

NEW ISSUE - Book Entry Only

In the opinion of Brownstein Hyatt & Farber, P.C., Bond Counsel, under existing laws, regulations, rulings and judicial decisions, and assuming continuing compliance with the covenants described herein, interest on the Series 2003 Bonds is excluded from gross income for federal income tax purposes and is not a specific tax preference item for purposes of the alternative minimum tax under the Internal Revenue Code of 1986, as amended. The interest on the Series 2003 Bonds may be subject to certain federal taxes imposed only on certain corporations, including imposition of the corporate alternative minimum taxes on a portion of that interest. Interest on the Series 2003 Bonds is not subject to State of New Mexico income taxation so long as excluded from gross income for federal income tax purposes. For a more complete discussion of the tax aspects, see "TAX EXEMPTION."

\$99,995,000

CITY OF ALBUQUERQUE, NEW MEXICO

General Obligation Bonds

\$8,750,000

**General Obligation
Equipment Bonds
Series 2003A**

\$81,805,000

**General Obligation
General Purpose Bonds
Series 2003B**

\$9,440,000

**General Obligation
Storm Sewer Bonds
Series 2003C**

Dated: July 1, 2003

Due: July 1, as shown on inside cover

The City of Albuquerque, New Mexico General Obligation Bonds, Series 2003 are being issued as fully registered bonds in three separate series in denominations of \$5,000 or any integral multiple thereof. The Depository Trust Company will act as securities depository for the Series 2003 Bonds through its nominee, Cede & Co. One fully registered bond equal to the principal amount of each maturity of each series of the Series 2003 Bonds will be registered in the name of Cede & Co. Individual purchases of Series 2003 Bonds will be made in book-entry form only and beneficial owners of the Series 2003 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 its participants for subsequent disbursement to the beneficial owners of the Series 2003 Bonds.

Principal of and interest on the Series 2003 Bonds will be payable to DTC, or its nominee, as owner of the Series 2003 Bonds, by the Treasurer of the City of Albuquerque, New Mexico, as Paying Agent. Interest on the Series 2003 Bonds is payable on January 1 and July 1 of each year, commencing January 1, 2004, as more fully described herein. Principal of the Series 2003 Bonds is payable on the dates shown on the Maturity Schedules on the inside cover.

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

The Series 2003B Bonds and Series 2003C Bonds maturing on and after July 1, 2012 will be subject to optional redemption prior to maturity as described herein. The Series 2003A Bonds will not be subject to optional redemption prior to maturity.

The Series 2003 Bonds constitute general obligation indebtedness of the City, payable from property taxes levied against all taxable property in the City, without limitation of rate or amount, and the full faith and credit of the City is pledged for the payment of the Series 2003 Bonds. Payment of the principal of and interest on the Series 2003B Bonds maturing in the years 2009, 2010 and 2012 when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series 2003B Bonds by MBIA Insurance Corporation. Payment of the principal of and interest on the Series 2003C Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series 2003C Bonds by Financial Guaranty Insurance Company.

In connection with the issuance of the Series 2003 Bonds, the City will commit to provide certain annual information and notice of certain material events as described herein under the caption "CONTINUING DISCLOSURE UNDERTAKING."

Approval of certain legal matters will be passed on by Brownstein Hyatt & Farber, P.C., Albuquerque, New Mexico, as Bond Counsel. Certain legal matters will also be passed on for the City by the office of the City Attorney and by Modrall, Sperling, Roehl, Harris & Sisk, P.A., Disclosure Counsel to the City. It is expected that the Series 2003 Bonds will be delivered to DTC in New York, New York on or about July 11, 2003.

UBS PaineWebber Inc.

June 2, 2003

MATURITY SCHEDULES

\$8,750,000 Series 2003A Bonds (Cusip No. 013518)

<u>Maturity Date (July 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Cusip No.</u>
2004	\$8,750,000	2.50%	1.015%	S48

(Accrued interest from July 1, 2003 to be added)

\$81,805,000 Series 2003B Bonds (Cusip No. 013518)

<u>Maturity Date (July 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Cusip No.</u>
2004	\$25,250,000	2.50%	1.015%	S55
2005	7,330,000	3.00%	1.180%	S63
2006	7,330,000	3.00%	1.450%	S71
2007	7,330,000	4.00%	1.860%	S89
2008	7,330,000	4.00%	2.150%	S97
2009 ⁽¹⁾	7,335,000	4.00%	2.460%	T21
2010 ⁽¹⁾	7,335,000	5.00%	2.750%	T39
2011	7,335,000	4.25%	2.940%	T47
2012 ⁽¹⁾	5,230,000	3.00%	3.070%	T54

(Accrued interest from July 1, 2003 to be added)

\$9,440,000 Series 2003C Bonds (Cusip No. 013518)

<u>Maturity Date (July 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Cusip No.</u>
2012 ⁽²⁾	\$2,105,000	3.00%	3.070%	T62
2013 ⁽²⁾	7,335,000	4.50%	3.170%	T70

(Accrued interest from July 1, 2003 to be added)

⁽¹⁾ Insured by MBIA Insurance Corporation.

⁽²⁾ Insured by Financial Guaranty Insurance Company.

CITY OF ALBUQUERQUE

MAYOR

Martin J. Chavez

CITY COUNCIL

Miguel A. Gomez	District 1
Vincent E. Griego (President)	District 2
Eric G. Griego	District 3
Brad Winter	District 4
Michael Cadigan	District 5
Hess Yntema	District 6
Sally Mayer	District 7
Greg Payne (Vice President)	District 8
Tina L. Cummins	District 9

CHIEF ADMINISTRATIVE OFFICER

Jay Czar

ADMINISTRATION

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

DEPARTMENT OF FINANCE AND 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 Lamberson, PhD, Budget Officer
Jacques Blair, PhD, City Economist

LEGAL DEPARTMENT

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

BOND COUNSEL

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

DISCLOSURE COUNSEL

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

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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. 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 2003 Bonds, and, if given or made, such information or representations must not be relied upon as having been authorized by the City. The information contained in this Official Statement has been obtained from the City and other sources which are deemed to be reliable. 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 Series 2003 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 2003 Bonds in accordance with applicable provisions of the securities laws of the states in which the Series 2003 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 2003 Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

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OFFICIAL STATEMENT

\$99,995,000
CITY OF ALBUQUERQUE, NEW MEXICO
General Obligation Bonds

\$8,750,000
General Obligation
Equipment Bonds
Series 2003A

\$81,805,000
General Obligation
General Purpose Bonds
Series 2003B

\$9,440,000
General Obligation
Storm Sewer Bonds
Series 2003C

INTRODUCTION

Generally

This Official Statement, which includes the cover page and appendices hereto, provides certain information in connection with the offer and sale by the City of Albuquerque, New Mexico (the "City") of its General Obligation Equipment Bonds, Series 2003A (the "Series 2003A Bonds") in the original principal amount of \$8,750,000, its General Obligation General Purpose Bonds, Series 2003B (the "Series 2003B Bonds") in the original principal amount of \$81,805,000, and its General Obligation Storm Sewer Bonds, Series 2003C (the "Series 2003C Bonds") in the original principal amount of \$9,440,000. Capitalized terms used herein and not defined have the meanings specified in City Ordinance Fifteenth Council Bill No. F/S O-03-109 adopted by the City Council on June 2, 2003 (the "Bond Ordinance"). See "DESCRIPTION OF BOND ORDINANCE — Certain Definitions" in Appendix B hereto.

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 Series 2003 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, 2002, spanned 187.70 square miles. For financial and other information concerning the City, see "ECONOMIC AND DEMOGRAPHIC INFORMATION," "FINANCIAL INFORMATION" and certain audited financial statements of the City attached hereto as Appendix A.

Purposes of the Series 2003 Bonds

Proceeds from the sale of the Series 2003A Bonds will be used to finance the acquisition of certain equipment relating to fire and police protection, City facilities and equipment, library equipment, street equipment and transit vehicles and equipment (collectively, the "2003A Project"). Proceeds from the sale of the Series 2003B Bonds will be used to finance projects relating to fire protection, citizens' centers, police, parks and recreation, facilities and equipment, libraries, museums, street improvements, public transit facilities and biological park (collectively, the "2003B Project"). Proceeds from the sale of the Series 2003C Bonds will be used to finance certain improvements to the City's storm sewer system (collectively, the "2003C Project" and, together with the 2003A Project and the 2003B Project, the "2003 Projects"). Proceeds of the Series 2003 Bonds will also be used to defray costs of issuance of the Series 2003 Bonds. See "PLAN OF FINANCING — The Project."

Authority for Issuance

The Series 2003 Bonds are being issued under the authority of and pursuant to a regular municipal election of the City held on October 2, 2001 (the "2001 Election"), the Constitution and laws of the State of New Mexico, including Sections 3-30-1 to 3-30-9 and 6-15-1 to 6-15-10, 6-15-21 and 6-15-22 NMSA 1978, as amended, the powers of the City as a home rule city under authority given by the Constitution of the State and the City Charter and all enactments of the City Council relating to the issuance of the Series 2003 Bonds, including the Bond Ordinance. On February 19, 2002, the City issued its \$31,600,000 General Obligation Bonds pursuant to the 2001 Election.

Sources of Payment for the Series 2003 Bonds

The Series 2003 Bonds constitute general obligation indebtedness of the City, payable from property taxes levied against all taxable property in the City without limitation of rate or amount, and the full faith and credit of the City is pledged for the payment of the Series 2003 Bonds. See "FINANCIAL INFORMATION — Property Taxes." See also "SECURITY AND SOURCES OF PAYMENT." Payment of principal and interest on the Series 2003B Bonds maturing in the years 2009, 2010 and 2012 (the "Insured Series 2003B Bonds") when due will be guaranteed by a financial guaranty insurance policy issued by MBIA Insurance Corporation ("MBIA"). Payment of principal and interest on the Series 2003C Bonds when due will be guaranteed by a financial guaranty insurance policy issued by Financial Guaranty Insurance Company ("Financial Guaranty"). See "SECURITY AND SOURCES OF PAYMENT — Bond Insurance."

Terms of the Series 2003 Bonds

Payments

The Series 2003 Bonds will be dated July 1, 2003. Interest on the Series 2003 Bonds is payable on January 1 and July 1 of each year, commencing January 1, 2004. The Series 2003 Bonds will be issued in the aggregate principal amounts and will mature on July 1 of the years and in the amounts shown on the inside front cover page.

Denominations

The Series 2003 Bonds are issuable in denominations of \$5,000 or integral multiples thereof.

Book-Entry System

Individual purchases will be made in book-entry form only and purchasers of the Series 2003 Bonds will not receive physical delivery of bond certificates except as more fully described herein. Payments of principal of and interest on the Series 2003 Bonds will be made directly to The Depository Trust Company ("DTC") or its nominee, Cede & Co., by the Paying 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 2003 Bonds, all as more fully described in "THE SERIES 2003 BONDS — Book-Entry-Only System." *In reading this Official Statement, it should be understood that while the Series 2003 Bonds are in book-entry-only form, references in other sections of this Official Statement to Owners should be read to include the person for whom the Participant (as hereinafter defined) acquires an interest in the Series 2003 Bonds, but (i) all rights of ownership must be exercised through DTC and the book-entry-only system as described more fully herein, and (ii) notices that are to be given to Owners by the City or the Paying Agent will be given only to DTC.*

Optional Redemption

The Series 2003B Bonds and Series 2003C Bonds maturing on and after July 1, 2012 are subject to optional redemption, at the option of the City, in whole or in part at any time on or after July 1, 2011 at the redemption price of 100% of the principal amount of the Series 2003B Bonds and Series 2003C Bonds called for redemption, plus accrued interest, if any, to the date fixed for redemption. The Series 2003A Bonds are not subject to optional redemption prior to maturity.

For a more complete description of the Series 2003 Bonds and the Bond Ordinance, see "THE SERIES 2003 BONDS" and Appendix B hereto.

Tax Considerations

In the opinion of Brownstein Hyatt & Farber, P.C., Bond Counsel, under existing laws, regulations, rulings and judicial decisions, and assuming continuing compliance with the covenants described herein, interest on the Series 2003 Bonds is excluded from gross income for federal income tax purposes and is not a specific tax preference item for purposes of the alternative minimum tax under the Internal Revenue Code of 1986, as amended. The interest on the Series 2003 Bonds may be subject to certain federal taxes imposed only on certain corporations, including imposition of the corporate alternative minimum taxes on a portion of that interest. Interest on the Series 2003 Bonds is not subject to State of New Mexico income taxation so long as excluded from gross income for federal income tax purposes.

The form of the bond opinion is attached in Appendix C hereto. For a discussion of such opinion and certain other tax consequences incident to the ownership of the Series 2003 Bonds, see "TAX EXEMPTION" herein.

Commitment to Provide Continuing Information

The City will agree for the benefit of the Bondowners that, so long as the Series 2003 Bonds remain outstanding, the City will provide annually its audited financial statements and certain 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 notice of certain specific material events with the Municipal Securities Rulemaking Board, as described in "CONTINUING DISCLOSURE UNDERTAKING" and Appendix D hereto.

Professionals Involved in the Offering

At the time of the issuance and sale of the Series 2003 Bonds, Brownstein Hyatt & Farber, P.C., as Bond Counsel, will deliver the bond counsel opinion discussed under "TAX EXEMPTION" and included as Appendix C hereto. Certain legal matters relating to the Series 2003 Bonds will be passed upon for the City by its Disclosure Counsel, Modrall, Sperling, Roehl, Harris & Sisk, P.A., and by the office of the City Attorney. See "LEGAL MATTERS." The City's financial statements for the Fiscal Year ended June 30, 2002 attached as Appendix A hereto have been audited by Neff & Ricci LLP, independent certified public accountants, Albuquerque, New Mexico. See "FINANCIAL INFORMATION — Financial Statements."

Offering and Delivery of the Series 2003 Bonds

The Series 2003 Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel and the satisfaction of certain other conditions. The three series of Series 2003 Bonds are offered to the best bidder. It is anticipated that a single certificate for each maturity of each series of the Series 2003 Bonds will be delivered to DTC in New York, New York on or about July 11, 2003.

Changes from the Preliminary Official Statement

This Official Statement contains certain changes and additions to the Preliminary Official Statement dated May 23, 2003, relating to the Series 2003 Bonds, which have been included to make this Official Statement complete as of its date. Prospective purchasers of the Series 2003 Bonds are urged to read this Official Statement in its entirety.

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 2003 Bonds.

PLAN OF FINANCING

Sources and Uses of Bond Proceeds

The estimated sources and uses of Series 2003 Bond proceeds, other than accrued interest, to be available in connection with the sale of the Series 2003 Bonds are set forth in the following table. Accrued interest from July 1, 2003, will be deposited in a bond fund for payment of debt service on the Series 2003 Bonds.

SOURCES OF BOND PROCEEDS:	<u>Amount</u>
Principal amount of the Series 2003 Bonds:	
Series 2003A Bonds	\$ 8,750,000.00
Series 2003B Bonds	81,805,000.00
Series 2003C Bonds	9,440,000.00
Net Premium	<u>4,902,416.75</u>
TOTAL SOURCES OF BOND PROCEEDS	<u>\$104,897,416.75</u>
USES OF BOND PROCEEDS:	
Costs of the 2003 Projects ⁽¹⁾	
2003A Project	\$ 8,750,000.00
2003B Project	81,805,000.00
2003C Project	9,440,000.00
Deposit to Bond Fund ⁽²⁾	<u>4,902,416.75</u>
TOTAL USES OF BOND PROCEEDS ⁽³⁾	<u>\$104,897,416.75</u>

⁽¹⁾ See "The 2003 Projects" under this caption.

⁽²⁾ These amounts will be applied to the payment of interest on the Series 2003 Bonds.

⁽³⁾ The costs of issuance of the Series 2003 Bonds, including legal and accounting fees, printing and other miscellaneous costs in an amount expected to be approximately \$340,000 will be paid by the City from amounts on deposit in the Project Fund.

The Series 2003 Projects

The 2003A Project

The City purposes and the amounts for which the Series 2003A Bonds will be issued are as follows: \$1,000,000 for fire protection equipment; \$1,000,000 for police protection equipment; \$2,800,000 for facilities and equipment; \$500,000 for library equipment; \$1,200,000 for street improvement equipment; and \$2,250,000 for transit equipment.

The 2003B Project

The City purposes and the amounts for which the Series 2003B Bonds will be issued are as follows: \$2,302,500 for fire protection, \$10,549,950 for citizens' centers, \$302,500 for police protection, \$23,134,560 for parks and other recreational facilities, \$1,543,000 for facilities and equipment, \$1,954,000 for public libraries, \$5,373,200 for museums, \$30,346,448 for street improvements, \$3,268,842 for public transit facilities and \$3,030,000 for the biological park.

The 2003C Project

The City purposes and the amounts for which the Series 2003C Bonds will be issued are as follows: \$9,440,000 for storm sewer improvements.

Annual Debt Service Requirements

The following schedule shows the annual debt service requirements for the Series 2003 Bonds.

Annual Debt Service Requirements Series 2003 Bonds

Annual Period (ending July 1)	<u>Series 2003A Bonds</u>		<u>Series 2003B Bonds</u>		<u>Series 2003C Bonds</u>		Total Series 2003 Bonds Debt Service
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2004	\$ 8,750,000	\$ 218,750.00	\$ 25,250,000	\$2,786,237.50	\$ --	\$393,225.00	\$ 37,398,212.50
2005	--	--	7,330,000	2,154,987.50	--	393,225.00	9,878,212.50
2006	--	--	7,330,000	1,935,087.50	--	393,225.00	9,658,312.50
2007	--	--	7,330,000	1,715,187.50	--	393,225.00	9,438,412.50
2008	--	--	7,330,000	1,421,987.50	--	393,225.00	9,145,212.50
2009	--	--	7,335,000	1,128,787.50	--	393,225.00	8,857,012.50
2010	--	--	7,335,000	835,387.50	--	393,225.00	8,563,612.50
2011	--	--	7,335,000	468,637.50	--	393,225.00	8,196,862.50
2012	--	--	5,230,000	156,900.00	2,105,000	393,225.00	7,885,125.00
2013	--	--	--	--	<u>7,335,000</u>	<u>330,075.00</u>	<u>7,665,075.00</u>
TOTAL	\$ 8,750,000	\$ 218,750.00	\$ 81,805,000	\$12,603,200.00	\$9,440,000	\$3,869,100.00	\$116,686,050.00

SECURITY AND SOURCES OF PAYMENT

General Obligation Pledge

The Series 2003 Bonds constitute general obligation debt of the City, the security for which is described in "FINANCIAL INFORMATION — Property Taxes." The primary security for the general obligation debt of the City, including the Series 2003 Bonds, is the City's levy, pursuant to constitutional and statutory requirements, of an ad valorem tax on all real property in the City subject to ad valorem taxation. See "Tax Levies" under this caption. The tax levy is required to be in an amount sufficient to pay the principal of and interest on the Series 2003 Bonds when due, subject to the provisions of federal bankruptcy law and other laws affecting creditor's rights.

In addition to the basic ad valorem property tax security described above, the Bond Ordinance provides further security by pledging the full faith and credit of the City for the payment of the principal of and interest on the Series 2003 Bonds when due. Included in such pledge are all funds of the City, except those specifically limited to another use or prohibited from use for such debt service by the State Constitution, state or federal law, the City Charter or revenue bond trust agreements or City ordinances pledging funds for payment of such revenue bonds.

Tax Levies

Pursuant to the Bond Ordinance, in order to pay the principal of and interest on the Series 2003 Bonds when due and, at the option of the City, to reimburse the General Fund or other funds advanced for the payment of principal of or interest on Series 2003 Bonds for which property taxes were not available, there is to be an annual assessment and levy upon all of the taxable property of the City subject to taxation which provides an amount sufficient to pay the principal of and the interest on the Series 2003 Bonds when due.

The taxes are assessed, levied and collected annually. The City Council is required by the Bond Ordinance to take all reasonable action to insure the levy and collection of taxes in amounts sufficient at the time to pay the principal of and interest on the Series 2003 Bonds. The money produced by the levy of taxes provided in the Bond Ordinance to pay the principal of and interest on the Series 2003 Bonds is to be appropriated for that purpose, and included in the annual budget and the appropriation bills adopted and passed by the City Council each year. The taxes collected are to be applied only to the payment of the principal of and interest on the Series 2003 Bonds when due and as otherwise required by law. To the extent property taxes are not available for the purpose, the principal of and interest on the Series 2003 Bonds are to be paid from the City's General Fund or from any other fund lawfully available for that purpose.

Additional General Obligation Indebtedness

The State Constitution limits the aggregate amount of general obligation indebtedness of the City to 4% of, and the single debt limitation to 12 mills on, the assessed value of taxable property within the City, except for indebtedness incurred for the construction or purchase of a water or sewer system which has no limit. For a description of the indebtedness of the City currently outstanding, see "FINANCIAL INFORMATION — Property Taxes." See also "FINANCIAL INFORMATION — Capital Improvements Program" for a discussion of the City's Capital Improvements Program funded with general obligation bonds.

Bond Insurance

The following information has been provided by MBIA and Financial Guaranty, respectively, for use in this Official Statement. Reference is made to Appendix E for a specimen of the bond insurance policies. No representation is made by the City, the Purchaser, Bond Counsel or Disclosure Counsel as to the accuracy or completeness of this information as of the date hereof, or the absence of any material adverse changes subsequent thereto, and neither the City, the Purchaser, Bond Counsel nor Disclosure Counsel assumes any responsibility therefore.

Insured Series 2003B Bonds

The following information relating to the Insured Series 2003B Bonds has been furnished by MBIA for use in this Official Statement.

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 Paying 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 Insured Series 2003B 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 Insured Series 2003B 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 Insured Series 2003B 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 Insured Series 2003B 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 Insured Series 2003B Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the Insured Series 2003B 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 Paying Agent or any owner of an Insured Series 2003B 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 Insured Series 2003B Bonds or presentment of such other proof of ownership of the Insured Series 2003B Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Insured Series 2003B Bonds as are paid by MBIA, and appropriate instruments to effect the appointment of MBIA as agent for such owners of the Insured Series 2003B Bonds in any legal proceeding related to payment of insured amounts on the Insured Series 2003B 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 Paying Agent payment of the insured amounts due on such Insured Series 2003B Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefore.

MBIA. 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 this section entitled "Insured Series 2003B Bonds". Additionally, MBIA makes no representation regarding the Insured Series 2003B Bonds or the advisability of investing in the Insured Series 2003B 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:

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 Insured Series 2003B 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 March 31, 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 March 31, 2003 MBIA had admitted assets of \$9.3 billion (unaudited), total liabilities of \$6.1 billion (unaudited), and total capital and surplus of \$3.2 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 Insured Series 2003B 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 Insured Series 2003B Bonds. MBIA does not guaranty the market price of the Insured Series 2003B Bonds nor does it guaranty that the ratings on the Insured Series 2003B Bonds will not be revised or withdrawn.

Series 2003C Bonds

The following information relating to the Series 2003C Bonds has been furnished by Financial Guaranty for use in this Official Statement.

Concurrently with the issuance of the Series 2003C Bonds, Financial Guaranty will issue its Municipal Bond New Issue Insurance Policy (the "Policy") for the Series 2003C Bonds described in the Policy. The Policy unconditionally guarantees the payment of that portion of the principal and interest on the Series 2003C Bonds which has become due for payment, but shall be unpaid by reason of nonpayment by the City of the Series 2003C Bonds. Financial Guaranty will make such payments to U.S. Bank Trust National Association, or its successor as its agent (the "Fiscal Agent"), on the later of the date on which such principal and interest is due or on the business day next following the day on which Financial Guaranty shall have received telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from an owner of Series 2003C Bonds or the Paying Agent of the nonpayment of such amount by the City. The Fiscal Agent will disburse such amount due on any Series 2003C Bond to its owner upon receipt by the Fiscal Agent of evidence satisfactory to the Fiscal Agent of the owner's right to receive payment of the principal or interest (as applicable) due for payment and evidence, including any appropriate instruments of assignment, that all of such owner's rights to payment of such principal or interest (as applicable) shall be vested in Financial Guaranty. The term "nonpayment" in respect of a Series 2003C Bond includes any payment of principal or interest (as applicable) made to an owner of a Series 2003C Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

The Policy is non-cancellable and the premium will be fully paid at the time of delivery of the Series 2003C Bonds. The Policy covers failure to pay principal of the Series 2003C Bonds on their respective stated maturity dates or dates on which the same shall have been duly called for mandatory sinking fund redemption, and not on any other date on which the Series 2003C Bonds may have been otherwise called for redemption, accelerated or advanced in maturity, and covers the failure to pay an installment of interest on the stated date for its payment.

This Official Statement contains a section regarding the ratings assigned to the Series 2003C Bonds and reference should be made to such section for a discussion of such ratings and the basis for their assignment to the Series 2003C Bonds, see "RATINGS."

The Policy is not covered by the Property Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Guaranty is a wholly-owned subsidiary of FGIC Corporation (the "Corporation"), a Delaware holding company. The Corporation is a subsidiary of General Electric Capital Corporation ("GE Capital"). Neither the Corporation nor GE Capital is obligated to pay the debts of or the claims against Financial Guaranty. Financial Guaranty is a monoline financial guaranty insurer domiciled in the State of New York and subject to regulation by the State of New York Insurance Department. As of December 31, 2002, the total capital and surplus of Financial Guaranty was approximately \$978 million. Financial Guaranty prepares financial statements on the basis of both statutory accounting principles and generally accepted accounting principles. Copies

of such financial statements may be obtained by writing to Financial Guaranty at 125 Park Avenue, New York, New York 10017, Attention: Communications Department (telephone number: 212-312-3000) or to the New York State Insurance Department at 25 Beaver Street, New York, New York 10004-2319, Attention: Financial Condition Property/Casualty Bureau (telephone number: 212-480-5187).

THE SERIES 2003 BONDS

Generally

Set forth below is a summary of certain provisions of the Series 2003 Bonds. Other information describing the Series 2003 Bonds appears elsewhere in this Official Statement. This summary and such other information should be read together, and are qualified in their entirety by reference to the Bond Ordinance and the Series 2003 Bonds. Copies of the approved form of the Bond Ordinance are available from the City as provided in "ADDITIONAL INFORMATION." See also "DESCRIPTION OF BOND ORDINANCE" in Appendix B hereto.

The Series 2003 Bonds will be dated July 1, 2003. Interest on the Series 2003 Bonds is payable on January 1 and July 1 of each year, commencing January 1, 2004. The Series 2003 Bonds will be issued in three series in the aggregate principal amount of \$99,995,000 and will mature on the dates and in the amounts shown on the inside front cover page. The Series 2003 Bonds are issuable in denominations of \$5,000 or integral multiples thereof.

The Series 2003 Bonds are being issued under the authority of and pursuant to the Constitution and laws of the State of New Mexico, the home rule power of the City derived from the State Constitution and the City Charter and the Bond Ordinance.

Book-Entry-Only System

The following information concerning DTC, DTC's book-entry system, its Participants, and their relationship with Beneficial Owners, has been obtained from DTC and contains statements that are believed to accurately describe DTC, the method of effecting book-entry transfers of securities distributed through DTC and certain related matters, but the City takes no responsibility for the accuracy of such statements.

The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Series 2003 Bonds. One fully registered bond for each maturity of each series, in the aggregate principal amount of such maturity, will be 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, and will be deposited with DTC. DTC 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 securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and

pledges, in deposited securities through electronic computerized book-entry changes in the Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its Direct Participants and 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 securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). The Rules applicable to DTC and its Direct and Indirect Participants are on file with the Securities and Exchange Commission.

Purchases of Series 2003 Bonds under the DTC system must be made by or through Participants, which will receive a credit for the Series 2003 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2003 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, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct and Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2003 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 Series 2003 Bonds, except in the event that use of the book-entry system for the Series 2003 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2003 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 2003 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2003 Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2003 Bonds are credited, which may or may not be the Beneficial Owners. The Direct Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyances 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 requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Series 2003 Bonds of a series are to be redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor other DTC nominee) will consent or vote with respect to the Series 2003 Bonds. 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 2003 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2003 Bonds will be made by the Paying Agent to DTC 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 Paying Agent, on the payment date in accordance with their respective holdings shown on DTC's records. Payments by 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 Participant and not of DTC, the Paying 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 to DTC or such other nominee as may be requested by an authorized representative of DTC is the responsibility of the City or the Paying Agent, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to Beneficial Owners is the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2003 Bonds at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2003 Bonds will 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, Series 2003 Bond certificates will be printed and delivered.

Redemption of the Series 2003 Bonds

Optional Redemption of Series 2003B Bonds and Series 2003C Bonds

The Series 2003B Bonds and Series 2003C Bonds maturing on and after July 1, 2012 are subject to prior redemption at the option of the City in whole or in part, on July 1, 2011, and on any date thereafter at the redemption price of 100% of the principal amount of the Series 2003B Bonds and Series 2003C Bonds to be redeemed, plus any interest accrued thereon to the date fixed for redemption.

Unless money sufficient to pay the principal of and premium, if any, on the Series 2003B Bonds or Series 2003C Bonds to be optionally redeemed is received by the Paying 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 Paying Agent by 2:00 p.m. on the redemption date. If an amount sufficient to redeem all Series 2003B Bonds or Series 2003C Bonds called for redemption is not received by that time (i) the Paying Agent is to redeem only those Series 2003B Bonds or Series 2003C Bonds for which the redemption price was received, (ii) the Series 2003B Bonds or Series 2003C Bonds to be redeemed are to be selected in the manner set forth in the Ordinance and (iii) the redemption notice will have no effect with respect to those Series 2003B Bonds or Series 2003C Bonds for which the redemption price was not received and those Series 2003B Bonds or Series 2003C Bonds will not be redeemed. The Registrar is to give notice to the Owners of the Series

2003B Bonds or Series 2003C Bonds previously called for redemption which will not be redeemed in the manner in which the notice of redemption was given, identifying the Series 2003B Bonds or Series 2003C Bonds which will not be redeemed and stating that the redemption did not take place with respect to those Series 2003B Bonds or Series 2003C Bonds and is to promptly return any Series 2003B Bonds or Series 2003C Bonds previously delivered by the Owners of the Series 2003B Bonds or 2003C Bonds.

Order of Redemption

If less than all of the outstanding Series 2003 Bonds of a series are to be redeemed at any one time, the Series 2003 Bonds of the series to be redeemed shall be selected by the Registrar in the manner and from the maturities designated by the City. If a Series 2003 Bond to be redeemed is of a denomination larger than \$5,000, a portion of such Series 2003 Bond may be redeemed, but Series 2003 Bonds will be redeemed only in the principal amount of \$5,000 or any integral multiple thereof.

Notice of Redemption

Notice of redemption of Series 2003B Bonds and Series 2003C Bonds is to be given by the Registrar by sending a copy of such notice by first-class, postage prepaid mail not less than 30 days prior to the redemption date to the registered owner of each Series 2003B Bonds or Series 2003C 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 Registrar. The City is to give the Registrar notice of Series 2003B Bonds and Series 2003C Bonds to be called for optional redemption at least fifteen (15) days prior to the date that the Registrar is required to give the bond owners notice of redemption specifying the Series 2003B Bonds and Series 2003C Bonds and the principal amount thereof to be called for redemption and the applicable redemption date. If the City has not designated the Series 2003B Bonds and Series 2003C Bonds to be called for redemption on the dates specified above, the Registrar is to select the Series 2003B Bonds and Series 2003C Bonds to be redeemed by lot.

Neither the City's failure to give such notice, the Registrar's failure to give such notice to the registered owner of any Series 2003B Bonds or Series 2003C Bond, or any defect therein, 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 2003B Bonds and Series 2003C Bonds for which proper notice was given. All notices are to specify the number or numbers and maturity dates of the Series 2003B Bonds and Series 2003C Bonds to be redeemed (if less than all are to be redeemed), the amount of such Series 2003B Bonds and Series 2003C Bond to be redeemed (if less than the full amount of any Series 2003B Bonds or Series 2003C Bond is to be redeemed), the date fixed for redemption, the redemption price, the series and the CUSIP number and are further to state that on such redemption date there will become and be due and payable upon each Series 2003B Bonds and Series 2003C Bond or part thereof to be redeemed at the office of the Paying Agent the principal amount thereof to be redeemed plus accrued interest and that interest will cease to accrue on the principal amount redeemed. Subject to the provisions of the Bond Ordinance setting forth certain conditions to optional redemption of the Series 2003B Bonds and Series 2003C Bonds, notice having been given in the manner provided above, the Series 2003B Bonds and Series 2003C Bonds or part thereof called for redemption will

become due and payable on the redemption date designated and the Series 2003B Bonds and Series 2003C Bonds or part thereof to be redeemed for which the redemption price is on deposit with the Paying 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 Ordinance setting forth certain conditions to optional redemption of the Series 2003B Bonds and Series 2003C Bonds, upon presentation of Series 2003B Bonds or Series 2003C Bond to be redeemed at the office of the Paying Agent on or after the redemption date, or, so long as the book-entry system is used for determining beneficial ownership of the Series 2003B Bonds and Series 2003C Bonds, upon satisfaction of the terms of any other arrangement between the Paying Agent and DTC, the Paying Agent will pay such Series 2003B Bonds and Series 2003C Bond, or portion thereof called for redemption.

No Optional Redemption of Series 2003A Bonds

The Series 2003A Bonds are not subject to optional redemption prior to maturity.

ECONOMIC AND DEMOGRAPHIC INFORMATION

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

The City and Metropolitan Area

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

City Area in Square Miles

	<u>Square Miles</u>
December 31, 1885	0.36
December 31, 1940	11.51
December 31, 1950	48.81
December 31, 1960	61.94
December 31, 1970	82.72
December 31, 1980	100.31
December 31, 1990	137.46
June 30, 2000	181.60
October 31, 2001	184.94
September 30, 2002	187.70

Source: City of Albuquerque Planning Department

Population

Population				
<u>Year</u>	<u>City</u>	<u>Bernalillo County</u>	<u>Albuquerque MSA⁽¹⁾</u>	<u>State</u>
1960	201,189	262,199	292,500 ⁽²⁾	951,023
1970	244,501	315,774	353,800 ⁽²⁾	1,017,055
1980	332,920	420,262	485,500 ⁽²⁾	1,303,303
1990	384,736	480,577	589,131	1,515,069
2000 April ⁽³⁾	448,607	556,678	712,738	1,819,046
2000 July	449,367	557,621	714,716	1,821,767
2001 ⁽⁴⁾	453,508	562,760 ⁽⁵⁾	722,591	1,830,935
2002 ⁽⁴⁾	462,304	573,675 ⁽⁵⁾	737,324	1,855,059

⁽¹⁾ As of January 1, 1994, the Albuquerque MSA, which previously consisted solely of the County, was revised to include Sandoval and Valencia Counties.

⁽²⁾ Because Valencia County was split into two counties in 1981, official data is not available prior to that year for the Albuquerque MSA. Figures shown represent estimates by the University of New Mexico Bureau of Business and Economic Research ("BBER").

⁽³⁾ April of 2000 is the month of the Census. It is reported as a benchmark; all other years are as of July of the year.

⁽⁴⁾ Source 2001 and 2002 data: U.S. Dept. of Commerce, Bureau of the Census, Population Estimates Program, Population Division. Data released April 17, 2003

⁽⁵⁾ 2001-2002 are based on County projections using the City proportion of county population in the 2002 Census.

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

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

Age Distribution

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

2001 Population by Age Group

<u>Age</u>	<u>% City</u>	<u>% County</u>	<u>% State</u>	<u>% U.S.⁽¹⁾</u>
0-17	24.3 ⁽²⁾	25.2 ⁽²⁾	27.9 ⁽²⁾	25.7
18-24	10.9	10.6	9.9	9.8
25-34	14.5	13.8	12.4	13.7
35-49	23.2	23.3	22.4	22.9
50 and Older	27.1	27.1	27.4	27.9

⁽¹⁾ Percentages of the population for all age groups for the United States were calculated based on the total population and population for each group.

⁽²⁾ Percentage of the population age 0-17 presented for the City, County and State are residual percentages.

Source: 2002 Survey of Buying Power, Sales and Marketing Management Magazine. September 2002.

Employment

General

In 2002, nonagricultural employment in the Albuquerque MSA experienced a slight decline. Jobs were lost as construction as the Big I project and Intel expansion were completed, manufacturing jobs declined with the slowdown in the semiconductor industry and the transportation utilities and communications sector declined as a result of the national slowdown in the telecommunications area. On a monthly basis Albuquerque MSA employment declined in the period from September 2001 to June 2002. When the Fiscal Year 2003 Budget was prepared, the Department of Labor had reported growth of about .5%. Beginning in July of 2002, employment growth turned positive and the estimate for the month of March 2003 was an increase of 1.4% above the previous March.

The information on nonagricultural employment for the State and the Albuquerque MSA, reported in the following table, represents estimates by the New Mexico Department of Labor. More detailed information on nonagricultural employment can be found in the table entitled "Albuquerque MSA Estimated Nonagricultural Wage and Salary Employment Annual Average Employment" under the caption "Major Industries."

**Nonagricultural Employment
(000s Omitted)**

Calendar Year	Albuquerque MSA ⁽¹⁾		New Mexico		United States	
	Employment	% Chg.	Employment	% Chg.	Employment	% Chg.
1993	289.5	4.9	626.2	4.1	110,730	2.0
1994	307.3	6.1	657.2	5.0	114,172	3.0
1995	320.2	4.2	682.4	3.8	117,203	2.7
1996	326.3	1.9	694.9	1.8	119,608	2.1
1997	333.1	2.1	708.5	2.0	122,690	2.6
1998	338.5	1.6	720.0	1.6	125,826	2.6
1999	344.2	1.7	729.6	1.3	128,916	2.4
2000	354.9	3.1	744.9	2.1	131,720	2.2
2001	359.2	1.2	756.8	1.6	131,922	0.2
2002 ⁽²⁾	360.1	0.4	760.8	0.7	130,736	-0.9

⁽¹⁾ As of January 1, 1994, the Albuquerque MSA, which previously consisted solely of the County, was revised to include Sandoval and Valencia Counties.

⁽²⁾ As of August 2002.

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

Civilian Employment/Unemployment Rates

Calendar Year	Albuquerque MSA ⁽¹⁾			Unemployment Rates		
	Civilian Labor Force	Number Employed	Number Unemployed	Albuquerque MSA	New Mexico	United States
1993	324,851	302,591	22,260	6.9%	7.7%	6.9%
1994	334,564	319,783	14,781	4.4	6.3	6.0
1995	342,879	328,926	13,953	4.1	6.3	5.6
1996	345,096	326,638	18,458	5.3	8.0	5.4
1997	357,648	342,244	15,404	4.3	6.4	4.9
1998	361,703	345,176	16,527	4.6	6.2	4.5
1999	353,395	339,447	13,948	3.9	5.6	4.2
2000	367,560	355,580	11,980	3.3	4.9	4.0
2001	370,845	357,377	13,468	3.6	4.8	4.8
2002 ⁽²⁾	385,900	366,700	19,200	5.0	6.1	5.7

⁽¹⁾ As of January 1, 1994, the Albuquerque MSA, which previously consisted solely of the County, was revised to include Sandoval and Valencia Counties.

⁽²⁾ As of August 2002.

Sources: U.S. Department of Labor and New Mexico Department of Labor.

The following table lists the major employers in the Albuquerque area and their estimated number of full-time and part-time employees as of August 2002. As of that date, Kirtland Air Force Base, the University of New Mexico, Albuquerque Public Schools, the City, and Sandia National Laboratories were the largest employers in the Albuquerque area.

**Major Employers in the Albuquerque Area
By number of employees - January 2003**

Organization	Employees	% of Total Non Agricultural & Military Employment ⁽¹⁾	Description
Kirtland Air Force Base (Civilian) ⁽²⁾	18,508	5.07%	Aerospace
University of New Mexico	15,375	4.22%	Educational Institution
Albuquerque Public Schools	11,600	3.18%	Educational Institution
Sandia National Labs ⁽³⁾	7,700	2.11%	Research Development
City of Albuquerque ⁽⁴⁾	6,429	1.76%	Government
State of New Mexico	6,306	1.73%	Government
Presbyterian	5,800	1.59%	Hospital
Kirtland Air Force Base (Military) ⁽²⁾	5,532	1.52%	Government
Intel Corporation	5,500	1.51%	Semiconductor Manufacturer
Lovelace Health Systems/Sandia Health Systems	5,500	1.51%	Hospital
Wal-Mart	4,500	1.23%	Retailer
UNM Hospital	4,068	1.12%	Hospital
US Post Office	2,200	0.60%	Government
PNM Electric & Gas Services	1,815	0.50%	Utilities Provider
Veterans Affairs Medical Center	1,710	0.47%	Hospital
Bernalillo County	1,690	0.46%	Government
Albuquerque Technical Vocational Institute	1,669	0.46%	Educational Institution
Qwest Communications ⁽⁵⁾	1,500	0.41%	Telecommunications Provider
Smith's Food and Drug	1,465	0.40%	Grocery Chain
Sandia Casino	1,400	0.38%	Casino
America Online	1,300	0.36%	Customer Service Center
Bank of America	1,300	0.36%	Financial Institution
Citibank	1,300	0.36%	Casino
Honeywell Defense Avionics Systems	1,225	0.34%	Aircraft Avionics Manufacturer
Sprint PCS	<u>1,200</u>	0.33%	Customer Service Center
Total Major Employers	<u>116,592</u>		

⁽¹⁾ Based on total nonagricultural employment (359,183) as reported by the New Mexico Department of Labor plus the number of military employees reported by Kirtland Air Force Base (5,532) a total of 364,715 employees.

⁽²⁾ "Military" includes active duty personnel. "Civilian" includes Appropriated and Contracted Civilians. See also the chart entitled "Kirtland Air Force Base Employment" under "Major Industries - Government."

⁽³⁾ Full-time permanent employees.

⁽⁴⁾ Includes both temporary and permanent employees.

⁽⁵⁾ Statewide employees.

Major Industries

The City's expansion after the 1990-91 national recession was vigorous and broad based, with all sectors experiencing employment growth. The following narrative discusses the trends in each major sector of the Albuquerque economy. This information is provided as of the date of this Official Statement unless otherwise noted. The City makes no projections or representations, nor shall the provision of such information create any implication, that there has been no change in the described employment sectors of the City or that any historical trends set forth herein will continue. The table in this section entitled "Albuquerque MSA Estimated Nonagricultural Wage and Salary Employment Annual Average Employment, 1992-2002" provides detailed information regarding employment growth within key sectors of the economy from 1993 to 2002.

Trade and Services Sectors

Generally. According to the New Mexico Department of Labor's estimates, over half (56%) of nonagricultural civilian employment in the Albuquerque MSA in 2002 was in the retail, wholesale trade and services sectors. Over the 10 years from 1993 to 2002, retail trade employment grew at a compound annual rate of 2.3%, while employment in the services sector increased at a compound rate of 3.2%. Services sector employment growth in 1996 was negatively affected by the New Mexico Department of Labor's reclassification of a number of jobs. Starting in 1996, tribal administration and jobs at reporting casinos have been classified as local government employment. Previously, they were classified in the services sector. In addition to the changes in the classification of tribal employment, many back-office jobs counted in the services sector under business services are now reported in other sectors. For example, MCI-Telemarketing operations are now included under Transportation, Communications and Public Utilities, while the operations for credit card companies like Citicorp or Bank of America are reflected under Finance, Insurance and Real Estate.

The importance of the trade and services sectors reflects Albuquerque's continuing role as the trade and services center for the State and the larger region, including southern Colorado and parts of eastern Arizona. Although there are regional shopping centers and warehouse stores outside Albuquerque (e.g., Farmington and Santa Fe), people from these areas continue to come to Albuquerque to make major purchases and to shop at the array of warehouse stores that have opened in Albuquerque in the past few years.

Retail Trade. Retail trade grows with the general economy. After annual employment growth of at or above 5% in 1993 through 1995, growth slowed to 3.1% in 1996. Further slowing occurred in 1997 and 1998 with growth of 1.5% and 0.9%, respectively. In 1999 there was a decline of 0.5%, due primarily to the reclassification of jobs to other sectors and the closing of Fulcrum Direct, a mail order business, representing nearly 1,000 jobs classified as retail trade. In 2000 growth increased by 2.8%, but was slowed again by some reclassification of jobs to other sectors. In 2001, employment growth was approximately 1.5%. The largest negative impact to retail trade was the bankruptcy of the Furr's grocery store chain. Although only some of the stores were actually closed, most were sold, and many of the employees were hired by the new owners. Employment in retail trade remains slow with growth of 1.3% in 2002.

Health Services. Albuquerque is a major regional medical center. Presbyterian Hospital and its HMO is one of the largest employers in the area. The health service industry in Albuquerque had one of the fastest rates of growth of employment, with a compound annual rate from 1993 to 1997 of over 5.0%. Employment declined 1.0% in 1998, with an additional decline of 0.6% in 1999, in part due to federal healthcare reform legislation, including a reduction in payments for Medicare reimbursements. Also contributing to the slowdown was Sun Healthcare Group, Inc., which filed for bankruptcy protection in October 1999. In 2000, employment in the health service industry in Albuquerque increased 1.9% and in 2001 increased 2.4%. Blue Cross Blue Shield is opening a multi-state claims center in Albuquerque. As of December 2002, approximately 120 persons were employed; ultimately they expect to increase employment to 500 workers. The health services industry was the fastest growing area of the economy in 2002 with growth of 7.8%.

Tourism and Hospitality. The tourism and hospitality industry is important to Albuquerque. Albuquerque has benefited from the interest in the Southwest and from efforts to promote the City and to attract major conventions to the Convention Center. Since 1995 the stock of hotel rooms in the City has increased significantly with over 3,400 additional hotel and motel rooms being permitted. The number of hotel rooms in Rio Rancho has also increased. These increases in the number of rooms are probably responsible for lowering the occupancy percentage, as tracked by the Rocky Mountain Lodging Report, from 72.8% in 1995 to 63.1% in 1998 and 62% in 1999. Average daily room rates increased from \$62.62 in 1995 to \$67.42 in 1998, then fell to \$66.18 in 1999 in part due to an increase in supply. As of July 2001, the Rocky Mountain Lodging Report estimated that daily room rates were \$66.82 and the occupancy percentage was 68.5%. For July of 2002 room rates had fallen to \$64.99 and the occupancy percentage fell to 65.5%. Lodgers' tax revenues grew at a compound annual rate of 10.1% between Fiscal Year 1990 and Fiscal Year 1995. For a number of reasons, including the decrease in room rates related to the increase in the stock of hotel rooms, lodgers' tax revenues, after growing 6.8% in Fiscal Year 1997, grew only 0.5% in Fiscal Year 1998 and only 1.5% in Fiscal Year 1999. However, in Fiscal Year 2000 lodgers' tax revenues grew 3.7%. This slowed and lodgers' tax revenues increased 1.1% in Fiscal Year 2001 and declined by 2.0% in Fiscal Year 2002. Lodger's tax has rebounded and the period July of 2002 to February of 2003 is 3.5% above the same period of a year earlier.

Business Services. This sub-sector includes temporary employment agencies and some of Albuquerque's back-office operations, although, as noted above, the New Mexico Department of Labor has reclassified many of these positions. Employment in Albuquerque's business services sub-sector grew at a compound annual rate of 8% between 1990 and 1995. After a decline in 1996 - likely due to the New Mexico Department of Labor's reclassification of certain jobs - employment grew 7% in 1997, 8% in 1998, 9% in 1999, and 6.1% in 2000. In 2001 employment fell by 5.6%, driven by the slowdown in the economy. The economic slowdown continued in 2002; as of June, employment growth in this sector declined by another 4.4%. In December 2002, however, ClientLogic, an international firm offering call center services, announced it would be receiving funds through the State's Worker Training Program, enabling it to add 273 persons to its labor force beginning in January 2003. The City understands that the firm plans to add a total of 500 workers.

Research and Development. The research and development sub-sector of trade and services includes Sandia National Laboratories ("Sandia"), employing approximately 7,700 people.

Sandia is operated by a private contractor, although funded by the federal government. For more information on events affecting employment at Sandia see "Government" below.

Government

While it has declined in importance as a direct employer, in 2002 the government sector (comprised of federal, state and local employees) accounted for 19.9% of total nonagricultural employment in the Albuquerque MSA. "Government" (as defined by the New Mexico Department of Labor for purposes of reporting nonagricultural employment) does not include military employment; all military employment in the Albuquerque MSA represents approximately 6,500 jobs in the Albuquerque MSA. In addition, "government" does not include employment at Sandia. Sandia is operated by a private contractor, although funded by the federal government (primarily the Department of Energy ("DOE")) and its approximately 7,700 jobs are counted in the trade and services sector. Several of the largest employers in the Albuquerque area are in the government sector, including the University of New Mexico, Albuquerque Public Schools, Kirtland Air Force Base ("Kirtland AFB"), and the City.

Kirtland AFB is a major military installation and home to over 150 different operations. Including private contractors, the largest of which is Sandia, military and civilian employment on the base is approximately 24,040, as shown in the table below.

**Kirtland Air Force Base Employment⁽¹⁾
(as of September 30)**

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Military Employees ⁽²⁾	5,468	4,955	4,249	3,798	5,532
Appropriated Civilians	3,509	3,898	3,783	3,697	3,770
Other Civilians ⁽³⁾	<u>10,032</u>	<u>11,261</u>	<u>19,549</u>	<u>20,864</u>	<u>14,738</u>
Total ⁽⁴⁾	<u>19,009</u>	<u>20,014</u>	<u>27,581</u>	<u>28,359</u>	<u>24,040</u>

(1) Some data may not be directly comparable from year to year as methodology and reporting may have changed. Chart based on federal fiscal year (October 1 to September 30).

(2) Figure includes active duty employees only.

(3) Figures include non-appropriated civilians, contract civilians and private businesses.

(4) Figures do not include Active Duty Military Dependents.

Sources: Public Information Office, Kirtland Air Force Base, for fiscal year 1997; Economic Resource Impact Statement of Kirtland Air Force Base, for fiscal years 1998 and 1999; Economic Impact Analysis of Kirtland Air Force Base, for fiscal year 2000; and Economic Impact Analysis of Kirtland Air Force Base for fiscal years 2001 and 2002.

Although military employment has increased in 2002 at Kirtland, the Bureau of Business and Economic Research (BBER) has estimated that total military employment in the Albuquerque MSA has declined from 6,946 in 1998 to 6,539 in 2002. The general downtrend of military jobs since 1998 reflects the decision of the military to replace military jobs with civilians where possible. Discussions of the defense budget have created uncertainty over future funding for operations at Kirtland, as well as Sandia (discussed below). In March 1995, Kirtland AFB was put on the list of bases recommended for realignment or closure by the Base Realignment and Closure

Commission ("BRACC"). Scrutiny of the Air Force realignment plan indicated that the costs relating to closure or realignment of Kirtland AFB had been seriously underestimated, and the Base did not appear on the final list of bases recommended to the President for realignment or closure by BRACC on July 1, 1995. The BRACC is planned to undergo another round of evaluations and closures in 2005. It is not known whether Kirtland AFB will be affected.

Employment at Sandia has declined from 1994 to 1999 by about 1,450 employees. According to Sandia, employment stabilized at around 6,500 for 1999 to 2001. In 2002, Sandia experienced growth in part as a result of anti-terrorism efforts. As of December 2002, Sandia has approximately 7,700 employees in Albuquerque. According to fiscal impact analysis from DOE, from 1994 to 1998, DOE local purchases have declined by approximately \$230 million. Sandia is one of the DOE nuclear weapons laboratories and is currently operated and managed by Lockheed-Martin. Despite lower levels of funding for nuclear weapons work, Sandia has been able to maintain employment for several reasons: (1) they have been given new DOE responsibilities, in terms of the production and disassembly of nuclear weapons, stockpile maintenance, treaty verification, transportation, development of anti-terrorism devices and storage of hazardous waste; (2) they have been encouraged to work with the private sector to effect technology transfer; and (3) they have been working under contract to other government agencies and in cooperation with private corporations.

In an effort to counteract the loss of DOE-funded jobs, the DOE is assisting communities in attracting other types of employment. In New Mexico, the DOE funded a study to assess and report on the Central New Mexico Economy with a focus on industry clusters and the key competencies in the area. The study, completed in summer of 2000, identified three mature industry clusters - Electronics, Tourism and Artisan Manufacturing - and three emerging industry clusters - Software and IT, Biomed/Biotech and Optics/Photonics. Through their Office of Worker and Community Transition, the DOE also develops and funds Community Reuse Organizations ("CROs"). The Next Generation Economy Inc. (NGEI) was formed in August 2000 as a 501(c)(3) corporation to serve as central New Mexico's CRO funded by the DOE Office of Worker and Community Transition. This CRO is expected to provide leadership, program management and bring cohesion and collaboration in growing the industry clusters identified by the DOE-funded study.

According to the August 8, 2002 *Albuquerque Journal*, Sandia and Los Alamos National Laboratories will jointly receive \$75.8 million for the design and construction of buildings to house the Center for Integrated Nanotechnologies(CINT). CINT is one of five new Nanoscale Science Research Centers being created by the Office of Science of the U.S. Department of Energy. Funding is in place to begin this process from existing DOE appropriations.

Federal government employment declined by approximately 370 jobs from 1996 to 2001, due to DOE reductions as well as the Bureau of Indian Affairs centralizing some of their functions. Federal government employment increased by several thousand in 2000 due to the hiring of census workers, but the short duration of these jobs resulted in the second quarter of 2000 having an increase of only 670 jobs over the previous quarter. In 2002, the federal government increased employment as the Transportation Safety Administration took over baggage screening operations at Albuquerque International Sunport. Total federal civilian employment increased by approximately 225 jobs.

In the same time period of 1996 to 2001 when federal government employment was declining, local government employment increased by 3,617 jobs. In part this is due to the inclusion of Indian Casinos in this sector. Since early 1995 when gaming compacts were signed with the State, Indian casinos have grown substantially. Isleta Gaming Palace casino and resort opened at the end of 2000. Santa Ana Star Casino expanded its casino in the spring of 2001 by 33,000 square feet; however, approximately 200 employees at Santa Ana Star Casino were laid off in June 2002. In the spring of 2001, the Hyatt Tamaya resort hotel opened and the Sandia Pueblo opened a new casino and an amphitheater. All three casinos have expanded their restaurant offerings and other entertainment. According to the Casinos, as of the fall of 2001, employment for the three local Casinos and related facilities was approximately 5,000.

Manufacturing

Albuquerque's manufacturing sector accounted for 7.9% of total MSA nonagricultural employment in 2000. Employment in the Albuquerque MSA's small manufacturing sector increased 22.0% between 1989 and 1995 despite layoffs by defense contractors, a national recession and corporate restructurings. Manufacturing employment within the MSA was flat in 1996 and 1997, declined by 3.2% in 1998 and another 6% in 1999. In 2000 the sector added over 1,000 jobs, resulting in a 4% increase. In 2001 the sector experience slight growth of about 200 jobs, though employment had started declining by the end of the year.

Much of the weakness in manufacturing in 1998 and 1999 was due to the world financial crisis in the fall of 1998. Because New Mexico semiconductor manufacturers trade heavily with Asia, the crisis caused substantial work slowdowns. From the first quarter of 1997 to the last quarter of 1999 there were approximately 2,000 manufacturing jobs lost (net) -approximately 1,500 in durable manufacturing (most of which was in electronics, including Intel, Philips Semiconductors and Motorola) and 500 in non-durables (primarily Levi Strauss). However, during this period of decline, other firms expanded or opened. EMCORE built a facility in 1998 to manufacture solar cells and CVI Laser, a designer and constructor of high tech lenses, also expanded in 1998. Allied Signal received industrial bonds and refurbished the old Levi Strauss plant to build small gas turbine generators. This branch of Allied Signal was purchased by Honeywell in 2000.

The slowdown in the manufacturing industry nationwide has also affected Albuquerque. Philips began a large expansion in 2001; then in the Fall of 2002 announced that in Fall 2003 it would close the Albuquerque plant, eliminating approximately 600 jobs. Several other manufacturers have reduced their operations. Honeywell closed its turbine plant (recently acquired from Allied Signal) in 2001; in 2002 it reduced staff at its avionics plant by 140 workers, and closure of its building controls plant, representing 160 workers, is scheduled for 2003. Emcore over the years of 2001-2002 laid off over 200 workers.

In the past, tenants of the 240-plus acre Sandia Science & Technology Park have indicated their expectation to increase employment in the manufacturing sector. The Park is intended to help with technology transfer from the labs, giving firms access to special equipment and expertise only available at Sandia. EMCORE, the first resident of the Park, opened an expansion to their facility in January 2001. With the expansion, employment was approximately 500 workers as of October 2001. Over the past two years, however, Emcore has laid off over 200 employees, as noted above. Team Specialty Products ("TSP"), the second tenant at the Park, opened a new facility

in October 2000. TSP, a strategic partner of Sandia, designs and supplies high tech, sophisticated electro-mechanical devices for Sandia's pulse-power program. Sandia is continuing to develop strategic partnerships with other high tech companies, which could bring additional high tech jobs - manufacturing and research - to the area. Firms involved with both Sandia and the businesses already present in the Park have moved to the Park, including Microdexterity (robotics), Training Solutions (seminars for the electronics industry), Analytical Solutions (analytical electronic parts lab), Picodyne (semiconductors and "Ultra-low Power" technology), and Cooperative Monitoring Center (forum for using technology to facilitate security objectives).

Another new manufacturer, Eclipse Aviation Corporation, is setting up headquarters near the Double Eagle Airport with plans to manufacture a small two-engine jet. The plant, expected by Eclipse Aviation to employ approximately 2,000 workers, would also diversify the City's economy. Eclipse Aviation's first jets were scheduled to be produced in 2004. Recently, however, Eclipse has announced that the engine it intended to use in the jet would not provide sufficient thrust, and Eclipse has negotiated another contract with Pratt & Whitney Canada. Eclipse now projects that it will begin customer deliveries in the first quarter of the year 2006.

Finally, much of the manufacturing activity has occurred outside the City limits, and outside Bernalillo County, but within the Albuquerque MSA. Rio Rancho, in Sandoval County, has had considerable success in industrial recruitment, including Intel, the largest manufacturer in the state, and Lectrosonics, a manufacturer of wireless microphone systems, and AeroParts Manufacturing and Repair, a manufacturer of aircraft sheet metal components. Intel completed a \$2 billion expansion in June 2002.

Finance, Insurance and Real Estate

The finance, insurance and real estate sector ("FIRE") experienced increases in employment in 1992 through 1996, before declining slightly (1.2%) in 1997. The sector increased again (4.1%) in 1998. Growth for the FIRE sector was 9% in 1999, but this was largely attributable to the reclassification of 800 jobs previously in the health services sector. Growth in the sector was flat in 2000. After remaining flat in 2000, the sector increased 2% in 2001, then with the slowdown in the economy declined 3.8% in 2002.

Transportation, Communications and Public Utilities

Employment in transportation, communications and public utilities ("TCU") had annual average growth of 4.0% from 1990 to 1999, although the fluctuations were substantial from year to year. U.S. West has restructured and consolidated, and the merger with QWEST has resulted in minimal changes in Albuquerque employment. Public Service Company of New Mexico ("PNM"), the State's major electric and gas utility, has faced restructuring and workforce reductions in the 1990s and in 2002. In the Fall of 2002, PNM announced layoffs. MCI Telecommunications has expanded, and Southwest Airlines and Trace Miller (American Airlines) have opened reservation centers in the City. (See discussion under "Trade and Service Sectors" above.) These back-office operations and the Department of Labor reclassifications contributed to the 8.1% growth in TCU employment in 1995 and the 6.5% growth in 1996. Growth slowed to 2% in 1997, then increased 7.2% in 1998 and 12.5% in 1999. Some of this was due to reclassification of jobs and expansion of the Sprint call center in Rio Rancho. Nationally, this is one of the hardest hit sectors in

the economy. This is also true in New Mexico. In 2000, employment in the sector increased nearly 2%, in 2001 it was flat and then declined 3% in 2002. In the 10 year period this sector still averaged 4.1% growth per year.

Construction

Generally. Construction employment in the Albuquerque MSA from 1995 to 1999 hovered around 21,000. In 2000 and 2001 employment in the MSA increased as workers were added for two very large projects: the Intel expansion and the reconstruction of the Big-I interstate interchange. Employment increased to approximately 24,500 from the third quarter of 2000 to the third quarter of 2001. Employment began tapering off and was down to 23,900 in August of 2002. This is still above the level of employment prior to these two projects, which employed over 2000 workers at their peak. Residential construction has remained strong, and from 1992 to 2002 experienced a decline in value or number of units only in 2000.

The value of building permits issued in the City of Albuquerque is cyclical, but has historically increased over time. The value of permits issued for new construction, additions and alterations declined 1% in 1996 and 7% in 1997. Led by single family construction, the total value of these permits increased 9.1% in 1998 and an additional 2.8% in 1999. The value of construction permits in 2000 increased 13%. In 2001, total value had a slight decline.

In 2002, the growth in construction values permitted within the City of Albuquerque was 15.5%. The largest source of growth was residential, which increased in value by 16%. Growth of new commercial permit values was down by 19%, and public permitted value down 76%, but much of this was offset by increases in additions and renovations. In the commercial sector large construction additions were provided by Presbyterian health center. In the public sector the alteration of the Sports Stadium for the Albuquerque Isotopes was valued at over \$15 million, far offsetting the reduction of \$7 million in new value of public projects.

Even with commercial construction slowing, there are several large construction projects that are funded or underway. The City has expressed its intention to issue metropolitan redevelopment bonds for a \$25 million full service hotel near downtown. A construction bid was awarded for the project in February. Sandia National Labs will be the home of the Center for Integrated Nanotechnology. They have \$70 million to begin construction and ultimately the project will cost \$450 million.

Residential. Single-family housing has continued to grow in Albuquerque. Only in 2000 was there a slowdown in the number of units constructed. Through September of 2002, the number of homes permitted was up 7% while the value of these permits was up 14%. The multi-family market is very cyclical. The number of units permitted reached a low in 1992, with only 66 units, then gradually increased to around 1,800 units in 1994 and 1995. After falling to 1,000 units in 1996, it rebounded to 1,600 in 1997. There were only 367 and 390 units permitted in 1998 and 1999, respectively. In 2000 only 210 units were permitted, but in 2001, 792 units were permitted and in 2002 1,212 units were permitted.

Non-Residential Construction. The value of new commercial permits declined from \$143 million in 1995 to a low of \$88 million in 1999. Public construction has fluctuated, but in

1995, \$17.7 million of public construction was permitted, while in 1999 the value of public construction permits totaled \$31 million but dropped to a low of \$2.9 million in 2002. However, in 2002, the value of additions and alterations reached a high of \$193.5 million. In 2000 commercial construction continued strong with a value of \$133.8 million, an increase of 52%. Public construction also was strong at \$45 million, an increase of 44%. In 2001 non-residential construction slowed and, in 2002, as of September, was at a slower pace than in 2001.

Recently, the City has constructed certain projects funded by set-aside revenues from the quality of life gross receipts tax (which sunsetted December 31, 1995), including a hands-on science museum. The only project not yet completed is a balloon museum. In addition the Alvarado Transportation Center is completed. This will be a central point for City bus service with plans to become a major transportation center. It will centralize railroad and interstate bus facilities as well as connections to the Albuquerque International Sunport. As part of an initiative to revitalize downtown Albuquerque, the City has built two major parking structures in a public-private partnership. These structures are in support of the conversion of the old 1st National Bank building to the "Bank Lofts Downtown" and entertainment and other development near the Alvarado Transportation Center. The other structure will be built in support of the conversion of Old Albuquerque High School to commercial and residential uses, including loft apartments. Currently a number of the 70 loft apartments are occupied. Construction of the science museum, "Explora!," began April 28, 2000. Although the structure is complete, the museum foundation has yet to announce an opening date, due to the need to raise additional funds to cover the cost of installation of exhibits. Also, construction of a new police crime lab was completed in May 2001. The City recently completed the renovation of the AAA baseball stadium at an approximate cost of \$18 million. The City's lessee of the parking structures associated with the Bank Lofts Downtown has defaulted in the lease payments to the City. However, the bonds issued to finance the parking structures are payable from City gross receipt's taxes and payment of the bonds is not in default.

Other governmental agencies have active construction programs over the last few years. The Forest Service opened a new office structure downtown in the fall of 2001, and a regional call center was completed for Social Security, and another building is planned. The federal government has begun construction of a new building for the Department of the Interior; occupancy is expected by the end of 2003. The FBI is expected to begin construction of an office building to the north of downtown in the Spring of 2003. Construction by the County of a new County Courthouse and District Attorneys Office was completed in the spring of 2001. The County has constructed a new detention center located west of the City which will be operated by the City. The State finished a major expansion of the Natural History Museum in 2000 with a state-of-the-art Dynamax Theater, observatory, display area for New Mexico fossils, and planetarium. The State is constructing a new Albuquerque Metropolitan Courthouse - planned to open in 2003 and expected to cost \$46.5 million - and an associated multi-story parking structure to provide approximately 1,000 parking spaces. Albuquerque Technical Vocational Institute completed construction of an \$8 million workforce training center and moved to the new center in October 2000. Construction began in July of 2000 on a \$250 million reconstruction of the "Big I" interstate interchange and was completed by June 2002.

Construction Building Permits Issued in Albuquerque (1993-2002)

Year	<u>Single Residential</u> ⁽¹⁾		<u>Multi-Residential</u>			<u>Commercial Buildings</u>		<u>Public Buildings</u>		<u>Additions & Alterations</u> \$ Value	<u>Total Permits</u> \$ Value
	<u># of Permits</u>	<u>\$ Value</u>	<u># of Units</u>	<u># of Permits</u>	<u>\$ Value</u>	<u># of Permits</u>	<u>\$ Value</u>	<u># of Permits</u>	<u>\$ Value</u>		
1993	2,197	207,488,885	294	11	9,108,581	83	58,331,759	11	9,925,155	86,616,027	371,470,407
1994	2,576	251,689,190	1,823	8	81,981,448	106	70,568,139	11	11,777,934	106,611,217	522,627,928
1995	2,674	247,796,639	1,801	13	78,548,666	120	143,204,347	4	17,627,000	101,462,026	588,638,678
1996	2,655	257,848,588	1,013	28	43,682,962	133	114,345,530	4	9,829,833	156,878,528	582,670,441
1997	2,529	244,770,431	1,061	29	73,690,868	119	118,174,223	7	10,206,611	92,812,699	539,654,832
1998	3,449	316,741,579	367	13	12,984,822	129	113,526,149	5	4,150,517	141,112,977	588,516,044
1999	3,601	341,061,779	390	21	18,144,931	102	88,001,238	9	31,258,900	126,411,527	604,878,375
2000	3,367	318,777,857	210	14	10,513,303	123	133,839,520	10	45,144,700	176,202,823	684,812,517
2001	4,138	389,087,259	792	47	36,509,058	121	113,707,767	11	9,848,356	135,065,690	684,218,130
2002	4,434	451,295,687	1,212	24	50,570,538	102	91,737,800	2	2,900,000	193,740,940	790,244,965

Total Housing Units in the City of Albuquerque:	<u>Total Units</u>	<u>Single Family</u>	<u>Multi Family</u>	<u>Mobile homes & other</u>
As of (April 1) 1990 Census	166,870	101,780	55,931	9,159
As of (April 1) 2000 Census	198,714	126,643	63,285	8,786
1990-2000 housing units added	31,844	24,863	7,354	(373)
Units Permitted 2000-2002	14,158	11,944	2,214	NA
Estimated Units as of December, 2002	212,872	138,587	65,499	8,786

⁽¹⁾ Figures do not include manufactured housing.

Sources: City of Albuquerque Planning Department; Census Bureau, U.S. Department of Commerce.

Historical Employment by Sector

The following table describes by industry sector the estimated nonagricultural wage and salary employment for the Albuquerque MSA during the past ten years. The Bureau of Economic Analysis defines "earnings" as including wages and salaries, proprietor's income and other labor income (such as bonuses).

ALBUQUERQUE MSA (BERNALILLO, SANDOVAL AND VALENCIA COUNTIES)
ESTIMATED NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT ANNUAL AVERAGE EMPLOYMENT, 1993-2002

(000 Omitted)

INDUSTRY	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001 ⁽¹⁾	2002 ⁽¹⁾	% Chg 01-02	Comp. Annual
TOTAL NONAGRICULTURAL	276.1	289.5	307.3	320.2	326.3	333.1	338.4	344.2	354.9	359.1	359.0	0.0%	2.7%
CONSTRUCTION & MINING	14.4	17.7	21.8	22.6	22.4	21.8	21.4	21.7	23.4	24.7	23.1	-6.4%	4.8%
MANUFACTURING	24.5	26.4	28.4	29.3	29.4	29.3	28.4	26.8	28.1	27.2	24.8	-8.7%	0.1%
Durable Goods	18.6	19.9	21.3	21.8	22.2	22.8	22.1	20.6	21.4	20.5	18.9	10.2%	0.2%
Nondurable Goods	5.9	6.6	7.1	7.5	7.1	6.5	6.3	6.2	6.7	6.7	5.9	13.6%	0.0%
TRANSPORTATION AND PUBLIC UTILITIES	12.9	12.9	13.2	14.3	15.2	15.5	16.6	18.9	19.8	19.9	19.3	-3.0%	4.1%
Transportation	7.4	7.7	8.1	8.8	8.8	9.1	9.2	9.6	9.8	9.2			
Communication and Public Utilities	5.6	5.2	5.1	5.5	6.4	6.4	7.4	9.2	10.0	10.8			
TRADE	66.9	69.8	73.8	76.6	79.0	80.8	81.5	81.3	83.0	83.6	84.1	0.6%	2.3%
Wholesale Trade	14.6	14.9	15.3	15.1	15.6	16.4	16.6	16.7	16.6	16.2	15.9	-2.2%	0.8%
Durable Goods	9.2	9.3	9.4	9.4	9.7	10.4	10.6	10.9	10.9	10.6			
Nondurable Goods	5.4	5.7	5.9	5.7	5.9	6.1	6.0	5.8	5.7	5.7			
Retail Trade	52.3	54.9	58.5	61.5	63.4	64.3	64.9	64.6	66.4	67.4	68.3	1.3%	2.7%
General Merchandise Stores	5.3	5.6	5.8	6.0	6.4	6.6	6.9	7.3	7.5	7.7			
Food Stores	6.0	6.3	6.7	6.9	7.1	7.2	6.9	6.5	6.3	5.9			
Auto Dealers & Service Stations	5.7	6.0	6.3	6.7	7.0	7.0	7.1	6.9	7.0	7.1			
Eating and Drinking Places	20.4	21.7	23.6	24.8	25.0	24.8	24.7	24.8	26.0	26.6	26.8	0.7%	2.8%
Other Retail Trade	14.9	15.2	16.1	17.1	17.9	18.7	19.4	19.1	19.6	20.0			
FINANCE, INSURANCE, AND REAL ESTATE	14.8	15.5	16.0	16.4	17.0	16.8	17.5	18.8	18.9	19.3	18.5	-3.8%	2.3%
Depository Institutions	4.6	4.5	4.6	5.2	5.3	5.1	4.9	4.9	4.9	5.2			
Insurance Carriers, Agents, & Brokers	5.0	5.3	5.3	5.2	5.0	4.6	5.2	6.2	6.6	7.0			
Other F. I. and R. E.	5.3	5.7	6.0	6.0	6.7	7.1	7.4	7.7	7.4	7.0			
SERVICES	85.7	88.5	94.3	100.1	101.1	104.7	107.2	110.2	113.9	115.6	117.6	1.7%	3.2%
Hotels and Other Lodging Places	4.0	4.1	4.3	4.4	4.4	4.5	4.5	4.6	4.6	4.8	4.8	0.0%	1.9%
Personal Services	2.7	2.8	3.0	3.1	3.1	3.2	3.1	3.1	3.1				
Business Services	16.8	16.6	19.5	21.7	21.5	23.0	24.8	27.0	28.7				
Health Services	19.8	20.7	21.4	23.0	23.8	25.2	25.0	24.7	25.2	25.8	27.8	7.8%	3.5%
Social Services	5.4	5.8	6.0	6.4	6.8	7.2	8.0	8.9	9.7				
Membership Organizations	3.7	3.8	3.9	3.8	3.6	3.5	3.8	3.9	3.8				
Engineering & Management Services	18.0	18.8	19.6	20.1	19.9	19.5	19.5	19.4	19.9				
Other Services	15.4	16.0	16.7	17.8	18.1	18.7	18.6	18.5	19.1				
GOVERNMENT	56.9	58.7	59.8	60.9	62.3	64.2	65.8	66.5	67.8	69.0	71.5	3.7%	2.3%
Federal Government	14.7	14.8	14.7	14.4	14.1	14.0	14.0	13.8	14.0	13.7	14.0	1.6%	-0.5%
State and Local Government	42.2	43.9	45.1	46.5	48.3	50.1	51.7	52.7	53.9	55.2	57.6	4.2%	3.2%
State Government	16.3	16.9	17.5	17.8	19.1	20.9	21.3	21.5	22.1	22.3	22.8	2.4%	3.4%
Local Government	25.9	27.0	27.6	28.7	29.2	29.2	30.5	31.2	31.7	32.9	34.7	5.5%	3.0%

⁽¹⁾ Omitted data not available.

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

Income

The following table sets forth annual per capita personal income levels for the Albuquerque MSA, the State and the United States.

Per Capita Personal Income⁽¹⁾

Calendar Year	Albuquerque MSA ⁽²⁾	New Mexico	United States
1992	\$18,589	\$16,274	\$20,960
1993	19,505	16,999	21,539
1994	20,614	17,636	22,340
1995	21,563	18,435	23,255
1996	22,301	18,964	24,270
1997	23,099	19,641	25,412
1998	24,043	20,551	26,893
1999	24,489	20,865	27,880
2000	25,794	21,788	29,760
2001	27,030	23,081	30,413
2002	NA	23,941	30,941

⁽¹⁾The Bureau of Economic Analysis revised the definition of personal income in 2000 and all historical data was revised accordingly.

⁽²⁾As of January 1, 1994, the Albuquerque MSA, which previously consisted solely of the County, was revised to include Sandoval and Valencia Counties.

Sources: Bureau of Economic Analysis, U.S. Department of Commerce, June 2001.

The following table presents historical data on earnings by industry for the Albuquerque MSA for the years 1992 through 2002, the latest year for which such information is available.

Albuquerque MSA⁽¹⁾
Estimated Earnings by Industry, 1991-2000*
(\$000s omitted)

Albuquerque MSA Earnings by Industry, 1991-2000												
Industry Sector	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	Growth 1991 to 2000	Compound Annual Rate
Ag. services, forestry, fishing, & other	\$ 27,052	\$ 31,224	\$ 36,998	\$ 39,087	\$ 44,450	\$ 48,314	\$ 55,315	\$ 54,544 ⁽²⁾	\$ 59,901 ⁽²⁾	\$ 63,365 ⁽²⁾	134%	10%
Mining	13,019	15,819	18,974	30,929	25,303	24,433	26,491	18,004 ⁽²⁾	14,567 ⁽²⁾	16,307 ⁽²⁾	25%	9%
Construction	402,245	471,529	610,693	786,095	840,894	821,546	781,874	821,354	853,384	998,710	148%	11%
Manufacturing	797,627	826,272	905,319	1,062,163	1,108,796	1,159,399	1,260,800	(3)	(3)	(3)	58%	5%
Transportation and public utilities	481,311	492,003	504,799	537,322	554,304	582,218	611,535	698,353	778,675	848,859	76%	7%
Wholesale trade	444,316	482,732	507,355	555,622	587,428	604,784	651,223	675,175 ⁽²⁾	694,454 ⁽²⁾	723,346 ⁽²⁾	63%	6%
Retail trade	786,072	864,009	926,569	1,015,293	1,092,385	1,157,454	1,230,607	1,274,096	1,320,473	1,371,286	74%	6%
Finance, insurance, and real estate	415,138	475,384	553,445	574,626	624,965	659,926	712,606	761,218	854,717	870,061	110%	9%
Services	2,520,077	2,714,825	2,962,601	3,140,502	3,460,152	3,599,195	3,706,299	3,976,304	4,133,579	4,407,904	75%	6%
Government and government enterprises	1,950,938	2,076,337	2,184,392	2,316,939	2,418,706	2,521,417	2,648,573	2,745,555	2,812,812	2,939,423	51%	5%
Federal, civilian	662,304	718,890	764,310	819,297	818,924	828,533	841,599	877,326	876,587	911,855	38%	4%
Military	264,048	272,744	267,086	265,887	287,546	307,268	301,207	296,620	291,379	292,981	11%	1%
State and local	1,024,586	1,084,703	1,152,996	1,231,755	1,312,236	1,385,616	1,505,767	1,571,609	1,644,846	1,734,587	69%	6%
Total-All Industries	\$7,840,324	\$8,450,134	\$9,211,145	\$10,058,578	\$10,757,383	\$11,178,686	\$11,685,323	\$12,314,890	\$12,804,101	\$13,714,256	75%	6%

Bureau of Economic Analysis May 2002.

⁽¹⁾ As of January 1, 1994, the Albuquerque MSA, which previously consisted solely of the County, was revised to include Sandoval and Valencia Counties.

⁽²⁾ Reflects in part numbers not included in other sectors due to confidentiality of information; see footnote (3).

⁽³⁾ Not shown to avoid disclosure of confidential information, but the estimates for this item are included in the totals.

* Figures for 2001 and 2002 not yet available.

The following two tables reflect Median Household Effective Buying Income ("EBI") and the Percent of Households by EBI Groups 2001 as reported in the annual surveys of buying power in Sales and Marketing Management Magazine. EBI is defined as money income less personal tax and non-tax payments described below. Money income is the aggregate of wages and salaries, net farm and non-farm self-employment income, interest, dividends, net rental and royalty income, Social Security and railroad retirement income, other retirement and disability income, public assistance income, unemployment compensation, Veterans Administration payments, alimony and child support, military family allotments, net winnings from gambling, and other periodic income. Deducted from this total money income are personal income taxes, personal contributions to social insurance (Social Security and federal retirement payroll deductions) and taxes on owner-occupied non-business real estate. Receipts from the following sources are not included as money income: money received from the sale of property; the value of "in kind" income such as food stamps, public housing subsidies, and employer contributions for persons; withdrawal of bank deposits; money borrowed; tax refunds; exchange of money between relatives living in the same household; gifts and lump-sum inheritances, insurance payments, and other types of lump-sum receipts.

**Median Household Effective Buying Income
(1992-2001)**

<u>Calendar Year</u>	<u>Bernalillo County</u>	<u>New Mexico</u>	<u>United States</u>
1992	\$30,566	\$26,920	\$33,178
1993	32,162	28,677	35,056
1994	33,978	30,032	37,070
1995 ⁽¹⁾	31,051	26,499	32,238
1996	32,226	27,503	33,482
1997	31,240	27,744	34,618
1998	33,505	28,795	35,377
1999	35,517	29,992	37,233
2000	35,712	30,322	39,129
2001	38,772	32,083	38,365

⁽¹⁾ Beginning in 1995, EBI is based on "money income" rather than "personal income," and is not directly comparable with previous estimates. Money income does not include the value of "in-kind" income, such as food stamps and medical care, and does not include lump sum receipts, such as inheritances and tax refunds. For details, see the notes in the 2002 Survey of Buying Power referenced below.

Sources: 2002 Survey of Buying Power, Sales and Marketing Management Magazine, September 2002 and previous annual surveys from the same source.

**Percent of Households by
Effective Buying Income Groups – 2001**

<u>Effective Buying Income Group</u>	<u>Bernalillo County</u>	<u>New Mexico</u>	<u>United States⁽¹⁾</u>
Under \$20,000 ⁽²⁾	20.6%	28.0%	22.0%
\$20,000-\$34,999	24.9%	27.3%	23.5%
\$35,000-\$49,999	19.5%	18.6%	19.3%
\$50,000 and over	35.0%	26.1%	35.2%

⁽¹⁾United States percentages were calculated from the number of households.

⁽²⁾All figures for "Under \$20,000" are residual percentages.

Source: 2002 Survey of Buying Power, Sales and Marketing Management Magazine, September 2002.

FINANCIAL INFORMATION

General

Taxes and Revenues

The City is a home rule charter municipality, chartered as a town in 1885. No tax imposed by the governing body of a charter municipality, unless authorized by general law, becomes effective until approved at an election of its voters. Taxes authorized by general law that may be imposed without an election include a property tax for general purposes (up to a maximum of 7.65 mills), which is set by the State Department of Finance and Administration and the local-option gross receipts tax. An election to impose the local-option gross receipts tax must be called if required by statute or if the governing body provides in the ordinance that the tax shall not be effective until approved at an election or upon the filing of a petition meeting certain requirements requesting that an election be held. The City does not have the power to impose a tax on income.

A commission has been appointed by the City and the County to formulate a plan for unification of the City and County governments. The commission has formed the basic structure for the planned unification but many questions remain unanswered. An election on the proposed unification has been set for November 2003. The City is unable to forecast the results of the election or the date of unification, if the election is in favor of unification. In the event of unification, there should be no adverse affect on the payment of the Series 2003 Bonds.

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

Budget Process - Operating Funds

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

Budget Process - Estimates, Forecasting and Revision of Revenues

In May or June of each year the City Council adopts a budget for the upcoming fiscal year (beginning July 1). The City produces several revenue forecasts for five-year periods (referred to as "five-year forecasts") in the process of preparing and, later, re-evaluating the budget. Five-year forecasts are prepared by the Office of Management and Budget in November and December of each year. These forecasts make certain adjustments to revenue forecasts in the current budget based on events occurring since the preparation of the budget and provide a starting point for preparation of the next year's budget. The Multi-Year Forecast Advisory Committee, comprised of experts from City government, the University of New Mexico, State government and the private sector, reviews this forecast and makes recommendations. After incorporating any recommendations of the Advisory Committee, the five-year forecast is presented to the City Council. If necessary, adjustments to the existing budget may be considered and adopted by City Council in response to the five-year forecast. In addition, in response to changing conditions, the City can amend the budget at any time during the year.

In January 2003, a five-year forecast (the "2003 Forecast") was presented to City Council and forecasted revenues for Fiscal Years 2003 through 2007, including a downward adjustment to revenues for Fiscal Year 2003 from that reflected in the Fiscal Year 2003 budget, as discussed below in "Fiscal Year 2003 (Budgeted, Adjusted and Actual Revenues)." The 2003 Forecast was used to develop the budget for Fiscal Year 2004, which was approved by City Council in May 2003 (the "2004 Budget").

Budget Process - Capital Funds

The budget amounts of the capital project funds, and certain of the special revenue funds, are individual project budgets authorized by the City Council for the entire length of the project, which are not necessarily the same as the fiscal year of the City. Pursuant to City ordinance, the Mayor develops a capital improvements program ("CIP"), which consists of a ten-year plan of capital expenditures, including a more detailed two-year CIP budget, and submits it to the City Council by January 23 of each odd-numbered year. See "Capital Improvements Program" below. The City Council is required to hold at least one public hearing and must approve the budget as proposed or as it amends it within 60 days after the submission date. The Mayor may change the amount designated for a specific capital project in a CIP budget without Council approval if the total change does not exceed 20% of the original amount designated for the project. A City ordinance also sets forth requirements for City Council review and approval of certain applications or proposals for federal grants. Once the Council has approved such a grant application, the Mayor is authorized to expend any funds awarded as a result of the grant application if such grant does not require the City's commitment of funds or resources which were approved by the Council to be increased by more than 10%, and if the goals, objectives and proposed programs included in the application approved by the Council have not changed.

The General Fund

General Fund Revenues

The general fund is the City's primary operating fund and is used to account for the general operations of the City and for all financial resources, except those required to be accounted for in another fund. Set forth below are discussions of general fund revenues in Fiscal Years 2003 and 2004, including changes made to the revenue forecasts for Fiscal Year 2003, and events affecting particular revenues significant to the general fund. As to the information concerning particular revenues, those discussions include projections of Fiscal Year 2003 revenues as presented in the revised 2003 Budget. Due to the continuing weakness in the economy and certain other circumstances, it is unlikely that Fiscal Year 2003 revenues will meet expectations for projected revenues.

Fiscal Year 2003 (Approved Budget and Adjustments). Each annual budget establishes the financial plan for City government for that fiscal year. The financial plan is guided by three principal themes: improve public services through new budget initiatives, make existing government more efficient and effective, and pursue constructive and collaborative leadership. The original 2003 Budget anticipated revenues of \$339.2 million, which represented an increase of 3.5% over the revenues estimated in the adjusted 2002 budget. The increase reflected anticipated growth in gross receipts tax revenue of approximately two percent plus additional growth resulting from the annexation of certain commercial property. The budget also reflected increased fees to be charged by the City in many areas. In October 2002, the administration notified the City Council that the revenue estimate for the City's general fund for the current fiscal year had been revised downward by \$11.1 million. The City Council adopted a bill reducing the general fund budget by \$4.6 million. In December 2002, the City Council was notified that the shortfall previously estimated at \$11.1 million was now estimated at \$9 million.

The estimate of Fiscal Year 2003 revenues presented with the Fiscal Year 2004 Proposed Budget are \$328.4 million; \$10.8 million above Fiscal Year 2002. This is an increase of 3.4% over Fiscal Year 2002 but is \$10.8 million below the approved Fiscal Year 2003 budget. Substantial reductions in expectations for revenue occurred as Fiscal Year 2002 growth in the economy slowed dramatically. Gross receipts taxes for Fiscal Year 2003 are expected to be \$6 million below expectations. Almost every other source of revenue with the exception of building permits is anticipated to be lower than expected.

Proposed Budget Revenue Estimates For Fiscal Year 2004. Estimated total General Fund revenues for Fiscal Year 2004 are \$348.8 million representing growth of 6.2% above the revised Fiscal Year 2003 estimate. This is an increase of \$20.4 million from Fiscal Year 2003. Non-recurring revenues are \$2.65 million primarily from the quarter cent transportation tax transfer. Recurring revenues are \$346.2 million, an increase of 6.2% above the revised Fiscal Year 2003 estimate. Gross receipts are anticipated to be \$8.7 million or 3.8% above the Fiscal Year 2003 revision. The Fiscal Year 2004 proposed budget differs from the City's Five-Year Forecast with the inclusion of proposed revenue enhancements. The biggest change is the switch of one mill of property tax levy from the capital program to the operating program. This will increase revenues \$7.4 million. There also are some proposed modest increases in fees.

Gross Receipts. Estimated gross receipts tax receipts were adjusted down by \$6 million from the approved Fiscal Year 2003 budget in October. These adjustments were the result of the slowdown in the economy. Albuquerque experienced very slow job growth, less than what was anticipated when the budget was prepared in March of 2002. The Fiscal Year 2004 estimate is from the Five-Year Forecast. General Fund gross receipts tax revenues are forecast at \$231.4 million in Fiscal Year 2003 and \$240.1 million in Fiscal Year 2004, increases of 2.5% and 3.8% respectively.

Local Taxes Other Than Gross Receipts. Property tax revenues will increase in Fiscal Year 2004 as one mill of property tax levy is moved from the capital program to the operating program. This additional mill is expected to generate \$7.4 million. The property tax base is expected to grow 2.5% increasing tax revenue to the general fund by \$8 million to \$24.3 million.

Franchise tax revenues in Fiscal Year 2004 are anticipated to be \$16.3 million in Fiscal Year 2004. The largest source of decline is a reflection of a one-time \$1.1 million cable franchise payment in Fiscal Year 2003. A full year of revenues from the increased natural gas franchise - from 2 percent to 3 percent - will boost revenue about \$400 thousand. Growth is limited by a 4% electric rate reduction to go into effect in September 2003. Other franchises will increase with growth.

Payments in lieu of taxes increase generally due to increased revenue collection and property valuations. Growth is estimated at 6.5% in Fiscal Year 2003 and 4.4% in Fiscal Year 2004.

Licenses and Permits. Building permit inspection revenues in Fiscal Year 2003 increased over Fiscal Year 2002 due to an average increase in permit fees of 30%. The approved Fiscal Year 2003 budget anticipated a substantial reduction in building activity. Building permit activity has increased substantially and is now anticipated to be up 8% for Fiscal Year 2003 with an estimated increase in revenues of 38% for Fiscal Year 2003. This is an increase of \$2.4 million from

Fiscal Year 2002. For Fiscal Year 2004 it is expected that revenues will decline as interest rates increase and the single family market softens. Single-family construction has dominated the construction permitted by the City of Albuquerque in Fiscal Year 2003. It now makes up more than 70% of the value of permits. A decline in residential housing will therefore have a substantial impact on permitting and its revenues. For Fiscal Year 2004 permit revenues are anticipated to decline 9.7% or \$808 thousand.

Other licenses and permits are expected to bring in about \$2.6 million in receipts in Fiscal Year 2003, \$1 million below the approved budget, primarily because anticipated increased fees for food inspections and animal licenses were not adopted. Permit revenue are still expected to increase by 7% for Fiscal Year 2003, as only half a year of food inspection revenues was collected in Fiscal Year 2002. In Fiscal Year 2004, revenues are expected to increase 1%.

Charges for Services. Total charges for services include four distinct categories of charges. The first category is generally called Direct Charges for Services and includes charges by the City for services provided directly to the public such as entrance fees to City facilities and services such as legal assistance provided to other funds. Second are charges to the Capital Improvement Program (CIP) to fund positions for over-site and administration of capital projects. Third, are Internal Service Charges, such as office and building services. The last, is Indirect Overhead; indirect charges to other funds for services such as accounting and payroll. The total charges for services increases from \$38.9 million in Fiscal Year 2003 to \$42.8 million in Fiscal Year 2004. The following explains the changes by major categories.

Direct Charges for Services are expected to bring \$16.2 million into the General Fund in Fiscal Year 2003 and \$17.9 million in Fiscal Year 2004. Fiscal Year 2003 revenues are \$2.1 million below the approved Fiscal Year 2003 budget due to a series of unanticipated declines. Some of this is due to the general slowdown in the economy and in tourism. The City convention center had declines in revenues from space rental and in the catering contract. Visitation has been down at the BioPark and museum, in large part due to a slowdown in tourism. Increases in fees in adult sports did not increase revenues to the expected level and a one-dollar admission fee for the balloon fiesta was not implemented for a loss of \$401 thousand.

In Fiscal Year 2003, revenues for funding Capital Improvement Project (CIP) positions are up \$1.6 million from Fiscal Year 2002 to \$7.3 million. In Fiscal Year 2004, CIP funded positions are anticipated to generate an increase of \$1.8 million. Funding for special cultural projects, including the Tingley beach renovation, increase by \$350 thousand. The Balloon Museum development adds \$220 thousand, street projects funding of CIP positions increase around \$530 thousand and parks adds approximately \$543 thousand.

Internal Services Charges have declined as the City has chosen not to provide certain services. Office service charges now total about \$33 thousand per year. Building alteration charges were eliminated in Fiscal Year 2002. Engineering and inspection fees have declined from an average of \$1.5 million in the 1990s to an estimated \$175 thousand in Fiscal Year 2004, down \$55 thousand from Fiscal Year 2003.

Indirect Overhead for Fiscal Year 2004 increases by \$411 thousand over Fiscal Year 2003, primarily due to general increases in the City's enterprise funds.

Miscellaneous Revenues. The largest part of miscellaneous revenues is from interest earnings on general fund balances. As interest rates dropped and revenues slowed lowering fund balances, estimated revenues declined. Estimated revenues from interest earnings in Fiscal Year 2003 are \$848 thousand. For Fiscal Year 2004 interest rate earnings are expected to increase to \$1.3 million.

Inter-Fund Transfers. Incoming transfers from other funds in Fiscal Year 2003 are expected to be \$1.6 million. This is down \$1.8 million from Fiscal Year 2002 when there was a one-time transfer of money from the capital fund. For Fiscal Year 2004 revenues are anticipated at \$2.3 million, an increase of approximately \$600 thousand. The primary increases are a one-time transfer of \$240 thousand from the City County fund and \$312 thousand from the Water/Sewer fund for programmers working on the utility billing system.

Approved Budget Revenue Estimates For Fiscal Year 2004 Changes from Proposed Budget. Revenues in the approved Fiscal Year 2004 Budget increased from \$348.8 million to \$349.4 an increase of \$600 thousand. The largest increase is the inclusion of \$500 thousand from an increase in a corrections fee that was authorized in by the 2003 New Mexico State Legislature. Tennis fees were increased generating \$170 thousand. Also, the City entered into an agreement with the Village of Corrales, the City of Rio Rancho and Intel Corporation under which the City will receive \$130 thousand to help fund operations of the Casa San Ysidro Museum. Finally, the increase in revenues from after school childcare program fees was reduced by \$196 thousand.

General Fund Appropriations

Fiscal Year 2004 Budget. On May 19, 2003 the City Council adopted a budget for the City for Fiscal Year 2004. The Mayor has signed the budget. Council's changes to the overall General Fund Budget were small. The Mayors proposed budget was \$350.4 million and the approved budget was \$350.8 million. The biggest change was that City Council reinstated \$1.1 million in social service contracts. This increase was mostly offset by a reduction of \$591 thousand in a transfer to fund public works capital programs and an increase in revenues of \$500 thousand from an increase in a corrections fee that was authorized in by the 2003 New Mexico State Legislature. The tennis program and lessons were not cut as proposed in the budget and most of the cost of this program is made up by increased court and lesson fees. Casa San Ysidro museum, which was cut in the proposed budget will remain open with funding coming from the Village of Corrales (where the museum is located), Intel Corporation, the City of Rio Rancho, and the City. A reserve of \$275 thousand was set aside for the high-speed bus transit program; the reserve may be used only for this program and no other. Finally, funding for seven vacant positions was eliminated. The final budget holds the growth in spending below the growth in revenue so that the City may better cope with any ongoing economic softness in the near future.

At the end of Fiscal Year 2002, City revenues fell sharply resulting in no revenue growth in the General Fund in Fiscal Year 2002. The \$10 million Fiscal Year 2002 shortfall carried over to the Fiscal Year 2003 base revenue estimate. The Fiscal Year 2003 budget was reduced twice to make up for revenue shortfalls. However, as of the second quarter Fiscal Year 2003 expenditure projections, the City's General Fund budget faced overspending problems in an amount of approximately \$4.7 million. Overspending is primarily driven by the delay in moving into the new Metropolitan Detention Center and a higher than expected number of early retirements. Although

this level of overspending was assumed and accounted for when the Fiscal Year 2004 budget was built, analysts now believe the problem will be significantly reduced as the effect of the hiring and spending freeze is seen in department budgets.

The City's Office of Management and Budget produces a Five-Year Forecast of General Fund revenues and expenditures annually. The January 2003 forecast projected a \$26.6 million shortfall for Fiscal year 2004. The \$26.6 million shortfall could not be addressed through layoffs, because more than 500 positions would have to be eliminated. If the shortfall were addressed by reducing services, the equivalent of eight City departments would have to be eliminated. Clearly, these were unacceptable alternatives.

In the General Fund budget, \$16.5 million of the shortfall will be made up by a combination of increasing the operating mill levy by one mill and decreasing the bond mill levy by one mill, changing the City's reserve fund policy (see discussion below) and suspending for one year a transfer from the General Fund to the Basic Services Fund. Reduction of the bond mill levy will not affect the ability of the City to pay its general obligation bond indebtedness (see "Property Taxes" under this caption). The Basic Services Fund has build up a relatively large fund balance, which can be used to finance projects in Fiscal Year 2004 and make \$3 million available in the General Fund. Eliminating vacant job positions and reorganizing operations to shift City employees to vacant but funded positions would save an additional estimated \$5.8 million. This savings is partially offset by \$2.6 million in positions that are added to staff new City facilities and expand critical programs. Increasing charges for services provided to the public and other governmental entities and drawing down available fund balances provides \$2.5 million in additional revenues, but is partially offset by \$1.8 million in expenditures from program expansions and fully funding known operating costs. Finally, there is an additional savings of about \$6.4 million in expenditures that were assumed in the Five-Year Forecast, including cuts in social service contracts, a police cadet expansion class and funding for a central processing center for inmates associated with the opening of the Metropolitan Detention Center approximately 20 minutes west of downtown Albuquerque.

CLOSING THE 5 YEAR FORECAST GAP
(\$ millions)

Fiscal Year 2004 Projected Deficit	-\$ 26.6
Mill Shift / Suspend Transfer / Reserve Policy Change	16.5
Increased Fees And Available Balances	2.5
Deleted Positions	5.8
Added Positions	-2.6
Cuts From 5 Yr. Forecast Level	6.4
Adds To 5 Yr. Forecast Level	-1.8
Other	<u>-0.2</u>
Balance	\$ 0.0

The City has traditionally maintained an operating reserve calculated as 5% of recurring General Fund revenue. In Fiscal Year 2002 the operating reserve held \$16,161,000, and in the Fiscal Year 2003 revised budget the balance is \$16,341,000. In addition to the operating reserve, the City began accruing the Gross Receipts Tax in Fiscal Year 1995 and treats the July accrual as unavailable for spending, i.e. designated for future appropriations. The adjustment contains approximately one month's worth of revenue from the Gross Receipts Tax, Cigarette Tax and the Municipal Road (Gasoline) Tax. In Fiscal Year 2002, \$17,762,825 was held for the adjustment and in the revised Fiscal Year 2003 budget \$18,263,000 is held.

The City will combine these amounts and replace them with a General Fund reserve equal to 8.33% or 1/12th of General Fund appropriations. For Fiscal Year 2004 the amount proposed for that reserve is \$29,202,000. Although the City is a home rule municipality, the proposed reserve policy change conforms to the requirement the State imposes on other municipalities.

General Fund Balances

The following table shows actual revenues, expenditures and fund balances for the General Fund in Fiscal Years 1999-2002 and the approved budget amounts for Fiscal Year 2003 (as reflected in the Approved FY2003 Budget) and the proposed budget for Fiscal Year 2004.

**General Fund Revenues, Expenditures and Fund Balances
Fiscal Years 1999-2004**

	Actual 1999	Actual 2000	Actual 2001	Actual 2002	Approved Budget 2003	Estimated Actual 2003	Proposed Budget 2004	Compound Ann. Change 99 - 04
REVENUES								
Taxes:								
Property Tax	\$13,530	14,267	15,429	15,880	16,350	16,350	24,316	12.4%
Gross Receipts Tax	81,027	84,166	88,353	89,068	92,783	90,439	93,830	3.0%
Other Taxes	14,161	13,581	15,626	15,369	17,073	16,940	16,303	2.9%
Payment in lieu of taxes	4,890	4,842	5,117	5,450	5,806	5,806	6,062	4.4%
Total Taxes	113,608	116,855	124,525	125,766	132,012	129,535	140,511	4.3%
Licenses & Permits	8,136	8,011	8,723	8,643	10,189	11,167	10,385	5.0%
Intergovernmental Revenue:								
State Grants	73	270	20	22	70	-	-	-100.0%
State Shared Revenue:								
Gross Receipts Tax	125,538	130,282	135,831	136,655	144,604	140,948	146,229	3.1%
Other State Shared	9,522	4,739	4,114	4,672	4,738	4,330	4,848	-12.6%
County	250	210	220	169	700	199	202	-4.2%
Total Intergovernmental Revenue	135,382	135,501	140,185	141,519	150,112	145,477	151,279	2.2%
Charges for Services	35,758	35,539	36,719	36,638	42,313	38,947	42,805	3.7%
Miscellaneous	2,960	2,710	3,748	1,580	3003	1,703	2,105	-6.6%
Other Transfers	1,398	1,468	3,663	3,436	1,603	1,580	2,307	10.5%
TOTAL REVENUES	297,243	300,084	317,563	317,581	339,232	328,409	349,392	3.3%
Beginning Fund Balance	44,739	44,142	43,403	40,183	36,599	36,599	31,908	-6.5%
TOTAL RESOURCES	341,982	344,226	360,966	357,764	375,831	365,008	381,300	2.2%
EXPENDITURES								
General government	42,081	43,979	44,444	43,375	43,954	43,440	49,921	3.5%
Public safety	111,039	116,909	122,153	127,469	132,034	131,653	140,552	4.8%
Cultural and recreation	47,466	46,791	50,408	49,152	51,900	49,947	51,952	1.8%
Public works	14,842	14,425	9,223	8,571	7,092	6,631	6,219	-16.0%
Highways and streets	13,947	9,520	11,872	12,898	13,061	13,145	12,708	-1.8%
Health	5,796	5,774	6,134	6,288	7,241	6,731	7,086	4.1%
Human services	18,523	22,104	29,264	26,795	30,076	29,505	30,418	10.4%
Other transfers out	44,147	41,321	47,284	46,616	51,130	52,048	51,950	3.3%
TOTAL EXPENDITURES	297,841	300,823	320,782	321,164	336,488	333,100	350,806	3.3%
ENDING FUND BAL.	44,141	43,403	40,183	36,599	39,343	31,908	30,494	
TOTAL ADJUSTMENTS ^{(1), (2), (3)}								
	(24,880)	(23,229)	(24,485)	(18,525)	(19,025)	(678)	(678)	
TOTAL RESERVES ⁽⁴⁾								
	14,686	14,879	15,549	16,161	20,203	27,758	29,811	
AVAILABLE FUND BAL								
	4,575	5,295	149	1,913	115	3,472	5	
Ending fund balance as % of total Revenue ⁽⁵⁾								
	6.5%	6.78%	5.00%	5.75%	6.02%			
Ending fund balance as % of total expenditure ⁽⁵⁾								
						9.38%	8.44%	
Recurring revenues	296,524	297,584	314,044	314,330	337,432	325,849	346,143	2.9%
Recurring expenditures	296,565	294,892	319,546	317,399	335,488	331,545	347,244	2.8%

(1) Adjustments reflect increases in reserves for encumbrances and designation for future appropriations.

(2) Fund balance for Fiscal Year 2000 changed due to an accounting change from modified to full accrual for franchise fees.

(3) The Fiscal Year 2002 adjustment includes a \$1.2 million reserve for corrections.

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

(5) A reserve of \$275 thousand for the transfer to transit is included in the Approved Fiscal Year 2004 Budget.

Revenues

Municipally Determined Revenues

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

Local Option Gross Receipts Taxes. The City has authority under the Municipal Gross Receipts Tax Act (Sections 7-19-1, *et seq.* NMSA 1978 as amended) to impose up to 1.25% municipal gross receipts tax in increments of one-eighth of one percent and one-quarter of one percent on the gross receipts of any person engaging in business in the City. The municipal gross receipts tax currently imposed by the City is 1.00%. One quarter of one percent (0.25%) of the City's municipal gross receipts tax is dedicated to specific "basic services" programs and the proceeds are deposited in the General Fund; 0.50% is used for general purposes and the revenues are deposited into a fund pledged to secure certain outstanding municipal gross receipts tax bonds of the City. An additional 0.25% municipal gross receipts tax is imposed to provide for transportation purposes including street maintenance, roadway improvements, an increase of the level of service provided by the public transit system, and construction of a bikeway system.

The City has imposed a 0.0625% municipal infrastructure gross receipts tax for general purposes. The City has authority to impose a second 0.0625% municipal infrastructure gross receipts tax for general purposes without a referendum, but has not exercised this authority. The State Legislature in January 1998 passed legislation allowing the City to impose an additional 0.125% municipal infrastructure gross receipts tax for general municipal purposes, infrastructure, regional transit and/or economic development. The City has not used this authority to date and a positive referendum will be required to impose such a tax. The City also has authority under State law to impose a 0.0625% municipal environmental gross receipts tax but thus far has not used this authority. The State Legislature in February 2001 passed legislation allowing the City to impose an additional 0.25% municipal capital outlay gross receipts tax for municipal infrastructure purposes, including the payment of debt service on bonds. The municipal capital outlay gross receipts tax must be imposed prior to July 1, 2005 under current state law, and may be imposed only after all increments of municipal infrastructure gross receipts tax and the municipal environmental gross receipts tax have been imposed and after a positive referendum is held. Of the total 5.8125% gross receipts tax rate that businesses in the City currently pay to the State, the County, and the City on their taxable gross receipts, 1.00% represents the municipal gross receipts tax and 0.0625% represents the municipal infrastructure gross receipts tax.

Real Property Tax. The City is authorized to impose a maximum levy of 7.650 mills for City operations. In Fiscal Year 2003, only 2.014 mills imposed on residential property and 2.544 mills imposed on commercial property is used by the City for operations at the present time and is subject to yield control. The Fiscal Year 2004 budget proposes an additional one mill levy for operations to residential and commercial property, while one mill is reduced from the debt service levy for residential and commercial property. See "Property Taxes" under this caption.

Charges for Services. Many services provided by the City's general fund agencies are provided to the public or other governmental entities on a fee basis. Services for which fees are

charged include the following: engineering services, patching and paving, filings of plats and subdivisions, photocopying, sales of maps and publications, swimming pools, meals and other activities at senior centers, animal control and zoo admissions. The City also has a cost allocation plan which is used as a basis for assessing indirect overhead charges on non-general fund agencies and on capital expenditures.

Intergovernmental Revenues

The principal source of intergovernmental revenues to the City's general fund is the distribution made by the State to the City from the State Gross Receipts Tax. In 1991, legislation was enacted which, among other things, reduced the amount of State Gross Receipts Tax distribution to a municipality from 1.35% to 1.225% of the gross receipts collected in that municipality. The reduction in the distribution took effect August 1, 1992. (See the discussion of "Gross Receipts Taxes" under the caption.) In addition to the 1.225% gross receipts tax distribution, State-shared receipts include distributions of gasoline and cigarette taxes and of motor vehicle fees.

Property Taxes

Generally

The State Constitution limits the rate of real property taxes which all taxing jurisdictions can levy for operations to a maximum of 20 mills (\$20.00 per \$1,000 of assessed valuation). Commencing in Fiscal Year 1987, pursuant to Section 7-37-7 NMSA 1978, as amended, the maximum levy for City operations was increased from 2.225 to 7.650 mills. Of the 7.650 mills authorized, only 2.014 mills imposed on residential property and 2.544 mills imposed on commercial property (the Fiscal Year 2004 budget proposes that 3.014 mills be charged on residential property and 3.544 on commercial property in tax year 2003) is used by the City for operations (referred to as the "operational levy") at the present time and subject to yield control. The yield control provisions of Section 7-37-7.1 NMSA 1978, as amended, require that the Local Government Division of the New Mexico Department of Finance and Administration annually adjust operational mill levies subject to yield control after the reassessment to prevent revenues on locally assessed residential and non-residential properties from increasing by no more than the sum of 5% for inflation plus the growth in the tax base due to new value. In cases in which a rate is set for a governmental unit that is imposing a newly authorized rate pursuant to Section 7-37-7, the rate must be at a level that will produce in the first year of imposition revenue no greater than that which would have been produced if the valuation of property subject to the imposition had been the valuation in the tax year in which the increased rate was authorized by the taxing district. The yield control provisions do not apply to the general obligation debt service levy.

An amendment to the State Constitution was passed by voters in November 1998. This amendment allowed the State Legislature to enact legislation providing for the assessment of residential properties at levels different than the current estimated market value of a home on the basis of age, income, or home ownership. Section 7-36-21.2 NMSA 1978, as amended, limits increases in the value of residential property for taxation purposes beginning with the tax year 2001. The section provides that, with respect to properties within a county assessing properties in the aggregate at or greater than 85% of their market value, a property's new valuation shall not exceed 103% of the previous year's valuation or 106.1 % of the valuation two years prior to the tax year in

which the property is being valued. This does not apply to residential properties in their first year of valuation, physical improvements made to the property or instances where the owner or the zoning of the property has changed in the year prior to the tax year for which the value of the property is being determined. For Tax Year 2001 (Fiscal Year 2002) the City was below the 85% ratio of assessment to market value, therefore the limitation did not apply and property was reassessed for Tax Year 2002. After reassessment for Tax Year 2002, the City exceeded the 85% ratio of assessment to market value and the limitation on new valuation increases will apply to future valuations. Section 7-36-21.3 NMSA 1978, as amended, freezes the property tax valuation for single family dwellings owned and occupied by persons 65 or older and whose taxable gross income does not exceed \$18,000. The valuation is frozen at the level of the 2001 tax year if the person is already 65, or frozen in the year the person has his or her 65th birthday if that is after 2001. New Mexico House Bill 73, signed into law on March 21, 2003, freezes the property tax valuation for single family dwellings owned and occupied by a person who is disabled and whose taxable gross income does not exceed \$18,000. The valuation is frozen at the level of the 2003 tax year if the person is then determined to be disabled, or in the year in which the person is determined to be disabled if that is after 2003.

Rates

The rates for City property taxes in effect for tax year 2002 (Fiscal Year 2003) are 10.990 mills for residential and 11.520 mills for commercial property. These rates are down from 21.327 mills on both residential and commercial property in tax year 1985 (Fiscal Year 1986) due to the reassessments of all property within the County. As set by the State Department of Finance and Administration, the general obligation bond debt service levy for tax year 2002 (Fiscal Year 2003) is 8.976 mills and the operational levy is 2.014 mills on residential property and 2.544 mills on commercial property.

<u>Purpose of Property Tax</u>	<u>Total Taxing Authority</u>	<u>Levy Imposed⁽¹⁾</u>	<u>Unused Authority⁽²⁾</u>
Operations:	7.650 mills		
Residential		2.014 mills	5.636 mills
Commercial		2.544 mills	5.106 mills
Debt Service ⁽³⁾ :	12.000 mills ⁽⁴⁾		
Residential		8.976 mills	3.024 mills
Commercial		8.976 mills	3.024 mills

⁽¹⁾ In tax year 2003 the operations mill levy will increase 1 mill and the debt service mill levy will decrease 1 mill for residential and commercial.

⁽²⁾ In tax year 2003 the unused authority for the operations mill levy will decrease by 1 mill and the debt service mill levy will increase by 1 mill for both residential and commercial.

⁽³⁾ Debt service levy is a function of assessed value and bonds outstanding authorized in City general elections every two years.

⁽⁴⁾ The City is authorized to contract debt, after an election, and is required to levy a tax, not exceeding 12 mills on the dollar, for payment of the debt from such election.

Source: City of Albuquerque, Office of City Treasurer.

Prior to 1986 it was the policy of the City for more than ten years to maintain a stable tax rate totaling approximately 20 mills for all general obligation bond debt service. Capacity to issue bonds in future years was calculated by using a tax production at 20 mills and assumed that new issues would have approximately equal annual principal payments for a ten-year retirement.

Other than utilities and other centrally assessed properties, locally assessed residential and non-residential properties were valued at 1975 market values. State law mandated a statewide reassessment of properties in 1986 (Fiscal Year 1987), when 1980 market values became the basis for determining assessed valuation. Subsequent statewide reassessments were conducted in 1990, 1991, 1993, 1995, 1997, 1999 and 2001, each of which brought valuations in line with the market value of two years prior to such reassessment. It is anticipated that the State will continue the policy of biennial reassessments to maintain valuation at current and correct value, as required by statute. The reassessments have required a change in the 20 mill tax policy. The general obligation debt service tax rate was reduced to 12 mills for tax year 1986 (Fiscal Year 1987) and would have been just over 10 mills for tax year 1988 (Fiscal Year 1989) except for surplus fund balances that made possible a one-time reduction in the debt service levy. (An offsetting increase in the operating levy enabled a replenishment of the General Fund operating reserve.) The debt service levy for Fiscal Years 1991 and 1992 was 9.786 mills. For Fiscal Year 1993 only, the debt service levy was reduced to 9.277. A 9.581 mill debt service was in place for Fiscal Year 1994, but the levy was increased to 9.786 mills for Fiscal Year 1995. The close to 17% increase in valuation due to the 1995 reassessment exceeded planning assumptions and made possible a reduction in the debt service levy to 9.468 mills for Fiscal Year 1996. In Fiscal Year 1997, the debt service levy was decreased to 8.976 mills, the current levy. The proposed Fiscal Year 2004 budget proposes that the debt service mill levy be reduced to 7.976 mills. This reduction will not affect the ability of the City to pay debt service on its general obligation bonds. See general discussion and table under this sub section entitled "*Rates*".

Limits Regarding General Obligation Indebtedness

The aggregate amount of general obligation indebtedness of the City under the State Constitution is limited for general purposes to 4% of, and the single debt limitation to 12 mills on, the assessed value of taxable property within the City (excepting the construction or purchase of a water or sewer system with general obligation indebtedness, which has no limit). Schools are limited to 6% of the assessed valuation and counties are limited to 4% of the assessed valuation. The only special purpose district overlapping the City is the Albuquerque Metropolitan Arroyo Flood Control Authority ("AMAFCA"), which is limited by State statute as to the amount of bonded debt which can be issued. The current limit for AMAFCA is \$40,000,000, of which \$29,925,000 is outstanding, with \$25,463,213 payable from taxable property within the City.

City of Albuquerque
Summary of Authorized and Outstanding Obligations
as of May 31, 2003

	<u>Currently Outstanding</u>	<u>Other Authorized Unissued</u>
<u>General Obligation Bonds:</u>		
General Purpose G.O. Bonds (Subject to 4% debt limitation)	\$112,855,000	\$90,555,000 ⁽¹⁾
Storm Sewer G.O. Bonds (Secured by Ad Valorem taxes)	<u>47,170,000</u>	9,440,000 ⁽¹⁾
TOTAL GENERAL OBLIGATION BONDS	<u>\$160,055,000</u>	<u>\$99,995,000</u>
<u>Revenue Bonds:</u>		
State Shared Gross Receipts Tax	\$ 80,483,688	\$ -0-
State Shared Gross Receipts/Lodger's Tax	64,941,661	-0-
Municipal Gross Receipts Tax	11,350,000	-0-
Airport Revenue	211,750,000	-0-
Joint Water and Sewer Revenue	243,479,772	-0-
Refuse Removal and Disposal Revenue	33,635,000	-0-
Special Assessment Districts	<u>13,271,511</u>	<u>-0-</u>
TOTAL REVENUES BONDS	<u>\$658,911,632</u>	<u>\$ -0-</u>
TOTALS	<u>\$818,966,632</u>	<u>\$99,995,000</u>

⁽¹⁾ The Series 2003 Bonds will be issued in these respective amounts.

**City of Albuquerque
 Test for Maximum General Purpose G.O. Bonds
 (Before Issuing Series 2003 Bonds)**

4% of Assessed Value of \$7,619,420,780*	\$ 304,776,831
Outstanding (General Purpose subject to 4% limitation) ¹	\$ <u>112,885,000</u>
Available for Future Issues	\$ <u>191,891,831</u>

* See the table below entitled "Assessed Valuation County Tax Year 2002 (Fiscal Year 2003)."

**City of Albuquerque
 Assessed Valuation
 County Tax Year 2002 (Fiscal Year 2002)**

Market Value of Property Assessed	\$ 26,839,255,071 ⁽¹⁾
Taxable Value of Property Assessed (1/3 Market Value)	
Locally Assessed	\$ 8,585,229,325
Less Exemptions	\$ (1,326,997,577)
Plus Centrally Assessed Corporate)	\$ <u>361,189,032</u>
 Certified Net Tax Base	 \$ <u>7,619,420,780</u> ⁽²⁾

⁽¹⁾ Reflects market values submitted to the State by the County Assessor prior to properties assessed late. Value shown was used to assess property taxes for the tax year. Current values could vary from value shown.

⁽²⁾ This Certified Net Tax Base is based on information received from the County Assessor's Office. Taxable value is determined by dividing market value by three and subtracting exemptions.

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

City of Albuquerque
Direct and Overlapping General Obligation Debt
As of May 1, 2003

Gross G.O. Bonded Debt ⁽¹⁾	\$160,055,000
Less G.O. Sinking Fund Balance (April 30, 2003) ⁽²⁾	<u>45,684,417</u>
Net G.O. Bonded Debt	<u>\$114,370,583</u>

	<u>G.O. Debt</u>	Tax Year 2002 <u>Assessed Valuation</u>	% Applicable <u>to City</u>	<u>Net Overlapping</u>
City of Albuquerque	\$ 114,370,583	\$ 7,619,420,780	100.00%	\$114,370,583
Albuquerque Public Schools	135,380,000	9,476,140,054	80.41%	108,854,152
Albuquerque Metropolitan Arroyo Flood Control Authority	29,925,000	8,954,532,466	85.09%	25,463,213
Albuquerque Technical-Vocational Institute	32,805,000	9,302,043,851	81.91%	26,870,987
Bernalillo County	77,155,000	9,351,411,056	81.48%	62,864,995
State of New Mexico	289,655,000	27,470,761,996	27.74%	<u>80,340,084</u>
Total Direct & Overlapping G.O. Debt				<u>\$418,764,014</u>

Ratios:

Direct and Overlapping G.O. Debt as Percent of Taxable Assessed Valuation	5.50%
Direct and Overlapping G.O. Debt as Percent of Actual Market Valuation	1.56%
Assessed Valuation Per Capita (2002 Estimated Population 461,835 ⁽³⁾)	\$ 16,498.14

⁽¹⁾ Amount does not include any bonds which have been advance refunded and fully defeased by an escrow containing cash and securities fully guaranteed by the United States Government in an amount required to pay all principal and interest on the refunded bonds as they come due.

⁽²⁾ The cash balance as of April 30, 2003 was \$56,054,499. The amount properly attributable to principal reduction is 81.5% of the cash balance.

⁽³⁾ Population estimated by City of Albuquerque Planning Division.

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

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

General Obligation Debt

Fiscal Year	Population ⁽¹⁾	Taxable Value(000s) ⁽²⁾	Total G.O. Debt (000s)	Debt Service Fund(000s) ⁽³⁾	Net G.O. Debt (000s)	Ratio of Net G.O. Debt To Taxable Value	Net G. O. Debt Per Capita
1993	406,440	\$ 4,197,400	\$ 156,875	\$ 7,478	\$ 149,397	3.56%	\$ 367.57
1994	413,749	4,248,391	211,175	4,796	206,379	4.86	498.80
1995	418,839	4,312,210	176,315	3,970	172,345	4.00	411.48
1996	420,527	5,077,321	168,170	10,476	157,694	3.11	374.99
1997	420,907	5,184,693	172,155	7,849	164,306	3.17	390.36
1998	421,384	5,469,636	169,165	7,833	161,331	2.95	382.86
1999	420,578	5,656,901	152,825	12,114	140,711	2.49	334.57
2000	446,871 ⁽⁴⁾	6,856,281	138,180	24,832	113,348	1.65	253.65
2001	454,015 ⁽⁴⁾	6,900,701	117,440	10,707	106,733	1.55	235.09
2002	461,835 ⁽⁴⁾	7,619,421	160,055	19,511	140,544	1.85	304.32

(1) All population numbers provided by the U.S. Department of Commerce, Bureau of the Census unless otherwise noted.

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

(3) Available for debt service.

(4) Estimated by City of Albuquerque Planning Division.

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

City of Albuquerque
Aggregate Debt Service
for Outstanding General Obligation Bonds ⁽¹⁾
As of May 1, 2003

Fiscal Year	Principal	Interest	Total Debt Service
2003	\$ 33,245,000	\$ 7,564,067	\$ 40,809,067
2004	24,220,000	6,062,953	30,282,953
2005	24,220,000	4,938,153	29,158,153
2006	20,760,000	3,752,653	24,512,653
2007	16,590,000	2,745,653	19,335,653
2008	13,590,000	1,951,703	15,541,703
2009	11,210,000	1,296,313	12,506,313
2010	9,210,000	761,813	9,971,813
2011	<u>7,010,000</u>	<u>310,063</u>	<u>7,320,063</u>
TOTAL	\$160,055,000	\$29,383,367	\$189,438,367

(1) See table entitled "City of Albuquerque Summary of Authorized and Outstanding Obligations" under this caption. This table does not include the Series 2003 Bonds.

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

Tax Administration

The County is charged with the responsibility of administering the assessment and collection of property taxes for the City. Legislation passed in 1988 allows the County to collect a 0.75% assessment fee on all current collections. The State assesses corporate property such as utilities, pipelines and railroads which cross county lines.

Computer upgrades at the County have resulted in a shortfall of property tax revenues distributed to the City as a result of the installation by the County of a new computer system for property tax assessments, collections and distributions. After implementation of the system in November 1999, the County had difficulty determining the proper distribution of tax revenues to be distributed to the City and other taxing authorities. The County engaged software consultants in order to diagnose and repair the computer software causing this problem. The County also engaged an independent consultant to review property tax distributions and determine the amount of any shortfall. The County has advised that the problem has been resolved and has paid all shortfalls owing to the City. The County has advised the City that future distributions will be made at the proper levels, based on the actual collections for the then current year.

Assessments are made as of January 1 of each year, with one-half of the taxes on that assessment due the following November 10 and one-half due April 10 of the next calendar year. The taxes due November 10 become delinquent December 11, while the April 10 payment becomes delinquent May 11.

**City of Albuquerque
Net Taxable Property Values**

<u>Tax Year⁽¹⁾</u>	<u>Real Property</u>	<u>Corporate Property</u>	<u>Personal Property</u>	<u>Net Taxable Valuation</u>
1993 ⁽²⁾	\$ 3,789,717,391	\$ 239,398,768	\$ 219,275,260	\$ 4,248,391,419
1994	3,849,868,672	248,331,388	214,009,607	4,312,209,667
1995	4,606,364,061	256,310,880	214,646,353	5,077,321,294
1996	4,651,461,720	269,111,763	264,119,812	5,184,693,295
1997	4,918,412,659	241,257,015	309,966,061	5,469,635,735
1998	5,047,988,793	263,165,055	345,747,000	5,656,900,848
1999	6,234,946,669	281,059,652	340,275,027	6,856,281,348
2000	6,185,937,198	310,904,986	403,859,568	6,900,700,986
2001	6,657,462,354	347,858,674	413,809,882	7,419,129,910
2002	6,880,088,229	361,189,032	378,149,519	7,619,420,780

⁽¹⁾Tax year begins November 1 and ends October 31

⁽²⁾As of October in each year.

Source: Bernalillo County Treasurer's Office.

Top 15 Taxpayers for Tax Year 2002 (Fiscal Year 2003)⁽¹⁾⁽²⁾

<u>Name of Taxpayer</u>	<u>Tax Year 2002 Assessed Taxable Value⁽³⁾</u>	<u>Tax Amount</u>	<u>Percentage of Total City Assessed Valuation⁽⁴⁾</u>
Qwest (U S West)	\$ 87,032,391	\$ 3,382,660	1.1%
PNM Electric	80,837,709	3,611,479	1.1%
PNM Gas Services	26,116,616	968,609	0.3%
Southwest Airlines	21,951,930	933,506	0.3%
Simon Property Group Ltd (Cottonwood Mall)	20,997,900	892,936	0.3%
Heitman Properties of NM (part of Coronado Shopping Mall)	19,111,489	812,716	0.3%
Voicestream PCS II Corporation	18,793,768	799,205	0.2%
Crescent Real Estate (Hyatt Hotel)	15,782,623	769,955	0.2%
Verizon Wireless (VAW) LLC	16,160,522	687,226	0.2%
Alltel Communications, Inc.	14,481,278	615,816	0.2%
Winrock Property (Winrock Mall)	11,743,269	499,383	0.2%
AT&T Communications	9,921,516	484,021	0.1%
Cricket Communications	8,399,511	357,189	0.1%
HUB Albuquerque LLC	7,232,610	352,843	0.1%
CHC Ptns I LLC	<u>4,894,444</u>	<u>238,775</u>	<u>0.1%</u>
	<u>\$363,457,576</u>	<u>\$15,406,320</u>	<u>4.8%</u>

⁽¹⁾ As of November 1, 2002.

⁽²⁾ Major taxpayers are those largest taxpayers that have a tax bill on a single piece of property of at least \$50,000. In figuring the total tax bills for these taxpayers, only their properties with tax bills of \$50,000 or more are included except Public Service Company (PNM), which has multiple tax bills. The list is compiled once a year, usually in November, and does not reflect final net taxable values. As a result of methodology, year to year comparisons may not be meaningful.

⁽³⁾ The aggregate net taxable value of the top 15 taxpayers for tax year 2002 represents only 4.8% of the total net taxable value of the City for 2002. See the following table entitled "City of Albuquerque History of Property (Ad Valorem) Tax Levy and Collection."

⁽⁴⁾ The tax amounts shown include assessments by jurisdictions other than the City.

Source: Bernalillo County Treasurer's Office.

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

<u>Fiscal Year</u>	<u>Total Current Tax Levy ⁽¹⁾</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Total Collections as Percent of Current Levy</u>	<u>City Debt Service Collections</u>	<u>Percent of Total City Levy</u>
1992	47,343,647	44,809,462	94.65%	1,930,773	46,740,235	98.73%	40,124,198	84.8%
1993	47,522,109	45,440,637	95.62%	2,324,243	47,764,880	100.51%	39,444,170	83.0%
1994	49,061,241	46,246,898	94.26%	1,722,885	47,969,783	97.78%	40,385,850	82.3%
1995	50,634,041	47,792,810	94.39%	4,486,481	52,279,291	103.25%	42,235,640	83.4%
1996	56,500,991	55,170,428	97.65%	2,560,984	57,731,412	102.18%	46,812,632	82.9%
1997	58,414,008	55,266,156	94.61%	2,591,732	57,857,888	99.05%	45,646,455 ⁽²⁾	78.1%
1998	61,648,597	58,799,367	95.38%	2,747,266	61,546,632	99.83%	47,993,016	77.8%
1999	64,226,020	60,900,748	94.82%	4,384,879	65,285,627	101.6%	49,873,027	77.7%
2000	73,887,459	68,707,632	92.99%	1,164,751	69,872,383	94.57%	58,518,340	79.2%
2001	76,929,102	72,563,755	94.33%	4,365,348	76,929,102	100.00%	63,496,146	82.5%
2002	82,074,357	78,096,507	95.15%	800,726	78,897,233	96.13%	62,709,843	76.4%

Taxes are due as follows: First half – November 10, second half – April 10. The taxes are collected by the County Treasurer and remitted to the City monthly. Properties in which taxes are delinquent (11th days of December and May) are transferred to the State, which conducts a tax sale if taxes remain unpaid. The proceeds of the tax sale are remitted to the political subdivisions in the rates of the current tax levy.

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

⁽²⁾ Since debt service mill levy decreased from 9.468 mills in FY96 to 8.976 mills in FY97, City debt service collections decreased slightly.

Sources: Bernalillo County Treasurer's Office; City of Albuquerque Comprehensive Annual Financial Reports.

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

<u>Tax Year</u>	<u>Total Tax Levy</u>	<u>City</u>	<u>Bernalillo County</u>	<u>State of New Mexico</u>	<u>Schools</u>	<u>Technical Vocational Education</u>	<u>Flood Control Authority</u>	<u>Hospital</u>
1993	44.082	11.584	8.422	1.595	9.062	3.000	.989	4.800
1994	46.171	11.760	9.140	1.212	10.230	3.000	1.039	4.800
1995	43.036	11.236	8.618	1.276	8.851	2.702	1.000	4.151
1996	43.814	11.257	8.279	1.556	9.020	2.783	1.006	4.497
1997	48.132	11.362	9.070	1.347	11.888	2.935	1.050	4.565
1998	46.752	11.357	9.066	1.438	11.013	2.945	1.050	4.103
1999	42.498	11.080	8.270	1.482	8.505	2.578	.939	4.016
2000	43.700	11.166	8.558	1.529	8.527	3.179	.962	4.184
2001	45.571	11.161	8.635	1.765	8.503	1.628	.943	6.500
2002	44.696	11.153	8.532	1.123	7.883	3.174	.937	6.500

Source: Bernalillo County Treasurer's Office.

Gross Receipts Taxes

Generally

The obligation of the City to pay the principal of and interest on the Series 2003 Bonds is a general obligation of the City payable as described in "SECURITY AND SOURCES OF PAYMENT." The following discussion includes information about the City's gross receipts taxes and the revenues received therefrom. **This information is provided herein to prospective purchasers for purposes of analyzing the financial and overall status of the City. Revenues received by the City from such gross receipts taxes, however, are not specifically pledged to repayment of the Series 2003 Bonds.**

Imposition of Tax. The Gross Receipts and Compensating Tax Act (Sections 7-9-1 through 7-9-91, NMSA 1978, as amended), authorizes the State to impose a gross receipts tax (the "State Gross Receipts Tax") which is levied by the State for the privilege of doing business in the State and is collected by the New Mexico Taxation and Revenue Department (the "Department"). The State Gross Receipts Tax is presently levied at five percent (5.00%) of taxable gross receipts. However, within any municipality imposing a municipal gross receipts tax of at least one-half of one percent (0.50%), the taxpayer receives a maximum of one-half of one percent (0.50%) credit against the State Gross Receipts Tax. Currently, all New Mexico municipalities, including the City, levy such a municipal gross receipts tax. Therefore, the State actually collects a four and one-half percent (4.50%) tax within municipalities, including the City. Of the 4.50 cents collected per dollar of taxable gross receipts reported for a particular municipality, 1.35 cents has, prior to August 1992, been remitted back to the municipality by the State monthly, based on the prior month's filings. See "Manner of Collection and Distribution" under this caption. In 1991, legislation was enacted which, among other things, reduced the amount of State Gross Receipts Tax distribution to a municipality from 1.35% to 1.225% of the taxable gross receipts collected in that municipality. The reduction in the distribution was effective August 1, 1992. Thus, of the total 5.8125% gross receipts tax rate that businesses in the City currently pay to the State, the County, and the City on their taxable gross receipts, 4.50% represents the State Gross Receipts Tax, from which the City receives a 1.225% distribution. The principal source of intergovernmental revenues to the City's General Fund is the distribution made by the State to the City of the State Gross Receipts Tax.

Taxed Activities. For the privilege of engaging in business in the State, the State Gross Receipts Tax is imposed upon any person engaging in business in the State. "Gross Receipts" is defined in the Gross Receipts and Compensating Tax Act as the total amount of money or value of other consideration received from selling property in the State (including tangible personal property handled on consignment in the State), from leasing property employed in the State, from selling certain research and development services performed outside the State the product of which is initially used in the State and from performing services in the State. The definition excludes cash discounts allowed and taken, the State Gross Receipts Tax payable on transactions for the reporting period and any county sales tax, county fire protection excise tax, county and municipal gross receipts taxes, any type of time-price differential and certain gross receipts or sales taxes imposed by an Indian tribe or pueblo. Unlike most other states, the State taxes food sales and services, including legal and medical services. In Fiscal Year 2002, retail trade accounted for 39.7% of total taxable gross receipts. The other major generator of gross receipts tax revenues was the services sector,

which accounted for 32.3% of the City's taxable gross receipts in Fiscal Year 2002, up from 31.9% in Fiscal Year 1993. For a description of the percentages of gross receipts tax revenues that have been historically received in various other sectors, see "Historical Taxable Gross Receipts" under this caption.

Exemptions. Some activities and industries are exempt from the State Gross Receipts Tax, many by virtue of their taxation under other laws. Exemptions include but are not limited to receipts of governmental agencies and certain organizations (some of which are taxable by the State, with no local distribution pursuant to the Governmental Gross Receipts Tax Act passed by the 1991 Legislature), receipts from the sale of vehicles, occasional sales of property or services, wages, certain agricultural products, dividends, and interest and receipts from the sale of or leasing of gas, natural oil or mineral interests. Various deductions are also allowed, including, but not limited to, receipts from various types of sales or leases of tangible personal property or services, receipts from sales to governmental agencies or certain organizations, receipts from processing certain agricultural products, receipts from certain publication sales and certain receipts from interstate commerce transactions. In spite of the numerous specified exemptions and deductions from gross receipts taxation, the general presumption is that all receipts of a person engaging in business in the State are subject to the State Gross Receipts Tax. The State Legislature in January 1998, however, passed into law an exemption to the gross receipts tax for prescription drugs and certain federal government paid medical expenses. The impact of this exemption on gross receipts tax revenues is estimated at approximately \$4.0 million per year; however, no assurance is given that the actual impact of this exemption on gross receipts tax revenues will not, in the future, be greater than the current estimate. See "FINANCIAL INFORMATION - The General Fund - General Fund Revenues."

Administration of the Tax. The Department is responsible for administering the Gross Receipts and Compensating Tax Act and for collecting the State tax and all local option gross receipts taxes imposed by New Mexico counties and municipalities. The Department makes monthly distributions to counties and municipalities, as applicable, of State shared receipts and of receipts from local option gross receipts taxes.

Historical Revenues. The revenues received by the City from the State as its distribution of the State Gross Receipts Tax revenues for the past five Fiscal Years are as follows:

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

<u>Fiscal Year</u>	<u>Revenues</u>
1998	\$121,060,570
1999	124,241,610
2000	130,281,585
2001	135,830,834
2002	136,655,396

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

Certain of the revenues received from this tax are pledged to the payment of gross receipts tax bonds of the City. See the table entitled "Summary of Authorized and Outstanding Obligations under "FINANCIAL INFORMATION – Property Taxes." Some of those bonds are also secured by other revenues of the City, such as lodgers' taxes. See "FINANCIAL INFORMATION – Lodgers' Tax."

Municipal and Other Gross Receipts Taxes

Imposition of Tax. In addition to receiving a distribution from the State, the Municipal Local Option Gross Receipts Tax Act (Section 7-19D-1 through 7-19D-12 NMSA 1978, as amended) authorizes the City under State law to impose up to 1.25% municipal gross receipts tax in increments of one-eighth of one percent on the gross receipts of any person engaging in business in the City. The municipal gross receipts tax currently imposed by the City is 1.00%. One quarter of one percent (0.25%) of the City's municipal gross receipts tax is dedicated to specific "basic services" programs and the proceeds are deposited in the General Fund. One half of one percent (.50%) is used for general purposes; the revenues are deposited into a fund pledged to secure certain outstanding municipal gross receipts tax bonds of the City. An additional 0.25% municipal gross receipts (referred to on the tables below as "Municipal GRT - Transportation") is imposed to provide for street maintenance, roadway improvements, an increase in the level of service provided by the public transit system, and construction of a bikeway system.

The City has also imposed a 0.0625% municipal infrastructure gross receipts tax for general purposes (referred to on the tables below as "Municipal Infrastructure GRT - General Purposes"). The City has authority to impose a second 0.0625% municipal infrastructure gross receipts tax without a referendum, but has not exercised this authority. In addition, the State Legislature in January 1998 passed legislation allowing the City to impose an additional 0.125% municipal infrastructure tax (referred to in the tables below as "Municipal Infrastructure GRT -Econ. Dev. & Transit") for general municipal purposes, infrastructure, regional transit and/or economic development. The City has not used this authority to date, and a positive referendum will be required to impose such tax. The City also has authority under State law to impose a 0.0625% municipal environmental gross receipts tax (referred to on the tables below as "Municipal Environmental GRT") but thus far has not used this authority. The State Legislature in February 2001 passed legislation allowing the City to impose an additional 0.25% municipal capital outlay gross receipts tax for municipal infrastructure purposes, including the payment of debt service on bonds. The municipal capital outlay gross receipts tax must be imposed prior to July 1, 2005 under current state law, and may be imposed only after all increments of municipal infrastructure gross receipts tax and the municipal environmental gross receipts tax have been imposed and after a positive referendum is held. Of the total 5.8125% gross receipts tax rate that businesses in the City currently pay to the State, the County, and the City on their taxable gross receipts, 1.00% represents the municipal gross receipts tax and 0.0625% represents the municipal infrastructure tax.

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

**Historical Municipal Gross Receipts Tax Revenues
(.50% Received by the City from State Gross Receipts Tax)**

<u>Fiscal Year</u>	<u>Revenues</u>
1998	\$48,769,844
1999	50,161,975
2000	52,668,581
2001	54,609,793
2002	55,034,047

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

Taxing Authority and Payments

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

**Selected Fiscal Year 2002 Gross Receipts Tax (GRT) Paid
in the City of Albuquerque**

<u>Type of Tax & Purpose</u>	<u>Percentage Imposed</u>
Municipal GRT ⁽¹⁾	1.0000%
Municipal Infrastructure GRT	0.0625
Bernalillo County GRT	0.2500
State GRT	5.0000
Credit on State GRT ⁽²⁾	<u>(0.5000)</u>
Total	<u>5.8125%</u>

⁽¹⁾Municipal GRT is imposed in increments of 0.25%, and collections are assessed an administrative fee by the State of 5.0% on all local option revenues imposed above those derived from the initial 0.50% tax levied.

⁽²⁾Taxpayers receive a maximum of 0.50% credit against State Gross Receipts Tax.

Source: City of Albuquerque, Office of City Treasurer.

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

City of Albuquerque
Selected Fiscal Year 2003 Taxing Authority and Gross Receipts Tax (GRT) Income

<u>Type of Tax & Purpose</u>	<u>Total Taxing Authority</u>	<u>Percentage Imposed</u>	<u>Unused Authority</u>
Municipal GRT ⁽¹⁾	1.2500%		
Basic Services		0.250%	
General Purposes ⁽²⁾		0.500% ⁽²⁾	
Transportation		<u>0.250%</u>	
<i>Total Municipal GRT</i>		1.000%	0.2500%
Municipal Infrastructure GRT ⁽³⁾			
General Purpose	0.1250%	0.0625%	0.0625%
Econ. Dev. & Transit	0.1250%	0.0000%	0.1250%
Municipal Environmental GRT	0.0625%	0.0000%	0.0625%
Municipal Capital Outlay GRT ⁽⁴⁾	0.2500%	<u>0.0000%</u>	<u>0.2500%</u>
<i>Total Other GRT</i>		0.0625%	0.7500%
Total Impositions by the City		<u>1.0625%</u>	<u>0.7500%</u>
State Shared GRT ⁽⁵⁾⁽⁶⁾		<u>1.2250%</u>	<u>--</u>
Total Distribution to the City		<u>2.2875%</u>	<u>0.7500%</u>

⁽¹⁾ Municipal GRT may be imposed by the City in increments of 0.125%, subject to a negative referendum and collections are assessed an administrative fee by the State of 5.0% on all local option revenues imposed above those derived from the initial 0.50% tax levied.

⁽²⁾ Represents the municipal gross receipts tax pledged by the City to secure certain outstanding bonds.

⁽³⁾ A positive referendum is required to impose any amount of the municipal infrastructure gross receipts tax: (i) in excess of 0.1250%; or (ii) for the purpose of economic development. The tax may be imposed in increments of 0.0625%.

⁽⁴⁾ A positive referendum is required to impose any amount of the municipal capital outlay gross receipts tax and it may be imposed only after all other local option GRT have been imposed.

⁽⁵⁾ State imposed levy in lieu of earlier local sales tax and remitted to local jurisdictions.

⁽⁶⁾ Revenues from this tax are pledged as the Pledged Gross Receipts Tax Revenues for the payment of certain bonds.

Source: City of Albuquerque, Office of City Treasurer.

Historical Taxable Gross Receipts

The table which follows provides information about the City's taxable gross receipts by sector since 1993.

City of Albuquerque
Taxable Gross Receipts By Sector and Total Gross Receipts⁽¹⁾
Fiscal Years 1993 - 2002 (000,000s omitted)

	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>% of Total Shares by Sector</u>	
											<u>1993</u>	<u>2002</u>
Construction	\$ 532.5	\$ 668.5	\$ 837.4	\$ 1,007.7	\$ 1,068.1	\$ 1,000.8	\$ 1,001.4	\$ 1,098.7	\$ 1,307.6	\$ 1,254.7	7.4%	11.4%
Manufacturing	245.9	256.7	272.9	278.3	281.0	320.1	324.2	319.4	308.7	283.9	3.4%	2.6%
Trans, Comm, & Pub Util	529.8	560.4	563.6	562.3	600.9	616.1	615.1	611.1	650.0	573.2	7.4%	5.2%
Wholesale Trade	453.0	468.6	498.0	513.2	511.1	554.1	535.6	604.8	608.0	631.8	6.3%	5.7%
Retail Trade	2,892.7	3,157.2	3,417.2	3,634.0	3,759.6	3,882.4	3,963.1	4,158.7	4,367.6	4,368.8	40.4%	39.7%
Fin, Insur, & Real Estate	210.4	243.1	228.8	251.6	258.1	279.0	286.3	292.2	292.7	271.0	2.9%	2.5%
Services	2,282.8	2,517.3	2,688.8	2,902.6	3,001.2	3,103.6	3,276.2	3,379.2	3,406.2	3,562.6	31.9%	32.3%
Other	0.7	16.5	16.7	11.5	19.8	15.0	21.7	22.4	22.4	19.1	0.0%	.2%
Interstate Communications ⁽²⁾	<u>18.4</u>	<u>62.3</u>	<u>64.1</u>	<u>64.2</u>	<u>62.2</u>	<u>59.3</u>	<u>56.2</u>	<u>62.4</u>	<u>53.0</u>	<u>50.4</u>	<u>0.3%</u>	<u>.5%</u>
Total Taxable Gross Receipts	<u>\$ 7,166.1</u>	<u>\$ 7,950.6</u>	<u>\$ 8,588.2</u>	<u>\$ 9,225.7</u>	<u>\$ 9,562.0</u>	<u>\$ 9,830.4</u>	<u>\$10,079.7</u>	<u>\$10,548.8</u>	<u>\$11,016.1</u>	<u>\$11,015.6</u>	<u>100%</u>	<u>100%</u>
Total Gross Receipts Reported	\$12,632.0	\$13,881.0	\$15,021.0	\$15,784.0	\$16,414.0	\$17,096.8	\$17,317.9	\$18,294.2	\$20,836.9	\$20,708.3	--	--

⁽¹⁾ Albuquerque taxable gross receipts are according to distribution month, which lags reporting month by one month and activity month by two months. While taxable gross receipts is the reported tax base, the actual tax distributions may differ from those calculated by applying the tax and distribution rates to taxable gross receipts for any of a number of reasons (e.g., the filing taxpayer did not include a check or the check was returned; an adjustment was made for a previous over - or under-distribution to the City). Actual distributions average within 1-2% of computed tax due based on reported taxable gross receipts.

⁽²⁾ Taxable gross receipts from interstate telecommunications are subject to a special 4.25% tax from which the City receives a distribution.

Source: New Mexico Taxation and Revenue Department.

Manner of Collection and Distribution

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

Remedies for Delinquent Taxes

The Department may assess gross receipts taxes to a taxpayer who has not paid the taxes due to the State. If any taxpayer to whom gross receipts taxes have been assessed does not make payment thereof (or protest the assessment) before 30 days after the date of assessment, the taxpayer becomes a delinquent taxpayer. Such taxpayer remains delinquent until payment of all the taxes due, including interest and penalties, or until security is furnished for the payment thereof. The Department may, under certain circumstances, enter into an agreement with a delinquent taxpayer to permit monthly installment payments for a period of not more than 18 months. Interest is due on any delinquent taxes from the first day following the day on which it is due at the rate of 1.25% per month until paid, without regard to any installment agreement. However, if the gross receipts taxes are paid within 10 days after demand is made, no interest accrues.

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

Lodgers' Tax

Generally

The lodgers' tax is levied pursuant to the Lodgers' Tax Act (Sections 3-38-13 through 3-38-24 NMSA 1978, as amended) and is imposed, with certain limited exceptions, on all revenues derived from the furnishing of lodging within the City. The tax rate imposed by the City is 5% and is imposed on the gross taxable rent paid for lodging (but not including State Shared Gross Receipt Taxes or local sales taxes). The lodgers' tax is collected by the City on a monthly basis from the persons and firms furnishing such lodging.

The lodgers' tax revenues are pledged to repayment of the City's gross receipts/lodgers' tax bonds in an amount equal to 50% of the revenues produced by the City's imposition of the lodgers' tax, less certain administrative costs. Under the Lodgers' Tax Act, a municipality located in a class A county, such as the City, imposing an occupancy tax (such as the lodgers' tax) of more than 2% is required to use not less than 50% of the proceeds derived from the tax for the purposes of advertising, publicizing, and promoting the convention center and certain

other facilities in the City and tourist facilities or attractions within the City. The City uses the 50% of the lodgers' tax revenues not used to pay bonds to satisfy this requirement.

Historical Lodgers' Tax Revenues

The gross taxable rent, the lodgers' tax rate and the lodgers' tax revenues collected by the City since Fiscal Year 1998 are as follows:

**City of Albuquerque
Historical Lodgers' Tax Revenues**

<u>Fiscal Year</u>	<u>Gross Taxable Rent⁽¹⁾</u>	<u>Lodgers' Tax Rate⁽²⁾</u>	<u>Lodgers' Tax Revenues</u>
1998	\$158,894,200	5%	\$7,944,710
1999	161,836,220	5%	8,091,811
2000	167,834,800	5%	8,394,740
2001	169,762,360	5%	8,488,118
2002	166,380,620	5%	8,319,031

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

⁽²⁾ Referred to in the Lodgers' Tax Act as the "occupancy tax." Prior to January 1, 1985, the lodgers' tax was 3%.

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

Charges for Services

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

Employee Contracts

There were approximately 6,429 full-time employment positions funded by the City for Fiscal Year 2003, with approximately 5,593 City employees affected by union contracts as of January 1, 2003. There are seven bargaining units within the City. The City's union contracts and their expiration dates are as follows: Albuquerque Officers' Association (A.F.S.C.M.E. Local 1888, AFL-CIO) -June 10, 2003; Clerical and Technical Employees (A.F.S.C.M.E. Local 2962, AFL-CIO) -October 17, 2003; United Transportation Union (Local 1745) - February 8, 2003; Blue Collar workers (A.F.S.C.M.E. Local 624, AFL-CIO) - May 30, 2003; Albuquerque Area Firefighters Union - February 2, 2004; Albuquerque Police Officers' Association - June 1, 2003; and Management Union - June 30, 2003.

Retirement Plan

The employees of the City are members of the State Public Employees Retirement Association. Employees are credited for contribution amounts varying from 3.29% to 16.30% of their wages to the plan and the City contributes amounts which vary from 7.0% to 20.25%.

The last actuarial valuation attesting to the availability of funds to cover the obligations of the plan is as of June 30, 2002. A copy of the certification letter prepared by Gabriel, Roeder, Smith & Company, Actuaries and Consultants, is on file and is available from the State Public Employees Retirement Association, upon request.

Capital Improvements Program

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

The City adopted, in April 2001, a ten-year plan (Fiscal Years 2002-2011) for CIP projects to be financed with general obligation bonds which calls for biennial bond elections of approximately \$130 million each (before adjustments for inflation). The City has completed its two-year planning process for the 2003 general obligation bond election, and the updated plan was adopted on May 5, 2003 with an amount of approximately \$145 million of capital projects to be voted on at an election in September or October 2003.

Financial Statements

The financial statements of the City at June 30, 2002 and for the year then ended are included in Appendix A hereto and have been audited by Neff & Ricci LLP, independent certified public accountants, as set forth in their report thereon dated December 2, 2002. Such financial statements represent the most current audited financial information available for the City.

RECENT MATERIAL EVENTS

In the recently completed 2003 legislative session, the New Mexico State Legislature passed House Bill 168, which has been signed by the governor. The bill creates a blue ribbon tax reform commission which is charged with developing recommendations for reform of the state tax laws. The commission will be required to report its findings, including specific responsibilities and proposed legislation to the governor and the legislative council by September 1, 2003. The governor is expected to call for a special session of the legislature by the fall of 2003 to act on the commission's recommendations. It is not known at this time what effect, if any, the commission's recommendations and any resulting legislation may have on the general fund and other revenues of the City.

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," "forecast," "intend," "expect," "project," "intend," "budget," "plan" and similar expressions identify forward-looking statements.

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

LITIGATION AND GOVERNMENTAL IMMUNITY

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, or (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 is approximately \$14.1 million. 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 first 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.

TAX EXEMPTION

Federal and State Income Tax Opinion

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and remain excluded from gross income for federal income tax purposes, some of which, including provisions for the rebate by the issuer of certain investment earnings to the federal government, require future or continued compliance after issuance of the obligations in order for the interest to be and continue to be so excluded from the date of issuance. Noncompliance with certain of these requirements could cause the interest on the Series 2003 Bonds to be included in gross income for federal income tax purposes and thus to be subject to federal income taxes retroactively to their date of issuance. The City covenants in the Bond Ordinance to take all actions which may be required of it for the interest on the Series 2003 Bonds to be and remain excluded from gross income for federal income tax purposes, and not to take any actions which would adversely affect that exclusion.

In the opinion of Brownstein Hyatt & Farber, P.C., Bond Counsel, under existing law, and assuming compliance with the aforementioned covenant, interest on the Series 2003 Bonds is excluded from gross income for federal income tax purposes under Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and is not treated as an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations. Bond Counsel is further of the opinion that under existing law, interest income on the Series 2003 Bonds is excluded from income for State of New Mexico income tax purposes under the Act. An opinion to those effects will be included in the approving legal opinion. The opinion on federal tax matters will be based on and will assume the accuracy of certain representations and certifications, and compliance with certain covenants of the City to be contained in the transcript of proceedings and which are intended to evidence and assure the foregoing, including that the Series 2003 Bonds are and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. Bond Counsel will not independently verify the accuracy of the certifications and representations made in the transcript. Except as stated in this

paragraph, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Series 2003 Bonds.

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Series 2003 Bonds. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, owners of an interest in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with Subchapter C earnings and profits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE SERIES 2003 BONDS.

The Internal Revenue Code of 1986 (the "Code") imposes certain requirements that must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be excluded from gross income for Federal income tax purposes. Noncompliance with such requirements could cause the interest on the Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issue of the Bonds. The City has covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Bonds from gross income for Federal income tax purposes.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Bonds may affect the tax status of interest on the Bonds. No assurance can be given that future legislation, or amendments to the Code, if enacted into law, will not contain provisions which could directly or indirectly reduce the benefit of the exclusion of the interest on the Bonds from gross income for Federal income tax purposes. Furthermore, Bond Counsel expresses no opinion as to any Federal, State or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of bond counsel other than Bond Counsel.

Interest on the Bonds owned by corporations will be taken into account in determining the alternative minimum tax imposed by Section 55 of the Code on 75 percent of the excess of adjusted current earnings over alternative minimum taxable income (determined without regard to this adjustment and the alternative tax net operating loss deduction).

Interest on the Series 2003 Bonds may be subject to the "branch profits tax" imposed by Section 884 of the Code on the effectively connected earnings and profits of a foreign corporation doing business in the United States.

Under Section 6012 of the Code, holders of tax-exempt obligations, such as the Series 2003 Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Series 2003 Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimus amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligations bears to the number of days between the acquisition date and the final maturity date.

Certain Specific Federal Income Tax Consequences

Although Bond Counsel has rendered an opinion that interest on the Bonds is excluded from gross income for Federal income tax purposes, a Bondholder's Federal, State or local tax liability may otherwise be affected by the ownership or disposition of the Bonds. The nature and extent of these other tax consequences will depend upon the Bondholder's other items of income or deduction. Without limiting the generality of the foregoing, prospective purchasers of the Bonds should be aware that (i) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds or, in the case of a financial institution, that portion of a holder's interest expense allocated to interest on the Bonds, (ii) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest on the Bonds, (iii) interest on the Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code, (iv) passive investment income, including interest on the Bonds, may be subject to Federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25 percent of the gross receipts of such Subchapter S corporation is passive investment income, and (v) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining the taxability of such benefits, receipts or accruals of interest on the Bonds. Bond Counsel has expressed no opinion regarding any such other tax consequences.

Federal Income Tax Accounting Treatment of Original Issue Discount

Bond Counsel is further of the opinion that the difference between the principal amount of the Bonds maturing on July 1, 2012 (the "Discount Bonds") and the initial offering price to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Discount Bonds of the same maturity was sold constitutes original issue discount which is excluded from gross income for Federal income tax purposes to the same extent as interest on the Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Bonds, even though there will not be a corresponding cash payment. Owners of the Discount Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Discount Bonds.

Federal Income Tax Accounting Treatment of Original Issue Premium

Bond Counsel is also of the opinion that the difference between the principal amount of the Bonds maturing on July 1 in the years 2004 through 2011 and 2013 (collectively, the "Premium Bonds") and the initial offering price to the public (excluding bond houses, brokers, or similar persons or organizations acting the capacity of underwriters or wholesalers) at which price a substantial amount of such Premium Bonds of the same maturity was sold constitutes to an initial purchaser amortizable bond premium which is not deductible from gross income for Federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest basis over the term of each Premium Bond. For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation in the initial offering to the public at the initial offering price is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Bonds.

CONTINUING DISCLOSURE UNDERTAKING

In connection with its issuance of the Series 2003 Bonds, the City will execute a Continuing Disclosure Undertaking, a form of which is attached as Appendix D hereto, wherein it will agree for the benefit of the Owners of Series 2003 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 relating to general obligation bonds, 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 such filings, the audited financial statements have been filed within 210 days of the end of the 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 the Disclosure Undertakings.

LEGAL MATTERS

In connection with the issuance and sale of the Series 2003 Bonds, Brownstein Hyatt & Farber, P.C., as Bond Counsel, will deliver the bond opinion included in Appendix C hereto. Certain legal matters relating to the Series 2003 Bonds will be passed upon for the City by its Disclosure Counsel, Modrall, Sperling, Roehl, Harris & Sisk, P.A. Neither Disclosure Counsel nor Bond Counsel has participated in any independent verification of the information concerning the financial condition of the City contained in this Official Statement.

Certain legal matters will also be passed upon for the City by the office of the City Attorney.

RATINGS

It is expected that, upon issuance of the Series 2003 Bonds: (i) the Insured Series 2003B 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 Insured Series 2003B Bonds, a policy insuring the payment when due of the principal of and interest on the Insured Series 2003B Bonds will be issued by MBIA; (ii) the Series 2003C Bonds will receive a rating of "Aaa" from Moody's, a rating of "AAA" from S&P and a rating of "AAA" from Fitch, with the understanding that upon delivery of the Series 2003C Bonds, a policy insuring the payment when due of the principal of and interest on the Series 2003C Bonds will be issued by Financial Guaranty; and (iii) the uninsured Series 2003 Bonds will receive a rating of "Aa3" from Moody's, a rating of "AA" from S&P and a rating of "AA" from Fitch.

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 2003 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 2003 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 2003 Bonds.

ADDITIONAL INFORMATION

All 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 directly to the City 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 2003 Bonds.

APPROVAL BY THE CITY

This Official Statement, has been duly authorized and approved by the City and has been executed and delivered by the Mayor on behalf of the City.

CITY OF ALBUQUERQUE, NEW MEXICO

By /s/ Martin J. Chávez
Mayor

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APPENDIX A

**COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE
CITY OF ALBUQUERQUE - AUDITED GENERAL
PURPOSE FINANCIAL STATEMENTS - AS OF AND
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**



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

We have audited the accompanying basic financial statements of the City of Albuquerque (the City), as of and for the year ended June 30, 2002. These financial statements are the responsibility of the City'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Albuquerque, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Albuquerque, New Mexico
December 2, 2002



CITY OF ALBUQUERQUE, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2002

This section of the City of Albuquerque's (the City) Comprehensive Annual Financial Report presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2002. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$1.4 billion (net assets). Of this amount, \$108.5 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$90.1 million during the year.
- As of June 30, 2002, the City's governmental funds reported combined ending fund balances of \$283.6 million. Approximately 71% of this amount, \$201.6 million, is unreserved fund balance available for spending at the government's discretion. Of this amount, approximately \$122.4 million is unreserved fund balance in the Capital Acquisition Fund.
- At the close of the current fiscal year, unreserved fund balance for the general fund was \$19.8 million or 7.2 percent of the total general fund expenditures of \$274.5 million.
- The City's total long-term debt increased by \$26.6 million (three percent) during the current year. The key factors in this increase were issuances of \$92.4 million of general obligations bonds, of which \$39.7 million was issued for street and storm sewer improvements, \$20.7 million was issued for parks and recreation facilities, and \$8.0 million was issued for the construction of a new baseball stadium. \$42.6 million in revenue bonds were issued by the Albuquerque International Airport. Those proceeds plus additional monies were used to advance refund \$46.0 million of revenue bonds. \$30.0 million was issued by the Joint Water and Sewer fund to improve, repair, or extend the City's water and sewer system.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements is comprised of three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the differences between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether or not the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation and sick leave.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include public protection, culture and recreation, public works, health, human services, housing, highways and streets, and special assessments. The business-type activities of the City include an airport, joint water and sewer system, refuse disposal, golf courses, parking facilities, and transit system

The City does not have a relationship with any other government that would cause that government to be considered a component unit of the City.

OVERVIEW OF THE FINANCIAL STATEMENTS, continued

Fund Financial Statements

The fund financial statements are designed to report information about groupings of related accounts which are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into the following three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements – i.e. most of the City's basic services are reported in governmental funds. These statements, however, focus on (1) how cash and other financial assets can readily be converted to available resources and (2) the balances left at year-end that are available for spending. Such information may be useful in determining what financial resources are available in the near future to finance the City's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains several individual governmental funds organized according to their type (special revenue, debt service, capital projects and permanent funds). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Corrections and Detention, General Obligations Debt Service, and the Capital Acquisition funds, all of which are considered major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for the General fund, Corrections and Detention fund, and the General Obligation Debt Service fund. A budgetary comparison statement has been provided for each of these funds. In addition, the City adopts an annual appropriated budget for other non-major funds. A budgetary comparison statement is presented in the aggregate for all of those funds.

Proprietary funds. Proprietary funds are generally used to account for services for which the City charges customers – either outside customers, or internal units or departments of the City. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The City maintains the following two types of proprietary funds:

- **Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operations of the Albuquerque International Airport, Joint Water and Sewer system, Refuse Disposal, and Housing Authority, which are considered major funds of the City. In addition the following non-major funds are reported: Golf Course, Parking and Transit are combined into a single, aggregate presentation in the proprietary financial statements and individually in the combining statements elsewhere in this report.
- **Internal Service funds** are used to report activities that provide supplies and services for certain City programs and activities. These funds account for inventory warehousing and issues; worker's compensation, tort and other claims insurance coverage; vehicle maintenance and motor pool services; and communication services to City departments. In addition, these funds provide health insurance coverage to City employees. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. The internal service funds are combined into a single, aggregated presentation in the propriety fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. The City's Trust and Agency fund is reported under the fiduciary funds. Since the resources of this fund are not available to support the City's own programs, it is not reflected in the government-wide financial statements. The accounting used for fiduciary funds is much like that used for proprietary funds.

CITY OF ALBUQUERQUE, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
June 30, 2002

OVERVIEW OF THE FINANCIAL STATEMENTS, continued

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information (RSI)

The required budgetary comparison statements for the major funds are presented separately and in the basic financial statements. An aggregated budgetary comparison statement for the non-major budgeted funds is also presented there. The city is not required to provide other information in the RSI and therefore, no information is presented there.

Combining Statements

The combining statements referred to earlier in connection with non-major governmental funds, non-major proprietary funds, internal service funds, and fiduciary funds are presented immediately following the Notes to the Financial Statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This is the first year that the City has presented its financial statements under the new reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34), Basic Financial Statements - and Management's Discussion and Analysis (MD&A) - for State and Local Governments. Because this reporting model changes significantly both the recording and presentation of data, the City has not restated prior fiscal years for the purpose of providing comparative information for the MD&A. In future years when prior-year information is available a comparative analysis of government-wide data will be included in this report.

NET ASSETS
June 30, 2002 (in millions)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets:			
Current and other assets	\$ 476.3	\$ 246.9	\$ 723.2
Capital Assets	<u>691.6</u>	<u>1,120.1</u>	<u>1,811.7</u>
Total assets	<u>1,167.9</u>	<u>1,367.0</u>	<u>2,534.9</u>
Liabilities:			
Long-term liabilities outstanding	358.0	544.0	902.0
Other liabilities	<u>161.2</u>	<u>72.6</u>	<u>233.8</u>
Total liabilities	<u>519.2</u>	<u>616.6</u>	<u>1,135.8</u>
Net assets:			
Invested in capital assets, net of related debt	439.6	601.2	1,040.8
Restricted	174.8	75.0	249.8
Unrestricted	<u>34.3</u>	<u>74.2</u>	<u>108.5</u>
Total net assets	<u>\$ 648.7</u>	<u>\$ 750.4</u>	<u>\$ 1,399.1</u>

Analysis of Net Assets

As noted earlier, net assets may serve as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by \$1.4 billion at the close of the year.

The largest portion of the City's net assets (74.4percent) reflects its investment of \$1.04 billion in capital assets (e.g. land, buildings, and equipment less any related outstanding debt used to acquire these assets). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to pay this debt must come from other sources, since the capital assets cannot be liquidated for these liabilities.

CITY OF ALBUQUERQUE, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
June 30, 2002

GOVERNMENT-WIDE FINANCIAL ANALYSIS, continued

Analysis of Net Assets, continued

At the end of the current fiscal year, the City has positive balances in all three categories of net assets for the government as a whole, as well as for both the government and business-type activities.

Analysis of Changes in Net Asset

CHANGE IN NET ASSETS
(in millions of dollars)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
REVENUES			
Program revenues:			
Charges for services	\$ 62.7	\$ 236.7	\$ 299.4
Federal and State grants	52.9	46.5	99.4
General revenues:			
Gross receipts taxes	116.3	-	116.3
Property taxes	72.2	-	72.2
Other taxes	23.7	-	23.7
State shared taxes and fees	146.3	-	146.3
Grants, investment income, and other	<u>28.8</u>	<u>4.5</u>	<u>33.3</u>
Total revenues	<u>502.9</u>	<u>287.7</u>	<u>790.6</u>
EXPENSES			
General government	52.8	-	52.8
Public safety:			
Corrections and detention	35.5	-	35.5
Fire protection	46.0	-	46.0
Police protection	99.0	-	99.0
Cultural and recreation	64.8	-	64.8
Public works	12.0	-	12.0
Health	10.4	-	10.4
Human services	51.7	-	51.7
Housing	2.2	-	2.2
Highways and streets	27.1	-	27.1
Special assessments	15.9	-	15.9
Interest expense	16.8	-	16.8
Airport	-	60.5	60.5
Joint Water and Sewer	-	107.0	107.0
Refuse Disposal	-	35.8	35.8
Housing Authority	-	24.2	24.2
Golf Course	-	4.2	4.2
Parking	-	4.0	4.0
Transit	-	<u>30.6</u>	<u>30.6</u>
Total expenses	<u>434.2</u>	<u>266.3</u>	<u>700.5</u>
Excess (deficiency) before transfers	68.7	21.4	90.1
Transfers	<u>(21.2)</u>	<u>21.2</u>	<u>-</u>
Increase (decrease) in net assets	<u>\$ 47.5</u>	<u>\$ 42.6</u>	<u>\$ 90.1</u>

CITY OF ALBUQUERQUE, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
June 30, 2002

GOVERNMENT-WIDE FINANCIAL ANALYSIS, continued

Analysis of Changes in Net Asset, continued

The City's overall net assets were increased by \$90.1 million during the current fiscal year. However, this does not include depreciation expense on infrastructure assets of governmental activities that have not been capitalized from fiscal years ending after June 30, 1980 through the fiscal year ended June 30, 2001. The increases in net assets are explained in the governmental and business-type activities discussion below.

Governmental activities. Governmental activities increased the City's net assets by \$47.5 million, thereby accounting for 64 percent of the total growth in the net assets of the City. Since the City has not restated the financial statements for fiscal year ended June 30, 2001 to conform those statements to the provisions of GASB 34, the comparability of expenses is not feasible at this time. The City will provide such an analysis of expenses in subsequent annual reports.

Also, since the City has not capitalized infrastructure assets acquired prior to this fiscal year, the change in net assets does not reflect depreciation expense on those assets. City staff estimates that the depreciation expense on roadways could exceed \$40 million. The inclusion of that depreciation expense plus the amount to be recorded for storm sewers and bike trails could result in a very small positive change in net assets or possibly result in a negative change in net assets.

A comparison of revenues with the prior year is provided below:

- Due to a weakened economy, the gross receipts tax revenue and state shared taxes were virtually unchanged from that of the prior year.
- The investment earnings were reduced from \$24.1 million in fiscal year ended June 30, 2001 to 10.4 million in the current year. The primary cause for this reduction was due to the weakened investment market experienced by virtually all governments.
- The intergovernmental revenues from sources other than state shared taxes was reduced for federal and state grants by \$9.8 million that is offset by a \$4.0 million increase from the County of Bernalillo in connection with the joint shared operations of the Bernalillo County Corrections and Detention facilities.
- Other revenues for the current year were virtually unchanged from the previous fiscal year.

Business-type activities. Business-type activities increased the City's net assets by \$42.6 million, accounting for 36 percent of the total growth in the net assets of the City. Key factors of this increase are as follows:

- The Airport fund had a negative change in net assets of \$1.6 million in fiscal year 2002 compared to a \$7.1 million increase in 2001. It incurred an additional \$6.5 million in expenses during fiscal year 2002 over that of fiscal year 2001. However, with an increase in rates, the fund was able to increase its operating revenues by \$2.8 million. The passenger facilities charges (PFC) were reduced from the prior year by \$1.5 million. Much of the increase in expenses and reduction in PFC charges was a result of the September 11, 2001 events. In addition, the weakened investment market rates resulted in reducing investment earnings by \$2.5 million.
- Due to increased rates for water and sewer services, the Joint Water and Sewer fund increased its operating revenues by \$6.0 million over fiscal year 2001. The expenses remained stable and did not materially change from the previous fiscal year. The reduction in investment earnings from fiscal year 2001 was approximately \$1.1 million while interest expense decreased by \$1.9 million. In addition, capital contributions from developers for the current year was \$15.0 million compared to \$12.2 million for fiscal year 2001. The net assets of the fund increased by \$31.4 million during the year compared to \$24.2 million for the previous fiscal year. For this comparison, the "change in net assets" for the previous year was restated for a change required by GASB 34 where capital contributions of \$12.2 million are reported as revenue instead of being reported as a direct increase to fund net assets.
- For the Refuse Disposal fund, the reported change in net assets of \$2.5 million was reduced from \$3.7 million in fiscal year 2001. The primary change was due to reduced investment earnings of approximately \$310 thousand, increased expenses of \$1.4 million, and an increase in transfer to the General Fund by \$546 thousand.
- The Transit fund accounted for most of the change in the non-major funds with an increase of \$4.6 million in transfers from the General fund, Capital Acquisition fund and the Infrastructure Tax fund to \$27.1 million in fiscal year 2002 from \$22.5 million as reported for the previous fiscal year. In addition, capital contributions from the Federal government increased by \$2.2 million.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of Governmental funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds, Capital Project Funds, and Permanent Funds.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$283.6 million, an increase of \$32.8 million in comparison with the prior year. Approximately 71% of this amount, \$201.6 million, is unreserved fund balance available for spending at the government's discretion. Included in unreserved fund balance is \$122.4 million in the Capital Acquisition Fund. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed; 1) to fund continued programs or projects in future fiscal periods (\$16.1 million), 2) for acquisition and management of open space and urban enhancement (\$39.3 million), and 3) to show that fund balance representing advances to other funds (\$25.9 million) is not available for spending.

Revenues for governmental functions overall totaled approximately \$514.7 million in the fiscal year ended June 30, 2002, which represents a decrease of \$14.2 million from last year. The major causes for the decrease were 1) investment earnings were reduced by \$13.7 million due to lower market rates and a reduction in cash and investments during the year, and 2) intergovernmental revenues decreased by \$4.4 million caused by reduced revenues from federal and state grants of \$9.9 million that is offset by an increase in revenues of \$4.0 million from the County of Bernalillo in connection with the joint operations of the Corrections and Detentions facilities and from state shared taxes of \$1.2 million.

Expenditures, totaling \$560.1 million, of governmental functions decreased by \$48.7 million from the previous year total of \$608.8 million. The primary cause of the decrease was from reduced debt service requirement of \$19.3 million, from reduced capital outlay expenditures of \$30.9 million, and reduced expenditures of \$4.1 million for public works. The decrease was offset by increases in expenditures for Corrections and Detention of \$1.9 million, fire protection of \$3.6 million and police protection of \$1.0 million. These increases generally reflect an increased awareness for security and for emergencies resulting from the September 11, 2001 events.

General Fund.

This is the City's chief operating fund. At the end of the current fiscal year, the total fund balance was \$36.6 million while the unreserved fund balance was \$19.8 million. The reserved fund balance of \$16.8 million is set aside 1) for unanticipated expenditures (\$16.2 million equaling 5.0 percent of recurring revenues), and 2) to indicate that non-current financial resource assets of \$0.6 million are unavailable to spend or already are committed for spending. Included in the unreserved fund balance is \$17.8 million designated for future appropriations and \$0.1 million for unrealized gain on investments since the unrealized gains are not available until the underlying securities are sold. The net change in fund balance for the current fiscal year was a decrease of \$3.6 million.

The total revenues of \$308.6 million for the current fiscal year was \$0.2 million less than for the previous fiscal year. The decrease largely resulted from weakened investment market rates that caused interest revenues to be significantly lower by \$2.2 million. This was largely offset by an increase in taxes of \$0.9 million and a \$1.2 million increase in intergovernmental revenues.

The total expenditures of \$274.5 million represents an increase of \$1.0 million over the previous fiscal year. The expenditures for fire and police protection increased by \$5.2 million due to an increased emphasis for security and emergency responses while the expenditures for highways and streets and health functions increased by \$1.2 million. These increases were offset by reductions in expenditures from the previous fiscal year for general government (\$1.0 million), culture and recreation (\$1.3 million), public works (\$0.6 million) and human services (\$2.5 million). The reductions were necessary due to a weakened economy that resulted in lower revenues than anticipated. See the General Fund budgetary highlights for an analysis with respect to budgets.

CITY OF ALBUQUERQUE, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
June 30, 2002

FINANCIAL ANALYSIS OF THE CITY'S FUNDS, continued

Proprietary funds

The City's proprietary funds provide the same type of information presented in the government-wide financial statements, but in more detail.

At the end of the fiscal year, the unrestricted net assets (in millions) were as follows:

• Airport Fund	\$10.6
• Joint Water and Sewer Fund	48.1
• Refuse Disposal Fund	5.2
• Housing Authority Fund	8.6
• Non-major enterprise funds	<u>1.6</u>
• Total	<u>\$74.2</u>

Included in the non-major enterprise funds amount is the golf course fund with negative unrestricted net assets of \$10,692. The other non-major funds have positive unrestricted net assets.

Internal service funds which are used to account for certain governmental activities had deficit unrestricted net assets of \$8.5 million. The Risk Management fund, an internal service fund, had deficit unrestricted net assets of \$14.1 million resulting from unanticipated judgment awards and claims against the City. The City is currently in a five year recovery plan to reduce the deficit unrestricted net assets to zero by the fiscal year ended June 30, 2007. All other internal service funds had positive unrestricted net assets.

Fiduciary funds

The only fund in this category is the City's Trust and Agency fund. This fund is used by the City to account for funds held for third parties and does not have an equity caption since the net of assets and liabilities are always zero.

General Fund budgetary highlights

The City's final budget differs from the original budget as a change in administration occurred in December 2001, leading to an increased emphasis on public safety. This required an intra-year increase in appropriations in public safety of \$5.1 million.

This requirement for additional public safety resources and economic weakness resulting in reduced operating revenues necessitated a mid-year de-appropriations bill.

In addition to reducing departmental budgets, a partial hiring freeze was in place most of the year. Retirements were encouraged and positions were not filled. Expenses were watched very closely and new disciplinary procedures regarding budgetary responsibility were imposed. All of these actions resulted in actual expenditures being \$4.1 million less than the original budget and \$6.5 million less than the budget as approved mid-year. General government activities actually returned unused monies to the General Fund in the amount of \$0.6 million, based on the mid-year budget. City cultural activities reverted \$1.5 million from the adjusted budget. Public Safety actually reverted \$2.7 million from their budget that was increased mid-year. All General Fund agencies answered the call for budgetary responsibility by carefully monitoring their expenses and returning funds.

Revenues were very hard to predict over this fiscal year as the economy continued to weaken. Revenues were \$12.7 million less than anticipated in the original budget and \$10.1 million less than the budget as projected at mid-year. Gross receipts tax, a major component of the City's operating revenue came in \$5.7 million less than the revised budget estimate and \$8.7 million less than the original budget. Close to a million dollars in revenue was lost in interest earnings as interest rates fell and cash balances declined. Revenues were weaker than budgeted in indirect overhead and CIP funded positions as personnel positions were reduced and construction activity was less than originally anticipated.

CITY OF ALBUQUERQUE, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
 June 30, 2002

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2002, amounts to \$1.8 billion (net of accumulated depreciation). Capital assets include land, buildings, infrastructure, improvements other than buildings, and equipment. The total increase in the City's capital assets for the current fiscal year was \$74.6 million or 4.3 percent.

CAPITAL ASSETS
 (net of depreciation, in millions of dollars)

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Land *	\$ 202.8	\$ 198.9	\$ 79.0	\$ 66.7	\$ 281.8	\$ 265.6
Other *	-	-	0.6	0.6	0.6	0.6
Buildings and improvements	50.6	50.0	141.7	132.2	192.3	182.3
Runways and improvements	-	-	118.0	130.8	118.0	130.8
Improvements other than buildings and runways	123.9	129.0	676.1	676.1	799.9	805.1
Equipment	30.5	31.3	52.7	49.3	83.3	80.7
Infrastructure	35.0	-	-	-	35.0	-
Construction in progress *	<u>248.8</u>	<u>219.5</u>	<u>51.9</u>	<u>52.5</u>	<u>300.7</u>	<u>272.0</u>
Total	<u>\$ 691.6</u>	<u>\$ 628.7</u>	<u>\$ 1,120.1</u>	<u>\$ 1,108.4</u>	<u>\$ 1,811.7</u>	<u>\$ 1,737.1</u>

* assets not depreciated

Major capital asset events during the current fiscal year included the following:

- In the *governmental activities*; infrastructure assets of \$35.0 million was added for roadways, storm sewers and bike trails. In addition a police helicopter was purchased for \$1.5 million, land for the Petroglyph park was acquired for \$2.0 million, Explora Science Center was completed costing \$2.2 million, land was acquired for open space costing 1.0 million, and replacement vehicles were acquired for the police (\$1.7 million) and for the fire department (\$2.3 million). The construction work in progress increased by \$29.3 million as a result of a new baseball stadium (\$4.9 million), a new community center, the Balloon Fiesta Park facility development, a new police crime lab and other facilities.
- In the *business-type activities*; parking structures for \$14.0 million, a water treatment site (\$10.9 million) for purifying the San-Juan Chama river water for drinking, water and sewer lines (\$12.9 million), buses (\$9.2 million) for the transit system, and the renovation and improvement of the Sewer treatment plant were added to capital assets. The construction work in progress decreased by \$0.6 million.

Debt Administration

At the end of the current fiscal year, the City had total long-term obligations of \$1.03 billion of which \$131.9 million is due within the next fiscal year. The total bonded debt (net of un-amortized discounts, deferred amount on refunding and including un-amortized premiums) is \$912.7 million. The remaining debt is for loans, accrued vacation and sick leave pay, and claims payable.

During the fiscal year ended June 30, 2002, the City issued \$92.4 million of general obligation bonds for various construction projects including a new baseball stadium, improvements to streets and storm sewers and \$72.6 million of revenue bonds for improvements to the joint water & sewer system and for refunding \$46.0 million of Airport improvement bonds.

CITY OF ALBUQUERQUE, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
June 30, 2002

CAPITAL ASSETS AND DEBT ADMINISTRATION, continued

Debt Administration, continued

The ratio of net general obligation bonded debt to taxable valuation and the amount of bonded debt per capita are useful indicators of the City's debt position to management, citizens, and investors. The State's Constitution provides for a legal debt limit of four percent of taxable valuation. The ratio for the City of Albuquerque is 1.91 percent of the \$7.4 billion taxable value of property within the City's area. The City currently may issue up to an additional \$184.0 million of general obligation bonds. It has \$112.9 million of general obligation debt outstanding subject to the legal debt limit at June 30, 2002. In addition, the net general bonded debt per capita is \$308.01. The highest per capita amount in the last ten fiscal years was \$498.80 in the fiscal year ended June 30, 1994. Since then the City has generally reduced the per capita amount to a low of \$252.67 in fiscal year ended June 30, 2001.

The City's rating on uninsured general obligation bonds as of June 30, 2002 were:

Moody's Investors Service, Inc.	Aa3
Standard & Poor's Ratings Service	AA
Fitch , Inc.	AA

Since the close of the 2002 fiscal year, the City has not issued any general obligation bonds for the governmental activities, nor any revenue bonds for the business-type activities. It has entered into a loan agreement with the New Mexico Finance Authority for \$6.0 million to provide additional financing for the construction of the new baseball stadium.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2003 budget. Inflation and population growth were considered. Many of the revenues are influenced by the economy. Other factors such as known changes in law are factored in as appropriate. The Gross Receipts tax revenue forecast is highly influenced by economic conditions; inflation and employment growth are key indicators of this.

Economic conditions are expected to rebound from the national recession, but construction employment in the area will decline with the completion of the Big-I interchange and Intel's \$2 billion expansion project.

Revenues from charges for entry into City venues are increased from population growth and in some cases increased charges.

Property taxes revenues continue to grow as the economy expands, and for the operating revenues, the State limits growth based on inflation.

Revenues from internal funds are limited by slow growth in the number of City workers and wages in other City funds.

CITY OF ALBUQUERQUE, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
 June 30, 2002

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES, continued

The following table presents the underlying assumptions used in the budget process:

TABLE A
ECONOMIC ASSUMPTIONS UNDERLYING THE REVENUE ESTIMATES
 as of March 2002

Fiscal Year	2001	2002	2003
NATIONAL ECONOMY:			
% Chg Real GDP	3.8%	0.5%	2.5%
% Chg U.S. Personal Income	6.6%	3.2%	4.5%
% Chg Non-Agric Employment	1.4%	-0.5%	0.7%
U.S. Unemployment Rate	4.2%	5.5%	6.0%
% Chg CPI-U	3.4%	1.9%	2.4%
Federal Funds Rate	5.8%	2.3%	2.9%
Ave. Refiners' Acquisition Price Oil	\$ 27.19	\$ 19.82	\$ 21.21
NEW MEXICO ECONOMY:			
% Chg NM Personal Income	6.1%	5.1%	4.9%
% Chg NM Non-Agric Employment	2.2%	0.8%	1.2%
NM Unemployment Rate	4.7%	5.3%	5.8%
ALBUQUERQUE MSA ECONOMY:			
% Chg Albq Personal Income	5.5%	3.6%	4.3%
% Chg Albq Non-Agric Employ	2.6%	0.3%	1.0%
% Change in Albq Const Employ	10.4%	-3.7%	-7.4%
Albq Unemployment Rate	3.2%	4.3%	4.7%
City Housing Authorizations (Units)			
Single Family Residential	3,812	4,095	4,150
Multi-Family Residential	758	653	447

Source: March 2002 forecasts provided nationally by the WEFA Group and locally by University of New Mexico, Bureau of Business and Economic Research, Economic Forecasting Service

The total original General Fund appropriation was \$336.5 million before interfund eliminations and \$289.7 million after eliminations. The before elimination appropriation was an increase over the fiscal year 2002 budget by \$9.6 million or 2.9%.

The international, national, state and local economies have continued to struggle, and the City has revised its revenue estimates twice. The original budget anticipated revenues of \$339.2. In early October, revenue projections were reduced by \$11.1 million to reflect changing expectations. The General Fund budget was reduced by \$4.6 million. A hiring freeze continues, as does a partial spending freeze. A second de-appropriations bill is now pending before Council to reduce the budget yet again by \$3.3 million.

The revenue outlook has modestly improved since the first appropriation reduction bill. The latest estimates predict an additional \$2.1 million in General Fund revenue, for a total revised revenue shortfall of \$9 million (rather than \$11.1 million).

The City is continually monitoring the revenue and expenditure picture. In this uncertain economic climate, additional changes may be required and the City stands poised to react quickly.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Director's office for the Department of Finance and Administrative Services of the City at Director's Office, DFAS, room 7057, One Civic Plaza N.W., Albuquerque, New Mexico 87102.



CITY OF ALBUQUERQUE
STATEMENT OF NET ASSETS
June 30, 2002

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash, investments and accrued interest	\$ 258,601,191	\$ 32,558,139	\$ 291,159,330
Taxes receivable	60,270,878	-	60,270,878
Accounts receivable	32,253,932	23,643,701	55,897,633
Due from other governments	18,655,799	489,555	19,145,354
Accrued interest	115,661	-	115,661
Deposits	1,786,679	-	1,786,679
Internal balances	25,600,000	(25,600,000)	-
Inventories	2,131,743	1,288,668	3,420,411
Prepaid expenses	464,716	-	464,716
Total current assets	<u>399,880,599</u>	<u>32,380,063</u>	<u>432,260,662</u>
Restricted assets:			
Cash, investments and accrued interest	68,942,490	178,421,899	247,364,389
Accounts receivable	-	5,726,703	5,726,703
Escrow deposits	-	595,250	595,250
Total restricted assets	<u>68,942,490</u>	<u>184,743,852</u>	<u>253,686,342</u>
Capital assets:			
Land and construction in progress	451,588,596	131,580,118	583,168,714
Capital assets being depreciated	536,234,031	1,982,096,538	2,518,330,569
Accumulated depreciation	(296,225,134)	(993,560,296)	(1,289,785,430)
Total capital assets	<u>691,597,493</u>	<u>1,120,116,360</u>	<u>1,811,713,853</u>
Deferred charges and other assets	<u>7,428,060</u>	<u>29,726,834</u>	<u>37,154,894</u>
Total assets	<u>1,167,848,642</u>	<u>1,366,967,109</u>	<u>2,534,815,751</u>

CITY OF ALBUQUERQUE
STATEMENT OF NET ASSETS
June 30, 2002

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
LIABILITIES			
Current liabilities			
Accounts payable	22,189,758	3,926,341	26,116,099
Accrued liabilities	23,454,639	1,165,486	24,620,125
Deposits	793,067	556,494	1,349,561
Due to other governments	343,819	12,640	356,459
Deferred revenues	27,149,261	-	27,149,261
Current portion of non current liabilities:			
Bonds and notes payable	57,022,276	-	57,022,276
Accrued vacation and sick leave pay	15,117,241	4,297,381	19,414,622
Accrued claims payable	13,154,499	-	13,154,499
Water rights contracts and loan agreements	-	3,384,676	3,384,676
Total current liabilities	<u>159,224,560</u>	<u>13,343,018</u>	<u>172,567,578</u>
Liabilities payable from restricted assets:			
Accounts payable	-	6,473,199	6,473,199
Accrued interest	-	10,339,536	10,339,536
Deferred revenue	-	64,868	64,868
Current portion of revenue bonds payable	-	38,910,000	38,910,000
Other	-	1,672,289	1,672,289
Total liabilities payable from restricted assets	<u>-</u>	<u>57,459,892</u>	<u>57,459,892</u>
Noncurrent liabilities:			
Bonds and notes payable, net of unamortized discounts	320,927,124	495,843,907	816,771,031
Water rights contracts and loan agreements	-	45,752,329	45,752,329
Accrued vacation and sick leave pay	10,886,038	2,417,349	13,303,387
Accrued claims payable	26,144,014	-	26,144,014
Total non current liabilities	<u>357,957,176</u>	<u>544,013,585</u>	<u>901,970,761</u>
Deferred credits and other liabilities	1,982,207	1,714,316	3,696,523
Total liabilities	<u>519,163,943</u>	<u>616,530,811</u>	<u>1,135,694,754</u>
NET ASSETS			
Invested in capital assets, net of related debt	439,612,859	601,222,334	1,040,835,193
Restricted for:			
Debt service	48,905,176	31,302,706	80,207,882
Construction	68,496,505	43,705,988	112,202,493
Housing & economic development	15,702,032	-	15,702,032
Federal & state funded programs	2,369,561	-	2,369,561
Open space and urban enhancement:			
Nonexpendable	36,133,420	-	36,133,420
Expendable	3,143,753	-	3,143,753
Unrestricted	34,321,393	74,205,270	108,526,663
Total net assets	<u>\$ 648,684,699</u>	<u>\$ 750,436,298</u>	<u>\$ 1,399,120,997</u>

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF ACTIVITIES
Year ended June 30, 2002

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Indirect Expenses Allocation</u>	<u>Program Revenues Charges for Services</u>
Governmental Activities:			
General government	\$ 52,802,606	\$ (4,268,701)	\$ 31,209,841
Public Safety			
Corrections	35,501,831	1,382,936	2,465,759
Fire	46,020,746	204,238	193,823
Police	98,997,456	947,447	2,446,216
Culture and recreation	64,806,137	415,249	8,012,494
Public works	11,972,156	67,807	-
Health	10,383,352	189,870	2,500,113
Human services	51,672,125	483,878	1,479,662
Housing	2,248,822	17,436	1,682,947
Highways and streets	27,146,590	559,840	1,255,877
Special assessments	15,897,025	-	11,464,228
Interest expense	<u>16,796,249</u>	<u>-</u>	<u>-</u>
Total governmental type activities	<u>434,245,095</u>	<u>-</u>	<u>62,710,960</u>
Business Type Activities:			
Airport	60,524,079	-	57,549,154
Joint Water and Sewer	106,949,587	-	125,968,018
Refuse Disposal	35,836,803	-	39,174,156
Housing Authority	24,215,763	-	1,817,585
Golf Course	4,132,119	-	4,025,110
Parking	4,041,647	-	3,381,458
Transit	<u>30,622,700</u>	<u>-</u>	<u>4,820,111</u>
Total business type activities	<u>266,322,698</u>	<u>-</u>	<u>236,735,592</u>
Total primary government	<u>\$ 700,567,793</u>	<u>\$ -</u>	<u>\$ 299,446,552</u>

General Revenues:

Taxes:

- Gross receipts taxes, local option
- Property taxes, levied for debt service
- Property taxes, levied for general operations
- Property taxes, levied for metropolitan redevelopment
- Franchise taxes
- Lodgers' tax
- State shared taxes and fees not restricted to specific programs
- Grants and contributions not restricted to specific programs
- Investment income
- Other general revenues
- Transfers between governmental and business type activities

Total general revenues, special items and transfers

Change in net assets

Net assets (deficit), July 1

Net assets (deficit), June 30

<u>Program Revenues, continued</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Govern- mental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ 352,044	\$ 194,915	\$ (16,777,105)	\$ -	\$ (16,777,105)
19,546,000	-	(14,873,008)	-	(14,873,008)
11,840	766,415	(45,252,906)	-	(45,252,906)
6,263,133	-	(91,235,554)	-	(91,235,554)
17,583	-	(57,191,309)	-	(57,191,309)
2,370,879	-	(9,669,084)	-	(9,669,084)
887,217	-	(7,185,892)	-	(7,185,892)
15,083,492	-	(35,592,849)	-	(35,592,849)
1,411,483	-	828,172	-	828,172
1,554,150	4,431,007	(20,465,396)	-	(20,465,396)
-	-	(4,432,797)	-	(4,432,797)
-	-	(16,796,249)	-	(16,796,249)
<u>47,497,821</u>	<u>5,392,337</u>	<u>(318,643,977)</u>	<u>-</u>	<u>(318,643,977)</u>
-	375,582	-	(2,599,343)	(2,599,343)
-	14,995,201	-	34,013,632	34,013,632
-	-	-	3,337,353	3,337,353
21,969,722	-	-	(428,456)	(428,456)
-	-	-	(107,009)	(107,009)
-	473,604	-	(186,585)	(186,585)
-	<u>8,694,742</u>	<u>-</u>	<u>(17,107,847)</u>	<u>(17,107,847)</u>
<u>21,969,722</u>	<u>24,539,129</u>	<u>-</u>	<u>16,921,745</u>	<u>16,921,745</u>
<u>\$ 69,467,543</u>	<u>\$ 29,931,466</u>	<u>(318,643,977)</u>	<u>16,921,745</u>	<u>(301,722,232)</u>
		116,252,287	-	116,252,287
		57,188,122	-	57,188,122
		14,563,374	-	14,563,374
		400,000	-	400,000
		15,368,751	-	15,368,751
		8,319,032	-	8,319,032
		146,338,236	-	146,338,236
		12,346,808	-	12,346,808
		11,324,332	4,531,263	15,855,595
		5,179,315	-	5,179,315
		<u>(21,184,079)</u>	<u>21,184,079</u>	<u>-</u>
		<u>366,096,178</u>	<u>25,715,342</u>	<u>391,811,520</u>
		47,452,201	42,637,087	90,089,288
		<u>601,232,498</u>	<u>707,799,211</u>	<u>1,309,031,709</u>
		<u>\$ 648,684,699</u>	<u>\$ 750,436,298</u>	<u>\$ 1,399,120,997</u>

CITY OF ALBUQUERQUE, NEW MEXICO
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2002

	<u>General Fund</u>	<u>Corrections Fund</u>
ASSETS		
Cash, investments, and accrued interest	\$ 25,556,066	\$ -
Cash with fiscal agents	-	-
Taxes receivable, net of allowance for uncollectible:		
Property tax	1,513,715	-
Gross receipts tax	42,364,718	-
Franchise tax	3,108,896	-
Lodger's tax	-	-
Other taxes	550,491	-
Other receivables, net of allowance for uncollectible	2,383,674	46,014
Due from other governments	182,439	4,439,199
Deposits	-	-
Due from other funds	5,602,453	-
Advances to other funds	307,636	-
Inventories of supplies	72,602	210,483
Prepaid items	156,653	7,100
Land held for sale	-	-
TOTAL ASSETS	<u>\$ 81,799,343</u>	<u>\$ 4,702,796</u>

<u>GO Bond Debt Service Fund</u>	<u>Capital Acquisition Fund</u>	<u>Non Major Funds</u>	<u>Total</u>
\$ 13,950,863	\$ 125,096,349	\$ 68,264,308	\$ 232,867,586
54,610,058	-	13,419,209	68,029,267
6,477,799	-	400,000	8,391,514
-	-	5,047,287	47,412,005
-	-	-	3,108,896
-	-	807,972	807,972
-	-	-	550,491
-	21,651	27,773,233	30,224,572
-	5,470,945	8,500,156	18,592,739
-	1,780,000	-	1,780,000
-	-	-	5,602,453
-	-	25,600,000	25,907,636
-	-	-	283,085
-	-	-	163,753
-	-	5,128,528	5,128,528
<u>\$ 75,038,720</u>	<u>\$ 132,368,945</u>	<u>\$ 154,940,693</u>	<u>\$ 448,850,497</u>

CITY OF ALBUQUERQUE, NEW MEXICO
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2002

	General Fund	Corrections Fund
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 3,430,365	\$ 821,367
Contracts and retainage payable	-	-
Accrued employee compensation and benefits	15,358,966	114,409
Due to other funds	-	3,107,113
Due to other governments	-	343,819
Deferred revenue	25,704,841	-
Deposits	705,707	76,360
Advances from other funds	-	-
Matured bonds and interest payable	-	-
Total liabilities	45,199,879	4,463,068
Fund balances:		
Reserved for:		
Encumbrances	83,918	13,373
Inventories of supplies	72,602	210,483
Prepaid items	156,653	7,100
Land held for resale	-	-
Advances to other funds	307,636	-
Acquisition and management of open space land	-	-
Urban enhancement	-	-
Operations	16,161,000	-
Unreserved (deficit)	19,817,655	8,772
Unreserved (deficit) , reported in:		
Special revenue funds	-	-
Debt service funds	-	-
Capital project funds	-	-
Total fund balances	36,599,464	239,728
TOTAL LIABILITIES AND FUND BALANCES	\$ 81,799,343	\$ 4,702,796

<u>GO Bond Debt Service Fund</u>	<u>Capital Acquisition Fund</u>	<u>Non Major Funds</u>	<u>Total</u>
\$ 620,757	\$ -	\$ 2,929,320	\$ 7,801,809
-	8,497,855	3,791,027	12,288,882
-	-	77,700	15,551,075
-	-	2,495,340	5,602,453
-	-	-	343,819
1,578,330	1,329,455	29,139,513	57,752,139
-	-	11,000	793,067
-	112,000	195,636	307,636
<u>54,610,058</u>	<u>-</u>	<u>10,193,562</u>	<u>64,803,620</u>
<u>56,809,145</u>	<u>9,939,310</u>	<u>48,833,098</u>	<u>165,244,500</u>
-	-	42,728	140,019
-	-	-	283,085
-	-	-	163,753
-	-	62,598	62,598
-	-	25,600,000	25,907,636
-	-	28,901,350	28,901,350
-	-	10,375,823	10,375,823
-	-	-	16,161,000
18,229,575	122,429,635	-	160,485,637
-	-	19,120,526	19,120,526
-	-	5,013,003	5,013,003
-	-	16,991,567	16,991,567
<u>18,229,575</u>	<u>122,429,635</u>	<u>106,107,595</u>	<u>283,605,997</u>
<u>\$ 75,038,720</u>	<u>\$ 132,368,945</u>	<u>\$ 154,940,693</u>	<u>\$ 448,850,497</u>

CITY OF ALBUQUERQUE, NEW MEXICO
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2002

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets:

Total fund balance for governmental funds \$ 283,605,997

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets at June 30, 2002 consist of:

Land	\$ 202,474,732	
Construction in progress	248,830,022	
Buildings	80,787,939	
Infrastructure	35,599,482	
Improvements	274,919,385	
Equipment	142,061,727	
Accumulated depreciation	<u>(293,962,071)</u>	
Total capital assets		690,711,216

Long-term obligations applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities are reported in the statement of net assets. Balances at June 30, 2002 are:

General Obligation bonds payable	(160,055,000)	
Sales tax revenue bonds and notes payable	(157,633,704)	
Special assessment debt with governmental commitment	(18,051,511)	
Unamortized bond issue costs	369,532	
Unamortized premiums and discounts	<u>14,813,091</u>	
Total bonds and notes payable, net of premiums, discounts and bond issue costs	(320,557,592)	
Accrued vacation and sick pay	(25,336,671)	
Accrued rebatable arbitrage payable reported as deferred credit	<u>(1,982,207)</u>	
		(347,876,470)

Internal service funds are used by the City to charge the cost of tort liability, workers compensation and employee health insurance to other individual funds. In addition, the cost of providing communications, fleet maintenance and supplies warehousing services are also charged. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. Internal service fund net assets (deficit) are: (8,474,583)

Some of the City's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue in the funds. The taxes are:

Gross receipts tax	27,806,164	
Property taxes	2,039,788	
Other taxes	<u>756,926</u>	
		30,602,878

Interest earned on loans receivable are not available for collection and are not included in the governmental fund financial statements. However, the accrued interest is reported in the government-wide financial statements. 115,661

Total net assets of governmental activities \$ 648,684,699



CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
GOVERNMENTAL FUNDS
Year ended June 30, 2002

	<u>General Fund</u>	<u>Corrections Fund</u>
Licenses and permits	8,642,643	-
Intergovernmental	141,518,731	19,546,000
Charges for services	36,637,552	1,977,709
Fines and forfeits	23,650	-
Interest	973,684	(201,618)
Special assessments	-	-
Gain (loss) on disposition of land held for sale	-	-
Proceeds from disposition of capital assets	-	-
Other interest	-	-
Miscellaneous	<u>582,863</u>	<u>488,050</u>
Total revenues	<u>308,695,382</u>	<u>21,810,141</u>
Expenditures:		
Current:		
General government	43,374,594	-
Public safety	127,468,704	36,233,744
Culture and recreation	49,152,049	-
Public works	8,571,052	-
Highways and streets	12,897,560	-
Health	6,288,287	-
Human services	26,795,529	-
Housing	-	-
Debt service:		
Principal retirement	-	-
Interest	-	-
Fiscal agent fees and other fees	-	-
Capital outlay	-	-
Bond issuance costs	-	-
Rebatable arbitrage payments	-	-
Total expenditures	<u>274,547,775</u>	<u>36,233,744</u>
Excess (deficiency) of revenues over expenditures	<u>34,147,607</u>	<u>(14,423,603)</u>
Other financing sources (uses):		
Operating transfers in	8,885,629	17,057,000
Operating transfers out	(46,616,436)	(360,551)
Proceeds of bonds, notes and premiums issued	-	-
Total other financing sources (uses)	<u>(37,730,807)</u>	<u>16,696,449</u>
Net change in fund balances	(3,583,200)	2,272,846
Fund balances (deficit), July 1, as restated	<u>40,182,664</u>	<u>(2,033,118)</u>
Fund balances (deficit), June 30	<u>\$ 36,599,464</u>	<u>\$ 239,728</u>

See Notes to Financial Statements

<u>GO Bond Debt Service Fund</u>	<u>Capital Acquisition Fund</u>	<u>Non Major Funds</u>	<u>Total</u>
-	-	1,753,516	10,396,159
-	12,330,778	36,025,996	209,421,505
-	-	5,129,677	43,744,938
-	-	645,120	668,770
906,929	3,888,853	4,484,875	10,052,723
-	-	10,277,392	10,277,392
-	-	(209,751)	(209,751)
-	-	344,425	344,425
-	-	358,435	358,435
-	4,187,785	6,127,131	11,385,829
<u>63,616,772</u>	<u>20,407,416</u>	<u>100,213,329</u>	<u>514,743,040</u>
-	-	9,680,804	53,055,398
-	-	8,665,158	172,367,606
-	-	4,164,132	53,316,181
-	-	2,705,635	11,276,687
-	-	6,176,854	19,074,414
-	-	3,737,057	10,025,344
-	-	24,122,041	50,917,570
-	-	2,389,026	2,389,026
49,810,000	-	10,248,006	60,058,006
8,215,773	-	6,612,807	14,828,580
826,234	-	270,000	1,096,234
-	73,208,243	36,829,735	110,037,978
-	361,226	150,571	511,797
-	1,156,167	-	1,156,167
<u>58,852,007</u>	<u>74,725,636</u>	<u>115,751,826</u>	<u>560,110,988</u>
<u>4,764,765</u>	<u>(54,318,220)</u>	<u>(15,538,497)</u>	<u>(45,367,948)</u>
-	6,403,500	14,750,229	47,096,358
-	(7,370,148)	(13,664,302)	(68,011,437)
<u>2,758,041</u>	<u>92,425,000</u>	<u>3,919,861</u>	<u>99,102,902</u>
<u>2,758,041</u>	<u>91,458,352</u>	<u>5,005,788</u>	<u>78,187,823</u>
7,522,806	37,140,132	(10,532,709)	32,819,875
<u>10,706,769</u>	<u>85,289,503</u>	<u>116,640,304</u>	<u>250,786,122</u>
<u>\$ 18,229,575</u>	<u>\$ 122,429,635</u>	<u>\$ 106,107,595</u>	<u>\$ 283,605,997</u>

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended June 30, 2002

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Net Activities:

Net change in fund balances - total governmental funds \$ 32,819,875

The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay expenditures	\$ 87,178,589	
Depreciation expense	(23,855,476)	
Loss on disposition of capital assets	<u>(284,247)</u>	
		63,038,866

Bond proceeds, premiums, discounts and bond issue costs are reported as financing sources or uses in governmental funds and contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term obligations and does not affect the statement of activities. Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Proceeds and premiums from issuance of bonds and notes payable	(99,102,902)	
Principal repayments	60,058,006	
Bond issue costs incurred at time of bond issue	773,045	
Amortization of premiums, discounts and bond issue costs	<u>(1,132,683)</u>	
Net adjustment		(39,404,534)

Internal service funds are used by the City to charge the cost of tort liability, workers compensation and employee health insurance to other individual funds. In addition, the cost of providing communications, fleet maintenance and supplies warehousing services are also charged. The net revenue (loss) of the internal service funds is reported with governmental activities.

		(2,715,680)
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Under the modified accrual basis of accounting used in the governmental funds, revenue is recognized when available to provide financing resources for the current period. Likewise, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, revenues and related receivable and expenses and related liabilities are reported regardless of when financial resources are available. This adjustment combines the net change of balances of the following:

Revenue:		
Gross receipts tax	1,356,846	
Property tax	(6,837,929)	
Other taxes	113,472	
Interest on loans receivable	115,661	
Expenses:		
Accrued vacation and sick leave pay	(2,768,184)	
Rebatable arbitrage	<u>1,733,808</u>	
Net adjustment		<u>(6,286,326)</u>

Change in net assets of governmental activities		<u>\$ 47,452,201</u>
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CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
Year ended June 30, 2002

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes:				
Current property tax	\$ 14,535,000	\$ 14,304,000	\$ 15,233,585	\$ 929,585
Delinquent property tax	600,000	1,648,000	645,997	(1,002,003)
Franchise taxes:				
Telephone	3,955,000	3,955,000	3,923,158	(31,842)
Electric	5,622,000	5,792,000	5,692,827	(99,173)
Gas	2,771,000	1,601,000	1,898,266	297,266
Cable television	2,756,000	3,026,000	3,296,299	270,299
New Mexico Utility	121,000	125,000	135,652	10,652
Telecommunications	557,000	485,000	410,987	(74,013)
LCL Exchange	-	-	11,562	11,562
Gross receipts tax-local option	<u>91,636,000</u>	<u>90,466,000</u>	<u>89,067,926</u>	<u>(1,398,074)</u>
Total taxes	<u>122,553,000</u>	<u>121,402,000</u>	<u>120,316,259</u>	<u>(1,085,741)</u>
Licenses and permits:				
Liquor licenses	235,000	172,000	176,038	4,038
Building inspections/planning	-	-	(43)	(43)
Building permits	2,013,000	2,238,000	2,242,179	4,179
Plumbing/mechanical permits	1,151,000	1,185,000	1,372,140	187,140
Electrical/refrigeration permits	835,000	915,000	984,387	69,387
Plan checking permits	1,420,000	1,541,000	1,457,324	(83,676)
Flood plain certification	138,000	47,000	150,401	103,401
Reroofing permits	61,000	143,000	31,655	(111,345)
Restaurant inspections	486,000	486,000	290,014	(195,986)
Food retailers inspections	83,000	115,000	82,626	(32,374)
Swimming pool inspections	111,000	121,000	71,575	(49,425)
Animal licenses	287,000	287,000	268,613	(18,387)
Right of way usage permits	128,000	185,000	212,522	27,522
Loading zone permits	9,000	9,000	8,789	(211)
Solicitation permits	6,000	6,000	6,970	970
Business registration fees	1,322,000	1,322,000	1,150,511	(171,489)
Other licenses and permits	<u>59,000</u>	<u>72,000</u>	<u>136,942</u>	<u>64,942</u>
Total licenses and permits	<u>8,344,000</u>	<u>8,844,000</u>	<u>8,642,643</u>	<u>(201,357)</u>
Intergovernmental:				
State shared:				
Gross receipts tax	142,847,000	140,992,000	136,655,396	(4,336,604)
Cigarette tax	646,000	580,000	541,317	(38,683)
Motor vehicle license distribution	1,420,000	1,714,000	1,371,930	(342,070)
Municipal road - gas tax	2,295,000	2,360,000	2,438,280	78,280
DWI Fines	-	-	20,567	20,567
Grants:				
Other	21,000	383,000	322,000	(61,000)
Local & Local administered grants:				
Bernalillo County-shared operations	<u>500,000</u>	<u>495,000</u>	<u>169,241</u>	<u>(325,759)</u>
Total intergovernmental	<u>147,729,000</u>	<u>146,524,000</u>	<u>141,518,731</u>	<u>(5,005,269)</u>

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
Year ended June 30, 2002

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues (continued):				
Charges for services:				
General government:				
Photocopying	192,000	192,000	155,870	(36,130)
Engineering fees	1,200,000	1,300,000	1,237,267	(62,733)
Filing of plats and subdivisions	303,000	293,000	285,420	(7,580)
Sign fees	51,000	51,000	57,661	6,661
Zoning fence permit fees	258,000	180,000	167,473	(12,527)
Sale of maps and publications	25,000	25,000	17,148	(7,852)
Records search fees	240,000	260,000	302,935	42,935
Jury duty and witness fees	10,000	13,000	11,384	(1,616)
Planning services	25,940	-	25,940	25,940
Vendor registration fees	52,000	44,000	20,300	(23,700)
Shooting range fees	205,000	160,000	133,808	(26,192)
Building maintenance	227,000	90,000	81,306	(8,694)
Grounds maintenance	521,000	521,000	520,986	(14)
Office services	60,000	33,000	40,258	7,258
Real property services	80,000	80,000	144,212	64,212
Engineering inspections	850,000	700,000	421,044	(278,956)
Engineering surveying	85,000	51,000	84,767	33,767
Legal services	2,382,000	2,382,000	2,219,169	(162,831)
Administrative fees	122,000	42,000	(126,410)	(168,410)
Administrative charges to other funds	20,736,000	21,142,000	19,194,749	(1,947,251)
Other	426,000	473,000	495,412	22,412
Public safety:				
Police services	1,646,000	1,609,000	1,511,894	(97,106)
Fire services	374,000	292,000	193,398	(98,602)
Culture and recreation:				
Community centers	25,000	25,000	17,896	(7,104)
Swimming pools	500,000	525,000	468,713	(56,287)
Sports programs	422,000	422,000	362,017	(59,983)
Other recreation charges	103,000	396,000	408,404	12,404
Tournament/field rental	16,000	16,000	13,635	(2,365)
Latch key program	215,000	215,000	200,489	(14,511)
Extended care fees	29,000	19,000	17,922	(1,078)
Special events	20,000	20,000	24,440	4,440
Museum charges	134,000	98,000	76,211	(21,789)
Zoo admissions	1,369,000	1,400,000	1,319,252	(80,748)
Zoo adopt-an-animal	29,000	29,000	-	(29,000)
Other zoo charges	83,000	83,000	97,647	14,647
Albuquerque aquarium and gardens	1,046,000	850,000	920,150	70,150
Convention center	1,475,000	1,485,000	1,427,674	(57,326)
Facilities concessions	1,010,000	1,219,000	1,180,851	(38,149)
Library services	1,036,000	1,044,000	1,040,723	(3,277)
Cultural affairs	60,000	57,000	43,364	(13,636)

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
Year ended June 30, 2002

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues (continued):				
Charges for services (continued):				
Highways and streets:				
Compaction tests	603,000	384,000	397,499	13,499
Patching and paving	-	-	44,384	44,384
Excavation permits	325,000	325,000	337,202	12,202
Other street division charges	385,000	542,000	468,003	(73,997)
Health:				
Animal control charges	533,000	424,000	265,247	(158,753)
Human services:				
Meal programs	158,000	178,000	163,550	(14,450)
Memberships	55,000	71,000	72,412	1,412
Coffee	14,000	14,000	16,280	2,280
Dances	30,000	30,000	34,621	4,621
Other	113,000	19,000	22,975	3,975
Total charges for services	<u>39,833,000</u>	<u>39,823,000</u>	<u>36,637,552</u>	<u>(3,185,448)</u>
Fines and forfeits:				
Air quality penalties	30,000	40,000	23,650	(16,350)
Total fines and forfeits	<u>30,000</u>	<u>40,000</u>	<u>23,650</u>	<u>(16,350)</u>
Interest:				
Interest on investments	2,462,000	1,506,000	973,684	(532,316)
Miscellaneous:				
Rental of City property	100,000	120,000	131,698	11,698
Community center rentals	174,000	150,000	153,475	3,475
Sales of real property	-	228,000	563,272	335,272
Sales of other property	30,000	30,000	-	(30,000)
Cash overages and shortages, net	-	-	(243)	(243)
Cash discounts earned	50,000	5,000	7,367	2,367
Other miscellaneous	105,000	145,000	(272,706)	(417,706)
Total miscellaneous	<u>459,000</u>	<u>678,000</u>	<u>582,863</u>	<u>(95,137)</u>
Total revenues	<u>321,410,000</u>	<u>318,817,000</u>	<u>308,695,382</u>	<u>(10,121,618)</u>

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
Year ended June 30, 2002

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Expenditures:				
Current:				
General government:				
Accounting	2,827,000	2,723,000	2,700,020	22,980
Chief Administrative Officer	1,262,000	1,262,000	1,171,325	90,675
City buildings	4,184,000	4,184,000	3,933,127	250,873
City wide financial support	623,000	455,000	448,067	6,933
City/County building rental	2,461,000	2,237,000	2,237,000	-
Community revitalization	1,081,000	1,053,000	1,040,496	12,504
Compensation in lieu of sick leave	298,000	298,000	295,116	2,884
Council services	1,560,000	1,490,000	1,483,814	6,186
Culture	19,000	19,000	18,956	44
Dues and memberships	318,000	318,000	316,300	1,700
Early retirement	3,482,000	3,928,000	4,603,690	(675,690)
Economic development	120,000	420,000	385,127	34,873
Information systems	7,131,000	6,974,000	6,897,825	76,175
International trade	15,000	15,000	14,862	138
Legal services	4,889,000	4,492,000	4,450,146	41,854
Legislative coordinator	236,000	283,000	282,833	167
Mayor's office	737,000	718,000	638,105	79,895
Office of capital implementation	1,850,000	1,850,000	1,742,480	107,520
Office of city clerk	1,135,000	1,126,000	1,113,631	12,369
Office of economic development	430,000	430,000	337,970	92,030
Office of internal audit	783,000	753,000	738,487	14,513
Office of management and budget	888,000	888,000	874,944	13,056
Office of management and operational improvement	316,000	316,000	262,363	53,637
Personnel services	1,780,000	1,928,000	1,769,862	158,138
Strategic support - Planning	925,000	864,000	857,013	6,987
Plaza del Sol building	896,000	896,000	896,000	-
Purchasing	1,160,000	1,053,000	933,229	119,771
Real property	588,000	512,000	501,746	10,254
Strategic support - DFAS	390,000	363,000	339,948	23,052
Treasury	1,413,000	1,359,000	1,321,118	37,882
Utility franchising office	393,000	778,000	768,994	9,006
Total general government	<u>44,190,000</u>	<u>43,985,000</u>	<u>43,374,594</u>	<u>610,406</u>

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
Year ended June 30, 2002

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Public safety:				
Police Department:				
Administrative	3,257,000	3,692,077	3,440,492	251,585
Basic sworn overtime	3,731,000	3,938,000	3,547,107	390,893
Central support services	19,363,000	20,220,386	19,488,532	731,854
Community partner/crime prevention	409,000	375,361	368,964	6,397
Investigative services	13,448,000	13,916,278	13,570,780	345,498
Neighborhood Policing	41,944,000	43,116,852	42,636,448	480,404
Off duty police overtime	1,072,000	1,072,000	992,579	79,421
Fire Department:				
AFD headquarters	1,320,000	1,312,684	1,267,363	45,321
Dispatch	1,585,000	1,785,000	1,762,916	22,084
Emergency Management	71,000	39,000	38,236	764
Fire dept/CIP funded employees	83,000	83,000	64,936	18,064
Fire dept/technical services	288,000	306,956	303,595	3,361
Fire prevention/fire marshal's office	2,470,000	2,401,467	2,305,678	95,789
Fire suppression	25,478,000	26,810,000	26,807,744	2,256
Fire training and safety	1,444,000	1,394,000	1,682,918	(288,918)
Logistics	1,020,000	1,128,000	1,106,280	21,720
Paramedic rescue	<u>8,095,000</u>	<u>8,600,000</u>	<u>8,084,136</u>	<u>515,864</u>
Total public safety	<u>125,078,000</u>	<u>130,191,061</u>	<u>127,468,704</u>	<u>2,722,357</u>
Culture and recreation:				
Biological park	9,213,000	8,780,000	8,663,327	116,673
Community events	1,566,000	1,514,000	1,388,276	125,724
Convention center	3,678,000	3,861,000	3,752,072	108,928
Explora Science Center	544,000	499,000	499,000	-
Museum	2,171,000	2,003,000	1,939,687	63,313
Quality parks & trails system	846,000	846,000	806,817	39,183
Strategic support - Senior Affairs	798,000	768,000	747,762	20,238
Strategic support - PR	752,000	752,000	741,344	10,656
Parks land management	11,299,000	11,173,250	10,565,106	608,144
Promote safe use of firearms	279,000	279,000	260,730	18,270
Provide community recreation	5,801,000	5,548,000	5,316,804	231,196
Provide quality recreation	3,748,000	3,612,865	3,578,924	33,941
Public library	8,255,000	8,036,000	7,903,947	132,053
Strategic support - CS	<u>3,105,000</u>	<u>2,996,500</u>	<u>2,988,253</u>	<u>8,247</u>
Total culture and recreation	<u>52,055,000</u>	<u>50,668,615</u>	<u>49,152,049</u>	<u>1,516,566</u>
Public works:				
Code administration	1,643,000	1,642,000	1,631,443	10,557
Construction management	3,981,000	3,618,000	3,380,550	237,450
Development services	1,223,000	1,219,000	1,165,700	53,300
Storm drainage/maintenance	<u>2,673,000</u>	<u>2,400,000</u>	<u>2,393,359</u>	<u>6,641</u>
Total public works	<u>9,520,000</u>	<u>8,879,000</u>	<u>8,571,052</u>	<u>307,948</u>
Highways and streets:				
GF street services	<u>12,659,000</u>	<u>12,959,000</u>	<u>12,897,560</u>	<u>61,440</u>
Total highways and streets	<u>12,659,000</u>	<u>12,959,000</u>	<u>12,897,560</u>	<u>61,440</u>

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
Year ended June 30, 2002

Expenditures (continued):	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Current (continued):				
Health:				
Animal services	4,001,000	3,692,000	3,604,485	87,515
Consumer protection	1,094,000	974,000	973,527	473
Environmental services	1,504,000	1,402,000	1,336,158	65,842
Program support	<u>429,000</u>	<u>398,000</u>	<u>374,117</u>	<u>23,883</u>
Total health	<u>7,028,000</u>	<u>6,466,000</u>	<u>6,288,287</u>	<u>177,713</u>
Human services:				
Access to basic services	277,000	263,000	200,395	62,605
Develop affordable housing	617,000	491,000	490,775	225
Develop community based activity	228,000	153,000	153,000	-
Development process & policy	4,737,000	4,677,000	4,662,086	14,914
Plan and coordinate	2,019,000	2,125,000	2,054,441	70,559
Long-range planning	435,000	414,000	409,666	4,334
Offer health & social services	1,914,000	1,693,000	1,576,726	116,274
Partner with public education	5,411,000	5,592,000	5,365,948	226,052
Prevent and reduce youth gangs	1,012,000	1,003,000	1,003,000	-
Prevent neighborhood deterioration	91,000	47,000	44,515	2,485
Provide early childhood education	4,677,000	4,223,000	4,211,365	11,635
Provide emergency shelter	220,000	162,000	161,750	250
Provide mental health	332,000	217,000	216,980	20
Provide transitional housing	218,000	214,000	196,578	17,422
Reduce DWI	93,000	93,000	-	93,000
Substance abuse treatment/prevention	2,789,000	2,770,000	2,726,667	43,333
Supportive services to homeless	362,000	237,000	222,693	14,307
Train lower income persons	601,000	560,000	542,897	17,103
Volunteerism	10,000	10,000	9,999	1
Well-being	<u>2,639,000</u>	<u>2,654,000</u>	<u>2,546,048</u>	<u>107,952</u>
Total human services	<u>28,682,000</u>	<u>27,598,000</u>	<u>26,795,529</u>	<u>802,471</u>
Total expenditures	<u>279,212,000</u>	<u>280,746,676</u>	<u>274,547,775</u>	<u>6,198,901</u>
Excess (deficiency) of revenues over expenditures	<u>42,198,000</u>	<u>38,070,324</u>	<u>34,147,607</u>	<u>(3,922,717)</u>
Other financing sources (uses):				
Operating transfers in	7,051,000	8,962,000	8,885,629	(76,371)
Operating transfers out	<u>(45,305,000)</u>	<u>(46,350,000)</u>	<u>(46,616,436)</u>	<u>(266,436)</u>
Total other financing sources and uses	<u>(38,254,000)</u>	<u>(37,388,000)</u>	<u>(37,730,807)</u>	<u>(342,807)</u>
Net change in fund balance	3,944,000	682,324	(3,583,200)	(4,265,524)
Fund balance, July 1	<u>40,182,664</u>	<u>40,182,664</u>	<u>40,182,664</u>	<u>-</u>
Fund balance, June 30	<u>\$ 44,126,664</u>	<u>\$ 40,864,988</u>	<u>\$ 36,599,464</u>	<u>\$ (4,265,524)</u>

See Notes to Financial Statements

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CORRECTIONS AND DETENTION FUND
Year ended June 30, 2002

	<u>Original Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues:				
Intergovernmental:				
County-shared operations	\$ 15,152,000	\$ 21,278,000	\$ 19,546,000	\$ (1,732,000)
Charges for services:				
Care of prisoners-state	300,000	289,000	212,604	(76,396)
Care of prisoners-other	-	-	73,596	73,596
Commissary	77,000	77,000	81,168	4,168
Community custody program fees	193,000	199,000	145,624	(53,376)
CCP reimbursement	226,000	434,000	437,067	3,067
Detoxification reimbursement	1,006,000	1,018,000	945,650	(72,350)
Recycling services	82,000	82,000	82,000	-
Total charges for services	<u>1,884,000</u>	<u>2,099,000</u>	<u>1,977,709</u>	<u>(121,291)</u>
Interest:				
Interest on investments	-	-	(201,618)	(201,618)
Miscellaneous:				
Telephone royalties	400,000	187,000	113,755	(73,245)
Other	-	-	374,295	374,295
Total miscellaneous	<u>400,000</u>	<u>187,000</u>	<u>488,050</u>	<u>301,050</u>
Total revenues	<u>17,436,000</u>	<u>23,564,000</u>	<u>21,810,141</u>	<u>(1,753,859)</u>
Expenditures:				
Current:				
Public safety:				
Administrative support	3,074,000	3,086,302	3,047,937	38,365
Community custody	448,000	749,000	798,243	(49,243)
Correction and detention	26,046,000	30,003,000	30,090,057	(87,057)
Detoxification program	1,084,000	1,084,000	1,006,443	77,557
Metro criminal justice coordinating council	-	146,000	126,064	19,936
Indirect overhead charge	1,569,000	1,165,000	1,165,000	-
Total expenditures	<u>32,221,000</u>	<u>36,233,302</u>	<u>36,233,744</u>	<u>(442)</u>
(Deficiency) of revenues over expenditures	<u>(14,785,000)</u>	<u>(12,669,302)</u>	<u>(14,423,603)</u>	<u>(1,754,301)</u>
Other financing sources (uses):				
Operating transfers in	15,152,000	17,057,000	17,057,000	-
Operating transfers out	(361,000)	(361,000)	(360,551)	449
Total other financing sources (uses)	<u>14,791,000</u>	<u>16,696,000</u>	<u>16,696,449</u>	<u>449</u>
Net change in fund balance	6,000	4,026,698	2,272,846	(1,753,852)
Fund balance (deficit), July 1	<u>(2,033,118)</u>	<u>(2,033,118)</u>	<u>(2,033,118)</u>	<u>-</u>
Fund balance (deficit), June 30	<u>\$ (2,027,118)</u>	<u>\$ 1,993,580</u>	<u>\$ 239,728</u>	<u>\$ (1,753,852)</u>

See Notes to Financial Statements

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL OBLIGATION BOND DEBT SERVICE FUND
Year ended June 30, 2002

	Original Budget	Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Taxes:				
Current property taxes	\$ 59,512,000	\$ 59,512,000	\$ 62,555,114	\$ 3,043,114
Delinquent property taxes	<u>2,050,000</u>	<u>2,050,000</u>	<u>154,729</u>	<u>(1,895,271)</u>
Total taxes	61,562,000	61,562,000	62,709,843	1,147,843
Interest:				
Interest on investments	<u>1,000,000</u>	<u>1,000,000</u>	<u>906,929</u>	<u>(93,071)</u>
Total revenues	<u>62,562,000</u>	<u>62,562,000</u>	<u>63,616,772</u>	<u>1,054,772</u>
Expenditures:				
Debt service:				
Principal	52,810,000	52,810,000	49,810,000	3,000,000
Interest	10,156,000	9,356,000	8,215,773	1,140,227
Commitment and other fees	<u>100,000</u>	<u>900,000</u>	<u>826,234</u>	<u>73,766</u>
Total expenditures	<u>63,066,000</u>	<u>63,066,000</u>	<u>58,852,007</u>	<u>4,213,993</u>
Excess (deficiency) of revenues over expenditures	(504,000)	(504,000)	4,764,765	5,268,765
Other financing sources:				
Premium on bonds sold	<u>-</u>	<u>-</u>	<u>2,758,041</u>	<u>2,758,041</u>
Net change in fund balance	(504,000)	(504,000)	7,522,806	8,026,806
Fund balance, July 1	<u>10,706,769</u>	<u>10,706,769</u>	<u>10,706,769</u>	<u>-</u>
Fund balance, June 30	<u>\$ 10,202,769</u>	<u>\$ 10,202,769</u>	<u>\$ 18,229,575</u>	<u>\$ 8,026,806</u>

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - NON MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE AND DEBT SERVICE FUNDS
Year ended June 30, 2002

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Taxes	\$ 12,865,000	\$ 12,765,000	\$ 12,750,039	\$ (14,961)
Licenses and permits	1,616,000	1,745,000	1,753,516	8,516
Intergovernmental	1,029,000	1,054,000	1,057,163	3,163
Charges for services	5,016,000	4,793,000	4,764,304	(28,696)
Interest	2,041,000	2,089,000	991,033	(1,097,967)
Miscellaneous	-	2,000	5,156	3,156
Total revenues	<u>22,567,000</u>	<u>22,448,000</u>	<u>21,321,211</u>	<u>(1,126,789)</u>
Expenditures:				
Current:				
General government	8,130,000	7,956,000	7,810,061	145,939
Public safety	730,000	830,000	789,077	40,923
Culture and recreation	2,606,000	2,543,000	2,523,063	19,937
Highways and streets	6,047,000	5,284,000	5,196,642	87,358
Health	1,885,000	1,768,000	1,692,310	75,690
Debt service	<u>10,202,000</u>	<u>10,202,000</u>	<u>8,919,735</u>	<u>1,282,265</u>
Total expenditures	<u>29,600,000</u>	<u>28,583,000</u>	<u>26,930,888</u>	<u>1,652,112</u>
Excess (Deficiency) of revenues over expenditures:	<u>(7,033,000)</u>	<u>(6,135,000)</u>	<u>(5,609,677)</u>	<u>525,323</u>
Other financing sources (uses):				
Operating transfers in	11,290,000	10,391,000	10,769,921	378,921
Operating transfers out	<u>(6,609,000)</u>	<u>(6,609,000)</u>	<u>(6,609,000)</u>	<u>-</u>
Net other financing sources (uses)	<u>4,681,000</u>	<u>3,782,000</u>	<u>4,160,921</u>	<u>378,921</u>
Change in fund balances	<u>(2,352,000)</u>	<u>(2,353,000)</u>	<u>(1,448,756)</u>	<u>904,244</u>
Fund balance, July 1	<u>32,012,416</u>	<u>32,012,416</u>	<u>32,012,416</u>	<u>-</u>
Fund balance, June 30	<u>\$ 29,660,416</u>	<u>\$ 29,659,416</u>	<u>30,563,660</u>	<u>\$ 904,244</u>
 			 (1,462,665)	
Change in fund balances			<u>23,881,613</u>	
Fund balance, July 1			<u>22,418,948</u>	
Fund balance, June 30			<u>\$ 52,982,608</u>	
Total Fund balance, June 30			<u>\$ 52,982,608</u>	
Fund balance by type, June 30				
Special revenue funds			\$ 22,307,007	
Debt service funds			<u>30,675,601</u>	
			<u>\$ 52,982,608</u>	

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
June 30, 2002

	Enterprise Funds	
	Airport Fund	Joint Water and Sewer Fund
ASSETS		
Current assets:		
Cash, investments, and accrued interest	\$ 5,192,722	\$ 11,376,071
Receivables, net of allowance for uncollectibles:		
Accounts	3,247,523	17,379,835
Standby charges	-	71,733
Prepaid expenses	-	-
Due from other governments	-	-
Deposits	-	-
Inventories of supplies	-	-
Total current assets	8,440,245	28,827,639
Restricted assets:		
Cash, investments, and accrued interest	61,295,786	36,154,248
Cash with fiscal agents	7,981,004	40,156,598
Accounts receivable	126,275	513,474
Escrow deposits	-	142,497
Total restricted assets	69,403,065	76,966,817
Property and equipment:		
Land	32,916,822	22,389,226
Land and improvements acquired from U.S. Air Force	7,630,077	-
Buildings and improvements	142,068,780	2,257,926
Runways and other improvements	242,350,627	-
Improvements other than buildings	98,789,651	1,213,294,515
Machinery and equipment	11,961,735	36,613,865
Other	640,546	-
	536,358,238	1,274,555,532
Less accumulated depreciation and amortization	240,174,799	624,826,480
Net property and equipment	296,183,439	649,729,052
Construction work in progress	-	27,595,615
Total property and equipment	296,183,439	677,324,667
Other assets		
Capitalized bond issuance costs	1,484,609	540,462
Land - acquired under claim settlement	-	-
Purchased water rights, net of accumulated amortization	-	27,112,946
Total other assets	1,484,609	27,653,408
Total Assets	375,511,358	810,772,531

<u>Enterprise Funds</u>				
<u>Refuse Disposal Fund</u>	<u>Housing Authority Fund</u>	<u>Other Enterprise Funds</u>	<u>Totals</u>	<u>Internal Service Funds</u>
\$ 4,216,866	\$ 8,459,109	\$ 3,313,371	\$ 32,558,139	\$ 26,646,828
2,670,984	147,882	125,744	23,571,968	2,029,360
-	-	-	71,733	-
-	-	-	-	300,963
-	489,555	-	489,555	63,060
-	-	-	-	6,679
<u>612,970</u>	<u>139,851</u>	<u>535,847</u>	<u>1,288,668</u>	<u>1,848,658</u>
<u>7,500,820</u>	<u>9,236,397</u>	<u>3,974,962</u>	<u>57,980,063</u>	<u>30,895,548</u>
11,792,050	-	17,322,197	126,564,281	-
3,518,069	-	201,947	51,857,618	-
-	2,094	5,084,860	5,726,703	-
-	<u>452,753</u>	-	<u>595,250</u>	-
<u>15,310,119</u>	<u>454,847</u>	<u>22,609,004</u>	<u>184,743,852</u>	-
5,165,504	3,767,389	7,177,000	71,415,941	283,842
-	-	-	7,630,077	-
31,429,896	47,721,432	49,286,763	272,764,797	406,001
-	-	-	242,350,627	-
-	-	-	1,312,084,166	765,388
53,437,848	327,741	52,555,759	154,896,948	1,694,109
-	-	-	640,546	-
<u>90,033,248</u>	<u>51,816,562</u>	<u>109,019,522</u>	<u>2,061,783,102</u>	<u>3,149,340</u>
<u>42,708,399</u>	<u>33,581,502</u>	<u>52,269,116</u>	<u>993,560,296</u>	<u>2,263,063</u>
47,324,849	18,235,060	56,750,406	1,068,222,806	886,277
3,938,420	986,190	19,373,329	51,893,554	-
<u>51,263,269</u>	<u>19,221,250</u>	<u>76,123,735</u>	<u>1,120,116,360</u>	<u>886,277</u>
165,857	-	422,960	2,613,888	-
-	-	-	-	1,930,000
-	-	-	27,112,946	-
<u>165,857</u>	-	<u>422,960</u>	<u>29,726,834</u>	<u>1,930,000</u>
<u>74,240,065</u>	<u>28,912,494</u>	<u>103,130,661</u>	<u>1,392,567,109</u>	<u>33,711,825</u>

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
June 30, 2002

	Enterprise Funds	
	Airport Fund	Joint Water and Sewer Fund
LIABILITIES		
Current liabilities:		
Accounts payable	332,316	2,353,529
Accrued payroll	72,730	217,585
Accrued vacation and sick leave pay	599,809	1,559,122
Accrued interest	-	545,918
Accrued fuel cleanup costs	-	-
Fare tokens outstanding	-	-
Deposits	-	193,695
Due to other governments	-	-
Current portion of claims and judgements payable	-	-
Current portion of water rights contract and loan agreements	-	3,384,676
Total current liabilities	1,004,855	8,254,525
Liabilities payable from restricted assets:		
Construction contracts	284,289	1,788,606
Retainage	-	294,357
Current portion of revenue bonds payable	4,975,000	31,160,000
Accrued interest	3,298,150	6,096,370
Deferred revenue	55,250	7,524
Other	-	23,040
Total liabilities payable from restricted assets	8,612,689	39,369,897
Non current liabilities excluding current portion:		
Revenue bonds, net of unamortized discounts	219,466,610	240,843,254
Water rights contract and loan agreements	-	45,752,329
Claims and judgements payable	-	-
Accrued vacation and sick leave pay	266,219	730,530
Total non current liabilities	219,732,829	287,326,113
Other liabilities:		
Deferred revenue	198,201	1,507,030
Advances from other funds	-	-
Total other liabilities	198,201	1,507,030
Total liabilities	229,548,574	336,457,565
NET ASSETS		
Invested in capital assets, net of related debt	93,445,989	409,080,380
Restricted:		
Debt service	23,985,101	5,730,725
Construction	17,931,927	11,416,968
Unrestricted	10,599,767	48,086,893
Total net assets	\$ 145,962,784	\$ 474,314,966

See Notes to Financial Statements

<u>Enterprise Funds</u>				
<u>Refuse Disposal Fund</u>	<u>Housing Authority Fund</u>	<u>Other Enterprise Funds</u>	<u>Totals</u>	<u>Internal Service Funds</u>
624,815	357,753	257,928	3,926,341	2,099,067
108,018	-	221,235	619,568	76,641
965,230	286	1,172,934	4,297,381	467,887
-	-	-	545,918	-
-	-	-	-	45,579
-	-	153,763	153,763	-
62,827	146,209	-	402,731	-
-	12,640	-	12,640	-
-	-	-	-	13,154,499
-	-	-	<u>3,384,676</u>	-
<u>1,760,890</u>	<u>516,888</u>	<u>1,805,860</u>	<u>13,343,018</u>	<u>15,843,673</u>
118,031	-	3,874,170	6,065,096	-
-	-	113,746	408,103	-
2,650,000	-	125,000	38,910,000	-
868,069	-	76,947	10,339,536	-
-	2,094	-	64,868	-
<u>1,196,496</u>	<u>452,753</u>	-	<u>1,672,289</u>	-
<u>4,832,596</u>	<u>454,847</u>	<u>4,189,863</u>	<u>57,459,892</u>	-
33,244,203	-	2,289,840	495,843,907	-
-	-	-	45,752,329	-
-	-	-	-	26,144,014
<u>820,795</u>	<u>121,923</u>	<u>477,882</u>	<u>2,417,349</u>	<u>198,721</u>
<u>34,064,998</u>	<u>121,923</u>	<u>2,767,722</u>	<u>544,013,585</u>	<u>26,342,735</u>
-	-	9,085	1,714,316	-
-	-	25,600,000	25,600,000	-
-	-	25,609,085	27,314,316	-
<u>40,658,484</u>	<u>1,093,658</u>	<u>34,372,530</u>	<u>642,130,811</u>	<u>42,186,408</u>
23,248,352	19,221,250	56,226,363	601,222,334	886,277
634,474	-	952,406	31,302,706	-
4,459,866	-	9,897,227	43,705,988	-
<u>5,238,889</u>	<u>8,597,586</u>	<u>1,682,135</u>	<u>74,205,270</u>	<u>(9,360,860)</u>
<u>\$ 33,581,581</u>	<u>\$ 27,818,836</u>	<u>\$ 68,758,131</u>	<u>\$ 750,436,298</u>	<u>\$ (8,474,583)</u>

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUNDS
Year ended June 30, 2002

	<u>Enterprise Funds</u>	
	<u>Airport Fund</u>	<u>Joint Water and Sewer Fund</u>
Operating revenues:		
Charges for services	\$ 50,401,858	\$ 113,780,763
Operating expenses:		
Salaries and fringe benefits	11,158,617	25,432,730
Professional services	159,353	3,950,668
Utilities	2,230,402	7,581,349
Supplies	432,271	1,306,521
Travel	20,141	12,967
Fuels, repairs and maintenance	1,941,528	7,168,651
Contractual services	3,679,740	3,144,879
Claims and judgements	-	-
Insurance premiums	-	-
Other operating expenses	1,830,858	5,780,796
Depreciation	28,417,108	39,355,206
Amortization	-	348,400
Bad debt expense	-	597,741
Total operating expenses	<u>49,870,018</u>	<u>94,679,908</u>
Operating income (loss)	<u>531,840</u>	<u>19,100,855</u>
Non-operating revenues (expenses):		
Interest on investments	950,033	2,031,573
Federal housing grants	-	-
Housing assistance payments	-	-
Passenger facilities charges	7,083,472	-
Gain (loss) on disposition of property and equipment	(10,253)	66,375
Interest expense	(8,274,078)	(12,205,596)
Bond issue costs	(279,327)	(35,013)
City water service expansion charges	-	11,908,616
Fiscal agent fees	(2,100,656)	(29,070)
Other	74,077	212,264
Total non-operating revenues (expenses)	<u>(2,556,732)</u>	<u>1,949,149</u>
Income (loss) before capital contributions and transfers	<u>(2,024,892)</u>	<u>21,050,004</u>
Capital contributions	375,582	14,995,201
Operating transfers in	-	360,551
Operating transfers out	-	(4,962,497)
Change in net assets	<u>(1,649,310)</u>	<u>31,443,259</u>
Net assets (deficit), July 1	<u>147,612,094</u>	<u>442,871,707</u>
Net assets (deficit), June 30	<u>\$ 145,962,784</u>	<u>\$ 474,314,966</u>

See Notes to Financial Statements

<u>Enterprise Funds</u>				
<u>Refuse Disposal Fund</u>	<u>Housing Authority Fund</u>	<u>Other Enterprise Funds</u>	<u>Totals</u>	<u>Internal Service Funds</u>
\$ 39,223,023	\$ 1,564,757	\$ 10,339,857	\$ 215,310,258	\$ 56,935,041
18,684,310	2,595,247	23,134,047	81,004,951	6,960,170
158,709	34,514	2,605	4,305,849	922,688
331,558	519,164	1,389,557	12,052,030	150,714
1,055,555	-	280,041	3,074,388	1,293,244
11,955	-	7,467	52,530	5,313
3,838,928	963,856	3,169,019	17,081,982	2,529,616
1,728,665	-	1,162,114	9,715,398	1,414,231
-	-	-	-	15,939,186
-	-	-	-	28,514,059
3,828,004	1,093,205	3,069,914	15,602,777	2,288,309
4,692,728	2,177,278	6,016,497	80,658,817	167,141
-	-	-	348,400	-
<u>186,696</u>	<u>16,671</u>	<u>18,078</u>	<u>819,186</u>	<u>22,720</u>
<u>34,517,108</u>	<u>7,399,935</u>	<u>38,249,339</u>	<u>224,716,308</u>	<u>60,207,391</u>
<u>4,705,915</u>	<u>(5,835,178)</u>	<u>(27,909,482)</u>	<u>(9,406,050)</u>	<u>(3,272,350)</u>
208,591	264,907	1,076,159	4,531,263	797,513
-	21,969,722	-	21,969,722	-
-	(16,815,828)	-	(16,815,828)	-
-	-	-	7,083,472	-
(61,079)	3,341	-	(1,616)	23,111
(1,266,242)	-	(397,664)	(22,143,580)	-
(53,453)	-	(49,182)	(416,975)	-
-	-	-	11,908,616	-
-	-	(100,281)	(2,230,007)	-
<u>12,212</u>	<u>249,487</u>	<u>1,886,822</u>	<u>2,434,862</u>	<u>5,046</u>
<u>(1,159,971)</u>	<u>5,671,629</u>	<u>2,415,854</u>	<u>6,319,929</u>	<u>825,670</u>
3,545,944	(163,549)	(25,493,628)	(3,086,121)	(2,446,680)
-	-	9,168,346	24,539,129	-
-	-	27,132,157	27,492,708	-
<u>(1,024,323)</u>	<u>-</u>	<u>(321,809)</u>	<u>(6,308,629)</u>	<u>(269,000)</u>
2,521,621	(163,549)	10,485,066	42,637,087	(2,715,680)
<u>31,059,960</u>	<u>27,982,385</u>	<u>58,273,065</u>	<u>707,799,211</u>	<u>(5,758,903)</u>
<u>\$ 33,581,581</u>	<u>\$ 27,818,836</u>	<u>\$ 68,758,131</u>	<u>\$ 750,436,298</u>	<u>\$ (8,474,583)</u>

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year ended June 30, 2002

	Enterprise Funds	
	Airport Fund	Joint Water and Sewer Fund
Cash received from customers	\$ 51,298,808	\$ 112,715,997
Cash payments to employees for services	(10,971,112)	(25,064,588)
Cash payments to suppliers for goods and services	(8,934,331)	(28,174,027)
Indirect overhead	(1,201,325)	(2,151,304)
Cash payments to claimants and beneficiaries	-	-
Miscellaneous cash received	74,077	156,395
Net cash provided by (used for) operating activities	30,266,117	57,482,473
Cash flow from noncapital financing activities:		
Principal paid on water rights contract	-	(706,800)
Interest paid on water rights contract	-	(670,800)
Purchased water rights	-	(1,549,617)
Operating grants received	-	-
Housing assistance payments	-	-
Interest paid on advance from other funds	-	-
Operating transfers-in from other funds	-	-
Operating transfers-out to other funds	-	(4,962,497)
Net cash provided by (used for) noncapital financing activities	-	(7,889,714)
Proceeds from sale of revenue and refunding bonds	43,661,418	30,000,000
Proceeds from notes payable	-	3,063,767
Capitalized bond issuance costs	(675,813)	(335,882)
Principal paid on revenue bond maturities and refunded bonds	(58,266,000)	(31,160,000)
Interest and other expenses paid on revenue bond maturities	(9,621,063)	(10,598,258)
Principal paid on notes payable	-	(2,353,480)
Interest paid on notes payable	-	(1,622,390)
Acquisition and construction of capital assets	(8,660,952)	(35,235,756)
Capital grants received	65,645	481,975
Passenger facilities charges	7,083,472	-
Cash contributions in aid of construction	-	(302,151)
City water service expansion charges	-	11,908,616
Proceeds from sale of property and equipment	15,971	72,942
Net cash used for capital and related financing activities	(26,397,322)	(36,080,618)
Cash flows from investing activities:		
Interest received on investments	950,033	2,021,796
Net cash provided by investing activities	950,033	2,021,796
Net increase (decrease) in cash and cash equivalents	4,818,828	15,533,937
Cash and cash equivalents, July 1	61,669,680	32,138,879
Cash and cash equivalents, June 30	\$ 66,488,508	\$ 47,672,816

See Notes to Financial Statements

Enterprise Funds

Refuse Disposal Fund	Housing Authority Fund	Other Enterprise Funds	Totals	Internal Service Funds
\$ 39,250,184	\$ 1,513,486	\$ 10,371,197	\$ 215,149,672	\$ 61,921,124
(18,369,806)	(2,600,613)	(22,783,616)	(79,789,735)	(6,860,149)
(9,264,266)	(2,566,789)	(7,355,735)	(56,295,148)	(40,656,909)
(1,378,701)	-	(1,606,364)	(6,337,694)	(2,171,082)
-	-	-	-	(10,453,105)
<u>12,212</u>	<u>242,399</u>	<u>908,606</u>	<u>1,393,689</u>	<u>5,045</u>
<u>10,249,623</u>	<u>(3,411,517)</u>	<u>(20,465,912)</u>	<u>74,120,784</u>	<u>1,784,924</u>
-	-	-	(706,800)	-
-	-	-	(670,800)	-
-	-	-	(1,549,617)	-
-	18,319,020	978,216	19,297,236	-
-	(16,815,828)	-	(16,815,828)	-
-	-	(720,263)	(720,263)	-
-	-	27,132,157	27,132,157	-
<u>(1,024,323)</u>	<u>-</u>	<u>(321,809)</u>	<u>(6,308,629)</u>	<u>(269,000)</u>
<u>(1,024,323)</u>	<u>1,503,192</u>	<u>27,068,301</u>	<u>19,657,456</u>	<u>(269,000)</u>
-	-	-	73,661,418	-
-	-	-	3,063,767	-
(9,936)	-	-	(1,021,631)	-
(2,650,000)	-	(125,000)	(92,201,000)	-
(1,199,758)	-	(218,016)	(21,637,095)	-
-	-	-	(2,353,480)	-
-	-	-	(1,622,390)	-
(3,335,550)	(1,030,156)	(25,368,969)	(73,631,383)	(1,006)
-	1,135,246	5,732,967	7,415,833	-
-	-	-	7,083,472	-
-	-	-	(302,151)	-
-	-	-	11,908,616	-
<u>20,091</u>	<u>3,341</u>	<u>-</u>	<u>112,345</u>	<u>23,111</u>
<u>(7,175,153)</u>	<u>108,431</u>	<u>(19,979,018)</u>	<u>(89,523,680)</u>	<u>22,105</u>
<u>1,502,746</u>	<u>264,907</u>	<u>1,175,178</u>	<u>5,914,660</u>	<u>797,513</u>
<u>1,502,746</u>	<u>264,907</u>	<u>1,175,178</u>	<u>5,914,660</u>	<u>797,513</u>
3,552,893	(1,534,987)	(12,201,451)	10,169,220	2,335,542
<u>12,456,023</u>	<u>10,446,849</u>	<u>32,837,019</u>	<u>149,548,450</u>	<u>24,311,286</u>
<u>\$ 16,008,916</u>	<u>\$ 8,911,862</u>	<u>\$ 20,635,568</u>	<u>\$ 159,717,670</u>	<u>\$ 26,646,828</u>

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year ended June 30, 2002

	Enterprise Funds	
	Airport Fund	Joint Water and Sewer Fund
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ 531,840	\$ 19,100,855
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	28,417,108	39,355,206
Amortization	-	348,400
Miscellaneous cash received	74,077	156,395
Provision for claims and judgements	-	-
Decrease (increase) in assets:		
Receivables	833,541	(1,064,766)
Inventories of supplies	-	-
Due from other governments	-	-
Prepaid expenses	-	-
Increase (decrease) in liabilities:		
Accounts payable	158,637	(781,759)
Accrued employee compensation and benefits	187,505	368,142
Fare tokens outstanding and deposits	-	-
Deferred revenue	63,409	-
Net cash provided by (used for) operating activities	\$ 30,266,117	\$ 57,482,473
 Cash and cash equivalents at June 30 consist of:		
Current assets:		
Cash, investments, and accrued interest	\$ 5,192,722	\$ 11,376,071
Restricted assets:		
Cash, investments, and accrued interest	61,295,786	36,154,248
Cash with fiscal agents	7,981,004	40,156,598
Escrow deposits	-	142,497
Less matured principal and interest on revenue bonds	(7,981,004)	(40,156,598)
Total cash and cash equivalents, June 30	\$ 66,488,508	\$ 47,672,816
 Non cash transactions:		
Unrealized gains (losses) on investments	\$ (158,947)	\$ (25,513)
Transfer of fixed assets from the Capital Projects Fund	-	-
HUD payment of third party guaranteed debt	-	-

<u>Enterprise Funds</u>				
<u>Refuse Disposal Fund</u>	<u>Housing Authority Fund</u>	<u>Other Enterprise Funds</u>	<u>Totals</u>	<u>Internal Service Funds</u>
\$ 4,705,915	\$ (5,835,178)	\$ (27,909,482)	\$ (9,406,050)	\$ (3,272,350)
4,692,728	2,177,278	6,016,497	80,658,817	167,141
-	-	-	348,400	-
12,212	242,399	908,606	1,393,689	5,045
-	-	-	-	5,486,081
27,161	(53,217)	18,171	(239,110)	(1,894,836)
103,493	32,069	75,875	211,437	107,596
-	-	-	-	12,797
-	-	-	-	10,872
393,610	11,881	60,821	(156,810)	1,062,557
314,504	(5,366)	350,431	1,215,216	100,021
-	18,617	13,169	31,786	-
-	-	-	63,409	-
<u>\$ 10,249,623</u>	<u>\$ (3,411,517)</u>	<u>\$ (20,465,912)</u>	<u>\$ 74,120,784</u>	<u>\$ 1,784,924</u>
\$ 4,216,866	\$ 8,459,109	\$ 3,313,371	\$ 32,558,139	\$ 26,646,828
11,792,050	-	17,322,197	126,564,281	-
3,518,069	-	201,947	51,857,618	-
-	452,753	-	595,250	-
<u>(3,518,069)</u>	<u>-</u>	<u>(201,947)</u>	<u>(51,857,618)</u>	<u>-</u>
<u>\$ 16,008,916</u>	<u>\$ 8,911,862</u>	<u>\$ 20,635,568</u>	<u>\$ 159,717,670</u>	<u>\$ 26,646,828</u>
\$ (1,570)	\$ -	\$ (340,230)	\$ (526,260)	\$ (16,099)
-	-	98,788	98,788	-
-	446,365	-	446,365	-

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - BUDGET AND ACTUAL
AIRPORT FUND
Year ended June 30, 2002

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Charges for services	\$ 52,752,000	\$ 49,624,000	\$ 50,401,858	\$ 777,858
Passenger Facility Charge	7,450,000	8,390,000	7,083,472	(1,306,528)
Interest on investments	1,418,000	1,198,000	1,095,920	(102,080)
Proceeds of refunding bonds	-	43,662,000	43,661,418	(582)
Other miscellaneous revenue	-	-	99,836	99,836
Transfer from non-restricted cash to cash restricted for debt service	<u>29,452,000</u>	<u>26,914,000</u>	<u>26,240,822</u>	<u>(673,178)</u>
Total revenues	<u>91,072,000</u>	<u>129,788,000</u>	<u>128,583,326</u>	<u>(1,204,674)</u>
Expenses:				
Aviation operations	21,346,000	21,214,000	20,235,349	978,651
Airport capital and deferred maintenance	6,000,000	6,000,000	6,000,000	-
Economic Development	30,000	30,000	-	30,000
Payments for General Fund services	1,208,000	1,208,000	1,201,325	6,675
Transfer from non-restricted cash to cash restricted for debt service	29,452,000	27,461,000	26,240,822	1,220,178
Debt service	30,080,000	27,832,000	22,966,066	4,865,934
Payment to refunded bond escrow agent	<u>-</u>	<u>48,294,000</u>	<u>47,866,000</u>	<u>428,000</u>
Total expenses	<u>88,116,000</u>	<u>132,039,000</u>	<u>124,509,562</u>	<u>7,529,438</u>
Excess of revenues over (under) expenses	<u>\$ 2,956,000</u>	<u>\$ (2,251,000)</u>	4,073,764	<u>\$ 6,324,764</u>
Revenues (expenses) not budgeted:				
Interest on investments of restricted assets			1,138,633	
Depreciation			(28,417,108)	
Amortization			(899,932)	
Bad debt expense			-	
Loss on disposition of property and equipment			(10,253)	
Unrealized losses on investments			(158,947)	
Miscellaneous expense			(25,759)	
Changes to conform to generally accepted accounting principles:				
Bond proceeds			(43,661,418)	
Fiscal agent fees			675,527	
Principal payment on bonds			10,400,000	
Bond escrow agent payment			47,866,000	
Transfer from non-restricted cash to cash restricted for acquisition of property and equipment			6,000,000	
Capital contributions			375,582	
Capitalized interest on long-term debt			<u>994,601</u>	
Change in net assets as reported in Exhibit A-10			<u>\$ (1,649,310)</u>	

See Notes to Financial Statements

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - BUDGET AND ACTUAL
JOINT WATER AND SEWER FUND
Year ended June 30, 2002

	Original Budget	Final Budget	Actual	Final Budget Positive (Negative)
Charges for services	\$ 98,528,000	\$ 98,528,000	\$100,504,719	\$ 1,976,719
City water service expansion charges	8,800,000	8,800,000	11,908,616	3,108,616
Sustainable water supply	13,800,000	13,800,000	13,276,044	(523,956)
Interest on investments	1,420,000	1,420,000	1,296,389	(123,611)
Valley system connection charges	250,000	250,000	254,134	4,134
City system connection charges	900,000	900,000	1,193,015	293,015
Other miscellaneous	970,000	970,000	850,263	(119,737)
Grant revenue	-	-	89,010	89,010
Transfer from unrestricted cash for operations	250,000	250,000	-	(250,000)
restricted for debt service	<u>38,863,000</u>	<u>38,863,000</u>	<u>38,863,000</u>	<u>-</u>
Total revenues	<u>163,781,000</u>	<u>163,781,000</u>	<u>168,235,190</u>	<u>4,454,190</u>
Expenses:				
Water plant facility R&M	2,671,000	2,362,000	2,283,876	78,124
Water plant facility operations	8,997,000	7,830,000	7,316,785	513,215
Water distribution facility maintenance	5,184,000	6,550,000	6,397,150	152,850
Water distribution facility operation	1,960,000	2,014,000	1,864,701	149,299
Water revenue meter maintenance	2,557,000	2,364,000	2,345,171	18,829
Wastewater treatment	11,244,000	11,754,000	11,107,676	646,324
Wastewater pretreatment	911,000	853,000	689,176	163,824
Wastewater collection	4,258,000	4,108,000	3,844,003	263,997
Wastewater laboratory	1,410,000	1,404,000	1,348,486	55,514
Sustainable water supply	7,009,000	7,034,000	7,296,859	(262,859)
Customer services	3,570,000	3,474,000	3,326,650	147,350
Finance	2,790,000	2,756,000	2,708,671	47,329
San Juan-Chama	2,027,000	2,027,000	2,152,407	(125,407)
Strategic support	1,676,000	1,612,000	1,560,608	51,392
State conservation fee	1,170,000	1,100,000	1,081,979	18,021
North I-25 reuse	274,000	118,000	115,554	2,446
Utility development	638,000	560,000	555,040	4,960
Water resources	3,581,000	3,466,000	3,166,704	299,296
Information systems	461,000	391,000	300,901	90,099
Low income utility credit	138,000	228,000	234,250	(6,250)
Debt service	46,089,000	46,089,000	45,855,799	233,201
Transfer to cash restricted for debt service	37,808,000	37,808,000	37,808,000	-
to cash restricted for capital acquisition	3,938,000	3,938,000	3,938,000	-
Sustainable water supply - transfer to cash restricted for debt service	1,055,000	1,055,000	1,055,000	-
Transfer to cash restricted for capital acquisition	10,300,000	10,300,000	10,300,000	-
Sustainable water supply - transfer to cash restricted for capital acquisition	5,520,000	5,520,000	5,520,000	-
Sustainable water supply-transfer to unrestricted cash for operations	250,000	250,000	-	250,000
Payment for General Fund services	<u>7,346,000</u>	<u>7,346,000</u>	<u>7,113,801</u>	<u>232,199</u>
Total expenses	<u>174,933,000</u>	<u>174,386,000</u>	<u>171,353,257</u>	<u>3,032,743</u>
Excess of revenues over (under) expenses	<u>\$ (11,152,000)</u>	<u>\$ (10,605,000)</u>	(3,118,067)	<u>\$ 7,486,933</u>
Net expenses over revenues not budgeted (page 2)			(41,741,274)	
Changes to conform to generally accepted accounting principles (page 2)			<u>76,302,600</u>	
Change in net assets as reported in Exhibit A-10			<u>\$ 31,443,259</u>	

See Notes to Financial Statements

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - BUDGET AND ACTUAL
JOINT WATER AND SEWER FUND
Year ended June 30, 2002

	<u>Actual</u>
Revenues (expenses) not budgeted:	
Interest on investments of restricted assets	\$ 750,920
Gain on disposition of property and equipment	66,375
Depreciation	(39,355,206)
Amortization	(793,130)
Amortization on water rights contract	(348,400)
Accreted interest on capital appreciation bonds	(1,586,796)
Unrealized loss on investments	(25,513)
Bad debt	(597,741)
Loan fees	(29,068)
Lease of water rights	177,285
Net expenses over revenues not budgeted	\$ (41,741,274)
Changes to conform to generally accepted accounting principles:	
Principal payments on bonds and loan agreements	34,220,280
Transfer to cash restricted for capital acquisition	20,118,551
Capital contributions	14,995,201
Capital outlay	5,355,562
Capitalized interest on long-term debt	3,149,165
Operating grant revenue	(89,010)
Contributed capital budgeted as revenues	(1,447,149)
Net changes to conform to generally accepted accounting principles	\$ 76,302,600

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - BUDGET AND ACTUAL
REFUSE DISPOSAL FUND
Year ended June 30, 2002

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Budget</u>	<u>Budget</u>		<u>(Negative)</u>
Revenues:				
Charges for services	\$ 39,466,057	\$ 39,466,057	\$ 39,223,023	\$ (243,034)
Interest on investments	299,943	299,943	218,913	(81,030)
Transfer from non-restricted cash to cash restricted for debt service	<u>3,800,000</u>	<u>3,800,000</u>	<u>3,800,000</u>	<u>-</u>
Total revenues	<u>43,566,000</u>	<u>43,566,000</u>	<u>43,241,936</u>	<u>(324,064)</u>
Expenses:				
Collections	17,212,000	17,174,000	17,172,719	1,281
Disposal	4,631,000	4,631,000	4,625,162	5,838
Recycling	3,286,000	3,066,000	3,062,346	3,654
Clean City	3,066,000	3,066,000	3,062,036	3,964
Transfer from non-restricted cash to cash restricted for debt service	3,800,000	3,800,000	3,800,000	-
Payment for General Fund services	2,408,000	2,408,000	2,403,024	4,976
Transfer from non-restricted cash to cash restricted for capital acquisition	5,772,000	3,272,000	3,272,000	-
Transfer to Joint Water & Sewer Fund	478,000	478,000	478,000	-
Transfer to Corrections & Detention Fund	82,000	82,000	82,000	-
Debt service	<u>4,496,000</u>	<u>4,496,000</u>	<u>4,417,821</u>	<u>78,179</u>
Total expenses	<u>45,231,000</u>	<u>42,473,000</u>	<u>42,375,108</u>	<u>97,892</u>
Excess of revenues over (under) expenses	<u>\$ (1,665,000)</u>	<u>\$ 1,093,000</u>	866,828	<u>\$ (226,172)</u>
Revenues (expenses) not budgeted:				
Interest on investments of restricted assets			349,611	
Loss on disposition of property and equipment			(61,079)	
Depreciation			(4,692,728)	
Amortization			(219,481)	
Bad debt			(186,696)	
Miscellaneous			(9,938)	
Unrealized loss on investments			(1,570)	
Changes to conform to generally accepted accounting principles:				
Principal payment on bonds			2,650,000	
Transfer from non-restricted cash to cash restricted for capital acquisition			3,272,000	
Capitalized interest on long-term debt			331,394	
Capital outlay			<u>223,280</u>	
Change in net assets as reported in Exhibit A-10			<u>\$ 2,521,621</u>	

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - BUDGET AND ACTUAL
NON MAJOR ENTERPRISE FUNDS
Year ended June 30, 2002

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
Revenues:				
Charges for services:				
Parking	\$ 3,765,000	\$ 3,765,000	\$ 3,312,411	\$ (452,589)
Golf	4,070,000	4,187,000	3,981,145	(205,855)
Transit	3,205,000	3,182,000	2,977,975	(204,025)
Interest on investments	80,000	75,000	70,661	(4,339)
Miscellaneous revenue	124,000	95,000	113,016	18,016
General operating assistance	16,097,000	16,748,000	16,748,000	-
County shared operations	880,000	880,000	857,912	(22,088)
Transfers	<u>6,938,000</u>	<u>6,531,000</u>	<u>6,595,235</u>	<u>64,235</u>
Total revenues	<u>35,159,000</u>	<u>35,463,000</u>	<u>34,656,355</u>	<u>(806,645)</u>
Expenses:				
Parking services	2,150,000	2,420,000	2,410,793	9,207
Affordable and quality golf	3,389,000	3,380,000	3,259,465	120,535
Transit operations	24,291,000	24,609,000	23,336,451	1,272,549
Transfers	2,619,000	2,422,000	1,386,263	1,035,737
Debt service	345,000	345,000	278,894	66,106
Payment for General Fund services	<u>1,988,000</u>	<u>1,988,000</u>	<u>1,919,346</u>	<u>68,654</u>
Total expenses	<u>34,782,000</u>	<u>35,164,000</u>	<u>32,591,212</u>	<u>2,572,788</u>
Excess of revenues over expenses	<u>\$ 377,000</u>	<u>\$ 299,000</u>	2,065,143	<u>\$ 1,766,143</u>
Revenues (expenses) not budgeted:				
Interest on investments of restricted assets			1,444,747	
Operating grant revenue			984,218	
Operating grant expenses			(1,695,327)	
Depreciation			(6,016,497)	
Amortization of bond issuance costs			(49,869)	
Bad debt			(18,078)	
Transfer from Capital Acquisition Fund			5,459,148	
Transfer from restricted cash to cash restricted for debt service			(1,239,225)	
Unrealized loss on investments			(340,230)	
Changes to conform to generally accepted accounting principles:				
Capital outlay			109,810	
Capital contributions			9,168,346	
Capitalized interest on long term debt			277,880	
Transfers			210,000	
Principal payment on bonds			<u>125,000</u>	
Change in net assets as reported in Exhibit G-2			<u>\$ 10,485,066</u>	

See Notes to Financial Statements

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2002

	<u>Agency Fund</u>
ASSETS	
Cash, investments, and accrued interest	\$ 11,906,961
Receivables	228,293
Due from other governments	<u>22</u>
TOTAL ASSETS	<u>\$ 12,135,276</u>
LIABILITIES	
Liabilities:	
Accounts payable	\$ 6,668
Deferred revenue	<u>228,256</u>
Funds held for others	<u>11,900,352</u>
Total liabilities	<u>\$ 12,135,276</u>
Net Assets	<u>\$ -</u>

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 1 THE FINANCIAL 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 the voters approved a home rule amendment to the charter in 1971. In 1974, the electorate voted to establish a mayor-council form of government; the City Council consists of nine council members. As a governmental entity, the City is not subject to Federal or State income taxes.

The City provides traditional services such as public safety, culture and recreation, public works, highways and streets, water and sewer services, and refuse collection. In addition, the City operates parking facilities, a transit system, an international airport, corrections and detention facilities, and a housing authority.

The City of Albuquerque (the primary government) for financial reporting purposes consist of funds, departments, and programs for which the City is financially accountable. Criteria indicating financial accountability includes, but are not limited to the following:

1. (a) appointment by the City of a majority of voting members of the governing body of an organization, and
(b) ability of the City to impose its will on the daily operations of an organization such as the power to remove appointed members at will; to modify or approve budget, rates or fees, or to make other substantive decisions; or
2. provision by the organization of specific financial benefits or burdens to the City; or
3. fiscal dependency by the organization on the City such as from the lack of authority to determine its budget or issue its own bonded debt without City approval.

Based on the foregoing criteria, the City does not have relationships with other organizations, not included herein, of such nature and significance that exclusion would render the City's financial statements incomplete or misleading.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Albuquerque have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The more significant of the government's accounting policies are described below.

A. Basis of Presentation

The financial transactions of the City are recorded in individual funds, each of which is considered a separate accounting entity. All financial transactions are reported in basic financial statements, as follows:

1. Government-wide Financial Statements:

The *statement of net assets* and the *statement of activities* display information about the primary government. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The net assets of the City 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 City's policy to use restricted resources first, and then unrestricted resources as they are needed.

The *statement of activities* presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. Indirect expense allocations that have been made in the funds are shown in a separate column and are not included in the expenses column. The allocation of indirect expenses is based on the relative usage by the function charged to all functions charged for services rendered by all central service activities of the general government such as Accounting, Information Services, Treasury, Budgeting, and other central services.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

A. Basis of Presentation, continued

2. Fund Financial Statements:

The fund financial statements provide information about the City's funds, including its fiduciary funds. Separate statements for each fund category; governmental, proprietary and fiduciary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary funds distinguish 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 operating subsidies, investment earnings, interest expense, and transactions that result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

General Fund. This fund is the City's primary operating fund and is used to account for the general operations of the City and for all financial resources except those required to be accounted for in another fund.

Corrections and Detention Fund. This fund accounts for the operations of the joint City/Bernalillo County Corrections and Detentions facilities.

General Obligations Bond Debt Service Fund. This fund accounts for the monies set aside for the payment of principal and interest of all general obligation bonds. The principal source of revenue is from property taxes.

Capital Acquisition Fund. This fund accounts for capital projects for which financing is provided by the sale of general obligation and revenue bonds, miscellaneous revenues and various grants.

The City reports the following major proprietary (enterprise) funds:

Airport Fund. This fund accounts for the operations of the Albuquerque International Airport.

Joint Water and Sewer Fund. This fund accounts for the general operations of providing water and sewer services.

Refuse Disposal Fund. This fund accounts for the general operations of providing refuse removal services.

Housing Authority Fund. This fund accounts for the operations of the City's low income housing program. Financing is provided by rentals of housing units and grants from the U.S. Department of Housing and Urban Development.

The City reports the following fund types:

Special Revenue Funds. To account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Debt Service Funds. To account for the accumulation of resources for, and the payment of, general and special assessment long-term principal, interest, and related costs.

Capital Projects Funds. To account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds.

Permanent Funds. These funds account for resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support specific programs.

Internal Service Funds. These funds account for inventory warehousing and issues; worker's compensation, tort and other claims insurance coverage; vehicle maintenance and motor pool services; and communication services to City departments. In addition, these funds provide health insurance coverage to City employees.

Agency Funds. These funds account for monies held by the City in a custodial capacity on behalf of third parties or other agencies.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

B. Measurement Focus, Basis of Accounting

1. Government-Wide, Proprietary and Fiduciary Fund Financial Statements

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

All governmental and business-type activities of the City follow FASB Statements and interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

2. Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collectible within the current period or within one month following the year-end. Revenues not considered available are recorded as deferred revenues. Property taxes, gross receipts taxes, franchise taxes, licenses, and interest are considered susceptible to accrual. All other revenue items are considered to be measurable and available only when the City receives cash.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and vacation and sick leave pay, which are recognized as expenditures only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

C. Statement of Cash Flows

For purposes of the statement of cash flows, all pooled cash and investments (including restricted assets) of the City are considered to be cash equivalents although there are investments with a maturity in excess of three months when purchased because they have the 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 and changes therein are reported as cash flows from investing activities. The portion of cash in the amount of matured principal and interest on bonds in the Enterprise Funds group is not considered to be cash equivalent because of the City's policy of recognizing the July 1st payments of debt service expenditures as of the end of the fiscal year.

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.

E. Cash, Investments, and Accrued Interest

A significant portion of the cash and investments of funds of the City is pooled for investment purposes. 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 recorded at fair value. The balance reported for each participating fund as "Cash, Investments, and Accrued Interest" represents the equity of that fund in the pooled cash, investments, and accrued interest. Interest earnings on pooled investments are allocated to the participating funds based on average daily balances.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

E. Cash, Investments, and Accrued Interest, continued

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 bond 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 specified maturities.

All investments are valued at quoted market prices except for the investment in Special Assessments District bonds and in State of New Mexico Mortgage Finance Authority bonds which are computed at amortized cost approximating market value. The investment in the State of New Mexico local government investment pool is valued at \$1.00 share. It is a pool that is not registered with the United States Securities Exchange Commission and the regulatory oversight for that pool rests with the State of New Mexico's Treasurer through the State Treasurer's Investment Committee. This pool is subject to the standards set forth in the State Treasurer's Local Government Investment Policy document incorporated in and made a part of the State Treasurer's Investment Policy document.

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

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.

U.S. Treasury Obligations - Bills, notes, and bonds.

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

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:

Checking accounts - at insured financial institutions.

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. Inventories of Supplies

Inventories of supplies are valued at average cost. Expenditures in governmental funds and expenses in proprietary funds are recorded as inventory items are consumed.

G. Land Held for Sale

Land held for sale, which consists primarily of approximately 4,477 acres located throughout the State of New Mexico obtained by trade with the federal government in July 1982, is part of the Acquisition and Management of Open Space Nonexpendable Trust Fund. Upon sale of these properties, a portion of the gain, if any, as defined in an agreement, is payable to a third party. Other land was obtained through foreclosure proceedings required by special assessment bond ordinances. The land for sale is valued at cost, which does not exceed market value.

The City recognizes income on real estate transactions by recording the entire gross profit on sales that meet the requirements for the accrual method. Transactions, which do not meet the requirements for the accrual method, are recorded using the deposit method or installment method until such time as the requirements for the accrual method are met. Under the deposit method, cash received is recorded as a deposit. Under the installment method, the City records the entire contract price and the related costs at the time the transaction is recognized as a sale. Concurrently, the gross profit on the sale is deferred and is subsequently recognized as revenue as payments of principal are received on the related contract receivable.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

H. Capital Assets

Capital assets, which include land, buildings and improvements, machinery and equipment, and infrastructure assets, are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital assets are defined as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. General infrastructure assets, (roadways and related street and signal lights, storm sewers, bike trails, and bridges), acquired or constructed prior to July 1, 2001 have not been reported.

Capital outlay is recorded as expenditures of the General, Special Revenue, and Capital Projects Funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold is met. Interest incurred during the construction phase of capital assets of the business-type activities is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Capital assets, which are financed by general obligation bonds (to be repaid solely from property tax levies) for use by a proprietary fund, are reported as construction in progress in the government-wide financial statements during construction. The asset, when placed in service, is transferred at historical cost to the proprietary fund as a capital contribution from the City. Construction costs of water and sewer lines that are reimbursed by users or that are financed directly or indirectly by developers and property owners are capitalized and recorded as capital contributions in the Joint Water and Sewer (Enterprise) Fund.

Buildings and improvements, infrastructure, and machinery and equipment are depreciated using the straight line method over the following estimated useful lives:

Buildings and improvements	15 - 50 years
Runways and other improvements	15 - 25 years
General infrastructure assets	30 years
Improvements other than buildings and runways	15 - 20 years
Machinery and equipment	3 - 13 years

I. Deferred Charges and Other Assets

Purchased water rights, acquired in 1963, are recorded at cost in the Joint Water and Sewer Fund and are being amortized using the straight-line method over one hundred years.

Land acquired in claim settlement is recorded at the lower of cost or appraised value. The appraised value reflects the impairment of the asset, which was caused by underground contamination that seeped from an adjacent inactive landfill maintained by the City.

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.

J. Claims and Judgments

Liabilities for workers' compensation, tort and other claims as of June 30, 2002, were accrued based on actuarial estimates of the City's self-insurance programs. At June 30, 2002, liabilities were based on a case by case evaluation of the probable outcome of claims filed against the City, as well as an estimate of claims incurred but not reported. The long-term portion of the liability is discounted at 4.0% at June 30, 2002, and 5.5% for 2001, over the estimated payment period. Revenues consist primarily of charges to other funds, the amounts of which approximate the cost of claims and other risk management costs arising from the activities of those funds.

K. Accrued Vacation and Sick Leave Pay

City employees may accumulate limited amounts of vacation pay which are payable to the employee upon termination or retirement. For governmental funds, expenditures are recognized during the period in which vacation costs become payable from available, expendable resources. A liability for amounts earned but not payable from available, expendable resources is reported in the government-wide financial statements. For proprietary funds, vacation costs are recognized as a liability when incurred.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

K. Accrued Vacation and Sick Leave Pay, continued

City employees may also accumulate limited amounts of sick leave which are payable to the employee upon termination or retirement. For governmental funds, expenditures are recognized during the period in which sick leave costs become payable from available, expendable resources. A liability for vested amounts, due to employees' meeting the termination or retirement requirements, but not payable from available, expendable resources is reported in the government-wide financial statements. For proprietary funds, accumulated sick leave pay is recognized when vested or taken whichever occurs first.

L. Deferred Revenue

The City defers revenue from nonexchange transactions. The amount deferred results from the difference between the receivable recognized on an accrual basis and the related revenue recognized on the modified accrual basis. The City also defers revenue on a water rights contract, rehabilitation loans, construction loans, economic development loans and special assessments. Revenue is recognized as the receivables are collected. In addition, deferred revenue includes moneys collected for food service and license fees, not yet earned.

M. Special Assessments

Special assessment receivables are recorded upon approval of the assessment roll by the City Council, and the related revenues, interest, and penalties are recognized when due. City participation revenues are recorded at the time of receipt.

N. Long-term Obligations

Long-term obligations used to finance proprietary fund capital acquisitions and payable from revenue of proprietary funds are recorded in the applicable proprietary fund. Long-term obligations of governmental funds payable from general revenues of the City and special assessment levies are reported in the government-wide financial statements.

O. Fund Balance Reserves and Designations

The City records reserves to indicate that a portion of fund balance is legally restricted for a specific future use or is not available for appropriation and/or expenditure. At June 30, 2002, fund balances were reserved for:

Encumbrances - the estimated amount of unperformed contracts and outstanding purchase orders that will be re-appropriated in the subsequent fiscal year.

Inventories of supplies - the amount of inventories on hand not available for appropriation.

Prepaid items - the amount reserved for operating costs paid in advance not available for appropriation.

Land held for resale - the amount of fund balance representing the cost of land held for resale and not available for appropriation and/or expenditure.

Advances to other funds - the amount of advances to other funds not available for appropriation and/or expenditure.

Acquisition and management of open space land - the fund balance of permanent funds legally restricted for this purpose.

Urban enhancement - the fund balance of permanent funds legally restricted for this purpose.

Operations - a portion of the fund balance of the General Fund restricted by the City Council from expenditure, except by specific appropriation, for the purpose of maintaining existing levels of government services to the public.

In addition to reserves, the City designates certain portions of unreserved fund balances or unrestricted net assets, disclosed in note 2S, as follows:

Designated for future appropriations - the amount of nonexchange revenues recognized at fiscal year end that will not be available for expenditures until the revenue is received.

Designated for unrealized gains on investments - the amount of unrealized gains on investments at fiscal year end that will not be available for expenditures until the related investments are sold.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
 June 30, 2002

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

P. Encumbrances

Encumbrances, outstanding at year end and that will be re-appropriated for the following fiscal year, are recorded as a reservation of fund balance and are not included in expenditures.

Q. Unbilled Revenues

Water, sewer, and refuse services are billed on a cycle basis; therefore, amounts for service provided but unbilled as of June 30, 2002 are not included in receivables or revenue of the enterprise funds. Such unbilled amounts are not material to the financial position and results of operations of the individual enterprise funds.

R. Interfund Transactions

Transactions that would be recorded as revenues, expenditures, 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, retirees' health care, and payments in lieu of taxes. Other authorized transfers between funds are recorded as operating transfers and are included in the determination of the results of operations in the governmental, proprietary, and fiduciary funds.

S. Budgets

Annual budgets for the General Fund, certain Special Revenue Funds, and certain Debt Service Funds are departmental appropriations by program, the level at which expenditures may not legally exceed appropriations. The annual budget approved by the City Council also includes proprietary funds. The budgetary data is prepared consistent with the basis of accounting described in Note 2B. As required by the home rule City charter, the annual budget is formulated by the Mayor and submitted to the City Council by April 1 for the fiscal year commencing July 1. When there is a proposal for a change in rates or fees, City ordinances provide that the Mayor shall submit the operating budget for the Solid Waste, Golf, Joint Water and Sewer, and Aviation enterprise funds to the City Council no later than March 1. Public hearings are conducted to obtain citizen comments on the approved budget. By June 1, the budget is legally adopted through passage of an appropriation resolution by the City Council.

The Mayor has the authority to change individual program appropriations by the lesser of five percent of the original appropriation or \$100,000, provided that the total amount of appropriations for the fund as approved by the City Council does not change. Approved appropriations lapse at the end of the fiscal year to the extent that they have not been expended or encumbered except any appropriation continued by ordinance. During fiscal year 2002, several supplemental appropriations were necessary. Following are the programs with expenditures that exceeded their appropriations at the end of the fiscal year prior to any subsequent City Council action.

General Fund:		Joint Water and Sewer Fund:	
Early retirement	\$ 675,690	Sustainable water supply	287,859
Fire training and safety	288,918	San Juan-Chama	125,407
Operating transfers out	266,436	Low income utility credit	6,250
Corrections and Detention Fund:		Risk Management Fund:	
Community custody	49,243	Tort and other claims	969,023
Corrections and detention	215,057		

An annual budget, which is not legally adopted, for the City of Albuquerque Housing Authority is prepared in accordance with the Department of Housing and Urban Development regulations on an accrual basis and includes both operating and debt service activities as a single budget. The Special Assessments Debt Service Fund spending is controlled primarily through bond indenture provisions and the Capital Projects Funds do not have annual budgets.

Exhibit A-8, "Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Non Major Governmental Funds - Special Revenue and Debt Service Funds", does not include certain Special Revenue Funds (Albuquerque Biological Park Projects, City/County Projects, City Housing, Community Development, Culture and Recreation Projects, Housing and Neighborhood Economic Development, Law Enforcement Protection, Metropolitan Redevelopment, Operating Grants, and Urban Enhancement Expenditures) which have other than annual budgets.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
 June 30, 2002

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

S. Budgets, continued

Included in the unreserved fund balances or unrestricted net assets for budgetary purposes are designations for future appropriations and for unrealized gains on investments. The designated amounts (in thousands) by fund types is as follows:

<u>Unreserved fund balance - governmental funds</u>						
	<u>General</u>	<u>Corrections and Detention</u>	<u>GO Bond Debt Service</u>	<u>Capital Acquisition</u>	<u>Non Major</u>	<u>Totals</u>
Designated for:						
Future appropriations	\$ 17,763	\$ -	\$ -	\$ -	\$ 3,285	\$ 21,048
Unrealized gains	141	-	64	575	384	1,164
Undesignated	<u>1,914</u>	<u>9</u>	<u>18,166</u>	<u>121,855</u>	<u>37,456</u>	<u>179,400</u>
Total Unreserved	<u>\$ 19,818</u>	<u>\$ 9</u>	<u>\$ 18,230</u>	<u>\$ 122,430</u>	<u>\$ 41,125</u>	<u>\$ 201,612</u>

<u>Unrestricted net assets - proprietary (enterprise) funds</u>						
	<u>Airport</u>	<u>Joint Water and Sewer</u>	<u>Refuse Disposal</u>	<u>Housing Authority</u>	<u>Non Major</u>	<u>Totals</u>
Designated for:						
Unrealized gains	\$ 307	\$ 223	\$ 74	\$ -	\$ 274	\$ 878
Undesignated	<u>10,293</u>	<u>47,864</u>	<u>5,165</u>	<u>8,598</u>	<u>1,408</u>	<u>73,328</u>
Total Unreserved	<u>\$ 10,600</u>	<u>\$ 48,087</u>	<u>\$ 5,239</u>	<u>\$ 8,598</u>	<u>\$ 1,682</u>	<u>\$ 74,206</u>

T. Implementation of New Accounting Principles

Governmental Accounting Standards Board (GASB) Statement No. 34

The City adopted the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This statement affects the manner in which the City records transactions and presents financial information. State and local governments have traditionally used a financial reporting model substantially different from the one used to prepare private-sector financial reports.

GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments. The statement was developed to make annual reports of state and local governments easier to understand and more useful to the people who use governmental financial information to make decisions.

Management's Discussion and Analysis - Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the City's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to the analysis provided in the annual reports of private-sector organizations.

Government-wide Financial Statements - The reporting model includes financial statements prepared using full accrual accounting for all of the City's activities. This approach includes not just current assets and liabilities but also capital and other long-term assets as well as long-term liabilities. Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter.

Statement of Net Assets - The government-wide statement of net assets is designed to display the financial position of the primary government (government and business-type activities). The City now reports all capital assets and long-term liabilities in the government-wide statement. The net assets of the City is reported in three categories -1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Activities - The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the City's functions. The expense of individual functions is compared to the revenue generated directly by the function.

The City has recorded capital and certain other long-term assets and liabilities in the statement of net assets, and has reported all revenues and the cost of providing services under the accrual basis of accounting in the statement of activities.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

T. Implementation of New Accounting Principles, continued

GASB Statement No. 37

The City adopted the provisions of GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Government: Omnibus*. This statement amends GASB Statement No. 34 to either 1) clarify certain provisions or 2) modify other provisions that GASB believes may have unintended consequences in some circumstances. Accordingly, the City considered the effects of this statement when adopting the provisions of GASB Statement No. 34 as previously described.

GASB Statement No. 38

The City adopted the provisions of GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. This statement modifies, establishes, and rescinds certain financial statement disclosure requirements. Accordingly, footnote disclosures have been revised to conform to the provisions of GASB Statement No. 38.

GASB Interpretation No. 6

The City adopted the provisions of GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. This interpretation clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or could arise, in interpretation and practice. This interpretation impacts the fund level financial statements (governmental funds only, not proprietary or fiduciary funds) required by GASB Statement No. 34 but has no direct impact on the government-wide financial statements. Accordingly, the City has considered the effects of this statement. No change in accounting for these types of liabilities or expenditures was required.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 3 RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

Total fund balances of the City's governmental funds, \$283,605,997, differs from net assets of governmental activities, \$648,684,699, reported in the statement of net assets. The differences primarily results from the long-term economic focus in the statement of net assets versus the current financial resources focus in the governmental fund balance sheets. The differences (*in thousands*) are illustrated below:

	Total Governmental Funds	Internal Service Funds	Long-term Assets Liabilities	Reclassi- fications and Eliminations	Statement of Net Assets Totals
Assets:					
Cash, investments and accrued interest	\$ 300,897	\$ 26,647	\$ -	\$ (68,942)	\$ 258,602
Taxes receivable	60,271	-	-	-	60,271
Accounts receivable	30,224	2,029	-	-	32,253
Due from other governments	18,593	63	-	-	18,656
Accrued interest	-	-	116	-	116
Deposit	1,780	7	-	-	1,787
Internal balances	31,510	-	-	(5,910)	25,600
Inventories	283	1,849	-	-	2,132
Prepaid expenses	164	301	-	-	465
Restricted assets:					
Cash, investments and accrued interest	-	-	-	68,942	68,942
Capital assets:					
Land and construction in progress	-	284	451,305	-	451,589
Capital assets being depreciated	-	2,865	533,368	-	536,233
Accumulated depreciation	-	(2,263)	(293,962)	-	(296,225)
Deferred charges and other assets	5,128	1,930	370	-	7,428
Total assets	\$ 448,850	\$ 33,712	\$ 691,197	\$ (5,910)	\$ 1,167,849
Liabilities:					
Accounts payable	\$ 20,091	\$ 2,099	\$ -	\$ -	\$ 22,190
Accrued liabilities	15,551	122	-	7,781	23,454
Deposits	793	-	-	-	793
Due to other funds/advances	5,910	-	-	(5,910)	-
Due to other governments	344	-	-	-	344
Deferred revenues	57,752	-	(30,603)	-	27,149
Current portion of long-term obligations:					
Bonds and notes payable	-	-	-	57,022	57,022
Accrued vacation and sick leave pay	-	468	14,650	-	15,118
Accrued claims payable	-	13,155	-	-	13,155
Matured principal and interest	64,803	-	-	(64,803)	-
Non current long-term obligations:					
Bonds and notes payable	-	-	320,927	-	320,927
Accrued vacation and sick leave pay	-	199	10,687	-	10,886
Accrued claims payable	-	26,144	-	-	26,144
Deferred credit	-	-	1,982	-	1,982
Total liabilities	165,244	42,187	317,643	(5,910)	519,164
Fund balances/net assets	283,606	(8,475)	373,554	-	648,685
Total liabilities and fund balances/net assets	\$ 448,850	\$ 33,712	\$ 691,197	\$ (5,910)	\$ 1,167,849

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 3 RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS, continued

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of net activities.

The net change in fund balances for governmental funds, \$32,819,875, differs from the change in net assets for governmental activities, \$47,452,201, reported in the statement of activities. The differences arise primarily from the long-term economic focus in the statement of activities versus the current financial resources focus in the governmental funds. The differences (*in thousands*) are illustrated below:

	Total Governmental Funds	Internal Service Funds	Long-term Revenues/ Expenses	Reclassi- fications and Eliminations	Statement of Activities Totals
Revenues:					
Taxes:					
Property taxes	\$ 78,989	\$ -	\$ (6,838)	\$ -	\$ 72,151
Gross receipts tax	115,625	-	627	-	116,252
Franchise tax	15,369	-	-	-	15,369
Lodgers tax	8,319	-	-	-	8,319
Licenses and permits	10,396	-	-	-	10,396
Intergovernmental	209,422	-	843	-	210,265
Charges for services	43,745	-	-	(7,729)	36,016
Fines and forfeits	669	-	-	-	669
Investment earnings	10,411	798	116	-	11,325
Special assessments	10,277	-	-	-	10,277
Other revenue	11,521	28	(284)	578	11,843
Total revenues	514,743	826	(5,536)	(7,151)	502,882
Expenditures/Expenses:					
Current:					
General government	53,055	292	2,497	(3,042)	52,802
Corrections	36,232	336	316	(1,383)	35,501
Fire	44,724	348	1,152	(203)	46,021
Police	91,412	1,191	7,342	(947)	98,998
Culture and recreation	53,316	448	10,058	984	64,806
Public works	11,277	79	684	(68)	11,972
Highways and streets	19,074	292	632	7,148	27,146
Health	10,025	82	467	(190)	10,384
Human services	50,918	205	865	(315)	51,673
Housing	2,389	-	(123)	(17)	2,249
Special assessments	-	-	-	15,897	15,897
Debt service:					
Principal retirement	60,058	-	(60,058)	-	-
Interest and other fiscal charges	15,925	-	1,133	-	17,058
Bond issuance costs	512	-	(773)	-	(261)
Capital outlay	110,038	-	(84,446)	(25,592)	-
Miscellaneous	1,156	-	(1,733)	577	-
Total expenditures/expenses	560,111	3,273	(121,987)	(7,151)	434,246
Other financing sources (uses)/changes in net assets:					
Net transfers (to) from other funds	(20,915)	(269)	-	-	(21,184)
Proceeds from issuance of bonds and loans	99,103	-	(99,103)	-	-
Total other financing sources (uses)/changes in net assets	78,188	(269)	(99,103)	-	(21,184)
Net change for the year	\$ 32,820	\$ (2,716)	\$ 17,348	\$ -	\$ 47,452

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 4 CASH AND CASH EQUIVALENTS

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

The total cash, investments, accrued interest and cash with fiscal agents, net of cash overdrafts of the City at June 30, 2002, consist of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash, investments, accrued interest and cash with fiscal agents, net of unamortized discounts and premiums:				
Repurchase agreements	\$ 183,093,920	\$ 119,683,773	\$ 6,422,931	\$ 309,200,624
Obligations of federal agencies or instrumentalities	118,522,274	81,961,184	4,107,352	204,590,810
State of New Mexico investment council	21,556,703	-	-	21,556,703
State of New Mexico local government investment pool	-	6,544,956	-	6,544,956
Total investments	<u>323,172,897</u>	<u>208,189,913</u>	<u>10,530,283</u>	<u>541,893,093</u>
Certificates of deposit	100,000	-	-	100,000
Bank accounts (book balance)	(6,841)	(960,061)	1,376,678	409,776
Total bank balances	<u>93,159</u>	<u>(960,061)</u>	<u>1,376,678</u>	<u>509,776</u>
Accrued interest receivable	994,082	835,363	-	1,829,445
In trust at Bank of Albuquerque	3,225,649	2,900,228	-	6,125,877
Imprest cash funds	57,894	14,595	-	72,489
Total other	<u>4,277,625</u>	<u>3,750,186</u>	<u>-</u>	<u>8,027,811</u>
Total cash, investments, accrued interest and cash with fiscal agents	<u>\$ 327,543,681</u>	<u>\$ 210,980,038</u>	<u>\$ 11,906,961</u>	<u>\$ 550,430,680</u>
Unrestricted cash, investments and accrued interest:				
Cash, investments and accrued interest	\$ 190,571,924	\$ 32,558,139	\$ 10,530,283	\$ 233,660,346
Cash with fiscal agents	68,029,267	-	-	68,029,267
Total unrestricted cash, investments and accrued interest	<u>258,601,191</u>	<u>32,558,139</u>	<u>10,530,283</u>	<u>301,689,613</u>
Restricted cash, investments and accrued interest:				
Cash, investments and accrued interest	68,942,490	126,564,281	1,376,678	196,883,449
Cash with fiscal agents	-	51,857,618	-	51,857,618
Total restricted cash, investments and accrued interest	<u>68,942,490</u>	<u>178,421,899</u>	<u>1,376,678</u>	<u>248,741,067</u>
Total cash, investments, accrued interest and cash with fiscal agents	<u>\$ 327,543,681</u>	<u>\$ 210,980,038</u>	<u>\$ 11,906,961</u>	<u>\$ 550,430,680</u>

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 4 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, 2002, 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 counter party's trust department (if a bank) or agent in the City's name.

	<u>Category</u>			<u>Total</u>
	<u>1</u>	<u>2</u>	<u>Not Categorized</u>	
Repurchase agreements	\$ -	\$309,200,624	\$ -	\$309,200,624
Obligations of federal agencies or instrumentalities	204,590,810	-	-	204,590,810
State of New Mexico investment council	-	-	21,556,703	21,556,703
State of New Mexico local government investment pool	-	-	<u>6,544,956</u>	<u>6,544,956</u>
Total investments	<u>\$204,590,810</u>	<u>\$309,200,624</u>	<u>\$ 28,101,659</u>	<u>\$541,893,093</u>

2. Deposit Categories of Credit Risk

- (A) Insured or collateralized with securities held by the City or by 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.

	<u>Category</u>		
	<u>A</u>	<u>B</u>	<u>Total</u>
Bank accounts (bank balance)	\$ 209,887	\$ 8,851,929	\$ 9,061,816
Certificates of deposit	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Total deposits	<u>\$ 309,887</u>	<u>\$ 8,851,929</u>	<u>\$ 9,161,816</u>

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
 June 30, 2002

NOTE 4 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 at June 30, 2002, consists of the following:

	<u>Bank Of The West</u>	<u>Bank of America</u>	<u>Compass Bank</u>	<u>Wells Fargo Bank</u>	<u>First State Bank</u>	<u>Bank 1st</u>
Total amount on deposit	\$ 6,519	\$ 2,848,164	\$ 2,638	\$ 6,203,765	\$ 730	\$ 100,000
Less FDIC coverage	<u>6,519</u>	<u>100,000</u>	<u>2,638</u>	<u>100,000</u>	<u>730</u>	<u>100,000</u>
Total uninsured public funds	-	2,748,164	-	6,103,765	-	-
50% collateral requirement	<u>-</u>	<u>1,374,082</u>	<u>-</u>	<u>3,051,883</u>	<u>-</u>	<u>-</u>
Pledged securities, fair value	<u>-</u>	<u>639,176</u>	<u>-</u>	<u>6,166,893</u>	<u>-</u>	<u>-</u>
Pledged in excess (deficit) of requirement	<u>\$ -</u>	<u>\$ (734,906)</u>	<u>\$ -</u>	<u>\$ 3,115,010</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 5 TAXES, ACCOUNTS AND NOTES RECEIVABLES

A. Taxes receivable

The taxes receivable at June 30, 2002 are from the following sources:

Gross receipts taxes	\$ 47,412,005
Property tax	8,391,514
Franchise tax	3,108,896
Lodgers tax	807,972
Other taxes	<u>550,491</u>
Total	<u>\$ 60,270,878</u>

The property taxes above include a receivable of \$6,477,799 in the General Obligation Debt Service Fund, \$1,513,715 in the General Fund, and \$400,000 in the Metropolitan Redevelopment Fund.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied each year on July 1 on the taxable valuation of property located in the City as of the preceding January 1. The taxable valuations for the various classes of property are determined by the Bernalillo County Assessor and the State of New Mexico Department of Taxation and Revenue at one-third of assessed valuation. Property in the City for the fiscal year 2002 tax levy had a taxable value of \$7,423,666,498. The rate of taxes for operating purposes for all taxing jurisdictions is limited by the State Constitution to 20 mills (\$20 per \$1000 assessed valuation), of which the City's portion, by state regulation, is limited to 2.225 mills. The 2002 weighted average residential and non-residential City rate for both operations and debt service was 11.161 mills. Taxes are payable in two equal installments on November 10 and April 10 and become delinquent after 30 days.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 5 TAXES, ACCOUNTS AND NOTES RECEIVABLES, continued

B. Accounts receivables And Allowances For Uncollectible Accounts

Included on Exhibit A-I, "Statement of net assets", are balances of receivables which are reported net of allowances for uncollectible accounts. The amounts of these receivables that have allowances as of June 30, 2002, are as follows:

	<u>Total receivables</u>	<u>Allowance for uncollectible accounts</u>	<u>Net receivables</u>
Government Activities:			
Governmental funds:			
General Fund	\$ 3,140,606	\$ 756,932	\$ 2,383,674
Corrections and Detention Fund	1,433,573	1,387,559	46,014
Capital Acquisitions Fund	21,651	-	21,651
Non Major governmental funds	214,089	-	214,089
Internal service funds	<u>2,029,360</u>	<u>-</u>	<u>2,029,360</u>
Total government activity funds	<u>\$ 6,839,279</u>	<u>\$ 2,144,491</u>	<u>\$ 4,694,788</u>
Business-type activities:			
Major funds:			
Airport	\$ 3,993,900	\$ 746,377	\$ 3,247,523
Joint Water and Sewer	18,928,791	1,477,223	17,451,568
Refuse Disposal	2,947,565	276,581	2,670,984
Housing Authority Fund	404,911	257,029	147,882
Non major funds	<u>239,217</u>	<u>113,473</u>	<u>125,744</u>
Total Enterprise Funds	<u>\$ 26,514,384</u>	<u>\$ 2,870,683</u>	<u>\$ 23,643,701</u>

C. Long Term And Notes Receivables

Included in Exhibit A-1 are long term-receivables as follows:

Special Revenue Funds:		
Community Development Fund	Rehabilitation loans	\$ 2,185,369
Housing & Neighborhood Economic Development Fund	Notes receivable	139,355
"	Developer loans	250,000
Metropolitan Redevelopment Fund	Developer loans	500,000
Operating Grants Fund	Rehabilitation loans	741,545
"	Developer loans	<u>250,000</u>
		<u>4,066,269</u>
Debt Service Funds:		
Special Assessments Debt Service Fund	Special Assessments *	<u>18,720,115</u>
Permanent Funds:		
Acquisition and Management of Open Space		
Permanent Fund	Real Estate Contracts	<u>4,772,760</u>
		<u>\$ 27,559,144</u>

* includes delinquent accounts of \$515,156

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 6 INTERFUND RECEIVABLES AND PAYABLES

The interfund receivables and payables have primarily been recorded when funds overdraw their share of pooled cash. The composition of interfund balances as of June 30, 2002, consist of the following:

	<u>Due from other funds</u>	<u>Due to other funds</u>
Governmental funds:		
Major Funds:		
General Fund	\$ 5,602,453	\$ -
Corrections and Detention	-	3,107,113
	<u>5,602,453</u>	<u>3,107,113</u>
Non major funds:		
Community Development Fund	-	1,261,445
Gas Tax Road Fund	-	109,212
Operating Grants	-	1,124,683
	<u>-</u>	<u>2,495,340</u>
Total	<u>\$ 5,602,453</u>	<u>\$ 5,602,453</u>

NOTE 7 INTERFUND ADVANCES

Interfund advances to be repaid from revenues or proceeds from the sale of assets are as follows as of June 30, 2002.

		<u>Advances to other funds</u>	<u>Advances from other funds</u>
Governmental funds:			
General Fund *	Advance to Capital Acquisition Fund *	\$ 112,000	\$ -
	Advance to Open Space Expendable Trust Fund	195,636	-
		<u>307,636</u>	<u>-</u>
Special Revenue Fund	Open Space Expenditures Fund:		
	Advance from General Fund *	-	195,636
Debt Service Fund	Sales Tax Refunding Debt Service Fund:		
	Advance to Parking Facilities Fund **	25,600,000	-
Capital Projects Fund	Capital Acquisition Fund *:		
	Advance from General Fund *	-	112,000
		<u>25,907,636</u>	<u>307,636</u>
Proprietary funds:			
Enterprise Funds:	Parking Facilities Fund:		
	Advance from Sales Tax Refunding Debt Service Fund **	-	25,600,000
Total advances		<u>\$ 25,907,636</u>	<u>\$ 25,907,636</u>

* Major fund, all others are non-major.

** Revenue bonds payable solely from gross receipts tax revenues were issued in fiscal year 2000. The proceeds of these bonds were advanced to the Parking Facilities Fund and are being used to construct, acquire or improve capital assets.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 8 CAPITAL ASSETS

Capital asset activity of the City for the year ended June 30, 2002, was as follows:

A. Governmental Activities

	<u>Balance</u> <u>July 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30</u>
Assets not being depreciated:				
Land	\$ 198,886,408	\$ 3,872,166	\$ -	\$ 202,758,574
Construction work in progress	<u>219,490,193</u>	<u>39,072,169</u>	<u>9,732,340</u>	<u>248,830,022</u>
	<u>418,376,601</u>	<u>42,944,335</u>	<u>9,732,340</u>	<u>451,588,596</u>
Assets being depreciated:				
Buildings	78,621,350	2,572,590	-	81,193,940
Infrastructure	-	35,599,482	-	35,599,482
Improvements other than buildings	271,594,546	4,090,227	-	275,684,773
Equipment	<u>136,407,206</u>	<u>11,722,844</u>	<u>4,374,214</u>	<u>143,755,836</u>
	<u>486,623,102</u>	<u>53,985,143</u>	<u>4,374,214</u>	<u>536,234,031</u>
Less accumulated depreciation:				
Buildings	28,579,091	1,995,668	-	30,574,759
Infrastructure	-	593,325	-	593,325
Improvements other than buildings	142,632,206	9,193,611	-	151,825,817
Equipment	<u>105,063,645</u>	<u>12,240,012</u>	<u>4,072,424</u>	<u>113,231,233</u>
	<u>276,274,942</u>	<u>24,022,616</u>	<u>4,072,424</u>	<u>296,225,134</u>
Capital Assets being depreciated, net	<u>210,348,160</u>	<u>29,962,527</u>	<u>301,790</u>	<u>240,008,897</u>
Total capital assets, net	<u>\$ 628,724,761</u>	<u>\$ 72,906,862</u>	<u>\$ 10,034,130</u>	<u>\$ 691,597,493</u>

The construction work in progress consists of expenditures made in connection with the Capital Projects, Infrastructure Tax and Quality of Life Funds. The major amounts are for a new community center, renovating the Sport Stadium, the Balloon Fiesta Park facility development, a new police crime lab, police mini-substations, the new Explora Science Center, and other facilities.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 8 CAPITAL ASSETS, continued

B. Business-type activities

	<u>Balance</u> <u>July 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30</u>
Assets not being depreciated:				
Land	\$ 59,100,337	\$ 12,372,738	\$ 57,134	\$ 71,415,941
Land and improvements acquired from the U.S. Air Force	7,630,077	-	-	7,630,077
Other	640,546	-	-	640,546
Construction work in progress	<u>52,477,427</u>	<u>25,805,535</u>	<u>26,389,408</u>	<u>51,893,554</u>
Total assets, not being depreciated	<u>119,848,387</u>	<u>38,178,273</u>	<u>26,446,542</u>	<u>131,580,118</u>
Assets being depreciated:				
Buildings and improvements	253,543,551	19,221,246	-	272,764,797
Runways and improvements	242,121,821	228,806	-	242,350,627
Improvements other than buildings and runways	1,266,160,920	45,923,246	-	1,312,084,166
Equipment	<u>140,779,106</u>	<u>15,432,977</u>	<u>1,315,135</u>	<u>154,896,948</u>
Total assets, being depreciated	<u>1,902,605,398</u>	<u>80,806,275</u>	<u>1,315,135</u>	<u>1,982,096,538</u>
Less accumulated depreciation:				
Buildings and improvements	121,309,553	9,742,215	-	131,051,768
Runways and improvements	111,318,315	13,037,263	-	124,355,578
Improvements other than buildings and runways	590,017,075	45,987,267	-	636,004,342
Equipment	<u>91,457,710</u>	<u>11,892,072</u>	<u>1,201,174</u>	<u>102,148,608</u>
Total accumulated depreciation	<u>914,102,653</u>	<u>80,658,817</u>	<u>1,201,174</u>	<u>993,560,296</u>
Capital assets being depreciated, net	<u>988,502,745</u>	<u>147,458</u>	<u>113,961</u>	<u>988,536,242</u>
Total capital assets, net	<u>\$ 1,108,351,132</u>	<u>\$ 38,325,731</u>	<u>\$ 26,560,503</u>	<u>\$ 1,120,116,360</u>

The construction work in progress consists of expenditures made in connection with the Joint Water and Sewer Fund, Refuse Disposal Fund, Transit Fund, Parking Facilities Fund, and Housing Authority Fund. The major amounts are for Water and Sewer System improvements, parking structures, renovation of old Albuquerque High School, Solid Waste Disposal Facilities, and Transit Intermodal Facilities.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 8 CAPITAL ASSETS, continued

C. Depreciation expense

Depreciation expense was charged to functions/programs of the City as follows:

<u>Governmental activities:</u>	
General government	\$ 2,475,389
Public safety:	
Corrections	275,373
Fire protection	1,509,431
Police protection	6,659,141
Culture and recreation	9,728,125
Public works	816,001
Highways and streets	682,135
Health	568,834
Human services	1,141,047
Capital assets held by the City's internal service funds charged to the various functions on a prorated basis based on their usage of the assets	167,141
Total depreciation expense - governmental activities	<u>\$ 24,022,617</u>
<u>Business-type activities:</u>	
Major funds:	
Airport	\$ 28,417,108
Joint Water and Sewer	39,355,206
Refuse Disposal	4,692,728
Housing Authority	2,177,278
Non major funds:	
Golf Course	439,817
Parking Facilities	920,204
Transit	4,656,476
Total depreciation expense - business-type activities	<u>\$ 80,658,817</u>

D. Capitalized interest

Changes to the capital assets for the business-type activities for 2002 include the following amounts of capitalized interest:

	<u>Total Interest</u>	<u>Interest Related to Tax-Exempt Borrowing</u>	<u>Net</u>
Interest expense	\$ 28,457,583	\$ 6,314,003	\$ 22,143,580
Interest income	6,092,226	1,560,963	4,531,263
Capitalized interest		<u>\$ 4,753,040</u>	

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 9 RESTRICTED ASSETS

Restricted assets arise principally from legal restrictions on expenditures of proceeds from general obligations bonds or sales tax revenue bonds in the governmental activities or on expenditures of proceeds from revenue bonds of the enterprise funds. The amount of restricted assets reported in the statement of net assets at June 30, 20002 is as follows:

A. Governmental Activities

Capital Acquisitions Fund	\$
68,942,490	

B. Business-type activities

Airport Fund	\$ 69,403,065
Joint Water and Sewer Fund	76,966,817
Refuse Disposal Fund	15,310,119
Housing Authority Fund	454,847
Other Enterprise Funds	22,609,004
Totals	\$ 184,743,852

NOTE 10 LONG-TERM OBLIGATIONS

A. Governmental activities

Bonded obligations of the City consists of various issues of general obligation, revenue, and special assessment bonds. Also included in long-term obligations is a water rights contract, notes payable, claims and judgments, and accrued vacation and sick leave pay. The City has complied with all revenue bond ordinance requirements for maintaining specific reserves for future debt service. All variable rate bonds are callable at 100% after 45 to 60 days notification to bondholders.

The changes in the long-term obligations of the governmental activities for the year ended June 30, 2002, are as follows:

	Outstanding				Payable in one year
	July 1	Increases	Decreases	June 30	
General Obligation Bonds	\$ 189,010,000	\$ 92,425,000	\$ 71,570,000	\$ 209,865,000	\$ 49,810,000
Sales Tax Revenue Bonds	162,450,017	-	2,660,000	159,790,017	2,730,000
Sales Tax Revenue Notes	700,000	-	-	700,000	126,313
Special Assessment Bonds and Notes					
With Governmental Commitment	22,829,561	3,919,861	4,341,948	22,407,474	4,355,963
Accrued vacation and sick leave pay	23,193,039	2,810,240	-	26,003,279	15,117,241
Accrued claims payable	33,812,432	15,939,186	10,453,105	39,298,513	13,154,499
Less deferred amounts:					
Unamortized Bond Discounts	(18,300,302)	-	(1,246,947)	(17,053,355)	-
Unamortized Bond Premiums	-	2,758,041	517,777	2,240,264	-
	413,694,747	117,852,328	88,295,883	443,251,192	85,294,016
Current portion of					
long-term obligations	(99,631,249)	-	(14,337,233)	(85,294,016)	-
Total	\$ 314,063,498	\$ 117,852,328	\$ 73,958,650	\$ 357,957,176	\$ 85,294,016

General Obligation Bonds are direct obligations of the City for which its full faith and credit are pledged and are payable from taxes levied on property located within the City.

On September 1, 2001, the City issued \$46,315,000 of General Obligation General Purpose bonds, Series 2001A, with an average coupon rate of 4.5%. The proceeds of these bonds were deposited into the Capital Projects Acquisition Fund and are being used to finance improvements for parks, libraries, museum, facilities, transit, streets and the biological park. The bonds also will be used to acquire equipment for fire and police protection.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 10 LONG-TERM OBLIGATIONS, continued

A. Governmental activities, continued

Also on September 1, 2001, the City issued \$4,510,000 of General Obligation Storm Sewer bonds, Series 2001B, with a coupon rate of 4.37%. The proceeds were deposited into the Capital Projects Acquisition Fund and will be used for improvements to the storm sewer system.

On December 1, 2001, the City issued \$10,000,000 of General Obligation Taxable Baseball Stadium bonds, Series 2001C. Interest coupon rates average 4.76%. The proceeds were deposited into the Capital Projects Acquisition Fund and are being used to finance a portion of the modernization, expansion and reconstruction of the City's currently existing municipal baseball stadium. The total cost for the City's portion of the project is estimated at \$25,000,000. The additional funds to complete the project are being provided by two loans from the New Mexico Finance Authority for \$6,000,000 (see subsequent event note 25) and \$9,000,000. Also see terms of the agreement in commitment note 24.

On February 1, 2002, the City issued \$6,000,000 of General Obligation Equipment bonds, Series 2002A, with a coupon rate of 2.50%. The proceeds were deposited into the Capital Acquisition Fund and will be used to purchase equipment for police and fire protection. The bonds matured on July 1, 2002.

On February 1, 2002, the City issued \$20,000,000 of General Obligation General Purpose bonds, Series 2002B, with an average coupon rate of 4.34%. The proceeds were deposited into the Capital Projects Acquisition Fund and will be used to provide and improve public libraries and for street improvements.

Also, on February 1, 2002, the City issued \$5,600,000 of General Obligation Storm Sewer bonds, Series 2002C, with a coupon rate of 4.50%. The proceeds were deposited into the Capital Projects Acquisition Fund and will be used for improvements to the storm sewer system.

General obligation bonds outstanding at June 30, 2002, are as follows:

Issue	Amount	Interest Rate	Final Maturity	Call Provisions
March 1, 1994 Storm Sewer	\$ 9,000,000	5.00%	July 1, 2003	Not callable
February 1, 1996 General Purpose	4,000,000	5.00%	July 1, 2004	Not callable
February 1, 1996 Storm Sewer	3,500,000	5.00/5.50%	July 1, 2005	Not callable
January 1, 1997 General Purpose	10,100,000	5.00%	July 1, 2005	Not callable
January 1, 1997 Storm Sewer	6,700,000	5.00%	July 1, 2006	Not callable
February 1, 1998 General Purpose	12,620,000	5.00%	July 1, 2005	Not callable
February 1, 1998 Storm Sewer	6,350,000	5.00%	July 1, 2007	100% beginning July 1, 2005
February 1, 1999 General Purpose	8,000,000	3.85/3.95%	July 1, 2006	Not callable
February 1, 1999 Storm Sewer	4,760,000	4.00/4.05%	July 1, 2008	100% beginning July 1, 2006
August 1, 1999 General Purpose	14,000,000	4.50/4.75	July 1, 2009	100% beginning July 1, 2007
July 1, 2000 General Purpose	2,850,000	5.00%	July 1, 2005	Not callable
July 1, 2000 Storm Sewer	6,750,000	5.00%	July 1, 2010	100% beginning July 1, 2008
September 1, 2001 General Purpose	34,315,000	4.00/5.00%	July 1, 2010	100% beginning July 1, 2009
September 1, 2001 Storm Sewer	4,510,000	4.375%	July 1, 2011	100% beginning July 1, 2009
December 1, 2001 Taxable Baseball Stadium	8,000,000	4.00/5.60%	July 1, 2010	Not callable
February 1, 2002 General Purpose	19,000,000	2.50/5.00%	July 1, 2009	Not callable
February 1, 2002 Storm Sewer	5,600,000	4.50%	July 1, 2011	100% beginning July 1, 2010
	<u>\$ 160,055,000</u>			

The Constitution of the State of New Mexico limits the amount of general purpose government obligation bonds that may be issued by a municipality to four percent of the taxable valuation of property located within the City. At June 30, 2002, based on the most recent assessed taxable valuation of \$7,423,666,498, the City may issue an additional \$184,061,000 of general purpose general obligation bonds. Included in the general obligation bonds outstanding at June 30, 2002, are Storm Sewer bonds in the amount of \$47,170,000 that are not subject to the legal debt limit.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 10 LONG-TERM OBLIGATIONS, continued

A. Governmental activities, continued

Sales Tax Revenue Bonds of the City are secured by a pledge of gross receipts tax (sales tax) revenues. In addition, the 1996 Refunding issue is secured by limited amounts of parking and airport revenues.

Sales tax revenue bonds and notes outstanding at June 30, 2002, are as follows:

<u>Issue</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Call Provisions</u>
November 18, 1991 B				
Refunding and Improvement	\$ 18,251,661	6.60/7.10%	July 1, 2019	103% beginning July 1, 2011
May 1, 1992 Refunding	5,885,000	6.00/6.30%	July 1, 2007	102% beginning July 1, 2002
March 7, 1995	1,455,000	adjustable weekly	July 1, 2023	100% beginning March 7, 1995
October 15, 1996 Refunding	10,885,000	5.00%	July 1, 2011	100% beginning July 1, 2007
January 15, 1999 A Refunding	5,465,000	3.75/5.00%	July 1, 2015	100% beginning July 1, 2009
January 15, 1999 B Refunding	45,335,000	4.60/5.00%	July 1, 2025	100% beginning July 1, 2009
March 15, 1999 C Refunding	27,130,000	4.75/5.25%	July 1, 2022	100% beginning July 1, 2009
January 20, 2000 A	25,600,000	adjustable weekly	July 1, 2014	100% beginning January 20, 2000
April 27, 2001, Note	<u>573,688</u>	3.02/3.62%	July 1, 2006	None
	<u>\$140,580,349</u>			

Special Assessment Debt and Notes Payable with Governmental Commitment is secured by pledges of revenues from special assessments levied. The outstanding bonds and notes of certain water and sewer improvement districts are also secured by surplus revenues of the joint water and sewer system, subordinate to bonds and obligations payable solely or primarily from such revenues. Outstanding bonds and notes of paving and sidewalk improvement districts are additionally secured by pledges of one-half of motor fuel tax revenues of the City, to be used only in the event that revenues from assessments and interest levied are not sufficient to meet debt service requirements. All Special Assessment debt is callable at 100% on any semi-annual interest payment date.

On October 16, 2001, the City executed a loan agreement with New Mexico Finance Authority for Special Assessment District 222. The loan payable for \$2,605,539 has an average interest rate of 3.67% and matures on July 1, 2011. The proceeds are being used to finance the construction of pavement, sanitary sewer lines, storm sewer lines and water lines. The balance due at June 30, 2002 is \$2,382,167.

On May 24, 2002, the City executed a loan agreement with New Mexico Finance Authority for Special Assessment District 216. The loan payable for \$1,314,322 has an average interest rate of 3.56% and matures on July 1, 2012. The proceeds are being used to finance the construction of storm sewer lines and water lines. The balance due at June 30, 2002 was \$1,314,322.

Special Assessment debt and notes in the amount of \$18,051,511 is outstanding at June 30, 2002. Interest rates range from 1.82% to 7.11%, and maturities extend through January 1, 2015.

Housing Authority Debt. The U.S. Housing and Urban Development Department (HUD) guaranteed third party debt consisting of new Housing Authority (HA) revenue bonds and permanent notes payable to the Federal Financing Bank were issued to provide for the development and modernization of low rent housing units. These bonds and notes are payable by HUD and secured by annual contributions to the HA. HUD regulations states that the bonds and notes do not constitute a debt by the HA and accordingly these have not been reported in the accompanying financial statements. At 6/30/2002, the outstanding balance of the revenue bonds was \$1,145,000 with annual payments required through 2013 and the outstanding balance of the permanent notes was \$8,727,923 with annual payments required through 2017.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 10 LONG-TERM OBLIGATIONS, continued

B. Business-type activities

The changes in the Business-type activities obligations for the year ended June 30, 2002, are as follows:

	<u>Outstanding</u>				<u>Payable in one year</u>
	<u>July 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30</u>	
Revenue bonds	\$ 566,220,000	\$ 72,550,000	\$ 88,575,000	\$ 550,195,000	\$ 38,910,000
Loans	49,104,448	3,092,837	3,060,280	49,137,005	3,384,676
Accrued vacation and sick leave pay	5,898,990	815,740	-	6,714,730	4,297,381
Less deferred amounts:					
Deferred refunding costs	(12,080,292)	(2,300,595)	(2,470,251)	(11,910,636)	-
Unamortized bond premiums	5,765,165	1,242,786	950,002	6,057,949	-
Unamortized bond discounts	(11,660,259)	463,660	(1,608,193)	(9,588,406)	-
	<u>603,248,052</u>	<u>75,864,428</u>	<u>88,506,838</u>	<u>590,605,642</u>	<u>46,592,057</u>
Current portion	(41,955,618)	-	4,636,439	(46,592,057)	-
Business-type activity long-term obligations	<u>\$ 561,292,434</u>	<u>\$ 75,864,428</u>	<u>\$ 93,143,277</u>	<u>\$ 544,013,585</u>	<u>\$ 46,592,057</u>

Airport Revenue Bonds are secured by pledges of net revenues of the airport.

On August 1, 2001, the City issued \$42,550,000 in Airport Refunding Revenue Bonds. The series 2001 Bonds have a weighted average interest rate of 4.77%, and were issued with a lien on net revenues that is on parity with the lien of the City's outstanding Airport Revenue Bonds. The net proceeds of \$43,334,992 (after payment of underwriting fees and other issuance costs) were used to refund \$46,025,000 of the Series 1995A Revenue Bonds. The bond proceeds, together with an additional \$4,900,063 were deposited with an escrow agent who redeemed the Series 1995A Bonds within 90 days after closing. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2,300,595. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2016 using the effective-interest method. The Fund completed the refunding to reduce total debt service payments over the next 14 years by \$9,849,298 and to obtain an economic gain (difference between the present value of the debt service payments on the old debt and new debt) of \$4,545,110.

Airport Revenue bonds outstanding at June 30, 2002, are as follows:

<u>Issue</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Call Provisions</u>
January 1, 1995 B	685,000	5.55/7.00%	July 1, 2016	100% beginning January 1, 1997
May 3, 1995 Refunding	53,000,000	a *	July 1, 2014	100% on any interest payment date
January 31, 1996 A	12,400,000	a	July 1, 2017	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	40,000,000	a	July 1, 2020	100% on any interest payment date
August 1, 2001	<u>42,330,000</u>	3.20/4.75%	July 1, 2016	100% beginning July 1, 2012
Total outstanding	225,335,000			
Unamortized discounts	889,783			
Deferral on refunding	<u>(6,758,173)</u>			
Net outstanding	<u>\$ 219,466,610</u>			

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
 June 30, 2002

NOTE 10 LONG-TERM OBLIGATIONS, continued

B. Enterprise, continued

Golf Course Revenue Bonds are secured by a pledge of net golf course revenues and a pledge of revenues received by the City from gross receipts tax revenues.

Golf Course Revenue bonds outstanding at June 30, 2002 are as follows:

<u>Issue</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Call Provisions</u>
February 1, 2001	\$ 2,295,000	5.70/6.70%	July 1, 2011	100% beginning July 1, 2007
Total outstanding	2,295,000			
Unamortized discounts	(5,160)			
Net outstanding	<u>\$ 2,289,840</u>			

Joint Water and Sewer Revenue Bonds are secured by a pledge of net revenues derived from the operations of the joint water and sewer system.

On December 19, 2001, the City issued \$30,000,000 in Joint Water and Sewer System Revenue Bonds with an average interest rate of 4.22%. The proceeds from the bonds will be used to extend, repair, replace and otherwise improve the City's water and sanitary sewer system.

Joint Water and Sewer Revenue Bonds outstanding at June 30, 2002, are as follows:

<u>Issue</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Call Provisions</u>
June 1, 1990 A	\$ 9,991,710	6.00/7.20%	July 1, 2008	100% beginning July 1, 2000
January 1, 1994 A	27,375,000	2.75/5.50%	July 1, 2005	Not callable
August 1, 1995	22,360,000	3.625/6.00%	July 1, 2007	Not callable
June 15, 1997	34,670,000	4.75%	July 1, 2009	100% beginning July 1, 2006
January 1, 1999A	83,400,000	3.80/5.25%	July 1, 2011	Not callable
May 1, 2000A	19,735,000	5.00%	July 1, 2006	Not callable
December 1, 2001	<u>29,900,000</u>	3.00/4.50%	July 1, 2013	100% beginning July 1, 2010
Total outstanding	227,431,710			
Unamortized discounts	4,581,746			
Deferral on refunding	(4,481,892)			
Accreted interest	<u>13,311,690</u>			
Net outstanding	<u>\$ 240,843,254</u>			

Included in the outstanding Joint Water and Sewer Revenue Bonds, are the June 1, 1990A Issue, capital appreciation bonds in the principal amount of \$9,991,710. No payment of principal or interest is due on these bonds until the year 2003. In accordance with the bond agreement the payment for these bonds is not provided for in the current revenue rate structure; however, interest in the amount of \$13,311,690 has accreted as of June 30, 2002, and; accordingly, the interest expense and related liability are included in the financial statements of the Joint Water and Sewer Fund. The accreted interest is included as a reduction of the undesignated unreserved deficit.

Joint Water and Sewer Loan Agreements

A **Water Rights Contract** with the United States Government was entered into by the City during the fiscal year ended June 30, 1963 to pay a portion of the construction, operation, and maintenance costs for the San Juan-Chama diversion project in return for a portion of the water rights resulting from the project. The contract provides for payment in fifty annual installments with final maturity in 2022, and has an interest rate of 3.046%. The amount of the contract outstanding at June 30, 2002, was \$21,506,937.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 10 LONG-TERM OBLIGATIONS, continued

B. Business-type activities, continued

A line of credit agreement with the New Mexico Environment Department, was entered into by the City during the year ended June 30, 1991. Two additional agreements were entered into during the year ended June 30, 1994. These agreements provide that the City may draw a total of \$21,000,000 for the purpose of defraying the cost of extending, enlarging, bettering, and repairing and otherwise improving the waste water facilities of the City's municipal joint water and sewer system.

On October 1, 1994, the City executed a promissory note with the New Mexico Environment Department that converted an existing line of credit agreement of \$7,907,582 to a long-term note payable with an interest rate of 5%. On March 12, 2001, the City refinanced the note payable, which lowered the interest rate to 3%. Annual payments are \$567,926, with a final payment due on July 1, 2013. The balance due at June 30, 2002, was \$5,254,807.

On October 5, 1995, the City executed a promissory note with the New Mexico Environment Department that converted an existing \$4,000,000 line of credit agreement. The note payable of \$2,521,846 (total draws on the line of credit at the time of project completion) had an interest rate of 5%. On March 12, 2001, the City refinanced the note payable, which lowered the interest rate to 3%. Final payment is due on July 1, 2008. The balance due at June 30, 2002, was \$1,444,178.

On July 1, 1997, the City executed a promissory note with the New Mexico Environment Department that converted an existing line of credit agreement of \$9,000,000 to a long-term note payable with an interest rate of 5%. On March 12, 2001, the City refinanced the note payable, which lowered the interest rate to 3%. Final payment is due on July 1, 2008. The balance due at June 30, 2002, was \$5,154,003.

On June 14, 2000, the City executed a promissory note with the New Mexico Environment Department that converted an existing line of credit agreement of \$15,000,000 to a long-term note payable with an interest rate of 4% with annual payments of \$1,587,627. Final payment is due on July 1, 2012. The balance due at June 30, 2002, was \$12,877,080.

On April 12, 2002, the City executed a promissory note with the New Mexico Finance Authority in the amount of \$450,000 with an interest rate of 4.088%. The proceeds from the loan will be used to construct chemical storage facilities used as part of the City's drinking water purification system.

On May 10, 2002, the City executed a promissory note with the New Mexico Finance Authority in the amount of \$2,450,000 with an interest rate of 3.0%. The proceeds from the loan will be used for the construction of a drinking water purification system in the City's water and wastewater utility system.

Refuse Disposal Revenue Bonds are secured by a pledge of net revenues from refuse disposal operations.

Refuse Disposal Revenue Bonds outstanding at June 30, 2002, are as follows:

<u>Issue</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Call Provisions</u>
September 1, 1992	\$ 1,610,000	5.20/5.60%	July 1, 2005	102% beginning July 1, 2002
July 1, 1995	10,180,000	3.85/5.30%	July 1, 2009	Not callable
February 1, 1998	8,060,000	3.75/5.00%	July 1, 2013	100% beginning July 1, 2007
May 1, 2001A	2,965,000	4.00/4.10%	July 1, 2008	Not callable
May 1, 2001B	<u>10,820,000</u>	3.63/5.25%	July 1, 2012	Not callable
Total outstanding	33,635,000			
Unamortized discounts	279,773			
Deferral on refunding	<u>(670,570)</u>			
Net outstanding	<u>\$ 33,244,203</u>			

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 10 LONG-TERM DEBT, continued

C. Summary of Annual Debt Service Requirements

The annual debt service requirements on the obligations outstanding at June 30, 2002 are as follows:

Year ending June 30	Governmental activities		Business-type activities	
	Principal	Interest	Principal	Interest
2003	\$ 35,531,347	\$ 15,039,335	\$ 44,193,262	\$ 25,878,293
2004	27,843,400	13,406,878	46,626,363	23,919,498
2005	29,780,626	12,130,296	48,853,485	21,729,191
2006	27,430,453	10,699,958	46,210,387	22,614,840
2007	23,866,685	9,419,570	45,095,294	24,345,054
2008-2012	76,803,680	33,253,014	183,629,862	60,751,765
2013-2017	35,109,071	21,454,458	92,970,070	16,727,773
2018-2022	44,046,598	10,913,357	28,895,047	2,245,199
2023-2025	18,275,000	2,033,188	1,359,947	41,424
Total	\$ 318,686,860	\$ 128,350,054	\$ 537,833,717	\$ 198,253,037

D. Arbitrage

Section 148 of the Internal Revenue Code provides generally that bonds issued by a municipality will be "arbitrage bonds", if any portion of the proceeds of the bonds are reasonably expected to be invested in obligations with a yield that is "materially higher" than the yield on the bonds. While municipalities are entitled to earn a certain amount of positive arbitrage during the period the bonds are outstanding, Section 148(f) generally requires that these earnings be paid to the Internal Revenue Service (IRS) at least every five years. As of June 30, 2002, the City has set aside an amount of \$1,982,207 in arbitrage interest due the IRS in connection with future filings and payments to the IRS. This amount is reported as a deferred credit in the statement of net assets.

NOTE 11 DEMAND BONDS

Included in long-term debt (Notes 10A and 10B) is \$139,255,000 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 10C 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 City'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 City has a non-cancelable "take out" agreement that would be exercised. The City is required to pay an annual fee for the "take out" agreements. The remarketing agent receives a fee for their services.

At June 30, 2002, no amounts were drawn on the "take out" agreements, which are as follows:

Sales Tax Revenue Bonds March 7, 1995

Remarketing Agent	Smith Barney, Inc.
Terms of "Take-Out" Agreement:	
Purchaser	Bank of America
Method of Purchase	Direct Pay Letter of Credit
Expiration Date	November 27, 2004
Annual Fee	.45% on the stated amount of the letter of credit
Stated Amount at Time of Issuance	\$2,018,220 (Principal outstanding plus 295 days of interest at 15%)
Bonds Outstanding at 6/30/2002	\$1,455,000

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 11 DEMAND BONDS, continued

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

Remarketing Agent	Smith Barney, Inc.
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 the letter of credit
Stated Amount at Time of Issuance	\$67,963,699 (Principal outstanding plus 35 days of interest at 15%)
Bonds Outstanding at 6/30/2002	\$53,000,000

Airport Subordinate Lien Adjustable Tender Refunding Revenue Bonds January 31, 1996

Remarketing Agent	Smith Barney, Inc.
Terms of "Take-Out" Agreement:	
Purchaser	Bayerische Landesbank
Method of Purchase	Direct Pay Letter of Credit
Expiration Date	January 31, 2001
Annual Fee	.29% on the stated amount of the letter of credit
Stated Amount at Time of Issuance	\$39,961,644 (Principal outstanding plus 60 days of interest at 15%)
Bonds Outstanding at 6/30/2002	\$12,400,000

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 the 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 6/30/2002	\$46,800,000

Variable Rate Taxable Gross Receipts Tax Improvement Bonds, Series 2000A, January 20, 2000

Remarketing Agent	Dain Rauscher, Inc.
Insured by	MBIA Insurance Corporation
Terms of "Take-Out" Agreement:	
Purchaser	Bank of America, N.A.
Method of Purchase	Liquidity Facility
Expiration Date	Jan 20, 2005
Annual Fee	.11% on the stated amount of the liquidity facility
Stated Amount at Time of Issuance	\$27,733,333 (Principal outstanding plus 200 days of interest at 15%)
Bonds Outstanding at 6/30/2002	\$25,600,000

NOTE 12 REFUNDED BONDS

The City has refunded various bond issues by issuing refunding bonds, the proceeds of which have been placed in escrow and used to purchase securities of the United States Government and related agencies at various interest rates and maturities sufficient to meet all debt service requirements of the refunded debt. These assets are administered by trustees and are restricted to use for retirement of the refunded debt. The liability for the refunded bonds and the related securities and escrow accounts are not included in the accompanying general purpose financial statements as the City satisfied its obligation for payment of the refunded debt upon completion of the refunding transactions. Refunded debt outstanding at June 30, 2002, is as follows:

Sales Tax Revenue Bonds	<u>\$21,891,000</u>
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CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 13 CONDUIT BONDS

The City has acted from time to time as the issuer of conduit bonds, the proceeds of which have been immediately loaned to a private borrower. Such bonds are payable by the City only from amounts paid to the City by such conduit borrowers pursuant to a lease, loan or other agreement. The City has assigned its rights with respect to such bonds to various trustees which monitor amounts due by the borrowers and pay the principal and interest as due on such conduit bonds from the borrowers payments. The City has no obligation to repay all or any portion of such bonds in the event the private borrowers fail to make their payments when due.

Industrial Revenue Bonds

As of June 30, 2002, there were seventy-three series of Industrial Revenue Bonds outstanding. The aggregate principal amount payable for the thirty-four series issued after July 1, 1995, is \$1.2 billion. The aggregate principal amount payable for the forty-two series issued prior to July 1, 1995, could not be determined; however, the original amount issued totaled \$644.7 million.

Metropolitan Redevelopment Bonds

As of June 30, 2002, there were nine series of Metropolitan Redevelopment Bonds outstanding. The aggregate principal amount payable for the three series issued after July 1, 1995 is \$6.85 million. The aggregate principal amount for the six series issued prior to July 1, 1995, could not be determined; however, the original amount issued totaled \$24,875,000.

NOTE 14 DEFICIT FUND EQUITIES

Special Revenue Funds

The Operating Grants Fund at June 30, 2002 has a deficit unreserved fund balance of \$537,694 while the deficit total fund balance is \$513,068. The deficit results from expenditures made in anticipation of future revenue from sources other than grants.

Capital Projects Funds

While the total unreserved fund balance of the Capital Acquisition Fund is not in a deficit position, deficit unreserved fund balances for certain purposes result because capital expenditures and encumbrances are made prior to issuance of general obligation bonds. The resulting deficit fund balance of the Community Services purpose at June 30, 2002, is \$174,606.

While the total unreserved fund balance of the Quality of Life Fund is not in a deficit position, deficit unreserved fund balances for certain purposes result because capital expenditures and encumbrances are made in anticipation of additional revenues and transfers. The resulting deficit unreserved fund balance of the Quarter Cent Storm Drain purpose at June 30, 2002, was \$83,892.

Internal Service Funds

The deficit fund net assets of the Risk Management Fund increased to \$14,109,749 at June 30, 2002 from the \$13,000,206 deficit fund net assets at June 30, 2001. The deficit at June 30, 2001, as restated (note 23), was increased by \$1,445,351 to record the impairment of an asset acquired in a claim settlement. The increase in deficit net assets for the year ended June 30, 2002 was primarily due to an unanticipated judgment on a claim for approximately \$4.25 million in connection with an employee dismissal suit filed against the City. The City is appealing the judgment. This amount is offset by a judgment of \$3.7 million in cash and reduction of liabilities for losses that was awarded in favor of the City against an insurance carrier. The City has implemented a five year recovery plan that will reduce the deficit net assets beginning in the fiscal year ending June 30, 2003 by increasing charges to other funds.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 15 INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2002, were as follows:

From	To		
General Fund *	Corrections and Detention Fund *	\$	17,057,000
General Fund *	Operating Grants Fund		3,573,436
General Fund *	Gas Tax Fund		714,000
General Fund *	Capital Acquisition Fund *		6,391,000
General Fund *	Sales Tax Refunding Debt Service Fund		801,000
General Fund *	City/County Building Debt Service Fund		95,000
General Fund *	Transit Fund		16,748,000
General Fund *	Acquisition and Management of Open Space Expenditures Fund		1,237,000
Recreation Fund	General Fund *		315,000
Lodgers Tax Fund	Sales Tax Refunding Debt Service Fund		4,522,000
Corrections and Detention Fund *	Joint Water & Sewer Capital Fund *		360,551
City/County Projects Fund	General Fund *		82,000
City/County Facilities Fund	City/County Building Debt Service Fund		1,200,000
Plaza del Sol Building Fund	Sales Tax Refunding Debt Service Fund		572,000
Capital Acquisition Fund *	General Fund *		1,911,000
Capital Acquisition Fund *	Transit Fund		5,459,148
Infrastructure Tax Fund	Capital Acquisition Fund *		12,500
Infrastructure Tax Fund	Transit Fund		4,925,009
Joint Water & Sewer Fund *	General Fund *		4,962,497
Parking Facilities Fund	General Fund *		128,000
Refuse Disposal Fund *	General Fund *		1,024,323
Transit Fund	General Fund *		142,907
Golf Course Fund	General Fund *		50,902
Risk Management Fund	General Fund *		269,000
Acquisition and Management of Open Space Permanent Fund	Acquisition and Management of Open Space Expenditures Fund		1,628,921
Urban Enhancement Permanent Fund	Urban Enhancement Expenditures Fund		<u>406,872</u>
Total transfers		\$	<u>74,589,066</u>
		<u>Transfers In</u>	<u>Transfers Out</u>
Exhibit A-4, "Statement of Revenues, Expenditures, and Changes in Fund Balances All Governmental Funds"		\$ 47,096,358	\$ 68,280,437
Exhibit A-10, "Statement of Revenues, Expenses, and Changes in Net Assets All Proprietary Funds"		<u>27,492,708</u>	<u>6,308,629</u>
Total transfers		\$ <u>74,589,066</u>	\$ <u>74,589,066</u>

* Major fund, all others are non-major funds

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 16 SEGMENT INFORMATION

Significant financial data for identifiable activities of major enterprise funds are reported in the statements for proprietary funds in the basic financial statements section. Significant financial data for identifiable activities of nonmajor enterprise funds as of and for the year ended June 30, 2002, (in thousands of dollars) is as follows:

	<u>Golf Course Fund</u>	<u>Parking Facilities Fund</u>	<u>Transit Fund</u>
CONDENSED STATEMENT OF NET ASSETS			
Assets:			
Current assets	\$ 226	\$ 286	\$ 3,462
Restricted assets	2,275	8,916	11,418
Capital assets	6,113	31,240	38,771
Other assets	97	326	-
Total assets	<u>8,711</u>	<u>40,768</u>	<u>53,651</u>
Liabilities:			
Current liabilities	157	121	1,528
Liabilities payable from restricted assets	233	1,387	2,570
Bonds and other long-term liabilities	2,370	45	361
Advance from other funds	-	25,600	-
Total liabilities	<u>2,760</u>	<u>27,153</u>	<u>4,459</u>
Net assets:			
Invested in capital assets, net of related debt	4,755	12,701	38,771
Net assets restricted for:			
Debt service	55	897	-
Construction	1,152	(103)	8,848
Unrestricted net assets (deficit)	<u>(11)</u>	<u>120</u>	<u>1,573</u>
Total net assets	<u>\$ 5,951</u>	<u>\$ 13,615</u>	<u>\$ 49,192</u>
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS			
Operating revenues	\$ 3,981	\$ 3,381	\$ 2,978
Depreciation and amortization	(457)	(953)	(4,656)
Other operating expenses	<u>(3,604)</u>	<u>(2,613)</u>	<u>(25,967)</u>
Operating income (loss)	(80)	(185)	(27,645)
Nonoperating revenues (expenses):			
Investment earnings	78	659	339
Interest and other debt related expenses	(71)	(476)	-
Other	44	1	1,842
Capital contributions	-	473	8,695
Operating transfers in	-	-	27,132
Operating transfers out	<u>(51)</u>	<u>(128)</u>	<u>(143)</u>
Change in net assets	(80)	344	10,220
Beginning net assets	<u>6,031</u>	<u>13,271</u>	<u>38,972</u>
Ending net assets	<u>\$ 5,951</u>	<u>\$ 13,615</u>	<u>\$ 49,192</u>
CONDENSED STATEMENT OF CASH FLOWS			
Net cash provided (used) by:			
Operating activities	\$ 379	\$ 715	\$ (21,560)
Noncapital financing activities	(51)	(848)	27,968
Capital and related financing activities	(1,069)	(13,897)	(5,013)
Investing activities	<u>78</u>	<u>758</u>	<u>339</u>
Net increase (decrease)	(663)	(13,272)	1,734
Beginning cash and cash equivalents	<u>2,957</u>	<u>22,395</u>	<u>7,485</u>
Ending cash and cash equivalents	<u>\$ 2,294</u>	<u>\$ 9,123</u>	<u>\$ 9,219</u>

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
 June 30, 2002

NOTE 17 DEFINED BENEFIT PENSION PLAN

Substantially all of the City of Albuquerque's 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.

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, 2002.

<u>Group Covered</u>	<u>Employee</u>		<u>Employer</u>	
	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>
General - Management, Blue Collar and White Collar	3.29%	\$ 5,066	19.01%	\$ 29,298
General - Bus Drivers	13.15%	924	9.15%	643
General - Other	7.00%	192	7.00%	192
Police	16.30%	6,787	18.50%	7,703
Fire	15.20%	4,199	20.25%	5,508
		<u>\$ 17,168</u>		<u>\$ 43,344</u>

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

<u>Fiscal year ended June 30</u>	<u>Employee</u>	<u>Employer</u>
2001	\$16,058	\$41,251
2000	15,777	40,480

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, 2002, was \$231,423,011; the total payroll for all employees of the City of Albuquerque was \$257,562,507.

NOTE 18 POST-EMPLOYMENT BENEFITS

In addition to providing pension benefits described in Note 17, 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.

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, 2002, were approximately \$129,617. The number of retired employees covered under the life insurance benefit was 2,824 at June 30, 2002, and the amount of life insurance coverage for these retired employees was \$49,852,500.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 18 POST-EMPLOYMENT BENEFITS, continued

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 one percent of each participating employee's annual salary. Each participating employee contributes to the fund an employee contribution in an amount equal to one-half of one 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 \$2,314,230 in employer contributions and \$1,157,115 in employee contributions in fiscal year ended June 30, 2002.

NOTE 19 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 20 LANDFILL CLOSURE AND POSTCLOSURE CARE COST

Federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post-closure care costs in the Refuse Disposal Fund (Enterprise) as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$1,196,496 reported as other liabilities payable from restricted assets at June 30, 2002, represents the cumulative amount reported to date based on the use of 13% of the estimated capacity of the Cerro Colorado and South Broadway Landfills. The City will recognize the remaining estimated cost of closure and post-closure care of \$7,051,333 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2002. The City expects to close the landfill in the year 2037. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The City has set aside \$1,516,250 for future post-closure costs. This amount is reported as a restricted asset on the balance sheet. The City expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional post-closure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 21 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 or personal property 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 is 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.

All funds of the City participate in the program and make payments to the Risk Management Fund based on actuarial estimates of the amounts needed to pay prior- and current-year claims and to establish a reserve for catastrophic losses. That reserve was \$1,000,000 at June 30, 2002 and is included in the restricted net assets (deficit) of the Risk Management Fund. The claims liabilities reported in the 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 Fund's claims liability is reported in Note 10 - Long-term Obligations.

NOTE 22 DISCONTINUED FUND

In fiscal year 2002, the City determined that the Joint Partnership Training Act fund was no longer needed. The program associated with this fund is now provided by the County of Bernalillo.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 23 RESTATEMENT OF PRIOR PERIOD FUND BALANCES OR NET ASSETS

The following reports the changes in the financial statements previously issued as of June 30, 2001:

During FY2002, the City determined that the cost of land acquired in a claim settlement had been improperly reported at a cost of \$3,375,351. However, the cost exceeded the appraised value of the land, which was impaired due to contamination that seeped from an adjacent inactive landfill property owned by the City. The adjustment of \$1,445,351 increased the deficit net assets of the Risk Management Fund, an internal service fund, from \$11,554,855 to \$13,000,206.

The following schedule reports the changes (*amounts in thousands*) that were made to correct for errors and to comply with the provisions of GASB Statement No. 34:

	As Reported	Reclassifications		Prior Period Adjustments	Fund Balances / Net Assets
		Major Funds	Fiduciary Funds		
			(1)	(2)	
Fund balances, June 30, 2001:					
General Fund	\$ 40,183	\$ -	\$ -	\$ -	\$ 40,183
Reclassified as Major Funds:					
Corrections and Detention Fund	-	(2,033)	-	-	(2,033)
General Obligations Debt Service Fund	-	10,707	-	-	10,707
Capital Acquisition Fund	-	82,344	-	2,945	85,289
Special Revenue Funds	19,727	2,033	2,683	496	24,939
Debt Service Funds	41,661	(10,707)	-	-	30,954
Capital Projects Funds	106,827	(82,344)	-	-	24,483
Fiduciary Funds	38,947	-	(38,947)	-	-
Permanent Funds	-	-	36,264	-	36,264
Total Fund Balances Governmental Funds, as restated	\$ 247,345	\$ -	\$ -	\$ 3,441	250,786
Changes to report balances - governmental activities:					
Capital Assets (3)					627,672
Long-term obligations (4):					
Bonds and notes payable					(281,153)
Net assets - Internal Service Funds, as restated (5)					(5,759)
Long-term revenues / expenses (6)					
Revenues:					
Property taxes					8,878
Gross receipts taxes					26,449
Other taxes					643
Expenses:					
Accrued vacation and sick leave pay					(22,568)
Accrued arbitrage payable					(3,716)
Net assets - governmental activities					\$ 601,232

(1) The following fiduciary funds were reclassified as follows:

Reclassified as special revenue funds:

Acquisition and Management of Open Space Expendable Trust Fund with a fund balance of \$99,920 was renamed as the Acquisition and Management of Open Space Expenditures Fund.

Urban Enhancement Expendable Trust Fund with a fund balance of \$2,583,586 was renamed as the Urban Enhancement Expenditures Fund.

Reclassified as permanent funds:

Acquisition and Management of Open Space Nonexpendable Trust Fund with a fund balance of \$28,614,139 was renamed as the Acquisition and Management of Open Space Permanent Fund.

Urban Enhancement Nonexpendable Trust Fund with a fund balance of \$7,649,668 was renamed as the Urban Enhancement Permanent Fund.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
 June 30, 2002

NOTE 23 RESTATEMENT OF PRIOR PERIOD FUND BALANCES OR NET ASSETS, continued

(2) The fund balances of the following funds were restated as follows:

The Capital Acquisitions Fund was restated to comply with the provisions of the GASB Statement No. 34 and GASB Interpretation No. 6. That statement and the interpretation requires that the liability for items such as accumulated arbitrage payable to the U.S. Government be recognized on a modified accrual basis in the governmental funds instead of on an accrual basis as previously reported. The amount of the adjustment was to reduce the reported liability and increase the fund balance by \$2,945,240.

The Law Enforcement Protection Fund, a special revenue fund, was restated to include a previously excluded activity of the Police Department. The increase in fund balance was \$304,743.

The Metropolitan Redevelopment Fund, a special revenue fund, was restated to correct for an error that caused an understatement of the Property Tax receivable and related revenue by \$546,084.

The Community Development Fund, a special revenue fund, was restated to correct for an error that caused an overstatement of an accrued receivable and related revenue from a Federal Agency by \$354,939.

The following adjustments to the total fund balances of the governmental funds are made in order to present the governmental activities on a economic resources measurement focus and on a full accrual basis for the statement of net assets:

- (3) Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.
- (4) Long-term obligations applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.
- (5) Internal service funds are used by the City to charge the cost of tort liability, workers compensation and employee health insurance to other individual funds. In addition, the cost of providing communications, fleet maintenance and supplies warehousing services are also charged. The assets and liabilities of the internal services fund are included in governmental activities in the statement of net assets. The net assets has been restated as noted in the second paragraph of this note.
- (6) Under the modified accrual basis used in the governmental funds, revenue is recognized when available to provide financing resources for the current period. Likewise expenditures are not recognized for transactions that are not normally paid with expendable financial resources. In the statement of activities, however, which is presented on the accrual basis, revenues and related receivable and expenses and related liabilities are reported regardless of when financial resources are available.

NOTE 24 COMMITMENTS AND CONTINGENT LIABILITIES

Encumbrances for purchase orders, contracts, and other commitments for expenditures are recorded in memorandum accounts of the City's governmental funds. Encumbrances lapse for budgetary purposes at the end of each fiscal year and the subsequent year's appropriations provide authority to complete these transactions. Accordingly, no reservation of fund balance has been created except in limited instances. These typically are for property purchases and will be re-appropriated in the ensuing year. Encumbrances that are outstanding, but not re-appropriated, are a commitment of the City and the outstanding amount is reported in the table below.

Government activities:

Major Funds:	
General Fund	\$ 1,855,885
Corrections Fund	405,822
Capital Acquisition Fund	39,998,003
Non Major Government Funds	16,848,985
Internal Service Funds	<u>1,524,350</u>
Total Government Funds	<u>\$ 60,633,045</u>

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
 June 30, 2002

NOTE 24 COMMITMENTS AND CONTINGENT LIABILITIES, continued

In addition, the business-type funds have uncompleted construction and other commitments that will be paid from assets restricted for construction, improvements and replacements or from operating revenues:

Business-type activities:

Major Funds:

Aviation Fund	\$ 5,832,563
Joint Water and Sewer Fund	10,258,541
Refuse Disposal Fund	682,017
Housing Authority Fund	12,700

Non Major Funds: 12,323,994

Total Business Funds \$ 29,109,815

The City has various lease commitments for real property. The lease commitments are for one to three years, with most leases being for two years. About half of the leases have renewal options; the others do not. Lease expenses of \$866,769 were incurred for the year ended June 30, 2002. Lease commitments for future years are as follows:

2003	\$752,604
2004	387,482
2005	391,337
2006	255,817

The City has entered into a lease agreement with Albuquerque Baseball Club, LLC. The purpose of that agreement was to outline the terms and conditions necessary to bring a Class AAA minor league baseball team to the City of Albuquerque and to lease the City's Stadium. The City is currently building a new stadium in place of the old stadium. The old stadium previously had been used for another Class AAA baseball team that elected to move to another city. The City's construction work in process at June 30, 2002 includes approximately \$4.9 million of costs incurred for the construction of the stadium. The stadium is expected to be completed by April 1, 2003, the beginning of the new baseball season. The additional cost to complete is estimated to be approximately \$21 million.

On March 2, 2002, the City entered into a long-term lease agreement with a lessee, who will manage a parking structure in the downtown area of the City. The lease is for a twenty year period. Lessee is to pay monthly a minimum rental fee that ranges from \$120,578 in the first lease year to \$562,599 per year beginning in the sixteenth year for the remaining term of the lease. As part of that lease, the lessee has the option to delay payment of up to six month's rent in any lease year. Interest will accrue for these delayed payments. The lessee is required to pay the deficiency for any lease month within thirty six months. No rental payments have been received by the City as of June 30, 2002. Lessee is required to maintain the parking structure in good condition. At the end of the lease term, the lessee will purchase the parking structure for the price of \$11,251,926 plus all interest accrued on basic rent deficiencies plus all additional rents due as stipulated in the contract to cover certain costs including credit enhancement expenses and fiscal agent fees with respect to a bond issue used for the acquisition of the parking structure by the City. Furthermore, lessee has an option to purchase the parking structure beginning after the tenth anniversary of the lease. That purchase price is the sum of all of the minimum rents due through the date of option exercise plus all of the amounts due in a similar manner required for the purchase at the end of the twenty year period.

In connection with the bond issues related to the operation of apartments managed in trust by an independent organization, the City has a contingent liability of \$16,085,333 in the event that the net revenues are not sufficient to cover the debt service on these bonds.

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. Except as discussed in the following paragraphs, 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.

The City has reached a settlement with the Isleta Pueblo and the Environmental Protection Agency (EPA) granting the City a permit to operate the Wastewater Treatment Plant. This settlement obligates the City to spend between \$50 and \$60 million for capital outlay costs necessary to modify the Treatment Plant to meet the water quality standards agreed upon. On November 21, 1994, the City Council approved an increase in water rates, part of which is to be used for these capital outlay costs. The City could face additional costs of \$180 to \$190 million if the suit regarding water quality standards currently on appeal in the Tenth Circuit Court is not decided in favor of the City.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 24 COMMITMENTS AND CONTINGENT LIABILITIES, continued

The City is a defendant in a legal proceeding that does not fall under the New Mexico Tort Claims Act; this legal proceeding alleges that certain time incurred by some of the City of Albuquerque's police officers is subject to overtime compensation. The ultimate outcome of these legal proceedings cannot presently be determined. Accordingly, no provision for any additional liability that may result upon the ultimate outcome has been recognized in the accompanying general purpose financial statements and schedules.

The City is a defendant in a legal proceeding arising from the City's condemnation of property east of the Four Hills Subdivision. The property taken by the City is located between Four Hills and the property owned by claimants. As part of the condemnation, the claimants alleges that the City had denied them access to their property since April, 1988 until February, 2002. The claimants seek approximately \$20 million in damages. The claim is being vigorously defended, and the City expects that the award for damages will be significantly lower.

The City is a defendant in a legal proceeding arising from another condemnation of property by the City. The condemnation of property for the Westside Transit facility near the I-40 / Unser boulevard interchange was completed with the owner of the property. However, the owner of a billboard, with a lease that was vacated during the condemnation on that property, is seeking approximately one million dollars for the loss of income over the remaining thirty years of the lease. A portion of any damage claim will be covered by the Federal Transportation Agency. The City is vigorously defending its position of the claim and expects the award to the claimant to be significantly lower than the alleged damage to the owner.

The City has received a number of Federal and State grants for specific purposes. These grants are subject to audit that 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.

NOTE 25 SUBSEQUENT EVENTS

On October 4, 2002, the City entered into a Taxable Stadium Lease loan agreement with New Mexico Finance Authority for \$6,000,000. The loan will be used to finance reconstruction of the existing baseball stadium. The City began construction of the stadium with the financing of \$10,000,000 of General Obligation bonds in December 2001, and is expected to enter into another loan agreement with New Mexico Finance Authority in December 2002, for \$9,000,000 to complete the project. See notes 10 and 24.

In November 2002, a former employee of the City was awarded a judgment on a claim for approximately \$4.25 million in connection with a dismissal suit filed against the City. The City is appealing the judgment. See note 14.

In November 2002, an insurance company agreed to pay the City \$3.7 million in cash and reduction of liabilities for losses in connection with a claim filed by the City against it. See also note 14.

APPENDIX B

Description of Bond Ordinance

The following are excerpts or summaries of provisions of City Ordinance Fifteenth Council Bill No. F/S O-03-109 which authorizes the issuance and sale of the Series 2003 Bonds. This Appendix B is qualified by reference to the Bond Ordinance on file with the City Clerk.

Certain Definitions

ACT. Sections 3-30-1 to 3-30-9, 6-15-1 to 6-15-10, 6-15-21 and 6-15-22 NMSA 1978, as amended, the City Charter, the Home Rule Powers and the Bond Ordinance.

AUTHORIZED DENOMINATIONS. Denominations of \$5,000 or integral multiples of \$5,000.

AUTHORIZED OFFICER. The City's Mayor, Chief Administrative Officer, Director of Department of Finance and Administrative Services, Treasurer, or other officer or employee of the City when designated by a certificate signed by the Mayor of the City from time to time.

BEST BID. The following bid of the Purchaser for the Series 2003 Bonds:

- (1) the principal amount of \$99,995,000 for the Series 2003 Bonds and accrued interest to the date of delivery, bearing interest at the rates set forth in the Bond Ordinance; plus
- (2) a premium of \$4,902,416.75.

The true interest cost for the Series 2003 Bonds stated as a percentage is 2.619780%; the total interest cost for the Series 2003 Bonds stated in dollars is \$16,691,050.00; and the net effective interest rate on Series 2003 Bonds is less than 3.0% per annum.

BOND ORDINANCE. City Ordinance Fifteenth Council Bill No. F/S O-03-109, as amended or supplemented from time to time.

BOND SCHEDULE. The schedule in the preambles to the Bond Ordinance specifying the aggregate of the indebtedness authorized at the 2001 Election and the indebtedness for each Series 2003 Bonds Projects authorized at the 2001 Election.

CODE. The Internal Revenue Code of 1986, as amended, the federal income tax regulations of the Treasury Department (whether proposed, temporary or final) and any amendments of, or successor provisions to, the foregoing and any official rulings, announcements, notices, procedures and judicial determinations regarding any of the foregoing, all as and to the extent applicable. Unless otherwise indicated, reference to a Section of the Code in the Bond Ordinance means that Section of the Code and such applicable regulations, rulings, announcements, notices, procedures and determinations pertinent to that Section.

DEFEASANCE OBLIGATIONS. (1) Government Obligations or; (2) if permitted by law, other obligations which would result in the defeased Series 2003 Bonds receiving the same rating from any national rating agency then rating those Series 2003 Bonds as would have been received if the obligations described in clause (1) of this definition had been used.

DEPOSITORIES. The following registered securities depository: The Depository Trust Company, attn: Call Notification Department, 55 Water Street, 50th Floor, New York, New York 10041-0099, FAX (212) 855-7232, 7234 or 7285; or, in accordance with then-current guidelines of the Securities and Exchange Commission, to such other address and/or such other securities depositories as an Authorized Officer of the City may designate.

EQUIPMENT BONDS. The general obligations bonds of the City issued to finance the Series 2003 Bonds Projects listed in the "DESCRIPTION OF BOND ORDINANCE – Series 2003 Bonds Projects," which are subject to the debt limitations imposed by the Constitution of the State.

FISCAL YEAR. The twelve-month period used by the City for its general accounting purposes as the same may be changed from time to time, presently being the period beginning July 1 of each year and ending June 30 of the next succeeding year.

GENERAL PURPOSE BONDS. The general obligation bonds of the City issued to finance the Series 2003 Bonds Projects listed in the "DESCRIPTION OF BOND ORDINANCE – Series 2003 Bonds Projects," which are subject to the debt limitations imposed, by the Constitution of the State.

GOVERNMENT OBLIGATIONS. 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, Moody's and Fitch, if then rating the Series 2003 Bonds.

HOME RULE POWERS. The powers of the City as a home rule city to exercise legislative powers given pursuant to the City Charter adopted by the City pursuant to Article X, Section 6 of the State Constitution and all enactments of the Council relating to the issuance of the Series 2003 Bonds, including the Bond Ordinance.

INTEREST PAYMENT DATE. For the Series 2003 Bonds, January 1 and July 1 in each year (or if such day is not a business day, then the next succeeding business day) beginning January 1, 2004.

OUTSTANDING. When used in reference to bonds, on any particular date, the aggregate of all such bonds issued and delivered under the applicable City ordinance authorizing the issuance of such bonds except:

(1) those cancelled at or prior to such date or delivered to or acquired by the City at or prior to such date for cancellation;

(2) those which have been paid or are deemed to be paid in accordance with the City ordinance or resolution authorizing the issuance of the applicable bonds or otherwise relating thereto;

(3) in the case of variable rate bonds, bonds deemed tendered, but not yet presented for payment; and

(4) those in lieu of or in exchange or substitution for which other bonds shall have been delivered, unless proof satisfactory to the City and the paying agent for the applicable bonds is presented that any bond for which a new bond was issued or exchanged is held by a bona fide holder or in due course.

As used in this definition, the term bond includes any evidence of debt.

OWNER. The registered owner or owners of any Series 2003 Bond as shown on the registration books for the Series 2003 Bonds maintained by the Registrar.

PAYING AGENT. The City Treasurer or any trust company, national or state banking association or financial institution qualified to act and appointed as the paying agent for the Series 2003 Bonds by an Authorized Officer from time to time.

PERMITTED INVESTMENTS. Any of the following which at the time are legal investments for the City for the money to be invested:

(1) Cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with Government Obligations).

(2) Government Obligations;

(3) 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, including but not limited to: 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;

(4) 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;

(5) 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 Series 2003 Bonds, provided that such deposits must be fully secured by securities designated in paragraphs (2), (3), (4) and (11) of this definition and held in safekeeping for, or on behalf of, or held in book-entry form in the name of, the City;

(6) Deposits which are fully insured by the Federal Deposit Insurance Corporation or which are secured by obligations described in paragraphs (2), (3), (4) and (11) of this definition, collateralized at 102%;

(7) 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 as described by this paragraph, satisfy the requirements of applicable State law.

(8) Obligations, other than specified private activity bonds (as defined in Section 57(a)(5)(c) of the Code), the interest on which is excluded from gross income of the recipient for federal income tax purposes and any other instrument which does not constitute "investment property" under Section 148 of the Code, as amended from time to time, which are rated in the highest Rating Category by S&P, Moody's and Fitch, if then rating the Series 2003 Bonds;

(9) 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 Series 2003 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 Series 2003 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 (2), (3), (4) and (11) of this definition;

(10) The "short-term investment fund" described in Section 6-10-10.1 N.M.S.A. 1978 or other similar pooled fund maintained by the State for the investment of public funds of local public bodies of the State.

(11) Stripped Securities: (i) U.S. Treasury STRIPS and (ii) REFCORP STRIPS (stripped by Federal Reserve Bank of New York);

(12) 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 parts (2), (3), (4) and (11) 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 of 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; and

(13) 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 (2), (3), (4) and (11) 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 of S&P, Moody's and Fitch, if then rating the Series 2003 Bonds, or by another national rating agency.

PURCHASER. UBS Paine Webber Inc. and members of the purchasing syndicate for the Series 2003 Bonds.

RATING CATEGORY. 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. The fifteenth day of the calendar month preceding each Interest Payment Date.

REGISTRAR. The City Treasurer or any national trust company, national or state banking association or financial institution qualified to act and appointed as the registrar for the Series 2003 Bonds by an Authorized Officer from time to time.

SERIES 2003 BONDS. The Series 2003A Bonds, the Series 2003B Bonds and the Series 2003C Bonds, collectively, which consist of a portion of the 2001 Election Bonds.

SERIES 2003 BONDS PROJECTS. Collectively, the projects to be financed by the Series 2003A Bonds, the Series 2003B Bonds and the Series 2003C Bonds designated under the heading "Series 2003 Bond Projects" below.

SERIES 2003A BONDS. The Series 2003 Bonds in the original principal amount of \$8,750,000 designated as the "City of Albuquerque, New Mexico General Obligation Equipment Bonds, Series 2003A" authorized to be issued and sold by the Bond Ordinance.

SERIES 2003B BONDS. The Series 2003 Bonds in the original principal amount of \$81,805,000 designated as the "City of Albuquerque, New Mexico General Obligation General Purpose Bonds, Series 2003B" authorized to be issued and sold by the Bond Ordinance.

SERIES 2003C BONDS. The Series 2003 Bonds in the original principal amount of \$9,440,000 designated as the "City of Albuquerque, New Mexico General Obligation Storm Sewer Bonds, Series 2003C" authorized to be issued and sold by the Bond Ordinance.

STATE. The State of New Mexico.

STORM SEWER BONDS. The general obligation bonds of the City issued to finance the Series 2003 Bonds Project described in this "SUMMARY OF BOND ORDINANCE – Series 2003 Bonds Projects," which are not subject to the debt limitation imposed by the Constitution of the State.

Series 2003 Bond Projects

Proceeds of the Series 2003A Bonds will be used for the following 2003 Bond Projects and to pay expenses relating to the issuance of the Series 2003A Bonds.

(1) \$1,000,000 to design, construct, equip, landscape, rehabilitate, recondition, furnish and enhance, and to acquire land and vehicles for, municipal fire department facilities and apparatus;

(2) \$1,000,000 to acquire, enhance and update various types of equipment, vehicles and systems for municipal police facilities.

(3) \$2,800,000 to preserve, revitalize, retrofit, expand, enhance, study, develop, survey, construct, acquire, maintain and otherwise improve City buildings, facilities, systems and land, and to acquire land, buildings, facilities, equipment and vehicles;

(4) \$500,000 to design, automate, construct, renovate, expand and enhance, and to acquire land, buildings, books, media and equipment for, public libraries;

(5) \$1,200,000 to design, study, construct, reconstruct, rehabilitate, sign, enhance, landscape and otherwise improve, and to acquire land and equipment for, municipal streets, trails, walkways, railroad crossings and bridges; and

(6) \$2,250,000 to design, develop, construct, rehabilitate, study and enhance, and to acquire land, vehicles and equipment for, public transit facilities.

Proceeds of the Series 2003B Bonds will be used for the following 2003 Bond Projects and to pay expenses relating to the issuance of the Series 2003B Bonds.

(1) \$2,302,500 to design, construct, equip, landscape, rehabilitate, recondition, furnish and enhance, and to acquire land and vehicles for, municipal fire department facilities and apparatus;

(2) \$10,549,950 to design, develop, construct, equip, renovate, expand, study and enhance, and to acquire land for, City-owned centers, including those for families, youth and senior citizens;

(3) \$302,500 to acquire, enhance, and upgrade various types of equipment, vehicles and systems for municipal police facilities;

(4) \$23,134,560 to design, develop, construct, rehabilitate, renovate, expand, furnish, landscape, study, protect, enhance and otherwise improve and to acquire land, vehicles and equipment for, various recreational facilities, including public parks, public places, swimming pools, open space, trails and contiguous areas;

(5) \$1,543,000 to preserve, revitalize, retrofit, expand, enhance, study, develop, survey, construct, acquire, maintain and otherwise improve City buildings, facilities, systems and land, and to acquire land, buildings, facilities, equipment and vehicles;

(6) \$1,954,000 to design, automate, construct, renovate, expand and enhance, and to acquire land, buildings, books, media and equipment for, public libraries; and

(7) \$5,373,200 to design, rehabilitate, equip, enhance and expand City museums;

(8) \$30,346,448 to design, study, construct, reconstruct, rehabilitate, sign, enhance, landscape and otherwise improve, and to acquire land and equipment for, municipal streets, trails, walkways, railroad crossings and bridges;

(9) \$3,268,842 to design, develop, construct, rehabilitate, study and enhance, and to acquire land, vehicles and equipment for, public transit facilities; and

(10) \$3,030,000 to design, develop, construct, renovate, repair, refurbish, expand and enhance, and to acquire equipment for, the municipal zoo, botanic garden and aquarium.

\$9,440,000 of the Series 2003C Bonds shall be issued to design, study, construct, inspect, rehabilitate, expand, enhance, monitor and otherwise improve the storm sewer system and to pay expenses relating to the issuance of the Series 2003C Bonds.

Payment of Series 2003 Bonds

The principal of and premium, if any, on the Series 2003 Bonds shall be payable upon presentation and surrender of the Series 2003 Bonds at the principal office of the Paying Agent at or after their maturity. Interest on Series 2003 Bonds shall be payable by check or draft mailed to the Owners (or by such other arrangement as may be mutually agreed to by the Paying Agent and an Owner). An Owner shall be deemed to be that person or entity shown on the registration books for the Series 2003 Bonds maintained by the Registrar at the address appearing in the registration books at the close of business on the applicable Record Date. However, interest which is not timely paid or provided for shall cease to be payable to the Owners of the Series 2003 Bonds (or of one or more predecessor Series 2003 Bonds) as of the regular Record Date, but shall be payable to the Owners of those Series 2003 Bonds (or of one or more predecessor Series 2003 Bonds) at the close of business on a special record date for the payment of the overdue interest. The special record date shall be fixed by the Paying Agent and Registrar whenever money becomes available for payment of the overdue interest and notice of the special record date shall be given to the Owners of such Series 2003 Bonds not less than ten days prior to that date. Payment shall be made in the coin or currency of the United States of America that is at the time of payment legal tender for the payment of public and private debts. If the principal amount of any Series 2003 Bond presented for payment remains unpaid at maturity, the unpaid principal

shall continue to bear interest at the rate designated in that Series 2003 Bond. Payments of Series 2003 Bonds shall be made without deduction for exchange or collection charges.

Registration, Transfer, Exchange and Ownership of Series 2003 Bonds

Registration, Transfer and Exchange

The City shall cause books for registration, transfer and exchange of the Series 2003 Bonds to be kept at the principal office of the Registrar. Upon surrender for transfer or exchange of any Series 2003 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 property executed, the City shall execute and the Registrar shall authenticate and deliver in the name of the transferee or Owner, as appropriate, a new Series 2003 Bond or Series 2003 Bonds of the same series, maturity, interest rate and same aggregate principal amount in Authorized Denominations.

Owner of Series 2003 Bonds

The person in whose name any Series 2003 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 above entitled *Payment of Series 2003 Bonds*. Payment of either the principal of or interest on any Series 2003 Bond shall be made only to or upon the order of its Owner or his legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability on Series 2003 Bonds to the extent of the amount paid.

Replacement of Series 2003 Bonds

If any Series 2003 Bond is lost, stolen, destroyed or mutilated, the Registrar shall, upon receipt of that Series 2003 Bond, if mutilated, and the evidence, information or indemnity which the Registrar and the City may reasonably require, authenticate and deliver a replacement Series 2003 Bond or Series 2003 Bonds of the same series, aggregate principal amount, maturity and interest rate, bearing a number or numbers not then outstanding. If any lost, stolen, destroyed or mutilated Series 2003 Bond has matured or been called for redemption, the Registrar may direct the Paying Agent to pay that Series 2003 Bond in lieu of replacement.

Charges

Exchanges and transfers of Series 2003 Bonds shall 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.

Book Accounts

The amounts set forth below shall be credited to separate book accounts for each Series 2003 Bond Project which shall be maintained by the City to defray, in whole or in part, the cost of the Series 2003 Bonds Projects. The Series 2003A Bonds will be credited as follows:

\$1,000,000 for fire protection equipment; \$1,000,000 for police equipment; \$2,800,000 for facilities equipment; \$500,000 for library equipment; \$1,200,000 for street improvement equipment; and \$2,250,000 for transit equipment. The Series 2003B Bonds will be credited as follows: \$2,302,500 for fire protection; \$10,549,950 for citizens' centers; \$302,500 for police protection; \$23,134,560 for parks and other recreational facilities; \$1,543,000 for facilities and equipment; \$1,954,000 for public libraries; \$5,373,200 for museums; \$30,346,448 for street improvements; \$3,268,842 for public transit facilities; and \$3,030,000 for the biological park. The Series 2003C Bonds will be credited as follows: \$9,440,000 for storm sewer improvements.

General Administration of Funds

To the extent practicable, any money in any fund or account shall be invested in Permitted Investments within any limitations imposed by the Bond Ordinance. Obligations purchased as an investment of money in any fund or account shall be deemed at all times to be part of that fund or account, and the interest accruing and any profit realized on those investments shall be credited to that fund or account, unless otherwise stated in the Bond Ordinance (subject to withdrawal at any time for the uses directed and permitted for such money by the Bond Ordinance) and any loss resulting from such investment shall be charged to that fund or account. The City Treasurer shall present for redemption or sale on the prevailing market any Permitted Investment in a fund or account when necessary to provide money to meet a required payment or transfer from that fund or account.

Tax Compliance

The City covenants that it will use, and will restrict the use and investment of, the proceeds of the Series 2003 Bonds in such manner and to such extent as may be necessary so that (a) the Series 2003 Bonds will not (i) constitute private activity bonds, arbitrage bonds or hedge bonds under Sections 141, 148 or 149 of the Code, or (ii) be treated other than as bonds to which Section 103(a) of the Code applies, and (b) the interest thereon will not be treated as a preference item under Section 57 of the Code.

The City further covenants (a) that it will take or cause to be taken such actions that may be required of it for the interest on the Series 2003 Bonds to be and remain excluded from gross income for federal income tax purposes, (b) will not take or authorize to be taken any action that would adversely affect such exclusion, and (c) that it, or persons acting for it, will, among other acts of compliance, (i) apply the proceeds of the Series 2003 Bonds to the governmental purposes of the borrowing; (ii) restrict the yield on investment property, (iii) make timely and adequate rebate payments or payments of alternative amounts in lieu of rebate to the federal government, (iv) maintain books and records and make calculations and reports, and (v) refrain from certain uses of those proceeds and, as applicable, of property financed with such proceeds, all in such manner and to the extent necessary to assure such exclusion of that interest under the Code.

Authorized Officers are hereby authorized (a) to make or effect any election, selection, designation, choice, consent, approval, or waiver on behalf of the City with respect to the Series 2003 Bonds as the City is permitted or required to make or give under the federal income tax laws, including, without limitation thereto, any of the elections provided for in Section

148(f)(4)(C) of the Code or available under Section 148 of the Code, for the purpose of assuring, enhancing, or protecting favorable tax treatment or status of the Series 2003 Bonds or interest thereon or assisting in the compliance with requirements for that purpose, reducing the burden or expense of such compliance, reducing the rebate amount or payments of penalties, or making payments of special amounts in lieu of making computations to determine, or paying, excess earnings as rebate, or obviating those amounts or payments, as determined by that officer, which action shall be in writing and signed by that officer, (b) to take any and all other actions, make or obtain calculations, make payments, and make or give reports, covenants and certifications of and on behalf of the City, as may be appropriate to assure the exclusion of interest from gross income and the intended tax status of the Series 2003 Bonds, and (c) to give one or more appropriate certificates of the City, for inclusion in the transcripts of the proceedings for the Series 2003 Bonds, setting forth the reasonable expectations of the City regarding the amount and use of all the proceeds of the Series 2003 Bonds, the facts, circumstances and estimates on which they are based, and other facts and circumstances relevant to the tax treatment of the interest on and the status of the Series 2003 Bonds.

Protective Covenants

The City covenants and agrees with the Owners:

(1) Use of Series 2003 Bond Proceeds. When issued, the City will proceed without unreasonable delay to use the proceeds of the Series 2003 Bonds for the acquisition and construction of the respective Series 2003 Bonds Projects for which the Series 2003 Bonds are issued in the amounts described under the caption "DESCRIPTION OF BOND ORDINANCE – Series 2003 Bonds Projects."

(2) Payments. The City will pay the principal of and the interest on every Series 2003 Bond at the place, on the date and in the manner described under the caption "DESCRIPTION OF BOND ORDINANCE – Payment of Series 2003 Bonds" and the Series 2003 Bonds.

(3) City's Existence. The City will maintain its corporate identity and existence so long as any of the Series 2003 Bonds remain outstanding, unless another political subdivision by operation of law succeeds to the liabilities and rights of the City, without adversely affecting to any substantial degree the privileges and rights of any Owner. The City may annex and de-annex land.

(4) Continuing Disclosure. The City will execute, deliver and comply with the Continuing Disclosure Undertaking for the benefit of the Purchaser.

Series 2003 Bonds Not Presented When Due

If any Series 2003 Bonds are not duly presented for payment when due at maturity and if money sufficient to pay those Series 2003 Bonds is on deposit with the Paying Agent for the benefit of the Owners of those Series 2003 Bonds, all liability of the City to those owners for the payment of the Series 2003 Bonds shall be completely discharged, those Series 2003 Bonds shall not be deemed to be Outstanding and it shall be the duty of the Paying Agent to segregate and to hold the money received for payment in trust, without liability for interest to the Owners, for the benefit of those Owners.

Amendment of Bond Ordinance

Amendment

The Bond Ordinance may be amended by resolution or ordinance of the City Council without the consent of the Owners:

- (1) To cure any ambiguity, or to cure, correct or supplement any defect or inconsistent provision contained in the Bond Ordinance;
- (2) To grant to the Owners any additional rights, remedies, powers or authority that may lawfully be granted to them;
- (3) To obtain or maintain a rating on the Series 2003 Bonds from any rating agency which amendment, in the judgment of Bond Counsel, does not materially adversely affect the Owners;
- (4) To achieve compliance with federal securities or tax laws; and
- (5) To make any other changes in the Bond Ordinance which, in the opinion of Bond Counsel, are not materially adverse to the Owners.

Additional Amendments

Except as provided above, the Bond Ordinance may only be amended or supplemented by ordinance adopted by the City Council in accordance with the laws of the State, 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 Series 2003 Bonds affected by such amendment or supplement then Outstanding (not including Series 2003 Bonds which are then owned by or for the account of the City); provided, however, that no such ordinances shall be the effect of permitting:

- (1) An extension of the maturity of any Series 2003 Bond; or
- (2) A reduction in the principal amount of or interest rate on any Series 2003 Bond; or
- (3) A reduction of the principal amount of Series 2003 Bonds required for consent to such amendment or supplement.

Defeasance

When all principal and interest in connection with all or any part of the Series 2003 Bonds have been paid or provided for, the pledge and lien and all obligations under the Bond Ordinance with respect to those Series 2003 Bonds shall be discharged and those Series 2003 Bonds shall no longer be deemed to be outstanding within the meaning of the Bond Ordinance.

Without limiting the preceding paragraph, there shall be deemed to be such payment when the City Council has caused to be placed in escrow and in trust with an escrow agent 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 pay all requirements of principal and interest on the Series 2003 Bonds to be defeased as the same become due to their final maturities. The escrow agent shall have received evidence satisfactory to it that the cash and Defeasance Obligations delivered will be sufficient to provide for the payment of the Series 2003 Bonds to be defeased as stated above. Neither the Defeasance Obligations nor money deposited with the escrow agent shall be withdrawn or used for any purpose other than as provided in the escrow agreement relating thereto and the Defeasance Obligations and money shall be segregated and held in trust for the payment of the principal or redemption price of, and interest on the Series 2003 Bonds with respect to which such deposit has been made. The Defeasance Obligations shall become due prior to the respective times at which the proceeds are needed in accordance with a schedule established and agreed upon between the City and the escrow agent at the time of the creation of the escrow, or the Defeasance Obligations shall be subject to redemption only at the option of the holders or owners thereof to assure the availability of the proceeds as needed to meet the schedule.

If any Series 2003 Bonds are deemed to be paid and discharged pursuant to this section entitled "Defeasance," then, within 15 days after the date of defeasance, the City shall cause a written notice to be given to each Owner of Series 2003 Bonds deemed paid and discharged at the address shown on the Series 2003 Bond register for the Series 2003 Bonds on the date on which those Series 2003 Bonds are deemed paid and discharged stating the numbers of the Series 2003 Bonds deemed paid and discharged (if less than all Series 2003 Bonds are deemed paid and discharged), describing the Defeasance Obligations and specifying any date or dates on which the Series 2003 Bonds defeased are to be paid.

APPENDIX C

Form of Opinion of Bond Counsel

_____, 2003

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 (the "City"), State of New Mexico of its \$8,750,000 General Obligation Equipment Bonds, Series 2003A, its \$81,805,000 General Obligation General Purpose Bonds, Series 2003B and its \$9,440,000 General Obligation Storm Sewer Bonds, Series 2003C (collectively, the "Bonds"). The Bonds are authorized to be issued pursuant to City Ordinance Fifteenth Council Bill No. F/S O-03-109 ("Bond Legislation").

We have examined the Bond Legislation, the Tax Compliance Certificate of the City relating to the Bonds and such other laws and certified proceedings and other documents and matters, and have made such further inquiries and investigations, as we have considered necessary in rendering this opinion.

Based upon the foregoing, in our opinion, under the existing law:

1. The Bonds are valid and binding general obligations of the City.
2. Principal of and interest on the Bonds, unless paid from other sources, are payable from the proceeds of the levy of general (ad valorem) taxes on all property within the City subject to ad valorem taxes levied by the City, which taxes are unlimited as to rate or amount.
3. The interest on the Bonds is excludable from gross income for federal income tax purposes under Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"), is not treated as an item of tax preference for purposes of the alternative minimum tax imposed by the Code on individuals and corporations and is not subject to the State of New Mexico income taxation so long as that interest is excluded from gross income for federal income tax purposes. We express no opinion regarding any other tax consequences regarding the Bonds.

In giving the foregoing opinions with respect to the treatment of interest on the Bonds and the status of the Bonds under federal tax laws, we have assumed and relied upon compliance with the City's covenants and the accuracy of the City's representations and certifications contained in the transcript of proceedings by the City relating to the issuance and sale of the Bonds. The accuracy of those representations and certifications, which we have not independently verified, and the City's compliance with those covenants may be necessary for the interest on the Bonds to be and to remain

excludable from gross income for federal income tax purposes and for certain of the other tax effects stated above. Failure to comply with certain of those requirements subsequent to issuance of the Bonds could cause interest on the Bonds to be included in gross income for federal income tax purposes and to be subject to New Mexico state income tax retroactively to the date of issuance of the Bonds.

The rights of the holders of the Bonds and the enforceability thereof are subject to the provisions of the bankruptcy laws of the United States of America and other applicable bankruptcy, insolvency, reorganization and moratorium or similar laws relating to or affecting creditors' rights now or hereafter in effect, and their enforcement may be subject to the exercise of judicial discretion and to general equity principles.

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.

Very truly yours,

BROWNSTEIN HYATT & FARBER, P.C.

APPENDIX D

Form of Continuing Disclosure Undertaking

CITY OF ALBUQUERQUE, NEW MEXICO General Obligation Bonds Series 2003A, B and C

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 \$99,995,000 of the City's General Obligation Bonds, Series 2003A, B and C (the "Series 2003 Bonds"). The Series 2003 Bonds are being issued pursuant to City Ordinance Fifteenth Council Bill No. F/S O-03-109 (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 2003 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 with respect to the City set forth in "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.

"MRSB" means the Municipal Securities Rulemaking Board. The current address of the MRSB is 1900 Duke Street, Suite 600, 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, J.J. Kenny Repository, New York, NY

"Official Statement" means the final Official Statement delivered in connection with the original issue and sale of the Series 2003 Bonds.

"Owners" means the registered owners of the Series 2003 Bonds, and so long as the Series 2003 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 the Rule. As of the date hereof, there is no State Repository for the State of New Mexico.

SECTION 3. Provision of Annual Information.

(a) Annually while the Series 2003 Bonds remain outstanding, the City shall provide or cause to be provided to each Repository Annual Financial Information and Audited Financial Statements.

(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 SEC. 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 2003 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 (other than mandatory sinking fund redemption);
 9. defeasances;
 10. release, substitution or sale of property securing repayment of the securities;
- and
11. rating changes.

(b) At any time the Series 2003 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 2003 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 2003 Bonds pursuant to the Bond Legislation.

(c) At any time the Series 2003 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 and Audited Financial Statements 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 2003 Bonds and shall extend to the earliest of (a) the date all principal and interest on the Series 2003 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 2003 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 2003 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 2003 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 2003 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 2003 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 2003 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 2003 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. 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 2003 Bonds, and shall create no rights in any other person or entity.

Dated as of July __, 2003.

CITY OF ALBUQUERQUE, NEW MEXICO

By: _____
Title: _____

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APPENDIX E
Specimen Bond Insurance Policies

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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:

SPECIMEN
[DATE]
[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 therefore. 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-cancellable 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

President

Assistant Secretary

SPECIMEN



Financial Guaranty Insurance
 Company
 125 Park Avenue
 New York, NY 10017
 (212) 312-3000
 (800) 352-0001

A GE Capital Company

Municipal Bond

New Issue Insurance Policy

Issuer:	Policy Number:
	Control Number: 0010001
Bonds:	Premium:

Financial Guaranty Insurance Company ("Financial Guaranty"), a New York stock insurance company, in consideration of the payment of the premium and subject to the terms of this Policy, hereby unconditionally and irrevocably agrees to pay to U.S. Bank Trust National Association, or its successor, as its agent (the "Fiscal Agent"), for the benefit of Bondholders, that portion of the principal and interest on the above-described debt obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

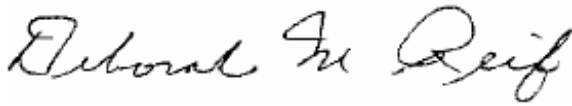
Financial Guaranty will make such payments to the Fiscal Agent on the date such principal or interest becomes Due for Payment or on the Business Day next following the day on which Financial Guaranty shall have received Notice of Nonpayment, whichever is later. The Fiscal Agent will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid by reason of Nonpayment by the Issuer but only upon receipt by the Fiscal Agent, in form reasonably satisfactory to it, of (i) evidence of the Bondholder's right to receive payment of the principal or interest Due for Payment and (ii) evidence, including any appropriate instruments of assignment, that all of the Bondholder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Financial Guaranty. Upon such disbursement, Financial Guaranty shall become the owner of the Bond, appurtenant coupon or right to payment of principal or interest on such Bond and shall be fully subrogated to all of the Bondholder's rights thereunder, including the Bondholder's right to payment thereof.

This Policy is non-cancellable for any reason. The premium on this Policy is not refundable for any reason, including the payment of the Bonds prior to their maturity. This Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bond.

As used herein, the term "Bondholder" means, as to a particular Bond, the person other than the Issuer who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof. "Due for Payment" means, when referring to the principal of a Bond, the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking

fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity and means, when referring to interest on a Bond, the stated date for payment of interest. "Nonpayment" in respect of a Bond means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all principal and interest Due for Payment on such Bond. "Notice" means telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from a Bondholder or a paying agent for the Bonds to Financial Guaranty. "Business Day" means any day other than a Saturday, Sunday or a day on which the Fiscal Agent is authorized by law to remain closed.

In Witness Whereof, Financial Guaranty has caused this Policy to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.



President

Effective Date:

Authorized Representative

U.S. Bank Trust National Association, acknowledges that it has agreed to perform the duties of Fiscal Agent under this Policy.

SPECIMEN



Authorized Officer

Financial Guaranty Insurance
Company
125 Park Avenue
New York, NY 10017
(212) 312-3000
(800) 352-0001

A GE Capital Company



Endorsement

To Financial Guaranty Insurance Company
Insurance Policy

Policy Number:

Control Number: 0010001

It is further understood that the term "Nonpayment" in respect of a Bond includes any payment of principal or interest made to a Bondholder by or on behalf of the issuer of such Bond which has been recovered from such Bondholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

A handwritten signature in black ink that reads "Deborah M. Reif".

President

Effective Date:

Authorized Representative

Acknowledged as of the Effective Date written above:

A handwritten signature in black ink, appearing to be "J.P.", written over a horizontal line.

Authorized Officer

U.S. Bank Trust National Association, as Fiscal Agent

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