statement, the words "estimate," "anticipate," "forecast," "project," "intend," "propose," "plan," "expect" and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

Professionals Involved in the Offering

At the time of the issuance and sale of the Series 2004 Bonds, Brownstein, Hyatt & Farber, P.C., Albuquerque, New Mexico, as Bond Counsel, will deliver a bond opinion and Kutak Rock LLP, Denver, Colorado, as Special Tax Counsel, will deliver a tax opinion, the forms of which are included in Appendix D hereto. The Underwriters are being represented in connection with their purchase of the Series 2004 Bonds by Sutin, Thayer & Browne A Professional Corporation. Certain legal matters will be passed upon for the City by its City Attorney or an Assistant City Attorney and by Modrall, Sperling, Roehl, Harris & Sisk, P.A., Albuquerque, New Mexico, as Disclosure Counsel. See "LEGAL MATTERS." The City's financial statements for the Fiscal Year ended June 30, 2003, relating to the City's Airport Fund included in Appendix A hereto, have been audited by Neff & Ricci, LLP, independent certified public accountants, Albuquerque, New Mexico. See "INDEPENDENT ACCOUNTANTS." Leigh Fisher Associates has acted as Airport Consultant and delivered the report dated February 19, 2004, referred to in "REPORT OF THE AIRPORT CONSULTANT" and attached as Appendix B hereto.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

The quotations from, and summaries and explanations of, the statutes, regulations and documents contained herein do not purport to be complete and reference is made to said laws, regulations and documents for full and complete statements of their provisions. Copies, in reasonable quantity, of such laws, regulations and documents may be obtained during the offering period, upon request to the City and upon payment to the City of a charge for copying, mailing and handling, at One Civic Plaza, N.W., Albuquerque, New Mexico 87102, Attention: Assistant Treasurer-Debt.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or Owners of any of the Series 2004 Bonds.

THE SERIES 2004 BONDS

General

The Series 2004 Bonds will bear interest at the rates and mature on the dates set forth on the inside cover page of this Official Statement. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Series 2004 Bonds will be dated their date of issue, and will bear interest from that date payable semi-annually on January 1 and July 1 of each year, commencing July 1, 2004 (each an “Interest Payment Date”). Each series of Series 2004 Bonds will bear interest from the most recent date to which interest has been paid or provided, or if no interest has been paid or provided for, from their date until maturity.

The Series 2004 Bonds will be issued in denominations of $5,000 or integral multiples thereof, will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of DTC. DTC will act as securities depository for the Series 2004 Bonds. Individual purchases may be made in book-entry form only. Purchasers will not receive certificates representing their interest in the Series 2004 Bonds purchased. So long as Cede & Co., as nominee of DTC, is the registered owner of the Series 2004 Bonds, references herein to the Bondholders or registered owners shall mean Cede & Co. and shall not mean the Beneficial Owners of the Series 2004 Bonds.

So long as Cede & Co. is the registered owner of the Series 2004 Bonds, principal of and interest on the Series 2004 Bonds are payable by wire transfer by the Fiscal Agent to Cede & Co., as nominee for DTC, which is required, in turn, to remit such amounts to the DTC Participants. See Appendix G - “Book-Entry-Only System.”

Redemption of the Series 2004 Bonds

Optional Redemption – Series 2004A Bonds

The City may redeem the Series 2004A Bonds at any time on or after July 1, 2013, in whole or in part, in such order of maturity as the City shall determine at a redemption price equal to: (i) the unpaid principal amount of the Series 2004A Bonds to be redeemed, plus (ii) the interest on such principal amount accrued and unpaid through the date fixed for redemption, plus (iii) a Make-Whole Premium on such Series 2004A Bonds, if any.

"Make-Whole Premium" means a prepayment premium with respect to the Called Principal equal to the excess, if any, of the Discounted Value over the sum of (i) such Called

Principal, plus (ii) interest accrued thereon as of (including interest due on) the redemption date with respect to such Called Principal. The Make-Whole Premium will in no event be less than zero. For purposes of this definition, the following terms are defined as follows:

(1) "Called Principal" means the principal amount of the Series 2004A Bonds being redeemed with respect to which a Make-Whole Premium is required to be paid;

(2) "Discounted Value" means the amount obtained by discounting all Remaining Scheduled Payments with respect to Called Principal from their respective scheduled due dates to the Settlement Date with respect to such Called Principal, in accordance with accepted financial practice and at a discount factor (applied on a semi-annual basis) equal to the Reinvestment Yield with respect to such Called Principal;

(3) "Reinvestment Yield" means, with respect to Called Principal, (i) the yield to maturity implied by the Treasury Constant Maturity Series yields reported, for the latest day for which such yields have been so reported as of the business day next preceding the Settlement Date with respect to such Called Principal, in Federal Reserve Statistical Release H.15 (519) (or any comparable successor publication) for actively traded United States Treasury securities having a constant maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date, plus (ii) 0.25%. Such implied yield will be determined, if necessary, by (1) converting U.S. Treasury bill quotations to bond equivalent yields in accordance with accepted financial practice and (2) interpolating linearly between (y) the actively traded U.S. Treasury security with the duration closest to and greater than the remaining term of the Series 2004A Bonds and (z) the actively traded U.S. Treasury security with the duration closest to and less than the remaining term of the Series 2004A Bonds;

(4) "Remaining Average Life" means, with respect to Called Principal the number of years (calculated to the nearest one-twelfth (1/12) year obtained by dividing (i) such Called Principal into (ii) the sum of the products obtained by multiplying (A) each Remaining Scheduled Payment of such Called Principal (but not of interest thereon) by (B) the number of years (calculated to the nearest one-twelfth (1/12) year) which will elapse between the Settlement Date with respect to such Called Principal and the scheduled due date of such Remaining Scheduled Payment;

(5) "Remaining Scheduled Payments" means, with respect to Called Principal, all payments of such Called Principal and interest thereon which would be due on or after the Settlement Date with respect to such Called Principal if no payment of such Called Principal were made prior to its scheduled due date; and

(6) "Settlement Date" means the date on which the Called Principal is prepaid.

Optional Redemption – Series 2004B Bonds

The Series 2004B Bonds maturing on and after July 1, 2015 are subject to prior redemption at the option of the City in whole or in part on July 1, 2014 and on any date thereafter at a redemption price equal to 100.0% of the principal amount thereof, plus interest accrued thereon to the date fixed for redemption.

Unless money sufficient to pay the principal of and premium, if any, on the Series 2004 Bonds to be optionally redeemed is received by the Fiscal Agent prior to the giving of notice of redemption, that notice is to state that the redemption is conditional upon the receipt of that money by the Fiscal Agent by 2:00 p.m. on the redemption date. If an amount sufficient to redeem all Series 2004 Bonds called for redemption is not received by that time (i) the Fiscal Agent is to redeem only those Series 2004 Bonds for which the redemption price was received, (ii) the Series 2004 Bonds to be redeemed are to be selected in the manner set forth in the Bond Legislation and (iii) the redemption notice will have no effect with respect to those Series 2004 Bonds for which the redemption price was not received and those Series 2004 Bonds will not be redeemed. The Fiscal Agent is to give notice to the Owners of the Series 2004 Bonds previously called for redemption which will not be redeemed in the manner in which the notice of redemption was given identifying the Series 2004 Bonds to be redeemed and stating that the redemption did not take place with respect to those Series 2004 Bonds and is to promptly return any Series 2004 Bonds previously delivered by the Owners of those Series 2004 Bonds. The Fiscal Agent shall comply with any other terms regarding redemption and notice of redemption as are required by any agreement with DTC or other depository.

Extraordinary Redemption

The Senior Parity Obligations and Subordinate Parity Obligations are redeemable in whole or in part at any time at a redemption price equal to one hundred percent (100%) of the principal amount (payable solely from insurance or eminent domain proceeds pursuant to the Bond Legislation) of the Parity Obligations to be redeemed plus accrued interest to the redemption date upon the occurrence of any of the following events:

(1) The Airports or any portion thereof shall have been damaged or destroyed; or

(2) Title to, or the temporary use of, all or part of the Airports shall have been taken under the exercise of the power of eminent domain by any governmental authority, or person, firm, or corporation acting under governmental authority.

The Series 2004 Bonds shall be redeemed from proceeds of insurance and eminent domain proceeds not used to replace, repair rebuild and restore the Airports, under the conditions set forth in the Bond Ordinance, only if (i) the Airports have been restored to substantially the same condition as prior to such damage, destruction or taking; or (ii) the City has determined that the portion of the Airports damaged, destroyed or taken is not necessary to the operation of the Airports and that the failure of the City to repair or restore the same will not impair or otherwise adversely affect the revenue-producing capability of the Airports; or (iii) the Airport Consultant has been unable to make a statement to the effect that proceeds, together with other funds made available or to be made available by the City, are projected to be sufficient to pay the costs of the replacement, repair, rebuilding or restoration of the Airports. Such proceeds are to be applied first to the redemption of all series of outstanding Senior Parity Obligations on a pro rata basis measured with respect to the ratio of the principal amount of outstanding Senior Parity Obligations of each series to the total principal amount of Senior Parity Obligations outstanding. Any remaining proceeds are to be applied to the redemption of each series of outstanding Subordinate Parity Obligations on a pro rata basis measured with respect to the ratio of the principal amount of outstanding Subordinate Parity Obligations of each series outstanding to the total principal amount of all Subordinate Parity Obligations outstanding.

Order of Redemption

If less than all of the outstanding Series 2004 Bonds of a series are to be redeemed at any one time, the maturity dates of such Series 2004 Bonds to be redeemed are to be selected by the City. If less than all the Series 2004 Bonds of a series of a given maturity date are redeemed, the Series 2004 Bonds of that maturity shall be selected by lot in such manner as the Fiscal Agent may determine. However, the portion of any Series 2004 Bond to be redeemed and the portion of any Series 2004 Bond not redeemed are to be in denominations of $5,000 or any integral multiple thereof. The Fiscal Agent shall comply with any other terms regarding the order of redemption as are required by any agreement with DTC or other depository.

Notice of Redemption

Notice of redemption of Series 2004 Bonds is to be given by the Fiscal Agent by sending a copy of such notice by registered or certified first-class, postage prepaid mail not less than 30 days prior to the redemption date to the registered owner of each Series 2004 Bond, or portion thereof, to be redeemed at the address shown as of the fifth day prior to the mailing of notice on the registration books kept by the Fiscal Agent. The City is to give the Fiscal Agent notice of Series 2004 Bonds to be called for optional or extraordinary redemption at least five business days prior to the date that the Fiscal Agent is required to give the registered owners notice of redemption specifying the series, the maturities and the principal amount of Series 2004 Bonds to be called for redemption and the applicable redemption date.

Neither the City's failure to give notice of redemption to the Fiscal Agent, the Fiscal Agent's failure to give such notice to the registered owner of any Series 2004 Bond, or any defect in such notice, nor the failure of DTC to notify any Participant, or any Participant to notify a Beneficial Owner, of any such redemption, will affect the validity of the proceedings for the redemption of any Series 2004 Bonds for which proper notice of redemption was given. All notices are to specify the date fixed for redemption, the redemption price, the series and the CUSIP number, or numbers and maturity date or dates of the Series 2004 Bonds to be redeemed (if less than all are to be redeemed), the amount of such Series 2004 Bond to be redeemed (if less than the full amount of any Series 2004 Bond is to be redeemed), and are further to state that on such redemption date the redemption price will become and be due and payable upon each Series 2004 Bond or part thereof to be redeemed and that interest will cease to accrue on the principal amount redeemed from and after that date. Subject to the provisions of the Bond Legislation setting forth certain conditions to optional redemption of the Series 2004 Bonds, notice having been given in the manner provided above, the Series 2004 Bond or Bonds or part thereof called for redemption will become due and payable on the redemption date designated and the Series

2004 Bonds or part thereof to be redeemed for which the redemption price is on deposit with the Fiscal Agent will not be deemed to be outstanding and will cease to bear interest from and after such redemption date. Subject to the provisions of the Bond Legislation setting forth certain conditions to optional redemption of the Series 2004 Bonds, upon presentation of a Series 2004 Bond to be redeemed at the office of the Fiscal Agent on or after the redemption date, or, so long as the book-entry system is used for determining beneficial ownership of the Series 2004 Bonds, upon satisfaction of the terms of any other arrangement between the Fiscal Agent and DTC, the Fiscal Agent will pay such Series 2004 Bond, or portion thereof called for redemption.

Effect of Redemption

On the date designated for redemption, notice having been given in the manner and under the conditions provided herein and moneys for payment of the redemption price being held by the Fiscal Agent to pay the redemption price, the Series 2004 Bonds called for redemption will become and be due and payable on the redemption date, interest on such Series 2004 Bonds will cease to accrue from and after the redemption date, such Series 2004 Bonds will cease to be entitled to any lien, benefit or security under the Bond Ordinance and the Owners of such Series 2004 Bonds will have no rights in respect thereof except to receive payment of the redemption price. Series 2004 Bonds which have been duly called for redemption and for the payment of the redemption price of which moneys are on deposit with the Fiscal Agent shall not be deemed to be Outstanding under the provisions of the Bond Ordinance.

PLAN OF FINANCING

Sources and Uses of Funds

The estimated sources and uses of funds are set forth in the following table. There will be no accrued interest on the Series 2004 Bonds.

	Amount
SOURCES OF FUNDS:	
Par Amount of Series 2004A Bonds	$20,610,000.00
Par Amount of Series 2004B Bonds	30,000,000.00
Premium (discount) relating to Series 2004B Bonds	643,142.60
Other legally available funds of the City (1)	4,204,501.41
TOTAL SOURCES OF FUNDS	$55,457,644.01
USES OF FUNDS:	
Redemption of Refunded Bonds (2)	$20,076,042.54
Projects (3)	31,575,000.00
Deposit to Capitalized Interest Subaccount	2,474,398.09
Cost of Issuance and Underwriters' discount (4)	1,332,203.38
TOTAL USES OF FUNDS	$55,457,644.01

(1) Such amounts are from the City's Capital Fund.
(2) See "The Refunding" under this caption.
(3) See "The Projects" under this caption.
(4) Includes legal and accounting fees, printing, rating fees, bond insurance and surety bond premiums, Underwriters' discount and other miscellaneous costs. See "UNDERWRITING."

The Refunding

The Series 2004A Bonds are being issued to provide funds to redeem the Refunded Bonds at the redemption price of 100% of the par amount thereof plus accrued interest to the redemption date on the date of issuance of the Series 2004A Bonds.

The Projects

The Series 2004B Bonds are being issued to provide funds for the Projects, which will all be located at the Airport, as described below.

The Fuel Facility Project

The Fuel Facility Project will provide new facilities for fueling aircraft, which would accommodate existing and future demand for fuel from the passenger and cargo airlines serving the Airport (the "Fuel Facility"). Aviation fuel is currently trucked and loaded onto aircraft. Fuel is to be delivered to the Fuel Facility with pipelines, resulting in a lower cost of delivery of fuel to the Airport and greater efficiencies. Fuel will, however, continue to be delivered from the Fuel Facility to aircraft with trucks.

Prior to starting construction on the Fuel Facility Project, the City expects to enter into a Fuel Facility Lease and Agreement (the "Fuel Agreement") to provide, at a minimum, rentals from the airlines using the Fuel Facility sufficient to (a) pay the estimated debt service requirements of, and 20% coverage on, that portion of the Series 2004B Bonds issued to fund the cost of the Fuel Facility Project, (b) pay ground rents and recover land acquisition costs associated with the Fuel Facility Project and (c) reimburse the City for any incidental Operation and Maintenance Expenses allocable to the Fuel Farm Project.

Southwest Airlines, which is the largest airline at the Airport in terms of aviation activity, has stated that it would be willing to be the only airline signing the Fuel Agreement, in order to start construction of the Fuel Facility Project as soon as possible. Under the proposed terms of the Fuel Agreement, other airlines at the Airport would have the option to sign the Fuel Agreement during its term, which is approximately 20 years.

Under the proposed Fuel Agreement, the airlines would agree to hire a third-party operator (such as Aircraft Service International Group ("ASIG"), the current fuel facility operator) to manage and operate the Fuel Facility. The City would not have any responsibility for operating the Fuel Facility.

Southwest Airlines has stated that it is considering the possibility of entering into a third-party agreement with ASIG to operate and manage the Fuel Facility on behalf of the airlines signing the Fuel Agreement. As part of that agreement, ASIG would agree to terminate its agreement with the City, remove the existing fuel facilities on Airport premises, and perform any required environmental remediation in the premises currently occupied by ASIG. If Southwest Airlines is not successful in reaching agreement with ASIG, the following would likely occur:

- Southwest Airlines and other airlines at the Airport would sign the proposed Fuel Agreement.

- The airlines signing the Fuel Agreement would hire another third-party operator to operate and manage the Fuel Facility.

- The City would buy out the operation of ASIG, as it is allowed to do under the existing agreement between the City and ASIG. Any buy-out cost incurred by the City with respect to the Fuel Facility would be a recoverable cost under the Fuel Agreement.

The proposed Fuel Agreement contains the following provisions:

- The right of the airlines signing the Fuel Agreement to use and lease the Fuel Facility and associated ground for a period of 20 years.

- The right of the City to recalculate annual rentals for the use of the Fuel Facility, which include the costs described under this caption, as well as the right to make extraordinary rate adjustments to ensure that sufficient rentals are generated each year to pay debt service requirements and other costs allocable to the Fuel Facility.

- A security deposit equal to three months of annual rentals payable to the City.

- A requirement that the airlines signing the Fuel Agreement enter into other agreements providing for use of the Fuel Facility by other airlines on a nondiscriminatory basis.

- The right of the City to include in future rentals its current costs and costs it incurred prior to the date of the Fuel Agreement related to the fueling of aircraft at the Airport, such as the environmental remediation and removal of existing fuel facilities at the Airport, including the ASIG facilities and facilities previously owned by Trans World Airlines ("TWA") that are now the property of the City, as well as any buy-out costs incurred by the City, as discussed earlier. See Appendix B - "Report of the Airport Consultant."

The Terminal Complex Project

The Terminal Complex Project includes several discrete projects. Included are improvements and renovations to the existing terminal building to extend the useful life of the terminal and allow for moderate growth. The passenger hold rooms will be expanded and reconfigured to accommodate additional passengers waiting at the gate because of new security screening processes. The flight information display system and the baggage information display system will also be upgraded. Modifications of the baggage claim level will provide additional space. After an architectural review, renovations are planned for the restrooms. Improvements will be made to upgrade mechanical systems, the heating, ventilation and air conditioning systems, the Communications Center, and certain other mechanical systems. A study is planned to determine the feasibility of using a common-use terminal equipment system in the terminal building. Also, the terminal building fire alarm system is to be replaced and modernized. Expansion joints in the upper levels of the terminal building's parking structure are to be replaced.

Due to heightened security at the Airport and new restrictions on public access to the concourses, the security checkpoint is to be changed and a new area added for "meeters and greeters" of arriving passengers. Development of the meeter/greeter area will be done in conjunction with, and adjacent to, the expansion and reconfiguration of the security checkpoint area to allow additional area for passenger queuing and new screening devices. Conceptual design has been completed. Also, to provide additional security, new outbound bag screening areas are to be designed and constructed within the terminal building and the customs inspection area of the Airport's C-Concourse is to be renovated and remodeled to meet United States Customs standards.

The Road, Utility and Landscaping Project

The Road, Utility and Landscaping Project includes the design and construction of a new alignment of the road immediately west of the airfield to accommodate new development of the Airport business park and other Airport properties. Water, sewer, drainage, gas and electric utilities are to be extended to various Airport properties to facilitate future development of the Airport in conformance with the master plan. Xeriscape landscaping along Sunport Boulevard from Interstate 25 to the Airport, including the loop from Girard to Gibson, is to be designed and reconstructed.

The Foreign Trade Zone ("FTZ") at the Airport is currently undeveloped land surrounded by major arterial roadways and utilities. This part of the Road, Utility, and Landscaping Project is to include planning, designing and constructing the necessary site grading, internal roadways and utility infrastructure at the 65-acre site needed to support and promote the planned development of the FTZ, as well as the adjacent air cargo area.

SECURITY AND SOURCES OF PAYMENT

Special Limited Obligations

The Series 2004A Bonds will be Subordinate Parity Obligations and will be secured by an irrevocable lien on and a security interest in, the Net Revenues (as defined below) for the payment of the principal of, premium, if any, and interest on the Series 2004A Bonds, subordinate to the lien thereon of Senior Parity Obligations, superior to the lien thereon of Junior Lien Obligations and on a parity with all other Subordinate Parity Obligations. The Series 2004B Bonds will be Senior Parity Obligations and will be secured by an irrevocable lien on, and a security interest in, Net Revenues for the payment of the principal of, premium, if any, and interest on the Series 2004B Bonds, on a parity with the lien thereon of other Senior Parity Obligations and senior to the lien thereon of Subordinate Parity Obligations and Junior Lien Obligations. See "Outstanding Airport Obligations" under this caption. Under the Bond Ordinance, "Net Revenues" for any period means Gross Airport Revenues less Operation and Maintenance Expenses. See Appendix C - "Summary of Certain Provisions of the Bond Legislation" for the definitions of Gross Airport Revenues and Operation and Maintenance Expenses. See also "Gross Airport Revenues" under this caption and "AIRPORT FINANCIAL OPERATIONS - Historical Financial Results." **The land and facilities comprising the Airports, including the Projects, will not be pledged to secure payment of the Series 2004 Bonds or any other Airport Obligations.**

The Series 2004 Bonds will be special limited obligations of the City. The principal of and interest and premium, if any, on, the Series 2004 Bonds will be payable from Net Revenues and will not be payable from any funds of the City except the designated special funds and accounts pledged to the Series 2004 Bonds. **The Series 2004 Bonds shall not constitute indebtedness or a debt of the City within the meaning of any constitutional, charter or statutory provision or limitation, nor shall they be considered or held to be general obligations of the City. Neither the credit nor the taxing power of the City is pledged for**

the payment of the principal of, interest and premium, if any, on the Series 2004 Bonds and no Owner has the right to compel the exercise of the taxing power of the City or the forfeiture of any of its property in connection with any default under the Bond Legislation.

Except as described above, the Owners may not look to any general or other municipal fund for payment of the principal of and interest on the Series 2004 Bonds. The Series 2004 Bonds do not constitute a general obligation of the City and the Owners have no right to have any taxes levied for the payment therefor.

Bond Insurance for the Series 2004 Bonds

Payment of the principal of and interest on the Series 2004 Bonds when due will be insured by financial guaranty insurance policies to be issued by MBIA simultaneously with the delivery of the Series 2004 Bonds. See "BOND INSURANCE."

Gross Airport Revenues

Generally

Gross Airport Revenues are defined by the Bond Ordinance to include all income and revenues derived directly or indirectly by the City from the operation of the Airports, or any part of the Airports, including income and revenues resulting from improvements, extensions, enlargements, repairs or betterments or additions to the Airports, with certain limited exceptions and additions. Under the Bond Ordinance, Airports include all of the City's existing and future Airport Facilities, including the Airport, the Reliever Airport and all related facilities except Special Facilities (as defined by the Bond Ordinance). For purposes of meeting the Rate Covenant and tests for issuing additional Senior Parity Obligations or Subordinate Parity Obligations, Gross Airport Revenues may, at the City's option, include unencumbered funds from Net Revenues of prior Fiscal Years (including amounts from the Capital Fund) deposited into the Revenue Fund but only in an amount not to exceed 20% of the Debt Service Requirements of Airport Obligations for the Fiscal Year in which the deposit to the Revenue Fund is made for Airport Obligations.

Historically, Gross Airport Revenues have been comprised of (i) airline revenues and (ii) revenues from sources other than airline rentals, fees and charges, such as concessions in the Airport terminal complex which includes interior space and non-airline space (the "Terminal Complex"), rental revenues, parking revenues, airfield revenues and certain other revenues. See "AIRPORT FINANCIAL OPERATIONS - Historical Financial Results."

Pledge of Net Revenues

Under the Bond Ordinance, the City has irrevocably pledged the Net Revenues to the payment of the Series 2004 Bonds. See "Special Limited Obligations" under this caption.

Rate Covenant

Pursuant to the Bond Legislation, the City has covenanted to fix, charge and collect rentals, rates, fees and other charges for the use of the Airports and from time to time to revise such rentals, rates, fees and other charges as may be necessary or appropriate in order that in each Fiscal Year the Net Revenues will at all times be sufficient to satisfy each of the following tests: (1) to provide an amount not less than 120% of the Debt Service Requirements on all Outstanding Senior Parity Obligations coming due from July 8 of such Fiscal Year through July 7 of the succeeding Fiscal Year (Test No. 1); and (2) together with investment income on any debt service fund and debt service reserve fund or account for Outstanding Airport Obligations which is available to pay Debt Service Requirements on Outstanding Airport Obligations, to provide an amount not less than 110% of the combined Debt Service Requirements on all Airport Obligations which become due from July 8 of such Fiscal Year through July 7 of the next succeeding Fiscal Year (Test No. 2).

Debt Service Requirements for purposes of the Rate Covenant will include the net periodic payments required to be made by the City under any Qualified Exchange Agreement but will include Exchange Termination Payments for the computation period only if those Exchange Termination Payments are due and remain unpaid at the time of computation. As described in the chart under this caption, certain adjustments are made to conform amounts presented as Net Revenues in the City's Comprehensive Annual Financial Report to the definition of Net Revenues under the Rate Covenant. See chart entitled "Historical Financial Information" under "AIRPORT FINANCIAL OPERATIONS - Historical Financial Results."

If the Net Revenues and investment income are less than the amounts required in the Rate Covenant, the City, promptly upon approval of the annual audit for such Fiscal Year, must request an Airport Consultant to make its recommendations, if any, as to revisions of the City's rentals, rates, fees and other charges, its Operation and Maintenance Expenses or the method of operation of the Airports in order to satisfy, as soon as practicable, the Rate Covenant. *As long as the City substantially complies with the recommendations of the Airport Consultant on a timely basis, the City will not be deemed to have defaulted in the performance of its duties under the Bond Legislation with respect to the Rate Covenant, even if the resulting Net Revenues and investment income are not sufficient to be in compliance with the Rate Covenant, so long as there is no other default under the Bond Legislation.*

For purposes of meeting the Rate Covenant, Gross Airport Revenues may, at the City's option, include unencumbered funds from Net Revenues of prior Fiscal Years (including amounts from the Capital Fund) deposited in the Revenue Fund but only in an amount not to exceed 20% of the Debt Service Requirements of Airport Obligations for the Fiscal Year in which the deposit to the Revenue Fund is made for Airport Obligations.

Reserve Accounts

Debt Service Reserve Accounts

The Reserve Requirements for the Series 2004 Bonds will be funded with the Surety Bonds to be provided by MBIA. The Surety Bonds will be deposited to the Reserve Account of each series of the Series 2004 Bonds in an amount equal to the Reserve Requirement for the respective series of the Series 2004 Bonds. See "*Reserve Requirement*" under this caption and Appendix C - "Summary of Certain Provisions of the Bond Legislation - Debt Service Reserve Accounts."

Pursuant to the terms of the respective Surety Bonds, the Surety Bond Coverage will be automatically reduced to the extent of each payment made by MBIA under the terms of the Surety Bonds and the City will be required to reimburse MBIA from available Net Revenues for any draws under the Surety Bonds with interest at a market rate. Upon such reimbursement, the Surety Bonds will be reinstated to the extent of each principal reimbursement up to but not exceeding the Surety Bond Coverage. The reimbursement obligation of the City with respect to the Surety Bond for the Series 2004A Bonds will be subordinate to the lien of the Series 2004A Bonds on the Net Revenues. The reimbursement obligation of the City with respect to the Surety Bond for the Series 2004B Bonds will be subordinate to the lien of the Series 2004B Bonds on the Net Revenues.

In the event there are amounts on deposit or credited to a Series 2004 Bonds Reserve Account and a Surety Bond, any draw on the Surety Bond is to be made only after all the funds in the Series 2004 Bonds Reserve Account for that series have been expended. The Bond Legislation provides that each Series 2004 Bonds Reserve Account is to be replenished in the following priority: (i) amounts from the Surety Bonds used to pay principal and interest on the Series 2004 Bonds and interest on such amounts are to be paid from the first available Net Revenues; and (ii) after all such amounts are paid in full, amounts necessary to fund the Series 2004 Bonds Reserve Account to the required level, after taking into account the amounts available under the Surety Bonds, are to be deposited from the next available Net Revenues.

The Surety Bonds do not insure against nonpayment caused by the insolvency or negligence of the Fiscal Agent.

Debt Service Reserve Fund Surety Bond

Application has been made to MBIA for a commitment to issue a surety bond for each series of the Series 2004 Bonds. The Surety Bonds will provide that upon notice from the Fiscal Agent to MBIA to the effect that insufficient amounts are on deposit in:

(a) the applicable accounts of the Subordinate Debt Service Fund for the Series 2004A Bonds to pay the principal of (at maturity or pursuant to mandatory redemption requirements) and interest on the Series 2004A Bonds, MBIA will promptly deposit with the Fiscal Agent an amount sufficient to pay the principal of and interest on the Series 2004A Bonds or the available amount of the Surety Bond for the Series 2004A Bonds, whichever is less. Upon the later of: (i) three (3) days after receipt by MBIA of a Demand for Payment in the form attached to each Surety Bond, duly executed by the Fiscal Agent; or (ii) the payment date of the Series 2004A Bonds as specified in the Demand for Payment presented by the Fiscal Agent to MBIA, MBIA will make a deposit of funds in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment to the Fiscal Agent, of amounts which are then due to the Fiscal Agent (as specified in the Demand for Payment) subject to the maximum amount of coverage under the Surety Bond for the Series 2004A Bonds.

(b) the applicable accounts of the Senior Debt Service Fund for the Series 2004B Bonds to pay the principal of (at maturity or pursuant to mandatory redemption requirements) and interest on the Series 2004B Bonds, MBIA will promptly deposit with the Fiscal

Agent an amount sufficient to pay the principal of and interest on the Series 2004B Bonds or the available amount of the Surety Bond for the Series 2004B Bonds, whichever is less. Upon the later of: (i) three (3) days after receipt by MBIA of a Demand for Payment in the form attached to each Surety Bond, duly executed by the Fiscal Agent; or (ii) the payment date of the Series 2004B Bonds as specified in the Demand for Payment presented by the Fiscal Agent to MBIA, MBIA will make a deposit of funds in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment to the Fiscal Agent, of amounts which are then due to the Fiscal Agent (as specified in the Demand for Payment) subject to the maximum amount of coverage under the Surety Bond for the Series 2004B Bonds.

The available amount of each Surety Bond will be the initial face amount of the Surety Bond less the amount of any previous deposits by MBIA with the Fiscal Agent with respect to that Surety Bond which have not been reimbursed by the City. The City and MBIA will enter into a Financial Guaranty Agreement (the "Agreement"). Pursuant to the Agreement, the City will be required to reimburse MBIA, within one year of any deposit, the amount of such deposit made by MBIA with the Fiscal Agent under the Surety Bonds. Such reimbursement will be made, with respect to the Series 2004B Bonds, only after the payment of all Operation and Maintenance Expenses and all required deposits have been made to the applicable accounts of the Senior Debt Service Fund for the payment of principal and interest have been made. Such reimbursement will be made, with respect to the Series 2004A Bonds, only after the payment of all Operation and Maintenance Expenses and all required deposits have been made with respect to the Senior Parity Obligations and with respect to the applicable accounts of the Subordinate Debt Service Fund for the payment of principal and interest have been made.

Under the terms of the Agreement, the Fiscal Agent will be required to reimburse MBIA, with interest, until the face amount of the Surety Bonds is reinstated. No optional redemption of Obligations may be made until MBIA's Surety Bonds are reinstated. The Surety Bonds will be held by the Fiscal Agent in the respective Debt Service Reserve Funds and will be provided as an alternative to the City depositing funds equal to the debt service requirement for each respective series of the Series 2004 Bonds. The Surety Bonds will be issued in the face amount equal to the debt service reserve requirement for each respective series of the Series 2004 Bonds and the premium therefor will be fully paid by the City at the time of delivery of the Series 2004 Bonds.

The Surety Bond Provider

For a description of MBIA, see the information herein under “BOND INSURANCE.”

Reserve Requirement

The Reserve Requirement for each series of Series 2004 Bonds, computed on the date on which the Series 2004 Bonds are initially issued and delivered and, at the option of the City, recomputed on or after any date on which principal is paid on the Series 2004 Bonds, is equal to the least of: (i) 125% of the average annual debt service on such series of Series 2004 Bonds; (ii) 10% of the “proceeds” of such series of Series 2004 Bonds as the term proceeds is used in Section 148(d)(1) of the Code; or (iii) the maximum annual payment of principal of and interest on such series of the Series 2004 Bonds. At the time of issuance of the Series 2004 Bonds, the

Reserve Requirement for the Series 2004A Bonds will be $2,061,000 and for the Series 2004B Bonds will be $2,802,549.81.

Outstanding Airport Obligations

Senior Parity Obligations

The Series 2004B Bonds will be issued with a lien on Net Revenues that is on parity with the lien on Net Revenues of the Senior Parity Obligations of the City outstanding as of the date of this Official Statement in the following amounts: Series 1997 Bonds issued in an aggregate principal amount of $33,310,000 and outstanding in the aggregate principal amount of $28,235,000; Series 1998 Bonds issued in an aggregate principal amount of $42,685,000 and outstanding in the aggregate principal amount of $39,145,000; and Series 2001 Bonds, issued in the aggregate principal amount of $42,550,000 and outstanding as of the date of this Official Statement in the aggregate principal amount of $41,170,000. The total aggregate principal amount of the Outstanding Senior Parity Obligations as of the date of this Official Statement, was $108,550,000.

Subordinate Parity Obligations

The Series 2004A Bonds will be issued with a lien on Net Revenues that is on parity with the lien on Net Revenues of the Subordinate Parity Obligations of the City outstanding as of the date of this Official Statement in the following amounts: the Series 1995 Refunding Bonds issued in a principal amount of $67,000,000 and outstanding in the aggregate principal amount of $50,300,000; the Series 2000A Bonds issued in an aggregate principal amount of $7,200,000 and outstanding in the aggregate principal amount of $5,500,000; and the Series 2000B Bonds issued in an aggregate principal amount of $40,000,000 and outstanding in the aggregate principal amount of $38,700,000. $20,000,000 of the Series 2000B Bonds are to be refunded with proceeds of the Series 2004A Bonds. The City entered into an interest rate exchange agreement in connection with its approval of the issuance of the Series 1995 Refunding Bonds which, in effect, allows the City to pay a fixed rate of interest on the Series 1995 Refunding Bonds over the life of the agreement. This exchange agreement is also a Subordinate Parity Obligation. The City’s periodic interest payments and termination payment, if any, under the Exchange Agreement are also Subordinate Parity Obligations. Under certain circumstances, the Exchange Agreement may be terminated prior to the maturity of the Subordinate Series 1995 Bonds and if terminated under certain market conditions, the City may owe a termination payment to AIG-FP which could be substantial. The total aggregate principal amount of the Outstanding Subordinate Parity Obligations (not including the Refunded Bonds) as of the date of this Official Statement, was $74,500,000.

Junior Lien Obligations

There are no Junior Lien Obligations currently outstanding.

Additional Airport Obligations

The additional bonds test for Subordinate Parity Obligations will be satisfied before Series 2004A Bonds are issued. The additional bonds test for Senior Parity Obligations will be satisfied before Series 2004B Bonds are issued. See "Additional Airport Obligations" under this caption.

Subordinate Parity Obligations

Series 2004A Bonds will be Subordinate Parity Obligations. Except with respect to certain refunding bonds which are Subordinate Parity Obligations, the City must meet the following tests prior to the issuance of additional Subordinate Parity Obligations:

(1) The City is current in required deposits of Net Revenues with respect to the payment of Subordinate Parity Obligations:

(2) The City is in compliance with the Rate Covenant;

(3) The City has met each test with respect to liens subordinate to Senior Parity Obligations set forth in any ordinance authorizing Senior Parity Obligations; and

(4) The provisions summarized in either of the following subparagraphs (a) or (b) are met:

(a) the Net Revenues, for the "Historic Test Period" (i.e., any period of 12 consecutive calendar months out of the 18 calendar months next preceding the adoption of an ordinance approving the additional Subordinate Parity Obligations), have been sufficient to pay an amount representing at least 110% of the maximum annual Debt Service Requirements of all Outstanding Subordinate Parity Obligations and Senior Parity Obligations, including the Subordinate Parity Obligations to be issued (with a written certificate or opinion of an independent accountant stating that the Net Revenues and applicable investment income are sufficient to pay the amounts required as described by this subparagraph being conclusively presumed to be accurate in determining the right of the City to authorize, issue, sell and deliver Subordinate Parity Obligations); or

(b) the estimated Net Revenues for each of the five Fiscal Years (commencing with the earlier of either (i) the first Fiscal Year following the Fiscal Year in which a Consulting Engineer estimates the proposed project financed with the proceeds of the Subordinate Parity Obligations to be issued will be completed, or (ii) the first Fiscal Year in which there are Debt Service Requirements with respect to the Subordinate Parity Obligations to be issued which are not paid from the proceeds of such Subordinate Parity Obligations) is sufficient to pay an amount representing at least 110% of the maximum annual Debt Service Requirements which are payable on all Outstanding Senior Parity Obligations and Subordinate Parity Obligations, including the Subordinate Parity Obligations to be issued, with a written certificate or opinion of an Airport Consultant stating the amount of the estimated Net Revenues plus applicable investment income for each such succeeding Fiscal Year and stating that the estimated Net Revenues plus applicable investment income are projected to be sufficient to pay the amounts required as described in this subparagraph being conclusively presumed to be accurate in determining the right of the City to authorize, issue, sell and deliver the Subordinate Parity Obligations and a written certificate or opinion of a Consulting Engineer as to the estimated final completion date of the project to be financed by such Subordinate Parity Obligations being conclusively presumed to be accurate and the Airport Consultant may conclusively rely upon such written opinion of the Consulting Engineer in making the determination required as described in this subparagraph).

In computing the Debt Service Requirements for subparagraphs (a) and (b) above: (i) Exchange Termination Payments are to be considered as part of the maximum annual Debt Service Requirements on the date of computation only if those Exchange Termination Payments have become due and remain unpaid at the time of computation and (ii) investment income on any debt service and debt service reserve fund or account relating to Outstanding Airport Obligations may be added to the Net Revenues for the Historic Test Period but only to the extent that such investment income was or is available to pay Debt Service Requirements on Outstanding Senior Parity Obligations or Subordinate Parity Obligations.

Senior Parity Obligations

The Series 2004B Bonds will be Senior Parity Obligations. Except with respect to certain refunding bonds which are Senior Parity Obligations, the City must meet the tests set forth in the Bond Ordinance prior to the issuance of additional Senior Parity Obligations:

(1) The City is current in required deposits of Net Revenues with respect to the payment of Senior Parity Obligations and rebate payments to the federal government;

(2) The City is in compliance with the Rate Covenant;

(3) The City, at the time of the adoption of the ordinance authorizing the issuance of such additional Senior Parity Obligations, is not in default in paying the Debt Service Requirements on any Senior Parity Obligations; and

(4) The provisions summarized in either of the following subparagraphs (a) or (b) are met:

(a) the Net Revenues, for the Fiscal Year immediately preceding the date of the issuance of the proposed Senior Parity Obligations or for any period of 12 consecutive calendar months out of the 18 calendar months next preceding the delivery of the additional Senior Parity Obligations, have been sufficient to pay an amount representing at least (i) 120% of the maximum annual Debt Service Requirements of the Outstanding Senior Parity Obligations and the Senior Parity Obligations proposed to be issued (“the 120% Test”) and (ii) together with investment income on any other debt service fund and debt service reserve fund or account relating to

Outstanding Subordinate Parity Obligations and Junior Lien Obligations, 110% of the maximum annual Debt Service Requirements of all Airport Obligations (the "110% Test") (with a written certificate or opinion of an independent accountant stating that the Net Revenues and applicable investment income are sufficient to pay the amounts required as described by this subparagraph being conclusively presumed to be accurate in determining the right of the City to authorize, issue, sell and deliver Senior Parity Obligations); or

(b) the estimated Net Revenues for each of the five Fiscal Years (commencing with the earlier of either (i) the first Fiscal Year following the Fiscal Year in which a Consulting Engineer estimates the proposed project financed with the proceeds of the Senior Parity Obligations to be issued will be completed, or (ii) the first Fiscal Year in which there are Debt Service Requirements with respect to the Senior Parity Obligations to be issued which are not paid from the proceeds of such Senior Parity Obligations) is sufficient to pay an amount representing at least (A) the 120% Test and (B) the 110% Test (with a written certificate or opinion of an Airport Consultant stating the amount of the estimated Net Revenues plus applicable investment income for each such succeeding Fiscal Year and stating that the estimated Net Revenues plus applicable investment income are projected to be sufficient to pay the amounts required as described in this subparagraph being conclusively presumed to be accurate in determining the right of the City to authorize, issue, sell and deliver the Senior Parity Obligations and a written certificate or opinion of a Consulting Engineer as to the estimated final completion date of the project to be financed by such Senior Parity Obligations being conclusively presumed to be accurate and the Airport Consultant may conclusively rely upon such written opinion of the Consulting Engineer in making the determination required as described in this subparagraph).

For purposes of meeting the Senior Parity Obligations tests or the Subordinate Parity Obligations tests under this caption, Gross Airport Revenues (and therefore, Net Revenues) may, at the option of the City, include unencumbered funds from Net Revenues of prior Fiscal Years (including amounts from the Capital Fund) deposited in the Revenue Fund but only in an amount not to exceed 20% of the Debt Service Requirements of Airport Obligations for the Fiscal Year in which the deposit to the Revenue Fund is made for Airport Obligations.

Superior Obligations Prohibited

As long as Senior Parity Obligations are outstanding, the Bond Ordinance prohibits the City from issuing additional Airport Obligations with a lien on Net Revenues prior and superior to the lien of Senior Parity Obligations on Net Revenues.

Completion Bonds

If the proceeds from the sale of any series of Parity Obligations, together with other available money, are not sufficient to pay the cost of a project relating to the Airport, the City may, after obtaining any required consents, issue additional Parity Obligations in such amount as is necessary to defray any such additional costs of the project without complying with the additional bonds tests described under this caption; provided that the principal amount of such additional completion Parity Obligations for each such project shall not exceed 15% of the aggregate principal amount of the series of Parity Obligations originally issued to finance the project.

Refunding Parity Obligations

Subject to certain exceptions, refunding Parity Obligations may be issued without compliance with the additional bonds tests described under this caption if the maximum annual Debt Service Requirements on the refunding Parity Obligations is not greater than the maximum annual Debt Service Requirements on the refunded Parity Obligations.

Junior Lien Obligations

The Bond Ordinance permits the City to issue or incur Junior Lien Obligations with a lien on the Net Revenues subordinate to the Senior Parity Obligations and the Subordinate Parity Obligations without satisfying any coverage tests. There are no Junior Lien Obligations outstanding.

Bond Ordinance

See Appendix C for a summary of certain provisions of the Bond Ordinance, including, without limitation, certain covenants of the City, flow of funds, the rights and duties of the Owners upon an event of default under the Bond Ordinance, provisions relating to amendments of the Bond Ordinance and procedures for defeasance of the Series 2004 Bonds.

BOND INSURANCE

The Bond Insurance Policy

The following information has been furnished by MBIA for use in this Official Statement. Reference is made to Appendix E for a specimen of MBIA's policy.

MBIA's policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Issuer to the Fiscal Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Series 2004 Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by MBIA's policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the Series 2004 Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (a "Preference").

MBIA's policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Series 2004 Bonds. MBIA's policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Series 2004 Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. MBIA's policy also does not insure against nonpayment of principal of or interest on the Series 2004 Bonds resulting from the insolvency, negligence or any other act or omission of the Fiscal Agent or any other paying agent for the Series 2004 Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by MBIA from the Fiscal Agent or any owner of a Series 2004 Bond the payment of an insured amount for which is then due, that such required payment has not been made, MBIA on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Series 2004 Bonds or presentment of such other proof of ownership of the Series 2004 Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Series 2004 Bonds as are paid by MBIA, and appropriate instruments to effect the appointment of MBIA as agent for such owners of the Series 2004 Bonds in any legal proceeding related to payment of insured amounts on the Series 2004 Bonds, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners or the Fiscal Agent payment of the insured amounts due on such Series 2004 Bonds, less any amount held by the Fiscal Agent for the payment of such insured amounts and legally available therefor.

MBIA

MBIA Insurance Corporation (“MBIA”) is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the “Company”). The Company is not obligated to pay the debts of or claims against MBIA. MBIA is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. MBIA has three branches, one in the Republic of France, one in the Republic of Singapore and one in the Kingdom of Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments and requiring the approval of policy rates and forms. State laws also regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by MBIA, changes in control and transactions among affiliates. Additionally, MBIA is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

MBIA does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the policy and MBIA set forth under the heading "BOND INSURANCE." Additionally, MBIA makes no representation regarding the Series 2004 Bonds or the advisability of investing in the Series 2004 Bonds.

The Financial Guarantee Insurance Policies are not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

MBIA Information

The following documents filed by the Company with the Securities and Exchange Commission (the "SEC") are incorporated herein by reference:

(1) The Company's Annual Report on Form 10-K for the year ended December 31, 2002; and

(2) The Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003.

Any documents filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act of 1934, as amended, after the date of this Official Statement and prior to the termination of the offering of the Series 2004 Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2002, and (2) the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003, are available (i) over the Internet at the SEC's web site at http://www.sec.gov; (ii) at the SEC's public reference room in Washington D.C.; (iii) over the Internet at the Company's web site at http://www.mbia.com; and (iv) at no cost, upon request to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504. The telephone number of MBIA is (914) 273-4545.

As of December 31, 2002, MBIA had admitted assets of $9.2 billion (audited), total liabilities of $6.0 billion (audited), and total capital and surplus of $3.2 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of September 30, 2003 MBIA had admitted assets of $9.9 billion (unaudited), total liabilities of $6.4 billion (unaudited), and total capital and surplus of $3.5 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Financial Strength Ratings of MBIA

Moody's Investors Service, Inc. rates the financial strength of MBIA "Aaa."

Standard & Poor's, a division of The McGraw-Hill Companies, Inc. rates the financial strength of MBIA "AAA."

Fitch Ratings rates the financial strength of MBIA "AAA."

Each rating of MBIA should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of MBIA and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Series 2004 Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Series 2004 Bonds. MBIA does not guaranty the market price of the Series 2004 Bonds nor does it guaranty that the ratings on the Series 2004 Bonds will not be revised or withdrawn.

ANNUAL DEBT SERVICE REQUIREMENTS

Debt Service for the Series 2004 Bonds

The following schedule shows the scheduled debt service payments for the Series 2004 Bonds for each calendar year of the City through the final maturity date.

Debt Service for Series 2004 Bonds

	Series 2004A		**Series 2004B**		Series 2004A Bonds Annual Debt Service	Series 2004B Bonds Annual Debt Service
	Principal (1)	Interest (2)	Principal (3)	Interest (2)	Requirements	Requirements
2004	--	$237,391	--	$ 339,418	$ 237,391	$ 339,418
2005	$ 635,000	872,048	--	1,246,840	1,507,048	1,246,840
2006	800,000	861,697	--	1,246,840	1,661,697	1,246,840
2007	965,000	844,337	$1,670,000	1,246,840	1,809,337	2,916,840
2008	1,150,000	818,089	1,670,000	1,213,440	1,968,089	2,883,440
2009	1,460,000	781,174	1,670,000	1,173,778	2,241,174	2,843,778
2010	1,485,000	728,614	1,670,000	1,128,688	2,213,614	2,798,688
2011	1,575,000	670,254	1,670,000	1,045,188	2,245,254	2,715,188
2012	1,605,000	603,474	1,670,000	995,088	2,208,474	2,665,088
2013	1,675,000	531,891	1,665,000	911,588	2,206,891	2,576,588
2014	1,760,000	454,338	1,665,000	828,338	2,214,338	2,493,338
2015	1,840,000	371,970	1,665,000	745,088	2,211,970	2,410,088
2016	1,890,000	283,466	1,665,000	661,838	2,173,466	2,326,838
2017	1,980,000	190,667	1,665,000	595,238	2,170,667	2,260,238
2018	1,790,000	91,469	1,665,000	528,638	1,881,469	2,193,638
2019	--	--	1,665,000	445,388	--	2,110,388
2020	--	--	1,665,000	362,138	--	2,027,138
2021	--	--	1,665,000	291,375	--	1,956,375
2022	--	--	1,665,000	220,613	--	1,885,613
2023	--	--	1,665,000	149,850	--	1,814,850
2024	--	--	1,665,000	74,925	--	1,739,925

Note: Interest payments and total debt service requirements have been rounded to the nearest dollar
(1) Payable on July 1, commencing July 1, 2005.
(2) Payable on January 1 and July 1, commencing July 1, 2004.
(3) Payable on July 1, commencing July 1, 2007.

Total Combined Debt Service

The following schedule shows, for each calendar year, the total combined debt service requirements estimated to be payable on the Series 2004A Bonds, the Series 2004B Bonds, the outstanding Senior Parity Obligations and the Outstanding Subordinate Parity Obligations.

Total Combined Outstanding Debt Service of Airport Obligations (1)
as of Date of Official Statement

	Outstanding Senior Parity Obligations					Outstanding Subordinate Parity Obligations				
Calendar Year	Series 1997 Bonds	Series 1998B Bonds	Series 2001 Bonds	Series 2004B Bonds	Total Senior Parity Obligations	Series 1995 Bonds(2)	Series 2000A & B Bonds(3)	Series 2004A Bonds	Total Subordinate Party Obligations	Estimated Total Combined Requirements
2004	$3,024,546	$3,546,589	$3,842,250	$ 339,418	$10,752,803	$6,418,485	$3,465,000	$ 237,391	$10,120,876	$20,873,678
2005	3,021,421	3,551,684	4,479,180	1,246,840	12,299,125	6,515,630	3,465,000	1,507,048	11,487,678	23,786,803
2006	3,023,921	3,546,924	5,312,200	1,246,840	13,129,885	6,591,790	4,065,000	1,661,697	12,318,487	25,448,372
2007	3,018,121	3,573,299	5,138,200	2,916,840	14,646,460	6,646,965	4,675,000	1,809,337	13,131,302	27,777,762
2008	3,027,121	3,574,234	4,964,200	2,883,440	14,448,995	6,681,155	4,986,000	1,968,089	13,635,244	28,084,239
2009	3,029,621	3,579,474	4,790,200	2,843,778	14,243,073	6,694,360	5,225,000	2,241,174	14,160,534	28,403,607
2010	3,021,621	3,568,399	4,994,040	2,798,688	14,382,748	6,786,580	4,989,000	2,213,614	13,989,194	28,371,942
2011	3,011,871	3,571,279	3,769,350	2,715,188	13,067,688	6,850,820	4,641,000	2,245,254	13,737,074	26,804,761
2012	3,020,034	3,568,748	3,770,463	2,665,088	13,024,331	6,887,080	4,793,000	2,208,474	13,888,554	26,912,885
2013	3,014,421	3,578,323	3,768,513	2,576,588	12,937,844	6,995,360	4,570,000	2,206,891	13,772,251	26,710,094
2014	3,018,096	3,575,683	3,768,231	2,493,338	12,855,348	7,168,665	4,317,000	2,214,338	13,700,003	26,555,351
2015	3,023,165	3,575,945	3,769,081	2,410,088	12,778,279		2,334,000	2,211,970	4,545,970	17,324,249
2016	3,018,990	3,573,500	3,760,525	2,326,838	12,679,853		676,000	2,173,466	2,849,466	15,529,319
2017	3,022,495	3,571,500		2,260,238	8,854,233		628,000	2,170,667	2,798,667	11,652,900
2018	3,019,610	3,572,250		2,193,638	8,785,498		680,000	1,881,469	2,561,469	11,346,967
2019		3,575,250		2,110,388	5,685,638		620,000		620,000	6,305,638
2020				2,027,138	2,027,138		560,000		560,000	2,587,138
2021				1,956,375	1,956,375					1,956,375
2022				1,885,613	1,885,613					1,885,613
2023				1,814,850	1,814,850					1,814,850
2024				1,739,925	1,739,925					1,739,925
Total	$45,315,056	$57,103,078	$56,126,433	$45,451,130	$203,995,696	$74,236,890	$54,689,000	$28,950,877	$157,876,767	$361,872,463

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

(1) Does not include the Refunded Bonds which are currently outstanding but will be refunded upon issuance of the Series 2004A Bonds.

(2) The interest rate payable by the City for the Subordinate Series 1995 Bonds has been calculated at 6.995% per annum pursuant to the interest rate exchange agreement entered by the City in connection with its issuance of the Subordinate Series 1995 Bonds.

(3) The interest payable by the City for the Subordinate Series 2000A and 2000B Bonds has been calculated at assumed annual interest rates of 12% and 15%, respectively, the maximum bond interest rates under the bond ordinance pursuant to which the those Bonds were issued, although the City expects the actual rates to be significantly lower than such maximum bond interest rates.

ALBUQUERQUE INTERNATIONAL SUNPORT

The principal source of payment for the Series 2004 Bonds is Net Revenues. See "SECURITY AND SOURCES OF PAYMENT." Net Revenues are Gross Airport Revenues less Operation and Maintenance Expenses. Gross Airport Revenues are derived from operations of the Airport Facilities, which include the Airport and the Reliever Airport and certain other sources stated in the Bond Ordinance. *It is important for prospective purchasers to analyze the historical operations of the Airport Facilities, in particular the Airport, and factors which may impact future Net Revenues. The information provided in this section for which a specific source is indicated has been obtained from that source. The City has assumed that the information obtained from sources other than the City is accurate without independently verifying it.*

Generally

The Airport is the principal airport serving the Albuquerque metropolitan region and provides the only major air carrier service to the State. The City's Department of Aviation operates the Airport which is located approximately five miles southeast of the downtown business area and about six miles from the City's center of population. The City is classified as a "medium hub" by the FAA. According to the Airports Council International-North America records, the Airport ranked as the 55th largest passenger airport in the United States in 2002. The Airport serves primarily an "origin/destination" air traffic market - approximately 90% of the total number of enplaned passengers using the Airport begin or end their trips in the primary area served by the Airport (the "Albuquerque Area") and other parts of the State. See "Airport Service Area" and "Historical Airline Traffic" under this caption.

The Airport has three principal runways for air carrier use: Runway 8-26, the primary air carrier/military runway, is 13,775 feet long and 300 feet wide; Runway 3-21, an air carrier runway, is 10,000 feet long and 150 feet wide; and Runway 17-35, a crosswind runway, is 10,000 feet long and 150 feet wide. Runway 12-30 is a crosswind runway used by general aviation traffic and is 6,000 feet in length and 150 feet in width.

The Airport is served by eight major and national airlines and regional and commuter airlines. In addition, eight all-cargo airlines (two of which provide services through two subsidiaries each) provide service at the Airport. Southwest Airlines, American Airlines, Delta Airlines, and America West Airlines accounted for 53.1%, 11.3%, 7.5% and 6.6%, respectively, of the enplaned passengers at the Airport in Fiscal Year 2003. See "Airlines Serving the Airport" under this caption and Appendix B - "Report of the Airport Consultant."

The passenger facilities of the Airport include the Terminal Complex with 23 air carrier aircraft gates and two regional/commuter gate areas serving eight commuter aircraft parking positions. The air carrier gates are situated in a linear east-west concourse, parallel to the Terminal Complex and connected to it via a terminal-concourse connector. The eastern portion of this concourse is referred to as Concourse A and the western portion is referred to as Concourse B. There are two commuter gates, identified as Gates D and E. The Terminal Complex area includes a two-level terminal loop roadway system, a 3,400 space automobile parking structure, and a 480 space surface parking lot.

In March 2001, the Airport opened a Consolidated Rental Car Facility (the "Rental Car Facility") located on approximately 76 acres of Airport property southwest of the Terminal Complex. It is comprised of a customer service building, ready/return parking area and service center facilities. The Rental Car Facility is currently used by eight rental car companies - Avis, Budget, Dollar, Hertz, Advantage, Thrifty, Enterprise and Vanguard Rental (collectively, the "On-Airport Rental Car Companies"). See "AIRPORT FINANCIAL OPERATIONS - Nonairline Revenues - *Rental Car Facility; Customer Facility Charges*" and "RENTAL CAR FACILITY."

The Airport is adjacent to Kirtland Air Force Base, an active U.S. Air Force ("USAF") installation. The airfield land and facilities, a portion of which was previously owned by the City but deeded to the USAF in 1941, were deeded back to the City by the USAF in 1962. The USAF currently shares the use of the airfield with the City under a lease agreement. The deed contains a reverter clause which will be effective if the City does not continue to use the land as an airport and 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. Under the terms of the lease agreement, the USAF pays the City an annual fee of $50,000. The agreement also requires that USAF provide aircraft rescue and fire fighting services at the Airport.

The City carries blanket building and personal property insurance with property damage coverage of $350,000,000 for City-owned property. Special property damage limits for property of the Airports are set at $166,000,000. The City also carries airport comprehensive general liability insurance in the amount of $100,000,000 combined single limit coverage for premises liability, products and completed operations, contractual liability and independent contractors' liability, which includes person injury liability coverage with a combined single limit of $25,000,000. See "LITIGATION."

Airport Service Area

The Airport Area includes the Albuquerque MSA (Bernalillo, Sandoval and Valencia counties), the Santa Fe Metropolitan Statistical Area (Santa Fe and Los Alamos Counties), and Torrance County.

The Airport 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 west and Salt Lake City International Airport to the northwest. There are also nine other airports in the State that provided scheduled commuter airline service during Fiscal Year 2003.

Airlines Serving the Airport

The Airport is served by the following major, national airlines (the "Signatory Airlines"):

America West Airlines	Frontier Airlines
American Airlines	Northwest Airlines
Continental Airlines	Southwest Airlines
Delta Airlines	United Airlines

Each of the major and national airlines listed above have entered into a Scheduled Airline Operating Agreement and Terminal Building Lease with the City (the "Airline Agreements"). TWA, a former Signatory Airline, declared bankruptcy in Fiscal Year 2001 and operations were taken over by TWA LLC, a subsidiary of American Airlines. Collectively, the Signatory Airlines lease approximately 75% of the available exclusive and preferential use space in the Terminal Complex. See "AGREEMENTS WITH THE AIRLINES" for a discussion of the obligations of the Signatory Airlines pursuant to the Airline Agreements. See "LITIGATION - *United Airlines Bankruptcy Proceedings*" for certain information on bankruptcy proceedings affecting the City's agreement with United Airlines.

In addition to these major and national airlines, Mesa Airlines provides flights throughout New Mexico, Texas and Colorado. Certain other regional/commuter airlines are also currently serving the Airport. In addition, eight all-cargo airlines (two of which provide services for two larger cargo carriers) provide service at the Airport. The three largest are:

Airborne Express	UPS Air Cargo
Federal Express	

The all air-cargo operators listed above have entered into a Schedule Cargo Airline Operating Agreement and Cargo Building Lease (an "All-Cargo Airline Agreement") with the City (the "Signatory Cargo Airlines"). See "AGREEMENTS WITH THE AIRLINES - Agreements with the Signatory Cargo Airlines."

Recent Events Affecting the Air Transportation Industry

The September 11 Events caused substantial disruption to the airline industry. In response to the attacks, the Aviation and Transportation Security Act was enacted into law on November 19, 2001, creating the Transportation Security Administration ("TSA"). The TSA took over from the airlines all contracts for security checkpoint operation at the Airport in February 2002. The security checkpoint was federalized on October 8, 2002, when all civilian contractors at the checkpoint were replaced with screeners employed by the TSA. Prior to the creation of the TSA, the FAA had implemented security measures, including, but not limited to, the elimination of curb-side luggage handling, prohibiting unticketed passengers beyond security checkpoints, requiring a thorough search and security check of passenger baggage, and restricting the parking of vehicles near terminals. While some of those measures remain in effect at the Airport, the TSA now has initiated a number of new safety measures at U.S. airports, including, without limitation, that all baggage must be screened for explosives. See "CERTAIN

INVESTMENT CONSIDERATIONS – Recent Developments Affecting the Air Transportation Industry."

Security Checkpoint Reconfiguration and Meeter/Greeter Area Addition

Due to heightened security at the Airport and new restrictions on public access to the concourses, the security checkpoint must be changed and a new area will be added for the "meeters and greeters" of arriving passengers. Development of the meeter/greeter area will be done in conjunction with and adjacent to, the expansion and reconfiguration of the security check point area. Conceptual design has been completed by the City. The cost of this project could be as high as $11 million, with construction to begin sometime in Fiscal Year 2004. See "PLAN OF FINANCING - The Projects."

Historical Airline Traffic

During Fiscal Year 2003, there were approximately 236,656 aircraft operations (landings and takeoffs) at the Airport, down from 251,784 in Fiscal Year 2002.

The following table presents the number of airline enplaned passengers for major and national airlines at the Airport from Fiscal Year 1994 through Fiscal Year 2003.

Historical Airline Traffic Activity
Albuquerque International Sunport

Enplaned Passengers

Fiscal Year	Number	Percent increase (decrease)
1994	2,917,043	7.2
1995	3,145,121	7.8
1996	3,159,377	0.5
1997	3,273,829	3.6
1998	3,109,915	(5.0)
1999	3,093,853	(0.5)
2000	3,160,245	2.1
2001	3,151,608	(0.3)
2002	3,043,775	(3.4)
2003	3,010,471	(1.1)

Source: City of Albuquerque, Department of Aviation.

The total number of enplaned passengers at the Airport increased at an average annual rate of 0.35% per year between Fiscal Years 1994 and 2003. In Fiscal Year 2002, the number of enplaned passengers at the Airport decreased 3.4%, principally as a result of the September 11 Events, the national economic downturn, and resulting decreases in airline service.

In Fiscal Year 2003, the number of enplaned passengers at the Airport decreased 1.1%, principally as a result of the continued national economic downturn and the war in Iraq. It should be noted that the average decrease in enplaned passengers at the Airport between 2001 and 2003 (2.3% per year) was at a lesser rate than experienced nationally - the FAA reported that enplaned passengers nationally decreased 6.6% between 2001 and 2002 (the most recent year for which data is available). Low-fare airlines such as Southwest Airlines and America West have continued to maintain or increase service at the Airport. See Table 11 and Figure 2 in Appendix B - "Report of the Airport Consultant" which summarize monthly enplaned passenger levels at the Airport compared to the United States and enplaned passenger recovery growth rates at the Airport and for the United States, since Fiscal Year 2001. As shown, the Airport has recovered from the impacts of the events of September 11, 2001, at a faster rate than other United States airports.

The size of an origin-destination market, as measured by the number of originating passengers, is related to the vitality of an airport service area. Origin-destination passenger traffic in the Albuquerque Area and other parts of the State consists of resident and visitor travel. The level of resident passenger travel is related to the size of the population base, overall activity and growth in the economy, companies that rely on airline travel for their business use, and disposable income levels that may affect the propensity for airline travel. The level of visitor passenger travel in the Albuquerque Area and the State is related to companies located in the Albuquerque Area and the State that are visited by personnel from other offices or businesses located in other parts of the United States or the world, the demand for tourist and convention facilities in the Albuquerque Area and the State, and people visiting residents. Certain financial and other information relating to the City is provided in its "Annual Information Statement dated January 23, 2004 in Connection with Bonds and Other Obligations" and in Appendix B - "Report of the Airport Consultant." The Annual Information Statement is on file with the Nationally Recognized Municipal Securities Information Repositories and is also available at the City's website (www.cabq.gov).

Airline Market Shares

In each of Fiscal Years 1999 through 2003, the top two airlines combined accounted for at least 57.9% of enplanements. In Fiscal Year 2003, Southwest Airlines ranked first in number of enplaned passengers at the Airport (53.1%) and American Airlines, Delta Airlines and America West Airlines ranked second, third and fourth, collectively comprising 25.4%.

The share of passengers enplaned by the regional and commuter airlines at the Airport increased from 3.1% in Fiscal Year 1999 to 5.8% in Fiscal Year 2003 as the share of passengers enplaned by major and national airlines decreased from 97% to 94%. The number of passengers enplaned by regional and commuter airlines increased from 96,022 in Fiscal Year 1999 to 174,427 in Fiscal Year 2003.

The following table presents the percentage shares of enplaned passengers for the airlines serving the Airport in the Fiscal Years 1999 through 2003:

Albuquerque International Sunport
Airline Market Shares
Fiscal Years 1999-2003

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
	% Share Enplaned Passengers	% Share Enplaned Passengers	% Share Enplaned Passengers	% Share Enplaned Passengers	% Share Enplaned Passengers
Major/National:					
Southwest Airlines	45.9	48.8	50.3	52.9	53.1
American Airlines	9.6	9.0	8.6	9.8	11.3
Delta Airlines	12.0	10.1	9.0	8.4	7.5
America West Airlines	6.3	6.7	6.7	6.7	6.6
United Airlines	9.2	8.1	7.0	6.2	6.1
Continental Airlines	5.0	5.4	5.5	5.4	4.9
Northwest Airlines	2.4	2.6	2.6	2.7	3.0
Frontier Airlines	0.9	1.0	1.2	1.6	1.6
Trans World Airlines (1)	5.6	5.8	5.7	1.9	0.0
Subtotal	96.9	96.8	96.5	95.6	94.2
Regional and Commuter:					
Mesa Airlines	2.7	2.3	2.1	1.6	1.3
Skywest	0.4	0.8	1.2	2.0	3.0
Other		0.1	0.2	0.9	1.4
Subtotal	3.1	3.2	3.5	4.4	5.8
TOTAL	100%	100%	100%	100%	100%

(1) TWA operations were taken over by TWA LLC, a subsidiary of American Airlines in Fiscal Year 2002.

Note: Columns may not add to totals shown because of rounding.
Source: City of Albuquerque, Department of Aviation.

Airports Administration

Mr. John D. Rice is the Director of Aviation. Mr. Rice was appointed to this position effective March 1, 2004, after serving as Director of the State of New Mexico's Aviation Division from 1997 to that date. As the head of the State's Aviation Division, Mr. Rice was responsible for planning, developing and maintaining a safe and efficient sixty-one airport system within the State of New Mexico, enhancing commercial air service for all communities in the State, inspecting all airports, registering all aircraft in the State, and providing airport safety and education programs within the State.

On February 27, 2004, Mr. Dewey Cave retired as Director of Aviation.

Mr. Dennis A. Parker, A.A.E., is the Director of Planning and Development, responsible for the long-term capital planning and project implementation for the Airports and reports to the Director. Mr. Parker was appointed to the position in 1986. Prior to his appointment, Mr. Parker was Assistant Aviation Director at the Airports; Manager of Maintenance Services at the Greensboro-High Point Airport Authority, North Carolina; Executive Director and Operations manager of the Titusville-Cocoa Airport Authority, Florida; and Airport Manager of the Chesterfield County Airport, Virginia.

Mr. Wayne A. Hanzich is the Director of Operations, responsible for the Operations Division, including Airfield Operations, Airport Communications Center, Airport Baggaging, Airfield Maintenance and the Reliever Airport. Mr. Hanzich is also responsible for security at the Airports. Mr. Hanzich joined the Aviation Department in 1986 after retiring from the United States Air Force. Prior to being promoted to his current position, Mr. Hanzich was an Airfield Operations Officer and the Airfield Maintenance Manager with the Aviation Department.

Mr. Paul Valigura moved to the Aviation Department in December 2002 as the Finance Director. Prior to this appointment, Mr. Valigura was an executive budget analyst in the Chief Administrative Officer's Department and the Financial Reporting Supervisor in the City's Accounting Division of the Department of Finance and Management.

Airports Capital Program

The Capital Program for the Airports for Fiscal Years 2004 through 2008 includes approximately $158.5 million of planned projects and approximately $104.0 million of demand-responsive projects. Demand-responsive projects are those which will be undertaken if predetermined thresholds of activity are met or tenant support is received by the City. The City does not anticipate the need to provide funding for the demand-responsive projects during the forecast period.

Terminal Complex

The planned projects are the expansion of the passenger screening checkpoint and improvements to the outbound baggage screening system, both to be completed in Fiscal Year 2004, and additional improvements to the terminal and concourses over the five-year period. Demand-responsive projects include the implementation of a centralized in-line explosives detection system (EDS) screening for all checked baggage and expansion of the existing terminal to provide additional gates on Concourse B.

Terminal Apron

The planned project is to rehabilitate the terminal apron in Fiscal Years 2006 and 2007.

Airfield

The planned projects are the rehabilitation of Runway 8-26 and the reconstruction of taxiways A, B, and C to be completed in Fiscal Year 2004; and the construction of taxiway connectors to Runway 3-21 and between Taxiways C and D, to be completed in Fiscal Year 2008. The demand-responsive projects are the reconstruction of the general aviation apron and the extension of Runway 3-21.

Terminal Roadways

The planned project is the construction of connecting roadways to other on Airport roadways, to be completed in Fiscal Year 2004. The demand-responsive project is the design for a second terminal roadway.

Reliever Airport

Planned projects are to make various infrastructure investments between Fiscal Years 2004 and 2007 to support planned commercial and industrial development at the Reliever Airport and the completion of a contract control tower, improvements to the general aviation midfield development and an environmental assessment, all three to be completed in Fiscal Year 2004. The demand-responsive projects are rehabilitation of Runway 17-35, rehabilitation and extension of Runway 4-22, and construction of a new crosswind runway.

Other Areas

Planned projects are to finance the Fuel Facility at the Airport in Fiscal Year 2004, construct a new airfield maintenance complex in Fiscal Year 2005 and Fiscal Year 2006, construct a belly freight building in Fiscal Year 2006 and provide for landscaping modifications and land acquisition for a future second terminal throughout the five-year period. The demand-responsive project is cargo development, including extension of the north air cargo facilities and expansion to the south.

See Appendix B - "Report of the Airport Consultant – Capital Program."

Additional Baggage Screening Requirements

Under the 2001 Aviation and Transportation Security Act, all airline checked baggage must be screened for explosives by the TSA. At the Airport, 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 decided to implement an in-line EDS for Southwest Airlines, which has been the largest carrier at the Airport in terms of passengers for over fifteen Fiscal Years. According to the City, the in-line baggage system for Southwest Airlines is necessary to (a) mitigate existing operational inefficiencies in the processing of checked baggage and (b) to provide additional space and equipment to meet future needs. The in-line baggage system project for Southwest Airlines is considered a planned project in the Airport Capital Program and will cost approximately $1,000,000. The City is in the process of preparing preliminary design drawings for the project.

The other airlines at the Airport, which mostly operate from ticket counter and baggage rooms on the west side of the Terminal Complex, have checked baggage screening systems that are adequate to meet existing and future demand. The City has performed various studies on integrating an in-line EDS on the west-side of the Terminal Complex, which may be used in the future as warranted by demand, other factors, and/or substantial funding by federal grants. The in-line EDS for the other airlines at the Airport has been classified by the City as a demand responsive project.

AIRPORT FINANCIAL OPERATIONS

The City's Airport Fund

General

The Airport Fund is a separately maintained enterprise fund of the City. The general policy of the City has been to impose charges for services that can be measured and that benefit specific persons, including users of the Airports. The charges are designed to pay for the cost of the service.

Historical Financial Results

The following tables compare historical financial results of the Airports, coverage ratios and Gross Airport Revenues over the last five Fiscal Years. Also shown are estimated Net Revenues, Debt Service Requirements and calculations of debt service coverage showing the City's compliance with the Rate Covenant for all Outstanding Senior Parity Obligations (Test No. 1) and all Outstanding Airport Obligations (Test No. 2). For detailed financial information for the Airports, see Appendix A - "Audited Financial Statements of the City's Airport Fund for the Fiscal Year 2003." For information on the Rate Covenant see "SECURITY & SOURCES OF PAYMENT - Rate Covenant."

Historical Financial Information
Fiscal Years 1999-2003 - Airport Fund

	2003 (1)	2002 (1)	2001	2000	1999
Operating Revenues (2)	$51,133,762	$50,401,858	$47,631,526	$45,144,248	$42,790,848
Operating Expenses:					
Salaries and Fringe Benefits	11,420,298	11,158,617	10,763,282	9,610,099	8,632,511
Professional services	82,540	159,353	171,104	142,423	320,264
Utilities	2,364,867	2,230,402	2,241,227	1,970,844	1,886,693
Supplies	500,321	432,271	557,787	590,122	511,603
Travel	29,802	20,141	44,648	32,119	37,823
Fuels, Repairs and Maintenance	2,235,991	1,941,528	2,243,210	2,232,100	2,178,473
Contractual Services	3,576,033	3,679,740	1,921,502	1,028,319	967,122
Other Operating Expenses	1,827,578	1,830,858	1,618,673	1,429,855	1,540,529
Depreciation	27,845,671	28,417,108	23,321,256	21,418,427	21,266,105
Bad Debt Expenses	0	0	537,432	0	0
Total Operating Expenses	49,883,101	49,870,018	43,420,121	38,454,308	37,341,123
Operating Income	1,250,661	531,840	4,211,405	6,689,940	5,449,725
Non-operating Revenues (expenses)					
Interest on Investments (3)	663,529	950,033	3,598,607	882,565	1,582,809
Passenger Facility Charges (4)(5)	8,154,815	7,083,472	8,544,558	8,289,634	8,258,458
Gain (loss) on Disposition of Property and Equipment	(22,491)	(10,253)	(9,868)	3,472	(16,670)
Interest Expense	(10,527,363)	(8,274,078)	(9,281,480)	(11,325,242)	(12,157,875)
Bond Issue Costs (6)	(212,349)	(279,327)			
Costs of Issuance	(20,226)	(2,100,656)	(1,957,866)	(345,840)	(1,053,937)
Other	58,936	74,077	155,690	355,592	309,966
Total Non-operating Revenues (Expenses)	(1,905,149)	(2,556,732)	1,049,641	(2,139,819)	(3,077,249)
Income (loss) before capital contributions and transfers	(654,488)	(2,024,892)			
Capital Contributions	1,022,772	375,582			
Change in Net Assets	368,284	(1,649,310)			
Net Assets, July 1	145,962,094	147,612,094			
Net Assets, June 30	146,331,068	145,962,784			
Income (Loss) Before Operating Transfers				4,550,121	2,372,476
Net Income (Loss)			5,261,046	4,550,121	2,372,476
Other Changes in Unreserved Retained Earnings:					
Decrease (Increase) in Reserve for Revenue Bond			(540,212)		
Debt Service and Retirement				312,176	536,776
Unreserved Retained Earnings (deficit), July 1			(2,964,329)	(7,826,626)	(10,735,878)
Unreserved Retained Earnings (deficit), June 30			1,756,505	($2,964,329)	($7,826,626)

(1) Beginning in Fiscal Year 2002, the City implemented the new reporting requirements set forth in GASB 34. As part of these new reporting requirements "Net Assets" of the Fund is now reported as the bottom line. "Unreserved Retained Earnings" is no longer used.

(2) See "REPORT OF THE AIRPORT CONSULTANT" and Appendix B for a discussion of forecasted Net Revenues which reflect new fees and charges to be imposed in connection with the planned projects in the Airport Capital Program.

(3) Includes the change in the unrealized gain or loss on investments between the beginning balance and the end of the Fiscal Year balance in accordance with Statement No. 31 of the Governmental Accounting Standards Board.

(4) A $3.00 Passenger Facility Charge was imposed at the Airport beginning July, 1996 and continued in 2002. See "Nonairline Revenues - *Passenger Facility Charges*" under this caption.

(5) Fiscal Year 2002 accrual for PFC revenue was understated by $657,383. This occurred due to the transition within accounts receivable systems at the Airport. Because of this, Fiscal Year 2003 PFC revenues are overstated by the same amount.

(6) Prior to Fiscal Year 2002, Bond Issue Costs were included as part of Total Operating Expenses.

Sources: City's Comprehensive Annual Financial Report for the years ending June 30, 1999 through June 30, 2003. These statements should be read in conjunction with the notes which accompany the City's financial statements which can be obtained upon request of the City Treasurer.

Historical Debt Service Coverage Calculation
Fiscal Years 1999-2003
(Rounded to nearest 000)

	2003	2002	2001	2000	1999
Operating Revenues	$51,134	$50,402	$47,632	$45,144	$42,791
Non-operating Revenues (expenses) (1)	8,856	8,097	12,290	9,532	10,134
Adjusted Revenues	59,990	58,499	59,922	54,676	52,925
Total Operating Expenses (2)	50,095	50,149	43,420	38,454	37,341
Adjusted Operating Expenses (3)	22,249	21,732	20,099	17,036	16,075
Net revenues, all funds combined	$37,741	$36,767	$39,823	$37,640	$36,850
Debt services coverage (Test No. 1)					
Net Revenue Adjustment (4)	(76)	(386)	(3,623)	(675)	139
Adjusted Net Revenues (4)	37,665	36,381	36,200	36,965	36,989
Debt Service (Senior Parity Obligations)	9,857	8,957	10,937	10,046	10,380
Debt Service Coverage	3.82x	4.06x	3.31x	3.68x	3.56x
Required Coverage	1.20x	1.20x	1.20x	1.20x	1.20x
Debt services coverage (Test No. 2)					
Net Revenue Adjustment (4)	517	853	1,676	1,154	1,729
Adjusted Net Revenues (4)	38,182	37,234	37,876	38,402	38,718
Debt Service (Parity Obligations)	17,825	17,429	19,600	17,596	17,926
Debt Service Coverage	2.14x	2.14x	1.93x	2.17x	2.16x
Required Coverage	1.10x	1.10x	1.10x	1.10x	1.10x

(1) Includes interest gain and loss for investments, PFC's, gains and losses on disposition of property and equipment and certain miscellaneous revenues.

(2) Includes bond issue costs which are not included in the preceding table after 2001.

(3) Operating Expenses minus depreciation.

(4) To conform amounts presented as Net Revenues in the City's Comprehensive Annual Financial Report (the "CAFR") to the definition of Net Revenues and the calculation of debt service coverage under Test No. 1 and Test No. 2: (a) for both Test No. 1 and Test No. 2, interest earned on the Capital Fund, adjustments for the market value of investments required to be included in the CAFR pursuant to GASB 41, and certain other miscellaneous revenues in the Capital Fund and Debt Service Fund are excluded; and (b) for Test No. 1 only, interest earned on the Debt Service Fund also is excluded.

Sources: City of Albuquerque Comprehensive Annual Financial Reports, Fiscal Years 1999-2003.

Historical Gross Airport Revenues (1)
(000s omitted)
(Fiscal Year 1999-2003)

	1999		2000		2001		2002		2003	
	$	%	$	%	$	%	$	%	$	%
Airline revenues	23,215	45.0	24,255	44.9	24,447	43.4	24,707	42.7	25,863	43.3
Non-Airline Revenues:										
Terminal Complex	9,271	18.0	10,159	18.8	10,304	18.3	11,516	19.9	10,538	17.6
PFCs	8,259	16.0	8,290	15.4	8,545	15.2	7,083[(1)]	12.3	8,155	13.6
CFCs	--	--	--	--	1,841	3.3	3,360	5.8	3,651	6.1
Parking area -	8032	15.6	8293	15.4	7966	14.1	6,377	11	6449	10.8
Miscellaneous	2786	5.4	3004	5.5	3234	5.8	4,774	8.3	5,095	8.5
TOTAL	51,563	100.0	54,001	100.0	$56,336	100.0	$57,818	100.0	$59,750	100.0

(1) The Fiscal Year 2002 accrual for PFC revenue was understated by $657,383. This occurred due to the transition within accounts receivable systems at the Airport.

Source: City of Albuquerque, Department of Aviation.

The general purpose audited financial statements of the City for the Fiscal Year ending June 30, 2003 are available from the City upon written request to the City Treasurer as described in "ADDITIONAL INFORMATION." Audited financial statements of the City's Airport Fund for the year ending June 30, 2003 are included as Appendix A.

Airline Revenues

Airline revenues include revenues from the Signatory Airlines under the Airline Agreements, non-signatory passenger airlines and cargo airlines. Components of Airline Agreement revenues include terminal space rentals, loading bridge fees, baggage claim device charges and landing fees. Cargo airlines are required to pay landing fees and ramp use fees and cargo building space rentals, as appropriate. See "AGREEMENTS WITH THE AIRLINES."

Amounts to be paid by the Signatory Airlines pursuant to the Airline Agreements constitute a major source of Revenues to the Airport, and therefore provide a significant source of payment related to the Series 2004 Bonds. In the aggregate, according to estimates of the City, the Signatory Airlines represented approximately 94% of commercial enplaned passengers at the Airport for Fiscal Year 2003. For Fiscal Year 2003, payments from Signatory Airlines represented approximately 36% of the total Gross Airport Revenues.

Nonairline Revenues

Nonairline Terminal Complex revenues include revenues from concessions, fees and nonairline space rentals. Terminal Complex concessions include rental car companies, food and beverage concessions, news/gift stores and other concessions. The largest component of nonairline Terminal Complex revenues has historically been generated by rental car privilege fees. See Appendix B - "Report of the Airport Consultant - Nonairline Revenues."

Rental Car Facility; Customer Facility Charges

In connection with the March 2001 opening of the City's Rental Car Facility, the eight On-Airport Rental Car Companies entered into five-year lease agreements with the City for use and lease of counter space at the customer service building and parking spaces at the ready/return parking area. Pursuant to these agreements, the City receives: (a) privilege fees in the amount of 9% of gross receipts against a minimum annual guarantee; (b) a monthly fee for use of the ready/return parking area; and (c) reimbursement for any Airport operating expenses allocated to the customer service building. Also under the agreements, the On-Airport Rental Car Companies are required to collect a CFC per rental car contract day. The CFC is 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 Complex and Rental Car Facility; (ii) debt service requirements on bonds 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 the customer service building, passenger pick-up and drop-off areas and canopies at the customer service building, and roadways used by the shuttle buses. Fees and charges imposed by the agreements with the On-Airport Rental Car Companies may be adjusted by the City from time to time. The CFC is to be recalculated by the City at least annually based on the projected number of rental car contract days and costs associated with the elements of the Rental Car Facility discussed above. The CFC was limited to $1.53 per rental car contract day for the first year in which the facility was open. At the end of the first year of CFC collections, on November 1, 2001, the CFC was increased to $1.95 per contract day, mainly due to lower than anticipated total transaction days, in part because of the downturn in traffic subsequent to the September 11 Events. Revenues from the CFC and all rentals, fees and charges imposed by the City and collected from the rental car companies accounted for approximately 22% of Gross Airport Revenues in Fiscal Year 2003.

In the event that the projected revenues from the CFC in any year are less than the costs associated with the common rental car shuttle bus system and the areas described above, the On-Airport Rental Car Companies will be 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 the following year to pay shuttle bus and other costs, as well as reduce the amount of the CFC in that year. See also "RENTAL CAR FACILITY."

Terminal Complex Concessions

Nonairline Terminal Complex revenues are generated under agreements with CAOne Services Inc., Fresquez Concessions, Inc. and Black Mesa Coffee Company to provide food and beverage services within the Terminal Complex. These agreements extend to May 2007. Under the terms of the agreements, each tenant is required to pay the City certain percentages of gross revenues including minimum annual guarantees.

The City also has five separate Retail Concession Agreements with news and gift operators at the Airport that offer a variety of retail merchandise including newspapers, magazines, books, Native American art and jewelry, southwest apparel and New Mexico souvenirs. Under the terms of these agreements, the City receives the larger of (i) a percentage of gross receipts or (ii) a minimum annual guaranteed ("MAG") amount The MAG amount is to be adjusted each year to equal 85% of the prior years' percentage rent payable to the City, but the MAG amount in any year will not be less than the first full contract year. The Retail Concession Agreements expire January 1, 2010 with two one-year options to extend, upon the mutual agreement of the tenant and the City.

Parking Area Revenues

The Department of Aviation operates the parking facilities at the Airport. Public parking facilities include a garage with 3,400 spaces for short-term parking and a surface lot north of the parking garage with 480 spaces for long-term parking. Parking facilities at the Airport also include three employee lots, which together provide approximately 600 spaces. Parking rates are as follows: $1.00 for the first half-hour (increasing to a maximum daily rate of $7.00 per day) in the short-term lot and $6.00 per day in the long-term lot.

The City also receives revenues from employee parking, commercial vehicle lane fees, and taxicab permits.

Airfield and Reliever Airport Revenues

Airfield and Reliever Airport Revenues include landing fees from general aviation users, military operations (including Kirtland Air Force Base under its agreement) and nonscheduled airlines. See "ALBUQUERQUE INTERNATIONAL SUNPORT - Generally."

With respect to revenues generated at the Reliever Airport, the City has agreements with two fixed base operators to provide general aviation services at the Reliever Airport.

The presence of Eclipse Aviation Corporation ("Eclipse") at the Airport and the future (2009) location of Eclipse at the Reliever Airport represent current and future potential for increased revenues from general aviation users. The infrastructure development, business development and property management plan and the parallel marketing efforts for an Aerospace Technology Park for Eclipse support companies will complement this potential.

Revenues from Other Areas

Revenues from Other Areas principally include leased site and building rentals which are part of Gross Airport Revenues. The major sources of leased site rental revenues are the Wyndham Albuquerque Hotel, rental car service areas, rental car ready/return lot space rentals, general aviation fixed base operators and cargo building rentals. The Wyndham Albuquerque Hotel, located at the Airport, pays a percentage of gross receipts for alcoholic beverages, room rentals and other miscellaneous categories against minimum annual guarantees. The Wyndham Albuquerque Hotel lease runs through December 18, 2023.

TSA began leasing the refurbished, historic Terminal Building to the west of the main Terminal Complex in October 2002. Under the lease agreement the TSA is leasing approximately 11,000 square feet for a term of ten years.

Passenger Facility Charges

PFCs were authorized by Congress as part of the Aviation Safety and Capacity Expansion Act of 1990 (the "1990 PFC Act") and were originally intended to supplement FAA's Airport Improvement Program ("AIP") Grants that are distributed from the Airport and Airway Trust Fund. AIP Grants typically fund up to 84% of an eligible project. The balance must come from a local "match." One of the intended uses of PFCs was to enable airports without sufficient other revenue sources to use PFCs to fund that matching portion. Allowed uses of PFCs are for capital projects that preserve or enhance capacity, safety or security of the air transportation system, reduce noise or mitigate noise impacts or furnish opportunities for enhanced competition between or among air carriers (i.e., provide additional gates). PFC revenues cannot be used for commercial facilities at airports such as restaurants and other concession space, rental car facilities or public parking facilities. While the original intention was to supplement capital needs, it is becoming more and more likely that PFCs will replace AIP Grants.

Pursuant to the 1990 PFC Act and the Wendell H. Ford Aviation Investment and Reform Act for the 21st Century (P.L. 106-181) ("AIR 21" and collectively with the 1990 PFC Act, the "PFC Acts"), 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 the Airport. An amendment to the original amount of PFCs authorized to be collected allowed the collection of an additional $135,870. In June 2002, the City received approval from the FAA to continue to collect the $3.00 PFC at the Airport for a total additional amount of $44,438,079 over a period of approximately five and a half years. The Bond Ordinance provides that PFC revenues may be included as part of Gross Airport Revenues and available to pay applicable Airport Obligations, to the extent directed by a designated officer of the City. PFCs collected by the City have been and will be used to reimburse the City for investments it has made in eligible projects.

The following table sets forth the annual collections of PFCs collected in 1999 through 2003.

City Annual Collections of PFCs
(1999 – 2003)
000s omitted

Year	PFCs Collected
1999	$8,259
2000	8,290
2001	8,545
2002	7,083*
2003	8,155*

* The Fiscal Year 2002 accrual for PFC revenue was understated by $657,383. This occurred due to the transition within accounts receivable systems at the Airport. Because of this, Fiscal Year 2003 PFC revenue is overstated by the same amount. Source: City of Albuquerque Department of Aviation

The actual amount of PFC revenues received each Fiscal Year will vary depending on the number of qualifying passenger enplanements at the Airport. Reduction in the number of enplaned passengers will cause a corresponding reduction in PFC revenues.

The FAA may terminate the City's authority to impose the PFC under certain circumstances. Also, with respect to an airline operating at the Airport which is involved in bankruptcy proceedings, it is unclear whether the City would be afforded the status of a secured creditor with regard to PFCs collected or accrued with respect to that airline. See also "CERTAIN INVESTMENT CONSIDERATIONS - Effect of Airline Bankruptcy."

The PFC Acts also provide that for certain classes of airports, which includes the Airport, federal AIP entitlement funds for the Airport will be reduced by 50% following the imposition of a PFC of $3.00 or less and will be reduced by 75% following the imposition of a PFC greater than $3.00.

See Appendix B - "Report of the Airport Consultant - Passenger Facility Charge Program."

Federal Grants

The City receives federal grant moneys from the FAA each year through the AIP which are not part of Gross Airport Revenues. The amount of funding available under the AIP on a national basis had been reduced in recent years. However, pursuant to AIR 21, the amount of funding available under the AIP on a national basis has been increased. There can be no assurance as to the amount of such funding the Airport will receive in future years.

The FAA provides both entitlement and discretionary AIP Grants. Entitlement grants are based on two criteria: the number of enplaning passengers and the amount of landed cargo weight. Between 1991 and 2002, the City received a total of $54,477,397 in AIP entitlement/discretionary grants. The City received $467,521 in AIP entitlement/discretionary grants in 2003. Such grants were used at the Airport primarily for the master plan for the Reliever Airport. In 2003 the FAA approved a $10,040,400 AIP entitlement grant which the City intends to use to fund the major portion of the passenger screening checkpoint expansion. In addition, the City has received approval for AIP discretionary grants in the amount of $2,773,866 for runway and taxiway improvements at the Airport, and $3,566,893 for the completion of a contract control tower and other improvements at the Reliever Airport.

The City's financial plan for funding its capital program assumes that the AIP entitlement and discretionary grant funds will be available to fund the grant eligible portion of certain projects. In the event that AIP Grants to the Airport are lower than those made in recent years, the City would either elect to delay or not undertake certain projects or seek alternative sources of funding, including the possible issuance of additional debt.

Management Discussion of Financial Results

Due principally to the September 11 Events and the national economic downturn, Fiscal Year 2002 was an unprecedented period for both the Airport and the aviation industry. As a result of the uniqueness of recent events, as well as the uncertainty regarding the future, management's discussion below generally addresses the results of Fiscal Year 2003 and 2002 compared to Fiscal Year 2001.

In Fiscal Year 2003, the number of enplaned passengers at the Airport was 3.01 million, compared to 3.04 million in Fiscal Year 2002 and 3.15 million in Fiscal Year 2001, resulting in 1.1% and 3.4% decreases in Fiscal Years 2003 and 2002, respectively. It should be noted that the average decrease in enplaned passengers at the Airport between 2001 and 2003 (2.3% per year) was at a lesser rate than nationally as reported by the FAA, a decrease of 6.6% between 2001 and 2002 (the most recent year for which data is available).

Total operating revenues at the Airport in Fiscal Year 2003 were $51.1 million, compared to $50.4 million Fiscal Year 2002 and $47.6 million in Fiscal Year 2001, while adjusted operating expenses (excluding interest and depreciation) were $22.1 million, $21.4 million, and $20.1 million, respectively. Savings achieved in the operating expense areas from the original budget were $1.8 million in Fiscal Year 2003, $1.2 million in Fiscal Year 2002, and $400 thousand in Fiscal Year 2001. PFC revenues, investment and other miscellaneous income totaled $9.1 million in Fiscal Years 2003 and 2002 and $10.4 million in Fiscal Year 2001, resulted in Net Revenues of $38.1 million in Fiscal Year 2003, $38.06 million in Fiscal Year 2002, and $37.9 million in Fiscal Year 2001.

The Airport took actions to manage both its revenues and expenses following the September 11 Events, as can be seen in the preceding paragraphs showing a slight downturn in enplaned passengers while maintaining Net Revenues at the Airport. In Fiscal Year 2002, positions were frozen and only essential contracts were maintained to control costs, while a change in passenger activity and attitudes reduced parking revenues at the Airport, which continued in 2003 as offsite parking continues to see increased activity.

AGREEMENTS WITH THE AIRLINES

Signatory Airline Agreements

The Signatory Airlines, which include America West Airlines, American Airlines, Continental Airlines, Delta Airlines, Frontier Airlines, Northwest Airlines, Southwest Airlines and United Airlines, have each entered into an Airline Agreement with the City for the use and lease of certain facilities at the Airport. The following is only a summary of certain provisions of the Airline Agreements. Reference is made to the Airline Agreements for a complete statement of the provisions or contents thereof. See "ADDITIONAL INFORMATION." For certain information on bankruptcy proceedings affecting the City's agreement with United Airlines, see "LITIGATION - *United Airlines Bankruptcy Proceedings*."

Term

The term of the Airline Agreements extends ten (10) years, from July 1, 1996, to June 30, 2006.

Terminal Complex Rentals, Fees and Charges

Under the Airline Agreements, rental rates are calculated according to a commercial compensatory method, after allowing credit for a portion of the net concession revenues generated in the Terminal Complex. A portion of the profits from Terminal Complex concession revenues is credited against airline Terminal Complex rentals based on the ratio of Signatory Airline rented space to total rented space. Ticket counter, hold room, and certain other space is leased to Signatory Airlines on a per square foot basis, while the cost of passenger circulation areas are to be recovered under a joint use formula. Costs attributable to the Terminal Apron are allocated to that area and recovered on a per gate basis from the airlines. Loading bridge charges are a combination of a fixed charge per gate to recover Debt Service Requirements and amortization charges on investments made from the Capital Fund and a variable charge per flight to recover operating costs.

Landing Fees

Signatory Airlines also pay to the City monthly landing fees for use of the Airfield by multiplying the number of 1,000-pound units of total landed weight for an Airline during the month by the then-current landing fee rate. The landing fee rate under the Airline Agreements is calculated according to a "cost center residual" method, whereby the City recovers 100% of the costs associated with the Airfield.

Calculation of Fees and Charges

Rentals, fees and charges are to be reviewed at least annually and recalculated as necessary, effective July 1 of each Fiscal Year. Rentals, fees and charges are determined by the City based upon its proposed annual budget for the upcoming Fiscal Year as it relates to the Airport.

If at any time during a Fiscal Year, any of the components of the calculation of Terminal Complex rental fees or Airfield costs or the aggregate total landed weight of all Signatory Airlines is estimated by the City to vary 10% or more from the estimates used in setting the Terminal Complex rental rates or landing fee rates, such rates may be adjusted either up or down for the balance of that Fiscal Year. However, adjustments may not be made unless deemed necessary by the City to insure that adequate revenues will be available from such fees to cover the estimated rental requirements for the Terminal Complex or Airfield costs for the Fiscal Year.

Majority in Interest Provision

If in any given Fiscal Year, the City decides to fund additional improvements from the proceeds of additional Airport revenue bonds or the Capital Fund, and if the funding would cause a projected increase in airline rental rates or landing fees of more than 10%, 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 will be deemed to have been received unless concurrence is specifically withheld by the Signatory Airlines. If concurrence is specifically withheld by Signatory Airlines representing 66.7% or more of the rents or landing fees paid to the City, then the City shall not include annual additional debt service for bonds nor include amortization for such capital improvement in the recalculation of Signatory Airline rents, fees and charges. None of the capital improvements expected to be completed by the City prior to the expiration of the Airline Agreements in June 30, 2006 are expected to require a majority-in-interest approval.

Gate Assignments

Each Signatory Airline will have priority in using gates assigned to it on a preferential basis to accommodate its scheduled flights as long as such airline maintains four flights per day on each gate leased from the City. However, the City may assign any preferential gate for use by others in periods when not in use by the preferred Signatory Airline, so long as the preferential gate is scheduled to be vacated to accommodate such Signatory Airline's scheduled flights. The City reserves the right to reassign one or more of each Signatory Airline's preferentially assigned gates to another Signatory Airline(s) if such Signatory Airline's scheduled average 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(s) by another Signatory Airline(s).

Subordination of the Airline Agreements

The Airline Agreements are subordinate to any revenue bond ordinances relating to the Airport Facilities, including the Bond Legislation.

Agreements with Non-Signatory Airlines

The other passenger airlines which are not Signatory Airlines include Mesa Airlines, Skywest Airlines and Rio Grande Air. In 1996, Skywest Airlines entered into a one-year agreement with the Airport, which contract has been continued in effect since 1997 on a month-to-month basis. Mesa Airlines and Rio Grande Airlines each have agreements with the Airport on a continuing month-to-month basis. These agreements commit the airlines to pay certain fees and lease certain space in connection with their use of the Airport Facilities. Great Plains Airlines recently filed bankruptcy and has ceased doing business at the Airport.

Agreements with Signatory Cargo Airlines

The three Signatory Cargo Airlines which serve the Airport - Airborne Express Air, Federal Express, and UPS Air Cargo - have entered into an All-Cargo Airline Agreement with the City concerning their use of the Airport Facilities. The agreements extend through June 30, 2006. Under the All Air-Cargo Airline Agreements, each of the Signatory Cargo Airlines lease exclusive-use space in the Airport's air cargo building and receive preferential use apron parking spaces at the air-cargo apron. A copy of an All-Cargo Airline Agreement may be obtained as described in "ADDITIONAL INFORMATION."

RENTAL CAR FACILITY

The Rental Car Facility was completed in March 2001. It consists of a customer service building, ready/return parking area, service center facilities and related roadway improvements.

The Rental Car Facility Project cost approximately $46.0 million, and was primarily financed using proceeds of the Series 2000B Bonds.

The Rental Car Facility is located on approximately 76 acres of Airport property southwest of the Terminal Complex and is served from the primary Airport access roadway, Sunport Boulevard, via University Boulevard. The Rental Car Facility is expected to accommodate eight rental car companies for a period of 20 years. All rental car companies serving the Airport are required to transport their customers between the customer service building and the Terminal Complex on a common rental car shuttle bus system.

Under leases executed with eight rental car companies, the City receives a privilege fee, a monthly use fee, reimbursement of certain costs, and requires the companies to collect and remit to the City a CFC. 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. See "AIRPORT FINANCIAL OPERATIONS - Nonairline Revenues - *Rental Car Facility; Customer Facility Charges*."

Alamo Rent-A-Car and National Car Rental, and their parent corporation, ANC Rental Corporation ("ANC"), filed a Chapter 11 Bankruptcy Petition in December 2001. All of the assets of ANC Rental Corporation have been purchased by Vanguard Car Rental. The City anticipates that Vanguard Car Rental will assume all of the existing Alamo and National contractual agreements.

Budget Rent-A-Car filed a Chapter 11 bankruptcy petition in July 2002 but remained current in its contractual obligations. It was subsequently purchased by Cendant, the owner of Avis Rent a Car. The City does not anticipate any material loss as a result of the Budget bankruptcy and subsequent purchase by Cendant.

AIRPORT ENVIRONMENTAL MATTERS

There are several environmental matters which have a direct and indirect impact on the City and the Airport. These include storm water management, aircraft noise management, underground full tanks, clean air requirements, and hazardous materials mitigation.

Airport Noise Monitoring Program

The Airport Noise Program consists of nine noise monitoring sites strategically placed in the City and Bernalillo County. The Airport Noise Monitoring Program has as a goal the education of the citizens of Albuquerque and surrounding areas about aircraft noise levels. The Airport Noise Program also monitors long term noise trends, verifies the Integrated Noise Model, develops and maintains a comprehensive noise complaint database, generates useful reports and summaries, among others.

The program's success is based wholly on the City's relationship with residents of the City and surrounding areas.

Storm Water Pollution Prevention Plan

Under the federal Clean Water Act and Environmental Protection Agency regulations, the Airport was required to obtain a storm water multi-sector permit for the discharge of the Airport's storm water subject to certain requirements and conditions. The Airport's storm water discharge is impacted by the airlines' use of deicing chemicals and the presence of suspended solids (erosion) as a result of steep gradients and the intense nature of precipitation events in the region. The Storm Water Pollution Prevents Plan required by the regulations for this permit is in place and is updated on a yearly basis to limit or eliminate detrimental impact to storm water quality.

Underground Fuel Tanks

Under Federal and State regulations, all existing underground storage tanks must comply with certain requirements with regards to spill, overfill and corrosion protection. All underground storage tanks owned and operated by the City of Albuquerque Aviation Department have gone through a formal closure process or have been upgraded to meet the Federal and State regulations.

The Sunport has two bulk fuel storage facilities for aircraft fueling.

Commercial passenger and cargo aircraft fueling is performed by ASIG from bulk underground fuel storage tanks that hold approximately 100,000 gallons of fuel (the "ASIG Fuel Facility"). The fuel storage tanks and associated systems and facilities are owned and operated by ASIG under an agreement between the City and ASIG that terminates in March 2009, with two five-year options to extend the lease at the discretion of ASIG. According to information provided by ASIG, its fuel storage tanks were upgraded in 1998 to meet the underground storage tank ("UST") regulations and requirements that went into effect December 22, 1998. The UST regulations are designed to prevent releases by closely monitoring petroleum and chemical storage and by imposing deadlines for removal of older UST's (and UST components) before they fail. The City does not know of and has not performed any studies to determine if any environmental contamination exists at the ASIG Fuel Facility. It is anticipated that, coincident with the construction of the Fuel Facility Project, Southwest Airlines will enter into a third-party agreement with ASIG under which ASIG would agree to remove the existing fuel facilities on Airport premises and perform any required environmental remediation in the premises currently occupied by ASIG. See "PLAN OF FINANCING - The Projects - *The Fuel Facility Project*."

There is another bulk fuel storage facility that is no longer in operation which was previously owned by TWA. The facility consists of two storage tanks and a supply line to a hydrant facility east of an air-freight facility used for belly cargo operations. According to the City, ownership of the facility was given to the City. Under an agreement that allowed TWA to operate and own a fuel facility at the Airport, it was required to environmentally remediate the site and remove all improvements. According to the City, TWA did not perform any of these obligations. The City is required to remove the tanks and environmentally remediate the area previously occupied by TWA.

The cost of removing the old TWA fuel facility has not been determined by the City but is not expected to be material. The cost of removing the TWA fuel facility is to be part of the annual costs recovered by the City at the new Fuel Facility. Under a separate agreement with the City, Southwest Airlines has agreed to environmentally remediate the old TWA fuel facility. See Appendix B - "Report of the Airport Consultant."

REPORT OF THE AIRPORT CONSULTANT

The City has retained Leigh Fisher Associates, A Division of Jacobs Consultancy, San Francisco, California, to prepare a report in connection with the Series 2004 Bonds. The Report of the Airport Consultant is included as Appendix B hereto, with the Airport Consultant's consent. The Report of the Airport Consultant describes key factors that will affect future airline traffic at the Airport, presents airline traffic and financial forecasts for Fiscal Years 2004 through 2010, and presents the assumptions on which the financial forecasts are based. The information regarding the analyses and conclusions contained in the Report of the Airport Consultant is included in the Official Statement in reliance upon the expertise of Leigh Fisher Associates. The Report of the Airport Consultant has not been revised subsequent to the date of such report to reflect the final terms of the Series 2004 Bonds.

The financial forecasts in the Report of the Airport Consultant are based on certain information and assumptions that were provided, or reviewed and agreed to, by the Airport's management. In the opinion of the Airport Consultant, these assumptions provide a reasonable basis for the forecasts.

The Report of the Airport Consultant should be read in its entirety regarding all of the assumptions used to prepare the forecasts made therein. No assurances can be given that these or any of the other assumptions contained in the Report of the Airport Consultant will occur. As noted in the Report of the Airport Consultant, any forecast is subject to uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized, and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecast and actual results and those differences may be material.

The Report of the Airport Consultant forecasts Net Revenues sufficient to meet the funding and debt service on all Outstanding Airport Obligations and the proposed Series 2004 Bonds in Fiscal Year 2004 and each year of the forecast period. The following table has been extracted from the Report of the Airport Consultant. The table assumes the issuance of the 2004 Bonds and the redemption of the Refunded Bonds.

The forecasted financial information in the following table was not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to forecasted financial information, but, in the view of the Airport management, was prepared on a reasonable basis, to reflect the best currently available estimates and judgments and present, to the best of management's knowledge and belief, the expected course of action and the expected future financial performance of the City.

Debt Service Forecast Coverage[1]
(dollars in thousands)

	Senior Parity Obligations			All Airport Obligations		
Year	**Net Revenues**	**Debt Service**	**Debt Service Coverage**	**Net Revenues[2]**	**Debt Service**	**Coverage[3]**
2004	$36,745,000	$10,414,000	3.53%	$36,980,000	$18,923,000	1.95%
2005	38,448,000	11,052,000	3.48	38,683,000	21,297,000	1.82
2006	39,874,000	12,266,000	3.25	40,109,000	23,033,000	1.74
2007	43,026,000	15,390,000	2.80	43,261,000	26,669,000	1.62
2008	43,991,000	15,320,000	2.87	44,226,000	27,108,000	1.63
2009	44,281,000	15,069,000	2.94	44,516,000	27,555,000	1.62
2010	45,078,000	15,172,000	2.97	45,313,000	28,063,000	1.61

(1) Includes coverage for estimated debt service on Series 2004 Bonds
(2) Includes interest earnings on debt service and debt service reserve accounts for certain outstanding Airport Obligations
(3) Includes coverage for all Outstanding Subordinate Parity Obligations and Senior Parity Obligations

Source: See Appendix B - "Report of the Airport Consultant - Rate Covenant and Exhibit G"

CERTAIN INVESTMENT CONSIDERATIONS

General

The following section describes certain risk factors affecting the payment of and security for the Series 2004 Bonds. The following discussion is not meant to be an exhaustive list of the risks associated with the purchase of the Series 2004 Bonds and does not necessarily reflect the relative importance of the various risks. Potential investors are advised to consider the following specific factors along with all other information described elsewhere or incorporated by reference in this Official Statement in evaluating the Series 2004 Bonds.

General Factors Affecting Airports and Airline Revenues

The revenues of the Airports and the airlines may be materially affected by many factors including, without limitation: declining demand, service and cost competition, mergers, the availability and cost of fuel and other necessary supplies, high fixed costs, high capital requirements, the cost and availability of financing, technological changes, national and international disasters and hostilities, the cost and availability of employees, strikes and other employee disruptions, the maintenance and replacement requirements of aircraft, the availability of routes and slots at various airports, litigation liability, regulation by the federal government, environmental risks and regulations, noise abatement concerns and regulation, deregulation, federal and state bankruptcy and insolvency laws and other risks. Many airlines, as a result of these and other factors, have operated a loss in the past and several have filed for bankruptcy, ceased operations and/or have merged with other airlines.

General Factors Affecting Airline Activity

There are numerous factors which affect air traffic generally and air traffic at the Airport more specifically. Demand for air travel is influenced by facts such as population, levels of disposable income, the nature, level and concentration of industrial and commercial activity in the service area, and the price of air travel. The price of air travel is, in turn, affected by the number of airlines serving a particular airport and a particular destination, the financial condition, cost structure and hubbing strategies of the airlines serving an airport, the willingness of competing airlines to enter into an airport market, the cost of operating at an airport, the price of fuel, and any operating constraints (due to capacity, environmental concerns or other related factors) limiting the frequency or timing of airport traffic within the national system or at a particular airport.

Operating Results and Financial Conditions of Airlines

The Airport derives a substantial portion of its operating revenues from landing and facility rental fees. The financial strength and stability of the airlines using the Airport, together with numerous other factors, influence the level of aviation activity at the Airport. Following the September 11 Events, the long-term credit ratings of many domestic airlines have been downgraded and placed on credit review lists maintained by national credit rating agencies.

Prior to the September 11 Events, most airlines had experienced deterioration of their financial condition. Domestic airlines posted net profits of $5.3 billion in 1999, net profits of $2.6 billion in 2000 and net losses in excess of $1 billion in the first half of 2001. Prior to the September 11 Events, the domestic airline industry was predicting total losses of approximately $2.5 billion in 2001. As a result of September 11 Events, and the weakening economy, domestic airline industry losses were in excess of $8 billion for 2001 and$11 billion for 2002.

The September 11 Events, in combination with the general economic downturn and other events previously described, all have had a significant adverse effect on the airline industry. Since the September 11 Events, most major domestic airlines, including those providing services at the Airport (other than Southwest) significantly reduced scheduled flights and instituted job reductions in an attempt to stem mounting financial losses. Most major domestic airlines have warned that they will continue to suffer significant financial losses. United Airlines, which is a Signatory Airline, and other air carriers have filed for bankruptcy protection. Notwithstanding the enactment of the Air Transportation Safety and System Stabilization Act (described below), it is possible that additional passenger air carriers may file for protection under federal bankruptcy laws See "INTRODUCTION – Events and Other Factors Affecting the Airline Industry and the Airport," "Effect of Airline Bankruptcy" under this caption and "LITIGATION."

The City cannot predict the likelihood of future air transportation disruptions or the impact of these events on any of the airlines using the Airport. For further information regarding the financial condition and effect on operations of the airlines, including further information regarding the airlines' reported load and capacity factors since the September 11 Events, reference is made to the statements and reports filed periodically by the airlines with the SEC. See "Airlines Subject to Airline Agreement" under this caption.

Effect of Airline Bankruptcy

On December 9, 2002, UAL Corporation ("UAL") and twenty-seven of its U.S.-based subsidiaries, including United Airlines, Inc. (collectively, the "Debtors"), filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code. The Debtors continue to operate their business as "debtors-in-possession" under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court. United Airlines was operating at the Airport under a scheduled Airline Agreement at the time of its filing for Chapter 11 bankruptcy protection. United continues to operate under its Airline Agreement at this time. Although United Airlines has not assumed or rejected its Airline Agreement as of February 16, 2004, the Airline Agreement is required to be assumed or rejected by United by March 12, 2004. This date could be extended by the bankruptcy court. See also "INTRODUCTION – Events and Other Factors Affecting the Airline Industry and the Airport" and "AGREEMENTS WITH THE AIRLINES."

During the pendency of a bankruptcy proceeding, a debtor airline may not, absent a court order, make any payments to the City on account of goods and services provided prior to the bankruptcy. Thus, the City's stream of payments from a debtor airline would be interrupted to the extent of pre-petition goods and services, including accrued rent and landing fees. United paid the City all pre-petition landing fees that it owed and currently owes the City $130,376 which the City considers pre-petition rentals. The City does not hold any performance bond or security deposit from United.

Recent Developments Affecting the Air Transportation Industry

Federal Legislation

On September 21, 2001, the Air Transportation Safety and System Stabilization Act (the "Stabilization Act") was enacted into law. The Stabilization Act provides, among other things, for: $5 billion in payments to compensate domestic airlines for losses incurred as a result of the September 11 Events; $10 billion in federal loan guarantees to domestic airlines, subject to certain conditions and fees, including the potential requirement that the federal government be issued warrants or other equity instruments in connection with such loan guarantees; limitations on air carrier officer and employee compensation if the air carrier received federal loan guarantees; reimbursement to domestic airlines by the federal government of certain increased insurance costs for the operation of aircraft incurred by the airlines; deferral of the payment by domestic airlines of certain taxes; and limitations of liability for domestic airlines. The Stabilization Act also established a federal victim's compensation fund and claims procedure relating to the September 11 Events, and at the discretion of the Secretary of Transportation, limitations of liability for U.S. air carriers for acts of terrorism committed during a 180-day period following enactment of the Stabilization Act.

In April 2003, President Bush signed an aid package for the airline industry totaling more than $3 billion, as part of a larger Iraq war spending bill. The aid package included, among other things, reimbursement for certain airline security costs and a waiver of certain security fees owed to the U.S. government by air carriers.

On December 12, 2003, President George W. Bush signed into law the Century of Aviation Reauthorization Act ("Vision 100"). Vision 100 establishes, among other provisions, for the aviation industry (a) grants to airports for improving security facilities by authorizing the collection and spending of $250 million annually from 2004 through 2007 to be funded from the $2.50 security fee imposed on enplaned passengers and (b) additional contract authority for the AIP .of almost $14.2 billion from 2004 through 2007.

Airport Security

In response to the September 11 Events, the Federal Aviation and Transportation Security Act ("ATSA") was enacted on November 19, 2001. ATSA created the TSA, which is now a part of the Department of Homeland Security. ATSA called for stronger cockpit doors on the planes and an increased presence of armed federal marshals on flights. ATSA requires that all security screeners at airports be federal employees. Security screeners must undergo criminal background checks and must be U.S. citizens. Not later than 2005, airports that meet increased security guidelines have the option to continue using federal employees or return to private security companies. Airports are permitted to use state or local law enforcement personnel to provide security services.

ATSA also required that by December 31, 2002, sufficient explosive detection systems ("EDS") be deployed at airports in the United States to screen all checked baggage. The Airport met this deadline, and is screening all checked bags. See "ALBUQUERQUE INTERNATIONAL SUNPORT – Additional Baggage Screening Requirements." The Homeland Security Act of 2002 (the "Homeland Security Act") signed into law by President Bush on November 25, 2002, amended ATSA to allow an extension for installing the EDS until December 31, 2003. ATSA mandates two civil aviation fees to help pay the government's cost of providing civil aviation security services. The September 11th Security Fee is levied on individual passenger tickets and consists of a fee of $2.50 for each flight segment, not t o exceed $5.00 per one-way trip. In addition to the fee charged to passengers, a fee may also be imposed on air carriers which may not exceed, in the aggregate, the total amount paid in calendar year 2000 by the air carriers for screening passengers and p roperty. This fee, designated the Aviation Infrastructure Security Fee, was imposed on air carriers by the TSA effective February 18, 2002. The April 2003 federal package waived certain of these security fees from June 1, 2003 through September 30, 2003. These fees resumed on October 1, 2003.

In addition, the Homeland Security Act created the Department of Homeland Security ("DHS") to accomplish several primary goals, identified by the statute as: preventing terrorist attacks within the United States; reducing the nation's vulnerability to terrorism; minimizing the damage of, and assisting in the recovery from, terrorist attacks that do occur; and monitoring connections between illegal drug trafficking and terrorism.

Under the Homeland Security Act, the TSA, including all TSA functions, personnel and assets, was transferred from the Department of Transportation to DHS, and will be maintained as a distinct entity within DHS until the second anniversary of the enactment of the Homeland Security Act.

Concerns about the safety of airline travel and the effectiveness of security precautions, particularly in the context of the threat of additional terrorist attacks, may influence passenger travel and air travel demand. Travel behavior may be affected by anxieties about the safety of flying and by the inconveniences and delays associated with more stringent security screening procedures, both of which may give rise to the avoidance of air travel generally and the selection of surface travel over air travel.

Because of the implementation of the Congressional mandate, effective January 1, 2003, to screen all checked baggage for explosives, as well as the impact on airport operations of procedures mandated under "Code Orange" (high) and "Code Red" (severe), national threat levels declared by DHS under the Homeland Security Advisory System, there is the potential for significantly increased inconvenience and delays at may airports, including the Airport.

The Homeland Security Act requires that carriers include methods of self-defense within their security training programs for flight attendants. The Act also requires DHS to establish a program for arming pilots, though participation in the program remains voluntary.

The Homeland Security Act requires DOT to consult with the DHS before approving an application for airport development grants concerning security equipment or airport reconfiguration necessary for the installation of that equipment.

The Terrorism Risk Insurance Act, was also recently signed by the President. This law establishes the Terrorism Insurance Program in the Department of the Treasury. The program aims to ensure the availability of property and casualty insurance for terrorism risk by having the federal government temporarily share the burden of compensating for insured losses. The program lasts until December 31, 2005. Losses in connection with terrorist acts that are incurred by passenger or cargo air airlines, United States flag vessels, and qualifying vessels based principally in the United States are covered by the program, regardless of where the loss occurs.

Airlines Subject To Airline Agreements

Net revenues of the Airport may be affected by the ability of the Signatory Airlines, individually and collectively, to meet their respective obligations under the Airline Agreements, or by the ability of the non-Signatory Airlines or Signatory Cargo Airlines to meet their obligations to pay fees and rates charged by the Airport under their agreements. Each of the Airlines subject to the Airline Agreements (or their respective parent corporations) is subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files reports and other information with the Securities and Exchange Commission (the "Commission"). Certain other airlines are subject to the information reporting requirements of the Commission. Certain information, including financial information, as of particular dates concerning each of these reporting airlines (or their respective parent corporations) is disclosed in reports and statements filed with the Commission. Such reports and statements can be inspected in public reference rooms of the Commission, which can be located by calling the Commission at 1-800 SEC-0330. In addition, electronically-filed Commission reports can be obtained from the Commission's website at http://www.sec.gov. Each of the Signatory Airlines is also required to file periodic reports of financial and operating statistics with the United States Department of Transportation (the "DOT"). Such reports can be inspected at the following location: Office of Aviation Information Bureau of Transportation Statistics, Department of Transportation, Room 4201, 400 Seventh Street, S. W. Washington, D.C. 20590, and copies of such reports can be obtained from the DOT at prescribed rates.

Dominance of Southwest Airlines at the Airport

Southwest Airlines is the dominant air carrier operating at the Airport, which serves as a connecting point in Southwest Airlines' route system, and currently leases eight of the existing 23 full service jet gates at the Airport under the Airline Agreement. In Fiscal Year 2003, Southwest Airlines accounted for approximately 53.1% of passenger enplanements at the Airport, and approximately 49.1% of the signatory airline rentals, fees and charges component of the Airport's operating revenues. No other airline accounted for more than 11.3% of passenger enplanements at the Airport in 2003. No airline other than Southwest Airlines accounted for over 11.9% of the airline rentals, fees and charges component of the Airport's operating revenues in Fiscal Year 2003.

The City has no information regarding the financial condition of Southwest Airlines, Inc., other than from SEC filings and press releases made by Southwest Airlines, Inc. See "ALBUQUERQUE INTERNATIONAL SUNPORT - Airline Market Shares." No assurances can be given concerning the present or future financial viability of Southwest Airlines, Inc. or Southwest Airlines.

Rate Covenant

The City has covenanted in the Bond Ordinance to fix, charge and collect rentals, rates, fees and other charges for the use of the Airports and from time to time to revise such rentals, rates, fees and other charges as may be necessary or appropriate in order that in each Fiscal Year the Net Revenues will at all times be sufficient to satisfy the Rate Covenant. If the Net Revenues and investment income are less than the amounts required in the Rate Covenant, the City must request an Airport Consultant to make its recommendations as to revisions of the City's rentals, rates, fees and other charges, its Operation and Maintenance Expenses or the method of operation of the Airports in order to satisfy, as soon as practicable, the Rate Covenant. See "SECURITY AND SOURCES OF PAYMENT - Rate Covenant."

Increasing the schedule of rentals, rates, fees and charges for the use of the Airports and for services rendered by the City in connection with the Airports would be subject to contractual, statutory and regulatory restrictions.

Assumptions in the Report of the Airport Consultant

The Report of the Airport Consultant incorporated numerous assumptions as to the use of the Airport and other matters and stated that any projection is subject to uncertainties. Inevitably, some assumptions used to develop the projections will not be realized and unanticipated events and circumstances may occur. Therefore, the actual results achieved during the projection period will vary, and the variations may be material. See “REPORT OF THE AIRPORT CONSULTANT” and Appendix B - “Report of the Airport Consultant.”

No Acceleration

Events of Default under the Bond Ordinance and related remedies are described in the summary of certain provisions of the Bond Ordinance attached as Appendix C. The occurrence of an Event of Default does not grant any right to accelerate payment of the Series 2004 Bonds. If there is an Event of Default, payments, if any, on the Series 2004 Bonds will be made after payments of Operation and Maintenance Expenses and debt service and reserve fund requirements on the Senior Parity Bonds.

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) with respect to the Bond Legislation, 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 material to the Series 2004 Bonds or the security for the Series 2004 Bonds; (ii) seeking to restrain or enjoin the issuance, sale, execution or delivery of, or the performance by the City of its obligations under, the Series 2004 Bonds; (iii) in any way contesting or affecting (A) the issuance, sale, execution or delivery of the Series 2004 Bonds or (B) the validity or enforceability of the Series 2004 Bonds, the Bond Legislation, any of the documents relating to the Series 2004 Bonds or any action contemplated by or pursuant to any of the foregoing; (iv) which, except as and to the extent disclosed below may result, either individually or in the aggregate, in final judgments against the City or the Airport materially adversely affecting its financial condition; or (v) asserting that the Preliminary Official Statement or the Official Statement contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. On the Closing Date, the city will deliver a no-litigation certificate as to the foregoing.

The City is a party to various legal proceedings seeking damages or injunctive relief and generally incidental to its operations. Of these proceedings, only the UAL Corporation bankruptcy proceeding is related to the Net Revenues or the Airports.

United Airlines Bankruptcy Proceedings

On December 9, 2002, UAL Corporation, owner of United Airlines, Inc., a signatory airline and party to an Airline Agreement with the City, commenced a Chapter 11 Bankruptcy case. The City filed a Proof of Claim on February 4, 2003. United has paid the City all pre-petition landing fees that it owed and currently owes the City $159,823 in facilities rentals under its Airline Agreement, $130,376 of which the City considers pre-petition rentals and $29,447 of which the City considers post-petition rentals. The City does not hold any performance bond or security deposit from United. The City's Proof of Claim for pre-petition rentals may be recovered, in part, after UAL Corporation's final debt restructuring plan is approved by the Bankruptcy Court.

As of February 16, 2004, UAL Corporation with the approval of the Bankruptcy Court had neither assumed nor rejected United Airlines unexpired Airline Agreement with the City. The Airline Agreement is currently required to be assumed or rejected by UAL Corporation by March 12, 2004. This date could be extended by the bankruptcy court. See "AGREEMENTS WITH THE AIRLINES" and "CERTAIN INVESTMENT CONSIDERATIONS – Airline Bankruptcy Filings."

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 a "medium scrutiny" standard to a "rational basis" standard by which the constitutionality issue will be determined in future cases. Since the revised standard is less of a burden for the City to overcome, 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.

As to the status of the Risk Management Fund (an internal service fund) in which all losses and liabilities are recorded, as of June 30, 2001, the fund was in deficit by approximately $13 million. The Fund deficit as of June 30, 2002 was approximately $14.1 million and $12.7 million as of June 30, 2003. The balance, or deficit, in the Risk Management Fund generally represents: (i) cash and other assets in the Fund, less (ii) an amount determined by the City to be an appropriate reserve for unpaid claims and other potential liabilities (including pending litigation brought against the City which may or may not be resolved in the City's favor). The cash in the Fund is currently sufficient to pay all claims and judgments due and payable by the City for an average 16 month period. The City is in the second year of a five-year plan to eliminate the projected deficit. In addition, pursuant to Section 41-4-25(B) NMSA 1978, in the event of a judgment against the City in excess of $100,000, the City may levy a tax on real and personal property to provide for the payment of such excess amount.

UNDERWRITING

Citigroup Global Markets Inc., J.P. Morgan Securities Inc., RBC Dain Rauscher, Inc. and UBS Financial Services, Inc., (collectively, the "Underwriters") have agreed to purchase the Series 2004 Bonds from the City pursuant to a Bond Purchase Agreement dated March 1, 2004 (the "Purchase Agreement"), at the following prices: (1) for the Series 2004A Bonds, $20,478,689.43 (being the aggregate principal amount less an Underwriters' discount of $131,310.57); and (2) for the Series 2004B Bonds, $30,449,129.29 (being the aggregate principal amount plus a premium of $643,142.60 less an Underwriters' discount of $194,013.31). The Purchase Agreement provides that the Underwriters will purchase all of the Series 2004 Bonds, if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Purchase Agreement, including the approval of certain legal matters by counsel and certain other conditions.

The prices at which the Series 2004 Bonds are offered to the public (and the yields resulting therefrom) may vary from the initial public offering prices appearing on the inside cover page of this Official Statement. In addition, the Underwriters may allow commissions or discounts from such initial offering prices to dealers and others.

TAX MATTERS

The following opinions expressed by Kutak Rock LLP, Special Tax Counsel, are based upon existing legislation as of the date of issuance and delivery of the Series 2004 Bonds, and Special Tax Counsel expresses no opinion as of any date subsequent thereto or with respect to any pending or future legislation.

Series 2004A Bonds

General

Interest on the Series 2004A Bonds is included in gross income for federal income tax purposes. Under existing laws, regulations, rulings and judicial decisions, Special Tax Counsel is of the opinion that interest on the Series 2004A Bonds is exempt from New Mexico state income taxes.

The following is a summary of certain anticipated federal income tax consequences of the purchase, ownership and disposition of the Series 2004A Bonds under the Internal Revenue Code of 1986, as amended (the "Code"), the Regulations (both final and proposed), the judicial and administrative rulings and court decisions now in effect, all of which are subject to change or possible differing interpretations. The summary does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances, nor certain types of investors subject to special treatment under the federal income tax laws. Potential purchasers of the Series 2004A Bonds should consult their own tax advisors in determining the federal, state or local tax consequences to them of the purchase, holding and disposition of the Series 2004A Bonds.

Although there are not any regulations, published rulings or judicial decisions involving the characterization for federal income tax purposes of securities with terms substantially the same as the Series 2004A Bonds, Special Tax Counsel has advised the City that the Series 2004A Bonds will be treated for federal income tax purposes as evidences of indebtedness of the City and not as an ownership interest in the collateral securing the Series 2004A Bonds; as an equity interest in the City or any other party or as a separate association taxable as a corporation.

Although the Series 2004A Bonds are issued by the City, interest on the Series 2004A Bonds (including any original issue discount, as discussed below) is not excludable from gross income for federal income tax purposes under Section 103 of the Code. **Interest on the Series 2004A Bonds will be fully subject to federal income taxation.** Thus, owners of the Series 2004A Bonds generally must include interest (including original issue discount) on the Series 2004A Bonds in gross income for federal income tax purposes. In general, interest paid on the Series 2004A Bonds (including any market discount discussed below) will be treated as ordinary income to the owners of the Series 2004A Bonds, and principal payments (excluding the portion of such payments, if any, characterized as market discount as discussed below) will be treated as a return of capital.

Series 2004A Bonds Purchased at a Discount

An investor that purchases a Series 2004A Bond in the initial offering at a price less than par or an investor that purchases a Series 2004A Bond in the secondary market at a price less than its adjusted issue price may be subject to the market discount rules of Sections 1276 through 1278 of the Code. Under these sections and the principles applied by the Regulations, "market discount" means (a) in the case of a Series 2004A Bond originally issued at an original issue discount, the amount by which the issue price of such Series 2004A Bond, increased by all accrued original issue discount (as if held since the issue date), exceeds the initial tax basis of the owner, less any prior payments that did not constitute payments of qualified stated interest; and (b) in the case of a Series 2004A Bond not originally issued at an original issue discount, the amount by which the stated redemption price of such Series 2004A Bond at maturity exceeds the initial tax basis of the owner. Under Section 1276 of the Code, the owner of such a Series 2004A Bond will generally be required (i) to allocate each principal payment on such a Series 2004A Bond to accrued market discount not previously included in income, to recognize ordinary income to that extent and to treat any gain upon sale or other disposition of such a bond as ordinary income to the extent of any remaining accrued market discount (as described under "- Sales or Other Dispositions of Series 2004A Bonds" below) or (ii) to elect to include such market discount and income currently as it accrues on all market discount instruments required by such holder on or after the first day of the taxable year to which such election applies.

The Code authorizes the United States Treasury Department to issue Regulations providing for the method for accruing market discount on debt instruments the principal of which is payable in more than one installment. Until such time as Regulations are issued by the United States Treasury Department, certain rules described in the legislative history of the Code will apply. Under those rules, market discount will be included in income based either (a) on a constant interest basis or (b) in proportion to the accrual of stated interest or, in the case of a

Series 2004A Bond with original issue discount, in proportion to the accrual of original issue discount.

An owner of a Series 2004A Bond who acquired such Series 2004A Bond at a market discount also may be required to defer, until the maturity date of such Series 2004A Bond, or its earlier disposition in a taxable transaction, the deduction of a portion of the amount of interest that the holder paid or accrued during the taxable year on indebtedness incurred or maintained to purchase or carry a Series 2004A Bond in excess of the aggregate amount of interest (including original issue discount) includable in such holder's gross income for the taxable year with respect to such Series 2004A Bond. The amount of such net interest expense deferred in a taxable year may not exceed the amount of market discount accrued on the Series 2004A Bond for the days during the taxable year in which the holder held the Series 2004A Bond and, in general, would be deductible when such market discount is includable in income. The amount of any remaining deferred deduction is to be taken into account in the taxable year in which the Series 2004A Bond matures or is disposed of in a taxable transaction. In the case of a disposition in which gain or loss is not recognized in whole or in part, any remaining deferred deduction will be allowed to the extent gain is recognized on the disposition. This deferral rule does not apply if the holder elects to include such market discount in income currently as it accrues on all market discount obligations acquired by such holder in that taxable year or thereafter.

Attention is called to the fact that Regulations implementing the market discount rules have not yet been issued. Therefore, investors should consult their own tax advisors regarding the application of these rules as well as the advisability of making any of the elections with respect thereto.

Sales or Other Dispositions of Series 2004A Bonds

If a Series 2004A Bond is sold or otherwise disposed of in a taxable transaction, gain or loss will be recognized in an amount equal to the difference between the amount realized on the sale or other disposition, and the adjusted basis of the transferor in the Series 2004A Bond. The adjusted basis of a Series 2004A Bond generally will be equal to its costs, increased by any original issue discount or market discount included in the gross income of the transferor with respect to the Series 2004A Bond and reduced by any amortized bond premium under Section 171 of the Code and by the payments on the Series 2004A Bond (other than payments of qualified stated interest), if any, that have previously been received by the transferor. Except as provided in Section 582(c) of the Code, relating to certain financial institutions, or as discussed in the following paragraph, any such gain or loss will be a capital gain or loss if the Series 2004A Bond to which it is attributable is held as a "capital asset" and will be long term or short term depending on whether the Series 2004A Bond has been held for the long term capital gain holding period (generally more than 12 months). Currently, long term capital gains in the case of corporations are taxed at the same rate as ordinary income, but at a tax rate that does not exceed 35%. However, for taxpayers other than corporations, net capital gains are subject to a maximum marginal tax rate of 20% effective for sales of long term capital assets.

Gain on the sale or other disposition of a Series 2004A Bond that was acquired at a market discount will be taxable as ordinary income in an amount not exceeding the portion of such discount that accrued during the period that the Series 2004A Bond was held by the transferor (after reduction by any market discount includable in income by such transferor in accordance with the rules described above under "Series 2004A Bonds Purchased at a Discount").

Backup Withholding

Payments of principal and interest (including original issue discount) on the Series 2004A Bonds may be subject to the "backup withholding tax" under Section 3406 of the Code at a rate of 28% in 2003-04 if recipients of such payments (other then foreign investors who have properly provided certifications described below) fail to furnish to the payer certain information, including their taxpayer identification numbers, or otherwise fail to establish an exemption from such tax. Any amounts deducted and withheld from a payment to a recipient would be allowed as a credit against the federal income tax of such recipient.

Foreign Investors

An owner of a Series 2004A Bond that is not a "United States person" (as defined below) and is not subject to federal income tax as a result of any direct or indirect connection to the United States of America in addition to its ownership of a Series 2004A Bond will generally not be subject to United States income or withholding tax in respect of a payment on a Series 2004A Bond, provided that the owner complies to the extent necessary with certain identification requirements (including delivery of a statement, signed by the owner under penalties of perjury, certifying that such owner is not a United States person and providing the name and address of such owner). For this purpose, the term "United States person" means a citizen or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States of America or any political subdivision thereof, or an estate or trust whose income from sources within the United States is includable in gross income for United States of America income tax purposes regardless of its connection with the conduct of a trade or business within the United States of America.

Except as explained in the preceding paragraph and subject to the provisions of any applicable tax treaty, a 30% United States withholding tax will apply to interest paid and original issue discount accruing on Series 2004A Bonds owned by foreign investors. In those instances in which payments of interest on the Series 2004A Bonds continue to be subject to withholding, special rules apply with respect to the withholding of tax on payments of interest on, or the sale or exchange of Series 2004A Bonds having original issue discount and held by foreign investors. Potential investors that are foreign persons should consult their own tax advisors regarding the specific tax consequences to them of owning a Series 2004A Bond.

ERISA Considerations

The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and the Code generally prohibit certain transactions between a qualified employee benefit plan under

ERISA or tax qualified retirement plans and individual retirement accounts under the Code (collectively, the "Plans") and persons who, with respect to a Plan, are fiduciaries or other "parties in interest" within the meaning of ERISA or "disqualified persons" within the meaning of the Code. All fiduciaries of Plans, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in the Series 2004A Bonds.

Other Matters Affecting the Series 2004A Bonds

From time to time, there are legislative proposals in the United States Congress that, if enacted, could alter or amend the federal income tax consequences referred to above or could adversely affect the market value of the Series 2004A Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, any such proposal would apply to Series 2004A Bonds issued prior to enactment. Each purchaser of the Series 2004A Bonds should consult his or her own tax advisor regarding any pending or proposed federal tax legislation. Special Tax Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

PROSPECTIVE PURCHASERS OF THE SERIES 2004A BONDS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS PRIOR TO ANY PURCHASE OF THE SERIES 2004A BONDS AS TO THE IMPACT OF THE CODE UPON THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE SERIES 2004A BONDS.

Series 2004B Bonds

General

In the opinion of Special Tax Counsel under existing laws, regulations, rulings and judicial decisions, interest on the Series 2004B Bonds (including original issue discount treated as interest, if any) is excluded from gross income for federal income tax purposes, except that such exclusion does not apply with respect to interest on any Series 2004B Bonds for any period during which such Series 2004B Bonds are held by a person who is a “substantial user” of the projects financed by the Series 2004B Bonds or by a person “related” to such “substantial user” within the meaning of Section 147(a) of the Code. Special Tax Counsel is further of the opinion that interest on the Series 2004B Bonds (including original issue discount treated as interest, if any) constitutes an item of tax preference for purposes of the alternative minimum tax imposed by the Code on individuals and corporations. Under existing laws, regulations, rulings and judicial decisions, Special Tax Counsel is of the opinion that interest on the Series 2004B Bonds is exempt from New Mexico state income taxes.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal tax purposes of interest on obligations such as the Series 2004B Bonds. The City has covenanted to comply with certain restrictions, conditions and requirements designed to assure that interest on the Series 2004B Bonds will not become includible in gross income. Failure to comply with these covenants may result in interest on the Series 2004B Bonds being included in gross income retroactively from the date of issue of the

Series 2004B Bonds. The opinion of Special Tax Counsel assumes compliance with such covenants.

Although Special Tax Counsel has rendered an opinion that interest on the Series 2004B Bonds is excluded from gross income for federal income tax purposes, the accrual or receipt of interest on the Series 2004B Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. Special Tax Counsel expresses no opinion regarding any such consequences. Purchasers of the Series 2004B Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of Social Security or Railroad Retirement benefits, taxpayers otherwise entitled to claim the earned income credit and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax exempt obligations are advised to consult their tax advisors as to the tax consequences of purchasing or owning the Series 2004B Bonds.

From time to time, there are legislative proposals in the United States Congress that, if enacted, could alter or amend the federal income tax consequences referred to above or could adversely affect the market value of the Series 2004B Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, any such proposal would apply to bonds issued prior to enactment. Each purchaser of the Series 2004B Bonds should consult his or her own tax advisor regarding any pending or proposed federal tax legislation. Special Tax Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

Tax Treatment of Original Issue Discount

The Series 2004B Bonds maturing in the years 2008, 2009, 2011, 2016, 2017, 2020, 2021, 2022, 2023 and 2024 are being sold at a discount (collectively, the "Discounted Obligations"). The difference between the initial public offering prices of the Discounted Obligations and their stated amounts to be paid at maturity or upon prior redemption, constitutes original issue discount treated as interest which is not includible in gross income for federal income tax purposes, subject to the caveats and provisions described above.

In the case of an owner of a Discounted Obligation, the amount of original issue discount which is treated as having accrued with respect to such Discounted Obligation is added to the cost basis of the owner in determining, for federal income tax purposes, gain or loss upon disposition of a Discounted Obligation (including its sale, redemption or payment at maturity).

Amounts received upon disposition of a Discounted Obligation which are attributable to accrued original issue discount will be treated as tax exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discounted Obligation, on days which are determined by reference to the maturity date of such Discounted Obligation. The amount treated as original issue discount on a Discounted Obligation for a particular semiannual accrual period is equal to (a) the product of (i) the yield to maturity for such Discounted Obligation (determined by compounding at the close of each accrual period) and (ii) the amount which would have been the tax basis of such Discounted Obligation at the beginning of the particular accrual period if held by the original purchaser, (b) less the amount of any interest payable for such Discounted Obligation during the accrual period. The tax basis is determined by adding to the initial public offering price on such Discounted Obligation the sum of the amounts which have been treated as original issue discount for such purposes during all prior periods. If a Discounted Obligation is sold between semiannual compounding dates, original issue discount which would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

The Code contains additional provisions relating to the accrual of original issue discount in the case of owners of a Discounted Obligation who purchase such Discounted Obligations after the initial offering. Owners of Discounted Obligations including purchasers of the Discounted Obligations in the secondary market should consult their own tax advisors with respect to the determination for federal income tax purposes of original issue discount accrued with respect to such obligations as of any date and with respect to the state and local tax consequences of owning a Discounted Obligation.

Tax Treatment of Original Issue Premium

The Series 2004B Bonds maturing in the years 2010, 2012, 2013, 2014, 2015, 2018 and 2019 are being sold at a premium (collectively, the "Premium Obligations"). An amount equal to the excess of the issue price of a Premium Obligation over its stated redemption price at maturity constitutes premium on such Premium Obligation. An initial purchaser of such Premium Obligation must amortize any premium over such Premium Obligation's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Premium Obligations callable prior to their maturity, by amortizing the premium to the call date, based upon the purchaser's yield to the call date and giving effect to any call premium). As premium is amortized, it offsets the interest allocable to the corresponding payment period and the purchaser's basis in such Premium Obligation is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Obligation prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of Premium Obligations should consult with their own tax advisors with respect to the determination and treatment of amortizable premium for federal income tax purposes and with respect to the state and local tax consequences of owning such Premium Obligation.

CONTINUING DISCLOSURE UNDERTAKING

In connection with its issuance of the Series 2004 Bonds, the City will execute a Continuing Disclosure Undertaking, a form of which is attached as Appendix F hereto, wherein it will agree for the benefit of the Owners of Series 2004 Bonds (i) to provide audited annual financial statements of the City by not later than 270 days after the end of each Fiscal Year and to provide certain annual financial information and operating data relating to the City by not later than 270 days after the end of each Fiscal Year, and (ii) to provide timely notice of certain enumerated events, if material. Pursuant to its prior disclosure undertakings with respect to Airport Obligations requiring continuing disclosure, the City is required to file its annual audited financial statements for each Fiscal Year ended June 30, no later than 180 days after the end of each Fiscal Year. Because year end audits by its independent certified accountant have not been received by the City in time to make continuing disclosure filings with respect to certain other bonds of the City, the audited financial statements have not been filed within the required period following the end of the City's Fiscal Year. The City anticipates that this problem will continue because of the delay in receiving audited financial information. Other than the delay in filing such audited financial statements, the City is currently in compliance with all of the requirements of its previous continuing disclosure undertakings.

LEGAL MATTERS

In connection with the issuance and sale of the Series 2004 Bonds, Brownstein Hyatt & Farber, P.C., Albuquerque, New Mexico, as Bond Counsel, and Kutak Rock LLP, Denver, Colorado, as Special Tax Counsel, expect to deliver the respective opinions the proposed text of which is included in Appendix D hereto. Certain legal matters relating to the Series 2004 Bonds will be passed on for the City by Modrall, Sperling, Roehl, Harris & Sisk, P.A., Albuquerque, New Mexico, as Disclosure Counsel to the City. The Underwriters are being represented in connection with their purchase of the Series 2004 Bonds by Sutin, Thayer & Browne A Professional Corporation, as Underwriters' Counsel. Disclosure Counsel, Underwriters' Counsel, Bond Counsel and Special Tax Counsel have not participated in any independent verification of the information concerning the financial condition or capabilities of the Airports or the City contained in this Official Statement. Additionally, Special Tax Counsel has not undertaken any responsibility for the accuracy, completeness or fairness of this Official Statement (except for the statements and information contained in this Official Statement on the cover page, under the caption "TAX MATTERS" and in the opinion of Special Tax Counsel contained in Appendix D relating to the taxability and tax exemption with respect to the Series 2004 Bonds) or other offering materials relating to the Series 2004 Bonds and expresses no opinion relating thereto.

Certain legal matters will also be passed upon for the City by its City Attorney or an Assistant City Attorney.

INDEPENDENT ACCOUNTANTS

The Financial Statements of the City's Airport Fund for the Fiscal Year June 30, 2003 and for the year then ended included in Appendix A of this Official Statement have been audited by Neff & Ricci LLP, independent certified public accountants, as set forth in their report thereon dated November 7, 2003 and are included herein in reliance on the expert status of Neff & Ricci LLP. Such financial statements represent the most current audited financial information available for the Airport Fund.

RATINGS

It is expected that, upon issuance the Series 2004 Bonds will receive a rating of "Aaa" from Moody's Investors Service, Inc. ("Moody's"), a rating of "AAA" from Standard & Poor's Ratings Service, a division of the McGraw Hill Companies ("S&P") and a rating of "AAA" from Fitch Ratings ("Fitch"), with the understanding that upon delivery of the Series 2004 Bonds, financial guaranty insurance policies insuring the payment when due of the principal of and interest on the Series 2004 Bonds will be issued by MBIA. The following underlying ratings have also been assigned to the Series 2004 Bonds: Moody's has assigned the Series 2004A Bonds an underlying rating of "A1" and the Series 2004B Bonds an underlying rating of "Aa3"; S&P has assigned the Series 2004A Bonds an underlying rating of "A" and the Series 2004B Bonds an underlying rating of "A+"; and Fitch has assigned the Series 2004A Bonds an underlying rating of "A" and the Series 2004B Bonds an underlying rating of "A+." It is expected that all of the Series 2004 Bonds will be covered by the financial guaranty insurance policies at the time of delivery.

Ratings reflect only the respective views of the rating agencies, and the City makes no representation as to the appropriateness of any rating. An explanation of the significance of the ratings may only be obtained from the respective rating agency. The City has furnished to each rating agency certain information and materials relating to the Series 2004 Bonds and the City, some of which may not have been included in this Official Statement. Generally, rating agencies base their ratings on such information and materials and on investigation, studies and assumptions by the rating agencies. The respective ratings are not a recommendation to buy, sell or hold the Series 2004 Bonds, and there can be no assurance that a rating when assigned will continue for any given period of time or that it 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 Series 2004 Bonds.

ADDITIONAL INFORMATION

The quotations from, and summaries and explanations of the statutes, regulations and documents contained herein do not purport to be complete and reference is made to said laws, regulations and documents for full and complete statements of their provisions. Copies, in reasonable quantity, of such laws, regulations and documents, and of the financial statements and the most recent Annual Information Statement of the City, may be obtained during the offering period upon request directly to the City at One Civic Plaza, N.W., Albuquerque, New Mexico 87102, Attention: Assistant Treasurer-Debt, or the Underwriters, c/o Citigroup Global Markets Inc., 390 Greenwich Street, 2nd Floor, New York, NY 10013, Attention: Public Finance Department.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or holders of any of the Series 2004 Bonds.

APPROVAL BY THE CITY

This Official Statement and its distribution and use by the Underwriters have been duly authorized and approved by the City and this Official Statement has been executed and delivered by the Mayor on behalf of the City.

CITY OF ALBUQUERQUE, NEW MEXICO

By: /s/ Martin J. Chavez
Mayor

Appendix A
Audited Financial Statements of the City's Airport Fund
for the Fiscal Year ended June 30, 2003

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CITY OF ALBUQUERQUE, NEW MEXICO

AIRPORT FUND

FINANCIAL REPORT

JUNE 30, 2003

CITY OF ALBUQUERQUE, NEW MEXICO
AIRPORT FUND
JUNE 30, 2003

CONTENTS

NEFF + RICCI LLP

CERTIFIED PUBLIC ACCOUNTANTS
6100 UPTOWN BLVD. NE SUITE 400
ALBUQUERQUE, NM 87110

Independent Auditors' Report

The Honorable Martin Chavez, Mayor and
Members of City Council and
Mr. Domingo Martinez, CGFM
New Mexico State Auditor
Santa Fe, New Mexico

We have audited the accompanying financial statements of the Airport Fund, City of Albuquerque, New Mexico, as of June 30, 2003, and for the year then ended. These financial statements are the responsibility of the City of Albuquerque, New Mexico's, management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Airport Fund and are not intended to present fairly the financial position of the City of Albuquerque, New Mexico, and the results of its operations and cash flows of its proprietary and nonexpendable trust fund types in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Airport Fund, City of Albuquerque, New Mexico, as of June 30, 2003, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 10 to the financial statements, the City of Albuquerque, New Mexico, is a party to various legal proceedings, the outcome of which cannot presently be determined. Accordingly, no provision for any additional liability that may result from the ultimate outcome has been made in the accompanying financial statements.

The Honorable Martin Chavez, Mayor and
Members of City Council and
Mr. Domingo Martinez, CGFM
New Mexico State Auditor
Santa Fe, New Mexico

Our audit was made for the purpose of forming an opinion on the financial statements of the Airport Fund taken as whole. The accompanying schedules are presented for purposes of additional analysis and is not a required part of the financial statements of the Airport Fund. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and we do not express an opinion thereon.

Neff + Ricci LLP

Albuquerque, New Mexico
November 7, 2003

CITY OF ALBUQUERQUE, NEW MEXICO
AIRPORT FUND
STATEMENT OF NET ASSETS
June 30, 2003

ASSETS

Current assets:	
Cash, investments, and accrued interest	$ 7,935,010
Accounts receivable, net of allowance for uncollectible accounts	3,377,572
Total current assets	11,312,582
Restricted assets:	
Cash, investments, and accrued interest	58,201,384
Cash with fiscal agents	9,915,924
Due from other governments	494,096
Total restricted assets	68,611,404
Capital assets:	
Land	33,032,723
Land and improvements acquired from U.S. Air Force	7,630,077
Buildings and improvements	146,252,947
Runways and other improvements	242,374,623
Improvements other than buildings and runways	98,866,622
Machinery and equipment	12,240,548
Other	640,546
Total capital assets at cost	541,038,086
Less accumulated depreciation and amortization	267,709,138
Capital assets, net of accumulated depreciation	273,328,948
Construction work in progress	3,886,224
Total capital assets	277,215,172
Deferred charges:	
Capitalized bond issuance costs	1,272,260
TOTAL ASSETS	358,411,418

See Notes to Financial Statements

CITY OF ALBUQUERQUE, NEW MEXICO
AIRPORT FUND
STATEMENT OF NET ASSETS, continued
June 30, 2003

LIABILITIES	
Current liabilities:	
Accounts payable	279,447
Accrued payroll	524,159
Accrued vacation and sick leave pay	628,195
Total current liabilities	1,431,801
Liabilities payable from restricted assets:	
Construction contracts	348,153
Current portion of revenue bonds payable	6,900,000
Accrued interest/fiscal agent fees	3,235,912
Total liabilities payable from restricted assets	10,484,065
Non current liabilities excluding current portion:	
Revenue bonds, net of unamortized discounts	199,624,875
Accrued vacation and sick leave pay	345,524
Total non current liabilities	199,970,399
Other liabilities:	
Deferred revenue	194,085
Total liabilities	212,080,350
Commitments and contingent liabilities	
NET ASSETS	
Invested in capital assets, net of related debt	95,536,771
Restricted for:	
Debt service	11,857,865
Construction	25,604,749
Unrestricted	13,331,683
Total net assets	$ 146,331,068

See Notes to Financial Statements

CITY OF ALBUQUERQUE, NEW MEXICO
AIRPORT FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Year ended June 30, 2003

Operating revenues:	
Charges for services	$ 51,133,762
Operating expenses:	
Salaries and fringe benefits	11,420,298
Professional services	82,540
Utilities	2,364,867
Supplies	500,321
Travel	29,802
Fuels, repairs and maintenance	2,235,991
Contractual services	3,576,033
Other operating expenses	1,827,578
Depreciation	27,845,671
Total operating expenses	49,883,101
Operating income	1,250,661
Non-operating revenues (expenses):	
Interest on investments	663,529
Passenger facilities charges	8,154,815
Gain (loss) on disposition of capital assets	(22,491)
Interest expense	(10,527,363)
Bond issue costs	(212,349)
Costs of issuance and fiscal agent fees	(20,226)
Other	58,936
Total non-operating expenses	(1,905,149)
Income (loss) before capital contributions and transfers	(654,488)
Capital contributions	1,022,772
Change in net assets	368,284
Net assets, July 1	145,962,784
Net assets, June 30	$ 146,331,068

See Notes to Financial Statements

CITY OF ALBUQUERQUE, NEW MEXICO
AIRPORT FUND
STATEMENT OF CASH FLOWS
June 30, 2003

Cash flows from operating activities:	
Cash received from customers	$ 50,999,597
Cash received from other funds for goods and services	
Cash payments to employees for services	(10,439,907)
Cash payments to suppliers for goods and services	(8,009,427)
Cash payments to other funds for goods and services	(3,498,990)
Miscellaneous cash received	58,936
Net cash provided by operating activities	29,110,209
Cash flows from capital and related financing activities:	
Principal paid on revenue bond maturities	(18,560,000)
Interest and other expenses paid on revenue bond maturities	(10,937,520)
Acquisition and construction of capital assets	(8,640,160)
Cash payments to other funds for goods and services	(122,777)
Capital grants received	599,701
Passenger facilities charges	8,154,815
Proceeds from sale of capital assets	30,813
Net cash used for capital and related financing activities	(29,475,128)
Cash flows from investing activities:	
Interest received on investments	1,530,580
Net increase in cash and cash equivalents	1,165,661
Cash and cash equivalents, July 1	74,886,657
Cash and cash equivalents, June 30	$ 76,052,318

See Notes to Financial Statements

CITY OF ALBUQUERQUE, NEW MEXICO
AIRPORT FUND
STATEMENT OF CASH FLOWS, continued
June 30, 2003

Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 1,250,661
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	27,845,671
Miscellaneous cash received	58,936
Decrease (Increase) in assets:	
Accounts receivable	(130,049)
Increase (Decrease) in liabilities:	
Accounts payable	(52,869)
Accrued employee compensation and benefits	141,975
Deferred revenue	(4,116)
Net cash provided by operating activities	$ 29,110,209
Cash and cash equivalents at June 30 consist of:	
Current assets:	
Cash, investments, and accrued interest	$ 7,935,010
Restricted assets:	
Cash, investments, and accrued interest	58,201,384
Cash with fiscal agents	9,915,924
Total cash and cash equivalents, June 30	$ 76,052,318
Non-cash transactions:	
Unrealized loss on investments	$ (152,174)

See Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Albuquerque, New Mexico (City), was founded in 1706, chartered as a town in 1885, and organized under territorial law as a city in 1891. The City became a charter city in 1917, and a home rule amendment to the charter was approved by the voters in 1971. In 1974, the electorate voted to establish a mayor-council form of government; the city council consists of nine council members.

The accompanying financial statements present only the financial position and the results of operations of the Airport Fund (the Fund), which is an enterprise fund of the City, and are not intended to present fairly the financial position and results of operations of the City in conformity with generally accepted accounting principles. However, certain disclosures are for the City as a whole, since such information is generally not available for the Fund on a separate fund basis. Where applicable, the Fund's share of the expense is included (See Notes 2, 7, 8, 9, 10, and 11).

The accounting policies of the Fund as reflected in the accompanying financial statements conform to generally accepted accounting principles for local governmental units. The more significant of these accounting policies are summarized below.

B. Basis of Presentation

The Fund accounts for all activities in connection with the operation of the Albuquerque International Sunport. These activities include, but are not limited to, administration, operation, maintenance, financing and related debt service, billing and collection. This proprietary type fund provides services which are intended to be financed primarily through user charges, or activities where periodic determination of net income is appropriate.

The Fund distinguishes operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues, such as charges for services, result from exchange transactions in which each party receives and gives up essentially equal values. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues or expenses. These include investment earnings, interest expense, and transactions that result from nonexchange transactions or ancillary activities.

C. Basis of Accounting

The Fund is accounted for on the flow of economic resources measurement focus and uses the accrual basis of accounting. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

In accordance with the provisions of the Governmental Accounting Standards Board Statement No. 20, “Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting,” the Fund applies all applicable Financial Accounting Standards Board pronouncements which were issued as of November 30, 1989, in accounting and reporting for its operations. The Fund does not observe those issued after that date.

D. Estimated Amounts Reported in Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

E. Cash, Investments, and Accrued Interest

In accordance with City policies, the Fund participates in the City's cash management program that is administered by the City's Treasury Division. A significant portion of cash and investments held by the City is pooled. The pooled cash investment program of the City is operated under the provisions of City ordinance and a specific City investment policy. The policy states that the City shall invest cash balances over the anticipated amount needed to meet operating requirements. Investments are stated at fair value. The balance reported as "Cash, Investments, and Accrued Interest" represents the equity of the Fund in the pooled cash, investments, and accrued interest. The Fund's share of the interest earnings of the pooled investments is determined by allocating interest to each of the participating funds based on average daily balances.

The investment policy states that the City will not commit any funds invested in the pool to maturities longer than three years from the date of purchase, except investments held to meet legal reserve requirements on bonded indebtedness. The maturity date of these investments will not exceed the final maturity date of the bond issue to which they are pledged. Funds are invested on the basis of a minimum of three bids and/or offers. Certificates of deposit are based on competitive rates for specific maturities.

The following categories of investments are specifically authorized by the policy:

1. Repurchase Agreements - secured by collateral, which is delivered to a third-party safekeeping institution, with a market value equal to or greater than the value of the agreement.

2. U.S. Treasury Obligations - Bills, Notes, and Bonds.

3. Obligations of Federal Agencies or Instrumentalities - interest bearing or discount form.

4. Municipal Bonds - rated in any of the three highest major rating categories by one or more nationally recognized rating agencies.

The following categories of deposits are specifically authorized by the policy:

1. Checking Accounts - at insured financial institutions.

2. Certificates of Deposit - subject to restrictions set forth in the City's Fiscal Agent Ordinance (City policy requires a minimum of 50% security consisting of insurance and/or collateral).

F. Statement of Cash Flows

For the purposes of the statement of cash flows, all pooled cash and investments (including restricted assets) are considered to be cash equivalents although there are investments with a maturity in excess of three months when purchased because they have characteristics of demand deposits for each individual fund. Non-pooled investments with original maturities of three months or more are deducted from cash, investments, and accrued interest. Purchases and sales of these investments are reported as cash flows from investing activities.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

G. Capital Assets

Capital assets are stated at cost. Donated capital assets are recorded at estimated fair market value at the time received.

Construction costs of runways and other improvements that are reimbursed by the United States Air Force and by grants received from Federal and State agencies are capitalized. The related amounts earned or received to fund these construction costs are recorded as capital contributions.

Depreciation on capital assets is provided using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	25 years
Runways and other improvements	15 - 25 years
Improvements other than buildings and runways	15 - 18 years
Machinery and equipment	10 years

Interest expense is capitalized on qualifying assets acquired with proceeds of tax-exempt borrowings that are externally restricted. The amount of capitalized interest is determined using the interest cost of the borrowings less any interest earned on investments acquired with the proceeds of the related tax-exempt borrowings from the date of the borrowings until the assets are ready for their intended use.

H. Deferred Charges

Costs incurred in connection with the issuance of bonds are capitalized and are reported as deferred bond issuance costs. These costs are amortized over the remaining maturity period of the related bond issues under a method that approximates the level interest rate method.

I. Accrued Vacation and Sick Leave Pay

The Fund's employees may accumulate limited amounts of vacation pay that is payable to the employee upon termination or retirement. Vacation costs are recognized as a liability when earned by the employee. The amount reported in the current liability section is approximately equal to the amount of vacation leave paid in the current fiscal year. The balance is reported in the non current liabilities section of the statement of net assets.

The Fund's employees may accumulate limited amounts of sick leave that is payable to the employee upon termination or retirement. Sick leave costs are recognized when vested or taken, whichever occurs first. The amount reported in the current liability section is the amount recognized for those employees who are currently eligible to retire as of the end of the fiscal year. The balance is reported in the non current liabilities section of the statement of net assets.

J. Deferred Revenue

Deferred revenues ending June 30, 2003 is reported under liabilities payable from restricted assets for revenues collected in advance and under other liabilities for customer deposits.

K. Long-term Obligations

Long-term obligations used to finance the Fund's capital acquisitions and payable from revenue of the Fund are recorded in the Fund.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

L. Fund Net Assets, Restrictions, and Designations

The net assets of the fund is reported in three categories: 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted. Restricted net assets result from constraints placed on the use of net assets when externally imposed by creditors, grantors, laws and regulations of other governments and imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, it is the fund's policy to use restricted resources first, and then unrestricted resources as they are needed.

The Fund's restricted net assets are for monies that are legally restricted for revenue bond retirement and for construction. In addition the unrestricted net assets contains a designation for unrealized gain of $154,894 on investments since the gains are not available until the underlying securities are sold.

M. Interfund Transactions

Transactions that would be recorded as revenues or expenses if they involved organizations external to the City are similarly treated when involving other funds of the City. These transactions include charges for administrative services, building rental, risk management services, vehicle maintenance and motor pool services, inventory and office services. Other authorized transfers between funds are recorded as transfers and are included in the determination of the results of operations of the Fund.

NOTE 2 CASH AND CASH EQUIVALENTS

A. Cash, Investments, Accrued Interest and Cash With Fiscal Agents

As discussed in Note 1(E), the Fund participates in the City's pooled investment program. The total cash, investments, accrued interest and cash with fiscal agents, net of cash overdrafts of the City at June 30, 2003, consist of the following:

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Cash, investments, accrued interest and cash with fiscal agents, net of unamortized discounts and premiums:				
Repurchase agreements	$ 158,231,095	$ 110,724,292	$ 6,044,612	$ 274,999,999
Obligations of federal agencies or instrumentalities	111,256,120	76,775,054	4,191,271	192,222,445
State of New Mexico investment council	24,205,539	-	-	24,205,539
State of New Mexico local government investment pool	-	6,677,701	-	6,677,701
Held in trust by NMFA in State of New Mexico local government investment pool	-	4,934,431	-	4,934,431
Held in trust by Wells Fargo Bank in U.S. Treasury Fund	-	3,429,043	-	3,429,043
Held in trust by Bank of Albuquerque Treasury Fund	1,613,102	448,335	-	2,061,437
Total investments	295,305,856	202,988,856	10,235,883	508,530,595
Certificates of deposit	100,000	-	-	100,000
Bank accounts (book balance)	4,214,216	33,383,923	1,365,328	38,963,467
Total bank balances	4,314,216	33,383,923	1,365,328	39,063,467
Accrued interest receivable	631,582	412,257	-	1,043,839
Imprest cash funds	51,073	12,745	-	63,818
Total other	682,655	425,002	-	1,107,657
Total cash, investments, accrued interest and cash with fiscal agents	$ 300,302,727	$ 236,797,781	$ 11,601,211	$ 548,701,719
Unrestricted cash, investments and accrued interest:				
Cash, investments and accrued interest	$ 220,402,453	$ 45,237,261	$ 11,601,211	$ 277,240,925
Cash with fiscal agents	45,498,323	-	-	45,498,323
Total unrestricted cash, investments and accrued interest	265,900,776	45,237,261	11,601,211	322,739,248
Restricted cash, investments and accrued interest:				
Cash, investments and accrued interest	34,401,951	140,624,316	-	175,026,267
Cash with fiscal agents	-	50,936,204	-	50,936,204
Total restricted cash, investments and accrued interest	34,401,951	191,560,520	-	225,962,471
Total cash, investments, accrued interest and cash with fiscal agents	$ 300,302,727	$ 236,797,781	$ 11,601,211	$ 548,701,719

NOTE 2 CASH AND CASH EQUIVALENTS, continued

A. Cash, Investments, Accrued Interest and Cash With Fiscal Agents, continued

The City's deposits and investments at June 30, 2003, are categorized below to indicate the level of risk assumed by the City:

1. Investment Categories of Credit Risk

(1) Insured or registered or securities held by the City or its agent in the City's name.
(2) Uninsured and unregistered, with securities held by the counterparty's trust department (if a bank) or agent in the City's name.

The reported amounts (in thousands) are as follows:

	Category			
	1	2	Not Categorized	Total
Repurchase agreements	$ -	$274,999,999	$ -	$274,999,999
Obligations of federal agencies or instrumentalities	192,222,445	-	-	192,222,445
State of New Mexico investment council			24,205,539	24,205,539
State of New Mexico local government investment pool	-	-	6,677,701	6,677,701
Held in trust by NMFA in State of New Mexico local government investment pool	-	-	4,934,431	4,934,431
Held in trust by Wells Fargo Bank in U.S. Treasury Fund	-	-	3,429,043	3,429,043
Held in trust by Bank of Albuquerque Treasury Fund	-	-	2,061,437	2,061,437
Total investments	$192,222,445	$274,999,999	$ 41,308,151	$508,530,595

2. Deposit Categories of Credit Risk

(A) Insured or collateralized with securities held by the City or its agent in the City's name.
(B) Collateralized with securities held by the pledging financial institution's trust department or by its agent in the City's name.

The reported amounts (in thousands) are as follows:

	Category		
	A	B	Total
Bank accounts (bank balance)	$ 916	$ 47,428	$ 48,344
Certificates of deposit	100	-	100
Total deposits	$ 1,016	$ 47,428	$ 48,444

NOTE 2 CASH AND CASH EQUIVALENTS, continued

B. Pledged Collateral by Bank

The City is required to obtain from each bank that is a depository for public funds pledged collateral in an aggregate amount equal to one half of the public money in each account (Section 6-10-17 NMSA 1978). No security is required for the deposit of public money that is insured by the Federal Deposit Insurance Corporation (FDIC).

The pledged collateral by bank (in thousands) at June 30, 2003, consist of the following:

	First State Bank	Bank of America	Wells Fargo Bank	The Apartments Wells Fargo Bank	Wells Fargo Trust	Compass Bank	Bank 1st	NM Bank & Trust
Total amount on deposit	$ 13,021	$ 32,593	$ 2,029	$ 81	$ -	$ 5	$ 100	$ 615
Less FDIC coverage	100	100	100	81	-	5	100	530
Total uninsured public funds	12,921	32,493	1,929	-	-	-	-	85
50% collateral requirement	6,461	16,247	965	-	-	-	-	43
Pledged securities, fair value	11,133	10,228	3,271	-	-	-	-	-
Pledged in excess (deficit) of requirement	$ 4,672	$ (6,019)	$ 2,306	$ -	$ -	$ -	$ -	$ (43)

Subsequent to the fiscal year end and in accordance with New Mexico Statutes, the banks have complied with the pledging requirements.

NOTE 3 ACCOUNTS RECEIVABLE AND ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

Included in the Statement of Net Assets, are accounts receivable of the Fund that are reported net of allowance for uncollectible accounts. As of June 30, 2003, the total amount of the accounts receivable reported as current was $4,193,144 with an allowance for uncollectible accounts of $815,572.

The balance reported in the restricted assets section of the Statement of Net Assets is for amounts due on grants from Federal or State agencies

NOTE 4 CAPITAL ASSETS

Capital asset activity of the Fund for the year ended June 30, 2003, was as follows:

	Balance July 1	Increases	Decreases	Balance June 30
Assets not being depreciated:				
Land	$ 32,916,822	$ 115,901	$ -	$ 33,032,723
Land and improvements acquired from the U.S. Air Force	7,630,077	-	-	7,630,077
Other - Art	640,546			640,546
Construction work in progress	-	3,886,224	-	3,886,224
Total assets, not being depreciated	41,187,445	4,002,125	-	45,189,570
Assets being depreciated:				
Buildings	142,068,779	4,184,168	-	146,252,947
Runways	242,350,627	23,996	-	242,374,623
Improvements other than buildings and runwa	98,789,650	76,972	-	98,866,622
Equipment	11,961,735	616,512	337,699	12,240,548
Total assets, being depreciated	495,170,791	4,901,648	337,699	499,734,740
Less accumulated depreciation:				
Buildings	71,533,959	5,487,129	-	77,021,088
Runways	124,355,577	12,262,796		136,618,373
Improvements other than buildings and runwa	36,632,451	9,352,711		45,985,162
Equipment	7,652,812	743,034	311,331	8,084,515
Total accumulated depreciation	240,174,799	27,845,670	311,331	267,709,138
Capital assets being depreciated, net	254,995,992	(22,944,022)	26,368	232,025,602
Total capital assets, net	$ 296,183,437	$ (18,941,897)	$ 26,368	$ 277,215,172

Changes to property and equipment of the Fund for the fiscal year ended June 30, 2003, include the following capitalized interest:

	Total Interest	Interest Related To Tax-Exempt Borrowings	Net
Interest expense	$ 11,498,321	$ 970,958	$ 10,527,363
Interest income	1,530,580	867,051	663,529
Capitalized interest		$ 103,907	

NOTE 5 LONG-TERM OBLIGATIONS

A. General

Airport Revenue Bonds are secured by pledges of net revenues of the airport. In ordinances pursuant to the issuance of these bonds, the Fund has agreed to charge all users of the Airport such reasonable rates as are sufficient to produce net revenues annually to pay 120% of the debt service requirements on all outstanding Senior Parity Obligations and 110% on all outstanding Airport Obligations. The Fund met those requirements at the end of the fiscal year.

Airport revenue bonds at June 30, 2003, are as follows:

Issue	Amount	Interest Rate	Final Maturity	Call Provisions
May 3, 1995 Refunding	$ 53,000,000	a *	July 1, 2014	100% on any interest payment date
April 3, 1997 Refunding	29,335,000	6.25/6.75%	July 1, 2018	102% beginning July 1, 2007
September 1, 1998 Refunding	40,785,000	3.80/5.00%	July 1, 2019	100% beginning July 1, 2008
May 4, 2000 A	6,800,000	a	July 1, 2020	100% on any interest payment date
May 4, 2000 B	39,500,000	a	July 1, 2020	100% on any interest payment date
August 1, 2001	42,330,000	3.20/4.75%	July 1, 2016	100% beginning July 1, 2012
Total outstanding	211,750,000			
Unamortized premiums	748,578			
Deferred refunding costs	(5,973,703)			
Net outstanding	$ 206,524,875			

a - adjustable weekly

* Concurrently, with the issuance of these bonds, the Fund entered into an interest rate exchange agreement in order to effectively fix the Fund's interest obligation on the Series 1995 bonds. In that agreement, the Fund is obligated to pay interest at the fixed interest rate of 6.685% per annum.

NOTE 5 LONG-TERM OBLIGATIONS, continued

B. Summary of Annual Debt Service Requirements

The annual debt service requirements for the revenue bonds at June 30, 2003, are as follows:

Year ending June 30	Principal	Interest **	Total
Revenue Bonds			
2004	$ 6,900,000	$ 10,151,315	$ 17,051,315
2005	7,930,000	9,764,334	17,694,334
2006	9,475,000	9,325,257	18,800,257
2007	11,150,000	8,789,951	19,939,951
2008	12,035,000	8,181,167	20,216,167
2009 - 2013	72,870,000	30,403,176	103,273,176
2014 - 2018	69,215,000	10,898,769	80,113,769
2019 - 2022	22,175,000	810,751	22,985,751
Total bonds	$ 211,750,000	$ 88,324,722	$ 300,074,722

** Including interest on the variable rate bonds at 2.207 percent.

NOTE 6 DEMAND BONDS

Included in long term debt (Note 5A) are $99,300,000 of various demand bonds, the proceeds of which were used to (a) provide funds for certain capital improvements, (b) establish bond reserve funds in accordance with the trust agreements, (c) establish a construction period interest account, and (d) pay costs incurred to issue the bonds. The bonds are included in the summary of annual debt service requirements in Note 5B assuming retirement in accordance with the related mandatory sinking fund redemption requirements.

The holders of the bonds may demand payment at a price equal to principal plus accrued interest upon delivery to the Fund's remarketing agent. The remarketing agents are authorized to use their best efforts to sell the repurchased bonds at a price equal to 100% of the principal amount by adjusting the interest rate. If a remarketing agent is unable to resell any tendered bonds, the Fund has a noncancellable "take out" agreement that would be exercised. The Fund is required to pay an annual fee for the "take out" agreements. The remarketing agent receives a fee for their services.

At June 30, 2003, no amounts were drawn on the "take out" agreement which is as follows:

Airport Subordinate Lien Adjustable Tender Refunding Revenue Bonds May 3, 1995

Remarketing Agent	Citigroup.
Terms of "Take Out" Agreement:	
Purchaser	Bayerische Hypo-und Vereinsbank, AG
Method of Purchase	Direct Pay Letter of Credit
Expiration Date	November 30, 2003
Annual Fee	.25% on the stated amount of letter of credit
Stated Amount at Time of Issuance	$67,963,699 (Principal outstanding plus 35 days of Interest at 15%)
Bonds Outstanding at June 30, 2003	$53,000,000

NOTE 6 DEMAND BONDS, continued

Airport Subordinate Lien Adjustable Rate Revenue Bonds, Series 2000 A & B May 4, 2000

Remarketing Agent	Dain Rauscher, Inc.
Insured by	Ambac Assurance Inc.
Terms of "Take-Out" Agreement:	
Purchaser	Morgan Guaranty Trust Company of New York
Method of Purchase	Liquidity Facility
Expiration Date	May 3, 2005
Annual Fee	.175% on the stated amount of liquidity facility
Stated Amount at Time of Issuance	$47,858,193 (Principal outstanding plus 35 days of interest at 12% for 2000A and 15% for Series 2000B)
Bonds Outstanding at June 30, 2003	$46,300,000

NOTE 7 DEFINED BENEFIT PENSION PLAN

Substantially all of the City of Albuquerque full-time employees participate in a defined benefit contributory retirement plan through the Public Employees' Retirement Association (PERA) of the State of New Mexico, a cost-sharing, multiple-employer public employee retirement plan. PERA provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. A publicly available financial report that includes financial statements and required supplementary financial information for PERA can be obtained by correspondence to Comptroller, Public Employees Retirement Association, P.O. Box 2123, Santa Fe, New Mexico, 87504-2123.

RETIREMENT ELIGIBILITY - An employee may retire when 25 or more years of service are attained at any age (20 years for Police and Fire) or under the following age options: age 60 with 20 or more years of service, age 61 with 17 or more years of service, age 62 with 14 or more years of service, age 63 with 11 or more years of service, age 64 with 8 or more years of service, or age 65 with 5 or more years of service.

RETIREMENT BENEFITS - An employee's retirement benefit is based on a formula which considers credit for years of service multiplied by a percentage factor and is then applied against the employee's average highest three-year salary. Retirement benefits are vested upon reaching five years of service. The plan also provides death and disability benefits. Benefits are established by State statute.

NOTE 7 DEFINED BENEFIT PENSION PLAN, continued

FUNDING POLICY - Covered employees are required by State statute to contribute a percentage of their gross salary; the City of Albuquerque is also required by State statute to contribute a certain percent depending on the type of plan. The following are the plans covered by the City, contribution requirements, and contributions actually made (in thousands of dollars) for the year ended June 30, 2003.

	Employee		Employer	
Group Covered	**Percent**	**Amount**	**Percent**	**Amount**
General - Management, Blue Collar and White Collar	3.29%	$ 4,871	19.01%	$ 28,172
General - Bus Drivers	13.15%	829	9.15%	577
General - Other	7.00%	156	7.00%	156
Police	16.30%	6,892	18.50%	7,822
Fire	15.20%	4,284	20.25%	5,620
		$ 17,032		$ 42,347

The total required contributions and amounts actually paid (in thousands of dollars) in prior years is as follows:

Fiscal year ended June 30	Employee	Employer
2002	$17,168	$43,344
2001	16,058	41,251

If a member's employment is terminated before the member is eligible for any other benefits under PERA, the member may receive a refund of the member's contribution and interest accrued based on rates established biannually by the retirement board.

The payroll for employees covered by PERA for the year ended June 30, 2003, was $225,441,020; the total payroll for all employees of the City of Albuquerque was $254,522,658.

The Fund paid $1,469,664 in contributions to PERA for the year.

NOTE 8 POST EMPLOYMENT BENEFITS

In addition to providing pension benefits described in Note 7, the City provides certain health care and life insurance benefits for retired employees. Substantially all of the City's employees may become eligible for those benefits if they reach the normal retirement eligibility conditions while working for the City.

NOTE 8 POST EMPLOYMENT BENEFITS, continued

LIFE INSURANCE BENEFITS: Life insurance benefits authorized by the City's Merit System Ordinance and Personnel Rules and Regulations for eligible employees are reduced by 50%, not to exceed $25,000, upon retirement. Life insurance benefits are paid through premiums to an insurance company under an indemnity plan. The insurance company has the right to adjust the premiums based on claims paid. Historically, the claims paid in any one year have not exceeded the premiums. The City recognizes the cost of providing the life insurance benefits by charging the insurance premiums to expenditures. The life insurance costs for the fiscal year ended June 30, 2003, were approximately $139,605. The number of retired employees covered under the life insurance benefit was 2,974 at June 30, 2003, and the amount of life insurance coverage for these retired employees was $53,694,400.

RETIREE HEALTH CARE ACT CONTRIBUTIONS: The Retiree Health Care Act (10-7C-1 to 10-7C-16, NMSA 1978) provides comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The purpose is to provide eligible retirees, their spouses, dependents, and surviving spouses and dependents with health insurance consisting of a plan, or optional plans, of benefits that can be purchased by funds flowing into the Retiree Health Care Fund and by co-payments or out-of-pocket payments by eligible retirees.

Monies flow to the Retiree Health Care Fund on a pay-as-you-go basis from eligible employers and eligible retirees. Eligible employers are institutions of higher education, school districts, or other entities participating in the public school insurance authority and state agencies, state courts, magistrate courts, municipalities or counties, which are affiliated under or covered by the Education Retirement Act or the Magistrate Retirement Act, or the Public Employees Retirement Act.

Eligible retirees are those who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the Retiree Health Care Act on the person's behalf.

Each participating employer makes contributions to the fund in the amount of 1.3 percent of each participating employee's annual salary. Each participating employee contributes to the fund an employee contribution in an amount equal to 0.65 percent of the employee's annual salary. Each participating retiree pays a monthly premium.

Contributions from participating employers and participating employees become the property of the Retiree Health Care Fund and are not refundable under any circumstances, including termination of employment or termination of the participating employer's operation or participation in the Retiree Health Care Act. The employer, employee, and retiree contributions are required to be remitted to the Retiree Health Care Authority on a monthly basis.

The Retiree Health Care Authority issues a separate, publicly available audited financial report that includes post employment benefit expenditures of premiums and claims paid, participant contributions (employer, employee, and retiree), and net expenditures for the fiscal year. The report may be obtained by writing to the Retiree Health Care Authority, 810 W. San Mateo, Santa Fe, New Mexico 87501.

The City of Albuquerque remitted $2,930,733 in employer contributions and $1,465,367 in employee contributions in fiscal year ended June 30, 2003. The Fund paid $ 101,057 in contributions during the fiscal year.

NOTE 9 DEFERRED COMPENSATION

The City of Albuquerque offers its employees three deferred compensation plans created in accordance with the Internal Revenue Code Section 457. The plans, available to all City employees, permit employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The City does not make matching contributions to these plans. All plans comply with the provisions of the Internal Revenue Code which provides that all assets and income of the plan shall be held in trust for the exclusive benefit of the participants and their beneficiaries.

NOTE 10 RISK MANAGEMENT

The City is exposed to various risks of loss related to torts and civil rights (including law enforcement and employment related exposures); theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City uses the Risk Management Fund (an internal service fund) to account for and finance its uninsured risks of loss. Under this program, the Risk Management Fund provides coverage for up to a maximum of $500,000 for each worker's compensation incident, $1,050,000 for each tort liability claim, and $50,000 for each City real property and contents damage claim. With the exception of the Corrections and Detention Center, the Risk Management Fund provides unlimited coverage for civil rights claims. The coverage on the Corrections and Detention Center was provided by private insurance with a limit of $1,000,000 per occurrence subject to a maximum of $2,000,000 with a $100,000 deductible on each claim. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. Effective July 1, 2003, there will be unlimited coverage for these claims.

The Fund participates in the program and makes payments to the Risk Management Fund based on actuarial estimates of the amounts needed to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. That reserve was $1,000,000 at June 30, 2003, and is included in the retained deficit of the Risk Management Fund. The claims liabilities reported in the Risk Management Fund are based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated.

The amounts and changes in the Risk Management Fund's claims liability during the year were:

	2003
Claims liability at July 1	$ 39,298,514
Current year claims and change in estimates	17,507,793
Claims liquidated	(16,204,743)
Claims liability at June 30	$ 40,601,564
The components of the claims liability at June 30 are:	
Current portion	$ 11,153,000
Non-current portion	29,448,564
Total claims liability	$ 40,601,564

The Fund paid $659,235 for its share of the risk management charges for the year.

NOTE 11 COMMITMENTS AND CONTINGENT LIABILITIES

A. Construction Commitments

At June 30, 2003, the uncompleted construction and other commitments in the Fund was $13,214,996. This amount will be paid from assets restricted for construction, improvements and replacements or from operating revenues.

B. Federal and State Grant Commitments

The Fund has received a number of Federal and State grants for specific purposes. These grants are subject to audit which may result in requests for reimbursements to granting agencies for expenditures disallowed under the terms of the grants. Based on prior experience, City management believes that such disallowances, if any, will not be material.

C. Contingent Liabilities

In the normal course of business, the City is subject to certain contingent liabilities and unasserted claims. These contingencies are evaluated in light of their probability of being asserted and the estimability of the claims. Those claims that are probable and estimable have been accrued in the accompanying financial statements. Claims that are possible and/or not estimable are disclosed herein. Remote claims are monitored until such time as they are resolved, disclosed, or accrued. It is the opinion of City management that the ultimate resolution of other litigation will not have a material effect on the financial position of the City.

NOTE 12 RESTATED CASH AND CASH EQUIVALENTS FOR THE CASH FLOW STATEMENT

During the year the Fund determined that the cash balances at the end of the year should include the cash with fiscal agents without an offset for the matured bonds and interest payable. Due to the conversion to the reporting model required in accordance with Statement No. 34 of the Governmental Accounting Standards Board “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments”, the Fund determined that the exclusion of that amount would be misleading because of the subsequent July 1 payment of principal on bonds. The Fund determined that the principal reduction on bonds disclosed in the statement should include the July 1 payment at the beginning of the fiscal year reported instead of the following July 1 payment.

City of Albuquerque, New Mexico
Airport Fund
Schedule of Financial Activity of the Various Bond Ordinance Created Funds and Accounts
For the year ended June 30, 2003

	Revenue Fund		Debt Service Fund					Capital Improvement Fund		
	Operations & Maintenance Reserve	Unreserved	Principal and Interest	Redemption Account	Capitalized Interest	Reserve for Retirement	Reserve for Debt Service	Airline Coverage	Projects	Total
July 1, 2002 balances, as previously reported	$ 3,684,047	$ 6,970,970	$ -	$ -	$ -	$ 9,805,629	$ 14,179,472	$ 1,708,643	$ 31,412,585	$ 67,761,346
Operating revenues	-	51,133,762	-	-	-	-	-	-	-	51,133,762
Miscellanous revenues (expenses)	-	62,597	-	-	-	-	-	-	(3,661)	58,936
Operating expenses, net of										
depreciation and amortization	-	(22,037,430)	-	-	-	-	-	-	-	(22,037,430)
Non Operating expenses	-	(21,732)	-	-	-	-	-	-	-	(21,732)
Interest income	(6,703)	266,981	-	-	-	-	433,047	-	(29,796)	663,529
Proceeds from disposition of assets	-	3,876	-	-	-	-	-	-	-	3,876
Passenger Facility Charge	-	8,154,815	-	-	-	-	-	-	-	8,154,815
Transfer to Debt Service Fund	-	(18,800,000)	-	-	-	-	18,800,000	-	-	-
Transfer to Capital Improvement Fund	-	(16,200,000)	-	-	-	-	-	850,000	15,350,000	-
Capital Improvements Fund revenues:										
FAA grants received	-	120,500	-	-	-	-	-	-	902,272	1,022,772
Debt service payments & costs:										
Transfers:										
Reserve to principal account	-	-	20,485,000	-	-	-	(20,485,000)	-	-	-
Reserve to interest account	-	-	10,855,057	-	-	-	(10,855,057)	-	-	-
Adjustment of bond debt reserve	-	-	-	-	-	(3,105,629)	3,105,629	-	-	-
Principal payments	-	-	(20,485,000)	-	-	-	-	-	-	(20,485,000)
Interest payments	-	-	(10,855,057)	-	-	-	-	-	-	(10,855,057)
Fiscal agents fees	-	-	-	-	-	-	(20,226)	-	-	(20,226)
Construction costs	-	-	-	-	-	-	-	(393,954)	(7,517,126)	(7,911,080)
Operations and maintenance reserve adjustment	313,167	(313,167)	-	-	-	-	-	-	-	-
June 30, 2003 balances	$ 3,990,511	$ 9,341,172	$ 0	$ -	$ -	$ 6,700,000	$ 5,157,865	$ 2,164,689	$ 40,114,274	$ 67,468,511

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Appendix B
Report of the Airport Consultant

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Appendix B

REPORT OF THE AIRPORT CONSULTANT

on the proposed issuance of

CITY OF ALBUQUERQUE, NEW MEXICO,
SUBORDINATE LIEN TAXABLE AIRPORT REFUNDING REVENUE BONDS, SERIES 2004A
AND
SENIOR LIEN AIRPORT IMPROVEMENT REVENUE BONDS, SERIES 2004B

Prepared for

City of Albuquerque, New Mexico

Prepared by

Leigh Fisher Associates
A Division of Jacobs Consultancy Inc.
San Francisco, California

February 19, 2004

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LEIGH FISHER ASSOCIATES
Consultants to Airport Management

February 19, 2004

Mr. Dewey V. Cave
Director of Aviation

Mr. Lou D. Hoffman
City Treasurer

City of Albuquerque
Albuquerque International Sunport
Albuquerque, New Mexico 87119

Re: Report of the Airport Consultant, City of Albuquerque, New Mexico, Subordinate Lien Taxable Airport Refunding Revenue Bonds, Series 2004A and Senior Lien Airport Improvement Revenue Bonds, Series 2004B

Dear Mr. Cave and Mr. Hoffman:

We are pleased to submit this Report of the Airport Consultant on certain aspects of the proposed issuance of Subordinate Lien Taxable Airport Refunding Revenue Bonds, Series 2004A (the 2004 Refunding Bonds) and Senior Lien Airport Improvement Revenue Bonds, Series 2004B (the 2004 Improvement Bonds) (collectively, the 2004 Bonds) by the City of Albuquerque, New Mexico, for and on behalf of the City's Aviation Department (the Department), which operates and manages Albuquerque International Sunport (the Airport).

2004 Refunding Bonds

The City intends to issue the 2004 Refunding Bonds with a fixed interest rate to refund approximately $20 million in principal outstanding of the Subordinate Lien Adjustable Rate Taxable Airport Revenue Bonds, Series 2000B. Upon issuance of the 2004 Refunding Bonds, approximately $19 million in Series 2000B Bond principal will remain outstanding.

Note: Unless otherwise defined herein, capitalized terms in this report are used as defined in the 2004 Bond Ordinance, the City's prior bond ordinance under City Enactment No. 33-2001 (the Prior Bond Ordinance), or the Airline Agreements.

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The City issued the 2000B Bonds to finance a substantial portion of the costs of constructing a consolidated rental car facility at the Airport, which opened in March 2001. When the facility opened, all on-Airport rental car operations in the terminal area were relocated to the new facility, which includes a customer service building, a ready/return area, and service center facilities. Substantially all of the rental car business generated at the Airport is served by the eight companies that use and lease space in the consolidated facility under two agreements with the City that became effective as of March 17, 2001:

1. A 5-year agreement for the use and lease of counter space in the customer service building and ready/return parking spaces adjacent to the building.

   The City has the option at its sole discretion to extend this agreement for 5 years beyond the date of expiration. If it does not extend the term of the agreement, the City expects to rebid the on-Airport rental car concession privileges without a material change in the business provisions of the current agreement.

2. A 20-year agreement for the use and lease of service center facilities and vehicle storage areas.

Under those agreements, the City establishes rentals, fees, and charges each year for the use and lease of the ready/return area, the service center facility, and the vehicle storage areas. The City also imposes, and the rental car companies collect on behalf of the City, a customer facility charge (CFC) per rental car contract day to pay the annual cost of operating, maintaining, and providing (1) the customer service building, (2) a portion of the ready/return area, and (3) a rental car shuttle bus system that provides service between the consolidated rental car facility and the Terminal Complex.

The City imposes the CFC under a resolution that allows the Department to establish such a charge each year at a level necessary to fund the costs described above. There is no legislative maximum or "cap" on the CFC.

Also under the agreements, the eight rental car companies reimburse the City for annual Operation and Maintenance Expenses allocable to the consolidated rental car facility and pay the City a privilege fee equal to 9% of gross revenues for operating on the Airport.

Revenues from the CFC and all rentals, fees, and charges imposed by the City and collected from the rental car companies are considered Gross Airport Revenues and, according to the City, accounted for approximately 22% of Gross Airport Revenues in Fiscal Year (FY) 2003.*

2004 Improvement Bonds

The City also plans to issue the 2004 Improvement Bonds in approximately $30 million aggregate principal amount to finance the costs of certain capital improvement projects at the Airport in FY 2004 and FY 2005 (the 2004 Improvement Project). The 2004 Improvement Project consists of the following:

- A new fuel farm facility for passenger and cargo aircraft
- Improvements to the Terminal Complex
- Improvements to Airport roads, utilities, and landscaping

2004 Bond Ordinance

The 2004 Refunding Bonds are to be issued as Subordinate Parity Obligations and the 2004 Improvement Bonds are to be issued as Senior Parity Obligations pursuant to an ordinance of the City authorizing the issuance and sale of the 2004 Bonds (the 2004 Bond Ordinance).

Under provisions of the 2004 Bond Ordinance, the 2004 Bonds are to be payable from and secured by a lien on Net Revenues (Gross Airport Revenues less Operation and Maintenance Expenses) that is on a parity with all other Senior Parity Obligations for the 2004 Improvement Bonds and all other Subordinate Parity Obligations for the 2004 Refunding Bonds.

In the 2004 Bond Ordinance, the City covenants to fix, charge, and collect rentals, rates, fees, and other charges for the use of the Airport, and to revise such rentals, rates, fees, and other charges as necessary so that, in each Fiscal Year, Net Revenues will at all times be sufficient to:

- Provide an amount not less than 120% of the Debt Service Requirements on all Outstanding Senior Parity Obligations, and

*The City's Fiscal Year ends June 30.

- Together with certain investment income on Outstanding Airport Obligations, provide not less than 110% of the combined Debt Service Requirements on all Outstanding Senior Parity Obligations, Subordinate Parity Obligations, and Junior Lien Obligations payable from Net Revenues.

This provision is referred to as the Rate Covenant.

Airline Agreements

The City has entered into Scheduled Airline Operating Agreements and Terminal Building Leases (the Airline Agreements) for the use and lease of certain Airport facilities with the following airlines: America West Airlines, American Airlines, Continental Airlines, Delta Air Lines, Frontier Airlines, Northwest Airlines, Southwest Airlines, and United Airlines (collectively, the Signatory Airlines). The term of the Airline Agreements extends through June 30, 2006, with no options to extend beyond the date of expiration.

In FY 2003, Southwest Airlines accounted for the largest share of passenger traffic at the Airport, with 53.1% of total enplaned passengers, followed by American Airlines with 11.3%, and Delta Air Lines with 7.5%. Southwest has enplaned the largest share of enplaned passengers at the Airport for more than 15 years.

Under the Airline Agreements, the City establishes and collects rentals, rates, fees, and charges each year for the use and lease of certain facilities and/or space at the Airport. According to the City, revenues collected pursuant to the Airline Agreements accounted for about 36% of total Gross Airport Revenues in FY 2003.

The City has similar agreements with three all-cargo airlines serving the Airport (FedEx, Airborne Express, and UPS Air Cargo); these agreements also expire on June 30, 2006. In addition, the City has nonsignatory airline agreements with other passenger and cargo airlines serving the Airport.

The City expects that the negotiation of new agreements with the passenger airlines and the all-cargo airlines when those agreements expire at the end of FY 2006 will result in airline rentals, fees, and charges equal to or greater than those provided under the current agreements.

Capital Program

The City's current 5-year capital program for the Airport extends from FY 2004 through FY 2008 (the Capital Program). The Capital Program includes *planned projects*, which are projects the City expects to implement during the 5-year period, and demand-responsive projects. Demand-responsive projects are those projects that will be implemented based on the achievement of predetermined activity levels or other thresholds. For purposes of this report and the financial forecasts provided herein, only the planned projects in the Capital Program were considered.

Major planned projects in the Capital Program include the 2004 Improvement Project, as well as additional improvements to extend the useful life and capacity of the Terminal Complex, improvements to and construction of on-Airport roadways, and various Airfield and Terminal Apron improvements.

The City intends to fund the planned projects from a combination of federal and State grants, internally generated Airport cash flow, and the net proceeds of the 2004 Improvement Bonds and other Bonds the City may issue in the future. In preparing the financial forecasts presented in this report, it was assumed that any Bonds issued by the City after issuance of the 2004 Improvement Bonds and through FY 2008 would be issued as Senior Parity Obligations. There is no assurance that the City will issue such Bonds or, if issued, that they will be issued as assumed in this report.

Estimated annual Debt Service Requirements on Bonds and amortization charges for planned projects assumed to be funded with internally generated Airport cash flow are included in the financial forecasts prepared for this report.

Scope of Report

Our study was undertaken to evaluate the ability of the City to generate sufficient Net Revenues to meet the annual funding requirements of the 2004 Bond Ordinance and the Prior Bond Ordinance, including Operation and Maintenance Expenses and Debt Service Requirements on Outstanding Airport Obligations, the proposed 2004 Bonds, and other Bonds the City may issue in the future to fund planned projects in the Capital Program.

In conducting the study, we analyzed:

- Future airline traffic demand at the Airport, considering the economic characteristics of the area served by the Airport, historical trends in airline traffic, and key factors that will affect future traffic

- The estimated costs and schedule of the planned projects in the Capital Program

- The estimated sources and uses of funds for the Capital Program and estimated annual Debt Service Requirements and amortization charges for City-funded improvements

- Historical relationships between Gross Airport Revenues, Operation and Maintenance Expenses, and Airport activity, as well as other factors that may affect future Gross Airport Revenues and Operation and Maintenance Expenses

- The Department's annual Operation and Maintenance Expenses and revenue budget for FY 2004

- The City's policies and contractual agreements relating to the use of Airport facilities and the City's plans and policies with respect to occupancy, management, and operation of the Airport

We also identified key factors upon which the future financial results of the Airport may depend and formulated assumptions about those factors. On the basis of these assumptions, we assembled the financial forecasts presented in the exhibits at the end of the attachment to this report, which extend through FY 2010.

Rate Covenant

As indicated in the following tabulation and in Exhibit G, Net Revenues are estimated to be sufficient to meet the funding and debt service coverage requirements on all Outstanding Airport Obligations and the proposed 2004 Bonds in FY 2004 and in each year of the forecast period.

	Senior Parity Obligations (including the 2004 Improvement Bonds)			Total Airport Obligations (including the 2004 Refunding and Improvement Bonds)		
	(in thousands)			(in thousands)		
Fiscal Year	Net Revenues	Debt Service Require-ments *(a)*	Debt service coverage	Net Revenues plus interest income *(b)*	Debt Service Require-ments *(a)*	Debt service coverage
Forecast						
2004	$36,745	$10,414	3.53	$36,980	$18,923	1.95
2005	38,448	11,052	3.48	38,683	21,297	1.82
2006	39,874	12,266	3.25	40,109	23,033	1.74
2007	43,026	15,390	2.80	43,261	26,669	1.62
2008	43,991	15,320	2.87	44,226	27,108	1.63
2009	44,281	15,069	2.94	44,516	27,555	1.62
2010	45,078	15,172	2.97	45,313	28,063	1.61

(a) Source: Citigroup, the representative of the underwriters for the 2004 Bonds.
(b) Includes interest earnings, if any, in the Debt Service Reserve Accounts and Debt Service Accounts on certain Outstanding Airport Obligations as provided under the Prior Bond Ordinance.

Assumptions Underlying the Financial Forecasts

The forecasts presented in this report are based on information and assumptions that were provided by or reviewed with and agreed to by Department management. The forecasts reflect Department management's expected course of action during the forecast period and, in Department management's judgment, present fairly the expected financial results of the Airport. Those key factors and assumptions that are significant to the forecasts are set forth in the attachment, "Background, Assumptions, and Rationale for the Financial Forecasts." The attachment should be read in its entirety for an understanding of the forecasts and the underlying assumptions.

In our opinion, the underlying assumptions provide a reasonable basis for the forecasts. However, any forecast is subject to uncertainties. Inevitably, some assumptions will not be realized, and unanticipated events and circumstances may occur. Therefore, there will be differences between the forecast and actual results,

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Consultants to Airport Management

and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of the report.

* * * * *

We appreciate the opportunity to serve as the City's Airport Consultant on this proposed financing.

Respectfully submitted,

Leigh Fisher Associates

LEIGH FISHER ASSOCIATES

Attachment

BACKGROUND, ASSUMPTIONS, AND RATIONALE FOR THE FINANCIAL FORECASTS

City of Albuquerque, New Mexico

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CONTENTS

CONTENTS *(continued)*

TABLES

TABLES *(continued)*

FIGURES

EXHIBITS

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AIRLINE TRAFFIC ANALYSIS

THE AIRPORT

Albuquerque International Sunport (the Airport) is the principal air carrier airport serving the Albuquerque Area, as defined in the following section, "Airport Service Region," and other parts of the State of New Mexico. Owned by the City of Albuquerque and operated by the City's Aviation Department, the Airport is 5 miles southeast of downtown Albuquerque. The City also owns and operates Double Eagle II Airport (the Reliever Airport), a general aviation reliever airport. Collectively, these airports are referred to as the Airport System.

Albuquerque is classified as a medium hub* by the Federal Aviation Administration (FAA). According to Department records, in the Fiscal Year (FY) ended June 30, 2003, approximately 3.0 million passengers were enplaned at the Airport. According to Airports Council International-North America, Albuquerque ranked as the 55th largest passenger airport in the United States in calendar year (CY) 2002 in terms of total passengers.

The Airport passenger facilities include a Terminal Complex with 23 air carrier aircraft gates (as well as 2 regional/commuter gate areas that serve 8 commuter aircraft parking positions). The air carrier aircraft gates are in a linear east-west concourse parallel and connected to the terminal building. The eastern portion of the concourse is referred to as Concourse A, and the western portion is referred to as Concourse B.

The terminal area includes a two-level terminal loop roadway system, a 3,400-space automobile parking structure, and an additional 480 long-term parking spaces. Shuttle bus service is provided between the Terminal Complex and a consolidated rental car facility, located on Airport property.

The Airport has three principal runways for air carrier use. Runway 8-26, the primary air carrier/military runway, is 13,775 feet long and 300 feet wide. Runway 17-35, the crosswind runway, is 10,000 feet long and 150 feet wide and intersects Runway 8-26. Runway 3-21 is 10,000 feet long and 150 feet wide, and is situated southwest of Runway 8-26. One additional crosswind runway (12-30) is used by general aviation aircraft.

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*A medium hub is defined as a community that accounts for between 0.25% and 0.99% of the total enplaned revenue passengers in all services and operations of the U.S. certificated route air carriers within the 50 states, the District of Columbia, and territorial possessions of the United States.

The Airport is adjacent to Kirtland Air Force Base, an active U.S. Air Force (USAF) installation. The airfield land and facilities, a portion of which was previously owned by the City but deeded to the USAF in 1941, were deeded back to the City by the USAF in 1962, and the USAF currently shares use of the airfield with the City under a joint-use agreement. Under that agreement, the USAF pays the City for the right to use the airfield and provides aircraft rescue and fire fighting (ARFF) services at the Airport.

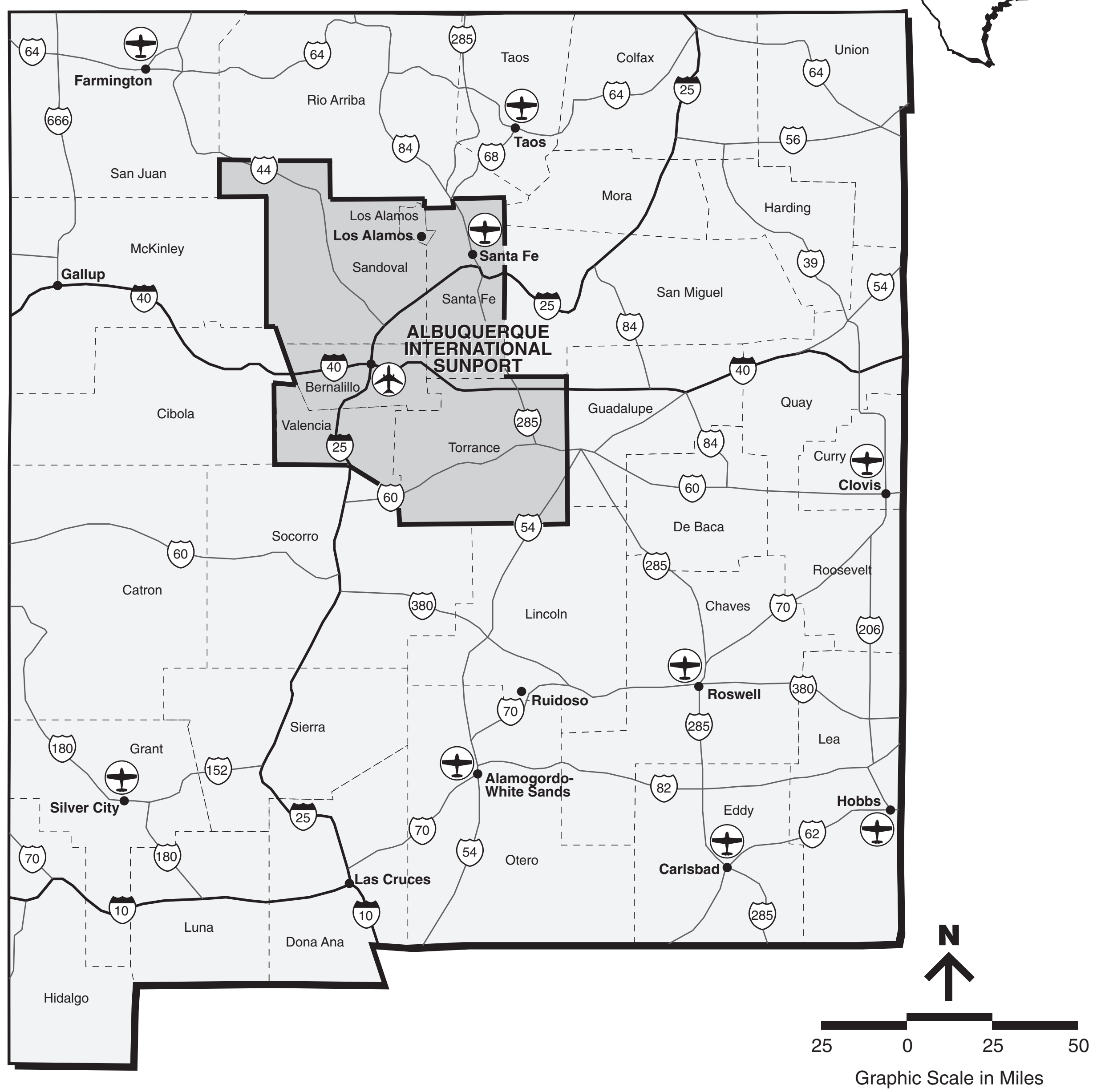
AIRPORT SERVICE REGION

Albuquerque International Sunport is centrally located in the State of New Mexico and is the principal airport in the State providing scheduled major and national airline service. The Airport primarily serves origin-destination passengers; approximately 90% of all enplaned passengers at the Airport are estimated, based on U.S. Department of Transportation (DOT) information, to be originating at the Airport, with the remaining 10% (or approximately 300,000 enplaned passengers) connecting on flights to other airports. For purposes of this analysis, the overall region served by the Airport, as shown on Figure 1, consists of (1) a primary area of Bernalillo, Los Alamos, Sandoval, Santa Fe, Torrance, and Valencia counties—referred to in this report as the Albuquerque Area—and (2) a large secondary area surrounding those six counties, which includes the remainder of the State.

The limits of the secondary area are a function of the quality of airline service offered at other "nearby" air carrier airports, including 7 major airports in the surrounding states of Arizona, Colorado, Texas, and Utah. Of these, the closest air carrier airport to Albuquerque is El Paso International Airport, over 260 road miles away. In the State of New Mexico, 9 other airports provided scheduled commuter airline service during FY 2003.

Road miles from Albuquerque to:

Amarillo	285
Dallas/Fort Worth	644
Denver	437
El Paso	266
Lubbock	306
Phoenix	458
Salt Lake City	604



LEGEND

Primary area

Approximate secondary area

County boundary

City

Air carrier airport

Regional/commuter airport

Figure 1

AIRPORT SERVICE REGION

Albuquerque International Sunport

February 2004

LEIGH FISHER ASSOCIATES

Table 1 shows scheduled airline service at the Airport and other nearby airports as of January 2004. Albuquerque International Sunport is the only airport within 250 miles that provides air carrier service, as well as nonstop service to over 10 times the number of destinations served from any nearby airport.

Table 1

AIRLINE SERVICE AT AIRPORTS NEAR ALBUQUERQUE
January 2004

Airport location	Driving distance to Albuquerque (miles)	Average daily passenger airline nonstop departures			Nonstop destinations (excluding Albuquerque)
		Jet	Regional/ commuter	Total	
Albuquerque	**--**	**92**	**36**	**128**	**37** *(a)*
Alamogordo	207	--	3	3	-- *(b)*
Durango	214	--	10	10	3
Farmington	188	--	12	12	4
Roswell	204	--	6	6	3
Santa Fe	67	--	6	6	1
Taos	137	--	3	3	-- *(b)*

Note: Certain airports that have discontinued scheduled airline service, including those serving the cities of Gallup, Las Cruces, Los Alamos, and Ruidoso, are excluded from this table.

(a) In certain cities, multiple airports serve similar destinations; 34 cities are served nonstop from the Airport via 37 airports.
(b) Service to Albuquerque only.

Source: Official Airline Guides, Inc., CD-ROM database, January 2004.

Population Trends

Table 2 shows historical and projected population data. Between 1990 and 2002, the population of the Albuquerque Area increased an average of 1.9% per year, compared with 1.7% per year in the State of New Mexico and 1.2% per year in the nation as a whole. Much of the growth in the Albuquerque Area has taken place to the west of Albuquerque in communities such as Rio Rancho and Corrales, where the populations have increased 59% and 35%, respectively, since 1990.

Table 2

HISTORICAL AND PROJECTED POPULATION
(in thousands, except percentages)

	Albuquerque Area	State of New Mexico	United States
Historical *(a)*			
1980	586	1,303	227,225
1990	720	1,515	249,623
2000	877	1,819	282,224
2001	889	1,831	285,318
2002	907	1,855	288,369
Projected *(b)*			
2010	1,063	2,116	312,262
	Average annual percent increase		
Historical			
1980-1990	2.1%	1.5%	0.9%
1990-2002	1.9	1.7	1.2
Projected			
2002-2010	2.0	1.7	1.0

Note: The Albuquerque Area consists of the six counties currently defined in the Albuquerque and Santa Fe Metropolitan Statistical Areas (see Figure 1).

(a) Bureau of Business and Economic Research, University of New Mexico, www.unm.edu/~bber/.
(b) National Planning Association, Data Services, Inc., *Key Indicators of County Growth*, *1970-2025*, 2002 edition.

As shown by the data presented in Table 3, the age distribution of the Albuquerque Area is comparable to that of the nation as a whole.

Table 3

AGE DISTRIBUTION OF POPULATION

2002

Age group	Albuquerque Area	State of New Mexico	United States
Less than 25	35.1%	37.3%	35.1%
25 to 44	28.9	27.3	29.4
45 to 64	24.6	23.4	23.1
65 and over	11.4	11.9	12.4
Total	100.0%	100.0%	100.0%

Notes: The Albuquerque Area consists of the six counties currently defined in the Albuquerque and Santa Fe Metropolitan Statistical Areas (see Figure 1).

Columns may not add to totals shown because of rounding.

Source: U.S. Department of Commerce, Bureau of the Census, Population Estimates Program, July 2002.

Population projections published by the National Planning Association show continued population growth in the Albuquerque Area through 2010 at rates higher than those projected for the United States (2.1% compared with 1.0%, respectively). Between 2002 and 2010, the population of the Albuquerque Area is projected to increase by approximately 156,000 to 1,063,000.

State Economy

Because the Airport serves the Albuquerque Area and the State, overall trends in the economy of the State directly affect airline traffic at the Airport. Table 4 shows historical gross State product—the added value of all goods and services produced in the State of New Mexico—and U.S. gross domestic product. The data shown in the table indicate that the economy of the State has grown significantly faster than the economy of the United States as a whole in recent years.

Table 4

HISTORICAL REAL GROSS PRODUCT (STATE AND DOMESTIC)
(in millions of constant 1996 dollars)

Year	State of New Mexico	United States
1990	$29,432	$6,707,900
1995	42,708	7,543,800
2000	52,361	9,191,400
2001	54,930	9,214,500
	Average annual percent increase	
1990-2000	5.9%	3.2%
2000-2001	4.9	0.3

Source: U.S. Department of Commerce, Bureau of Economic Analysis, May 2003.

Albuquerque Area Economy

Table 5 shows historical and projected nonagricultural employment data. As with population, nonagricultural employment in the Albuquerque Area has increased in recent years at rates much higher than those experienced in the nation as a whole. Between 1990 and 2002, employment in the Albuquerque Area increased 2.5% per year compared with 1.5% per year in the United States. Between 2000 and 2002, growth in nonagricultural employment in the Albuquerque Area and in the State continued despite the general economic downturn in the United States. The National Planning Association projects that between 2002 and 2010, nonagricultural employment in the Albuquerque Area will increase an average of 2.8% per year compared with 1.8% per year in the United States. According to the U.S. Department of Labor, Bureau of Labor Statistics, as of December 2003, the unemployment rate in the Albuquerque Area was 4.5% compared with the national average of 6.0%.

Table 5

HISTORICAL AND PROJECTED NONAGRICULTURAL EMPLOYMENT
(in thousands, except percentages)

	Albuquerque Area	State of New Mexico	United States
Historical *(a)*			
1980	224	462	90,406
1990	326	575	109,419
2000	430	745	131,720
2001	435	757	131,922
2002	436	766	130,791
Projected *(b)*			
2010	546	934	150,855
	Average annual percent increase		
Historical			
1980-1990	3.8%	2.2%	1.9%
1990-2002	2.5	2.4	1.5
Projected			
2002-2010	2.8	2.5	1.8

Note: The Albuquerque Area consists of the six counties currently defined in the Albuquerque and Santa Fe Metropolitan Statistical Areas (see Figure 1).

(a) U.S. Department of Labor, Bureau of Labor Statistics, *Employment and Earnings*, for years noted.
(b) National Planning Association, Data Services, Inc., *Key Indicators of County Growth, 1970-2025,* 2002 edition.

Table 6 presents historical and projected data on per capita income as compiled by the National Planning Association. Economic growth in the Albuquerque Area during the 1990s resulted in a steady increase in per capita income, at approximately the same rate as income growth in the United States as a whole. As shown, between 1990 and 2002, per capita income in the Albuquerque Area increased an average of 2.1% per year compared with 1.9% per year in the nation as a whole. In absolute terms, however, per capita income in the Albuquerque Area has remained lower than the national average, and this trend is expected to continue. The National Planning Association projects continued increases in per capita income in the Albuquerque Area at rates similar to those projected for the United States.

Table 6

HISTORICAL AND PROJECTED PER CAPITA INCOME
(in constant 1996 dollars)

	Albuquerque Area	State of New Mexico	United States
Historical			
1980	$16,990	$15,222	$18,445
1990	20,609	17,452	22,873
2000	24,755	20,405	27,413
2002	26,493	22,192	28,541
Projected			
2010	31,526	26,883	34,334
	Average annual percent increase		
Historical			
1980-1990	2.0%	1.4%	2.2%
1990-2002	2.1	2.0	1.9
Projected			
2002-2010	2.2	2.4	2.3

Note: The Albuquerque Area consists of the six counties currently defined in the Albuquerque and Santa Fe Metropolitan Statistical Areas (see Figure 1).

Source: National Planning Association, Data Services, Inc., *Key Indicators of Growth, 1970-2025,* 2002 edition.

Table 7 lists the largest employers in the Albuquerque Area in 2003 and illustrates the importance of public sector employment to the economy of the Albuquerque Area. The government organizations and institutions listed in Table 7 account for approximately 23% of total nonagricultural employment in the Albuquerque Area. Private sector employers listed in Table 7 account for another 6% of employment, with the remaining 71% of employees working for smaller businesses and organizations and other public employers.

Table 7

LARGEST EMPLOYERS IN THE ALBUQUERQUE AREA
2003

Employer	Industry	Number of employees
State of New Mexico	Government	28,138
Kirtland Air Force Base (Civilian)	Aerospace	17,483
University of New Mexico	Educational institution	15,375
Albuquerque Public Schools	Educational institution	11,600
City of Albuquerque	Government	8,000
Sandia National Laboratories	Research and development	7,700
Kirtland Air Force Base (Military)	Government	6,539
Presbyterian Hospitals	Hospital/medical services	5,800
Intel Corporation	Semiconductor manufacturer	5,500
Lovelace Sandia Health System	Hospital/medical services	5,500
Wal-Mart	Retailer	4,850
UNM Hospital	Hospital/medical services	4,068
United States Postal Service	Government	2,200
Santa Fe School District	Educational institution	1,850
PNM Electric & Gas Services	Utilities provider	1,815

Note: The Albuquerque Area consists of the six counties currently defined in the Albuquerque and Santa Fe Metropolitan Statistical Areas (see Figure 1).

Sources: Santa Fe Chamber of Commerce. *Major Employers in Santa Fe County*. www.santafechamber.com/about_santafe/employers.htm; and Albuquerque Economic Development, Inc., *Albuquerque Location Profile 2003*. www.abq.org/pdfs/2003WebBLP.pdf.

Table 8 presents data on the percentage distribution of nonagricultural employment in the Albuquerque Area, the State of New Mexico, and the nation in 1993 and 2002 by the industry sectors adopted by the U.S. Department of Labor, Bureau of Labor Statistics in 2003.

Government. As shown in Table 8, the government sector accounts for a large share of employment in the Albuquerque Area (22.5% in 2002) compared to that in the United States as a whole (16.5%), reflecting the presence of Kirtland Air Force Base, and the State capital of Santa Fe. Employment in the government sector steadily increased between 1993 and 2002, at an average rate of 1.9% per year. In addition, government sector employment continued to increase during the recent economic downturn, at an average of 2.4% per year between 2000 and 2002.

Table 8

NONAGRICULTURAL EMPLOYMENT BY INDUSTRY SECTOR—1993 AND 2002

	Albuquerque Area		New Mexico		United States	
Industry sector	1993	2002	1993	2002	1993	2002
Government	23.4%	22.5%	25.4%	24.9%	17.1%	16.5%
Trade, transportation, and utilities	18.7	17.4	19.5	17.7	20.2	19.6
Professional and business services	13.9	15.0	10.3	11.7	10.4	12.3
Education and health services	9.9	11.5	9.6	12.2	11.1	12.4
Leisure and hospitality	10.4	10.1	10.5	10.5	8.8	9.2
Construction	6.0	6.4	8.3	7.8	4.9	5.6
Manufacturing	7.4	6.0	6.2	5.0	15.1	11.7
Financial activities	5.2	5.0	4.7	4.4	6.1	6.0
Other services	3.3	3.4	3.7	3.7	3.9	4.1
Information	1.8	2.7	1.7	2.2	2.4	2.6
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Notes: The Albuquerque Area consists of the six counties currently defined in the Albuquerque and Santa Fe Metropolitan Statistical Areas (see Figure 1).

Columns may not add to totals shown because of rounding.

Sources: U.S. Department of Labor, Bureau of Labor Statistics, *Employment and Earnings*, May 2003 and online data tables available at www.bls.gov.

Kirtland Air Force Base, including the Air Force Research Laboratory, has accounted for a large portion of the growth in government sector employment. After Kirtland was withdrawn from the U.S. Department of Defense's proposed realignment plan in 1995, employment at the base escalated rapidly from 6,850 military and civilian jobs in 1995 to 9,607 jobs in 1999 to 24,022 jobs in 2003. Kirtland now represents 5.5% of total nonagricultural employment in the Albuquerque Area.

Trade, Transportation, and Utilities. Albuquerque's central location within the State of New Mexico makes the City an important business and distribution center. Albuquerque is strategically located at the intersection of I-25 and I-40 and major railroad lines. This highway and railroad network allows rapid truck and rail service to many parts of the country. In addition, Albuquerque is a registered U.S. Port of Entry and the Albuquerque Area maintains three Foreign Trade Zones, allowing for convenient international freight and cargo shipping.

Passenger and cargo airline service provided at the Airport is central to the economy of the Albuquerque Area. In 2003, over 80 thousand tons of cargo were handled at the Airport. The cargo airlines currently serving the Airport provide vital overnight and international shipping services to the business community.

According to the Trade Division of the New Mexico Economic Development Department, the State exported roughly $1.4 billion worth of goods in 2001 (the latest year for which data are available), primarily to Asia and the Americas. Approximately 84% (by value) of exports in 2001 were from high-technology industries. The large share of high-technology exports has resulted in the State being affected by cyclical fluctuations based on national and international economic trends. During the years of rapid economic expansion, the value of New Mexico's exports rose to over $3.1 billion annually.

Professional and Business Services. As in the United States as a whole, the professional and business services sector is an important sector to the Albuquerque Area, accounting for 15.0% of nonagricultural employment in 2002 (see Table 8). Since 1993, this sector has grown an average of 3.1% per year, compared with 1.8% average annual growth in the United States as a whole. However, between 2000 and 2002, employment growth in the professional and business services sector in the Albuquerque Area underperformed that of the United States (0.6% decrease compared to 1.0% increase, respectively). Customer service centers for America Online, Sprint PCS, T-Mobile, and ClientLogic (expanded in 2002 and 2003) provide over 4,000 jobs in the Albuquerque Area, and offices for Qwest Communications, MCI Consumer Markets, and the Albuquerque Publishing Company contribute an additional 3,900 jobs to the area.

Education and Health Services. In 2002, the education and health services sector represented 11.5% of nonagricultural employment in the Albuquerque Area, slightly less than in the United States as a whole (12.4%). As shown in Table 7, the University of New Mexico and the Albuquerque Public Schools are two of the top five employers in the area. The Albuquerque Area contains several major medical facilities serving the State of New Mexico as well as portions of eastern Arizona, southern Colorado, and western Texas. Presbyterian Hospitals, University of New Mexico Hospital, and Lovelace Sandia Health System are major employers in the area. The education and health services sector has experienced strong growth over the past decade and maintained this growth through the recent economic downturn. Between 1993 and 2002, the sector grew an average of 4.0% per year, and from 2000 to 2002, grew an average of 5.6% per year. Growth in both of these periods outpaced growth in the sector in the United States as a whole (3.1% and 3.5%, respectively).

Research and Development. The Albuquerque Area is home to Los Alamos National Laboratory, Sandia National Laboratories, and the Air Force Research Center at Kirtland Air Force Base. These research institutions are major employers in the area and facilitate technology transfer between government research and private enterprise. Sandia National Laboratories, for instance, has an entrepreneur leave-of-absence program to allow engineers to take up to 2 years leave to work in the private sector. In addition, engineers can be hired on a contract basis by firms in the private sector.

Leisure and Hospitality. Albuquerque Area employment in the leisure and hospitality sector (tourism) increased 1.9% over the past 3 years after a period of decline in the mid-1990s. The New Mexico Department of Tourism estimates that visitors to the State in 2000 spent nearly $3.7 billion in travel expenditures, with nearly $2.3 billion (62% of the total for the State) spent by visitors to the Albuquerque Area. In 2002, nearly 11.6 million people visited the State. New Mexico residents accounted for the largest number of visitors to the Albuquerque Area (28.6%), followed by visitors from Texas (24.2%), Colorado (9.1%), California (8.8%), and Arizona (7.7%). Leisure travelers accounted for 79.2% of all visitors. Given the high proportion of travelers from bordering states, only 15.1% of all visitors arrived in the State by aircraft; personal vehicles represented the preferred mode of travel to the State (73.5%).

Economic Outlook

The Albuquerque Area is expected to experience growth in population and non-agricultural employment at rates exceeding those for the State of New Mexico and the nation, whereas per capita income for the Albuquerque Area is expected to grow at rates comparable to those projected for the State of New Mexico and the nation. This outlook is reflected in the airline traffic forecasts presented later in this report.

HISTORICAL AIRLINE TRAFFIC

The following sections present information on recent trends in airline traffic, including passenger and cargo activity, at the Airport.

Airlines Serving the Airport

Table 9 shows the passenger airlines providing scheduled service at the Airport in January 2004, when an average of 128 daily nonstop flights were offered to 34 cities. Table 9 also lists the all-cargo airlines serving the Airport as of January 2004.

Table 9

AIRLINES SERVING ALBUQUERQUE INTERNATIONAL SUNPORT
January 2004

Passenger Airlines

Major/national	Regional/commuter
America West Airlines	Air Midwest (operator for Mesa Airlines)
American Airlines	Continental Express
Continental Airlines	Freedom Airlines (operator for America West Express)
Delta Air Lines	Great Plains Airlines *(a)*
Frontier Airlines	Horizon Air (operator for Frontier Jet Express)
Northwest Airlines	Mesa Airlines
Southwest Airlines	Mesa Airlines (operator for America West Express and Frontier Jet Express)
United Airlines	Rio Grande Air *(b)*
	SkyWest Airlines (operator for United Express and Delta Connection)

All-Cargo Airlines

Aero Charter and Transport	FedEx
Airborne Express	South Aero
Astar Air Cargo	UPS Air Cargo
Empire Airlines	

(a) Filed for Chapter 11 bankruptcy protection and suspended service on January 23, 2004.
(b) Operated service for Great Plains Airlines until that airline declared bankruptcy. Continues to maintain service at the Airport.

Sources: Official Airline Guides, Inc., CD-ROM database, January 2004, and City of Albuquerque, Aviation Department records.

Enplaned Passengers

Table 10 presents historical data on enplaned passengers at the Airport since FY 1990. The overall long-term growth has been driven by both the underlying economic growth and the development of low-fare airline service at the Airport. The number of enplaned passengers at the Airport increased from 2,454,068 in FY 1990 to 3,010,471 in FY 2003, at an average of 1.6% per year, higher than the

Table 10

HISTORICAL ENPLANED PASSENGERS AT THE AIRPORT

Fiscal Year	Southwest Airlines Enplaned passengers	Southwest Airlines Percent increase (decrease)	All other airlines Enplaned passengers	All other airlines Percent increase (decrease)	All airlines Enplaned passengers	All airlines Percent increase (decrease)
1990	837,755	--%	1,616,313	--%	2,454,068	--%
1991	983,221	17.4	1,504,339	(6.9)	2,487,560	1.4
1992	1,080,346	9.9	1,415,120	(5.9)	2,495,466	0.3
1993	1,167,427	8.1	1,554,572	9.9	2,721,999	9.1
1994	1,317,831	12.9	1,599,212	2.9	2,917,043	7.2
1995	1,343,172	1.9	1,801,949	12.7	3,145,121	7.8
1996	1,348,657	0.4	1,810,720	0.5	3,159,377	0.5
1997	1,398,501	3.7	1,875,328	3.6	3,273,829	3.6
1998	1,361,599	(2.6)	1,748,316	(6.8)	3,109,915	(5.0)
1999	1,418,043	4.1	1,675,810	(4.1)	3,093,853	(0.5)
2000	1,515,969	6.9	1,644,276	(1.9)	3,160,245	2.1
2001	1,584,124	4.5	1,567,484	(4.7)	3,151,608	(0.3)
2002	1,610,827	1.7	1,432,948	(8.6)	3,043,775	(3.4)
2003	1,598,662	(0.8)	1,411,809	(1.5)	3,010,471	(1.1)
First 6 months						
2003	814,379	--	757,645	--	1,572,024	--
2004	840,838	3.3	757,216	(0.1)	1,598,054	1.7
	Average annual percent increase (decrease)					
1990-1997	7.6%		2.2%		4.2%	
1997-2003	2.3		(4.6)		(1.4)	
1990-2003	5.1		(1.0)		1.6	
2001-2003	0.5		(5.1)		(2.3)	
	Market shares of enplaned passengers					
1990	34.1%		65.9%		100.0%	
1997	42.7		57.3		100.0	
2003	53.1		46.9		100.0	

Source: City of Albuquerque, Aviation Department records.

national average increase of 1.2% per year between FY 1990 and FY 2003 as reported by the Air Transport Association of America (ATA) for its airline members. The number of enplaned passengers at the Airport increased an average of 4.2% per year between FY 1990 and FY 1997, the peak year in enplaned passengers to date, primarily as a result of increased low-fare service by Southwest Airlines and America West Airlines.

The number of passengers enplaned by Southwest Airlines increased an average of 7.6% per year between FY 1990 and FY 1997. Between FY 1997 and FY 2003, the number of enplaned passengers at the Airport decreased an average of 1.4% per year, principally as a result of reduced service growth at the Airport and, for the period between FY 2001 and FY 2003, the effects of the September 11, 2001, terrorist attacks, the national economic downturn, and the war in Iraq. Events beginning in FY 1997 are described in more detail below.

In FY 1997, the number of enplaned passengers at the Airport increased 3.6%, reflecting changes in airline fares and service. The average seating capacity of aircraft serving the Airport increased 2.3% in FY 1997, from 132 seats per departure in FY 1996 to 135 in FY 1997.

In FY 1998, the number of enplaned passengers at the Airport decreased 5.0%—the first decrease since FY 1988. This decrease was related to (1) slower growth in economic activity in the Albuquerque Area, (2) adjustments in airline route structures that affected service at the Airport, and (3) overall increases in average airline fares, related in part to the discontinuation of Southwest's promotional fares in the previous year. Numbers of enplaned passengers also decreased in FY 1998 at other airports in the southwestern United States served by Southwest, following the discontinuation of its FY 1997 promotional fares.

In FY 1999, the number of enplaned passengers at the Airport decreased 0.5%, accounted for entirely by regional and commuter airline passengers, reflecting a decrease in the number of flights operated by Mesa Airlines. The number of passengers enplaned on the major and national airlines increased 0.6% in FY 1999.

In FY 2000, the number of enplaned passengers at the Airport increased 2.1%, reflecting the addition of service by Southwest Airlines to Chicago Midway and increased frequencies to Houston, Kansas City, Oakland, and Tucson.

In FY 2001, the number of enplaned passengers at the Airport decreased 0.3%, reflecting (1) reduced frequencies by American Airlines to Chicago and Dallas/Fort Worth and reduced frequencies by Delta Air Lines to Atlanta and Salt Lake City, balanced by (2) the addition of service by Southwest Airlines to Baltimore and Portland and increased frequencies to Orlando and San Diego, increased Delta Connection (SkyWest) frequencies to Salt Lake City, new Delta Air Lines service to Tucson, and increased Frontier Airlines frequency to Denver.

In FY 2002, the number of enplaned passengers at the Airport decreased 3.4%, principally as a result of the effects of the September 11, 2001, terrorist attacks (which occurred in the third month of FY 2002), the national economic recession, and resulting decreases in airline service. Delta Air Lines and Trans World Airlines (acquired by American Airlines in April 2001) reduced frequency to Atlanta and St. Louis, respectively, and Southwest Airlines reduced frequency to Dallas. Offsetting some of these service decreases, Southwest Airlines added service to Chicago Midway and increased frequency to Tucson.

In FY 2003, the number of enplaned passengers at the Airport decreased 1.1%, principally as a result of the continued weak national economy and the war in Iraq, as well as changes in airline service. America West and Southwest reduced service frequency to Phoenix. Continental Airlines reduced frequency to Houston. Frontier Airlines and United Airlines both reduced frequency to Denver. Delta Connection (SkyWest) increased frequency to Dallas/Fort Worth and to Salt Lake City.

It should be noted that the decrease in enplaned passengers at the Airport from FY 2001 through FY 2003 (an average of 2.3% per year) was less than the national decrease—the ATA reported that the number of passengers enplaned in the United States decreased 6.6% between FY 2001 and FY 2003.

Table 11 summarizes monthly numbers of enplaned passengers at the Airport and at United States airports since FY 2002. Figure 2 presents enplaned passenger recovery trends at the Airport and for the United States since FY 2002, compared to the same month in FY 2001—the fiscal year prior to the events of September 11, 2001. As shown, the Airport has recovered from the effects of the September 11, 2001, terrorist attacks at a faster rate than the United States as a whole.

Table 11

PASSENGER TRAFFIC RECOVERY SINCE FY 2001
Albuquerque International Sunport and United States Airports
For Fiscal Years ended June 30

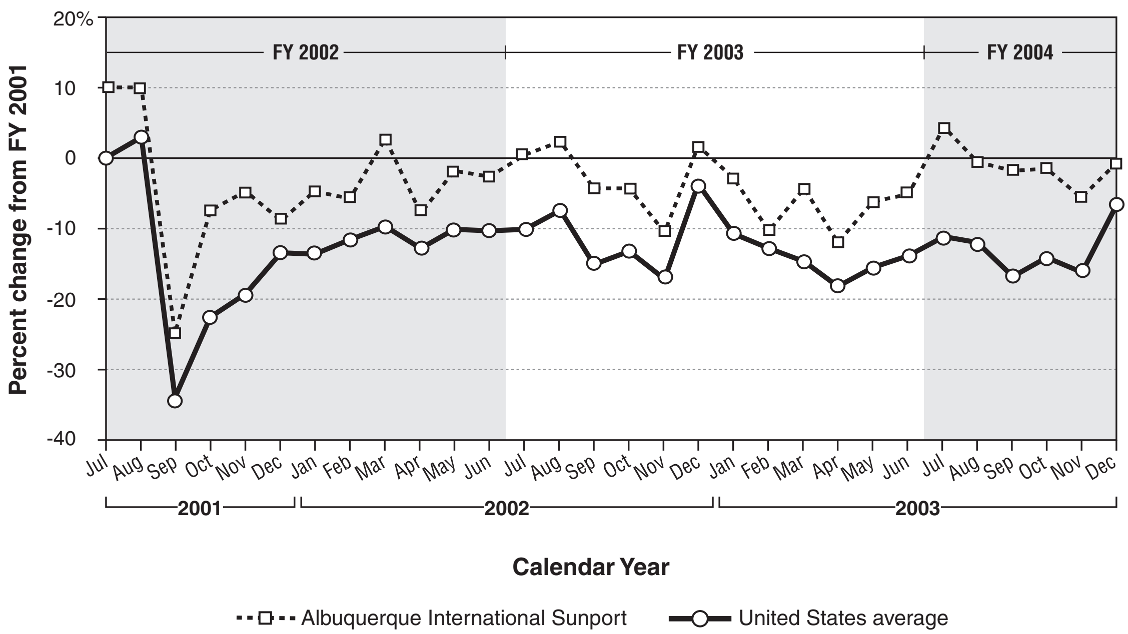
	Albuquerque International Sunport *(a)*		United States airports *(b)*	
	Enplaned passengers	Increase (decrease) from same month FY 2001	Enplaned passengers (thousands)	Increase (decrease) from same month FY 2001
FY 2002				
July (2001)	321,679	10.1%	55,350	0.1%
August	313,432	10.1	55,717	3.0
September	183,322	(24.7)	30,418	(33.9)
October	263,432	(7.4)	38,505	(22.6)
November	239,769	(4.6)	39,037	(19.2)
December	228,809	(8.8)	39,920	(13.4)
January (2002)	210,006	(4.6)	37,762	(13.7)
February	201,068	(5.6)	37,416	(11.5)
March	273,773	2.7	46,948	(9.7)
April	239,586	(7.8)	43,770	(12.8)
May	280,853	(1.6)	45,366	(10.2)
June	288,046	(2.5)	47,620	(10.3)
	3,043,775	(3.4%)	517,829	(12.4%)
FY 2003				
July (2002)	294,089	0.6%	49,648	(10.2)
August	291,608	2.4	50,058	(7.5)
September	233,585	(4.1)	39,043	(15.1)
October	272,361	(4.3)	43,161	(13.2)
November	225,004	(10.5)	40,056	(17.1)
December	255,377	1.8	44,469	(3.6)
January (2003)	214,000	(2.8)	39,035	(10.8)
February	191,503	(10.1)	36,877	(12.8)
March	255,274	(4.2)	44,347	(14.7)
April	229,286	(11.8)	41,026	(18.3)
May	267,822	(6.1)	42,690	(15.5)
June	280,562	(5.0)	45,706	(13.9)
	3,010,471	(4.5%)	516,116	(12.7%)
FY 2004				
July (2003)	305,238	4.4%	49,175	(11.1)
August	283,209	(0.5)	47,674	(11.9)
September	239,505	(1.7)	38,327	(16.7)
October	280,706	(1.4)	42,756	(14.0)
November	237,155	(5.6)	40,522	(16.1)
December	252,241	(0.6)	43,061	(6.6)

(a) City of Albuquerque, Aviation Department records.
(b) Air Transport Association of America, *Monthly Passenger Traffic Report*, for months noted.

Figure 2

ENPLANED PASSENGER RECOVERY TRENDS

Percent Change from FY 2001



Note: The percentage change in monthly enplaned passengers is for the month stated compared to the same month in FY 2001 (e.g., April 2002 versus April 2001).

Sources: The Airport—City of Albuquerque, Aviation Department records.
U.S. average—Air Transport Association of America, *Monthly Passenger Traffic Report,* January 2004.

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Airline Market Shares

Table 12 shows airline market shares of enplaned passengers at the Airport from FY 2001 through FY 2003.

Table 12

AIRLINE MARKET SHARES OF ENPLANED PASSENGERS
Albuquerque International Sunport

	Fiscal Year					
	2001		2002		2003	
Passenger airlines	Number	Percent of total	Number	Percent of total	Number	Percent of total
Major/national and charter						
Southwest Airlines	1,584,124	50.3%	1,610,827	52.9%	1,598,662	53.1%
American Airlines	270,011	8.6	298,376	9.8	340,668	11.3
Delta Air Lines	283,649	9.0	255,581	8.4	225,027	7.5
America West Airlines *(a)*	212,037	6.7	202,786	6.7	199,397	6.6
United Airlines	219,670	7.0	187,525	6.2	183,409	6.1
Continental Airlines *(b)*	171,969	5.5	163,455	5.4	148,401	4.9
Northwest Airlines	82,016	2.6	81,721	2.7	90,908	3.0
Frontier Airlines *(c)*	36,253	1.2	47,274	1.6	47,356	1.6
Trans World Airlines *(d)*	178,633	5.7	58,882	1.9	--	--
Other *(e)*	1,644	0.1	2,495	0.1	2,216	0.1
Subtotal	3,040,006	96.5%	2,908,922	95.6%	2,836,044	94.2%
Regional/commuter						
SkyWest Airlines *(f)*	38,355	1.2%	61,229	2.0%	89,543	3.0%
Mesa Airlines *(g)*	66,808	2.1	47,748	1.6	39,337	1.3
Mesa Airlines *(h)*	--	--	--	--	24,515	0.8
Great Plains Airlines *(i)*	1,226	-- *(j)*	10,785	0.4	9,683	0.3
American Eagle *(k)*	--	--	9,424	0.3	7,014	0.2
Rio Grande Air *(l)*	5,213	0.2	5,667	0.2	4,335	0.1
Subtotal	111,602	3.5%	134,853	4.4%	174,427	5.8%
Total passenger airlines	3,151,608	100.0%	3,043,775	100.0%	3,010,471	100.0%

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

(a) Includes enplaned passengers carried by Freedom Airlines (a regional/commuter affiliate).
(b) Includes enplaned passengers carried by Continental Express (a regional/commuter affiliate).
(c) Includes enplaned passengers carried by Horizon Air (a regional/commuter affiliate).
(d) Acquired by American Airlines in April 2001.
(e) Includes charter activity and other nonscheduled service.
(f) Provides regional jet and commuter service for United Airlines and Delta Air Lines.
(g) Includes enplaned passengers carried by Air Midwest (a regional/commuter affiliate).
(h) Regional jet service provided for Frontier Airlines and America West Airlines.
(i) Filed for Chapter 11 bankruptcy protection and suspended service on January 23, 2004.
(j) Less than 0.1%.
(k) Began service in February 2002 and ceased service in November 2002.
(l) Provided commuter service for Great Plains Airlines. Continues to operate at the Airport after Great Plains filing for bankruptcy protection on January 23, 2004.

Source: City of Albuquerque, Aviation Department records.

Origin-Destination Markets and Airline Service

Table 13 shows the origin and destination markets that accounted for 1% or more of the total scheduled domestic airline passengers at the Airport in FY 2003, the latest Fiscal Year for which such data are available. These cities accounted for 73.5% of the total scheduled origin and destination airline passengers at the Airport in FY 2003.

Table 13 also presents the average daily scheduled nonstop departures to these markets. Of the 145 daily nonstop departures from the Airport, 104 are to the top 27 origin-destination markets shown in Table 13. During FY 2003, the Airport provided nonstop service to 21 of the top 27 origin-destination markets.

Figure 3 shows the 34 markets (served by 37 airports) with nonstop service from the Airport, by type of service, for January 2004. Southwest Airlines provided nonstop service to 21 of the 34 markets. Markets not served by Southwest include Atlanta, Cincinnati, Denver, and Minneapolis-St. Paul, plus various regional markets served by regional/commuter aircraft. Southwest Airlines service is described in more detail in the following section, "Southwest Airlines."

Other major/national airlines provide nonstop service only to their primary and, in some cases, secondary hubs. As shown on Figure 3, the following nine markets (five of which are served by Southwest) were served by narrowbody aircraft on an airline other than Southwest: Atlanta, Chicago, Cincinnati, Dallas/Fort Worth, Denver, El Paso, Houston, Minneapolis-St. Paul, and Phoenix. Regional jet service was provided to five markets in January 2004 (including four markets with narrowbody jet service), and turboprop service was provided to nine additional markets by Mesa Airlines and Great Plains Airlines.

Table 14 shows average daily scheduled nonstop departures for January 2001 and January 2004 for each airline serving the Airport. As shown in Table 14, airlines providing regional jet service, such as Continental Express, Mesa Airlines, and SkyWest Airlines, have increased service in recent years, while airlines providing air carrier and turboprop service have largely reduced operations. Major and national airline service decreased from 101 average daily departures in January 2001 to 92 average daily departures in January 2004. Notwithstanding the increase in regional jet departures, overall regional/commuter service decreased from 39 to 36 average daily departures over that same period.

In FY 2003, regional jet service at the Airport accounted for approximately 10% of scheduled airline aircraft departures and 4% of scheduled departing seats, compared to less than 3% of departures and less than 1% of seats in FY 2001. Regional jet service has replaced both air carrier and turboprop aircraft service. In FY 2003, air carrier and turboprop service accounted for 93% and 3%, respectively, of scheduled departing seats, compared to 95% and 4%, respectively, in FY 2001.

Table 13

DOMESTIC PASSENGER ORIGIN-DESTINATION PATTERNS

Albuquerque International Sunport

For the Fiscal Year ended June 30, 2003

	City of origin or destination *(a)*	Air miles from Albuquerque	Percent of scheduled airline passengers	Daily scheduled nonstop departures *(b)*
1.	Phoenix	328	9.4%	19
2.	Los Angeles *(c)*	677	7.2	7
3.	Dallas-Fort Worth *(d)*	569	6.6	14
4.	San Francisco *(e)*	896	5.1	2
5.	Washington, D.C. *(f)*	1,628	5.0	1
6.	Las Vegas	487	4.6	6
7.	Chicago *(g)*	1,118	2.9	3
8.	Houston *(h)*	744	3.0	7
9.	San Diego	628	2.7	4
10.	New York *(i)*	1,825	2.3	--
11.	Seattle-Tacoma	1,180	2.2	1
12.	Denver	349	2.2	9
13.	Orlando	1,552	1.8	2
14.	Portland	1,111	1.7	1
15.	Salt Lake City	493	1.7	6
16.	Atlanta	1,269	1.5	2
17.	Minneapolis-St. Paul	981	1.4	2
18.	Tucson	321	1.4	3
19.	Kansas City	718	1.4	3
20.	San Antonio	609	1.3	--
21.	Austin	618	1.3	--
22.	El Paso	223	1.2	5
23.	St. Louis	934	1.2	6
24.	Boston	1,974	1.2	--
25.	Tampa	1,497	1.1	1
26.	Sacramento	866	1.1	--
27.	Philadelphia	1,747	1.0	--
	Cities listed		73.5%	104
	All others		26.5	41
	Total		100.0%	145

(a) Cities with 1% or more of total domestic outbound and inbound passengers (on scheduled airlines) at Albuquerque International Sunport on the basis of a 10% sample for the Fiscal Year ended June 30, 2003.

(b) Official Airline Guides, Inc. Average daily departures for the Fiscal Year ended June 30, 2003. Departures of charter airlines are excluded.

(c) Los Angeles International, Ontario International, John Wayne (Orange County), Burbank-Glendale-Pasadena, and Long Beach airports.

(d) Dallas/Fort Worth International Airport and Love Field.

(e) San Francisco, Norman Y. Mineta San Jose, and Oakland international airports.

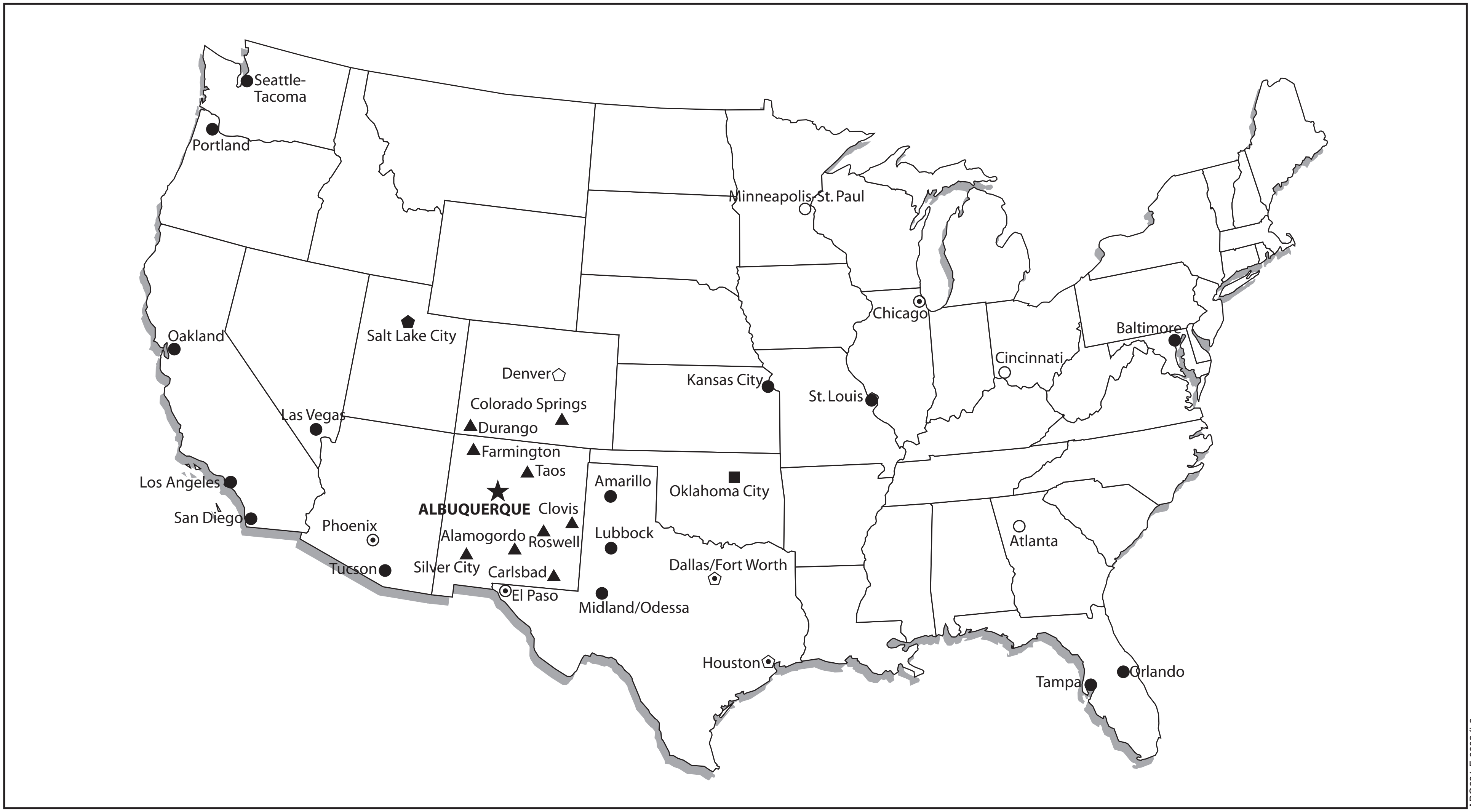
(f) Washington Dulles International, Baltimore/Washington International, and Reagan Washington National airports.

(g) O'Hare International and Midway airports.

(h) George Bush Intercontinental and William P. Hobby airports.

(i) John F. Kennedy International, LaGuardia, and Newark Liberty International airports.

Source: U.S. Department of Transportation/Air Transport Association of America, *Origin-Destination Survey of Airline Passenger Traffic, Domestic*, Second Quarter 2003, except as noted.



AIRLINE SERVICE LEGEND:

Turboprop service only ▲

Regional jet service only ■

Narrowbody service only
- Southwest Airlines ●
- Other airlines ○
- Southwest and other ⊙

Narrowbody and regional jet service

Narrowbody service provided by:
- Southwest Airlines ⬟
- Other airlines ⬠
- Southwest and other ⬠

Source: Official Airline Guides, Inc., CD-ROM database, January 2004.

Figure 3

NONSTOP DESTINATIONS WITH SCHEDULED AIRLINE SERVICE

Albuquerque International Sunport

February 2004

LEIGH FISHER ASSOCIATES

Table 14

SCHEDULED AVERAGE DAILY NONSTOP DEPARTURES BY AIRLINE
Albuquerque International Sunport

Airlines	Average daily scheduled nonstop departures January 2001	Average daily scheduled nonstop departures January 2004
Major/national		
America West Airlines	6	4
American Airlines	10 *(a)*	9
Continental Airlines	5	3
Delta Air Lines	9	6
Frontier Airlines	4	4
Northwest Airlines	2	2
Southwest Airlines	59	59
United Airlines	6	5
Subtotal	101	92
Regional/commuter		
Air Midwest *(b)*	32	4
Continental Express	--	2
Freedom Airlines	--	-- *(c)*
Great Plains Airlines *(d)*	--	1
Horizon Air	--	1
Mesa Airlines *(e)*	--	13
Rio Grande Air *(f)*	4	6
SkyWest Airlines *(g)*	3	9
Subtotal	39	36
Total	140	128

(a) Includes Trans World Airlines.
(b) Provides commuter service for Mesa Airlines.
(c) Less than daily frequency.
(d) Filed for Chapter 11 bankruptcy protection and suspended service on January 23, 2004.
(e) Provides regional jet service for Frontier Airlines and America West Airlines.
(f) Provided commuter service for Great Plains Airlines; continues to provide service at the Airport after Great Plains filed for bankruptcy protection.
(g) Provides regional jet and commuter service for United Express and Delta Connection.

Source: Official Airline Guides, Inc., CD-ROM database, January 2004.

Southwest Airlines

Southwest Airlines accounts for the largest share of service at the Airport in terms of numbers of flights and destinations. Table 15 summarizes daily departures by Southwest Airlines from the Airport as of January 2004, sorted by destination in order of number of departures. Certain of the major origin-destination markets shown earlier in Table 13 are destinations with significant Southwest Airlines service; for example, the three destinations with the highest number of Southwest Airlines daily nonstop departures are the three largest origin-destination markets (Phoenix, Los Angeles, and Dallas-Fort Worth) for the Airport.

Table 15

SOUTHWEST AIRLINES' DEPARTURES FROM THE AIRPORT
January 2004

Destination (Airport)	Average daily Southwest departures
1. Phoenix	12
2. Los Angeles (International)	6
3. Dallas-Fort Worth (Love Field)	6
4. Las Vegas	6
5. San Diego	4
6. El Paso	4
7. Kansas City	3
8. Houston (Hobby)	2
9. Orlando	2
10. Oakland	2
11. Tucson	2
12. Lubbock	2
13. Amarillo	2
14. Baltimore	1
15. Midland—Odessa	1
16. Chicago (Midway)	1
17. Portland	1
18. Seattle-Tacoma	1
19. Salt Lake City	1
20. St. Louis	1
21. Tampa	1
Total	61

Note: Total shown differs from that shown for Southwest Airlines in Table 14 because of rounding.

Source: Official Airline Guides, Inc., CD-ROM database, January 2004.

Table 16 presents a comparison of airline yields (average fare for revenue passengers expressed in cents per passenger mile) for the Southwest Airlines' system and at the Airport. As shown, Southwest yields at the Airport increased from FY 1997 to FY 2003 whereas its system yield remained relatively flat; yields at the Airport were approximately 8% higher than system yields between FY 1997 and FY 2003.

Table 16

SOUTHWEST AIRLINES' YIELD
System and Albuquerque International Sunport
For Fiscal Years ended June 30

Fiscal Year	Cents per revenue passenger mile: System	Cents per revenue passenger mile: Airport	Percent difference (Airport vs. system)
1997	12.48	12.90	3.4%
1998	13.37	14.43	7.9
1999	13.53	14.61	8.0
2000	13.59	14.84	9.2
2001	13.62	14.86	9.1
2002	12.34	13.45	9.0
2003	12.72	14.30	12.4
	Average annual percent increase		
1997-2003	0.3%	1.7%	

Source: U.S. Department of Transportation, *Origin-Destination Survey of Airline Passenger Traffic, Domestic*, for years noted.

Table 17 summarizes comparative Southwest Airlines load factors in its system and at the Airport. As shown, Southwest load factors at the Airport have been lower than in the system and decreased slightly between FY 1997 and FY 2003, whereas system load factors increased. Figure 4 summarizes historical yields and load factors for Southwest Airlines at the Airport and in its system.

Table 17

SOUTHWEST AIRLINES' LOAD FACTORS

System and Albuquerque International Sunport
For Fiscal Years ended June 30

Fiscal Year	System	Airport	Percent difference (Airport vs. system)
1997	54.7%	54.1%	(1.1%)
1998	53.8	51.7	(3.9)
1999	55.9	53.5	(4.3)
2000	58.6	54.0	(7.8)
2001	59.8	55.2	(7.7)
2002	56.0	53.1	(5.2)
2003	56.7	53.6	(5.5)
	Average annual percent increase (decrease)		
1997-2003	0.6%	(0.2%)	

Sources: U.S. Department of Transportation, *T-100* database, for years noted.

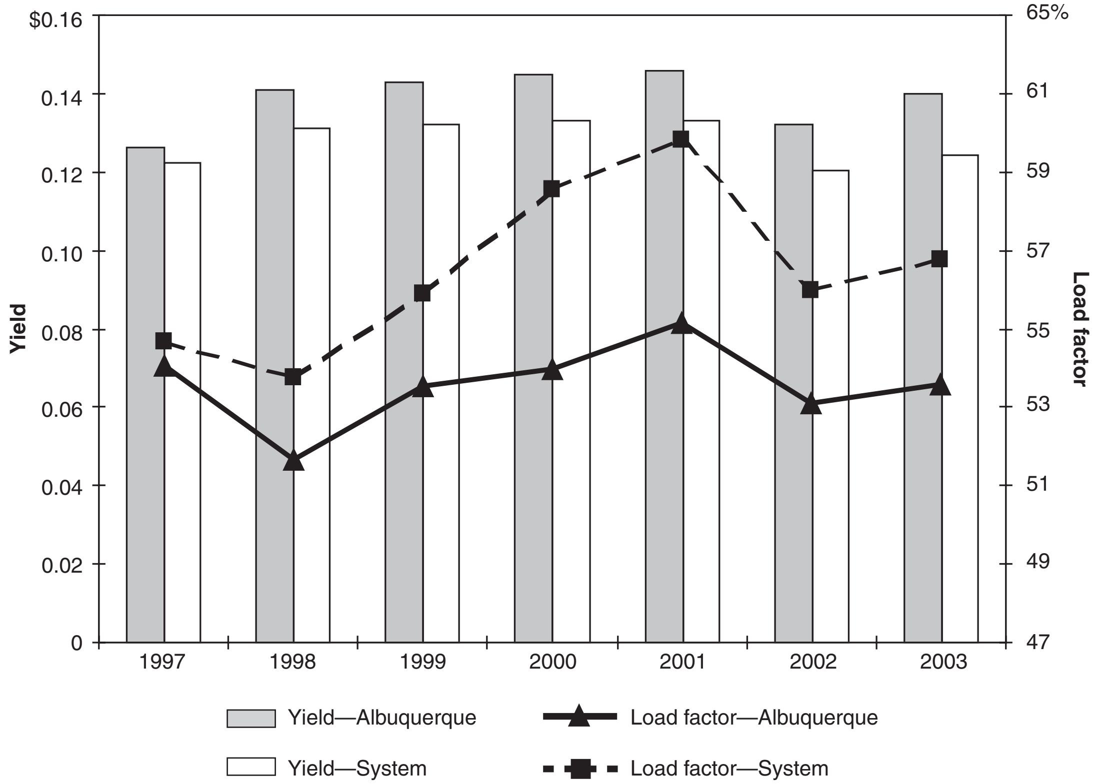
Official Airline Guides, Inc., CD-ROM database, November 2003.

Figure 4

SOUTHWEST AIRLINES' YIELDS AND LOAD FACTORS

Albuquerque International Sunport and System

Fiscal Years ended June 30



Sources: Yield—U.S. Department of Transportation/Air Transport Association of America, *Origin-Destination Survey of Airline Passenger Traffic, Domestic*, for years noted.
Load factors—U.S. Department of Transportation/Air Transport Association of America, T-100 online database and Official Airline Guides, Inc., online database for years noted.

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Airline Fares

Airline fares charged for travel to and from Albuquerque have also been an important determinant of airline passenger traffic at the Airport. Table 18 summarizes average annual domestic one-way airline fares and yields at the Airport since FY 1997. Average airline fares and yields increased between FY 1997 and FY 2001, then decreased in FY 2002, principally as a result of fare reductions by airlines intended to stimulate demand for air travel. In FY 2003, average airline fares and yields increased slightly compared with FY 2002 levels, but remained lower than FY 2001 levels. Average airline fares at the Airport increased at a faster rate than yields, as a result of increased average stage lengths.

Table 18

AVERAGE DOMESTIC ONE-WAY AIRLINE FARES AND YIELD
Albuquerque International Sunport
For Fiscal Years ended June 30

	Southwest Airlines		All other airlines		All airlines	
Fiscal Year	Average one-way airline fares	Yield (cents per mile)	Average one-way airline fares	Yield (cents per mile)	Average one-way airline fares	Yield (cents per mile)
1997	$ 80.06	12.90	$116.78	11.43	$108.89	11.64
1998	93.03	14.43	128.94	12.26	120.99	12.58
1999	96.75	14.62	135.94	12.57	127.16	12.88
2000	100.38	14.85	137.60	12.66	128.84	13.01
2001	102.74	14.86	141.48	12.98	131.88	13.30
2002	98.25	13.45	131.91	11.88	123.44	12.16
2003	104.56	14.30	138.91	12.36	130.32	12.71
	Average annual percent increase					
1997-2003	4.6%	1.7%	2.9%	1.3%	3.0%	1.5%

Source: U.S. Department of Transportation/Air Transport Association of America, *Origin-Destination Survey of Airline Passenger Traffic, Domestic,* for years noted.

Table 19 shows a comparison of historical enplaned passengers, scheduled departing seats, load factors, and airline fares for Southwest, other airlines, and the Airport total. Numbers of enplaned passengers and departing seats on Southwest Airlines increased at similar rates, 2.3% and 2.4%, respectively, between FY 1997 and FY 2003, indicating that load factors did not change significantly over that period. Numbers of departing seats decreased at a faster rate than enplaned passengers on other airlines (5.9% and 4.6%, respectively) over the same period, indicating that load factors increased slightly.

Table 19

HISTORICAL ENPLANED PASSENGERS, SCHEDULED DEPARTING SEATS, LOAD FACTORS, AND AVERAGE AIRLINE FARES
Albuquerque International Sunport
For Fiscal Years ended June 30

	Fiscal Year							Average annual
	1997	1998	1999	2000	2001	2002	2003	increase (decrease)
Southwest Airlines								
Enplaned passengers *(a)*	1,398,501	1,361,599	1,418,043	1,515,969	1,584,124	1,610,827	1,598,662	2.3%
Departing seats *(b)*	2,586,722	2,635,029	2,648,076	2,808,687	2,871,554	3,032,725	2,984,464	2.4
Load factors	54.1%	51.7%	53.5%	54.0%	55.2%	53.1%	53.6%	(0.2)
Average fares *(c)*	$80.06	$95.03	$96.75	$100.38	$102.74	$98.25	$104.56	4.6
Other airlines								
Enplaned passengers *(a)*	1,875,328	1,748,316	1,675,810	1,644,276	1,567,484	1,412,948	1,411,809	(4.6)
Departing seats *(b)*	3,129,886	2,893,691	2,764,527	2,693,142	2,544,458	2,415,893	2,172,754	(5.9)
Load factors	59.9%	60.4%	60.6%	61.1%	61.6%	59.3%	65.0%	1.4
Average fares *(c)*	$116.78	$128.94	$135.94	$137.60	$141.48	$131.91	$138.91	2.9
Airport total								
Enplaned passengers *(a)*	3,273,829	3,109,915	3,093,853	3,160,245	3,151,608	3,043,775	3,010,471	(1.4)
Departing seats *(b)*	5,716,608	5,528,720	5,412,603	5,501,829	5,416,012	5,448,618	5,157,218	(1.7)
Load factors	57.3%	56.3%	57.2%	57.4%	58.2%	55.9%	58.4%	0.3
Average fares *(c)*	$108.89	$120.99	$127.16	$128.84	$131.88	$123.44	$130.32	3.0

(a) City of Albuquerque, Aviation Department.
(b) Official Airline Guides, Inc., October 2003. Data are for scheduled service and, for 2001, may not reflect the effects of September 11, 2001.
(c) U.S. Department of Transportation/Air Transport Association of America, *Origin/Destination Survey of Airline Passenger Traffic, Domestic*, CD ROM database.

Trip Rate

The Airport trip rate (measured as the ratio of Airport originating passengers to Albuquerque Area population) is an indication of the propensity for air travel in the Airport service region, which is affected by, among other things, airline fares and service changes. A higher trip rate over time, or compared to other airports, may be an indicator of better-than-average air service development.

Table 20 summarizes historical annual trip rate data for the Airport. Consistent with data for originating passengers, the annual trip rate increased between CY 1990 and CY 1996 and decreased (or remained flat) between CY 1997 and CY 2002.

Table 20

HISTORICAL ANNUAL TRIP RATES

Calendar Year	Originating passengers *(a)*	Albuquerque Area population *(b)*	Trip rate
1990	2,187,940	720,319	3.0
1995	2,719,100	825,113	3.3
1996	2,879,710	839,562	3.4
1997	2,754,030	852,237	3.2
1998	2,669,270	861,844	3.1
1999	2,650,500	869,167	3.1
2000	2,679,980	877,284	3.1
2001	2,593,020	888,516	2.9
2002	2,488,060	906,818	2.7
	Average annual percent increase (decrease)		
1990–2002	1.1%	1.9%	(0.9%)

(a) Passenger data—U.S. Department of Transportation/Air Transport Association of America, *Origin-Destination Survey of Airline Passenger Traffic, Domestic,* CD-ROM database.
(b) U.S. Department of Commerce, Bureau of the Census.

Sources: Passenger data—U.S. Department of Transportation/Air Transport Association of America, *Origin-Destination Survey of Airline Passenger Traffic, Domestic,* CD-ROM database.
Population data—U.S. Department of Commerce, Bureau of the Census.

Table 21 shows a comparison of the Airport trip rate for CY 2002 with trip rates for comparable airports and for the nation as a whole in 2002. Comparable airports were selected on the basis of some or all of the following characteristics:

- Presence of Southwest Airlines' low-fare service
- Principally origin-destination nature of airport traffic
- Similar regional location—principally in the southern or western United States
- Similar population size of region served by airport (i.e., approximately 500,000 to 1,000,000 people)

- Related socioeconomic drivers, such as being a significant regional population and business center, or the presence of universities or government services

Table 21

ESTIMATED COMPARATIVE ANNUAL TRIP RATES
CY 2002

Airport location	Originating passengers *(a)*	Area population *(b)*	Trip rate
Albuquerque	**2,488,060**	**906,818**	**2.7**
Austin	2,835,390	1,312,986	2.2
Boise	1,202,040	453,523	2.7
El Paso	1,286,600	684,722	1.9
Little Rock	1,014,200	580,625	1.7
Omaha	1,638,070	734,270	2.2
San Antonio	2,812,250	1,620,281	1.7
Spokane	1,265,990	412,360	3.1
Tucson	1,577,430	859,187	1.8
Tulsa	1,294,330	806,138	1.6
United States	391,356,570	288,369,000	1.4

(a) U.S. Department of Transportation, *Origin-Destination Survey of Airline Passenger Traffic, Domestic,* CD-ROM database.
(b) U.S. Department of Commerce, Bureau of the Census.

As shown in Table 21, the estimated annual trip rate for the comparable airports ranged between 1.6 and 3.1. The average annual trip rate for the United States was 1.4.

The Airport trip rate of 2.7 is near the high end of the range compared to the United States and comparable airports, suggesting a relatively well-served market with above average incidences of air travel relative to the population.

Summary of Historical Enplaned Passenger Trends

Historical enplaned passenger growth, while driven by moderate socioeconomic growth, has been constrained since FY 1997 by fewer departing seats and a lack of market stimulation. Three phases of enplaned passenger trends have occurred at the Airport since FY 1990, as follows:

1. A period of rapid growth in numbers of enplaned passengers between FY 1990 and FY 1997, accompanied by moderate economic growth (albeit with low per capita income levels relative to the United States) and high levels of airline service development.

2. A decrease in enplaned passengers between FY 1997 and FY 2000, principally resulting from decreased service by airlines other than Southwest Airlines, was accompanied by continued moderate economic growth in the Albuquerque Area. Low-fare airline service development moderated during this period, as evidenced by a slow increase in airline yields. While Southwest Airlines continued to increase numbers of departing seats and enplaned passengers at the Airport, the Airport experienced a decline in total departing seats over this period.

3. The decreases in enplaned passengers at the Airport between FY 2001 and FY 2003 were partly the result of a continuation of the factors present between FY 1997 and FY 2000, but also a result of the terrorist attacks of September 11, 2001, the national and regional economic recession, and the 2003 war in Iraq.

Cargo Activity

Air cargo is an important part of the services provided at the Airport for several reasons. At the Airport, it is possible for cargo service to influence enplanement levels because, on some routes flown by the passenger airlines, revenue from carrying cargo in the belly compartment of passenger aircraft contributes to total airline profits and can improve the viability of otherwise financially marginal routes. Table 22 shows recent historical information on enplaned cargo at the Airport. Air cargo (including enplaned and deplaned cargo) decreased from 92,541 tons in FY 1997 to 80,770 tons in FY 2003, an average decrease of 2.2% per year. Freight tonnage increased an average of 0.9% per year between FY 1997 and FY 2000 and 1.6% per year between FY 2000 and FY 2003. Mail tonnage increased an average of 3.6% per year between FY 1997 and FY 2000 but decreased an average of 38.3% per year between FY 2000 and FY 2003. Reasons for the decrease in mail tonnage include:

- Overall decrease in demand as a result of the worldwide economic downturn and the residual effects of the events of September 11, 2001.

Table 22

HISTORICAL AIR CARGO
Albuquerque International Sunport
For Fiscal Years ended June 30
(in tons except where noted)

Fiscal Year	Air freight	Mail	Total	Annual percent increase (decrease)
1997	69,516	23,026	92,541	--%
1998	64,584	15,529	80,113	(13.4)
1999	64,592	24,444	89,036	11.1
2000	71,364	25,578	96,942	8.9
2001	65,207	24,503	89,710	(7.5)
2002	69,623	7,844	77,467	(13.6)
2003	74,772	5,988	80,770	4.3
	Average annual percent increase (decrease)			
1997-2003	1.2%	(20.1%)	(2.2%)	

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

Source: City of Albuquerque, Aviation Department records.

- The 2001 contract between the United States Postal Service (USPS) and FedEx that transferred significant amounts of mail service (predominantly express service from passenger airlines) to FedEx. Mail carried by FedEx is categorized as freight.
- The imposition of a maximum weight (security) restriction of 16 ounces placed on mail packages carried in the belly of passenger aircraft, from September 11, 2001, onwards.
- Overall decline in demand following the events of September 11, 2001 and the economic recession.

The decrease in mail tonnage between FY 2000 and FY 2003 was not entirely offset by a corresponding increase in freight tonnage, as evidenced by a 5.9% average annual decrease in total air cargo tonnage at the Airport between FY 2000 and FY 2003. This was most likely caused by the trend to use deferred service products (2nd and 3rd day delivery) by integrated carriers operating at the Airport.

Table 23 shows the airline market shares of air cargo at the Airport in FY 2003.

Table 23

HISTORICAL AIRLINE MARKET SHARES OF AIR CARGO
Albuquerque International Sunport
FY 2003

	Air cargo (tons)			Percent
	Freight	Mail	Total	of total
Passenger airlines	4,600	5,532	10,132	12.5%
Cargo airlines				
Airborne Express	3,233	--	3,233	4.0%
FedEx	37,383	--	37,383	46.3
UPS Air Cargo	27,549	--	27,549	34.1
Other	2,007	466	2,473	3.1
Subtotal	70,172	466	70,638	87.5%
Total	74,772	5,998	80,770	100.0%

Source: City of Albuquerque, Aviation Department records.

Landed Weight

Landed weight at the Airport, which is used to calculate landing fees, is recorded according to the aircraft's certificated maximum gross landing weight, which is the standard gross landing weight of an aircraft as determined by the FAA. Although changes in landed weight do have an effect on the Airport's landing fee rates, increased landed weight does not result in higher landing fee revenue to the Airport; instead it reduces the landing fee rate. Table 24 presents aircraft landed weight at the Airport from FY 1997 through FY 2003. From FY 1997 to FY 2003, total aircraft landed weight decreased an average of 1.3% per year. Passenger airline aircraft landed weight decreased an average of 1.7% per year. By comparison, the number of enplaned passengers decreased an average of 1.4% per year. Landed weight for all-cargo airlines increased an average of 1.6% per year between FY 1997 and FY 2003, compared to an average decrease of 2.2% per year in enplaned cargo for the same period.

Average passenger aircraft landed weight per departure at the Airport has decreased in recent years from approximately 97,400 pounds in FY 2001 to 95,100 pounds in FY 2003, reflecting the increased share of passenger service provided on regional jet aircraft.

Table 24

HISTORICAL AIRCRAFT LANDED WEIGHT
Albuquerque International Sunport
For Fiscal Years ended June 30
(in 1,000-pound units, except as noted)

	Passenger airlines					
Fiscal Year	Major and national airlines *(a)*	Regional and commuter airlines	Total	All-cargo airlines	Total	Annual percent increase (decrease)
1997	4,866,793	193,570	5,060,363	559,243	5,619,606	--%
1998	4,665,818	221,034	4,886,852	667,459	5,554,311	(1.2)
1999	4,655,828	190,681	4,846,509	632,798	5,479,307	(1.4)
2000	4,687,161	208,500	4,895,661	660,560	5,556,221	1.4
2001	4,620,456	242,625	4,863,081	632,192	5,495,274	(1.1)
2002	4,502,852	260,117	4,762,969	618,033	5,381,002	(2.1)
2003	4,280,279	294,958	4,575,237	614,560	5,189,797	(3.6)
	Average annual percent increase (decrease)					
1997-2003	(2.1%)	7.3%	(1.7%)	1.6%	(1.3%)	

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

(a) Includes nonscheduled airlines.

Source: City of Albuquerque, Aviation Department records.

Table 25 presents aircraft landed weight by airline for FY 2001, FY 2002, and FY 2003.

Table 25

AIRCRAFT LANDED WEIGHT BY AIRLINE
Albuquerque International Sunport
For Fiscal Years ended June 30
(in 1,000-pound units)

	FY 2001	FY 2002	FY 2003
Major/national			
America West Airlines	267,773	264,083	249,635
American Airlines	358,462	413,370	463,558
Continental Airlines	217,976	199,535	179,486
Delta Air Lines	463,392	418,823	306,571
Frontier Airlines	154,938	177,116	155,076
Northwest Airlines	111,440	103,460	112,268
Southwest Airlines	2,458,693	2,579,525	2,556,236
Trans World Airlines *(a)*	219,830	76,700	--
United Airlines	362,855	263,770	249,553
Other *(b)*	5,098	6,471	7,897
Subtotal	4,620,457	4,502,852	4,280,279
Regional/commuter	242,625	260,117	294,958
All-cargo airlines			
Airborne Express	27,844	26,111	27,231
FedEx	180,262	226,039	228,072
UPS Air Cargo	319,510	336,123	325,266
Other	104,576	29,760	33,991
Subtotal	632,192	618,033	614,560
Total	5,495,274	5,381,002	5,189,797

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

(a) Acquired by American Airlines in April 2001.
(b) Includes charter and other airlines.

Source: City of Albuquerque, Aviation Department records.

KEY FACTORS AFFECTING FUTURE AIRLINE TRAFFIC

Besides the development of the economy of the Albuquerque Area, discussed in the earlier section "Airport Service Region," key factors that will affect airline traffic at the Airport include:

- Economic and political conditions
- Aviation security concerns
- Financial health of the airline industry
- Airline service and routes
- Airline competition and airfares
- Airline consolidation and alliances
- Availability and price of aviation fuel
- Capacity of the national air traffic control and airport systems
- Capacity of the Airport

Economic and Political Conditions

Historically, airline passenger traffic nationwide has correlated closely with the state of the U.S. economy and levels of real disposable income. Recession in the U.S. economy in 2001 and stagnant economic conditions in 2002 and 2003 contributed to reduced passenger traffic during those years. Future increases in passenger traffic will depend largely on the ability of the nation to sustain growth in economic output and income.

With the globalization of business and the increased importance of international trade, growth of the U.S. economy has become more closely tied to economic and political conditions worldwide. As a result, international economics, currency exchange rates, trade balances, political relationships, public health concerns, and hostilities are now important influences on passenger traffic at major U.S. airports. Future increases in both domestic and international passenger traffic will depend on stable and peaceful international conditions and global economic growth.

Aviation Security Concerns

Concerns about the safety of airline travel and the effectiveness of security precautions influence passenger travel behavior and airline travel demand. Anxieties about the safety of flying and the inconveniences and delays associated with security screening procedures lead to both the avoidance of travel and the shifting from air to surface travel modes for short-haul trips.

Safety concerns in the aftermath of the terrorist attacks of September 11, 2001, were largely responsible for the steep decline in air travel nationwide in 2002. Since early 2003, safety concerns have again been heightened by hostilities in Iraq and the threat of further terrorist attacks.

Since September 2001, government agencies, airlines, and airport operators have upgraded security measures with the objective of restoring confidence in the safety of airline travel. These measures include strengthened aircraft cockpit doors, changed flight crew procedures, increased presence of armed sky marshals, federalization of airport security functions under the Transportation Security Administration (TSA), and more intensive screening of passengers and baggage. Effective January 2003, all checked baggage is being screened for explosives.

Historically, airline travel demand has recovered after temporary decreases stemming from terrorist attacks, hijackings, aircraft crashes, and international hostilities. Experience since September 2001 suggests that airline passenger traffic will not soon return to earlier levels, particularly if there are further terrorist attacks or threats on aviation targets. Nevertheless, provided that the intensified security precautions now in effect maintain confidence in the safety of commercial aviation without imposing unacceptable inconveniences for air travelers, it can be expected that, in the long term, demand for airline travel at the Airport will depend primarily on economic, not security, factors.

Financial Health of the Airline Industry

Increases in passenger traffic at the Airport will depend partly on the profitability of the airline industry and the ability of individual airlines, particularly Southwest, to invest in aircraft capacity. A weak economy both reduces the demand for airline travel and causes fare discounting, resulting in steep declines in airline revenues.

The 1990-1991 economic recession, coupled with increased operating costs and security concerns during the Gulf War generated then-record financial losses in the U.S. airline industry. These losses put particular pressures on financially weak or highly indebted airlines, forcing many to seek bankruptcy protection, sell productive assets, lay off workers, reduce service, or discontinue operations in the early 1990s.

Between 1995 and 2000, the airline industry as a whole was profitable, but as a result of the 2001 economic recession and the disruption of the airline industry that followed the September 2001 terrorist attacks, the industry again experienced huge financial losses. In 2002, U.S. airline industry traffic, as measured by revenue-passenger-miles, was about 10% lower than in 2000; yields (revenue per passenger-mile) were about 14% lower; and revenues were about 23% lower. The major U.S. airlines collectively recorded net losses totaling $7.5 billion on revenues of $78.9 billion in 2001, $11.2 billion on revenues of $71.0 billion in 2002, and $3.9 billion on revenues of $52.8 billion in the first 9 months of 2003. It should be noted that Southwest Airlines, the busiest airline serving the Airport, has experienced relatively strong financial performance. Southwest has had positive profits in every quarter since the beginning of the recession in early 2001.

In the face of these losses, all of the major network airlines have reduced their route networks and flight schedules and have negotiated with their employees, lessors, and vendors to cut costs, either under Chapter 11 bankruptcy protection or the threat of such. US Airways filed for Chapter 11 protection in August 2002 and emerged from bankruptcy in March 2003. United filed for Chapter 11 protection in December 2002 and has announced that it does not expect to emerge from bankruptcy until some time in 2004. American has stated that it may file for bankruptcy protection and, in July 2003 and November 2003, drastically reduced service at its St. Louis airport hub.

To offset some of the extraordinary financial losses associated with the loss of passenger traffic since September 2001, the U.S. government awarded grants totaling $5.0 billion to the U.S. airline industry at the end of 2001. The government also established a $10.0 billion loan guarantee program. Among the major airlines, America West and US Airways were granted loan guarantees. An additional $2.3 billion in aid to the airline industry was distributed by the TSA in May 2003 to offset expenses and revenue foregone as a result of security requirements.

Such financial assistance does not eliminate the risk that continuing losses could force airlines to retrench, seek bankruptcy protection, discontinue marginal operations, or liquidate. The restructuring or liquidation of one or more of the large network airlines could drastically affect air service at many connecting hub airports, present business opportunities for the remaining airlines, and change travel patterns throughout the U.S. aviation system.

Airline Service and Routes

Although passenger demand at an airport depends primarily on the population and economy of the region served, airline service and the number of passengers enplaned also depend on the route networks of the airlines serving that airport. Most major full-fare airlines have emphasized the development of hub-and-spoke route networks as a means of increasing their service frequencies, passenger numbers, and profitability. At an airport almost exclusively serving origin-destination passengers, such as Albuquerque International Sunport, the number of enplaned passengers is not as dependent upon the hub-and-spoke operations of the airlines serving the airport.

Airline Competition and Airfares

Airline fares have an important effect on passenger demand, particularly for relatively short trips where the automobile and other travel modes are alternatives, and for price-sensitive "discretionary" travel, particularly leisure travel. Airfares are influenced by labor, fuel, and other airline operating costs; debt burden; passenger demand; capacity and yield management; market presence; and competitive factors. A significant part of the typical airfare is now accounted for by taxes, fees, and other charges assessed by governmental and airport agencies. Such charges can account for 20% or more of the cost of short-haul and low-fare tickets. As shown in Table 13, only 6 of the Airport's top 27 origin-destination markets were short-haul routes (less than 500 miles) in FY 2002.

In an attempt to stimulate passenger traffic and remain competitive, the airlines reduced airfares early in 2001 and, following September 2001, reduced airfares further. Industry analysts have expressed concern about the sustainability of the current "revenue model" of most of the major airlines, which involves uneconomically low discount fares made available to many leisure travelers and high "walk-up" fares that must be paid by many business travelers. Simplification and rationalization of this model are seen as key to the industry regaining and sustaining profitability.

In many airline travel markets nationwide, price competition is provided by new entrant and other airlines with lower cost structures. At Albuquerque, Southwest, America West, and Frontier provide such competition. Continued increases in passenger traffic at the Airport will depend on the continued availability of competitive airfares and service.

Both the large network airlines and the low-fare airlines have proven vulnerable to the recent industry downturn. However, low-fare airlines such as Southwest remain profitable and have expanded while the network airlines have retrenched. Since 2001, most of the major network airlines, including American, Delta, United, and US Airways, have reduced their systemwide seat capacity while the low-fare airlines have generally increased seat capacity. As a result, the share of U.S. airline passengers carried by the low-fare airlines increased from approximately 23% in 2000 to approximately 27% in 2003 for the top 1,000 domestic city pairs.

In the mid-1990s, many of the major airlines established their own low-fare divisions, such as Continental Lite, Delta Express, US Airways' MetroJet, and Shuttle by United, to compete with the low-fare airlines. Most of these operations have since been discontinued or reduced. In 2003, Delta introduced a low-fare subsidiary, Song. United began service on its low-fare carrier, Ted, in February 2004.

Airline Consolidation and Alliances

In response to competitive pressures, the U.S. airline industry has consolidated. In April 2001, American completed an acquisition of failing Trans World Airlines. In August 2001, merger plans for United and US Airways were rejected by the U.S. DOT as a result of concerns about reduced airline competition. However, the distressed condition of the airline industry could again persuade government regulators to accept further airline consolidation.

Alliances provide airlines with many of the advantages of mergers. In July 2002, a marketing alliance and code-sharing agreement was announced between United and US Airways and in May 2003, US Airways joined the Star Alliance. In March 2003, the U.S. DOT approved a marketing and code-sharing agreement among Continental, Delta, and Northwest that links the three airlines' flight schedules and frequent flyer programs.

Alliances between U.S. and foreign-flag airlines are also seen as important to competitive success. Such alliances between airlines typically involve marketing, code-sharing, and scheduling arrangements to facilitate the transfer of passengers between the airlines.

Availability and Price of Aviation Fuel

According to the U.S. Department of Energy, the United States is the largest single jet fuel market by far, consuming about 38% of the worldwide total. There has been no shortage of jet fuel since the "fuel crisis" of 1974, which reflected a reduction in production and an increase in prices rather than an actual shortage. The price of jet fuel, however, continues to be an important and uncertain factor affecting airline operating economics. Historically, jet fuel prices have been particularly sensitive to worldwide political instability.

Increases in jet fuel prices have contributed to recent airline industry financial losses. Also, increases in energy prices have contributed to major economic recessions in recent decades. Further fluctuations in jet fuel prices could affect airline service, airfares, passenger numbers—and ultimately, jet fuel demand. Individual airlines do not publicly report their consumption or cost of jet fuel at individual airports. According to the Air Transport Association, jet fuel costs represent the second largest expense for airlines (behind labor)—approximately 10% to 12% of airline operating expenses.

Capacity of the National Air Traffic Control and Airport Systems

Demands on the national air traffic control system have, in the past, caused delays and operational restrictions affecting airline schedules and passenger traffic nationwide. The FAA is gradually automating and enhancing the computer, radar, and communications equipment of the air traffic control system and enhancing the use of runways through improved air navigation aids. Air traffic delays have decreased as a result of reductions in aircraft operations since 2001. However, as demand on the national air traffic control and airport systems returns to and exceeds pre-September 2001 levels, flight delays and restrictions are again likely.

Capacity of the Airport

In addition to any future constraints that may be imposed by the capacity of the national air traffic control and airport systems, future growth in airline traffic at Albuquerque International Sunport beyond the forecast period will depend on the provision of increased capacity at the Airport itself.

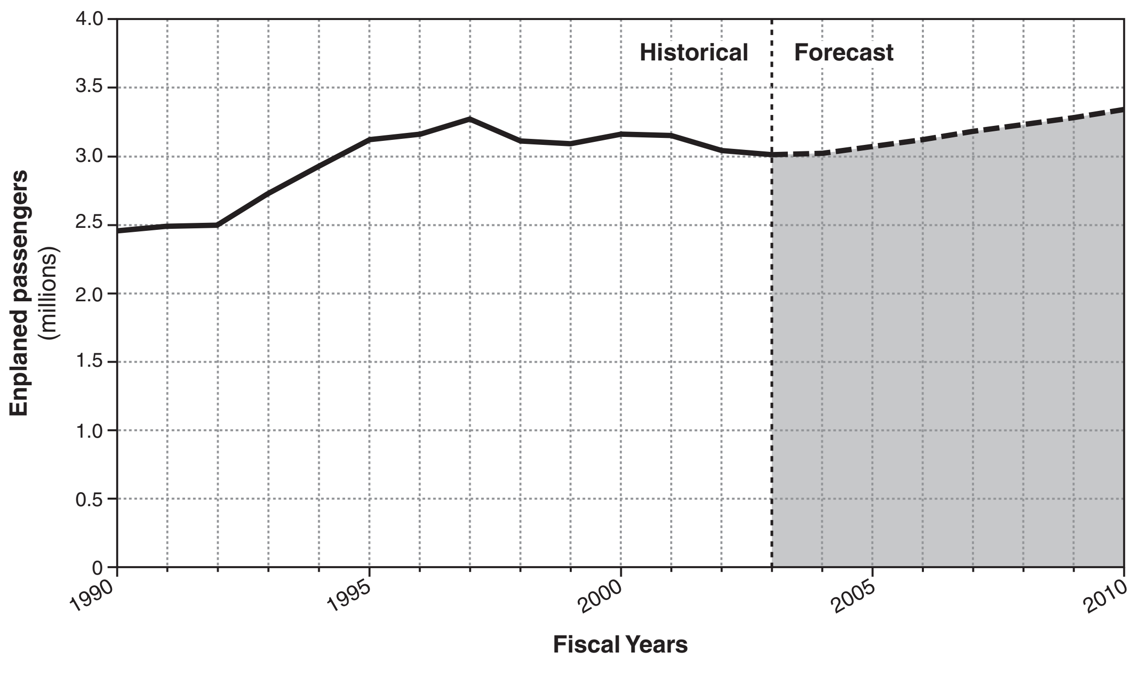
FORECAST AIRLINE TRAFFIC

Figure 5 and Table 26 show forecast traffic through FY 2010. Forecasts of airline traffic were prepared taking into account analyses of the economic basis for airline traffic, analyses of historical airline traffic, and an assessment of the key factors that may affect future airline traffic, as discussed in earlier sections. A discussion on the key assumptions regarding future airline traffic is provided following Table 26.

Figure 5

HISTORICAL AND FORECAST ENPLANED PASSENGERS

Albuquerque International Sunport



The forecasts presented in this figure were prepared using the information and assumptions described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

Sources: Historical—City of Albuquerque, Aviation Department records.
Forecast—Leigh Fisher Associates, February 2004.

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Table 26

HISTORICAL AND FORECAST AIRLINE TRAFFIC
Albuquerque International Sunport
(in thousands, except percentages)

The forecasts presented in this table were prepared using the information and assumptions described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

	Historical		Forecast			Average annual increase
	2002	2003	2004	2005	2010	2003-2010
Enplaned passengers						
Major/national and charter airlines	2,909	2,836	2,864	2,898	3,116	1.4%
Commuter airlines	135	174	211	228	283	7.2
Total	3,044	3,010	3,075	3,126	3,399	1.8%
Annual percent increase (decrease)	--	(1.1%)	2.2%	1.7%	1.7%	
Landed weight (1,000-pound units)						
Passenger airlines						
Major/national and charter airlines	4,503	4,280	4,126	4,152	4,386	0.4%
Commuter airlines	260	295	304	333	423	5.3
Subtotal	4,763	4,575	4,430	4,485	4,809	0.7%
All-cargo airlines	618	615	596	615	744	2.8
Total	5,381	5,190	5,026	5,100	5,553	1.0%
Annual percent increase (decrease)	--	(3.6%)	(3.2%)	1.5%	1.7%	

Sources: Historical: City of Albuquerque, Aviation Department records.
Forecast: Leigh Fisher Associates, February 2004.

In general, it was assumed that, in the long term, changes in airline traffic at the Airport will occur largely as a function of growth in the population and economy of the Albuquerque Area and changes in airline service. It was also assumed that continued development of airline service at the Airport will not be constrained by the availability of aviation fuel, long-term limitations in airline fleet capacity, limitations in the capacity of the air traffic control system or the Airport, or government policies or actions that restrict growth.

Also considered were (1) recent and potential developments in the national economy and in the air transportation industry as they affected or may affect airline traffic at the Airport, (2) expected actions by Southwest Airlines, and (3) recent airline traffic forecasts for the Airport produced by the FAA.

It was assumed that, between FY 2003 and FY 2010:

- Employment, per capita income, and population in the Albuquerque Area, the State of New Mexico, and the nation will increase at the rates projected by the National Planing Association, as shown in Tables 2, 5, and 6.
- The Albuquerque Area will continue to attract a diversified mix of industries, including business and health services, technology, and financial companies.
- There will be no major disruption of airline service or passenger travel behavior as a result of international hostilities or further terrorist actions.
- Southwest Airlines will continue to serve the Airport consistent with its current scheduled service levels and will not reduce airfares to a level that would stimulate the market and increase the propensity to travel.
- Additional airline service will be introduced at the Airport consistent with underlying demand growth, most likely in the form of increased regional jet frequencies and additional destinations.
- Regional/commuter airlines will continue to increase their relative share of total enplaned passengers, compared to major/national airlines, from approximately 6% in FY 2003 to approximately 8% in FY 2010.
- Airfares for flights to and from the Airport, inclusive of taxes and charges, will increase at rates generally consistent with the prices of other goods and services.

Forecast Enplaned Passengers

As shown in Table 26, the number of enplaned passengers at the Airport is forecast to increase an average of 1.8% per year between FY 2003 and FY 2010.

Forecast Aircraft Landed Weight

Landed weight, at the Airport, also shown in Table 26, is forecast to increase an average of 1.0% per year between FY 2003 and FY 2010. These forecasts reflect assumed increases in the number of aircraft operations combined with assumed increases in the average size of aircraft used by the airlines serving the Airport.

FAA Terminal Area Forecast

Table 27 shows a comparison of enplaned passenger forecasts as shown in Table 26 and as published by the FAA in its *FAA Terminal Area Forecast* (TAF) for the Airport, for which Federal Fiscal Year (FFY)* 2002 is the most recent historical year. For the period between FY 2002 and FY 2010, the forecasts developed for this report result in 0.9% and 9.7% average annual increases in enplaned air carrier and regional/ commuter passengers, respectively, whereas the FAA forecasts for the period between FFY 2002 to FFY 2010 result in 2.7% and 4.8% average annual increases in enplaned air carrier and regional/commuter passengers, respectively. For FY 2010, the forecast prepared for this report is 10.9% lower than the FAA's forecast for FFY 2010. The FAA forecast is considered a useful comparative forecast, although the following should be noted:

- The FAA's forecast is for years ending September 30; therefore, there is an inherent discrepancy between the forecasts presented in this report (for years ending June 30) and FAA forecast data.
- The base historical year used in the FAA TAF is FFY 2001, which does not reflect recent developments in the demand for air travel at the Airport, including the continued effects of the economic downturn and the war in Iraq.

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*The Federal Fiscal Year ends September 30, compared to a June 30 ending for the City's Fiscal Year.

Table 27

COMPARATIVE ENPLANED PASSENGER FORECASTS
Albuquerque International Sunport

	Enplaned passengers		Average annual increase
	2002 *(a)*	2010	
FAA Terminal Area Forecast *(b)*			
Air carrier	2,928,701	3,614,164	2.7%
Regional/commuter	136,786	199,360	4.8
Total	3,065,487	3,813,524	2.8%
LFA Forecast *(c)*			
Air carrier	2,908,922	3,116,000	0.9%
Regional/commuter	134,853	283,000	9.7
Total	3,043,775	3,399,000	1.4%
Percent difference from FAA TAF	(0.7%)	(10.9%)	

Note: The LFA Forecast is for Fiscal Years ending June 30 and the FAA TAF is for Federal Fiscal Years ending September 30.

(a) The enplaned passenger data in the LFA Forecast for 2002 are actual based on Airport records; the enplaned passenger data in the FAA Terminal Area Forecast for 2002 are forecast based on FFY 2001 actual data.
(b) Leigh Fisher Associates, January 2004.
(c) Federal Aviation Administration, Office of Aviation Policy and Plans, *Terminal Area Forecast, Federal Fiscal Years 2002-2020,* March 2003.

FINANCIAL ANALYSIS

FRAMEWORK FOR AIRPORT FINANCIAL OPERATIONS

The City accounts for Airport System activity according to generally accepted accounting principles for governmental entities and the requirements of the 2004 Bond Ordinance and the Prior Bond Ordinance, as discussed below.

Bond Ordinances

The financial operations of the Airport System are governed in large part by the 2004 Bond Ordinance and the Prior Bond Ordinance. The 2004 Bond Ordinance and Prior Bond Ordinance also provide for the issuance of Additional Bonds and other Airport System obligations.

In the Rate Covenant of the 2004 Bond Ordinance, the City agrees to certain covenants with respect to establishing rentals, rates, fees, and charges for the use of the Airport. In each Fiscal Year, Net Revenues, at all times, are to be at least sufficient to:

- Provide an amount not less than 120% of the Debt Service Requirements on all Outstanding Senior Parity Obligations, and
- Together with certain investment income on Outstanding Airport Obligations, provide an amount not less than 110% of the combined Debt Service Requirements on all Outstanding Senior Parity Obligations, Subordinate Parity Obligations, and Junior Lien Obligations, to the extent payable from Net Revenues.

The 2004 Bond Ordinance and the Prior Bond Ordinance also establish the application of Gross Airport Revenues to the funds and accounts established under those ordinances, as described in the later section "Application of Gross Airport Revenues."

Airline Agreements

The City and eight airlines serving the Airport (the Signatory Airlines) have entered into Scheduled Airline Operating Agreements and Terminal Building Leases (the Airline Agreements), the terms of which extend through June 30, 2006. The Airline Agreements establish procedures for the annual review and adjustment of Signatory Airline rentals, fees, and charges. Terminal Complex rental rates are calculated according to a commercial compensatory method after allowing credit for a portion of the net concession revenues generated in the terminal building, and airline landing fees are calculated according to a cost center residual method.

The later section "Airline Rentals, Fees, and Charges" provides additional discussion of the rate-making methodology under the Airline Agreements, as well as the City's intent when the Airline Agreements expire in FY 2006.

The City and three all-cargo airlines (FedEx, UPS Air Cargo, and Airborne Express, which merged with DHL Worldwide Express in August 2003) have entered into Scheduled Cargo Airline Operating Agreements and Cargo Building Leases (the Cargo Agreements), the terms of which also extend through June 30, 2006. The Cargo Agreements include many of the same provisions as the Airline Agreements with respect to the annual adjustment of rentals, fees, and charges and rate-making methodology.

PASSENGER FACILITY CHARGE PROGRAM

The City has imposed a $3 passenger facility charge (PFC) at the Airport since July 1996. Of the total PFC imposed at the Airport, the City receives $2.92 per eligible enplaned passenger for approved projects and the collecting airlines receive $0.08 per eligible enplaned passenger for administrative costs. Under the Prior Bond Ordinance, the City is allowed to pledge PFC revenues as Gross Airport Revenues, which it has done since 1996.

In its first PFC application, the City received approval from the FAA to use PFC revenues for the reconstruction of Runway 8-26—the primary and longest runway at the Airport. PFC revenues were used to (1) fund certain project costs on a "pay-as-you-go" basis, (2) pay Debt Service Requirements on the Series 1996A Bonds, the proceeds of which were issued to fund a significant portion of the runway reconstruction project, and (3) together with balances in the 1996A Bonds Debt Service Reserve Account, redeem the principal outstanding of the Series 1996A Bonds. The City's collection authority under its first PFC application effectively ended when the 1996A Bonds were redeemed in November 2002.

In 2002, the City received approval from the FAA to continue the collection of a $3 PFC and use PFC revenues at the Airport. Under its second PFC approval, the City has the authority to collect approximately $44.5 million in PFC revenues, which the City believes will be achieved by FY 2008. As of September 30, 2003, the City had collected approximately $10.3 million of the $44.5 million in collection authority.

PFC revenues have primarily been used to fund costs associated with airfield reconstruction. As stated above, the City's first PFC approval was used to fund debt service on the 1996A Bonds issued for the Runway 8-26 project. Under the second PFC approval, the City is using PFC revenues to reimburse $44.5 million of Capital Fund investments originally made to expand and reconstruct certain airfield facilities, as well as improvements to roadways and the cargo apron. Prior to receiving the second PFC approval, the City had been amortizing the cost of those investments in airline rentals, fees, and charges, as provided for in the Airline

Agreements and the Cargo Agreements. The reimbursement of Capital Fund investments with PFC revenues will reduce amortization charges and lower the airline landing fee rate, Terminal Complex rental rate, and/or cargo apron fee. An amount equal to annual PFC revenues is deposited in the Capital Fund each year and represents the amount reimbursed in that year (see Exhibit F).

PFC revenues were forecast on the basis of (a) the historical share of enplaned passengers paying a PFC at the Airport (93%), (b) forecast enplaned passengers as shown in Table 26, and (c) the existing PFC rate of $3. The City is expected to reach its current collection authority under the second PFC approval in FY 2008. Upon expiration of the existing collection authority, Department management expects that the PFC will continue to be imposed under a future collection authority to reimburse City-funded costs for certain projects in the Capital Program, as reflected in the financial forecasts presented in this report.

As discussed later, the ability of the Department to impose a new PFC in the future will require, among other things, that the Department has an FAA-approved competition plan for the Airport.

CAPITAL PROGRAM

The City maintains an ongoing process of evaluating Airport System capital requirements. The Capital Program for the Airport System for FY 2004 through FY 2008 includes approximately $159 million of *planned projects* and approximately $104 million of *demand-responsive projects* that could be funded during the same period.

The planned projects in the Capital Program are outlined in Exhibit A. According to the City, all project cost estimates include construction management costs, contingencies, and architectural and engineering fees, as appropriate.

Planned Projects

The City plans to finance the following projects over the 5-year period, FY 2004 through FY 2008. Projects included in the 2004 Improvement Project are so noted.

Terminal Complex. Improvements to the Terminal Complex include expansion of the passenger screening checkpoint and improvements to the outbound baggage screening system (discussed in detail below), both to be completed in FY 2004. Additionally, the City plans to make various improvements to the Terminal Complex over the 5-year period to extend the useful life and capacity of terminal facilities.

Under the 2001 Aviation and Transportation Security Act (ATSA), all airline-checked baggage must be screened for explosives by the TSA. At the Airport, bags are currently being screened using a combination of explosives detection system (EDS) equipment and explosives trace detection (ETD) equipment.

Although the City is in compliance with the ATSA requirements for baggage screening, it has decided to implement an in-line EDS system for Southwest Airlines, which has accounted for the largest share of enplaned passengers at the Airport for over 15 years. According to the City, the in-line baggage screening system for Southwest is necessary to (a) mitigate existing operational inefficiencies in the processing of checked baggage and (b) provide additional space and equipment to meet future needs. As shown in Exhibit A, the in-line baggage screening system project is considered a *planned project* in the Capital Program and is estimated to cost approximately $1 million. The City is in the process of preparing preliminary design drawings for the project.

Certain improvements to the Terminal Complex, including the baggage screening project, are included in the 2004 Improvement Project to be funded with the proceeds of the 2004 Improvement Bonds.

Terminal Apron. The City plans to rehabilitate the terminal apron in FY 2006 and FY 2007.

Airfield. Planned improvements to airfield facilities include the rehabilitation of Runway 8-26 and the reconstruction of Taxiways A, B, and C, to be completed in FY 2004; and construction of taxiway connectors to Runway 3-21 and between Taxiways C and D, to be completed in FY 2008.

Other Areas. The City plans to finance a new fuel facility on the Airport in FY 2004 and FY 2005, the cost of which will be recovered from the airlines using the facility. (See the later section "Other Areas Revenues" for a discussion of the fuel facility business arrangements.) The City also plans to construct a new airfield maintenance complex in FY 2004 and FY 2005 and a belly freight building in FY 2006. Other improvements to be funded over the 5-year period include landscaping modifications, a hangar facility, and certain land acquisition for a future second terminal.

The new fuel facility and landscaping modifications are included in the 2004 Improvement Project.

Access and Terminal Roadways. Roadway improvements include construction of connections to the Airport (2004 Improvement Project) and extensions of on-Airport roadways, to be completed in FY 2004.

Reliever Airport. The City plans to make various infrastructure investments between FY 2004 and FY 2007 to support planned commercial and industrial development at Double Eagle II Airport. Other planned improvements include midfield general aviation development and an environmental assessment, both to be completed in FY 2004.

Demand-Responsive Projects

In addition to the planned projects in the Capital Program discussed above, the City may undertake the following demand-responsive projects if predetermined thresholds of activity are met or tenant support is received. At this time, the City does not anticipate the need to provide funding for these projects during the forecast period.

Terminal Complex. Demand-responsive projects in the Terminal Complex include implementation of an in-line EDS for the checked baggage of all other airlines at the Airport and expansion of the existing terminal to provide additional gates on Concourse B.

Airfield. Airfield improvements considered by the City to be demand-responsive include reconstruction of the general aviation apron and extension of Runway 3-21.

Other Areas. Cargo development, including extension of the north air cargo facilities and expansion to the south, will only be undertaken if the City determines that sufficient demand exists for these facilities.

Terminal Roadways. Design for the second terminal roadway is, at this time, a demand-responsive project.

Reliever Airport. Demand-responsive airfield improvements at Double Eagle II Airport include rehabilitation of Runway 17-35, rehabilitation and extension of Runway 4-22, and construction of a new crosswind runway.

SOURCES OF FUNDS

The sources of funds for the planned projects in the Capital Program are shown in Exhibit A. A brief description of the funding sources is provided below.

The Department is eligible to receive grants-in-aid under the FAA's Airport Improvement Program (AIP) for up to 75% of the costs of eligible projects and up to 80% for aircraft noise compatibility projects. Under the AIP, the Department may receive an upward adjustment to the 75% maximum funding level given that the Airport is the only commercial service airport in New Mexico. Certain of these grants are received as "entitlement" grants, the annual amount of which is calculated on the basis of the number of enplaned passengers and landed weight of all-cargo aircraft at the Airport. Other "discretionary" grants are awarded on the basis of the FAA's determination of the priorities for projects at the Airport and at other airports. The level of federal funding shown in Exhibit A reflects a combination of (a) funds received from the FAA and (b) expected entitlement and/or discretionary funds.

The ability of the Department to receive grants in the future and to impose a new PFC following expiration of the existing PFC approval in FY 2008—as discussed earlier—will require that it has an FAA-approved competition plan providing information on, among other things, the availability of Airport gates and related facilities. All of the competition plans submitted by the Department to date have been approved by the FAA and it is assumed that the Department will continue to submit and the FAA will approve future competition plans.

Under the Bond Ordinances, funds deposited in the Capital Fund of the Airport can be used for any lawful Airport System purpose. Exhibit A shows three sources of "Airport equity" or Capital Fund balances that the City expects to use for the FY 2004 through FY 2008 Capital Program: (1) past Airport equity investments that are reimbursed to the Department through the current PFC program (expected to continue through FY 2008) and (2) a portion of forecast annual deposits to the Capital Fund.

Other funds—mostly for Reliever Airport projects—that have been or are expected to be received by the Department include grants from a variety of federal, State, and local agencies.

The City also intends to use the net proceeds of Airport Revenue Bonds—the 2004 Improvement Bonds and Bonds in the future—to fund planned projects in the Capital Program.

To the extent that the City does not receive the funding shown in Exhibit A, the Department intends to either (a) defer projects or reduce scope, as appropriate, or (b) issue additional Bonds and/or use Airport equity not already committed to fund the Capital Program.

Exhibit B summarizes the estimated sources and uses of funds for the 2004 Bonds and future Bonds for the planned projects in the Capital Program, as provided by Citigroup, the representative of the underwriters for the 2004 Bonds.

2004 Refunding Bonds

The estimated sources of funds are:

- Proceeds from the sale of the 2004 Refunding Bonds

These funds are to be used to:

- Refund a portion of the principal outstanding of the 2000B Bonds
- Pay the costs of issuance, including the underwriters' discount and financing, legal, and other costs, for the proposed 2004 Refunding Bonds

2004 Improvement Bonds

The estimated sources of funds for the 2004 Improvement Bonds are:

- Proceeds from the sale of the 2004 Improvement Bonds
- Interest earnings on balances in the project account and Capitalized Interest Subaccount

These funds are to be used to:

- Pay project costs
- Pay capitalized interest on the 2004 Improvement Bonds through April 1, 2006
- Pay the costs of issuance for the proposed 2004 Improvement Bonds

Future Bonds

The estimated sources and uses of funds for planned future Bonds are also shown on Exhibit B. It was assumed that future Bonds issued to finance planned projects in the Capital Program would be issued as Senior Parity Obligations. However, there is no assurance that the Bonds will be issued or, if issued, that they would be issued as Senior Parity Obligations.

DEBT SERVICE REQUIREMENTS

Exhibit C presents estimated annual Debt Service Requirements for the Senior and Subordinate Parity Obligations by series and by Airport cost center.

The estimated annual Debt Service Requirements for the proposed 2004 Refunding and Improvement Bonds were provided by Citigroup, the representative of the underwriters for those Bonds, based on the following assumptions:

	2004 Refunding Bonds	2004 Improvement Bonds
Principal amount:	$20,665,000	$30,000,000
Bonds to be dated:	March 23, 2004	March 23, 2004
Final maturity:	July 1, 2019	July 1, 2024
Effective interest rate:	5.4%	4.9%

Estimated Debt Service Requirements on future Bonds that the City plans to issue during the forecast period to fund planned projects in the Capital Program were also provided by Citigroup and reflect (1) allowances for future changes in bond interest rates and (2) a Bond term of 20 years.

Exhibit C also presents historical and estimated annual net Debt Service Requirements after certain interest earnings are deducted. Under the terms of certain prior bond ordinances, interest earnings on the Debt Service Reserve Accounts for certain Outstanding Airport Obligations are credited to the respective Debt Service Accounts and reduce the amount of Debt Service Requirements to be funded from Net Revenues.

Under other prior bond ordinances, interest earnings on the Debt Service Accounts for all Outstanding Senior Parity Obligations, Subordinate Parity Obligations, and Junior Lien Obligations are to be transferred to the Revenue Fund and included as Gross Airport Revenues.

The net Debt Service Requirements on each series of Senior and Subordinate Parity Obligations are allocated to Airport cost centers on the basis of project costs to be financed by each series of Bonds.

OPERATION AND MAINTENANCE EXPENSES

Exhibit D presents historical and forecast Operation and Maintenance (O&M) Expenses for FY 2001 through FY 2010. Data for FY 2001 through FY 2003 were obtained from the Department's unaudited operating statements, which reconcile to the audited financial statements of the City. Data for FY 2004 were obtained from the Airport System operating budget.

O&M Expenses include direct and indirect expenses. Direct expenses are those expenses directly charged to one of the Airport cost centers—the Terminal Complex, Airfield, Terminal Apron, Reliever Airport, Parking Area, and Other Areas.* Indirect expenses include expenses for roadways, general maintenance and administration, and security and are allocated to Airport cost centers according to procedures established by the City, agreed to by the Signatory Airlines, and applied consistently each Fiscal Year.

The U.S. Air Force provides aircraft rescue and fire fighting services for the Airport from facilities at Kirtland Air Force Base under an agreement with the City that extends to 2035.

O&M Expenses are forecast on the basis of historical Airport data, assumed inflationary increases in unit costs, forecast enplaned passengers and landed weight, planned facility development, and other assumptions about Airport System operations. It was assumed that, during the forecast period:

- The unit costs of salaries, wages, materials, services, utilities, and supplies will increase an average of 3% per year.
- In addition to inflation-related increases, the costs of operating, maintaining, and administering Airport System facilities will increase as a function of the forecast increases in enplaned passengers and landed weight presented in Table 26 in the earlier section "Forecast Airline Traffic."
- Airfield, terminal, and other facilities will be developed in accordance with the plan documented in the earlier section "Capital Program," and Operation and Maintenance Expenses will increase accordingly.
- The cost of the rental car shuttle bus contract, approximately $2.6 million in FY 2003, will increase 3% per year.

GROSS AIRPORT REVENUES

Exhibit E presents Gross Airport Revenues. Gross Airport Revenues for FY 2001 through FY 2003 were obtained from the Department's unaudited operating statements, which reconcile to the audited financial statements of the City. Gross Airport Revenues for FY 2004 were estimated, in part, based on the Airport's operating budget.

Table 28 shows the distribution of Gross Airport Revenues in FY 2003 and the estimated distribution based on forecast FY 2010 results.

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*Other Areas includes the consolidated rental car facility.

Table 28

GROSS AIRPORT REVENUES
Albuquerque International Sunport
For Fiscal Years Ending June 30

	Actual FY 2003		Forecast FY 2010	
	Revenues (thousands)	Percent of total	Revenues (thousands)	Percent of total
Signatory passenger airline revenues				
Terminal Complex rentals	$10,387	17.3%	$16,119	20.9%
Loading bridge and baggage claim charges	1,269	2.1	1,685	2.2
Terminal apron fees	1,429	2.4	1,240	1.6
Landing fees	8,200	13.7	9,955	12.9
Commuter ramp fees	66	0.1	42	0.1
Total	$21,351	35.6%	$29,041	37.6%
Nonsignatory and cargo airline revenues	4,278	7.1	2,520	3.3
Nonairline revenues				
Rental car privilege fees	$ 7,432	12.4%	$ 9,250	12.0%
News and gifts	1,322	2.2	1,898	2.5
Food and beverage	1,458	2.4	1,946	2.5
Public parking fees	6,085	10.2	7,089	9.2
Rental car facility rentals	1,717	2.9	3,390	4.4
Other building and ground rentals	1,256	2.1	1,421	1.8
Other	3,208	5.4	4,913	6.4
Total nonairline revenues	$22,478	37.5%	$29,907	38.7%
CFC revenues	3,651	6.1	6,567	8.5
PFC revenues	8,155	13.6	9,208	11.9
Total Gross Airport Revenues	$59,913	100.0%	$77,243	100.0%

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

Individual components of Gross Airport Revenues are forecast on the basis of the Department's actual results for FY 2003, the Airport operating budget for FY 2004, allowances for inflation at 3% per year as appropriate, and provisions of the various leases and agreements between the City and the Signatory Airlines, rental car companies, and other Airport tenants and users. Revenues from sources related to passengers and aircraft operations, such as concession revenues, are forecast to increase as a function of the forecast airline traffic described earlier in the "Airline Traffic Analysis" section.

The assumptions underlying the increases in individual components of Gross Airport Revenues are described in the following sections.

AIRLINE RENTALS, FEES, AND CHARGES

As stated earlier, the Airline Agreements and the Cargo Agreements are scheduled to expire on June 30, 2006. For purposes of this report, it was assumed that the methodology for calculating airline rentals, fees, and charges under the current Agreements would continue through FY 2010. The City believes that negotiation of new agreements with the passenger airlines and/or the all-cargo airlines would result in airline rentals, fees, and charges equal to or greater than those provided under the current Agreements.

The following Airport System costs are recovered through airline rentals, fees, and charges in the Terminal Complex, Terminal Apron, Airfield, and Reliever Airport cost centers:

- Allocable Operation and Maintenance Expenses
- The estimated cost of equipment purchases, capital outlays, and unscheduled maintenance (net of amounts funded from the Airline Coverage Account)
- 120% of allocable Debt Service Requirements on Senior Parity Obligations and 100% of allocable Debt Service Requirements on Subordinate Parity Obligations and Junior Lien Obligations, if any
- Amortization of the cost of improvements financed by the City from sources other than the proceeds of Bonds, grants-in-aid, or PFC revenues
- The Reliever Airport Deficit
- Fines, assessments, judgments, or settlements
- Required deposits to reserve accounts established in the Prior Bond Ordinance

The forecasts of airline rentals, fees, and charges presented in the exhibits at the end of this attachment and discussed below include costs associated with existing Airport facilities and additional costs, such as estimated Debt Service Requirements for Bonds and amortization charges for Capital Fund investments that are forecast to be necessary to fund planned projects in the FY 2004-FY 2008 Capital Program. The City does not expect additional Operation and Maintenance Expenses associated with the planned projects to be significant.

The aggregate payments of the passenger airlines under the Airline Agreements expressed per enplaned passenger, are shown in Exhibit E.

The following sections summarize the forecasts of Signatory Airline revenues under the terms of the Airline Agreements.

Terminal Complex Rentals

Exhibit E-1 presents the calculation of forecast Signatory Airline Terminal Complex rentals and average rental rates.

Signatory Airline Terminal Complex rental rates are calculated by deriving the total Net Terminal Complex Cost, and then crediting nonsignatory airline rentals, certain other fees, and the Signatory Airlines' computed share of certain excess concession revenues to determine the Net Signatory Airline Rental Requirement. The Net Signatory Airline Rental Requirement is then divided by Signatory Airline Rentable Space to determine the average rental rate per square foot.

Loading Bridge and Baggage Claim Device Charges

The loading bridge charges consist of a fixed fee per gate to recover loading bridge capital costs and an operating fee per flight to recover O&M expenses associated with the loading bridges. The baggage claim device charge consists of the baggage claim area rental rate and a surcharge calculated to recover the capital costs associated with the baggage claim devices.

Terminal Apron Fees

The Terminal Apron Fee per gate is calculated to recover the average cost of an aircraft parking position by dividing the total annual costs of the Terminal Apron by the total number of aircraft parking positions (currently 23) on Concourses A and B.

Airline Landing Fees

Exhibit E-2 presents the calculation of forecast Signatory Airline and nonsignatory airline landing fees. Signatory Airline landing fees are calculated by deriving the total annual Airfield cost, then crediting Airfield revenues from general aviation, military, and nonsignatory and nonscheduled airline users to derive the Net Airfield Cost. The Net Airfield Cost is then divided by the estimated total landed weight of all Signatory Airlines to derive the Signatory Airline landing fee rate per 1,000-pound unit of aircraft landed weight. The nonsignatory airline landing fee rate is 115% of the Signatory Airline landing fee rate.

NONAIRLINE REVENUES

Exhibit E also presents historical and forecast revenues from sources other than airline rentals, fees, and charges for FY 2001 through FY 2010.

Terminal Concession Revenues

News and Gifts. The City recently completed the renovation and expansion of news and gift stores at the Airport to enhance passenger choices and spending. The opening of the new stores followed 2 years of planning and solicitation efforts by the City to:

- Better match the location and frontage of concessions with passenger flows prior to and after the passenger screening checkpoint area in the Terminal Complex.
- Increase the availability of standard offerings, such as newspapers and magazines, while also providing specialty stores that offer local and Southwestern art and jewelry.
- Provide the necessary space in the Terminal Complex to support existing and projected demand for news and gift sales.

In 2002, the City completed a competitive bid process to select news and gift operators for stores as well as kiosks in and around the Terminal Complex. The bids were awarded to nationally and locally recognized businesses and the renovated and expanded news and gift concession program opened on August 1, 2003.

The City has five separate Retail Concession Leases and Agreements for the Passenger Terminal Building (the Retail Agreements) that provide the basis for the use and occupancy of the stores and kiosks, and business terms for each tenant. In general, the Retail Agreements provide for the following:

- A January 1, 2010, date of expiration, with two 1-year options to extend the agreements based on mutual agreement of the tenant and the City.
- Payment of a minimum annual guarantee (MAG) or percentage rent, whichever is larger, on a monthly basis to the City.
- Readjustment of the MAG each year to equal 85% of the previous year's percentage rent paid to the City. In no event, however, shall the MAG in any year during the term of the Retail Agreements be less than the first year's MAG.

Under the Retail Agreements, the aggregate first year MAG is approximately $1.68 million.

The percentage rent payable to the City varies by tenant to reflect the different types of merchandise (e.g., newspapers versus local art) offered at the stores and kiosks. The range of percentage rent payable to the City by type of merchandise is provided below:

News and gifts	13%
Jewelry	17% to 20%
Other merchandise	15% to 21%

Each concessionaire also leases space from the City to support the concessionaire's concession operations at a rental rate of $13 per square foot per year, which is adjusted at the beginning of each Fiscal Year by the change in the Consumer Price Index. These rental revenues are not significant relative to the concession fee paid by the tenants.

According to data provided by the City, since July 2003, the redeveloped news and gift program has performed between 22% and 26% better than the previous program in terms of gross revenues and 2% to 7% better in terms of net revenues to the City, reflecting a lower percentage rent structure.

The forecast of news and gift revenues show in Exhibit E was based on forecast increases in enplaned passengers and assumed increases in gross revenue per enplaned passenger as a result of inflation.

Food and Beverage. Three companies provide food and beverage services in the Terminal Complex under agreements that extend to May 1, 2007. There are no options to extend the agreements beyond the date of expiration.

Under the terms of the agreements, the three companies—CAOne Services, Fresquez Concessions Inc., and Black Mesa Coffee Co.—pay the City varying percentages of gross revenues for each category of sales against minimum annual guaranteed amounts. The percentages are as follows:

Food and beverage	10%
Ice cream	15
Catering	5

The percentages for alcoholic beverage sales are based on levels of annual gross revenues, as shown below:

$0 to $350,000	15%
$350,001 to $700,000	17
$700,001 and over	20

The City intends to rebid the food and beverage concession privileges and agreements prior to the scheduled expiration of those agreements in 2007. The City will likely seek changes to the type and size of food and beverage facilities at the Airport to enhance passenger choices and spending in the future. It is expected that these changes will improve the financial performance of food and beverage concessions; however, the forecast of food and beverage revenues presented in Exhibit E does not reflect assumed revenue increases as a result of any new concession program.

Food and beverage revenues are forecast to increase with forecast increases in enplaned passengers and inflation, according to the concession fees outlined in the food and beverage agreement.

Other Revenues. Other revenues include advertising, pay telephone, baggage lockers, and nonairline space rentals. The revenues from these sources are forecast on the basis of recent trends in revenue per enplaned passenger, as appropriate, and existing agreements between the City and the Airport tenants.

Rental Car Revenues

Opened in March 2001 on the west side of the Airport, the consolidated rental car facility is owned by the City. The facility includes:

- A customer service building to process customers.
- A ready/return area for the pickup and drop-off of rental cars by customers.
- Service center facilities for each rental car company operating at the facility.

The facility was financed, in part, from the net proceeds of the Series 2000B Bonds. Debt Service Requirements associated with the proposed 2004 Bonds are to be allocated to areas of the rental car facility in the same manner as they were for the 2000B Bonds.

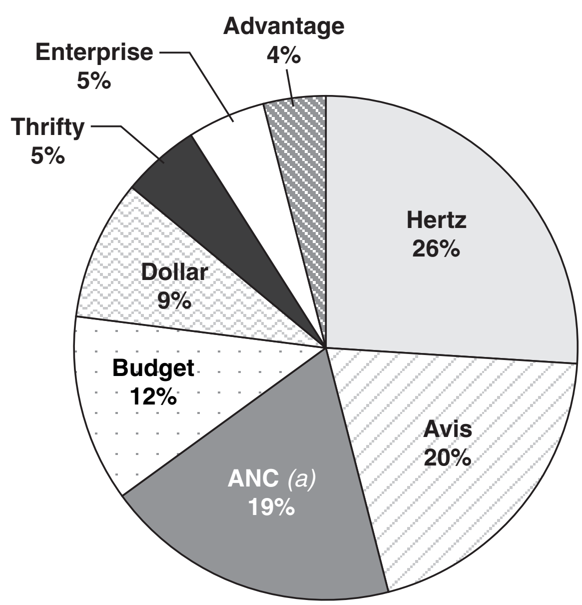
Shuttle bus service for rental car customers is provided between the facility and the Terminal Complex and is operated by Standard Parking under the Rental Car Shuttle Bus Operation and Management Agreement, dated March 3, 2000. Under that agreement, the City pays Standard Parking a management fee and reimburses Standard Parking for operation and maintenance expenses. The assumptions underlying the forecast of shuttle bus expenses are described in the earlier section "Operation and Maintenance Expenses".

All of the rental car companies serving the Airport operate from the consolidated rental car facility. Figure 6 presents the market share of the eight companies that operate at the facility.

Figure 6

RENTAL CAR MARKET SHARES—FY 2003

Albuquerque International Sunport



(a) ANC operated the Alamo and National brands in FY 2003, which were recently purchased by Vanguard Car Rental.

Source: Rental car gross revenues, as provided by Aviation Department management.

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In November 2001, ANC Rental Corporation, the parent company of Alamo and National, filed for Chapter 11 bankruptcy protection. With the approval of the bankruptcy court, ANC Rental Corporation operates at the Airport under one agreement for both the Alamo and National brands. On October 14, 2003, Vanguard Car Rental USA Inc. purchased the assets of ANC Rental Corporation and now has the rights to operate and market the Alamo and National brands. While the effect of this acquisition is unknown as of the date of this report, Vanguard Car Rental has stated publicly that the Alamo and National brands will be operated at airports as separate companies with individual brand identity, which suggests that the consolidation of the Alamo and National brands and facilities at airports may be reversed.

In July 2002, Budget filed for Chapter 11 bankruptcy protection. In November 2002, Cendant Corporation, the parent company of Avis, acquired Budget and is now operating Budget as a brand separate from Avis.

These developments in the rental car industry were assumed to have no material effect on the revenues forecast to be paid collectively by the rental car companies to the City.

The rental car companies use and occupy the consolidated facility under two agreements with the City, as discussed below.

Rental Car Counter Space and Ready/Return Parking Area Lease and Agreement. The Counter Space Agreement provides for the use and occupancy of rental car customer counters and administration space. The City has the sole right to extend the Counter Space Agreement for 5 years after its March 16, 2006, expiration. Under the Counter Space Agreement, the rental car companies pay the City:

- The greater of the minimum annual guarantee for that year or a percentage fee equal to 9% of gross revenues.

- $125 per year per space leased in the ready return area. (Currently all ready/return spaces are leased to the companies that operate at the facility.)

- Revenues equal to City direct and indirect O&M expenses allocable to the facility. (This source of revenue is not significant.)

Rental Car Service Center Facility Lease and Agreement. The Service Center Agreement, which became effective March 17, 2001, and has a term of 20 years, provides for the use and occupancy of rental car service centers at the consolidated rental car facility. Under the Service Center Agreement, the rental car companies pay building and ground rentals to the City for leased space. The City has the right to adjust building and ground rentals July 1 of each Fiscal Year.

The Counter Space Agreement and the Service Center Agreement include cross-default provisions allowing the City to terminate either agreement if one of the agreements is terminated by the City.

Forecast Assumptions. Percentage fees from the rental car companies are forecast to increase with forecast increases in enplaned passengers at the Airport and inflation. Rentals for ready/return spaces are forecast to continue at existing levels. In preparing the financial forecasts, it was assumed that the City would (a) exercise its option to extend the Counter Space Agreement or (b) rebid the on-Airport concession privilege and the Counter Space Agreement during the forecast period. Neither City action is expected to have a material effect on future percentage fees or ready/return space rentals.

Building and ground rentals are forecast to increase assuming that the City will adjust rental rates July 1 each year to reflect Debt Service Requirements on the remaining principal outstanding of the 2000B Bonds and the proposed 2004 Refunding Bonds.

The Department is authorized to impose and collect a customer facility charge (CFC) per rental car transaction day under City Resolution R-210. Revenues from the CFC can be used by the City to pay:

1. The annual cost of operating and maintaining the shuttle bus system.

2. A portion of the Debt Service Requirements on the remaining principal outstanding of the 2000B Bonds and the proposed 2004 Refunding Bonds and other costs allocable to the consolidated facility.

The City can adjust the CFC July 1 each year based on the projected number of rental car transaction days and the costs described above.

Figure 7 shows monthly rental car transaction days per enplaned passenger* for FY 2001 through year-to-date FY 2004. As shown, transaction days per enplaned passengers at the Airport have remained relatively constant in the same month of the year since FY 2001.

It was assumed for the financial forecasts that the City would continue to impose the CFC during the forecast period and would adjust the CFC each year to recover allocable costs.

In the event that forecast CFC revenues in any year are lower than the costs associated with the shuttle bus system and the areas described above, the rental car companies will be required to pay the City additional rent, under the Counter Space Agreement, equal to the shortfall in CFC revenues. Excess revenues from the CFC in any year may be used in the following year to (1) pay shuttle bus and other costs and/or (2) reduce the amount of the CFC in that year.

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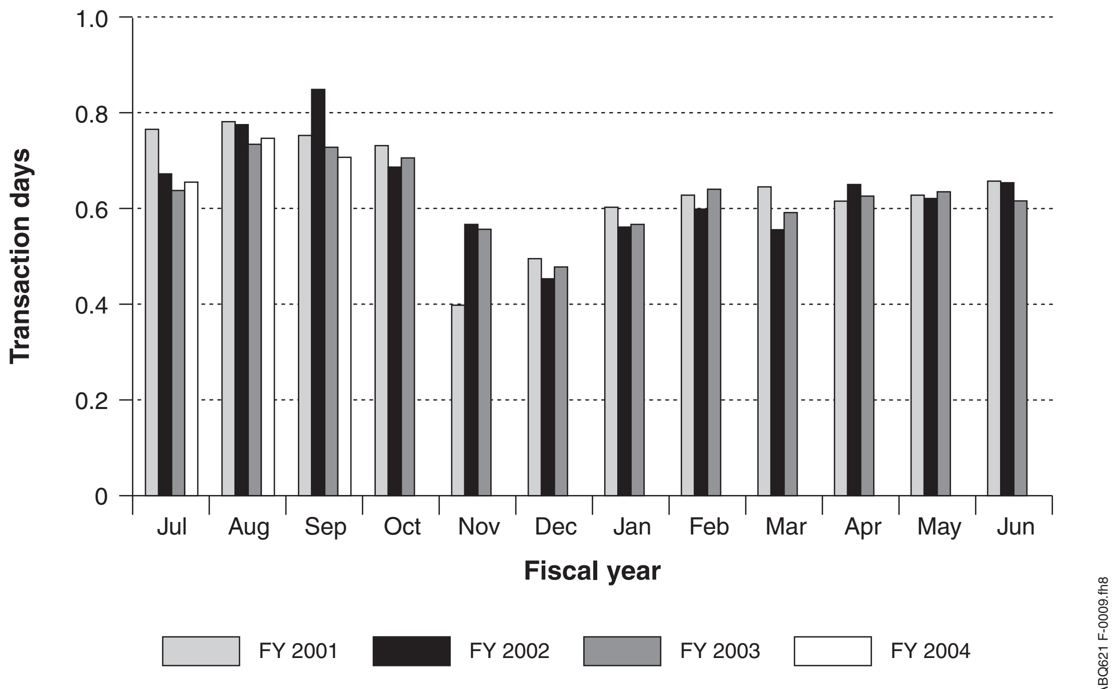
*Destination passenger data—the better metric for analyzing rental car activity trends—are not available on a monthly basis. For the purposes of this analysis, however, enplaned passengers provide a reasonable substitute given that the ratio of destination passengers to enplaned passengers at the Airport has remained relatively constant for the years shown.

Figure 7

RENTAL CAR TRANSACTION DAYS PER ENPLANED PASSENGER

Albuquerque International Sunport

For Fiscal Years Ending June 30



Parking Area Revenues

Public Parking. The Aviation Department operates the parking facilities at the Airport. Table 29 lists the parking facilities, spaces, and rates for such facilities. Short-term, "close-in" parking is provided in a multistory garage connected via an underground walkway to the Terminal Complex. The long-term parking lot is adjacent to the parking garage and is within walking distance of the Terminal Complex. No shuttle bus service is provided to or from on-Airport public parking facilities.

Table 30 provides trends in annual parking transactions per originating passenger and parking revenue per transaction for FY 2001 through FY 2003 and a comparison of the performance of each metric with actuals in FY 2001—the year prior to the terrorist attacks in September 2001.

Table 29

AIRPORT PUBLIC PARKING FACILITIES AND RATES

Parking facility	Number of spaces	Rates	
Terminal "close-in" short-term parking	3,400	0 to 1/2 hour	$1
		1/2 hour to 1 hour	$2
		1 hour to 3 hours	$3
		3 hours to 6 hours	$4
		6 hours to 24 hours	$7
		After 3 days (72 hours), the daily rate increases to $10.	
Surface "long-term" parking	480	0-1/2 hour	$1
		1/2 hour to 24 hours	$6
		After 3 days (72 hours), the daily rate is increased to $8.	

Source: City of Albuquerque, Aviation Department, October 30, 2003.

Table 30

TRENDS IN PUBLIC PARKING TRANSACTIONS AND REVENUE

Fiscal Year	Transactions per originating passenger	Percent increase (decrease) from FY 2001	Total revenue per transaction	Percent increase (decrease) from FY 2001
2001	0.39	--%	$6.47	-- %
2002	0.33	(16.7)	6.64	2.7
2003	0.32	(19.3)	6.88	6.3

Sources: Transactions and revenues: City of Albuquerque, Aviation Department records. Originating passengers: U.S. Department of Transportation, *Origin-Destination Survey of Airline Passenger Traffic-Domestic*, CD-ROM database.

Parking transactions per originating passenger is a measure of the average use of Airport public parking facilities for each passenger beginning his or her journey at the Airport. The revenues generated per transaction are a function of parking duration as well as which facility (short- or long-term) is used (which determines the parking rate).

As shown above, the use of public parking facilities at the Airport (as measured by transactions per originating passenger) remained relatively constant in FY 2003 compared to FY 2002 data, and has not recovered to FY 2001 levels. Likely reasons for this include:

- The events of September 11, 2001, and subsequent changes in Airport security may have, at least temporarily, changed the behavior of people parking at the Airport.

- The use of off-Airport parking facilities, which provide about 9,000 uncovered and covered parking spaces, has possibly increased. Passenger shuttle service is provided between these facilities and the Terminal Complex.

While the use of public parking facilities at the Airport has remained relatively flat, revenue per transaction at Airport parking facilities has increased 6.3% compared with FY 2001 revenue.

The forecast of public parking revenues reflects (1) forecast originating passengers, as discussed earlier in this report, (2) the Aviation Department's current parking rate schedule, and (3) relatively constant average durations and transactions per originating passenger during the forecast period.

Other Parking Area Revenues. The City also receives revenues from the use of employee parking spaces, commercial vehicle lane fees, and taxicab permits. The forecasts of revenue from these sources are based on recent trends in revenues and existing fees and charges.

Airfield Revenues

Other Airfield revenues include landing fees from general aviation users, military operations, and nonscheduled airlines.

Other Areas Revenues

Other Areas revenues consist principally of leased site and building rentals. The major sources of leased site rental revenues are the Wyndham Hotel, general aviation fixed base operators, and cargo buildings. Additionally, the rental car service areas and ready/return lot space rentals discussed in the earlier section "Rental Car Revenues" are included in Other Areas.

The Wyndham Hotel pays a percentage of gross receipts for alcoholic beverages, room rentals, and other categories against minimum annual guaranteed amounts. The forecasts of rentals paid by fixed base operators and certain all-cargo tenants for building and hangar space are also based on the provisions of existing agreements.

The City also has use and lease agreements with the major all-cargo airlines serving the Airport that provide for the recovery of costs associated with cargo building and apron facilities on the south side of the Airport.

Included in the 2004 Improvement Project is a new fuel facility, which would accommodate existing and future demand for fuel from the passenger and cargo airlines serving the Airport. Aviation fuel is currently trucked to the Airport and loaded onto aircraft. According to the City, fuel would be delivered to the new fuel facility via pipelines, resulting in a lower cost of fuel delivery to the Airport and greater efficiencies. Fuel would, however, continue to be delivered to aircraft via trucks.

Prior to the start of construction of the new facility, the City expects to enter into a Fuel Facility Lease and Agreement (the Fuel Agreement) to provide, at a minimum, rentals from the airlines using the new facility sufficient to (a) pay the estimated Debt Service Requirements and 20% coverage on that portion of the 2004 Improvement Bonds issued to fund the cost of the facility, (b) recover land acquisition costs, and (c) reimburse the City for any incidental O&M Expenses allocable to the new facility.

According to the City, Southwest Airlines, which is the busiest airline at the Airport in terms of airline traffic, has stated that it would be willing to be the only airline signatory to the Fuel Agreement so that construction of the new facility could begin as soon as possible. Under the proposed terms of the Fuel Agreement, other airlines at the Airport would have the option to sign the Fuel Agreement during the term of that agreement, which would be approximately 20 years.

Under the proposed Fuel Agreement, the airlines would agree to hire a third-party operator to manage and operate the new fuel facility. The City would not have any responsibility for operating the facility.

Southwest Airlines' has stated that it is considering the possibility of entering into a third-party agreement with Aircraft Service International Group (ASIG), the operator of the existing fuel facility, to operate and manage the new facility on behalf of the airlines signatory to the Fuel Agreement. As part of that agreement, ASIG would terminate its agreement with the City, remove the fuel facilities on its premises, and perform any required environmental remediation on the site currently occupied by ASIG. If Southwest is not successful in reaching agreement with ASIG, the following would likely occur:

- Southwest and other airlines would execute the proposed Fuel Agreement.
- The airlines executing the Fuel Agreement would engage another third-party operator to operate and manage the new fuel facility.
- The City would buy out the operation of ASIG as it is allowed to do under the agreement between the City and ASIG for Airport-expansion purposes.

Any buyout cost incurred by the City would be recoverable under the Fuel Agreement at the new fuel facility. Essentially, the airlines are motivated under the proposed provisions of the Fuel Agreement to enter into an agreement with ASIG to eliminate any buyout costs.

The proposed Fuel Agreement contains the following provisions:

- The right of the airlines executing the Fuel Agreement to use and lease the fuel facility and associated ground for a period of 20 years.
- The ability of the City to recalculate annual rentals for the fuel facility, which include the costs described above, as well as an extraordinary rate adjustment provision to ensure that sufficient rentals are generated each year to pay Debt Service Requirements and other costs allocable to the facility.
- A security deposit equal to 3 months of annual rentals payable to the City.
- A requirement that the airlines signing the Fuel Agreement enter into other agreements providing for use of the fuel facility by other airlines on a nondiscriminatory basis.
- The right of the City to include in future rentals any cost it incurs that is related to the current or past fueling of aircraft at the Airport, such as the environmental remediation and removal of existing fuel facilities at the Airport, including the ASIG facilities and facilities owned by TWA that are now the property of the City, as well as any buyout costs incurred by the City, as discussed earlier.

In preparing the financial forecasts presented in this report, it was assumed that the City would (1) generate sufficient rentals to pay the estimated Debt Service Requirements plus 20% coverage on that portion of the 2004 Improvement Bonds issued for the fuel facility, (2) assess and recover ground rentals for the land where the new fuel facility would be located, and (3) recover O&M Expenses—which are not expected to be material—from the airlines using the new fuel facility. It was also assumed that the City would not incur any cost for removing the existing fuel facilities owned and operated by ASIG nor for performing any environmental remediation.

Reliever Airport Revenues

The City has an agreement with a fixed base operator to provide general aviation services at Double Eagle II Airport—the Reliever Airport. Revenues from this source are forecast to remain approximately constant during the forecast period.

The future relocation of Eclipse Aviation to Double Eagle II Airport represents a potential for increased revenues. However, the financial forecasts presented in this report do not include any assumptions regarding increased Revenues from Eclipse Aviation's development at the Reliever Airport.

APPLICATION OF GROSS AIRPORT REVENUES

The 2004 Bond Ordinance and the Prior Bond Ordinance create or continue certain funds and accounts and the priority for the flow of Gross Airport Revenues to such funds and accounts, as illustrated on Figure 8 (also see Exhibit F). All Gross Airport Revenues, including PFC and CFC revenues, are deposited to the Revenue Fund. Moneys in the Revenue Fund are then applied for various purposes and to funds and accounts in the following priority:

1. To pay Operation and Maintenance Expenses.

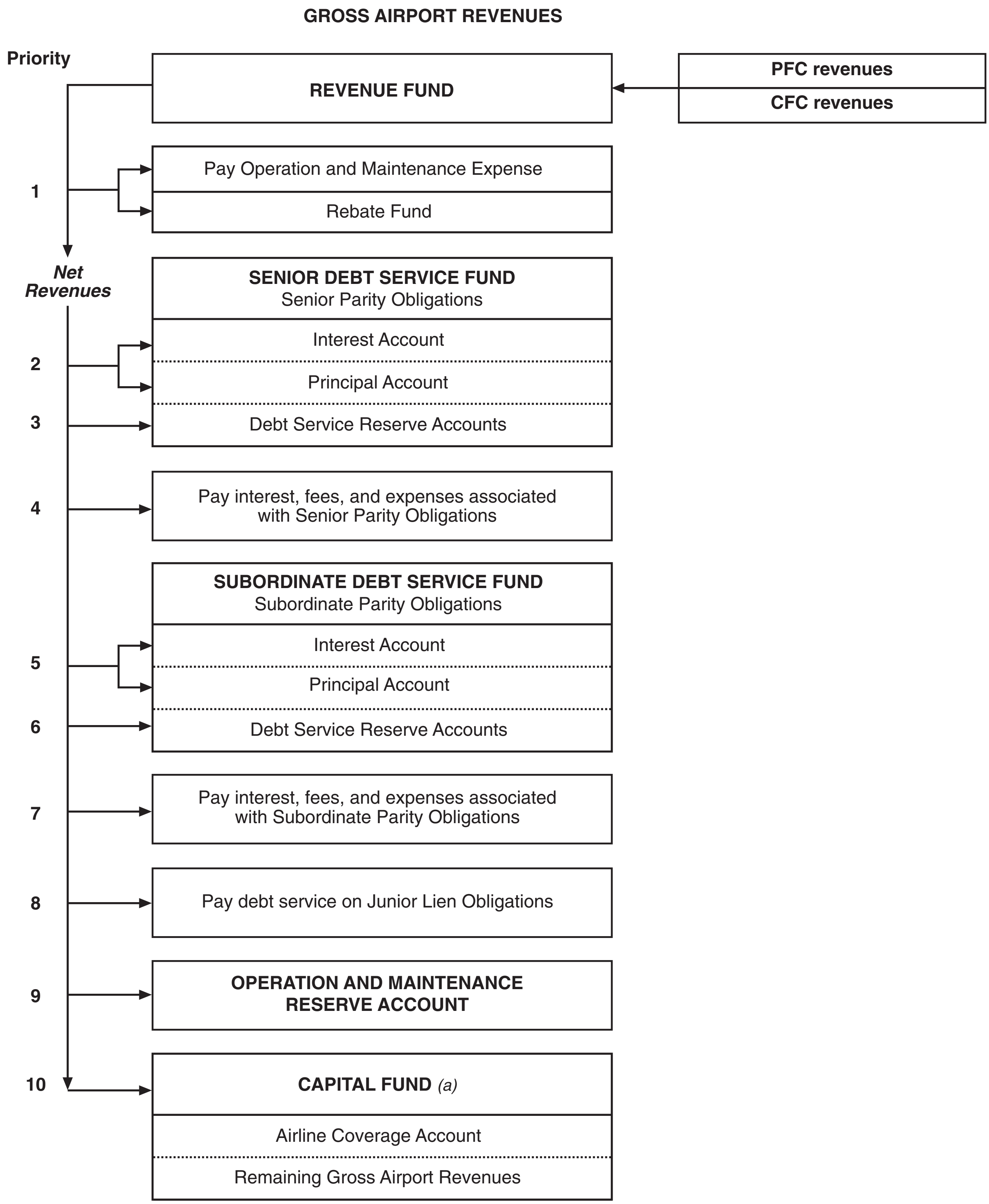
2. To the Interest and Principal accounts of the Senior Debt Service Fund to pay debt service on Senior Parity Obligations.

3. To the Debt Service Reserve Accounts of the Senior Debt Service Fund to maintain a balance equal to the Reserve Requirement, if any, for Senior Parity Obligations.

4. To pay interest, fees, expenses, the purchase price, or similar amounts for insurance policies, letters of credit, or other similar instruments associated with Senior Parity Obligations, if any.

5. To the Interest and Principal accounts of the Subordinate Debt Service Fund to pay debt service on Subordinate Parity Obligations.

6. To the Debt Service Reserve Accounts of the Subordinate Debt Service Fund to maintain a balance equal to the Reserve Requirement, if any, for Subordinate Parity Obligations, if any.



(a) Amounts deposited in the Capital Fund are further applied to the Airline Coverage Account in accordance with the Airline Agreements. Remaining moneys in the Capital Fund may be used by the City for any lawful Airport purpose.

Source: City of Albuquerque, *Ordinance Authorizing the Issuance of City of Albuquerque, New Mexico, Subordinate Lien Taxable Airport Refunding Revenue Bonds, Series 2004A, and Senior Lien Airport Improvement Revenue Bonds, Series 2004B.*

Figure 8

SUMMARY OF THE APPLICATION OF GROSS AIRPORT REVENUES UNDER THE 2004 BOND ORDINANCE

Albuquerque International Sunport

February 2004

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7. To pay interest, fees, expenses, the purchase price, or similar amounts for insurance policies, letters of credit, or other similar instruments associated with Subordinate Parity Obligations.

8. To pay debt service on Junior Lien Obligations, if any.

9. To the Operation and Maintenance Reserve Account to maintain a balance equal to one-sixth of the total annual budgeted Operation and Maintenance Expenses for the Airport (the Operation and Maintenance Reserve Requirement).

10. To the Capital Fund to be used by the City for any lawful Airport purpose.

Revenues flowing to the Capital Fund are allocated between the Airline Coverage Account and other unrestricted funds as specified in the Airline Agreements. The Airline Coverage Account is used by the City as a source of internal equity financing for equipment purchases, capital outlays, and unscheduled maintenance in airline-supported cost centers (Terminal Complex, Terminal Apron, Airfield, and Reliever Airport)—costs that would otherwise be funded through airline rentals, fees, and charges. Moneys remaining in the Capital Fund can be used by the City for any lawful Airport purpose.

NET REVENUES AND DEBT SERVICE COVERAGE

Exhibit G presents the calculation of debt service coverage under the two Rate Covenant tests set forth in the 2004 Bond Ordinance. For Test No. 1, Net Revenues are forecast to provide at least 2.80x coverage of Debt Service Requirements on Senior Parity Obligations, compared with the 1.20x coverage required by the 2004 Bond Ordinance.

For Test No. 2, interest earnings on certain Debt Service Reserve Accounts are added to Net Revenues to derive the total revenues available to meet Debt Service Requirements. This amount is forecast to provide at least 1.61x coverage of the combined Debt Service Requirements on the Senior Parity Obligations, Subordinate Parity Obligations, and Junior Lien Obligations, compared with the 1.10x coverage required by the 2004 Bond Ordinance.

Exhibit A

ESTIMATED PROJECT COSTS AND SOURCES OF FUNDING
CAPITAL PROGRAM PLANNED PROJECTS
Albuquerque Airport System
For Fiscal Years Ended June 30

		Start date (Fiscal Year)	Estimated gross project costs (a)	Estimated sources of funding: Federal AIP Grants: Discretionary (b)	Federal AIP Grants: Entitlement (c)	Airport equity: PFC reimbursement	Airport equity: Internal cash flow	Airport equity: Coverage Account	Other funds (d)	Airport Revenue Bonds
Reliever Airport										
Water, sewer & telephone		2004	$ 2,425,000	$ -	$ -	$ -	$ 2,425,000	$ -	$ -	$ -
Control tower (e)		2004	2,220,000	1,820,000	-	-	400,000	-	-	-
Roads & Interchange (e)	(1 of 3)	2004	4,625,000	-	-	-	550,000	-	4,075,000	-
Roads & Interchange (e)	(2 of 3)	2005	13,000,000	-	-	-	-	-	13,000,000	-
Roads & Interchange (e)	(3 of 3)	2006	2,000,000	-	-	-	-	-	2,000,000	-
Power/gas (e)		2004	3,400,000	-	-	1,900,000	1,298,000	-	202,000	-
Storm drainage (e)	(1 of 4)	2004	1,500,000	-	-	375,000	-	-	1,125,000	-
Storm drainage (e)	(2 of 4)	2005	1,500,000	-	-	375,000	-	-	1,125,000	-
Storm drainage (e)	(3 of 4)	2006	1,500,000	-	-	375,000	-	-	1,125,000	-
Storm drainage (e)	(4 of 4)	2007	1,500,000	-	-	375,000	-	-	1,125,000	-
General aviation midfield development		2004	1,141,000	488,000	359,000	47,000	200,000	-	47,000	-
Environmental assessment/runways		2004	1,000,000	900,000	-	-	50,000	-	50,000	-
			$ 35,811,000	$ 3,208,000	$ 359,000	$ 3,447,000	$ 4,923,000	$ -	$ 23,874,000	$ -
Terminal Complex										
Customs / Federal Inspection Services		2004	$ 480,000	$ -	$ -	$ -	$ 480,000	$ -	$ -	$ -
Checkpoint expansion (design and construction)		2004	10,150,000	-	9,135,000	515,000	500,000	-	-	-
Outbound baggage screening		2004	1,000,000	-	-	-	-	-	-	1,000,000
Fire alarm system		2004	1,100,000	-	-	-	-	-	-	1,100,000
Existing terminal and concourse projects	(1 of 5)	2004	4,700,000	-	-	-	900,000	-	-	3,800,000
Existing terminal and concourse projects	(2 of 5)	2005	6,500,000	-	-	-	-	-	-	6,500,000
Existing terminal and concourse projects	(3 of 5)	2006	6,500,000	-	-	1,000,000	-	-	-	5,500,000
Existing terminal and concourse projects	(4 of 5)	2007	6,500,000	-	-	6,500,000	-	-	-	-
Existing terminal and concourse projects	(5 of 5)	2008	6,500,000	-	-	5,800,000	700,000	-	-	-
			$ 43,430,000	$ -	$ 9,135,000	$ 13,815,000	$ 2,580,000	$ -	$ -	$ 17,900,000
Terminal Apron										
Terminal apron rehab/replacement	(1 of 2)	2006	$ 11,325,000	$ 9,060,000	$ -	$ -	$ 250,000	$ -	$ -	$ 2,015,000
Terminal apron rehab/replacement	(2 of 2)	2007	11,325,000	9,060,000	-	2,265,000	-	-	-	-
			$ 22,650,000	$ 18,120,000	$ -	$ 2,265,000	$ 250,000	$ -	$ -	$ 2,015,000
Airfield										
Runway 8-26 rehab/Taxiway A B C reconstruction		2004	$ 4,750,000	$ -	$ 2,774,000	$ 1,576,000	$ 400,000	$ -	$ -	$ -
High speed taxiway connector on 3-21		2008	840,000	672,000	-	-	168,000	-	-	-
Taxiway connector beteween C and D		2008	1,190,000	952,000	-	-	238,000	-	-	-
			$ 6,780,000	$ 1,624,000	$ 2,774,000	$ 1,576,000	$ 806,000	$ -	$ -	$ -
Parking Area										
Garage expansion joints		2005	$ 275,000	$ -	$ -	$ -	$ 275,000	$ -	$ -	$ -
			$ 275,000	$ -	$ -	$ -	$ 275,000	$ -	$ -	$ -

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Exhibit A (page 2 of 2)

ESTIMATED PROJECT COSTS AND SOURCES OF FUNDING
CAPITAL PROGRAM PLANNED PROJECTS
Albuquerque Airport System
For Fiscal Years Ended June 30

			Estimated gross project costs (a)	Estimated sources of funding						
				Federal		Airport equity				Airport
		Start date (Fiscal Year)		Discretionary (b)	Entitlement (c)	PFC reimbursement	Internal cash flow	Coverage Account	Other funds (d)	Revenue Bonds
Other Areas										
New belly freight		2006	$ 4,800,000	$ -	$ -	$ 4,800,000	$ -	$ -	$ -	$ -
Maintenance equipment building										
Utility extension		2004	$ 1,000,000	$ -	$ -	$ -	$ 1,000,000	$ -	$ -	$ -
New airfield maintenance complex		2005	7,100,000	-	-	7,100,000	-	-	-	-
			$ 8,100,000	$ -	$ -	$ 7,100,000	$ 1,000,000	$ -	$ -	$ -
Consolidated fuel farm	(1 of 2)	2004	8,000,000	-	-	1,000,000	-	-	-	7,000,000
Consolidated fuel farm	(2 of 2)	2005	5,500,000	-	-	-	-	-	-	5,500,000
Land acquisition		2004	500,000	-	-	500,000	-	-	-	-
University service station		2004	916,000	-	-	-	800,000	-	116,000	-
Commercial lane/loading dock ramp		2004	540,000	-	-	-	540,000	-	-	-
New T-hangars (replace Sky Runner)		2005	640,000	-	-	-	640,000	-	-	-
Remove old flight service station, C-cncrse, car rental		2005	1,000,000	-	-	-	1,000,000	-	-	-
Landscaping modification	(1 of 2)	2004	1,500,000	-	-	-	100,000	-	-	1,400,000
Eclipse hangar		2004	5,500,000	-	-	-	5,500,000	-	-	-
Landscaping modification	(2 of 2)	2005	500,000	-	-	-	-	-	-	500,000
Foreign Trade Zone (roads and utilities)		2005	500,000	-	-	-	-	-	-	500,000
			$ 37,996,000	$ -	$ -	$ 13,400,000	$ 9,580,000	$ -	$ 116,000	$ 14,900,000
Access and Terminal Roadways										
Spirit Drive connection		2004	$ 2,098,000	$ -	$ -	$ 2,000,000	$ 98,000	$ -	$ -	$ -
University Boulevard extension		2004	2,000,000	-	-	-	2,000,000	-	-	-
			$ 4,098,000	$ -	$ -	$ 2,000,000	$ 2,098,000	$ -	$ -	$ -
Other										
Rolling stock/asset replacement and maintenance		2004	$ 1,500,000	$ -	$ -	$ -	$ 700,000	$ 800,000	$ -	$ -
Rolling stock/asset replacement and maintenance		2005	1,500,000	-	-	-	-	1,500,000	-	-
Rolling stock/asset replacement and maintenance		2006	1,500,000	-	-	-	-	1,500,000	-	-
Rolling stock/asset replacement and maintenance		2007	1,500,000	-	-	-	-	1,500,000	-	-
Rolling stock/asset replacement and maintenance		2008	1,500,000	-	-	-	-	1,500,000	-	-
			$ 7,500,000	$ -	$ -	$ -	$ 700,000	$ 6,800,000	$ -	$ -
Total			$ 158,540,000	$ 22,952,000	$ 12,268,000	$ 36,503,000	$ 21,212,000	$ 6,800,000	$ 23,990,000	$ 34,815,000

(a) Source: City of Albuquerque Aviation Department.
(b) Amounts shown are based on eligible costs and do not reflect actual grants received or under offer. To the extent that these amounts are not received, shortfalls would be funded with Airport equity or Airport Revenue Bond proceeds.
(c) Reflects estimated entitlement funds between FFY 2004 and FFY 2008.
(d) Includes State grants and other federal funding.
(e) Costs not included in airline rate base.

2/19/2004

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Exhibit B

SOURCES AND USES OF FUNDS
Albuquerque International Sunport

	Series 2004A Refunding Bonds	Series 2004B Improvement Bonds	Total 2004 Bonds	Planned future Bonds
SOURCES OF FUNDS				
Bond proceeds				
Par amount	$ 20,665,000	$ 30,000,000	$ 50,665,000	$ 8,045,000
Premium	-	1,369,000	1,369,000	-
	$ 20,665,000	$ 31,369,000	$ 52,034,000	$ 8,045,000
Interest earnings				
Project accounts	$ -	$ -	$ -	$ -
Capitalized Interest Subaccounts	-	58,000	58,000	4,000
	$ -	$ 58,000	$ 58,000	$ 4,000
	$ 20,665,000	$ 31,427,000	$ 52,092,000	$ 8,049,000
USES OF FUNDS				
Project costs	$ -	$ 27,339,000	$ 27,339,000	$ 7,515,000
Refunding of 2000B Bonds	20,010,000	-	20,010,000	-
Debt Service Reserve Fund	-	-	-	-
Capitalized Interest Subaccount	-	3,113,000	3,113,000	356,000
Cost of issuance	654,000	975,000	1,629,000	176,000
Additional proceeds	1,000	-	1,000	2,000
	$ 20,665,000	$ 31,427,000	$ 52,092,000	$ 8,049,000

Source: Citigroup, the representative of the underwriters for the 2004 Bonds.

Exhibit C

DEBT SERVICE REQUIREMENTS
Albuquerque International Sunport
For Fiscal Years Ending June 30

The estimates presented in this exhibit were prepared using information from the sources indicated and assumptions provided by, or reviewed with and agreed to by, Airport management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the estimates will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the estimated and actual results, and those differences may be material.

	Historical (a)			Estimated						
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
DEBT SERVICE REQUIREMENTS										
1995 Bonds	$ 5,002,377	$ 605,827	$ 102,175	$ -	$ -	$ -	$ -	$ -	$ -	$ -
1995 Refunding Bonds (subordinate)	6,303,567	6,586,859	6,685,345	6,418,000	6,516,000	6,592,000	6,647,000	6,681,000	6,694,000	6,787,000
1996A Bonds (subordinate)	882,769	389,608	86,979	-	-	-	-	-	-	-
1997 Refunding Bonds (1987B Bonds)	3,029,234	3,022,984	3,023,296	3,025,000	3,021,000	3,024,000	3,018,000	3,027,000	3,030,000	3,022,000
1998 Refunding Bonds (1989 Bonds)	2,905,364	2,920,214	3,547,189	3,547,000	3,552,000	3,547,000	3,573,000	3,574,000	3,579,000	3,568,000
2000A Bonds (subordinate)	456,448	350,277	418,798	660,000	573,000	565,000	547,000	533,000	535,000	593,000
2000B Bonds (subordinate)	1,020,696	1,145,423	776,904	1,169,000	1,645,000	1,945,000	2,278,000	2,609,000	3,015,000	3,293,000
2001 Refunding Bonds (1995A Bonds)	-	2,407,946	3,184,370	3,842,000	4,479,000	5,312,000	5,138,000	4,964,000	4,790,000	4,994,000
Proposed 2004A Bonds (subordinate)	-	-	-	262,000	1,511,000	1,665,000	1,807,000	1,965,000	2,242,000	2,218,000
Proposed 2004B Bonds	-	-	-	-	-	383,000	3,203,000	3,120,000	3,036,000	2,953,000
Planned future Bonds for projects (b)	-	-	-	-	-	-	458,000	635,000	634,000	635,000
Total Debt Service Requirements	$ 19,600,455	$ 17,429,138	$ 17,825,056	$ 18,923,000	$ 21,297,000	$ 23,033,000	$ 26,669,000	$ 27,108,000	$ 27,555,000	$ 28,063,000
NET DEBT SERVICE REQUIREMENTS										
1995 Bonds	$ 5,002,377	$ 605,827	$ 102,175	$ -	$ -	$ -	$ -	$ -	$ -	$ -
less: Interest on Debt Service Reserve Account (c)	(651,387)	(102,239)	-	-	-	-	-	-	-	-
	$ 4,350,990	$ 503,588	$ 102,175	$ -	$ -	$ -	$ -	$ -	$ -	$ -
1995 Refunding Bonds (subordinate)	$ 6,303,567	$ 6,586,859	$ 6,685,345	$ 6,418,000	$ 6,516,000	$ 6,592,000	$ 6,647,000	$ 6,681,000	$ 6,694,000	$ 6,787,000
less: Interest on Debt Service Reserve Account (c)	(699,912)	(512,943)	(517,074)	(235,000)	(235,000)	(235,000)	(235,000)	(235,000)	(235,000)	(235,000)
	$ 5,603,655	$ 6,073,916	$ 6,168,271	$ 6,183,000	$ 6,281,000	$ 6,357,000	$ 6,412,000	$ 6,446,000	$ 6,459,000	$ 6,552,000
1996A Bonds (subordinate)	$ 882,769	$ 389,608	$ 86,979	$ -	$ -	$ -	$ -	$ -	$ -	$ -
less: Interest on Debt Service Reserve Account (c)	(324,335)	(237,695)	-	-	-	-	-	-	-	-
	$ 558,434	$ 151,913	$ 86,979	$ -	$ -	$ -	$ -	$ -	$ -	$ -
1997 Refunding Bonds (1987B Bonds)	$ 3,029,234	$ 3,022,984	$ 3,023,296	$ 3,025,000	$ 3,021,000	$ 3,024,000	$ 3,018,000	$ 3,027,000	$ 3,030,000	$ 3,022,000
1998 Refunding Bonds (1989 Bonds)	2,905,364	2,920,214	3,547,189	3,547,000	3,552,000	3,547,000	3,573,000	3,574,000	3,579,000	3,568,000
2000A Bonds (subordinate)	456,448	350,277	418,798	660,000	573,000	565,000	547,000	533,000	535,000	593,000
2000B Bonds (subordinate)	1,020,696	1,145,423	776,904	1,169,000	1,645,000	1,945,000	2,278,000	2,609,000	3,015,000	3,293,000
2001 Refunding Bonds (1995A Bonds)	-	2,407,946	3,184,370	3,842,000	4,479,000	5,312,000	5,138,000	4,964,000	4,790,000	4,994,000
Proposed 2004A Bonds (subordinate)	-	-	-	262,000	1,511,000	1,665,000	1,807,000	1,965,000	2,242,000	2,218,000
Proposed 2004B Bonds	-	-	-	-	-	383,000	3,203,000	3,120,000	3,036,000	2,953,000
Planned future Bonds for projects (b)	-	-	-	-	-	-	458,000	635,000	634,000	635,000
Total Net Debt Service Requirements	$ 17,924,821	$ 16,576,261	$ 17,307,982	$ 18,688,000	$ 21,062,000	$ 22,798,000	$ 26,434,000	$ 26,873,000	$ 27,320,000	$ 27,828,000

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Exhibit C (page 2 of 2)

DEBT SERVICE REQUIREMENTS
Albuquerque International Sunport
For Fiscal Years Ending June 30

	Historical (a)			Estimate						
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
NET DEBT SERVICE FUNDING REQUIREMENTS										
120% of Annual Net Debt Service Requirements										
1995 Bonds	$ 5,221,188	$ 604,306	$ 122,610	$ -	$ -	$ -	$ -	$ -	$ -	$ -
1997 Refunding Bonds (1987Bs)	3,635,081	3,627,581	3,627,955	3,630,000	3,625,000	3,629,000	3,622,000	3,632,000	3,636,000	3,626,000
1998 Refunding Bonds (1989 Bonds)	3,486,437	3,504,257	4,256,627	4,256,000	4,262,000	4,256,000	4,288,000	4,289,000	4,295,000	4,282,000
2001 Refunding Bonds (1995A Bonds)	-	2,889,535	3,821,244	4,610,000	5,375,000	6,374,000	6,166,000	5,957,000	5,748,000	5,993,000
Proposed 2004B Bonds	-	-	-	-	-	460,000	3,844,000	3,744,000	3,643,000	3,544,000
Planned future Bonds for projects (b)	-	-	-	-	-	-	550,000	762,000	761,000	762,000
	$ 12,342,706	$ 10,625,679	$ 11,828,436	$ 12,496,000	$ 13,262,000	$ 14,719,000	$ 18,470,000	$ 18,384,000	$ 18,083,000	$ 18,207,000
100% of Annual Net Debt Service Requirements										
1995 Refunding Bonds	$ 5,603,655	$ 6,073,916	$ 6,168,271	$ 6,183,000	$ 6,281,000	$ 6,357,000	$ 6,412,000	$ 6,446,000	$ 6,459,000	$ 6,552,000
1996A Bonds	558,434	151,913	86,979	-	-	-	-	-	-	-
2000A Bonds	456,448	350,277	418,798	660,000	573,000	565,000	547,000	533,000	535,000	593,000
2000B Bonds	1,020,696	1,145,423	776,904	1,169,000	1,645,000	1,945,000	2,278,000	2,609,000	3,015,000	3,293,000
Proposed 2004A Bonds	-	-	-	262,000	1,511,000	1,665,000	1,807,000	1,965,000	2,242,000	2,218,000
	$ 7,639,233	$ 7,721,529	$ 7,450,952	$ 8,274,000	$ 10,010,000	$ 10,532,000	$ 11,044,000	$ 11,553,000	$ 12,251,000	$ 12,656,000
Total net debt service funding requirements	$ 19,981,939	$ 18,347,207	$ 19,279,388	$ 20,770,000	$ 23,272,000	$ 25,251,000	$ 29,514,000	$ 29,937,000	$ 30,334,000	$ 30,863,000
COST CENTER ALLOCATION OF NET DEBT SERVICE FUNDING REQUIREMENTS										
Terminal Complex										
Terminal building	$ 7,438,413	$ 7,507,983	$ 7,648,769	$ 7,770,000	$ 7,940,000	$ 8,328,000	$ 10,127,000	$ 10,231,000	$ 10,171,000	$ 10,223,000
Loading bridges	482,872	481,875	481,925	482,000	481,000	495,000	611,000	619,000	616,000	612,000
Bag claim devices	106,358	106,138	106,149	107,000	106,000	109,000	135,000	137,000	137,000	135,000
Airfield	5,074,543	3,192,195	3,502,379	3,973,000	4,632,000	5,493,000	5,313,000	5,133,000	4,953,000	5,164,000
Terminal Apron	929,490	992,355	1,005,060	1,008,000	1,020,000	1,030,000	1,184,000	1,247,000	1,248,000	1,260,000
Parking Area	2,415,938	2,437,868	2,935,035	2,935,000	2,941,000	2,939,000	2,961,000	2,962,000	2,966,000	2,960,000
Other Areas	1,286,096	1,382,643	1,039,837	1,778,000	3,474,000	4,178,000	6,495,000	6,925,000	7,555,000	7,776,000
Roadways (indirect cost center)	2,248,228	2,246,149	2,560,232	2,719,000	2,677,000	2,679,000	2,686,000	2,681,000	2,686,000	2,732,000
Total net debt service funding requirements	$ 19,981,939	$ 18,347,207	$ 19,279,388	$ 20,772,000	$ 23,271,000	$ 25,251,000	$ 29,512,000	$ 29,935,000	$ 30,332,000	$ 30,862,000

Allocation of roadway costs to cost centers	**Percent**	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Terminal Complex	45.0%	$ 1,011,703	$ 1,010,767	$ 1,152,105	$ 1,223,550	$ 1,204,650	$ 1,205,550	$ 1,208,700	$ 1,206,450	$ 1,208,700	$ 1,229,400
Airfield	--	-	-	-	-	-	-	-	-	-	-
Landside Area	45.0%	1,011,703	1,010,767	1,152,105	1,223,550	1,204,650	1,205,550	1,208,700	1,206,450	1,208,700	1,229,400
Other Areas	10.0%	224,823	224,615	256,023	271,900	267,700	267,900	268,600	268,100	268,600	273,200
	100.0%	$ 2,248,228	$ 2,246,149	$ 2,560,232	$ 2,719,000	$ 2,677,000	$ 2,679,000	$ 2,686,000	$ 2,681,000	$ 2,686,000	$ 2,732,000

(a) Source: Aviation Department records, except as noted. The amount of interest income shown by series of bonds has been allocated to each series based on Debt Service Reserve Account balances.
(b) Based on Capital Program project costs assumed to be funded with Airport Revenue Bonds. See text for more detailed assumptions.
(c) Includes interest earnings on all debt service funds for FY 2001 through FY 2003. For FY 2004 through FY 2010, the investment earning rate is assumed to average 3.5%, which is equal to the average of the actual rates realized for FY 2001 through FY 2003.

Sources: Citigroup and Dain Rauscher, except as noted.

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Exhibit D

OPERATION AND MAINTENANCE EXPENSES
Albuquerque International Sunport
For Fiscal Years Ending June 30

The forecasts presented in exhibit were prepared using information from the sources indicated and assumptions provided by, or reviewed with and agreed to by, Airport management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the forecast and actual results, and those differences may be material.

	Historical (a)			Budgeted (b)	Projected					
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
BY OBJECT TYPE										
Salaries and benefits	$ 10,763,282	$ 11,158,617	$ 11,420,298	$ 12,326,000	$ 12,906,000	$ 13,514,000	$ 14,156,000	$ 14,829,000	$ 15,529,000	$ 16,268,000
Professional services	171,104	159,353	82,540	200,000	209,000	219,000	229,000	240,000	251,000	263,000
Utilities	2,241,227	2,230,402	2,364,867	2,540,000	2,660,000	2,785,000	2,917,000	3,056,000	3,200,000	3,352,000
Supplies	557,787	432,271	500,321	491,000	514,000	538,000	564,000	591,000	619,000	648,000
Travel	44,648	20,140	29,802	53,000	55,000	58,000	61,000	64,000	67,000	70,000
Repairs and maintenance	2,243,210	1,941,528	2,235,991	2,559,000	2,679,000	2,805,000	2,938,000	3,078,000	3,223,000	3,376,000
Contractual services	1,921,502	3,679,740	3,576,033	4,003,000	4,191,000	4,389,000	4,597,000	4,815,000	5,042,000	5,282,000
Other operating expenses	2,156,105	1,830,858	1,827,578	2,201,000	2,305,000	2,414,000	2,529,000	2,649,000	2,774,000	2,906,000
	$ 20,098,865	$ 21,452,909	$ 22,037,430	$ 24,373,000	$ 25,519,000	$ 26,722,000	$ 27,991,000	$ 29,322,000	$ 30,705,000	$ 32,165,000
BY COST CENTER										
Terminal Complex	$ 10,578,783	$ 10,708,846	$ 11,081,409	$ 12,007,000	$ 12,739,000	$ 13,339,000	$ 13,973,000	$ 14,637,000	$ 15,327,000	$ 16,056,000
Airfield	3,195,490	3,464,806	3,313,117	3,929,000	4,122,000	4,316,000	4,521,000	4,736,000	4,959,000	5,195,000
Terminal Apron	487,485	659,303	795,532	878,000	784,000	821,000	860,000	901,000	944,000	989,000
Reliever Airport	335,290	362,235	278,665	442,000	431,000	451,000	473,000	495,000	518,000	543,000
Parking Area	3,008,326	2,514,769	2,549,584	2,755,000	2,991,000	3,132,000	3,281,000	3,437,000	3,599,000	3,770,000
Other Areas										
Cargo Apron	106,823	143,824	150,880	175,000	171,000	179,000	188,000	197,000	206,000	216,000
Cargo Building	67,466	71,578	87,601	95,000	85,000	89,000	93,000	98,000	102,000	107,000
Consolidated Rental Car Facility	147,448	283,566	634,578	582,000	609,000	638,000	668,000	700,000	733,000	768,000
Common rental car shuttle bus	1,014,236	2,951,211	2,643,748	2,781,000	2,912,000	3,049,000	3,194,000	3,346,000	3,504,000	3,671,000
All other areas	1,157,519	292,771	502,316	729,000	675,000	708,000	740,000	775,000	813,000	850,000
	$ 20,098,865	$ 21,452,909	$ 22,037,430	$ 24,373,000	$ 25,519,000	$ 26,722,000	$ 27,991,000	$ 29,322,000	$ 30,705,000	$ 32,165,000
Average annual percent increase		6.7%	2.7%	10.6%	4.7%	4.7%	4.7%	4.8%	4.7%	4.8%

(a) Source: Aviation Department records.
(b) Source: Aviation Department budget.

2/19/2004

Exhibit E

GROSS AIRPORT REVENUES
Albuquerque International Sunport
For Fiscal Years Ending June 30

The forecasts presented in this exhibit were prepared using information from the sources indicated and assumptions provided by, or reviewed with and agreed to by, Airport management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the forecast and actual results, and those differences may be material.

		Historical (a)			Forecast						
		2001	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
AIRLINE REVENUES											
Signatory Passenger Airlines											
Terminal Complex											
Space rentals		$ 9,452,427	$ 9,466,894	$ 10,387,436	$ 10,895,000	$ 12,287,000	$ 12,775,000	$ 14,185,000	$ 14,832,000	$ 14,945,000	$ 16,119,000
Loading bridge fees (b)		952,061	1,026,886	1,069,381	1,025,000	1,051,000	1,088,000	1,228,000	1,261,000	1,284,000	1,307,000
Baggage claim device charges		207,000	200,000	200,000	214,000	325,000	335,000	391,000	373,000	377,000	378,000
Terminal Apron fees		1,250,615	1,104,559	1,428,529	1,637,000	1,512,000	1,548,000	1,710,000	1,854,000	1,602,000	1,240,000
Landing fees		8,597,024	8,425,117	8,200,020	8,614,000	9,551,000	9,872,000	9,837,000	9,829,000	9,878,000	9,955,000
Commuter ramp fees		43,486	103,138	65,673	69,000	38,000	39,000	41,000	41,000	41,000	42,000
	[A]	$ 20,502,613	$ 20,326,594	$ 21,351,039	$ 22,454,000	$ 24,764,000	$ 25,657,000	$ 27,392,000	$ 28,190,000	$ 28,127,000	$ 29,041,000
Nonsignatory Passenger Airlines											
Terminal Complex space rentals		$ 110,440	$ 144,199	$ 112,836	$ 143,000	$ 143,000	$ 143,000	$ 143,000	$ 143,000	$ 143,000	$ 143,000
Nonpreferential gate use fees		750,320	1,002,500	1,197,946	1,401,000	238,000	240,000	243,000	244,000	246,000	247,000
Landing fees		737,661	942,560	800,443	830,000	188,000	194,000	193,000	193,000	194,000	196,000
Overnight aircraft parking fees		92,886	115,450	175,888	130,000	100,000	100,000	100,000	100,000	100,000	100,000
	[B]	$ 1,691,307	$ 2,204,709	$ 2,287,113	$ 2,504,000	$ 669,000	$ 677,000	$ 679,000	$ 680,000	$ 683,000	$ 686,000
Cargo Airlines											
Landing fees		$ 1,288,255	$ 1,254,218	$ 1,242,363	$ 1,255,000	$ 1,333,000	$ 1,419,000	$ 1,444,000	$ 1,475,000	$ 1,517,000	$ 1,568,000
Cargo Apron fees		254,605	242,791	245,492	302,000	225,000	247,000	205,000	224,000	243,000	225,000
Cargo Building rentals		265,924	533,288	503,434	435,000	316,000	339,000	41,000	34,000	37,000	41,000
		$ 1,808,784	$ 2,030,297	$ 1,991,289	$ 1,992,000	$ 1,874,000	$ 2,005,000	$ 1,690,000	$ 1,733,000	$ 1,797,000	$ 1,834,000
Total airline revenues		$ 24,002,704	$ 24,561,600	$ 25,629,441	$ 26,950,000	$ 27,307,000	$ 28,339,000	$ 29,761,000	$ 30,603,000	$ 30,607,000	$ 31,561,000
Enplaned passengers	[C]	3,151,608	3,043,775	3,010,471	3,075,000	3,126,000	3,178,000	3,232,000	3,287,000	3,342,000	3,399,000
Cost per enplaned passenger	[(A+B)/C]	$7.04	$7.40	$7.85	$8.12	$8.14	$8.29	$8.69	$8.78	$8.62	$8.75
Discounted to FY 2003 dollars (c)				*$7.85*	*$7.88*	*$7.67*	*$7.58*	*$7.72*	*$7.58*	*$7.22*	*$7.11*

Exhibit E (page 2 of 2)

GROSS AIRPORT REVENUES
Albuquerque International Sunport
For Fiscal Years Ending June 30

	Historical (a)			Forecast						
	2001	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
NONAIRLINE REVENUES										
Concessions										
Rental cars (d)	$ 6,678,018	$ 8,118,231	$ 7,431,863	$ 7,653,000	$ 7,898,000	$ 8,149,000	$ 8,411,000	$ 8,683,000	$ 8,960,000	$ 9,250,000
News/gifts	1,337,969	1,378,794	1,322,047	1,438,000	1,506,000	1,577,000	1,652,000	1,730,000	1,812,000	1,898,000
Food/beverage	1,390,295	1,375,521	1,458,144	1,500,000	1,544,000	1,616,000	1,693,000	1,774,000	1,857,000	1,946,000
Advertising	280,169	252,152	197,717	250,000	318,000	333,000	349,000	365,000	382,000	401,000
Pay telephone	205,605	208,184	3,984	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Baggage lockers	2,284	328	-	-	-	-	-	-	-	-
Space rentals	350,544	153,661	91,013	162,000	162,000	162,000	162,000	162,000	162,000	162,000
	$ 10,244,884	$ 11,486,871	$ 10,504,768	$ 11,018,000	$ 11,443,000	$ 11,852,000	$ 12,282,000	$ 12,729,000	$ 13,188,000	$ 13,672,000
Landside Area										
Public parking	$ 7,518,304	$ 5,972,151	$ 6,085,131	$ 6,076,000	$ 6,204,000	$ 6,370,000	$ 6,543,000	$ 6,720,000	$ 6,901,000	$ 7,089,000
Employee parking	54,895	49,922	83,825	60,000	62,000	64,000	66,000	68,000	70,000	72,000
Commercial vehicle lane	393,023	354,727	280,206	244,000	251,000	257,000	264,000	272,000	279,000	287,000
	$ 7,966,222	$ 6,376,800	$ 6,449,162	$ 6,380,000	$ 6,517,000	$ 6,691,000	$ 6,873,000	$ 7,060,000	$ 7,250,000	$ 7,448,000
Airfield	376,917	413,101	413,157	365,000	256,000	261,000	267,000	273,000	280,000	286,000
Reliever Airport	47,669	37,890	61,302	53,000	55,000	56,000	58,000	60,000	61,000	63,000
Other Areas										
Building and ground rentals	$ 1,351,416	$ 1,281,725	$ 1,255,911	$ 1,300,000	$ 1,320,000	$ 1,339,000	$ 1,359,000	$ 1,380,000	$ 1,400,000	$ 1,421,000
Rental car facility rentals (e)	563,983	1,566,453	1,716,616	1,640,000	2,194,000	2,422,000	2,659,000	2,905,000	3,239,000	3,390,000
Old terminal building	-	-	-	192,000	192,000	192,000	192,000	192,000	192,000	192,000
Other leased sites	272,780	306,700	429,696	284,000	282,000	282,000	282,000	282,000	282,000	282,000
General aviation	162,457	247,551	265,295	255,000	198,000	200,000	200,000	200,000	200,000	200,000
Fuel facility fees	-	-	-	-	-	211,000	1,760,000	1,714,000	1,668,000	1,622,000
	$ 2,350,636	$ 3,402,429	$ 3,667,518	$ 3,671,000	$ 4,186,000	$ 4,646,000	$ 6,452,000	$ 6,673,000	$ 6,981,000	$ 7,107,000
Miscellaneous revenues	923,014	1,390,549	1,381,723	901,000	1,222,000	1,243,000	1,264,000	1,286,000	1,308,000	1,331,000
	$ 21,909,342	$ 23,107,640	$ 22,477,630	$ 22,388,000	$ 23,679,000	$ 24,749,000	$ 27,196,000	$ 28,081,000	$ 29,068,000	$ 29,907,000
CFC revenues	1,840,909	3,360,475	3,650,665	3,450,000	4,513,000	4,900,000	5,305,000	5,725,000	6,258,000	6,567,000
PFC revenues	8,544,558	7,083,472	8,154,815	8,330,000	8,468,000	8,608,000	8,755,000	8,904,000	9,053,000	9,208,000
Total nonairline revenues	$ 32,294,809	$ 33,551,587	$ 34,283,110	$ 34,168,000	$ 36,660,000	$ 38,257,000	$ 41,256,000	$ 42,710,000	$ 44,379,000	$ 45,682,000
Total Gross Airport Revenues	$ 56,297,513	$ 58,113,187	$ 59,912,551	$ 61,118,000	$ 63,967,000	$ 66,596,000	$ 71,017,000	$ 73,313,000	$ 74,986,000	$ 77,243,000

(a) Source: Aviation Department records, except as noted.
(b) Includes fixed and operating loading bridge fees.
(c) Assuming 3.0% annual inflation.
(d) Reflects the privilege fee of 9% of rental car gross revenues.
(e) In FY 2001, includes ready/return space rentals in the public parking structure and surface lot. Thereafter, includes ground rentals for service center facilities.

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Exhibit E-1

TERMINAL COMPLEX RENTAL RATES
Albuquerque International Sunport
For Fiscal Years Ending June 30

The forecasts presented in this exhibit were prepared using information from the sources indicated and assumptions provided by, or reviewed with and agreed to by, Airport management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the forecast and actual results, and those differences may be material.

	Forecast						
	2004	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
TERMINAL COMPLEX REQUIREMENT							
Operation and Maintenance Expenses	$12,007,000	$12,739,000	$13,339,000	$13,973,000	$14,637,000	$15,327,000	$16,056,000
less allocable expenses:							
Loading bridges	(453,000)	(480,000)	(503,000)	(527,000)	(552,000)	(578,000)	(605,000)
Baggage claim devices	(81,000)	(86,000)	(90,000)	(94,000)	(99,000)	(103,000)	(108,000)
Debt Service Requirements							
Terminal Complex	7,770,000	7,940,000	8,328,000	10,127,000	10,231,000	10,171,000	10,223,000
Roadways	1,224,000	1,205,000	1,206,000	1,209,000	1,206,000	1,209,000	1,229,000
Amortization of City-funded assets (a)	2,649,000	2,892,000	2,839,000	2,423,000	2,809,000	2,721,000	2,118,000
= Terminal Complex Cost	$23,116,000	$24,210,000	$25,119,000	$27,111,000	$28,232,000	$28,747,000	$28,913,000
Less: Security costs recovered through separate charges	(573,000)	(589,000)	(607,000)	(625,000)	(644,000)	(663,000)	(683,000)
= Net Terminal Complex Cost	$22,543,000	$23,621,000	$24,512,000	$26,486,000	$27,588,000	$28,084,000	$28,230,000
/ Total rentable space (square feet)	269,167	269,167	269,167	269,167	269,167	269,167	269,167
= Basic Cost Rate per square foot	**$83.75**	**$87.76**	**$91.07**	**$98.40**	**$102.49**	**$104.34**	**$104.88**
x Airline rentable space (square feet)	204,666	204,666	204,666	204,666	204,666	204,666	204,666
= Airline rental requirement	$17,141,000	$17,961,000	$18,638,000	$20,139,000	$20,977,000	$21,354,000	$21,465,000
- Nonsignatory airline space rentals	(143,000)	(143,000)	(143,000)	(143,000)	(143,000)	(143,000)	(143,000)
= Basic Signatory Airline Rental Requirement	$16,998,000	$17,818,000	$18,495,000	$19,996,000	$20,834,000	$21,211,000	$21,322,000
- Airline Concession Revenue Credit (see below)	(4,186,000)	(4,310,000)	(4,456,000)	(4,424,000)	(4,560,000)	(4,813,000)	(5,148,000)
= Net Signatory Airline Rental Requirement	$12,812,000	$13,508,000	$14,039,000	$15,572,000	$16,274,000	$16,398,000	$16,174,000
/ Signatory Airline Rentable Space (square feet)	197,092	197,092	197,092	197,092	197,092	197,092	197,092
= Effective average airline rental rate per square foot	$65.01	$68.54	$71.23	$79.01	$82.57	$83.20	$82.06

Exhibit E-1 (page 2 of 2)

TERMINAL COMPLEX RENTAL RATES
Albuquerque International Sunport
For Fiscal Years Ending June 30

	Forecast						
	2004	2005	2006	2007	2008	2009	2010
TERMINAL COMPLEX REQUIREMENT (cont)							
Airline Concession Revenue Credit							
Concession and nonairline space (square feet)	64,501	64,501	64,501	64,501	64,501	64,501	64,501
x Basic Cost Rate per square foot	$83.75	$87.76	$91.07	$98.40	$102.49	$104.34	$104.88
= Cost of concession space	$5,402,000	$5,660,000	$5,874,000	$6,347,000	$6,611,000	$6,730,000	$6,765,000
- Concession and nonairline space revenue	11,018,000	11,443,000	11,852,000	12,282,000	12,729,000	13,188,000	13,672,000
= Excess Concession Revenue	$5,616,000	$5,783,000	$5,978,000	$5,935,000	$6,118,000	$6,458,000	$6,907,000
x Signatory Airline rented space as a percentage of total rented space	74.5%	74.5%	74.5%	74.5%	74.5%	74.5%	74.5%
= Airline Concession Revenue Credit	$4,186,000	$4,310,000	$4,456,000	$4,424,000	$4,560,000	$4,813,000	$5,148,000
City's portion of Concession Revenue Split	$1,430,000	$1,473,000	$1,522,000	$1,511,000	$1,558,000	$1,645,000	$1,759,000

(a) Includes allocable amortization charges associated with access and terminal roadway improvements.

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Exhibit E-2

AIRLINE LANDING FEES
Albuquerque International Sunport
For Fiscal Years Ending June 30

The forecasts presented in this exhibit were prepared using information from the sources indicated and assumptions provided by, or reviewed with and agreed to by, Airport management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the forecast and actual results, and those differences may be material.

	Forecast						
	2004	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
AIRFIELD REQUIREMENT							
Operation and Maintenance Expenses	$3,929,000	$4,122,000	$4,316,000	$4,521,000	$4,736,000	$4,959,000	$5,195,000
Debt Service Requirements	3,973,000	4,632,000	5,493,000	5,313,000	5,133,000	4,953,000	5,164,000
Amortization of City-funded assets (a)	2,400,000	1,761,000	1,098,000	1,063,000	1,044,000	1,072,000	793,000
Reliever Airport Deficit	694,000	678,000	697,000	696,000	698,000	720,000	680,000
Operation and Maintenance Reserve Account deposit	139,000	191,000	201,000	211,000	222,000	231,000	243,000
Less: allocable CFC revenues for shuttle bus expense portion of O&M Reserve Account deposit	(48,000)	(26,000)	(28,000)	(29,000)	(30,000)	(32,000)	(34,000)
Costs associated with cargo taxilane	46,000	9,000	9,000	7,000	7,000	7,000	6,000
= Total Airfield cost	$11,133,000	$11,367,000	$11,786,000	$11,782,000	$11,810,000	$11,910,000	$12,047,000
less credits:							
Nonsignatory landing fees							
Passenger airlines	$182,000	$188,000	$194,000	$193,000	$193,000	$194,000	$196,000
Cargo	4,000	5,000	4,000	4,000	4,000	6,000	6,000
Military fees	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Nonscheduled airline landing fees	15,000	15,000	15,000	15,000	15,000	15,000	15,000
General aviation fuel flowage fees	300,000	191,000	196,000	202,000	208,000	215,000	221,000
Commuter ramp area	69,000	38,400	39,300	40,800	41,100	41,400	41,700
	$620,000	$487,400	$498,300	$504,800	$511,100	$521,400	$529,700
= Net Airfield Cost	$10,513,000	$10,879,600	$11,287,700	$11,277,200	$11,298,900	$11,388,600	$11,517,300
/ Total Signatory Airline Landed Weight (1,000 lb units)	4,950,000	5,023,000	5,107,000	5,194,000	5,284,000	5,374,000	5,470,000
= Signatory Airline landing fee rate (per 1,000 lb unit of landed weight)	$2.12	$2.17	$2.21	$2.17	$2.14	$2.12	$2.11
= Nonsignatory airline landing fee rate (per 1,000 pound unit of landed weight) @ 115%	$2.44	$2.49	$2.54	$2.50	$2.46	$2.44	$2.42

(a) Decreases as a result of reimbursed Capital Fund investments in the Airfield Cost Center from PFC revenues. See text for additional assumptions.

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Exhibit F

APPLICATION OF GROSS AIRPORT REVENUES
Albuquerque International Sunport
For Fiscal Years Ending June 30

The forecasts presented in this exhibit were prepared using information from the sources indicated and assumptions provided by, or reviewed with and agreed to by, Airport management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the forecast and actual results, and those differences may be material.

	Forecast						
	2004	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
APPLICATION OF GROSS AIRPORT REVENUES							
Airline revenues	$26,950,000	$27,307,000	$28,339,000	$29,761,000	$30,603,000	$30,607,000	$31,561,000
Nonairline revenues	22,388,000	23,679,000	24,749,000	27,196,000	28,081,000	29,068,000	29,907,000
	$49,338,000	$50,986,000	$53,088,000	$56,957,000	$58,684,000	$59,675,000	$61,468,000
CFC revenues	3,450,000	4,513,000	4,900,000	5,305,000	5,725,000	6,258,000	6,567,000
PFC revenues	8,330,000	8,468,000	8,608,000	8,755,000	8,904,000	9,053,000	9,208,000
	$61,118,000	$63,967,000	$66,596,000	$71,017,000	$73,313,000	$74,986,000	$77,243,000
USES OF REVENUES							
Operation and Maintenance Expenses	$24,373,000	$25,519,000	$26,722,000	$27,991,000	$29,322,000	$30,705,000	$32,165,000
Senior Debt Service Fund							
Interest and Principal Accounts							
Existing Airport Obligations	$10,414,000	$11,052,000	$11,883,000	$11,729,000	$11,565,000	$11,399,000	$11,584,000
Proposed 2004B Bonds	-	-	383,000	3,203,000	3,120,000	3,036,000	2,953,000
Planned future Bonds for Capital Program	-	-	-	458,000	635,000	634,000	635,000
	$10,414,000	$11,052,000	$12,266,000	$15,390,000	$15,320,000	$15,069,000	$15,172,000
Debt Service Reserve Accounts	-	-	-	-	-	-	-
Subordinate Debt Service Fund							
Interest and Principal Accounts							
Existing Airport Obligations	$8,012,000	$8,499,000	$8,867,000	$9,237,000	$9,588,000	$10,009,000	$10,438,000
Proposed 2004A Bonds	262,000	1,511,000	1,665,000	1,807,000	1,965,000	2,242,000	2,218,000
	$8,274,000	$10,010,000	$10,532,000	$11,044,000	$11,553,000	$12,251,000	$12,656,000
Debt Service Reserve Accounts	-	-	-	-	-	-	-
O&M Reserve Account	139,000	191,000	201,000	211,000	222,000	231,000	243,000
Capital Fund							
Airline Coverage Account	1,071,000	1,219,000	1,389,000	1,568,000	1,556,000	1,509,000	1,569,000
Remaining PFC revenues	8,330,000	8,468,000	8,608,000	8,755,000	8,904,000	9,053,000	9,208,000
Remaining revenues	8,517,000	7,508,000	6,878,000	6,058,000	6,436,000	6,168,000	6,230,000
Total application of Gross Airport Revenues	$61,118,000	$63,967,000	$66,596,000	$71,017,000	$73,313,000	$74,986,000	$77,243,000

2/19/2004

Exhibit G

DEBT SERVICE COVERAGE

Albuquerque International Sunport

For Fiscal Years Ending June 30

The forecasts presented in this exhibit were prepared using information from the sources indicated and assumptions provided by, or reviewed with and agreed to by, Airport management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the forecast and actual results, and those differences may be material.

		Forecast						
		2004	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
GROSS AIRPORT REVENUES								
Airline and nonairline revenues		$49,338,000	$50,986,000	$53,088,000	$56,957,000	$58,684,000	$59,675,000	$61,468,000
CFC revenues		3,450,000	4,513,000	4,900,000	5,305,000	5,725,000	6,258,000	6,567,000
PFC revenues		8,330,000	8,468,000	8,608,000	8,755,000	8,904,000	9,053,000	9,208,000
		$61,118,000	$63,967,000	$66,596,000	$71,017,000	$73,313,000	$74,986,000	$77,243,000
Less: Operation and Maintenance Expenses		24,373,000	25,519,000	26,722,000	27,991,000	29,322,000	30,705,000	32,165,000
Net Revenues		$36,745,000	$38,448,000	$39,874,000	$43,026,000	$43,991,000	$44,281,000	$45,078,000
RATE COVENANT TEST 1								
Net Revenues	[A]	$36,745,000	$38,448,000	$39,874,000	$43,026,000	$43,991,000	$44,281,000	$45,078,000
Senior Parity Debt Service Requirements	[B]	10,414,000	11,052,000	12,266,000	15,390,000	15,320,000	15,069,000	15,172,000
Demonstrated coverage	[A/B]	3.53	3.48	3.25	2.80	2.87	2.94	2.97
Required coverage		1.20	1.20	1.20	1.20	1.20	1.20	1.20
RATE COVENANT TEST 2								
Net Revenues		$36,745,000	$38,448,000	$39,874,000	$43,026,000	$43,991,000	$44,281,000	$45,078,000
Plus: Debt Service Reserve Account interest earnings		235,000	235,000	235,000	235,000	235,000	235,000	235,000
	[C]	$36,980,000	$38,683,000	$40,109,000	$43,261,000	$44,226,000	$44,516,000	$45,313,000
Total Debt Service Requirements	[D]	$18,923,000	$21,297,000	$23,033,000	$26,669,000	$27,108,000	$27,555,000	$28,063,000
Demonstrated coverage	[C/D]	1.95	1.82	1.74	1.62	1.63	1.62	1.61
Required coverage		1.10	1.10	1.10	1.10	1.10	1.10	1.10

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Appendix C
Summary of Certain Provisions of the Bond Legislation

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APPENDIX C

Summary of Certain Provisions of the Legislation

The following includes certain provisions of the Bond Ordinance and the Sale Resolution, collectively the Bond Legislation. This summary does not purport to be complete and reference is made to the Bond Ordinance and the Sale Resolution for a full and complete statement of their provisions.

Selected Definitions

"*AIG Exchange Agreement*" means the Interest Rate Swap Agreement dated as of October 1, 1992 (which is a Qualified Exchange Agreement), including supplements and amendments thereto, relating to the Series 1995 Refunding Bonds between the City and AIG Financial Products Corp.

"*Act*" means the general laws of the State, including Sections 3-39-1 to 3-39-15 NMSA 1978, as amended and supplemented, the Home Rule Powers, the Charter of the City, and all enactments of the Council, including the Bond Ordinance, relating to the issuance of the Refunding Bonds and the Improvement Bonds.

"*Airport*" means all of the City's existing and future Airport Facilities, and any interest of the City therein, including, without limitation, 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 Consultant*" means the person or firm appointed by, and who is not an employee or officer of, the City that has a favorable national reputation for skill and experience in the management, operation and financial affairs of municipal airports.

"*Airport Facilities*" means 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*" means Senior Parity Obligations, Subordinate Parity Obligations, Junior Lien Obligations and any other bonds, notes or other instruments which evidence a borrowing payable from and secured by Net Revenues, now Outstanding or hereafter issued or incurred.

"*Bond Insurance Policy*" means any policy of municipal bond insurance with respect to a series of Airport Obligations insuring the payment, when due, of the principal of and interest on all or part of that series.

"*Bond Legislation*" means the Bond Ordinance and (i) as to the Refunding Bonds, the Refunding Bonds Sale Resolution and (ii) as to the Improvement Bonds, the Improvement Bonds Sale Resolution.

"*Bond Ordinance*" means the City Ordinance Sixteenth Council Bill No. O-03-3, Enactment No. O-2004-5, as amended or supplemented from time to time.

"*Business Day*" means any day other than (i) a Saturday or Sunday or (ii) any day on which the offices of the City and banks located in the cities in which the principal offices of the Paying Agent and Registrar are located are authorized or required to remain closed or (iii) a day on which the New York Stock Exchange is closed.

"*City Engineer*" means an engineer in the regular control and employ of the City.

"*Code*" means the Internal Revenue Code of 1986, as amended from time to time. Each reference to a section of the Code in the Bond Ordinance shall be deemed to include the final and temporary United States Treasury regulations thereunder, as the same may be in effect from time to time, to the extent the same are applicable, unless the context clearly requires otherwise.

"*Consulting Engineer*" means the City Engineer or any registered or licensed professional engineer, or any firm of such engineers, having a favorable reputation for skill and experience in the field of designing, preparing plans and specifications for, and supervising construction of, airports and airport facilities, entitled to practice and practicing as such under the laws of the State, retained and compensated by the City, but (except for the City Engineer) not in the regular employ of the City.

"*Debt Service Requirements*" means, for any period, the sum of: (i) the amount required to pay the interest, or to make reimbursements for payments of interest, becoming due on the applicable Airport Obligations during such period; plus (ii) the amount required to pay the principal or accreted value, or to make reimbursements for the payment of principal or accreted value, becoming due on the applicable Airport Obligations during that period, whether at maturity, an accretion term date or upon mandatory sinking fund redemption dates, plus (iii) any net periodic payments on a notional amount required to be made by the City pursuant to a Qualified Exchange Agreement minus (iv) any net periodic payments on a notional amount to be received by the City pursuant to a Qualified Exchange Agreement. For purposes of calculating Debt Service Requirements:

(1) No payments required on Airport Obligations which may occur because of the exercise of an option by the City, or which may otherwise become due by reason of any other circumstance or contingency, including acceleration, which constitute other than regularly scheduled payments of principal, accreted value, interest or other regularly scheduled payments on Airport Obligations shall be included in any computation of Debt Service Requirements for any computation period prior to the maturity or other certain due dates thereof.

(2) (a) Debt Service Requirements required to be made pursuant to a Qualified Exchange Agreement shall be based upon the actual amount required to be paid by the City, if any, to the Qualified Counterparty. In determining that amount, any payments required to be made by either party to the Qualified Exchange Agreement at a Variable Interest Rate shall be computed, in determining the obligation of the City under the Qualified Exchange Agreement, using the procedures set forth in Paragraph (6) of this definition.

(b) Exchange Termination Payments shall be considered as part of Debt Service Requirements on the date of computation only if those Exchange Termination Payments have become due and remain unpaid at the time of computation in accordance with the terms of the applicable Qualified Exchange Agreement.

(3) Unless, at the time of computation of Debt Service Requirements, payments on Airport Obligations are owed to, or Airport Obligations are owned or held by, the provider of a credit or liquidity facility pursuant to the provisions of that facility, the computation of interest for the purposes of this definition shall be made without considering the interest rate payable pursuant to such facility.

(4) For the purpose of the definition of Debt Service Requirements, the accreted value of capital appreciation bonds shall be included in the calculation of interest and principal only for the applicable year during which the accreted value becomes payable.

(5) In any computation of Debt Service Requirements relating to the issuance of additional Airport Obligations and the Rate Covenant, there shall be deducted from that computation of Debt Service Requirements amounts and investments which are irrevocably committed to make designated payments on Airport Obligations included as part of the computation during the applicable period, including, without limitation: (i) money on deposit in any debt service account, (ii) money on deposit in any debt service reserve account, (iii) amounts on deposit in an escrow account, (iv) proceeds of a series of Airport Obligations deposited to the credit of an account for the payment of capitalized interest on Airport Obligations included as part of the computation and (v) earnings on such investments which are payable and required to be used, or which are used, for the payment of Debt Service Requirements during the applicable period.

(6) To determine Debt Service Requirements for Airport Obligations with a Variable Interest Rate, the City shall use the procedures set forth in the following subparagraphs to determine the amount of interest or other payments to be paid by the City on those Airport Obligations and the amount of credit against Debt Service Requirements for payments to be received by the City based upon Variable Interest Rates to be made by a Qualified Counterparty or otherwise.

(a) During any Historic Test Period for which the actual Variable Interest Rates are determinable, the actual Variable Interest Rates shall be used. During any Historic Test Period when the actual Variable Interest Rate is not determinable, the Variable Interest Rate shall, for the purpose of determining Debt Service Requirements, be deemed to be the higher of:

(i) the actual Variable Interest Rate, if any, at the time of computation; or

(ii) a fixed annual rate equal to the prevailing Variable Interest Rate on the date of computation as certified by the City's financial advisor, another investment banker designated by the City from time to time or a Qualified Counterparty.

(b) Prospective computations of Variable Interest Rates on Airport Obligations other than a Qualified Exchange Agreement shall be made on the assumption that the applicable Airport Obligations bear interest at a fixed annual rate equal to:

(i) the average of the daily rates of such Airport Obligations during the 365 consecutive days (or any lesser period such Airport Obligations have been Outstanding) next preceding the date of computation which shall not be more than 60 days prior to the date of the issuance of the additional Airport Obligations; or

(ii) with respect to Airport Obligations initially issued or incurred as or being converted to Variable Interest Rate Airport Obligations, the estimated initial rate of interest (which shall be no less than the initial rate of interest) on such Airport Obligations on the date of issuance, exchange or conversion as certified by the City's financial advisor, another investment banker designated by the City from time to time or a Qualified Counterparty.

(c) Prospective computations of Variable Interest Rates for a Qualified Exchange Agreement shall be based upon:

(i) the actual interest rate used to compute the net amount most recently paid, as of the date of computation, by the City to the Qualified Counterparty or (expressed as a negative number) by the Qualified Counterparty to the City; or

(ii) if no such payment has been made under the pertinent Qualified Exchange Agreement, the interest rate used to determine the estimated initial net payment obligation on such Qualified Exchange Agreement on the computation date as certified by the City's financial advisor, another investment banker designated by the City from time to time or a Qualified Counterparty.

(7) The purchase or tender price of Airport Obligations resulting from the optional or mandatory tender or presentment for purchase of those Airport Obligations shall not be included in any computation of Debt Service Requirements.

The City shall comply with all requirements relating to the computation of Debt Service Requirements relating to Outstanding Parity Obligations set forth in any ordinance or resolution of the City adopted prior to the date of the Bond Ordinance.

"*Defeasance Obligations*" means the following obligations which are not redeemable at the option of the City:

(1) Government Obligations; and

(2) if permitted by law, obligations described in Section 103(a) of the Code, (a) provisions for the payment of the principal of, premium, if any, and interest on which (i) shall have been made by the irrevocable deposit with a bank or trust company acting as a trustee, escrow agent or holder of such obligations, securities described in clause (1) of this definition, the maturing principal of and interest on which, when due and payable, without further investment or reinvestment thereof, will provide sufficient money to pay when due the principal of, premium, if any, and interest on such obligations, and (ii) which securities described in clause (1) of this definition are not available to satisfy any other claim, including any claim of such trustee or escrow agent or of any person claiming through such trustee or escrow agent or to whom such trustee or escrow agent may be obligated, including claims in the event of insolvency of such trustee or escrow agent or proceedings arising out of such insolvency or (b) rated in its highest rating category (without regard to any refinement or gradation thereof by numerical modifier or otherwise) by S&P, Moody's or Fitch.

"*Escrow Fund*" means the "City of Albuquerque, New Mexico, Subordinate Lien Taxable Airport Refunding Revenue Bonds, Series 2004 Bonds Escrow Fund" created in Section 16 of the Bond Ordinance.

"*Exchange Termination Payment*" means the net amount payable pursuant to a Qualified Exchange Agreement by the City or a Qualified Counterparty to compensate the other party for any losses and costs that such other party may incur as a result of the early termination of the obligations, in whole or in part, of the parties under that Qualified Exchange Agreement.

"*Existing Airport Obligations*" means the Airport Obligations Outstanding on the date of the adoption of the Bond Ordinance being the Series 2001 Bonds, Series 2000A Bonds, the Series 2000B, the Series 1998 Bonds, the Series 1997 Bonds, the Series 1996A Bonds, the Series 1995 Refunding Bonds, and the AIG Exchange Agreement.

"*Expenses*" means the reasonable and necessary fees, costs and expenses incurred by the City in connection with the issuance of Airport Obligations including, without limitation: (i) costs of advertising and publication of legislation relating to the Airport Obligations; (ii) costs of printing certificates for the Airport Obligations and any disclosure documents; (iii) legal fees and expenses; (iv) fees and expenses (including, but not limited to, legal fees and expenses) of any (a) fiscal service providers, (b) underwriter (including underwriter's discount), (c) placement agent, (d) Independent Accountant, (e) Qualified Counterparty and (f) Airport Consultant; (v) the initial premium payable to any Insurer; (vi) disclosure matters pertaining or allocable to, the Airport Obligations; (vii) costs relating to the initial purchase of Defeasance Obligations, if any; (viii) the premium payable in respect of any Surety Bond; and (ix) all reasonable and necessary fees and administrative costs of the City relating to the foregoing. Expenses shall not include liabilities incurred by the City as the result of negligence in the operation of the Airport and any payments made to the City's general fund as payments in lieu of franchise or other City taxes.

"*Fiscal Year*" means the twelve-month period commencing on the first day of July of each year and ending on the 30th day of June of the next succeeding year, or any other twelve-month period which the City establishes as the fiscal year for the City.

"*Government Obligations*" means direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America or certificates or receipts established by the United States Government or its agencies or instrumentalities representing direct ownership of future interests or principal payments on direct obligations of, or obligations fully guaranteed by, the United States of America or any of its agencies or instrumentalities, the obligations of which are backed by the full faith and credit of the United States, which obligations are held by a custodian in safekeeping on behalf of the holders of such receipts, and rated or assessed in its highest Rating Category by S&P, Fitch and Moody's, if then rating the Airport Obligations to be issued pursuant to the Bond Ordinance.

"*Gross Airport Revenues*" means all income and revenues derived directly or indirectly by the City from the operation of the Airport, or any part of the Airport, including income and revenues resulting from improvements, extensions, enlargements, repairs or betterments or additions to the Airport. The term Gross Airport Revenues also includes: (i) unencumbered funds from Net Revenues of prior Fiscal Years (including amounts from the Capital Fund) deposited in or credited to the Revenue Fund but in an amount not to exceed 20% of the Debt Service Requirements of Airport Obligations for the Fiscal Year in which the deposit or credit is made, to the extent directed by the City's Director of Finance and Administrative Services, or his or her successor in function; (ii) all revenues received by the City from the Airport, including, without limitation, all rentals, fees, passenger taxes (except as provided in clause (y) of this definition), rates or other charges for the use of the Airport, or for any service rendered by the

City in the operation thereof; (iii) all income or revenue derived from any motor vehicle parking lot or other parking facility now owned or hereafter acquired or constructed by the City located at the Airport; (iv) all income derived from the investment of any money in the Revenue Fund and all interest income credited or transferred to the Revenue Fund; and (v) the proceeds of use and occupancy insurance, if any, carried by the City for the Airport. The term Gross Airport Revenues also includes revenues from passenger facility charges or other similar charges or taxes available to pay applicable Airport Obligations to the extent directed by the City's Director of Finance and Administrative Services, or his or her successor in function. The term Gross Airport Revenues does not include: (x) rents (other than ground rents and other money paid to the City in lieu of ground rents) derived from any Special Facility until there has been defeasance of all Special Facilities Obligations payable from such Special Facility or related revenues or the lessees or operators thereof; (y) any money received as grants or gifts from the United States of America, the State or other sources, or the proceeds of any charge or tax intended as a replacement therefor (except to the extent directed otherwise by the City's Director of Finance and Administrative Services, or his successor in function, with respect to revenues from passenger facility charges or other similar charges or taxes available to pay applicable Airport Obligations) or other capital contributions from any source; and (z) condemnation proceeds or the proceeds of any insurance policy, except any insurance proceeds derived in respect of loss of use or business interruption.

"*Home Rule Powers*" means the powers of the City as a home rule city under authority given by Article X, Section 6 of the Constitution of the State and the City Charter.

"*Improvement Bonds*" means the "City of Albuquerque, New Mexico Senior Lien Airport Improvement Revenue Bonds, Series 2004B" authorized by the Bond Ordinance.

"Improvement Bonds Sale Resolution" means the resolution and all amendments thereto, of the Council setting and approving specific terms for the Improvement Bonds within the parameters set in the Bond Ordinance, and relating to the issuance, sale and administration thereof.

"*Independent Accountant*" means any certified public accountant, registered accountant, or firm of such accountants duly licensed to practice and practicing as such under the laws of the State, appointed and paid by the City who (i) is, in fact, independent and not under the domination of the City, (ii) does not have any substantial interest, direct or indirect, with the City, and (iii) is not connected with the City as an officer or employee of the City, but who may be regularly retained to make annual or similar audits of the books or records of the City.

"*Insurer*" means any insurer or insurers issuing a Bond Insurance Policy or Surety Bond, or both, for Airport Obligations. Each reference to an Insurer with respect to the Refunding Bonds and the Improvement Bonds in the Bond Legislation refers to MBIA.

"*Junior Lien Obligations*" means all Airport Obligations now or hereafter issued or incurred with a lien on the Net Revenues subordinate to the lien of Subordinate Parity Obligations on Net Revenues.

"*Net Rent Lease*" means a lease of airport property or facilities relating to Special Facilities entered into by the City pursuant to which the lessee agrees to pay to the City rentals during the term of the lease, and to pay all expenses of operation and maintenance relating to a Special Facility, including without limitation any insurance, property taxes, assessments, excise taxes and service charges now or hereafter lawfully levied, as provided in Section 26(B) of the Bond Ordinance.

"*Operation and Maintenance Expenses*" means all reasonable and necessary current expenses of the City, paid or accrued, of operating, maintaining and repairing the Airport and, with respect to Senior Parity Obligations, all amounts required to make timely and adequate rebate payments or payments of alternative amounts in lieu of rebate to the federal government. At the City's option (except as limited by law), Operation and Maintenance Expenses may include, without limiting the generality of the foregoing, legal and overhead expenses of the various City departments directly related and reasonably allocable to the administration of the Airport, insurance premiums of insurance policies relating to the Airport, salaries and administrative expenses, labor, the cost of material and supplies used for current operation of the Airport and ongoing administrative costs relating to Airport Obligations. If charged as an Operation and Maintenance Expense by the City, legal and overhead charges shall be determined in accordance with the Citywide administrative cost allocation plan then in effect. The term Operation and Maintenance Expenses shall not include: (i) any allowance for depreciation, payments in lieu of taxes, liabilities incurred by the City as a result of its negligence in the operation or construction of the Airport or any Airport Facility or any other ground of legal liability not based on contract; (ii) the costs of improvements, extensions, enlargements or betterments to the Airport; (iii) any reserves for capital replacements; (iv) any expenses incurred by lessees or licensees under Net Rent Leases; (v) any liability incurred with respect to the acquisition or improvement of the Airport; or (vi) any operation and maintenance expenses pertaining to Special Facilities.

"*Operation and Maintenance Reserve Requirement*" means an amount equal to one-sixth (1/6) of the total annual budgeted Operation and Maintenance Expenses as approved by the Council for each Fiscal Year.

"*Parity Obligations*" means Senior Parity Obligations or Subordinate Parity Obligations, or both.

"*Permitted Investments*" means any of the following which at the time are legal investments for the City for the money to be invested:

(1) Government Obligations;

(2) Obligations of, or obligations guaranteed as to principal and interest by any agency or instrumentality of the United States which are backed by the full faith and credit of the United States, but not including: General Services Administration--participation certificates; Government National Mortgage Association (GNMA)--GNMA guaranteed mortgage-backed securities and GNMA guaranteed participation certificates; U.S. Department of Housing & Urban Development--local authority bonds; and U.S. Export-Import Bank--all fully guaranteed obligations;

(3) Obligations of the following government-sponsored agencies: Federal Home Loan Mortgage Corporation--participation certificates and senior debt obligations; Farm Credit System (formerly: Federal Land Banks and Banks for Cooperatives)--consolidated system-wide bonds and notes; Federal Home Loan Banks--consolidated debt obligations; Federal National Mortgage Association--senior debt obligations and mortgage-backed securities (excluding stripped mortgage securities which are valued greater than par on the portion of unpaid principal);

Student Loan Marketing Association--senior debt obligations (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date) and letter of credit backed issues; Financing Corporation--debt obligations; and Resolution Funding Corporation--debt obligations;

(4) Certificates of deposit, time deposits and banker's acceptances of any bank or savings and loan association, the short-term obligations of which are rated in the highest Rating Categories by S&P, Moody's and Fitch, if then rating the Refunding Bonds or the Improvement Bonds, provided that such deposits must be fully secured by securities designated in paragraphs (1), (2), (3) and (9) of this definition and held in safe-keeping for, or on behalf of, or held in book-entry form in the name of, the City;

(5) Accounts with banks and savings and loan associations located in Bernalillo County, provided that the banks and savings and loan associations, and the collateral securing the investments permitted by this paragraph, satisfy the requirements of applicable State law;

(6) Obligations the interest on which is excluded from gross income of the recipient for federal income tax purposes which are rated in the highest Rating Category by S&P, Moody's and Fitch, if then rating the Refunding Bonds or the Improvement Bonds;

(7) Money market instruments and other securities of commercial banks, broker-dealers or recognized financial investors, which securities or institutions are rated in the highest Rating Category by S&P, Moody's and Fitch, if then rating the Refunding Bonds or the Improvement Bonds, or which securities are guaranteed by a person or entity whose long-term debt obligations are rated in the highest Rating Category by S&P, Moody's and Fitch, if then rating the Refunding Bonds or Improvement Bonds, including, without limitation, securities of, or other interests in, any open-end or closed-end management type investment company or investment trust registered under the provisions of 15 U.S.C. Sections 80(a)-1 *et seq.*, which invest only in, or whose securities are secured only by, obligations of the type set forth in paragraphs (1), (2), (3) and (9) of this definition;

(8) "The short-term investment fund" described in Section 6-10-10.1 NMSA 1978 or other similar pooled fund maintained by the State for the investment of public funds of local public bodies of the State;

(9) Stripped Securities: (i) U.S. Treasury STRIPS and (ii) REFCORP STRIPS (stripped by Federal Reserve Bank of New York);

(10) Repurchase agreements involving the purchase and sale of, and guaranteed investment contracts, the par value of which is collateralized by a perfected first pledge of, or security interest in, or the payments of which are unconditionally guaranteed by, securities described in paragraphs (1), (2), (3) and (9) of this definition, which collateral is held by the City, or for the benefit of the City, by a party other than the provider of the guaranteed investment contract or repurchase agreement, with a collateralized value of at least 102% of the par value of such repurchase agreement or guaranteed investment contract or 102% of the market value thereof, valued at intervals of no less than monthly and which collateral is not subject to any other pledge or security interest;

(11) Cash insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with Government Obligations; and

(12) Agreements which permit the City to require a commercial bank, broker-dealer or recognized financial institution to purchase from the City at a fixed price obligations described in paragraphs (1), (2), (3) and (9) of this definition; provided that, if required by law, the contract relating to such agreement is approved by resolution of the Council and all other requirements of law relating to any such investment are satisfied and provided further that such institution, or the guarantor of such institution or agreement, shall be rated in one of the top two Rating Categories by S&P, Moody's and Fitch, if then rating the Refunding Bonds or the Improvement Bonds, or by another national rating agency.

"*Qualified Counterparty*" means any Person entering into a Qualified Exchange Agreement with the City, its successors and assigns, or any substitute Qualified Counterparty, appointed or consented to from time to time by an Authorized Officer.

"*Qualified Exchange Agreement*" means any financial arrangement between the City and a Qualified Counterparty which satisfies the requirements of the Exchange Act at the time the agreement is entered into.

"*Rating Category*" means a generic securities rating category, without regard, in the case of a long-term rating category, to any refinement or gradation of such long-term rating category by a numerical modifier or otherwise.

"*Record Date*" means the fifteenth (15^{th}) day immediately preceding each Interest Payment Date.

"Refunding Bonds" means the "City of Albuquerque, New Mexico Subordinate Lien Taxable Airport Refunding Revenue Bonds, Series 2004A" authorized by the Bond Ordinance.

"Refunding Bonds Sale Resolution" means the resolution and all amendments thereto, of the Council setting and approving specific terms for the Refunding Bonds within the parameters set in the Bond Ordinance, and relating to the issuance, sale and administration thereof.

"*Revenue Fund*" means the "City of Albuquerque Airport Revenue Fund" continued in Section 16 of the Bond Ordinance (formerly designated as the "City of Albuquerque, New Mexico, Metropolitan Airport Gross Income Fund" under Section 18 of Ordinance No. 2287). The Revenue Fund is the fund from which Gross Airport Revenues are withdrawn to pay Airport Obligations.

"*Sale Resolution*" means the Refunding Bonds Sale Resolution and the Improvement Bonds Sale Resolution.

"*Senior Parity Obligations*" means the Improvement Bonds, the Series 2001 Bonds, the Series 1998 Bonds, the Series 1997 Bonds and any other Airport Obligations issued or incurred after the adoption of the Bond Ordinance payable from the Net Revenues, and issued with a lien on the Net Revenues on a parity with the lien on Net Revenues of the Improvement Bonds, the Series 2001 Bonds, the Series 1998 Bonds, the Series 1997 Bonds and prior to the lien on Net Revenues of Subordinate Parity Obligations.

"*Series 1995 Refunding Bonds*" means the "City of Albuquerque, New Mexico Airport Subordinate Lien Adjustable Tender Refunding Revenue Bonds, Series 1995."

"*Series 1997 Bonds*" means the "City of Albuquerque, New Mexico Airport Refunding Revenue Bonds, Series 1997."

"*Series 1998 Bonds*" means the "City of Albuquerque, New Mexico Governmental Purpose Airport Refunding Revenue Bonds, Series 1998."

"*Series 2000A Bonds*" means the "City of Albuquerque, New Mexico Subordinate Lien Adjustable Rate Governmental Purpose Airport Revenue Bonds, Series 2000A"

"*Series 2000B Bonds*" means the "City of Albuquerque, New Mexico Subordinate Lien Adjustable Rate Taxable Airport Revenue Bonds, Series 2000B."

"*Series 2001 Bonds*" means the "City of Albuquerque, New Mexico Airport Refunding Revenue Bonds, Series 2001."

"*Special Facilities*" means hangars, aircraft overhaul, maintenance and repair shops, storage facilities, garages, and other buildings, structures, hotels and other commercial or industrial enterprises owned or leased by Persons other than the City, facilities and appurtenances, being a part of or related to the Airport, now or hereafter constructed, purchased or otherwise acquired, and financed wholly or in part with the proceeds of Special Facilities Obligations.

"Special Facilities Obligations" means bonds or other obligations payable solely from all or a portion of the rentals received from any one or more Net Rent Leases appertaining to Special Facilities including, without limitation, bonds issued by the City in accordance with Section 103(a) and Sections 141 through 150 of the Code or any successor thereto.

"*Subordinate Parity Obligations*" means (i) The Refunding Bonds, the Series 2000A Bonds, the Series 2000B Bonds, and the Series 1995 Refunding Bonds; (ii) any fixed exchange rate payments and exchange termination payments (when due and payable) required to be made by the City under the terms of the AIG Exchange Agreement; and (iii) any other Airport Obligations issued or incurred after the adoption of the Bond Ordinance payable from the Net Revenues and issued with a lien on the Net Revenues on a parity with the lien on Net Revenues of the Refunding Bonds, the Series 2000A Bonds, the Series 2000B Bonds and the Series 1995 Refunding Bonds.

"*Surety Bond*" means any policy of insurance or surety bond with respect to a series of Airport Obligations guaranteeing certain payments into the Debt Service Reserve Account with respect to that series of Airport Obligations, purchased to satisfy, in whole or in part, the reserve requirement for that series or to replace any money on deposit in a Debt Service Reserve Account.

Registration, Transfer, Exchange and Ownership

The City shall cause books for registration, transfer and exchange of each series of the Refunding Bonds and the Improvement Bonds to be kept at the principal office of the Registrar. Upon surrender for transfer or exchange of any Refunding Bonds or Improvement Bonds at the principal office of the Registrar duly endorsed by the Owner or his attorney duly authorized in writing, or accompanied by a written instrument or instruments of transfer or exchange in form satisfactory to the Registrar and properly executed, the City shall execute and the Registrar shall authenticate and deliver in the name of the transferee or Owner a new Refunding Bond or Bonds or Improvement Bond or Bonds of the same maturity, interest rate and same aggregate principal amount in Authorized Denominations.

The person in whose name any Refunding Bond or Improvement Bond is registered shall be deemed and regarded as its absolute Owner for all purposes, except as may otherwise be provided with respect to the payment of interest on Refunding Bonds or Improvement Bonds in Section 5(C) of the Bond Ordinance. Payment of the principal on any Refunding Bonds or Improvement Bonds shall be made only to or upon the order of its Owner or his legal representative. All such payments will be valid and effectual to satisfy and discharge the liability on Refunding Bonds or Improvement Bonds to the extent of the amount paid.

If any Refunding Bond or Improvement Bond is lost, stolen, destroyed or mutilated, the Registrar, upon receipt of that Refunding Bond or Improvement Bond if mutilated, and evidence, information or indemnity which the Registrar may reasonably require, is to authenticate and deliver a replacement Refunding Bond or Improvement Bond of the same aggregate principal amount, maturity and interest rate, bearing a number or numbers not then outstanding. If any lost, stolen, destroyed or mutilated Refunding Bond or Improvement Bond has matured or been called for redemption, the Registrar may direct the Paying Agent to pay that Refunding Bond or Improvement Bond in lieu of replacement.

Exchanges and transfers of Refunding Bonds and Improvement Bonds are to be made without charge to the Owner or any transferee except that the Registrar may make a charge sufficient to reimburse the Registrar for any tax, fee or other governmental charge required to be paid with respect to that transfer or exchange.

The Fiscal Agent shall not be required to transfer or exchange (i) any Refunding Bond or Improvement Bond during the five-day period preceding the mailing of notice calling Refunding Bonds or Improvement Bonds for redemption and (ii) any Refunding Bond or Improvement Bond called for redemption.

Funds and Accounts

The Bond Ordinance continues or creates the following funds and accounts, all of which are held by the City: (i) continues the Capital Fund, the Revenue Fund (including the Operation and Maintenance Reserve Account), the Senior Debt Service Fund (and creates within the Senior Debt Service Fund a separate Improvement Bond Interest Account, Improvement Bond Principal Account and Improvement Bond Reserve Account for the Improvement Bonds), and the Subordinate Debt Service Fund (and creates within the Subordinate Debt Service Fund a separate Refunding Bond Interest Account, Refunding Bond Principal Account, Refunding Bond Redemption Account and Refunding Bond Reserve Account for the Series 2001 Bonds) and (ii) creates the Escrow Fund.

Debt Service Reserve Accounts

Amounts available in the Revenue Fund may be deposited in each Debt Service Reserve Account for Senior Parity Obligations to fund, and shall be deposited to replenish, the debt service reserve requirement of any series of Senior Parity Obligations. Any amount transferred from any such Debt Service Reserve Account for the payment of Debt Service Requirements on a series of Senior Parity Obligations shall be reimbursed or replaced from amounts available in the Revenue Fund no later than the end of the next full Fiscal Year, or within such other period of time as set forth in the ordinance or resolution of the City authorizing the issuance of the applicable series of Senior Parity Obligations.

Application of Gross Airport Revenues

All Gross Airport Revenues, upon their receipt from time to time by the City, are to be set aside and credited immediately to the Revenue Fund. Gross Airport Revenues shall first be used by the City to pay Operation and Maintenance Expenses, including timely and adequate rebate payments or payments of alternative amounts in lieu of rebate to the federal government for each series of Senior Parity Obligations.

So long as any Senior Parity Obligations are outstanding, the Net Revenues shall be paid or credited to the Senior Debt Service Fund, to be used for payment of the following amounts, in the order listed below:

(i) prior to each Interest Payment Date, the amount necessary to pay the next maturing installment of interest of each series of Senior Parity Obligations Outstanding shall be credited to the Interest Account for that series;

(ii) with the same priority as the payments required by subsection (i) above, prior to each principal payment date, the amount necessary to pay the next regularly scheduled installment of principal, whether at maturity or a mandatory sinking fund redemption date, of each series of Senior Parity Obligations Outstanding shall be credited to the Principal Account for that series;

(iii) with the same priority as the payments required by subsections (i) and (ii) above, prior to the respective due dates, the amounts necessary to pay or reimburse the provider of a credit or liquidity facility for payments of Debt Service Requirements (but not the tender price) on Senior Parity Obligations made by that facility provider shall be transferred from the Revenue Fund and deposited in subaccounts of the Principal Account and Interest Account for the applicable series of Senior Parity Obligations;

(iv) amounts available in the Revenue Fund may be deposited in each Debt Service Reserve Account for Senior Parity Obligations to fund, and shall be deposited to replenish, the debt service reserve requirement of any series of Senior Parity Obligations;

(v) to the extent not required to be paid pursuant to any other subparagraphs (i) through (iv) above, amounts on deposit in the Revenue Fund shall be used, as necessary, to pay (i) Payment Obligations owed by the City to the provider of a credit or liquidity facility for Senior Parity Obligations, including the tender price of, and certain interest payments on, Senior Parity Obligations paid by that facility provider; and (ii) fees, expenses, and interest owed by the City to any other provider of fiscal services for a series of Senior Parity Obligations. Amounts from the Revenue Fund to be used to pay interest pursuant to this subparagraph shall be deposited by the City into a separate account maintained by the City on or before the due date thereof.

So long as any Subordinate Parity Obligations are Outstanding, the Net Revenues shall be paid or credited to the Subordinate Debt Service Fund, including payments or credits for the Refunding Bonds and as set forth in the Bond Ordinance to be used for payment of the following amounts in the order listed below:

(i) prior to each interest payment date for each series of Subordinate Parity Obligations, the amount necessary to pay the next maturing installment of interest shall be credited to the Interest Account for each such series;

(ii) coincident with the payments required by subsection (i) above, prior to each principal payment date, the amount necessary to pay the next regularly scheduled installment of principal, whether at maturity or on a mandatory sinking fund redemption date, on each series of Subordinate Parity Obligations outstanding shall be credited to the Principal Account as required by the ordinance of the City authorizing such series of Subordinate Parity Obligations;

(iii) with the same priority as the payments required by subsections (i) and (ii) above, the following amounts required to be paid by the City shall be deposited in or credited to the applicable Subordinate Parity Obligations Principal Account and Interest Account or other sinking fund which shall be a subaccount of the applicable Principal Account or Interest Account:

(a) amounts to pay or reimburse a Facility Provider for Subordinate Parity Obligations for payments of or in connection with Debt Service Requirements (but not the tender price) on Subordinate Parity Obligations made by that Facility Provider; and

(b) amounts payable to a Qualified Counterparty under a Qualified Exchange Agreement if such payments are designated in a City ordinance relating to that Qualified Exchange Agreement as having a lien on Net Revenues on a parity with the lien thereon of Subordinate Parity Obligations; provided that the City covenants that while the Bond Insurance Policy for the Series 1995 Refunding Bonds is in effect, without the prior written consent of the Insurer of the Series 1995 Refunding Bonds, a lien of Exchange Termination Payments, payable pursuant to a Qualified Exchange Agreement other than the AIG Exchange Agreement, on Net Revenues shall be subordinate to the lien of Subordinate Parity Obligations on Net Revenues; provided further that, the part of any interest payment (not including any Exchange Termination Payment made pursuant to the AIG Exchange Agreement) made to a Facility Provider and to a Qualified Counterparty with respect to Subordinate Parity Obligations computed at a rate which exceeds the maximum bond interest rate for that series of Subordinate Parity Obligations shall not be payable with the priority set forth in subsection (i) above, but shall be payable with the priority set forth in subsection (v) below;

(iv) amounts available in the Revenue Fund may be used to fund or replenish the Debt Service Reserve Account of any series of Subordinate Parity Obligations; and

(v) amounts on deposit in or credited to the Revenue Fund shall be used, as necessary, to pay, first, all amounts (including interest and Exchange Termination Payments relating to Subordinate Parity Obligations owed pursuant to any Facility and fees, expenses and interest owed by the City to any other provider of fiscal services) for a series of Subordinate Parity Obligations or relating to a Qualified Exchange Agreement which are not payable pursuant to the terms of any preceding paragraph of this Section, and second, expenses, fees, rebate payments and the tender price of Subordinate Parity Obligations purchased by the City. Net Revenues used to pay interest and Exchange Termination Payments pursuant to this paragraph shall be deposited or credited by the City into a separate account maintained by the City on or before the due date thereof.

Debt Service Requirements, costs, expenses, reserve requirements and other payments on, or relating to, Junior Lien Obligations shall be paid from amounts on deposit in the Revenue Fund as set forth in the City ordinances authorizing the issuance of the Junior Lien Obligations.

The City shall accumulate and maintain in the Operation and Maintenance Reserve Account an amount equal to the Operation and Maintenance Reserve Requirement. The City shall continue to credit to the Operation and Maintenance Reserve Account annually while any Parity Obligations are outstanding until the Operation and Maintenance Reserve Requirement has been met, an amount not less than one-third (1/3rd) of the then current Operation and Maintenance Reserve Requirement. Any deficiency in the Operation and Maintenance Reserve Account is to be replenished from amounts available for that purpose in the Revenue Fund.

Any money remaining in the Revenue Fund after making or crediting the payments referred to above shall be deposited in the Capital Fund and shall be used only for payment of Operation and Maintenance Expenses, payment of Debt Service Requirements, the purchase price and the redemption price of Airport Obligations, the payment of expenses relating to the Airport and Airport Obligations, to fund necessary reserves relating to the Airport and Airport Obligations, to finance or pay for Airport improvements and for other Airport purposes.

General Administration of Funds

Certain funds created or continued in the Bond Ordinance are to be administered as follows:

Investment of Money

Any money in any account created or continued in Section 16 of the Bond Ordinance, other than the Capital Fund, shall be invested in Permitted Investments. Money on deposit in the Capital Fund may be invested as determined by the City in compliance with applicable law. Investments purchased using money in any such fund or account shall be deemed at all times to be part of that fund or account. Interest accruing thereon and any profit realized therefrom are to be credited as follows:

(i) Revenue Fund, including the Operation and Maintenance Reserve Account, to the Revenue Fund;

(ii) Rebate Fund, remains in the Rebate Fund as set forth in the ordinance authorizing the issuance of Airport Obligations;

(iii) unless otherwise required by ordinance or resolution of the City relating to a series of Parity Obligations, Interest Account, Principal Account and Redemption Account for a series of Parity Obligations, to the Revenue Fund;

(iv) unless otherwise required by ordinance or resolution of the City relating to a series of Parity Obligations, Debt Service Reserve Account, to the extent the amount on deposit in that account is in excess of the reserve requirement, if any for that series, to the Principal Account or Interest Account for that series of Parity Obligations to be used to pay the Debt Service Requirements next becoming due on that series;

(v) Improvement Project Account remains in the Improvement Project Account or may be used to pay Debt Service Requirements on the Improvement Bonds;

(vi) Improvement Bonds Capitalized Interest Subaccount remains in the Improvement Bonds Capitalized Interest Subaccount, except as permitted by the Bond Ordinance;

(vii) Subject to subparagraph (v) above, the Capital Fund remains in the Capital Fund.

Any loss resulting from such investment is to be charged to the applicable fund or account. The City Treasurer is to present for redemption or sale on the prevailing market any obligations purchased as an investment of money in the applicable fund or account whenever it shall be necessary to do so in order to provide money to meet any payment or transfer from such fund or account. Neither the City Treasurer nor any other officer of the City shall be liable or responsible for any loss resulting from any such investment made in accordance with the Bond Ordinance.

Deposits of Funds and Valuation

The money and investments deposited in the funds and accounts created or continued in Section 16 of the Bond Ordinance shall be maintained and kept in one or more Insured Banks. Each payment shall be made into and credited to the proper fund or account at the designated time, except that when the designated time is not a Business Day, then such payment is to be made on the next succeeding Business Day. Nothing herein shall prevent the establishment of one or more such funds or accounts in Insured Banks for all of the accounts designated in Section 16 of the Bond Ordinance. The "value" of Permitted Investments is to be determined at least every six months in accordance with the Bond Ordinance.

Protective Covenants

The City has covenanted and agreed in the Bond Ordinance to certain matters, including the following:

Records and Right to Inspect

So long as any Parity Obligations remain Outstanding, proper books of record and account will be kept by the City, separate and apart from all other records and accounts, showing complete and correct entries of all transactions relating to the Airport. Any Owner of Senior Parity Obligations and the Insurer, or any duly authorized agent or agents of such Owner of the Insurer, will have the right at all reasonable times to inspect all records, accounts and data relating to Senior Parity Obligations and to inspect the Airport and all properties comprising the Airport.

Competent Management

The City will at all times endeavor to employ in connection with the operation of the Airport in executive and managerial capacities only persons competent therefor by reason of training and experience. The City's Director of Aviation must be certified as an Accredited Airport Executive (AAE) by the American Association of Airport Executives, or must have similar accreditation from a successor or similar organization in function, if any, or must otherwise possess the expertise, by reason of skill and experience, necessary to efficiently manage and operate municipal airports similar to the Airport. The City will administer the Airport in accordance with sound business principles. Unless an Authorized Officer determines in writing that it is not in the best interest of the City and the Airport to do so, the City will also, insofar as it may legally do so, maintain, preserve, keep and operate the Airport, or cause the Airport to be maintained, preserved, kept and operated in such manner as will qualify the Airport to receive maximum financial aid from the United States Government, or any department or agency thereof, which aid it will seek and procure if available on fair and reasonable terms which are not inconsistent with the provisions of the Bond Ordinance and which promote the overall financial interests of the Airport.

Insurance and Eminent Domain Proceeds

The City in its operation of the Airport will carry fire and extended coverage insurance and all insurance on the Airport which is customarily maintained with respect to facilities of like character against accident to, loss of or damage to the Airport with insurers of recognized responsibility, licensed or permitted to do business in the State of New Mexico. The City will also maintain, as provided by law, insurance or a self-insurance fund to cover workmen's compensation and public liability insurance. The cost of such insurance shall be considered one of the Operation and Maintenance Expenses. The City may provide the coverage required through a program of self-insurance, or insurance maintained by the City, in compliance with the requirements of applicable State and City law.

Proceeds of fire and extended coverage insurance and proceeds resulting from eminent domain proceedings shall be applied at the election of the City:

(i) to promptly replace, repair, rebuild or restore the Airport to substantially the same condition as that which existed prior to such damage, destruction or taking, with such alterations and additions as the City may determine and as will not adversely affect the City's ability to comply with the Rate Covenant, provided that prior to the commencement of such replacement, repair, rebuilding or restoration, the City shall obtain a report of an Airport Consultant setting forth (a) an estimate of the total cost the same, (b) the estimated date upon which such replacement, repair, rebuilding or restoration will be substantially complete, and (c) a statement to the effect that proceeds, together with other funds made available or to be made available by the City, are projected to be sufficient to pay the costs of the replacement, repair, rebuilding, or restoration of the Airport; or

(ii) If (a) the Airport has been restored to substantially the same condition as prior to such damage, destruction or taking or (b) the City has determined that the portion of the Airport damaged, destroyed or taken is not necessary to the operation of the Airport and that the failure of the City to repair or restore the same will not impair or otherwise adversely affect the revenue-producing capability of the Airport; or (c) the Airport Consultant has been unable to make the statement required by clause (c) of the preceding subparagraph, then the City shall deposit any proceeds not used for the purposes stated in subparagraph above in the redemption account established for each series of Outstanding Senior Parity Obligations and the proceeds shall be used to redeem Parity Bonds in accordance with Section 6(C) of the Bond Ordinance. Such proceeds will be applied first to the redemption of all series of Outstanding Senior Parity Obligations on a pro rata basis measured with respect to the ratio of the principal amount of Senior Parity Obligations outstanding. Any remaining proceeds will be applied to the redemption of each series of Outstanding Subordinate Parity Obligations on a pro rata basis measured with respect to the ratio of the principal amount of Outstanding Subordinate Parity Obligations of each series Outstanding to the total principal amount of all Subordinate Parity Obligations Outstanding.

Alienation of Airport

The City will not sell, lease, mortgage, pledge or otherwise encumber, or in any manner dispose of, or otherwise alienate, the Airport, or any part thereof, including any and all extensions and additions that may be made thereto until all Refunding Bonds and Improvement Bonds have been paid in full or unless provision has been made therefor. However, the City may lease any part of the Airport for Airport purposes or purposes related to the Airport, the City may lease Special Facilities financed with the proceeds of Special Facilities Obligations and may sell or lease any portion of the Airport property which has been replaced by other property of at least equal value, or which ceases to be necessary for the efficient operation of the Airport, but in no manner nor to such extent as might prejudice the security for the payment of the Refunding Bonds and Improvement Bonds. In the event of any such disposition, the proceeds thereof will be deposited in or credited to the Revenue Fund or, at the option of the City, first, in the Redemption Account for any series of Senior Parity Obligations and used to redeem Senior Parity Obligation at the option of the City and second, in the Redemption Account for any series of Subordinate Parity Obligations and used to redeem Subordinate Parity Obligations at the option of the City, on the same pro rata basis as set forth in subparagraph (I)(2) of Section 25 of the Bond Ordinance. Any such permitted sale or lease shall not adversely affect any exclusion of interest on tax-exempt Airport Obligations from gross income for federal income tax purposes pursuant to Section 103(a) of the Code.

Payment of Taxes, Assessments and Other Charges

As part of the Operation and Maintenance Expenses, the City will pay when due all taxes and assessments or other municipal or governmental charges, if any, lawfully levied or assessed upon or in respect to the Airport, or any part thereof, or upon any Gross Airport Revenues. The City will duly observe and comply with all valid requirements of any municipal or governmental authority relative to the Airport, or to any part thereof. The City will not create or permit any lien or charge on the Airport or on the Gross Airport Revenues, except existing liens and charges set forth in the Bond Ordinance and the liens for and charges of the Airport Obligations authorized to be issued pursuant to Sections 23 and 24 of the Bond Ordinance. The City will make adequate provision to satisfy and discharge, within sixty (60) days after the same accrue all lawful claims and demands for labor, materials, supplies or other objects which, if unpaid, might by law become a lien upon the Airport or upon the Gross Airport Revenues. However, the City will not be required to pay or cause to be discharged or to make provision for any such tax, assessment, lien or charge before the time when payment thereon is due, or as long as the validity thereof is contested in good faith by appropriate legal proceedings.

Governmental Approval

The City will maintain and operate the Airport at required governmental standards in order that the Airport may be approved by the proper federal governmental authority for the landing and departure of aircraft operating in scheduled service, or otherwise, and as a terminal point for the City for the receipt and dispatch of passengers, property and mail by aircraft.

Operation and Maintenance Expenses of Airport

The City, as far as it may legally do so, will operate the Airport in a sound and economical manner and will maintain and preserve the Airport, or cause the Airport (and Special Facilities) to be maintained and preserved, in good repair, working order and sanitary condition, free from obstructions, in a manner suitable for air transport operations. The City will also, from time to time, make or cause to be made all necessary and proper repairs, replacements, and renewals so that at all times the operation of the Airport may be properly and advantageously conducted in conformity with standards customarily followed by municipalities operating airport facilities of like size and character.

Events of Default and Remedies

Each of the following events is an "event of default" under the Ordinance: (i) failure of the City to pay Parity Obligations when the same become due and payable; (ii) the City shall for any reason be rendered incapable of performing its obligations under the Bond Ordinance; (iii) default by the City in the due and punctual performance of its covenants or conditions, agreements and provisions contained in the Refunding Bonds or the Bond Ordinance, and the continuance of such default (other than a default set forth in (i) and (ii) above) for sixty (60) days after written notice specifying such default and requiring the same to be remedied has been given to the City by the Owners of 25% in aggregate principal amount of the Refunding Bonds then Outstanding or by the Insurer, if any; and (iv) default by the City in the due and punctual performance of its covenants or conditions, agreements and provisions contained in the Improvement Bonds or the Bond Ordinance, and the continuance of such default (other than a default set forth in (i) and (ii) above) for sixty (60) days after written notice specifying such default and requiring the same to be remedied has been given to the City by the Owners of 25% in aggregate principal amount of the Improvement Bonds then Outstanding or by the Insurer, if any.

Upon the happening and continuance of any Event of Default, the Refunding Bonds Bond Insurer, if any, or the Owners of not less than 25% in aggregate principal amount of the Refunding Bonds then Outstanding affected by the Event of Default, including but not limited to a trustee or trustees therefor, with the consent of the Insurer may proceed against the City, the Council, and its agents, officers and employees to:

(i) protect and enforce the rights of the Owners by mandamus or other suit, action or special proceedings in equity or at law, in any court of competent jurisdiction, either for the appointment of a receiver or for the specific performance of any covenant or agreement contained in the Bond Ordinance or for the enforcement or any proper legal or equitable remedy as those Owners or the Insurer may deem necessary or desirable to protect and enforce their respective rights,

(ii) enjoin any act or thing which may be unlawful or in violation of any right of any Owner,

(iii) require the Council to act as if it were the trustee of an express trust, or

(iv) any combination of those remedies.

All proceedings are to be instituted and maintained for the equal benefit of all Owners of the Refunding Bonds then Outstanding. The failure of the Refunding Bonds Bond Insurer, if any, or an Owner to exercise any right granted by the Bond Ordinance shall not relieve the City of any obligation to perform any duty. Each right or privilege of the Insurer or any such Owner (or trustee or receiver therefor) is in addition and cumulative to any other right or privilege and the exercise of any right or privilege by or on behalf of the Insurer or any Owner shall not be deemed a waiver of any other right or privilege of the Insurer or such Owner.

Upon the happening and continuance of any Event of Default, the Improvement Bonds Bond Insurer, if any, or the Owners of not less than 25% in aggregate principal amount of the

Improvement Bonds then Outstanding affected by the Event of Default, including but not limited to a trustee or trustees therefor, with the consent of the Insurer may proceed against the City, the Council, and its agents, officers and employees to:

(i) protect and enforce the rights of the Owners by mandamus or other suit, action or special proceedings in equity or at law, in any court of competent jurisdiction, either for the appointment of a receiver or for the specific performance of any covenant or agreement contained in the Bond Ordinance or for the enforcement or any proper legal or equitable remedy as those Owners or the Insurer may deem necessary or desirable to protect and enforce their respective rights,

(ii) enjoin any act or thing which may be unlawful or in violation of any right of any Owner,

(iii) require the Council to act as if it were the trustee of an express trust, or

(iv) any combination of those remedies.

All proceedings are to be instituted and maintained for the equal benefit of all Owners of the Improvement Bonds then Outstanding. The failure of the Improvement Bonds Bond Insurer, if any, or an Owner to exercise any right granted by the Bond Ordinance shall not relieve the City of any obligation to perform any duty. Each right or privilege of the Insurer or any such Owner (or trustee or receiver therefor) is in addition and cumulative to any other right or privilege and the exercise of any right or privilege by or on behalf of the Insurer or any Owner shall not be deemed a waiver of any other right or privilege of the Insurer or such Owner.

No remedy in the Bond Ordinance is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative, and shall be in addition to every other remedy given under the Bond Ordinance or now or hereafter existing at law or in equity or by statute.

All rights, remedies and powers provided by the Bond Ordinance may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law, and all the provisions relating to an Event of Default or the exercise of remedies upon the occurrence of an Event of Default are intended to be subject to all applicable provisions of law which may be controlling and to be limited to the extent necessary so that they will not render the Bond Ordinance invalid or unenforceable under the provisions of any applicable law.

Application of Money

All money received with respect to any right given or action taken under the provisions of the Bond Ordinance after the occurrence, and during the continuance of an Event of Default with respect to the Refunding Bonds or the Improvement Bonds, except as otherwise specified in the Bond Ordinance, after payment of the costs, fees and expenses of the proceeding resulting in the collection of such money, shall be deposited in the Refunding Bonds Bond Principal Account and Refunding Bonds Bond Interest Account and applied to the payment of such Refunding Bonds or in the Improvement Bonds Bond Principal Account and Improvement Bonds Bond Interest Account and applied to the payment of such Improvement Bonds. The proceeds of any Refunding Bonds Bond Insurance Policy and of any Refunding Bonds Surety Bond shall be used only to pay Debt Service Requirements on the Refunding Bonds. The proceeds of any

Improvement Bonds Bond Insurance Policy and of any Improvement Bonds Surety Bond shall be used only to pay Debt Service Requirements on the Improvement Bonds.

Whenever money is to be applied pursuant to the provisions of Section 30 of the Bond Ordinance, it shall be applied at such times, and from time to time, as the Paying Agent determines, having due regard to the amount of money available for application and the likelihood of additional money becoming available in the future. Whenever the Paying Agent determines to apply such money, that Paying Agent shall fix a Special Record Date and the date (which shall be an Interest Payment Date unless that Paying Agent deems another date more suitable) upon which payment is to be made and on such date interest on the amounts of principal to be paid on such dates shall cease to accrue. That Paying Agent is to give notice to the Owners of the deposit of any such money and of the fixing of any such date, and will not be required to make payment of principal to the Owner of any Refunding Bonds or Improvement Bonds until presented to the Paying Agent for appropriate endorsement or for cancellation if fully paid.

Bonds Not Presented When Due

If any Refunding Bonds or Improvement Bonds are not duly presented for payment when due at maturity or on the redemption date thereof, and if money sufficient to pay such Refunding Bonds or Improvement Bonds is on deposit with the Paying Agent for the benefit of the Owners of such Refunding Bonds or Improvement Bonds, and in the case of Refunding Bonds or Improvement Bonds to be redeemed, if notice of redemption has been given as provided in the Bond Ordinance, all liability of the City to such Owners for the payments of such Refunding Bonds or Improvement Bonds will be completely discharged, such Refunding Bonds or Improvement Bonds shall not be deemed to be Outstanding and it shall be the duty of the Paying Agent to segregate and to hold such moneys in trust, without liability for interest thereon, for the benefit of the Owners of such Refunding Bonds or Improvement Bonds.

Amendment of Bond Ordinance

Limitations upon Amendments

Prior to any Refunding Bonds or Improvement Bonds being issued, the Bond Legislation may be amended by ordinance or resolution of the Council. After the Refunding Bonds or Improvement Bonds have been issued, the Bond Legislation may be amended by ordinance or resolution of the Council without the consent of Owners but with the consent of the Refunding Bonds Bond Insurer or Improvement Bonds Bond Insurer if not in default in its payment obligations under or relating to the Refunding Bonds Bond Insurance Policy, Improvement Bonds Bond Insurance Policy, Refunding Bonds Surety Bond or Improvement Bonds Surety Bond:

(i) To cure any ambiguity, or to cure, correct or supplement any defect or inconsistent provision contained in the Bond Ordinance;

(ii) To grant to the Owners any additional rights, remedies, powers or authority that may lawfully be granted to them;

(iii) To obtain or maintain a rating or shadow rating on any Refunding Bonds or Improvement Bonds from any rating agency which amendment, in the judgment of Bond Counsel, does not materially adversely affect the Owners;

(iv) To achieve compliance with federal securities or tax laws;

(v) To make any other changes in the Bond Ordinance which, in the opinion of Bond Counsel, is not materially adverse to the Owners, and

(vi) To make changes in procedural matters relating to any Bond Insurance Policy or Surety Bond.

Additional Amendments

Except as provided above, the Bond Ordinance may only be amended or supplemented by ordinance or resolution adopted by the Council, without receipt by the City of any additional consideration, but with the written consent of the Owners of a majority of the principal amount of the Outstanding Refunding Bonds or Improvement Bonds which are affected by the amendment or supplement (not including Refunding Bonds or Improvement Bonds which are then owned by or for the account of the City) and of the Refunding Bonds Insurer or Improvement Bonds Insurer, if not in default in its payment obligations under the Refunding Bonds Bond Insurance Policy, Improvement Bonds Bond Insurance Policy, Refunding Bonds Surety Bond or Improvement Bonds Surety Bond. However, no such ordinance or resolution shall have the effect of permitting:

(i) An extension of the maturity of any Refunding Bonds or Improvement Bonds; or

(ii) A reduction in the principal amount of, premium, if any, or interest rate on any Refunding Bonds or Improvement Bonds; or

(iii) The creation of a lien on or a pledge of Net Revenues ranking prior to the lien or pledge of Senior Parity Obligations on Net Revenues; or

(iv) A reduction of the principal amount of Refunding Bonds or Improvement Bonds required for consent to such amendment or supplement.

Notice of Amendment

Notice of a proposed amendment requiring the consent of the Owners shall be mailed to the Refunding Bonds Bond Insurer or Improvement Bonds Bond Insurer, if not in default in its payment obligations under the Refunding Bonds Bond Insurance Policy, Improvement Bonds Bond Insurance Policy, Refunding Bonds Surety Bond or Improvement Bonds Surety Bond and the Owners of the Refunding Bonds or Improvement Bonds then Outstanding affected by the amendment at their addresses as the same last appear in the registration books kept by the Registrar. Such notice shall briefly set forth the nature of the proposed amendment and shall state that copies of the instrument pertaining to such amendment are on file at the principal corporate office of the Registrar for inspection by all Owners. If, within sixty (60) days or such longer period as shall be prescribed by the City following the giving of such notice, the requisite percentage of Owners affected by the amendment and the Refunding Bonds Insurer or Improvement Bonds Insurer, as applicable, have consented to and approved the amendment, the amendment shall become effective and no Owner shall have any right to object to such amendment, or the operation thereof.

Defeasance

If, when all Refunding Bonds and Improvement Bonds become due and payable in accordance with their terms or otherwise as provided in the Bond Ordinance and the entire amount of the principal of, premium, if any, and interest due and payable on all the Refunding Bonds and Improvement Bonds is paid or if provisions are made for the payment thereof when due and payable, and all other sums payable under the Bond Ordinance (including amounts owed to any Refunding Bonds Bond Insurer or Improvement Bonds Bond Insurer) are paid, then all covenants, agreements and other obligations of the City to the Owners and the Refunding Bonds Bond Insurer or Improvement Bonds Bond Insurer, if any, shall cease, terminate and become void and be discharged and satisfied. However, the covenants of the Bond Ordinance relating to the rebate requirements of Section 148(f) of the Code will survive until all applicable requirements have been satisfied.

When all principal, interest and prior redemption premium, if any, in connection with any Refunding Bond or Improvement Bond has been duly paid or provided for, the pledge and lien of the Bond Ordinance, and all obligations under the Bond Ordinance shall be discharged with respect to that Refunding Bond or Improvement Bond and that Refunding Bond or Improvement Bond will no longer be deemed to be Outstanding within the meaning of the Bond Ordinance. There shall be deemed to be such due payment or to be adequate provisions for the prompt and complete payment of a Refunding Bond or Improvement Bond when the City has place in escrow and in trust with a commercial bank or trust company located within or without the state and exercising trust powers, an amount sufficient (including the known minimum yield from Defeasance Obligations in which such amount may be initially invested) to meet all requirements of principal, interest and prior redemption premium, if any, on that Refunding Bond or Improvement Bond as the same becomes due to its final maturity or upon the designated prior redemption date. The Defeasance Obligations must become due prior to the respective times at which the proceeds thereof shall be needed, in accordance with a schedule established and agreed upon between the City and such bank or trust company at the time of creation of the escrow, or the Defeasance Obligations shall be subject to redemption at the option of the owners thereof to assure such availability as so needed to meet such schedule.

Additional Terms Relating To Bond Insurance Policies And Surety Bond Policy

(1) Payments under the Bond Insurance Policy.

(i) In the event that, on the second Business Day, and again on the Business Day, prior to the payment date on the Refunding Bonds or Improvement Bonds, the Paying Agent has not received sufficient moneys to pay all principal of and interest on the Refunding Bonds or Improvement Bonds due on the second following or following, as the case may be, Business Day, the Paying Agent shall immediately notify the Insurer or its designee on the same Business Day by telephone or telegraph, confirmed in writing by registered or certified mail, of the amount of the deficiency.

(ii) If the deficiency is made up in whole or in part prior to or on the payment date, the Paying Agent shall so notify the Insurer or its designee.

(iii) In addition, if the Paying Agent has notice that any bondholder has been required to disgorge payments of principal or interest on the Refunding Bonds or Improvement Bonds to a trustee in bankruptcy or creditors or others pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such bondholder within the meaning of any applicable bankruptcy laws, then the Paying Agent shall notify the Insurer or its designee of such fact by telephone or telegraphic notice, confirmed in writing by registered or certified mail.

(iv) The Paying Agent is hereby irrevocably designated, appointed, directed and authorized to act as attorney-in-fact for holders of the Refunding Bonds and Improvement Bonds as follows:

(x) If and to the extent there is a deficiency in amounts required to pay interest on the Refunding Bonds or Improvement Bonds, the Paying Agent shall (a) execute and deliver to U.S. Bank Trust National Association or its successors under the Policy (the "Insurance Paying Agent"), in form satisfactory to the Insurance Paying Agent, an instrument appointing the Insurer as agent for such holders in any legal proceeding related to the payment of such interest and an assignment to the Insurer of the claims for interest to which such deficiency relates and which are paid by the Insurer, (b) receive as designee of the respective holders (and not as Paying Agent) in accordance with the tenor of the Policy payment from the Insurance Paying Agent with respect to the claims for interest so assigned, and (c) disburse the same to such respective holders; and

(y) If and to the extent of a deficiency in amounts required to pay principal of the Refunding Bonds or Improvement Bonds, the Paying Agent shall (a) execute and deliver to the Insurance Paying Agent in form satisfactory to the Insurance Paying Agent an instrument appointing the Insurer as agent for such holder in any legal proceeding relating to the payment of such principal and an assignment to the Insurer of any of the Refunding Bonds or Improvement Bonds surrendered to the Insurance Paying Agent of so much of the principal amount thereof as has not previously been paid or for which moneys are not held by the Paying Agent and available for such payment (but such assignment shall be delivered only if payment from the Insurance Paying Agent is received), (b) receive as designee of the respective holders (and not as Paying Agent) in accordance with the tenor of the Policy payment therefor from the Insurance Paying Agent, and (c) disburse the same to such holders.

(v) Payments with respect to claims for interest on and principal of Refunding Bonds or Improvement Bonds disbursed by the Paying Agent from proceeds of the applicable policy shall not be considered to discharge the obligation of the City with respect to such Refunding Bonds or Improvement Bonds, and the Insurer shall become the owner of such unpaid Refunding Bonds or Improvement Bonds and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of this subsection or otherwise.

(vi) Irrespective of whether any such assignment is executed and delivered, the City and the Paying Agent hereby agree for the benefit of the Insurer that:

(x) They recognize that to the extent the Insurer makes payments, directly or indirectly (as by paying through the Paying Agent), on account of principal of or interest on the Refunding Bonds or Improvement Bonds, the Insurer will be subrogated to the rights of such holders to receive the amount of such principal and interest from the City, with interest thereon as provided and solely from the sources stated in the Bond Ordinance and the Refunding Bonds or Improvement Bonds; and

(y) They will accordingly pay to the Insurer the amount of such principal and interest (including principal and interest recovered under subparagraph (ii) of the first paragraph of the applicable policy, which principal and interest shall be deemed past due and not to have been paid), with interest thereon as provided in the Bond Legislation and the Refunding Bonds or Improvement Bonds, but only from the sources and in the manner provided herein and in the Bond Legislation for the payment of principal of and interest on the Refunding Bonds or Improvement Bonds to holders, and will otherwise treat the Insurer as the owner of such rights to the amount of such principal and interest.

(2) Additional Bond Disclosure Documents to Insurer. In connection with the issuance of additional Refunding Bonds or Improvement Bonds, the City shall deliver to the Insurer a copy of the disclosure document, if any, circulated with respect to such additional bonds.

(3) Amendment Copies to Standard & Poor's. Copies of any amendments made to the documents executed in connection with the issuances of the Refunding Bonds or Improvement Bonds which are consented to by the Insurer shall be sent to Standard & Poor's Corporation.

(4) Notice of Resignation or Removal of Paying Agent. The Insurer shall receive notice of the resignation or removal of the Paying Agent and the appointment of a successor thereto.

(5) Notices, Audits and Budgets to Insurer. The Insurer shall receive copies of all notices required to be delivered to bondholders and, on an annual basis, copies of the City's audited financial statements and annual budget.

(6) Address for Notices to Insurer. Any notice that is required to be given to a holder of the Refunding Bonds or Improvement Bonds or to the Paying Agent pursuant to this Bond Ordinance shall also be provided to the Insurer. All notices required to be given to the Insurer under this Bond Ordinance shall be in writing and shall be sent by registered or certified mail addressed to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504 Attention: Surveillance.

(7) Reimbursement of Insurer Expenses and Fees. The City agrees to reimburse the Insurer immediately and unconditionally upon demand, to the extent permitted by law and only from Net Revenues, for all reasonable expenses, including attorneys' fees and expenses, incurred by the Insurer in connection with (i) the enforcement by the Insurer of the City's obligations, or the preservation or defense of any rights of the Insurer, under this Bond Ordinance and any other document executed in connection with the issuance of the Refunding Bonds or Improvement Bonds, and (ii) any consent, amendment, waiver or other action with respect to this Bond Ordinance or any related document, whether or not granted or approved together with interest on all such expenses from and including the date incurred to the date of payment of Citibank's Prime Rate plus 3% or the maximum interest rate permitted by law, whichever is less. In addition, the Insurer reserves the right to charge a reasonable fee in connection with its review of any such consent, amendment or waiver, whether or not granted or approved.

(8) Restrictions on Disclosure of Name of Insurer. The City agrees not to use the Insurer's name in any public document including, without limitation, a press release or presentation, announcement or forum without the Insurer's prior consent. In the event that the

City is advised by counsel that it has a legal obligation to disclose the Insurer's name in any press release, public announcement or other public document, the City shall provide the Insurer with at least three (3) business days' prior written notice of its intent to use the Insurer's name together with a copy of the proposed use of the Insurer's name and of any description of a transaction with the Insurer and shall obtain the Insurer's prior consent as to the form and substance of the proposed use of the Insurer's name and any such description.

(9) Insurer Consent Required for Bond Tenders or Repurchases. The City shall not enter into any agreement nor shall it consent to or participate in any arrangement pursuant to which Refunding Bonds or Improvement Bonds are tendered or purchased for any purpose other than the redemption and cancellation or legal defeasance of such Refunding Bonds or Improvement Bonds with the prior written consent of the Insurer.

(10) Notice to the Insurer. Any notices required to be given by any party should also be given to the Insurer, Attn: Insured Portfolio Management.

(11) Authorization to Sign Certificates. The City Treasurer and any other Authorized Officer are each hereby authorized to sign such certificates or documents on behalf of the City as may be required by the Insurer in connection with Bond Insurance Policy.

(12) Insurer Rights upon Event of Default. The Insurer, acting alone, shall have the right to direct all remedies in the event of default. The Insurer shall be recognized as the registered owner of each bond which it insures for purposes of exercising all rights and privileges available to the Bondholders under the Bond Ordinance. For Refunding Bonds or Improvement Bonds which it insures, the Insurer shall have the right to institute any suit, action, or proceeding at law or in equity under the same terms as the Bondholders in accordance with applicable provisions of the governing documents.

(13) Defeasance. The Insurer shall be provided with an opinion of counsel acceptable to the Insurer that the Refunding Bonds or Improvement Bonds have been legally defeased and that the escrow agreement establishing such defeasance operates to legally defease the Refunding Bonds or Improvement Bonds within the meaning of the Bond Ordinance. In addition, the Insurer will be entitled to receive (i) 15 business days notice of any advance refunding of the Refunding Bonds or Improvement Bonds and (ii) an accountant's report with respect to the sufficiency of the amounts deposited in escrow to defease the Refunding Bonds or Improvement Bonds.

(14) Notice of Amendments. The Insurer shall be given notice of any amendment to the Bond Ordinance intended to cure any ambiguity, or to cure, correct or supplement any defect or inconsistent provision contained in the Bond Ordinance, or to comply with the provisions of the Code, or to comply with any rule or regulation of the Securities and Exchange Commission relating to the Refunding Bonds or the Improvement Bonds. Any other amendments to the Bond Ordinance require the Insurer's consent, and copies of such amendments to which the Insurer consent, and copies of such amendments to which the Insurer consents shall be sent to Standard & Poor's.

(15) Permitted Investments. Notwithstanding the definition of Permitted Investments set forth in the Bond Ordinance, so long as the Refunding Bonds and Improvement Bonds are insured by the Insurer, all funds and accounts held for the benefit of the Refunding Bonds and

Improvement Bonds, shall only be invested in the following investments, which, at the time of such investment, are legal investments for the City:

(i) Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

(ii) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

1. U.S. Export-Import Bank (Eximbank)--Direct obligations or fully guaranteed certificates of beneficial ownership.
2. Farmers Home Administration (FmHA)--Certificates of beneficial ownership
3. Federal Financing Bank
4. Federal Housing Administration Debentures (FHA)
5. General Services Administration--Participation certificates
6. Government National Mortgage Association (GNMA or "Ginnie Mae")--GNMA - guaranteed mortgage-backed bonds; GNMA - guaranteed pass-through obligations
7. U.S. Maritime Administration--Guaranteed Title XI financing
8. U.S. Department of Housing and Urban Development (HUD)--Project Notes; Local Authority Bonds; New Communities Debentures - U.S. government guaranteed debentures; U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds

(iii) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

1. Federal Home Loan Bank System--Senior debt obligations
2. Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac")--Participation Certificates; Senior debt obligations
3. Federal National Mortgage Association (FNMA or "Fannie Mae")--Mortgage-backed securities and senior debt obligations
4. Student Loan Marketing Association (SLMA or "Sallie Mae")--Senior debt obligations
5. Resolution Funding Corp. (REFCORP) obligations
6. Farm Credit System--Consolidated system wide bonds and notes

(iv) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of AAAm-G; AAA-m; or AA-m and if rated by Moody's rated Aaa, Aa1 or Aa2.

(v) Certificates of deposit secured at all times by collateral described in (A) and/or (B) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks. The collateral must be held by a third party and the bondholders must have a perfected first security interest in the collateral.

(vi) Certificates of deposit, savings accounts, deposits accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF.

(vii) Investment Agreements, including GIC's, Forward Purchase Agreements and Reserve Fund Put Agreements acceptable to the Insurer.

(viii) Commercial paper rated, at the time of purchase, "Prime - 1" by Moody's and "A-1" or better by S&P.

(vix) Bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies.

(x) Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime - 1" or "A3" or better by Moody's and "A-1" or "A" or better by S&P.

(xi) Repurchase Agreements for 30 days or less must follow the following criteria. Repurchase Agreements which exceed 30 days must be acceptable to the Insurer.

Repurchase agreements provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to a municipal entity (buyer/lender), and the transfer of cash from a municipal entity to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the City in exchange for the securities at a specified date.

1. Repos must be between the City and a dealer bank or securities firm
    a. Primary dealers on the Federal Reserve reporting dealer list which are rated A or better by S&P and Moody's, or
    b. Banks rated "A" or above by S&P and Moody's.
2. The written repo contract must include the following:
    a. Securities which are acceptable for transfer are:
        (1) Direct U.S. governments, or
        (2) Federal agencies backed by the full faith and credit of the U.S. government (and FNMA & FHLMC)
    b. The term of the repo may be up to 30 days
    c. The collateral must be delivered to the City, trustee (if trustee is not supplying the collateral) or third party acting as agent for the trustee (if the trustee is supplying the

collateral) before/simultaneous with payment (perfection by possession of certificated securities).

d. Valuation of Collateral

(1) The securities must be valued weekly, marked-to-market at current market price plus accrued interest.

(a) The value of collateral must be equal to 104% of the amount of cash transferred by the municipal entity to the dealer bank or security firm under the repo plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by municipality, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of collateral must equal 105%.

3. Legal opinion which must be delivered to the City:

a. Repo meets guidelines under state law for legal investment of public funds.

(xii) Subject to approval by the Insurer, the State Treasurer's short-term investment fund created pursuant to Section 6-10-10.1, NMSA 1978, and operated, maintained and invested by the State Treasurer.

(16) Additional Events of Default. Notwithstanding the Events of Default set forth in the Bond Ordinance, so long as the Refunding Bonds and Improvement Bonds are insured by the Insurer, the following shall constitute additional events of default under each of the Refunding Bonds and the Improvement Bonds:

(i) Default by the City in the due and punctual performance of its covenants or conditions, agreements and provisions contained in the Refunding Bonds or in the Bond Legislation on its part to be performed and the continuance of such default (other than a default set forth in Sections 28.(A) and 28.(B)) for 30 days after written notice specifying such default and requiring the same to be remedied has been given to the City by the Owners of 25% in aggregate principal amount of the Refunding Bonds then Outstanding or by the Refunding Bonds Insurer. Default by the City in the due and punctual performance of its covenants or conditions, agreements and provisions contained in the Improvement Bonds or in the Bond Legislation on its part to be performed and the continuance of such default (other than a default set forth in Sections 28.(A) and 28.(B)) for 30 days after written notice specifying such default and requiring the same to be remedied has been given to the City by the Owners of 25% in aggregate principal amount of the Improvement Bonds then Outstanding or by the Improvement Bonds Insurer.

(ii) The City shall (a) apply for or consent to the appointment of or the taking of possession by, a receiver, custodian, trustee, liquidator or the like of the City or of all or a substantial part of its property, (b) commence a voluntary case under the Federal Bankruptcy Code, or (c) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, or reorganization or (2) a proceeding or case shall be commenced, without application or consent of the City, in any court of competent jurisdiction seeking (a) the liquidation, reorganization, dissolution, winding-up or adjustment of debts of the City, (b) appointment of a trustee, receiver, custodian, liquidator or the like of the City or of all or a substantial part of its assets, or (c) similar relief in respect of the City under any law relating to bankruptcy, insolvency, reorganization, winding-up or adjustment of debts.

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Appendix D
Forms of Opinions of Bond Counsel and Special Tax Counsel

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FORM OF OPINION OF BOND COUNSEL

March 23, 2004

City of Albuquerque
Albuquerque, New Mexico

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Albuquerque, New Mexico (the "City") of its $20,610,000 Subordinate Lien Taxable Airport Refunding Revenue Bonds, Series 2004A (the "Series 2004A Bonds") and its $30,000,000 Senior Lien Airport Improvement Revenue Bonds, Series 2004B (the "Series 2004B Bonds" and together with the Series 2004A Bonds, the "Bonds").

The Bonds are issued pursuant to the Constitution and laws of the State of New Mexico (the "State") and the home rule powers of the City derived from the City Charter and the Constitution of the State and City Ordinance Enactment No. O 2004 5 adopted January 21, 2004 and City Resolution Sixteenth Council Bill No. F/S R 04-038 adopted March 1, 2004 (collectively, the "Bond Legislation"). The 2004A Bonds are issued to refund a portion of the City's Subordinate Lien Adjustable Rate Taxable Airport Revenue Bonds Series 2000B. The 2004B Bonds are issued to construct and improve certain Airport facilities.

We have examined the Bond Legislation and such other law and certified proceedings and other documents as we deem necessary to render this opinion.

Based on our examination, we are of the opinion that, under the law existing on the date of this opinion:

1. The Bonds are valid and binding special and limited obligations of the City, enforceable in accordance with their terms and provisions.

2. The principal of, premium, if any, and interest on the Bonds are payable or reimbursable solely from, and such payment is secured by, a pledge (but not an exclusive pledge) of the Net Revenues (as defined in the Bond Legislation), the proceeds of a Municipal Bond Insurance Policy issued by MBIA Insurance Corporation and, to the extent stated in the Bond Legislation, certain of the funds and accounts created or continued in the Bond Legislation. The owners of the Bonds have no right to have taxes levied by the City for the payment of principal of or interest on the Bonds and the Bonds do not represent or constitute a debt or a pledge of, or a charge against, the general credit of the City.

3. The Series 2004A Bonds are Subordinate Parity Obligations (as defined in the Bond Legislation). The Series 2004B Bonds are Senior Parity Obligations (as defined in the Bond Legislation).

There are additional Senior Parity Obligations and additional Subordinate Parity Obligations outstanding. Upon satisfaction of the conditions set forth in the Bond Legislation, additional Senior Parity Obligations and additional Subordinate Parity Obligations may be issued.

We express no opinion as to the excludability of interest on the Bonds from gross income for federal income tax purposes. In giving the above opinions, we have relied on the opinion of Kutak Rock LLP, as to the tax exempt status of the Series 2004B Bonds, dated the same date as the date of this opinion.

The binding effect and enforceability of the Bonds are subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, now or hereafter in effect, and to the exercise of judicial discretion and the application of other judicial or equitable remedies.

The scope of our engagement has not extended beyond the examinations and the rendering of the opinions expressed herein, and we are not passing upon the accuracy or completeness of any information furnished to any person in connection with the offer or sale of the Bonds. The opinions expressed herein are based on existing law as of the date hereof and we express no opinion herein as of any subsequent date or with respect to any pending legislation or as to any other matters.

The foregoing opinions are limited to matters involving the current laws of the State and we do not express any opinion as to the laws of any other jurisdiction.

Very truly yours,

Brownstein Hyatt & Farber, P.C.

FORM OF OPINION OF SPECIAL TAX COUNSEL

March 23, 2004

City of Albuquerque
Albuquerque, New Mexico

$20,610,000 City of Albuquerque, New Mexico Subordinate Lien Taxable Airport Refunding Revenue Bonds Series 2004A	$30,000,000 City of Albuquerque, New Mexico Senior Lien Airport Improvement Revenue Bonds Series 2004B

Ladies and Gentlemen:

We have acted as Special Tax Counsel in connection with the issuance and sale by the City of Albuquerque, New Mexico (the "City") of $20,610,000 aggregate principal amount of its City of Albuquerque, New Mexico Subordinate Lien Taxable Airport Refunding Revenue Bonds Series 2004A (the "Series 2004A Bonds") and $30,000,000 aggregate principal amount of its City of Albuquerque, New Mexico Senior Lien Airport Improvement Revenue Bonds Series 2004B (the "Series 2004B Bonds," and collectively, with the Series 2004A Bonds, the "Series 2004 Bonds"). The proceeds of the Series 2004A Bonds are being used to (a) refund $20,000,000 of the City's outstanding Subordinate Lien Adjustable Rate Taxable Airport Revenue Bonds, Series 2000B and (b) finance certain costs of issuance of the Series 2004A Bonds. The proceeds of the Series 2004B Bonds are being used to (a) finance certain capital improvements at the Albuquerque International Sunport (the "Airport"), (b) fund capitalized interest on a portion of the Series 2004B Bonds and (c) finance certain costs of issuance for the Series 2004B Bonds.

In connection with the issuance of the Series 2004 Bonds, we have examined the laws of the State of New Mexico and the Untied States of America relevant to the opinions herein; a certified copy of the record of the proceedings of the City with respect to the issuance of the Series 2004 Bonds; the representations and warranties contained in the Tax Compliance Certificate dated this date and executed by the City relating to the Series 2004B Bonds (the "Tax Certificate"); and such other documents as we deemed relevant and necessary in rendering this opinion.

We have assumed the accuracy and truthfulness of all public records and of all certifications, documents and other proceedings examined by us, and we have not independently verified the accuracy or truthfulness thereof. We have also assumed the genuineness of the signatures appearing upon such records, certifications, documents and proceedings.

From such examination, we are of the opinion that:

1. Under existing laws, regulations, rulings and judicial decisions, interest on the Series 2004B Bonds (including original issue discount treated as interest, if any) is excluded from gross income for federal income tax purposes; except that such exclusion does not apply with respect to interest on any Series 2004B Bonds for any period during which such Series 2004B Bonds are held by a person who is a “substantial user” of the facilities financed by the Series 2004B Bonds or a person “related” to such substantial user within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended (the “Code”). Interest on the Series 2004B Bonds (including original issue discount treated as interest, if any) constitutes an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations by the Code.

2. Under existing laws, regulations, rulings and judicial decisions, interest on the Series 2004 Bonds is exempt from New Mexico state income taxes.

The opinions set forth in paragraphs 1 and 2 above are given in reliance on the opinions of Brownstein Hyatt & Farber, P.C., Bond Counsel, as to the valid issuance of the Series 2004 Bonds and assume the continued compliance by the City with certain requirements of the Code that must be met subsequent to the issuance of the Series 2004B Bonds. Failure to comply with such covenants could cause interest on the Series 2004B Bonds to be included in gross income retroactive to the date of issue of the Series 2004B Bonds. Although we are of the opinion that interest on the Series 2004B Bonds is excluded from gross income for federal tax purposes, the accrual or receipt of interest on the Series 2004B Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient’s particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

No opinion is expressed regarding the federal income tax treatment of the Series 2004A Bonds or regarding any impact of ownership of, receipt of interest on or disposition of the Series 2004A Bonds other than as expressly described in paragraph 2 above.

We have not been engaged to prepare and have not assumed or undertaken responsibility for the preparation of the Official Statement for the Series 2004 Bonds except for the preparation of the description therein of federal and State of Mexico tax law pertinent to the tax treatment of interest paid on the Series 2004 Bonds. We have not performed an independent investigation to determine the accuracy, completeness or sufficiency of any other information contained in the Official Statement. We have not been responsible for any description of the revenues or other sources of security for or other matters relating to any evaluation of the likelihood of payment of, or creditworthiness of, the Series 2004 Bonds or the adequacy of the security provided to owners of the Series 2004 Bonds. We also have not been engaged to review, and we did not review and do not opine on, the financial condition of the City, the Airport or any other party to the Series 2004 Bonds; the feasibility of the projects to be financed or refinanced with proceeds of the Series 2004 Bonds or the revenues or other sources of security for or other matters relating to an evaluation of the likelihood of payment of, or creditworthiness of the Series 2004 Bonds or the security provided to owners of the Series 2004 Bonds or the validity of the Series 2004 Bonds.

The opinions expressed herein are based upon existing legislation as of the date hereof and we express no opinion as of any date subsequent hereto or with respect to any pending legislation.

This opinion is issued to and for the sole benefit of the above addressee and is issued for the sole purpose of the transaction specifically referred to herein. No person other than the above addressee may rely upon this opinion without our express prior written consent. This opinion may not be utilized by you for any other purpose whatsoever and may not be quoted by you without our express prior written consent. Our engagement with respect to the Series 2004 Bonds has concluded with their issuance. We assume no obligation to review or supplement this opinion subsequent to its date, whether by reason of a change in the current laws, by legislative or regulatory action, by judicial decision or for any other reason.

Very truly yours,

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Appendix E
Specimen Finance Guaranty Insurance Policy

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FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation
Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancelable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation

SPECIMEN

____
President

Attest:___________________________
Assistant Secretary

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Appendix F
Form of Continuing Disclosure Undertaking

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Appendix F
Form of Continuing Disclosure Undertaking

$50,610,000.00
CITY OF ALBUQUERQUE, NEW MEXICO
Airport Revenue Bonds

$20,610,000	$30,000,000
Subordinate Lien Taxable Refunding Bonds, Series 2004A	Senior Lien Improvement Bonds Series 2004B (AMT)

CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Disclosure Certificate") is executed and delivered by the CITY OF ALBUQUERQUE, NEW MEXICO (the "City") in connection with the issuance of $20,610,000 of the City's Subordinate Lien Taxable Airport Refunding Revenue Bonds, Series 2004A (the "Series 2004A Bonds") and Senior Lien Airport Improvement Revenue Bonds, Series 2004B (the "Series 2004B Bonds" and together with the Series 2004A Bonds, the "Series 2004 Bonds"). The Series 2004 Bonds are being issued pursuant to City Ordinance Sixteenth Council Bill No. F/S O-03-3, adopted by the City on January 21, 2004 and a sale resolution of the City adopted on March 1, 2004 (the "Bond Legislation").

The City covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the owners of the Series 2004 Bonds and in order to allow the Participating Underwriters (as defined by Rule 15c2-12) to comply with Rule 15c2-12.

SECTION 2. Definitions. In addition to the definitions set forth in the Bond Legislation, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Financial Information" means the financial information or operating data with respect to the City, delivered at least annually pursuant to Section 3 hereof, of the type set forth in the Official Statement, including but not limited to, such financial information and operating data set forth (i) in all of the tables set forth under the captions "ALBUQUERQUE INTERNATIONAL SUNPORT" and "AIRPORT FINANCIAL OPERATIONS," (ii) in the section entitled "SECURITY AND SOURCES OF PAYMENT - Outstanding Airport Obligations," (iii) in the table entitled "Total Combined Debt Service" under the caption "ANNUAL DEBT SERVICE REQUIRMENTS - Total Combined Debt Service" and (iv) under the captions "CERTAIN INVESTMENT CONSIDERATIONS - Airlines Subject To Airline Agreements" and "- Dominance of Southwest Airlines at the Airport." Annual Financial Information may be provided in the City's Annual Information Statement or in any other format which complies with the requirements of Rule 15c2-12 deemed convenient by the City or the obligated person providing such Annual Financial Information.

"Audited Financial Statements" means the annual financial statements for the City, prepared in accordance with generally accepted accounting principles consistently applied, as in effect from time to time, audited by a firm of certified public accountants.

"Events" means any of the events listed in Section 4(a) of this Disclosure Certificate.

"Fiscal Year" means the fiscal year of the City, ending June 30.

"MSRB" means the Municipal Securities Rulemaking Board. The current address of the MSRB is 1640 King Street, #300, Alexandria, Virginia 22314; fax 703-683-1930.

"National Repository" means any Nationally Recognized Municipal Securities Information Repository recognized by the SEC from time to time, for purposes of Rule 15c2-12. As of the date hereof, the following are National Repositories:

Bloomberg Municipal Repository, Skillman, NJ
DPC Data Inc., Fort Lee, NJ
FT Interactive Data, New York, NY
Standard & Poor's Securities Evaluations, Inc., New York, NY

"Official Statement" means the final Official Statement delivered in connection with the original issue and sale of the Series 2004 Bonds.

"Owner of the Series 2004 Bonds" means the registered owner of the Series 2004 Bonds, and so long as the Series 2004 Bonds are subject to the book-entry system, any Beneficial Owner as such term is defined in the Bond Legislation.

"Repository" shall mean each National Repository and the State Repository.

"Rule 15c2-12" shall mean Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"SEC" means the Securities and Exchange Commission.

"State Repository" shall mean any public or private repository or entity designated by the State of New Mexico as a state repository for the purpose of Rule 15c2-12. As of the date hereof, there is no State Repository for the State of New Mexico.

SECTION 3. Provision of Annual Information.

(a) Commencing with the Fiscal Year ended June 30, 2004, and annually while the Series 2004 Bonds remain outstanding, the City shall provide or cause to be provided to each Repository Annual Financial Information and Audited Financial Statements, if available, or if and so long as audited financial statements are unavailable, unaudited financial statements, if available.

(b) Such Annual Financial Information shall be provided by the City not later than 270 days after the end of each Fiscal Year. The Audited Financial Statements will be provided when available but in no event later than 270 days after the end of each Fiscal Year.

(c) The City may provide Annual Financial Information and Audited Financial Statements with respect to the City by specific cross-reference to other documents which have been submitted to each Repository or filed with the Commission. If the document so referenced is a final official statement within the meaning of Rule 15c2-12, such final official statement must also be available from the MSRB. The City shall clearly identify each such other document so incorporated by cross-reference.

SECTION 4. Reporting of Events.

(a) This Section 4 shall govern the giving of notices of the occurrence of any of the following Events with respect to the Series 2004 Bonds:

1. Principal and interest payment delinquencies.

2. Non-payment related defaults.

3. Unscheduled draws on debt service reserves reflecting financial difficulties.

4. Unscheduled draws on credit enhancements reflecting financial difficulties.

5. Substitution of credit or liquidity providers, or their failure to perform.

6. Adverse tax opinions or events affecting the tax-exempt status of the security.

7. Modifications to the rights of the security holders.

8. Bond calls or redemption (other than mandatory sinking fund redemption).

9. Defeasances.

10. Release, substitution or sale of property securing repayment of the securities.

11. Rating changes.

(b) At any time the Series 2004 Bonds are Outstanding and the City obtains knowledge of the occurrence of an Event, the City shall file, in a timely manner, a notice of such occurrence with the MSRB and each State Repository, if the occurrence of such Event is material for owners of the Series 2004 Bonds. Notwithstanding the foregoing, notice of Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying Event is given to owners of affected Series 2004 Bonds pursuant to the Bond Legislation.

(c) At any time the Series 2004 Bonds are outstanding, the City shall provide, in a timely manner, to the MSRB and the State Repository, notice of any failure of the City to timely provide the Annual Financial Information as specified in Section 3 hereof.

SECTION 5. Term. This Disclosure Certificate shall be in effect from and after the issuance and delivery of the Series 2004 Bonds and shall extend to the earliest of (a) the date all principal and interest on the Series 2004 Bonds shall have been deemed paid or legally defeased pursuant to the terms of the Bond Legislation; (b) the date that the City shall no longer constitute an “obligated person” with respect to the Series 2004 Bonds within the meaning of Rule 15c2-12; and (c) the date on which those portions of Rule 15c2-12 which require this Disclosure Certificate are determined to be invalid by a court of competent jurisdiction in a non-appealable action, have been repealed retroactively or otherwise do not apply to the Series 2004 Bonds, the determination of (a), (b) or (c) herein to be made in any manner deemed appropriate by the City, including by an opinion of Counsel experienced in federal securities laws selected by the City. The City shall file a notice of any such termination with each Repository and the MSRB.

SECTION 6. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure

Certificate may be waived, if (a) such amendment or waiver is consented to by the owners of no less than a majority in aggregate principal amount of the Series 2004 Bonds obtained in the manner prescribed by the Bond Legislation or (b) if such amendment or waiver is otherwise consistent with Rule 15c2-12, as determined by an opinion of Counsel experienced in federal securities laws selected by the City. Written notice of any such amendment or waiver shall be provided by the City to each Repository and the MSRB, and the Annual Financial Information shall explain the reasons for the amendment and the impact of any change in the type of information being provided. If any amendment changes the accounting principles to be followed in preparing financial statements, the Annual Financial Information for the year in which the change is made will present a comparison between the financial statement or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The City shall provide notice of any such amendment or waiver to each Repository.

SECTION 7. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other annual information or notice of occurrence of an event which is not an Event, in addition to that which is required by this Disclosure Certificate; provided that the City shall not be required to do so. If the City chooses to include any annual information or notice of occurrence of an event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future annual filing or notice of occurrence of an Event.

SECTION 8. Default and Enforcement. If the City fails to comply with any provision of this Disclosure Certificate, any owner of the Series 2004 Bonds may take action to seek specific performance by court order to compel the City to comply with its obligations under this Disclosure Certificate; provided that any owner of the Series 2004 Bonds seeking to require the City to so comply shall first provide at least 30 days' prior written notice to the City of the City's failure (giving reasonable details of such failure), following which notice the City shall have 30 days to comply and, provided further, that only the owners of no less than a majority in aggregate principal amount of the Series 2004 Bonds may take action to seek specific performance in connection with a challenge to the adequacy of the information provided by the City in accordance with this Disclosure Certificate, after notice and opportunity to comply as provided herein, and such action shall be taken only in a court of competent jurisdiction in the State of New Mexico. A DEFAULT UNDER THIS DISCLOSURE CERTIFICATE SHALL NOT BE DEEMED AN EVENT OF DEFAULT UNDER THE BOND LEGISLATION OR THE SERIES 2001 BONDS, AND THE SOLE REMEDY UNDER THIS DISCLOSURE CERTIFICATE IN THE EVENT OF ANY FAILURE OF THE CITY TO COMPLY WITH THIS DISCLOSURE CERTIFICATE SHALL BE AN ACTION TO COMPEL PERFORMANCE.

SECTION 9. Disclosure Information Cover Sheet. Attached to this Disclosure Certificate as Attachment 1 is a form of Municipal Secondary Market Disclosure Information Cover Sheet which may be used with submissions made to the MSRB and National Repositories whether the filing is voluntary or made pursuant to the Rule.

SECTION 10. Beneficiaries. The Disclosure Certificate shall inure solely to the benefit of the City, the Participating Underwriters and owners from time to time of the Series 2004 Bonds, and shall create no rights in any other person or entity.

Date: _____________, 2004

CITY OF ALBUQUERQUE, NEW MEXICO

By:_________________________________

____

Title:_______________________________

Attachment 1

Municipal Secondary Market Disclosure Information Cover Sheet

Municipal Secondary Market
Disclosure Information Cover Sheet

This cover sheet should be sent with all submissions made to the Municipal Securities Rulemaking board, Nationally Recognized Municipal Securities Information Repositories, and any applicable State Information Depository, whether the filing is voluntary or made pursuant to Securities and Exchange Commission rule 15c2-12 or any analogous state statute.

See www.sec.gov/info/municipal/nrmsir.htm for list of current NRMSIRs and SIDS

IF THIS FILING RELATES TO A SINGLE BOND ISSUE:

Provide name of bond issue exactly as it appears on the cover of the Official Statement
(please include name of state where Issuer is located):

Provide nine-digit CUSIP* numbers if available, to which the information relates:

______________	______________	______________
______________	______________	______________
______________	______________	______________
______________	______________	______________
______________	______________	______________
______________	______________	______________

IF THIS FILING RELATES TO ALL SECURITIES ISSUED BY THE ISSUER OR ALL SECURITIES OF A SPECIFIC CREDIT OR ISSUED UNDER A SINGLE INDENTURE:

Issuer's Name (please include name of state where Issuer is located):________________________________

Other Obligated Person's Name (if any);____
(Exactly as it appears on the Official Statement Cover)

Provide six-digit CUSIP* number(s), if available, of Issuer:____

*(Contact CUSIP's Municipal Discount Assistance Line at 212.438.6518 for assistance with obtaining the proper CUSIP numbers.)

TYPE OF FILING:

☐ Electronic (number of pages attached)______________________________ ☐ Paper (number of pages attached) __________
____

If information is also available on the Internet, give URL:____

WHAT TYPE OF INFORMATION ARE YOU PROVIDING? (Check all that apply)

A. ☐ **Annual Financial Information and Operating Data pursuant to Rule 15c2-12.**
(Financial information and operating data should not be filed with the MSRB).

Fiscal Period Covered:____

B. ☐ **Audited Financial Statements or CAFR pursuant to Rule 15c2-12**

Fiscal Period Covered:____

C. ☐ **Notice of a Material Event pursuant to Rule 15c2-2** (Check as appropriate)

1. ☐ Principal and interest payment delinquencies
2. ☐ Non-payment related defaults
3. ☐ Unscheduled draws on debt service reserves reflecting financial difficulties
4. ☐ Unscheduled draws on credit enhancements reflecting financial difficulties
5. ☐ Substitution of credit or liquidity providers, or their failure to perform
6. ☐ Adverse tax opinions or events affecting the tax-exempt status of the security.
7. ☐ Modifications to the rights of security holders
8. ☐ Bond calls
9. ☐ Defeasances
10. ☐ Release, substitution, or sale of property securing repayment of the securities.
11. ☐ Rating changes

D. ☐ **Notice of Failure to Provide Annual Financial Information as Required**

E. ☐ **Other Secondary Market Information** (Specify):____

I hereby request that I am authorized by the issuer or obligor or its agent to distribute this information publicly:

Issuer Contact:

Name ____Title ___________________________________

Employer ____

Address __________________________________ City _______________ State ________ Zip Code _____

Telephone ______________________________________ Fax ____________________________________

Email Address ___________________________________ Issuer Web Site Address _____________________

Dissemination Agent Contact, if any:

Name ____Title ___________________________________

Employer ____

Address __________________________________ City _______________ State ________ Zip Code _____

Telephone ______________________________________ Fax ____________________________________

Email Address ___________________________________ Relationship to Issuer_______________________

Obligor Contact, if any:

Name ____Title ___________________________________

Employer ____

Address __________________________________ City _______________ State ________ Zip Code _____

Telephone ______________________________________ Fax ____________________________________

Email Address ___________________________________ Obligor Web Site Address ____________________

Investor Relations Contact, if any:

Name ____Title ___________________________________

Telephone ______________________________________ Email address _____________________________

Appendix G

Book-Entry-Only System

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Appendix G

Book-Entry-Only System

Introduction

Unless otherwise noted, the information contained under the caption "General" below has been provided by DTC. Neither the City nor the Underwriters make any representations as to the accuracy or the completeness of such information. The Beneficial Owners of the Series 2004 Bonds should confirm the following information with DTC, the Direct Participants or the Indirect Participants.

NEITHER THE CITY NOR THE FISCAL AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (B) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SERIES 2004 BONDS UNDER THE BOND ORDINANCE, (C) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2004 BONDS; (D) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR INTEREST DUE WITH RESPECT TO THE OWNER OF THE SERIES 2004 BONDS; (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNERS OF SERIES 2004 BONDS; OR (F) ANY OTHER MATTER REGARDING DTC.

General

The Series 2004 Bonds will be delivered in book-entry only form. DTC will act as securities depository for the Series 2004 Bonds. The Series 2004 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Series 2004 Bond certificate will be issued for each maturity of each series of the Series 2004 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: "AAA." The DTC Rules applicable to Direct Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The City undertakes no responsibility for and makes no representations as to the accuracy or the completeness of the content of such material contained on DTC's website as described in the preceding sentence including, but not limited to, updates of such information or links to other Internet sites accessed through the aforementioned website.

Purchases of the Series 2004 Bonds under the DTC system must be made by or through Direct or Indirect Participants, which will receive a credit for the Series 2004 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2004 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2004 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2004 Bonds, except in the event that use of the book-entry system for the Series 2004 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2004 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2004 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2004 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2004 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

While the Series 2004 Bonds are in the book-entry-only system, redemption notices will be sent to DTC. If less than all of the Series 2004 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be prepaid.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2004 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2004 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2004 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Fiscal Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct and Indirect Participant and not of DTC, the Fiscal Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Fiscal Agent, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2004 Bonds at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor depository is not obtained, certificates representing the Series 2004 Bonds are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, certificates representing the Series 2004 Bonds will be printed and delivered.

The information in this Appendix concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but neither the City nor the Underwriters take any responsibility for the accuracy thereof.

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