

CITY OF ALBUQUERQUE



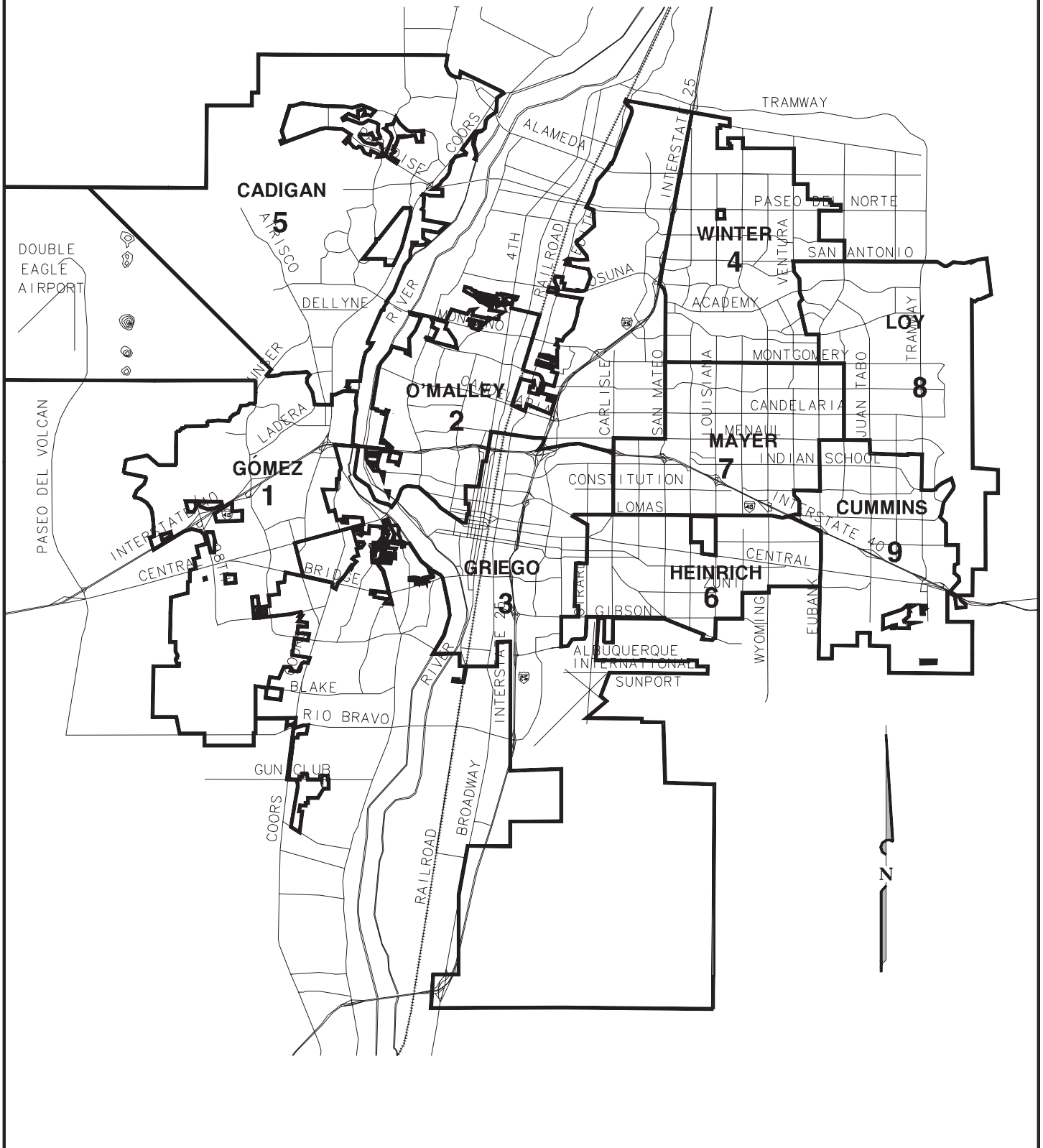
ANNUAL INFORMATION STATEMENT

DATED JANUARY 23, 2004

**IN CONNECTION WITH BONDS AND
OTHER OBLIGATIONS**

Albuquerque City Council Districts

December 2003



CITY OF ALBUQUERQUE

MAYOR

Martin J. Chavez

CITY COUNCIL

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

ADMINISTRATION

Jay Czar, Chief Administrative Officer
Gail D. Reese, Chief Financial Officer
James B. Lewis, Chief Operations Officer
Nicholas Bakas, Chief Public Safety Officer
Teri Baird, Chief of Staff

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
R. Cameron Hull, CPA, Accounting Officer

LEGAL DEPARTMENT

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

BOND COUNSEL

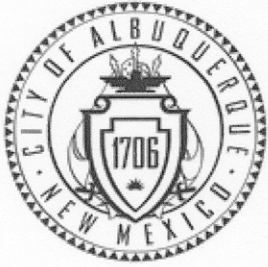
Brownstein Hyatt & Farber, A Professional Corporation
Albuquerque, New Mexico

SPECIAL TAX COUNSEL

Kutak Rock
Denver, Colorado

DISCLOSURE COUNSEL

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



City of Albuquerque

**The People of
Albuquerque**

- DST. 1 Miguel A. Gomez
- DST. 2 Debbie O'Malley
- DST. 3 Eric Griego
- DST. 4 Brad Winter
- DST. 5 Michael Cadigan
- DST. 6 Martin Heinrich
- DST. 7 Sally Mayer
- DST. 8 Craig Loy
- DST. 9 Tina Cummins

**Mayor
Martin J. Chavez**

**City Council
Director of Council Services
Mark Sanchez**

**Chief Administrative Officer
Jay J. Czar**

**Office of Internal Audit
Debra Yoshimura**

**Chief of Staff
Teri Baird**

Constituent Services
Front Desk Personnel

**Chief Financial Officer
Gail D. Reese**

**Office of OMB/OMOI
Anna Lamberson**

**Finance & Administrative
Services
Sandy Doyle**

- Accounting Division
- Inform. Systems Division
- Purchasing Division
- Risk Mgmt Division
- Treasury Division

**Human Resources
Pat Miller**

**Office of Employee Relations
Barbara Keiser**

**Office of Economic
Development
Michael Albers**

**Legal
Bob White**

**City Clerk
Judy Chavez**

**Office of Police Oversight
Jay A. Rowland**

**Municipal Development
Dept.
Ed Adams**

**Chief Operations Officer
James B. Lewis**

**Aviation
Dewey Cave**

**Convention Center
Leonard Garcia**

**Cultural Services
Millie Santillanes**

**Environmental Health
Alfredo Santistevan**

**Family & Community Svcs
Valorie Vigil**

**Parks & Recreation
Blanca Hise**

**Planning
Victor Chavez**

**Public Works
Ted Asbury**

**Senior Affairs
Kim Perdue**

**Solid Waste
Clarence Lithgow**

**Transit
Peter Behrman**

**Chief Public Safety Officer
Nicholas S. Bakas**

Emergency Preparedness

**Police
Gilbert G. Gallegos**

**Fire
Robert Ortega**

**Correction & Detention
Harry Tipton**

Signature: _____ Date: _____

Jay Czar, Chief Administrative Officer

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City
Bonds**



INTRODUCTION

This “Annual Information Statement Dated January 23, 2004 in Connection with Bonds and Other Obligations” (the “Annual Statement”) has been prepared by the City of Albuquerque (the “City”) to provide, as of its date, certain financial and other information relating to the City, its various enterprise operations and its other projects, the revenues of which secure certain outstanding long-term obligations of the City. The Annual Statement is intended for use by existing holders of the City’s obligations and by investors in such obligations in the secondary market. The Annual Statement also includes annual financial information and operating data which the City has agreed in certain continuing disclosure undertakings to provide on an annual basis for the benefit of its bondholders. See “CONTINUING DISCLOSURE UNDERTAKINGS.”

The City does not intend that the Annual Statement be relied on as specific offering information in connection with the primary offering and issuance by the City of bonds, notes or other obligations. The information in the Annual Statement is subject to change without notice, and the delivery of the Annual Statement shall not create any implication that the affairs of the City have remained unchanged since the date of its delivery. The distribution of the Annual Statement by the City does not in any way imply that the City has obligated itself to update the information therein. The presentation of information, including tables of receipts from taxes, enterprise revenues and other information, is intended to show recent historical information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the City or its enterprises. No representation is made that past experiences, as might be shown by such financial and other information will necessarily continue in the future.

City Council actions taken after January 1, 2004, including information relating to bonds, notes or other obligations of the City issued or incurred after that date, is not included in the Annual Statement. All financial and other information presented in the Annual Statement has been provided by the City from its records, except for information expressly attributed to other sources believed to be reliable.

Questions regarding information contained in the Annual Statement should be directed to Lou D. Hoffman, Treasurer, City of Albuquerque, Albuquerque/Bernalillo County Government Center, One Civic Plaza, NW, Albuquerque, New Mexico 87102 (P.O. Box 1293, Albuquerque, New Mexico 87103), Telephone (505) 768-3396, Fax (505) 768-3447. Information about the City, including copies of this Annual Information Statement and the City’s financial statements, may also be obtained through the City’s world wide web site, www.cabq.gov.

CONTINUING DISCLOSURE UNDERTAKINGS

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

- (1) Refuse Removal and Disposal Refunding Revenue Bonds, Series 1995;

- (2) Joint Water and Sewer System Revenue Bonds, Series 1995;
- (3) General Obligation Bonds, Series 1996A and B;
- (4) Gross Receipts Tax Refunding Revenue Bonds, Series 1996;
- (5) General Obligation Bonds, Series 1997A and B;
- (6) Gross Receipts Tax Adjustable Tender Revenue Bonds, Series 1997;
- (7) Joint Water and Sewer System Revenue Bonds, Series 1997;
- (8) General Obligation Bonds, Series 1998;
- (9) Refusal Removal and Disposal Revenue Bonds, Series 1998;
- (10) Governmental Purpose Airport Refunding Revenue Bonds, Series 1998;
- (11) General Obligation Bonds, Series 1999A, B and C;
- (12) Joint Water and System Refunding and Improvement Revenue Bonds, Series 1999A;
- (13) Special Assessment District No. 224 Bonds, Issue of February 1, 1999;
- (14) Municipal Gross Receipts Tax Refunding Revenue Bonds, Series 1999A;
- (15) Gross Receipts Tax/Lodgers' Tax Refunding Revenue Bonds, Series 1999B;
- (16) Gross Receipts Tax Refunding Revenue Bonds, Series 1999C;
- (17) Joint Water and Sewer System Refunding Revenue Bonds, Series 2000A;
- (18) General Obligation Bonds, Series 2000A and B;
- (19) Taxable Golf Course Net Revenue/Gross Receipts Tax Revenue Bonds, Series 2001;
- (20) Refuse Removal and Disposal Revenue Bonds, Series 2001 A and B;
- (21) General Obligation Bonds, Series 2001A and B;
- (22) Airport Refunding Revenue Bonds, Series 2001;
- (23) Joint Water and Sewer System Revenue Bonds, Series 2001;
- (24) General Obligation Taxable Baseball Stadium Bonds, Series 2001C;
- (25) General Obligation General Purpose Bonds, Series 2002B; and
- (26) General Obligation Storm Sewer Bonds, Series 2002C.
- (27) General Obligation Bonds, Series 2003A, B, and C.

In each of its Disclosure Undertakings, the City has agreed to file certain annual financial information with the nationally recognized municipal securities information repositories approved by the SEC (the "NRMSIRs"). The information provided in the Annual Statement, together with the audited financial statements referred to below, satisfies the disclosure requirements for annual financial information to be provided pursuant to the Disclosure Undertakings and the City is filing the Annual Statement with each of the NRMSIRs recognized as of its date. In prior years, because year end audits by its independent certified accountant have not been received by the City in time to make filings within 180 days of the end of the City's Fiscal Year, the audited financial statements have been filed late, but have been filed within 210 days of the end of the Fiscal Year. Other than the delay in filing such financial statements, the City is in compliance with all of the requirements of its Disclosure Undertakings.

OUTSTANDING CITY OBLIGATIONS

Summary of Outstanding Obligations

The City has issued and there are outstanding certain general obligation bonds payable from property tax revenues and limited obligations payable from State and municipal gross receipts tax revenues, net revenues of various City enterprise operations, special property assessments which are further secured by pledged revenues, and certain single family and

multifamily housing programs. These outstanding obligations are generally described below and certain terms of such obligations are also summarized in Note 10 to the City's Audited General Purpose Financial Statements, a portion of which is attached hereto as Appendix A. Other information relating to the City's outstanding obligations, including information about debt service coverage ratios, can be obtained from the Comprehensive Audited Financial Report of the City of Albuquerque Audited General Purpose Financial Statements as of and for the Fiscal Year ended June 30, 2003 ("CAFR"), which, after March 1, 2004, can be viewed at and downloaded from the City's website, www.cabq.gov. Certain of these obligations are further secured by municipal bond insurance, letters of credit and other credit enhancement provided by various entities as described in "Credit Enhancement and Interest Rate Risk Management" under this caption. The City has also acted as the issuer of bonds payable solely from loan or lease payments made by conduit borrowers which are not payable by the City from any of its revenues or assets, as described in "Conduit Bonds" under this caption.

Ratings of City Obligations

The assigned ratings on the City's bonds reflect only the respective views of the rating agencies. These ratings are the long-term ratings of the City with respect to the bonds; short-term ratings of bonds bearing short-term interest rates are based upon the short-term rating of the liquidating provider. Certain of such bonds are credit enhanced and therefore have a rating which is based on the rating of the credit enhancer rather than the rating of the City for such bonds. See "Credit Enhancement and Interest Rate Risk Management" under this caption. Any explanation of the significance of the ratings may be obtained from the respective rating agency. There can be no assurance that these ratings will continue for any given period of time or that any rating will not be lowered or withdrawn entirely by a rating agency if in its judgment circumstances so warrant. Any downward change in, or withdrawal of, a rating may have an adverse effect on the marketability and/or market price of the City's bonds.

Tax-Supported Obligations

General Obligation Debt

Outstanding General Obligation Bonds. The City presently has outstanding eleven series of general purpose general obligation bonds, including a series of general obligation taxable baseball stadium bonds, in an outstanding aggregate principal amount of \$179,195,000, and eight series of storm sewer system general obligation bonds, in an outstanding aggregate principal amount of \$47,610,000. In a regular municipal election on October 28, 2003, the voters approved the future issuance of \$93,884,597 of general purpose general obligation bonds and \$11,576,370 of storm sewer system general obligation bonds. The City has not issued any of these bonds.

**City of Albuquerque
Outstanding General Obligation Bonds
as of December 30, 2003**

<u>Issue⁽¹⁾</u>	<u>Principal Amount Of Original Issue</u>	<u>Currently Outstanding</u>
<u>General Purpose G.O. Bonds:</u>		
February 1996	\$ 23,025,000	\$ 1,500,000
January 1997	44,620,000	5,900,000
February 1998	38,030,000	8,400,000
February 1999	16,870,000	6,000,000
August 1999	24,105,000	12,000,000
July 2000	44,080,000	1,650,000
September 2001	46,315,000	29,990,000
December 2001	10,000,000	7,000,000
February 2002	20,000,000	16,200,000
July 2003 (Equipment)	8,750,000	8,750,000
July 2003	<u>81,805,000</u>	<u>81,805,000</u>
 Total	 <u>\$357,600,000</u>	 <u>\$179,195,000</u>
 <u>Water, Sewer and Storm Sewer G.O. Bonds:</u>		
February 1996	\$ 3,500,000	\$ 3,500,000
January 1997	6,700,000	6,700,000
February 1998	6,350,000	6,350,000
February 1999	4,760,000	4,760,000
July 2000	6,750,000	6,750,000
September 2001	4,510,000	4,510,000
February 2002	5,600,000	5,600,000
July 2003	<u>\$ 9,440,000</u>	<u>\$ 9,440,000</u>
 Total	 <u>\$ 47,610,000</u>	 <u>\$ 47,610,000</u>
 Total General Obligation Bonds	 <u>\$405,210,000</u>	 <u>\$226,805,000</u>

(1) The CUSIP numbers for each maturity are listed on Appendix B hereto.

The Constitution of the State of New Mexico (the "State") limits the amount of general purpose general obligation indebtedness of the City to 4% of the assessed value of taxable property within the City. Based on the most recent assessed value of the City of \$7,883,833,602 as shown below, the City may issue \$136,158,344 aggregate principal amount of general purpose general obligation bonds in the future.

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

4% of Assessed Value of \$7,883,833,602*	\$315,353,344
Outstanding (General Purpose subject to 4% limitation)	<u>\$179,195,000</u>
Available for Future Issues	<u>\$136,158,344</u>

* See the table below entitled "Assessed Valuation County Tax Year 2003 (Fiscal Year 2004)."

**City of Albuquerque
Assessed Valuation
County Tax Year ⁽¹⁾ 2003 (Fiscal Year 2004)**

Market Value of Property Assessed	\$27,888,182,373
Taxable Value of Property Assessed (1/3 Market Value)	\$8,963,320,227
Locally Assessed	
Less Exemptions	(1,412,227,189)
Plus Centrally Assessed (Corporate)	<u>332,740,564</u>
Certified Net Tax Base ⁽²⁾	<u>\$7,883,833,602⁽³⁾</u>

- (1) The County tax year ("Tax Year") begins November 1 and ends October 31
- (2) Reflects market values submitted to the State by the County Assessor prior to properties assessed late. Value shown was used to assess property taxes for the Tax Year. Current values could vary from value shown.
- (3) This Certified Net Tax Base is based on information received from the County Assessor's Office. Taxable value is determined by dividing market value by three and subtracting exemptions.

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

**City of Albuquerque
Direct and Overlapping General Obligation Debt
As of December 30, 2003**

Gross G.O. Bonded Debt ⁽¹⁾	\$226,805,000
Less G.O. Sinking Fund Balance (October 31, 2003)	<u>(43,025,959) ⁽²⁾</u>
Net G.O. Bonded Debt	<u>\$183,779,041</u>

	<u>G.O. Debt</u>	<u>Tax Year 2003 Assessed Valuation</u>	<u>% Applicable to City</u>	<u>Net Overlapping</u>
City of Albuquerque	\$183,779,041	\$7,88,3833,602	100.00%	\$183,779,041
Albuquerque Public Schools	120,520,000	9,774,231,061	80.66%	97,210,678
Albuquerque Metropolitan Arroyo Flood Control Authority	24,350,000	9,255,489,611	85.18%	20,741,350
Albuquerque Technical-Vocational Institute	26,870,000	9,609,030,639	82.05%	22,045,783
Bernalillo County	74,695,000	9,660,815,811	81.61%	60,955,820
State of New Mexico	288,480,000	29,057,135,331	27.13%	<u>78,270,906</u>
 Total Direct and Overlapping G.O. Debt				 <u>\$463,003,579</u>

Ratios:

Direct and Overlapping G.O. Debt as Percent of Taxable Assessed Valuation	5.87%
Direct and Overlapping G.O. Debt as Percent of Actual Market Valuation	1.66%
Assessed Valuation Per Capita (2002 Estimated Population—463,874) ⁽³⁾	\$17,070.67
Direct and Overlapping G.O. Debt Per Capita	\$ 1,002.53

- (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 October 31, 2003 was \$51,282,430. The amount properly attributable to principal reduction is 83.9% 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
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	463,874 ⁽⁴⁾	7,419,130	209,865	18,230	191,635	2.58	413.12
2003	436,874	7,619,421	160,055	45,493	114,562	1.50	246.92

- (1) Population numbers provided by the U.S. Department of Commerce, Bureau of the Census unless otherwise noted.
- (2) Assessment made by 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 Bonds¹

Fiscal Year	Principal	Interest	Total Debt Service
2004	\$ 58,220,000	\$11,062,703	\$ 69,282,703
2005	31,550,000	8,237,903	39,787,903
2006	28,090,000	6,685,903	34,775,903
2007	23,920,000	5,312,403	29,232,403
2008	20,920,000	4,151,953	25,071,953
2009	18,545,000	3,130,063	21,675,063
2010	16,545,000	2,228,813	18,773,813
2011	14,345,000	1,410,313	15,755,313
2012	7,335,000	733,500	8,068,500
2013	<u>7,335,000</u>	<u>366,750</u>	<u>7,701,750</u>
TOTAL	<u>\$226,805,000</u>	<u>\$43,320,301</u>	<u>\$270,125,301</u>

- (1) See table entitled "City of Albuquerque Outstanding General Obligation Bonds" under this caption.

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

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

Fiscal Year	Principal	Interest	Total Debt Service	Total General Fund Expenditures (Excluding GO Debt Service)⁽¹⁾	Debt Service as a % of Total General Fund Expenditures (Excluding GO Debt Service)
1994	\$35,886,267	\$ 8,872,450	\$44,758,717	\$233,293,114	19.2%
1995	34,860,000	10,828,981	45,688,981	265,271,055	17.2%
1996	34,670,000	9,363,829	44,033,829	266,366,046	16.5%
1997	47,335,000	9,323,348	56,658,348	286,735,538	19.8%
1998	47,370,000	9,241,602	56,611,602	303,158,434	18.7%
1999	37,970,000	8,614,288	46,584,288	297,841,293	15.6%
2000	38,750,000	8,357,440	47,107,440	300,822,796	15.7%
2001	71,570,000	9,046,715	80,616,715	320,852,941	25.1%
2002	49,810,000	8,215,773	58,025,773	321,419,453	18.1%
2003	33,245,000	7,596,953	40,841,953	326,383,639	12.5%

(1) Includes transfers and other financing uses

Sources: City of Albuquerque Comprehensive Annual Financial Reports.

Current Ratings of the General Obligation Bonds. The City’s outstanding general obligation bonds are currently rated “Aa3” by Moody’s Investors Service, Inc. (“Moody’s”), “AA” by Standard & Poor’s Ratings Service (“S&P”) and “AA” by Fitch, Inc. (“Fitch”). Certain of these bonds are credit enhanced and therefore have a different rating which is based on the rating of the credit enhancer rather than the rating of the City for such bonds. See “Credit Enhancement and Interest Rate Risk Management” under this caption.

State Gross Receipts Tax Obligations

Outstanding State Gross Receipts Tax Obligations. The City presently has outstanding the following series of special limited obligations and loans secured by a pledge of revenues received by the City as a distribution from the State of the City’s share of the State gross receipts tax.

City of Albuquerque
Outstanding State Gross Receipts Tax Obligations
as of December 1, 2003

<u>Issue</u> ⁽¹⁾	<u>Project Financed</u>	<u>Principal Amt. of Original Issue</u>	<u>Outstanding Principal Amt.</u>	<u>Reserve Fund Balances</u>	<u>Optional Redemption Provisions</u>
Gross Receipts Tax Refunding Revenue Bonds, Series 1996 ⁽²⁾	Refunding	\$18,315,000	\$10,270,000	N/A	7/1/08 @ 100%
Gross Receipts Tax Refunding Revenue Bonds, Series 1999C	Refunding	27,130,000	27,130,000	N/A	7/1/09 @ 100%
Taxable Gross Receipts Tax Adjustable Tender Revenue Bonds, Series 2000A	Parking Structures	25,600,000	24,300,000	MBIA Surety	Callable on any interest payment date at 100%
Taxable Golf Course Net Revenue/Gross Receipts Tax Revenue Bonds, Series 2001 ⁽³⁾	Golf Course Facilities	2,420,000	2,095,000	N/A	7/1/06 @ 100%
New Mexico Finance Authority Helicopter Loan	Police Helicopter	700,000	437,800	N/A	Callable on any interest payment date after April 25, 2002
New Mexico Finance Authority Stadium Taxable Loan No. 1 (2002) ⁽⁴⁾	Baseball Stadium	6,000,000	6,000,000	N/A	Callable on any interest payment date after October 4, 2003
New Mexico Finance Authority Stadium Taxable Loan No. 2 (2002) ⁽⁵⁾	Baseball Stadium	9,000,000	<u>9,000,000</u>	N/A	Callable on any interest payment date after December 27, 2003
Total Outstanding State Gross Receipts Tax Obligations			<u>\$79,232,800</u>		

- (1) The CUSIP numbers for each maturity are listed on Appendix B hereto.
- (2) These bonds are also payable from certain allocated net revenues of the City's parking and airport systems.
- (3) These bonds are also payable from net revenues of the City's golf courses.
- (4) This loan is also payable from lease payments due to the City from the lessee of the baseball stadium.
- (5) This loan is also payable from surcharges imposed on ticket sales, concessions and other goods and services sold at the baseball stadium.

The City has also pledged its share of the State gross receipts tax, on a basis subordinate to the outstanding State gross receipts tax obligations discussed above, to secure its payment obligations under a surety bond reimbursement agreement entered into by the City and MBIA Insurance Corporation (“MBIA”) in connection with the provision of a surety bond securing certain payments on the City’s Affordable Housing Projects Refunding Revenue Bonds, Series 2000. See “Credit Enhancement and Interest Rate Risk Management” under this caption.

Outstanding State Gross Receipts/Lodgers’ Tax Bonds. The City has outstanding the following series of special limited obligations secured by a pledge of both State gross receipts tax revenues distributed to the City by the State as described in “FINANCIAL INFORMATION—Gross Receipts Tax—State Gross Receipts Tax” and 50% of the revenues received by the City from the 5% lodgers’ tax levied as described in “FINANCIAL INFORMATION—Lodgers’ Tax.”

**City of Albuquerque
Outstanding State Gross Receipts/Lodgers’ Tax Bonds
as of December 1, 2003**

<u>Issue⁽¹⁾</u>	<u>Project Financed</u>	<u>Principal Amt. Of Original Issue</u>	<u>Outstanding Principal Amt.</u>	<u>Reserve Fund Balances</u>	<u>Optional Redemption Provisions</u>
Gross Receipts/ Lodgers’ Tax Refunding and Improvement Bonds, Series 1991B ⁽²⁾	Refunding and Convention Center	\$20,095,587	\$19,287,693	N/A	7/1/11 @ 103%
Gross Receipts/ Lodgers’ Tax Adjustable Tender Revenue Bonds, Series 1995 ⁽³⁾	Convention Center and Plaza Improvements	6,700,000	1,300,000	N/A	Callable on any interest payment date @ 100%
Gross Receipts/ Lodgers’ Tax Refunding Revenue Bonds, Series 1999B	Refunding	45,335,000	<u>45,335,000</u>	N/A	7/1/09 @ 100%
Total Outstanding State Gross Receipts/Lodgers’ Tax Obligations			<u>\$65,922,693</u>		

- (1) The CUSIP numbers for each maturity are listed on Appendix B hereto.
- (2) These bonds were issued as capital appreciation bonds. The amount shown as outstanding is the accreted value of the bonds as of January 1, 2004.
- (3) These bonds are supported by a letter of credit issued by Bank of America, N.A., as described in “Credit Enhancement and Insurance Rate Risk Management” under this caption.

Combined Debt Service. The following schedule shows, for each calendar year, the total combined debt service estimated for all outstanding bonds of the City payable from State gross receipts tax revenues (as described above). The table lists separately the City's State gross receipts tax bonds referred to as "Old Lien Tax Obligations" and those referred to as "New Lien Tax Obligations". The pledge securing the Old Lien Tax Obligations is made as to the tax revenues produced by the 1% portion of the 1.225% tax applied to gross receipts in the City and distributed to the City by the State. The pledge securing the New Lien Tax Obligations is made as to State gross receipts tax revenues the City receives from the entire 1.225% distribution from the State. See "FINANCIAL INFORMATION—Gross Receipts Taxes—State Gross Receipts Tax."

City of Albuquerque
Estimated Total Combined Debt Service
Outstanding State Gross Receipts Tax Obligations
as of December 1, 2003

Calendar Year	Old Lien Tax Obligations ⁽¹⁾					New Lien Tax Obligations ⁽¹⁾					Total Estimated Total Combined Debt Service Requirements
	Series 1991B ⁽²⁾⁽³⁾	Series 1995 ⁽³⁾⁽⁴⁾	Series 1996	Series 1999B ⁽³⁾	Series 1999C	Series 2000A ⁽⁵⁾	Taxable Series 2001 ⁽⁶⁾	NMFA Helicopter Loan	NMFA Stadium Loan No. 1 ⁽⁷⁾	NMFA Stadium Loan No. 2 ⁽⁸⁾	
2004	\$ 1,035,000	\$ 195,000	\$1,583,500	\$ 2,258,130	\$ 1,355,213	\$ 3,716,000	\$ 345,269	\$ 157,128	\$ 490,822	\$ 670,914	\$ 11,806,975
2005	1,195,000	195,000	1,585,000	2,258,130	1,355,213	4,120,000	347,669	157,140	490,833	670,928	12,374,912
2006	1,360,000	195,000	1,583,750	2,258,130	1,355,213	4,564,000	343,888	<u>157,154</u>	490,847	670,944	12,978,925
2007	1,535,000	195,000	1,589,750	2,258,130	1,355,213	4,536,000	344,200	--	490,863	670,963	12,975,119
2008	1,705,000	195,000	1,587,500	2,258,130	1,355,213	4,384,000	342,950	--	490,881	670,987	12,989,660
2009	2,115,000	195,000	1,592,250	2,258,130	1,355,213	4,220,000	345,460	--	490,902	671,013	13,242,968
2010	2,940,000	195,000	1,593,500	2,258,130	1,355,213	4,244,000	341,650	--	490,925	671,043	14,089,460
2011	2,940,000	195,000	<u>1,601,250</u>	2,258,130	1,355,213	3,932,000	<u>346,775</u>	--	490,950	671,074	13,790,392
2012	2,940,000	195,000	--	2,568,130	1,355,213	3,820,000	--	--	490,976	671,109	12,040,428
2013	2,940,000	195,000	--	2,748,870	1,355,213	3,884,000	--	--	491,005	671,148	12,285,235
2014	2,940,000	195,000	--	2,940,135	1,855,213	<u>2,800,000</u>	--	--	491,036	671,188	11,892,571
2015	2,940,000	195,000	--	3,135,935	3,956,463	--	--	--	491,069	671,229	11,389,696
2016	2,940,000	195,000	--	3,329,860	4,533,650	--	--	--	491,104	671,275	12,160,889
2017	2,940,000	195,000	--	3,531,550	4,538,300	--	--	--	491,142	671,322	12,367,314
2018	2,940,000	195,000	--	3,745,500	4,533,500	--	--	--	491,182	671,373	12,576,555
2019	<u>885,000</u>	195,000	--	5,963,750	4,593,500	--	--	--	491,225	671,426	12,799,901
2020	--	195,000	--	7,051,750	4,606,250	--	--	--	491,271	671,484	13,015,755
2021	--	195,000	--	7,350,250	4,543,888	--	--	--	491,321	671,545	13,352,004
2022	--	195,000	--	7,550,500	<u>1,105,113</u>	--	--	--	491,374	671,610	10,013,357
2023	--	<u>1,495,000</u>	--	2,231,000	--	--	--	--	491,430	671,678	4,889,109
2024	--	--	--	8,151,500	--	--	--	--	491,491	671,751	9,314,742
2025	--	--	--	<u>8,452,500</u>	--	--	--	--	491,556	671,827	9,615,884
2026	--	--	--	--	--	--	--	--	<u>491,626</u>	<u>671,909</u>	<u>1,163,535</u>
Total	\$37,185,000	\$5,200,000	\$12,716,500	\$86,816,271	\$47,818,000	\$44,220,000	\$2,757,860	\$ 471,423	\$11,295,831	\$15,439,741	\$263,025,626

- (1) Only the 1.00% portion of the 1.225% of the State gross receipts tax revenues is pledged to the Old Lien Tax Obligations. The full 1.225% has been pledged to the New Lien Tax Obligations.
- (2) Accreted values shown.
- (3) Payable from both State gross receipts tax revenues and lodgers' tax revenues.
- (4) Interest for the Series 1995 Bonds has been calculated at an assumed annual rate of 15%, the maximum bond interest rate under the bond ordinance pursuant to which the Series 1995 Bonds were issued, although the City expects the actual rates to be significantly lower than such maximum bond interest rate.
- (5) Interest for the Series 2000A Bonds has been calculated at an assumed annual rate of 12%, the maximum bond interest rate under the bond ordinance pursuant to which the Series 2000A Bonds were issued, although the City expects the actual rates to be significantly lower than such maximum bond interest rate.
- (6) Taxable Golf Course Net Revenue/Gross Receipts Tax Revenue Bonds, Series 2001.
- (7) New Mexico Finance Authority Lease Revenue/Gross Receipts Tax Stadium Loan (October 4, 2002).
- (8) New Mexico Finance Authority Surcharge Revenue/Gross Receipts Tax Stadium Loan (December 27, 2002).

The State gross receipts tax revenues of the City attributable to the 1.225% levy for Fiscal Year 2003 were \$142,840,456. See “FINANCIAL INFORMATION—Gross Receipts Taxes—State Gross Receipts Taxes.” The maximum estimated calendar year combined debt service requirements for the outstanding State gross receipts tax obligations of the City as shown in the preceding table are estimated to be \$14,089,460 (occurring in calendar year 2010). The coverage ratio of the Fiscal Year 2003 State gross receipts tax revenues to such maximum estimated calendar year combined debt service requirements is 10.14x.

Current Ratings of State Gross Receipts Tax Bonds. The City’s outstanding State gross receipts tax bonds are currently rated “A1” by Moody’s, “AA” by S&P, and “AA” by Fitch. In addition, certain of these bonds (which includes two series of the outstanding State gross receipts/lodgers’ tax bonds) are credit enhanced and therefore have a different rating, which is based on the rating of the credit enhancer rather than the rating of the City for such bonds. See “Credit Enhancement and Interest Rate Risk Management” under this caption.

Municipal Gross Receipts Tax Bonds

Outstanding Municipal Gross Receipts Tax Bonds. The City presently has outstanding the following two series of special limited obligations secured by the municipal gross receipts tax revenues received by the City as described in “FINANCIAL INFORMATION—Gross Receipts Taxes—Municipal and Other Gross Receipts Tax.”

**City of Albuquerque
Outstanding Municipal Gross Receipts Tax Bonds
as of December 1, 2003**

<u>Issue⁽¹⁾</u>	<u>Project Financed</u>	<u>Principal Amt. Of Original Issue</u>	<u>Outstanding Principal Amt.</u>	<u>Reserve Fund Balances</u>	<u>Optional Redemption Provisions</u>
Municipal Gross Receipts Refunding Revenue Bonds, Series 1992	Refunding	\$11,420,000	\$4,845,000	N/A	7/1/02 @ 102%
Municipal Gross Receipts Tax Refunding Revenue Bonds, Series 1999A	Refunding	\$ 6,070,000	<u>\$5,145,000</u>	N/A	7/1/09 @ 100%
Total Outstanding Municipal Gross Receipts Tax Bonds			<u>\$9,990,000</u>		

(1) The CUSIP numbers for each maturity are listed on Appendix B hereto.

Combined Debt Service and Coverage Ratio. The following schedule shows, for each calendar year, the total combined debt service estimated to be payable for the outstanding municipal gross receipts tax bonds of the City.

City of Albuquerque
Total Combined Debt Service
Outstanding Municipal Gross Receipts Tax Bonds
as of December 30, 2003

Calendar Year	Series 1992 Bonds	Series 1999A Bonds	Estimated Total Combined Debt Service
2004	\$ 1,406,233	\$ 570,993	\$ 1,977,225
2005	1,403,828	568,095	1,971,923
2006	1,406,288	569,468	1,975,755
2007	<u>1,408,475</u>	569,888	1,978,363
2008	--	571,138	571,138
2009	--	571,388	571,388
2010	--	570,638	570,638
2011	--	566,498	566,498
2012	--	571,248	571,248
2013	--	569,398	569,398
2014	--	571,133	571,133
2015	--	<u>571,433</u>	<u>571,433</u>
Total	<u>\$ 5,624,823</u>	<u>\$6,841,313</u>	<u>\$ 12,466,135</u>

The municipal gross receipts tax (0.5%) revenues of the City for Fiscal Year 2003 were \$57,569,166. See “FINANCIAL INFORMATION—Gross Receipts Taxes—Municipal and Other Gross Receipts Tax.” The maximum calendar year combined debt service requirements for the outstanding municipal gross receipts tax bonds of the City are estimated to be \$1,978,363 (occurring in calendar year 2007). The coverage ratio of the Fiscal Year 2002 municipal gross receipts tax revenues to such maximum calendar year combined debt service requirements is 29.10x.

Current Ratings of Municipal Gross Receipts Tax Bonds. Both series of the City’s outstanding municipal gross receipts tax bonds are credit enhanced and therefore have a rating which is based on the rating of the credit enhancer rather than the rating of the City for such bonds. See “Credit Enhancement and Interest Rate Risk Management” under this caption.

Debt Calculations for Tax-Supported Obligations

The following table summarizes (i) the total outstanding obligations of the City as of January 1, 2003 payable from General Fund tax revenues, (ii) the property tax debt of certain overlapping jurisdictions and the per capita debt resulting from such aggregate outstanding amounts as of such date.

**City of Albuquerque
Debt Calculations for Tax-Supported Obligations
Outstanding as of December 1, 2003**

<u>General Obligation Debt</u>	<u>Total Outstanding</u>	<u>Per Capita- (Population of 463,874⁽¹⁾)</u>
Net Direct G.O. Debt ⁽²⁾	\$183,779,041	\$396.18
Overlapping Jurisdiction G.O. Debt ⁽³⁾	<u>279,224,538</u>	<u>601.94</u>
Total Direct and Overlapping G.O. Debt	<u>\$463,003,579</u>	<u>\$998.12</u>
 <u>Special Tax Obligations</u>		
State Gross Receipts Tax Bonds ⁽⁴⁾	\$79,232,800	\$170.81
State Gross Receipts/Lodgers' Tax Bonds ⁽⁵⁾	65,922,693	142.11
Municipal Gross Receipts Tax Bonds ⁽⁶⁾	9,990,000	21.54
SAD Bonds-Pledged Gasoline Tax Subseries ⁽⁷⁾	<u>1,265,000</u>	<u>2.73</u>
Direct Special Tax Obligations	<u>\$156,410,493</u>	<u>\$337.19</u>
TOTAL OVERALL TAX- SUPPORTED OBLIGATIONS	<u>\$619,414,072</u>	<u>\$1,335.31</u>

- (1) Population estimated by the City of Albuquerque Planning Division.
- (2) See table entitled "City of Albuquerque Outstanding General Obligation Bonds as of December 30, 2003" Obligation Debt" under this caption.
- (3) See table entitled "Direct and Overlapping General Obligation Debt as of December 30, 2003" under this caption.
- (4) See table entitled "City of Albuquerque Outstanding State Gross Receipts Tax Bonds as of December 30, 2003" under this caption.
- (5) See table entitled "City of Albuquerque Outstanding State Gross Receipts/Lodgers' Tax Bonds as of December 30, 2003" under this caption.
- (6) See table entitled "City of Albuquerque Outstanding Municipal Gross Receipts Tax Bonds as of December 30, 2003" under this caption.
- (7) See "Outstanding Special Assessment District Bonds as of December 30, 2003" under this caption.

Enterprise Obligations

Airport Revenue Bonds

Outstanding Airport Revenue Bonds. The City presently has outstanding the following special limited obligations secured by net revenues of the Albuquerque International Sunport ("Airport"). See "ENTERPRISE OPERATIONS—Albuquerque International Sunport."

**City of Albuquerque
Outstanding Airport Revenue Bonds
as of December 30, 2003**

<u>Issue</u> ⁽¹⁾	<u>Project Financed</u>	<u>Principal Amount of Original Issue</u>	<u>Outstanding Principal Amount</u>	<u>Reserve Fund Balances</u>	<u>Optional Redemption Provisions</u> ⁽²⁾
Airport Subordinate Lien Adjustable Tender Refunding Revenue Bonds, Refunding Series 1995 ⁽³⁾⁽⁴⁾	Refunding	\$ 67,000,000	\$50,300,000	\$ 6,700,000	Callable on any interest payment date @100%
Airport Refunding Revenue Bonds, Series 1997 ⁽³⁾	Refunding	33,310,000	28,235,000	Ambac surety	7/1/07-6/30/08 @ 102% 7/1/08-6/30/09 @101% 7/1/09 and thereafter @100%
Airport Refunding Revenue Bonds, Series 1998 ⁽³⁾	Refunding	42,685,000	39,145,000	Ambac surety	7/1/08 @ 100%
Subordinate Lien Adjustable Rate Airport Refunding Revenue Bonds, Series 2000 A & B ⁽³⁾⁽⁴⁾	Road Improvements and Rental Car Facility	47,200,000	44,200,000 ⁽⁵⁾	Ambac surety	Callable on any interest payment date @ 100%
Airport Revenue Bonds, Series 2001 ⁽³⁾	Refunding	42,550,000	<u>41,170,000</u>	Ambac surety	7/1/11 @ 100%
Total Airport Revenue Bonds			<u>\$203,050,000</u>		

- (1) The CUSIP numbers for each maturity listed on this table are shown on Appendix B hereto.
- (2) These bonds are also subject to mandatory redemption at par on the dates and under certain circumstances relating to damage to or destruction of the Airport or condemnation of all or a part of the Airport as described in the bond documents relating to such bonds.
- (3) Ambac Assurance Corporation has provided its bond insurance policy in connection with these bonds. See "Credit Enhancement and Interest Rate Risk Management" under this caption.
- (4) These bonds are payable from net revenues of Albuquerque International Sunport on a subordinate parity lien basis vis-à-vis the other outstanding Airport revenue bonds, which are sometimes referred to herein as "Senior Parity Obligations." See also "Credit Enhancement and Interest Rate Risk Management" under this caption for a description of certain credit enhancement relating to these bonds and an exchange agreement relating to the Series 1995 Bonds.
- (5) The City anticipates that it will issue refunding and improvement airport bonds in the first quarter of 2004, part of which is to be used to redeem same or all of the Series 2000B Bonds.

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

City of Albuquerque
Estimated Total Combined Debt Service
Outstanding Airport Revenue Bonds
as of December 30, 2003

Calendar Year	<u>Outstanding Senior Parity Obligations</u>			Total Senior Debt	<u>Outstanding Subordinate Parity Obligations</u>		Estimated Total Combined Requirements
	Series 1997 Refunding Bonds	Series 1998 Bonds	Series 2001 Refunding Bonds		Series 1995 Bonds ⁽¹⁾	Series 2000A & B Bonds ^{(2) (3)}	
2004	\$ 3,024,546	\$ 3,546,589	\$ 3,842,250	10,413,385	\$ 6,262,555	\$ 6,465,000	\$ 23,140,940
2005	3,021,421	3,551,684	4,479,180	11,052,285	6,368,690	6,465,000	23,885,975
2006	3,023,921	3,546,924	5,312,200	11,883,045	6,454,770	7,065,000	25,402,815
2007	3,018,121	3,573,299	5,138,200	11,729,620	6,520,795	7,675,000	25,925,415
2008	3,027,121	3,574,234	4,964,200	11,565,555	6,566,765	7,986,000	26,118,320
2009	3,029,621	3,579,474	4,790,200	11,399,295	6,592,680	8,225,000	26,216,975
2010	3,021,621	3,568,399	4,994,040	11,584,060	6,698,540	7,989,000	26,271,600
2011	3,011,871	3,571,279	3,769,350	10,352,500	6,777,660	7,641,000	24,771,160
2012	3,020,034	3,568,748	3,770,463	10,359,244	6,830,040	7,793,000	24,982,284
2013	3,014,421	3,578,323	3,768,513	10,361,256	6,955,680	7,570,000	24,886,936
2014	3,018,096	3,575,683	3,768,231	10,362,010	<u>7,147,895</u>	7,317,000	24,826,905
2015	3,023,165	3,575,945	3,769,081	10,368,191	--	6,934,000	17,302,191
2016	3,018,990	3,573,500	<u>3,760,525</u>	10,353,015	--	6,736,000	17,089,015
2017	3,022,495	3,571,500	--	6,593,995	--	6,293,000	12,886,995
2018	<u>3,019,610</u>	3,572,250	--	6,591,860	--	6,135,000	12,726,860
2019	--	<u>3,575,250</u>	--	<u>3,575,250</u>	--	5,720,000	9,295,250
2020	--	--	--	--	--	<u>5,275,000</u>	<u>5,275,000</u>
Total	<u>\$45,315,056</u>	<u>\$57,103,078</u>	<u>\$56,126,433</u>	<u>\$158,544,566</u>	<u>\$73,176,070</u>	<u>\$119,284,000</u>	<u>\$351,004,636</u>

- (1) The interest rate payable by the City for the Series 1995 Bonds has been calculated at 6.685% per annum pursuant to the interest rate exchange agreement entered into by the City in connection with its issuance of the Subordinate Series 1995 Bonds. See "Credit Enhancement and Interest Rate Risk Management" under this caption.
- (2) The interest payable by the City for the Series 2000A & B Bonds has been calculated at assumed annual interest rates of 12% and 15%, respectively, the maximum bond interest rates under the bond ordinance pursuant to which the Subordinate Series 2000A & B Bonds were issued, although the City expects the actual rates to be significantly lower than such maximum bond interest rates. The City redeemed \$800,000 Series 2000B and \$1,000,000 Series 2000A in April 2003.
- (3) The City anticipates that it will issue refunding and improvement airport bonds in the first quarter of 2004, part of which is to be used to redeem all or part of the outstanding Series 2000B Bonds.

In the ordinances pursuant to which the City's Airport revenue bonds have been issued, the City has agreed to charge all users of the Airport reasonable rates sufficient to produce net revenues (as adjusted in accordance with the ordinances) annually to pay 120% of the debt service requirements on all outstanding Senior Parity Obligations ("Test No. 1") and 110% of the debt service requirements on all outstanding Airport revenue bonds ("Test No. 2"). The net revenues of the Airport for Fiscal Year 2003, as shown in the City's Comprehensive Annual Financial Report (the "CAFR"), were \$35,170,500. See "ENTERPRISE OPERATIONS—Albuquerque International Sunport—Airport Financial Information." This amount is adjusted as follows to conform amounts presented as net revenues in the CAFR to the definition of Net Revenues in the ordinances and the calculation of debt service under Test No. 1 and Test No. 2: (a) for both Test No. 1 and Test No. 2, interest earned on the capital fund, adjustments for the market value of investments required to be included in the CAFR pursuant to GASB 41, and certain other miscellaneous revenues in the capital fund and debt service fund are excluded; and (b) in addition, for Test No. 1 only, interest earned on the debt service fund is excluded. The maximum estimated calendar year combined debt service requirements for all outstanding Senior Parity Obligations are estimated to be \$11,883,045 (occurring in calendar year 2006). With

respect to Test No. 1, the coverage ratio of the adjusted net revenues for the Airport for Fiscal Year 2003 (\$35,170,500) to such maximum estimated calendar year debt service requirements is 2.96x. The maximum estimated calendar year combined debt service requirements for the outstanding Airport revenue bonds are estimated to be \$26,271,600 (occurring in calendar year 2010). With respect to Test No. 2, the coverage ratio of the adjusted net revenues of the Airport for Fiscal Year 2003 (\$35,870,500) to such maximum estimated calendar year debt service requirements is 1.37x (occurring in calendar year 2010). For Fiscal Year 2003, the actual debt service ratio for Test No. 1 is equal to 2.80x, and the ratio for Test No. 2 is equal to 2.28x.

Current Ratings of the Airport Revenue Bonds. The City's outstanding Airport revenue bonds which are Senior Parity Obligations are currently rated "A1" by Moody's, "A+" by S&P and "A+" by Fitch.

The City's outstanding Airport revenue bonds which are Subordinate Parity Obligations have not received a rating based on the credit of the City but are credit enhanced and therefore have received a rating based on the rating of the credit enhancer rather than the rating of the City for such bonds. See "Credit Enhancement and Interest Rate Risk Management" under this caption.

As a result of the events of September 11, 2001, on September 20, 2001, S&P placed all of its North American airport and airport-related special facility ratings, including those of the Airport, on Credit Watch with negative implications. On July 26, 2002 S&P removed the Airport from Credit Watch and categorized it as stable outlook.

Joint Water and Sewer System Obligations

Outstanding Joint Water and Sewer System Obligations. The City presently has outstanding the following the series of special limited obligations secured on a parity basis by net revenues of the City's joint water and sewer system. See "ENTERPRISE OPERATIONS—Joint Water and Sewer System."

City of Albuquerque
Outstanding Joint Water and Sewer System Parity Obligations
as of December 30, 2003

Joint Water and Sewer System Issue⁽¹⁾	Project Financed	Principal Amount Of Original Issue	Outstanding Principal Amount	Reserve Fund Balances	Optional Redemption Provisions⁽²⁾
Revenue Bonds, Series 1990A ⁽³⁾	System Improvements	\$ 50,821,710	\$ 24,547,257	Ambac surety	7/1/2000 @ 100%
Refunding and Improvement Revenue Bonds, Series 1994A	Refunding and System Improvements	103,095,000	18,670,000	Ambac surety	Not callable
Revenue Bonds, Series 1995	System Improvements	38,940,000	18,325,000	Ambac surety	Not callable
Revenue Bonds, Series 1997	System Improvements	46,715,000	30,410,000	Ambac surety	7/1/2005 @ 100%
Refunding and Improvement Revenue Bonds, Series 1999A	Refunding and System Improvements	93,030,000	76,995,000	Ambac surety	Not callable
Refunding Revenue Bonds, Series 2000A	Refunding	26,375,000	12,970,000	Ambac surety	Not callable
Revenue Bonds, Series 2001A	System Improvements	30,000,000	29,800,000	Ambac surety	7/1/2009 @ 100%
NMFA-Public Project Revolving Fund Loan (2002)	System Improvements	450,000	421,341	N/A	Callable on any interest payment date after May 10, 2003
NMFA Drinking Water State Revolving Fund Loan (2002)	System Improvements	2,450,000	2,287,107	N/A	Callable on any interest payment date after May 10, 2003
NMFA Drinking Water State Revolving Fund Loan (2003)	System Improvements	3,600,000	<u>3,600,000</u>	N/A	Callable on any interest payment date after April 11, 2004
Total Joint Water and Sewer System Parity Obligations			<u>\$218,025,705</u>		

- (1) The CUSIP numbers for each maturity are listed on Appendix B hereto.
(2) These bonds were issued as capital appreciation bonds and the amount shown as outstanding is the accreted value as of January 1, 2004.
(3) Certain of these bonds are also subject to mandatory sinking fund redemption at par on the dates and otherwise as described in the bond documents relating to such bonds.

The City also has obligations payable on a subordinate basis from revenues of the joint water and sewer system as shown below.

**City of Albuquerque
Subordinate City Obligations
Payable from Joint Water and Sewer System Revenues
as of December 30, 2003**

<u>Obligation</u>	<u>Principal Amount Of Original Issue</u>	<u>Amount Drawn</u>	<u>Interest Rate</u>	<u>Outstanding Principal Amount</u>
Wastewater Loans from the State Environment Department:				
November 1989 Loan	\$ 7,907,582	\$ 7,907,582	3.00%	\$ 4,844,525
November 1991 Loan	2,521,846	2,521,846	3.00%	1,231,859
November 1992 Loan	9,000,000	9,000,000	3.00%	4,396,275
August 1995 Line of Credit	15,000,000	15,000,000	4.00%	11,804,536
June 2002 Loan	12,000,000	1,456,675	3.00%	12,000,000
Total Wastewater Loans				<u>\$34,277,195</u>
Other Obligations:				
SAD Bonds ⁽¹⁾	\$ 2,730,000	N/A	--	<u>\$ 590,000</u>
Total Other Obligations				<u>\$ 590,000</u>

(1) The SAD bonds listed here are secured by a supplemental pledge of surplus joint water and sewer system revenues.

Combined Debt Service and Coverage Ratios. The following schedule shows, for each calendar year, the total combined debt service requirements payable for the City's outstanding joint water and sewer system parity obligations through their respective final maturity dates.

City of Albuquerque
Total Combined Debt Service
Outstanding Joint Water and Sewer System Parity Obligations ⁽¹⁾
as of December 30, 2003

Parity System Obligations

Calendar Year	Series 1990A Bonds ⁽²⁾	Series 1994A Bonds	Series 1995 Bonds	Series 1997 Bonds	Series 1999A Bonds	Series 2000A Bonds	Series 2001 Bonds	2002 NMFA PPRF Loan	2002 NMFA DWRLF Loan	2003 NMFA DWRLF Loan P & I	Total Annual Combined Debt Service Payment
2004	\$ 1,315,000	\$ 9,979,690	\$ 5,273,800	\$ 5,914,475	\$ 13,535,238	\$ 4,528,500	\$ 1,360,335	\$48,474	\$247,115	\$ 356,339	\$ 42,558,966
2005	1,260,000	<u>9,978,840</u>	5,276,000	5,922,150	9,786,488	4,584,500	3,952,335	48,476	247,129	340,352	41,396,270
2006	5,965,000	--	5,275,200	5,934,375	11,396,238	<u>5,208,000</u>	3,986,273	48,479	247,143	340,366	38,401,073
2007	11,365,000	--	<u>5,273,500</u>	5,945,438	11,444,738	--	4,013,073	48,482	247,157	340,380	38,677,766
2008	<u>11,365,000</u>	--	--	5,964,863	12,535,238	--	4,031,848	48,484	247,172	340,395	34,532,998
2009	--	--	--	<u>5,991,700</u>	12,533,950	--	4,059,460	48,488	247,187	340,409	23,221,195
2010	--	--	--	--	12,539,575	--	4,080,273	48,492	247,203	340,423	17,255,966
2011	--	--	--	--	<u>12,535,275</u>	--	4,109,285	48,496	247,219	340,439	17,280,714
2012	--	--	--	--	--	--	4,135,860	48,500	247,235	340,455	4,772,050
2013	--	--	--	--	--	--	<u>4,159,100</u>	48,505	247,252	340,370	4,795,327
2014	--	--	--	--	--	--	--	<u>48,510</u>	<u>247,269</u>	340,486	636,265
2015	--	--	--	--	--	--	--	--	--	<u>340,503</u>	<u>340,503</u>
Total	<u>\$31,270,000</u>	<u>\$19,958,530</u>	<u>\$ 21,098,500</u>	<u>\$ 35,673,000</u>	<u>\$ 96,306,738</u>	<u>\$ 14,321,000</u>	<u>\$ 37,887,840</u>	<u>\$ 533,388</u>	<u>\$ 2,719,081</u>	<u>\$ 4,101,017</u>	<u>\$263,869,094</u>

- (1) The rate covenant of the City described below relates to all joint water and sewer system obligations, including the four Wastewater Loans listed in the previous table which are payable on a subordinate basis to the parity obligations shown in this table. The City is presently obligated to pay aggregate average annual debt service on the Wastewater Loans equal to \$2,924,684, and the maximum calendar year debt service on such Wastewater Loans is \$4,636,294 (occurring in 2008).
- (2) Accreted value shown as of January 1.

In the ordinances pursuant to which the City's joint water and sewer system obligations have been issued, the City has agreed to charge all purchasers of services of the City reasonable rates sufficient to produce net revenues annually to pay 133% of the annual debt service requirements on all joint water and sewer system obligations (excluding reserves therefor). The net revenues of the joint water and sewer system for Fiscal Year 2003 were \$82,622,016. The maximum calendar year combined debt service requirements for parity obligations payable from net revenues of the joint water and sewer system, except for the Wastewater Loans and SAD Bonds (as shown above), are estimated to be \$42,558,966 (occurring in calendar year 2004). The coverage ratio of the 2003 joint water and sewer system net revenues (\$82,622,016) to such maximum calendar year combined debt service requirements (\$42,558,966) would be 1.94x. The coverage ratio of 2003 joint water and sewer system net revenues (\$82,622,016) to the maximum calendar year combined debt service requirements of parity obligations and the Wastewater Loans and SAD Bonds (\$47,231,860), occurring in calendar year 2004) would be 1.74x. The Fiscal Year 2003 ratio of net revenues (\$82,622,016) to actual Fiscal Year 2003 debt service (including subordinate debt) (\$47,516,600) is equal to 1.74x.

Current Ratings of the Joint Water and Sewer System Parity Obligations. The City's outstanding joint water and sewer system parity obligations are currently rated "Aa3" by Moody's, "AA" by S&P and "AA" by Fitch. Certain of these bonds are credit enhanced and therefore have a different rating which is based on the rating of the credit enhancer rather than the rating of the City for such bonds. See "Credit Enhancement and Interest Rate Risk Management" under this caption.

Refuse Removal and Disposal System Revenue Bonds

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

City of Albuquerque
Outstanding Refuse Removal and Disposal Revenue Bonds
as of December 30, 2003

<u>Issue</u> ⁽¹⁾	<u>Project Financed</u>	<u>Principal Amt. Of Original Issue</u>	<u>Outstanding Principal Amt.</u>	<u>Reserve Fund Balances</u>	<u>Optional Redemption Provisions</u> ⁽²⁾
Refuse Removal and Disposal Refunding and Improvement Revenue Bonds, Series 1992 ⁽³⁾	Refunding and System improvements	\$ 15,990,000	\$ 1,085,000	Ambac surety	7/1/2002 @ 102%
Refuse Removal and Disposal Refunding Revenue Bonds, Series 1995 ⁽³⁾	Refunding	13,515,000	8,950,000	Ambac surety	Not callable
Refuse Removal and Disposal Revenue Bonds, Series 1998 ⁽³⁾	System improvements	10,170,000	7,480,000	Ambac surety	7/1/2007 @ 100%
Refuse Removal and Disposal Revenue Bonds, Series 2001A and B	System improvements and refunding	14,205,000	<u>13,280,000</u>	FSA surety	Not callable
Total Refuse System Revenue Bonds			<u>\$30,795,000</u>		

- (1) The CUSIP numbers for each maturity are listed on Appendix B hereto.
- (2) Certain of these bonds are also subject to mandatory sinking fund redemption at par on the dates and otherwise as described in the bond documents relating to such bonds.
- (3) Ambac Assurance Corporation has provided its municipal bond insurance in connection with these bonds. See "Credit Enhancement and Interest Rate Risk Management" under this caption.

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

**City of Albuquerque
Total Combined Debt Service
Outstanding Refuse System Revenue Bonds
as of December 30, 2003**

Calendar Year	Series 1992 Bonds	Series 1995 Bonds	Series 1998 Bonds	Series 2001A Bonds	Series 2001B Bonds	Series 2001A&B Bonds	Total Annual Combined Debt Service
2004	\$ 590,230	\$1,776,150	\$ 948,138	\$ 569,206	\$ 575,685	\$ 1,144,891	\$ 4,459,409
2005	<u>586,080</u>	1,771,715	947,888	567,206	576,685	1,143,891	4,449,574
2006	--	1,772,965	946,218	1,160,394	576,885	1,737,279	4,456,461
2007	--	1,773,548	948,218	1,155,400	576,285	1,731,685	4,453,450
2008	--	1,777,988	948,468	1,153,800	<u>504,885</u>	1,658,685	4,385,140
2009	--	<u>1,778,725</u>	947,443	1,150,338	--	1,150,338	3,876,505
2010	--	--	949,193	2,929,950	--	2,929,950	3,879,143
2011	--	--	949,213	2,933,700	--	2,933,700	3,882,913
2012	--	--	946,863	<u>2,925,950</u>	--	<u>2,925,950</u>	3,872,813
2013	--	--	<u>946,856</u>	--	--	--	<u>946,856</u>
Total	<u>\$1,176,130</u>	<u>\$10,651,090</u>	<u>\$9,478,494</u>	<u>\$14,545,944</u>	<u>\$2,810,425</u>	<u>\$17,356,369</u>	<u>\$38,662,263</u>

In the ordinances pursuant to which the City’s refuse system obligations have been issued, the City has agreed to charge users of the system such reasonable rates as are sufficient to produce net revenues annually to pay 150% of the annual debt service requirements on all outstanding system obligations. The net revenues of the City’s solid waste and refuse disposal system for Fiscal Year 2003 were \$9,835,321. See “ENTERPRISE OPERATIONS—Refuse Removal and Disposal System.” The maximum calendar year combined debt service requirements for the outstanding refuse system revenue bonds of the City (as shown above) are \$4,459,409 (occurring in calendar year 2004). The coverage ratio of the 2003 refuse system net revenues (\$9,835,321 to such maximum calendar year combined debt service requirements (\$4,459,409) would be 2.20x. For Fiscal Year 2003, the ratio of net revenues (\$9,835,321) to actual debt service (\$4,325,812) is equal to 2.27x.

Current Ratings of the Refuse System Revenue Bonds. All of the City’s outstanding refuse system revenue bonds are credit enhanced and therefore have ratings which are based on the ratings of the credit enhancer rather than the ratings of the City for such bonds. See “Credit Enhancement and Interest Rate Risk Management” under this caption. The City’s outstanding refuse system revenue bonds are currently given underlying ratings of “A1” by Moody’s, “AA-” by S&P, and “AA” by Fitch.

Golf Course Obligations

Outstanding Golf Course Bonds. The City presently has outstanding one series of special limited obligations secured by net revenues of the City’s golf courses. See “ENTERPRISE OPERATIONS—Golf Courses.”

**City of Albuquerque
Outstanding Golf Course Bonds
as of December 30, 2003**

<u>Issue</u> ⁽¹⁾	<u>Project Financed</u>	<u>Principal Amount Of Original Issue</u>	<u>Outstanding Principal Amount</u>	<u>Reserve Fund Balances</u>	<u>Optional Redemption Provisions</u>
Taxable Golf Course Net Revenue/Gross Receipts Tax Revenue Bonds, Series 2001 ⁽²⁾⁽³⁾	Golf Course Facilities	\$2,420,000	\$2,095,000	N/A	7/1/06 @ 100%

- (1) The CUSIP numbers for each maturity are listed on Appendix B hereto.
- (2) MBIA Insurance Corporation has provided its municipal bond insurance in connection with these bonds. See “Credit Enhancement and Interest Rate Risk Management” under this caption.
- (3) These bonds are also secured by a pledge of revenues received by the City as a distribution from the State of the City’s share of the State gross receipts tax. State gross receipts tax revenues will only be used to pay debt service on these bonds to the extent that net revenues from the City’s golf courses are not available to pay such debt service.

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

**City of Albuquerque
Total Debt Service
Outstanding Golf Course Bonds
as of December 30, 2003**

<u>Calendar Year</u>	<u>Series 2001 Bonds</u>
2004	\$ 345,269
2005	347,669
2006	343,888
2007	344,200
2008	342,950
2009	345,460
2010	341,650
2011	<u>346,775</u>
Total	<u>\$2,757,860</u>

In the ordinance pursuant to which the City's golf course obligations have been issued, the City has agreed to charge users of the system reasonable rates sufficient to produce net revenues annually to pay (i) the annual operation and maintenance expenses of the City's golf courses, and (ii) 150% of the maximum calendar year principal and interest requirements for the Series 2001 Bonds and any additional golf course obligations (excluding the accumulation of any reserves therefor but including any amounts coming due under mandatory sinking fund redemption provisions). The amounts available in Fiscal Year 2003 that constituted the net revenues of the City's golf courses were \$544,585. The maximum calendar year debt service requirements for the outstanding golf course bonds of the City (as shown above) are \$347,669 (occurring in calendar year 2005). The coverage ratio of Fiscal Year 2003 net revenues (\$544,585) to such maximum calendar year debt service requirements (\$347,669) would be 1.57x. For Fiscal Year 2003, the ratio of net revenues (\$544,585) to actual debt service (\$346,769) is equal to 1.57x. To address a slight shortfall in revenue in 2002, the City successfully implemented a 5% rate increase on golf rounds on March 1, 2002 and successfully implemented a plan to reduce expenditures during Fiscal Year 2003 and met the 150% debt service coverage requirement in Fiscal Year 2003. See "ENTERPRISE OPERATIONS—Golf Courses—Golf Course Financial Information."

Current Ratings of the Golf Course Revenue Bonds. All of the City's outstanding golf course bonds are credit enhanced and therefore have ratings which are based on the ratings of the credit enhancer rather than the ratings of the City for such bonds. See "Credit Enhancement and Interest Rate Risk Management" under this caption.

Special Assessment District Obligations

Outstanding Special Assessment District Bonds. There are currently two special assessment districts which have tax-exempt bonds outstanding. Both of such districts involve street improvements and water/sewer improvements and one of such districts also involves natural gas/electric improvements. Total outstanding street improvement bonds equal \$1,265,000, total outstanding water/sewer improvement bonds equal \$590,000, and total outstanding natural gas/electric improvement bonds equal \$30,000.

Special assessment district bonds ("SAD Bonds") are issued in accordance with the laws of the State, in particular, Sections 3-33-1 through 3-33-43 NMSA 1978, as amended and supplemented. SAD Bonds are special and limited obligations of the City, payable from certain assessments levied against the property specially benefited by the improvements and further secured by certain specified sources, described below. The assessments constitute a lien on each parcel of land in the district as to the respective amounts relating to such parcel, which lien has a priority on the land equal to the lien thereon for general and ad valorem taxes and superior to all other liens, claims and taxes.

However, SAD Bonds are further secured by pledged supplemental revenues of, in the case of street improvement bonds, one-half of the revenues received by the City from the distribution of gasoline tax revenues from the State pursuant to Section 7-1-6.9 NMSA 1978, as amended (the "pledged gasoline tax receipts"), and in the case of water and sewer improvement bonds, surplus water and sewer revenues. Surplus water and sewer revenues are the net revenues

of the City's joint water and sewer system after required periodic payments for (i) operation and maintenance expenses and (ii) periodic debt service payments for revenue bonds and other obligations for the joint water and sewer system. See "Enterprise Obligations—Joint Water and Sewer System Obligations" under this caption.

Outstanding Special Assessment District Loans. From time to time, the New Mexico Finance Authority ("NMFA") loans funds to the City to finance improvements to certain special assessment districts. Such NMFA loans ("SAD NMFA Loans") are special and limited obligations of the City, payable solely from certain assessments levied against the property specially benefited by the improvements. Unlike SAD Bonds, the SAD NMFA Loans are not further secured by supplemental revenues. There are currently four SAD NMFA Loans outstanding in an aggregate principal amount of \$9,108,000. It is anticipated that the City will enter into an SAD NMFA Loan (SAD 227) in an amount of approximately \$8,575,143 in February 2004 for infrastructure improvements within the northwest quadrant of the City.

City of Albuquerque
Outstanding Special Assessment District Obligations
as of December 30, 2003

<u>District and Bond Issues/Loans⁽¹⁾</u>	<u>Principal Amt. Of Original Issue</u>	<u>Outstanding Principal Amt.</u>	<u>Reserve Fund Balances</u>	<u>Redemption Provisions⁽²⁾</u>
SAD 223 (Bond Issue June 1995):				
Street improvements ⁽³⁾	\$ 6,245,000	\$ 400,000	102,000	Optional and special redemption
Water and Sewer Improvements ⁽³⁾	1,510,000	420,000	47,000	
SAD 224 (Bond Issue February 1999):			--	
Street Improvements	3,955,000	865,000		Optional and special redemption
Water and Sewer Improvements	995,000	170,000		
Natural Gas and Electric Improvements	360,000	30,000		
SAD 226 (July 2000):			--	
NMFA Tax-Exempt Loan (Street and Water Improvements)	11,568,376	4,515,226		Optional and special redemption
NMFA Taxable Loan (Natural Gas and Electric Improvements)	766,685	286,564		
SAD 225 (November 2000):			--	
NMFA Tax-Exempt Loan (Street and Storm Drainage Improvements)	3,867,500	1,843,583		Optional and special redemption
SAD 222 (October 2001):			--	
NMFA Tax-Exempt Loan (Street and Storm Drainage Improvements)	2,605,539	1,484,205		Optional and special redemption
SAD 216 (May 2002):			--	
NMFA Tax-Exempt Loan (Street and Storm Drainage Improvements)	1,314,322	<u>979,332</u>		Optional and special redemption
Total Special Assessment District Obligations		<u>\$10,993,900</u>		

- (1) The CUSIP numbers for each maturity of Bonds are listed on Appendix B hereto. All obligations listed refer to Bond issues unless otherwise indicated.
- (2) These bonds are subject to optional redemption and special redemption at par in accordance with the bond ordinances relating to such bonds.
- (3) These bonds are supported by a letter of credit issued by Bank of America, N.A., as described in "Credit Enhancement and Interest Rate Risk Management" under this caption.

Combined Debt Service and Coverage Ratios of Supplemental Pledges. A table showing the estimated combined debt service coverages for the City's SAD Bonds secured by a pledge of pledged gasoline tax receipts for Fiscal Years 2004-2008 is set forth below.

**City of Albuquerque
Estimated Combined Debt Service Coverage
Gasoline Tax Obligations
as of December 30, 2003**

Fiscal Year	Combined Debt Service⁽¹⁾	Pledged Gasoline Tax Receipts Fiscal Year 2003⁽²⁾	Estimated Coverage
2004	\$ 69,810	\$4,293,396	61.5x
2005	69,810	4,293,396	61.5x
2006	69,810	4,293,396	61.5x
2007	69,810	4,293,396	61.5x
2008	174,810	4,293,396	24.6x

- (1) This amount represents the total combined debt service payable on the gasoline tax obligations of the City, which are secured by certain special assessments and, only to the extent such special assessments are not received, are also secured by the pledged gasoline tax receipts.
- (2) The pledged gasoline tax receipts for Fiscal Years 2004 through 2008 have been assumed to be the pledged gasoline tax receipts received in Fiscal Year 2003 for purposes of calculating the estimated debt service coverage ratio. See “FINANCIAL INFORMATION—Gasoline Tax.”

Source: City of Albuquerque, Office of the City Treasurer.

A table showing the estimated combined debt service coverages for the City’s SAD Bonds secured by a pledge of surplus water and sewer revenues for Fiscal Years 2004-2008 is set forth below.

**City of Albuquerque
Estimated Combined Debt Service Coverage
Surplus Water and Sewer Obligations
as of December 30, 2003**

Fiscal Year	Combined Debt Service	Pledged Surplus Water And Sewer Revenues Fiscal Year 2003⁽¹⁾	Estimated Coverage
2004	\$ 36,600	\$ 35,105,416	959.16x
2005	36,600	35,105,416	959.16x
2006	36,600	35,105,416	959.16x
2007	36,600	35,105,416	959.16x
2008	36,600	35,105,416	959.16x

- (1) Surplus water and sewer revenues available in Fiscal Year 2003 have been projected for five-years to calculate the debt service coverage ratio although the City is not restricted from issuing, and expects to issue, bonds with a first lien on the joint water and sewer system net revenues which could diminish the resulting surplus water and sewer revenues available in the future. See “ENTERPRISE OPERATIONS— Joint Water and Sewer System.”
- (2) The pledged surplus water and sewer revenues for Fiscal Years 2004 through 2008 have been assumed to be the pledged surplus water and sewer revenues received in Fiscal Year 2003 for purposes of calculating the estimated debt service coverage ratio.

Source: City of Albuquerque, Office of the City Treasurer.

Current Ratings of the Special Assessment District Bonds. The City’s outstanding SAD Bonds are currently unrated, except the SAD 223 Bonds, which are credit enhanced and rated

based on the rating of the credit enhancer rather than a rating of the City for such bonds. See “Credit Enhancement and Interest Rate Risk Management” under this caption.

Housing Obligations

Collateralized Mortgage Obligations

1988 CMO Bonds. On December 28, 1988, the City issued its Municipal Refunding Collateralized Mortgage Obligations (“MR CMO”), Series 1988A (the “1988 CMO Bonds”) in the aggregate principal amount of \$43,650,000. The 1988 CMO Bonds were outstanding as of November 15, 2003 in the aggregate principal amount of \$1,843,564. The only 1988 CMO Bonds currently outstanding are the Class A-4 Bonds which are zero coupon or capital appreciation bonds. Interest on the 1988 CMO Bonds is subject to federal income taxation.

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

The bond insurance policy, the Mortgage Loans, the Agreements, and certain payments received by the Trustee, together with amounts available in the reserve account, and certain other amounts held under the 1988 Indenture, constitute the security for the 1988 CMO Bonds. Scheduled distributions on the Mortgage Loans, together with reinvestment earnings thereon at the assumed reinvestment rate, and amounts withdrawn from the reserve account are expected to be sufficient to make timely payments of interest on the 1988 CMO Bonds and to retire the 1988 CMO Bonds not later than their stated maturity.

1989 CMO Bonds. On February 15, 1989, the City issued its Municipal Collateralized Mortgage Obligations (“MR CMOs”), Series 1989 (the “1989 CMO Bonds”) in the aggregate initial principal amount of \$3,242,153. The 1989 CMO Bonds were outstanding as of November 5, 2003 in the aggregate accreted value and principal amount of \$2,184,875. The 1989 CMO Bonds consist, in order of their respective stated maturities, of Class 1 Bonds and Class 2 Bonds. Accrued interest on the Class 1 Bonds is payable quarterly on each February 15, May 15, August 15 and November 15. The Class 2 Bonds are capital appreciation bonds. Interest on the 1989 CMO Bonds is not subject to federal income taxation.

The 1989 CMO Bonds were issued to provide funds for public uses of the City specified in the indenture relating to those Bonds, to provide funds to make deposits in certain accounts established under the 1989 Indenture and to pay 1989 CMO Bond issuance costs.

Security for the 1989 CMO Bonds is provided by an Assignment of Revenues and Security Interest (the “Assignment”). Pursuant to the Assignment, the City irrevocably assigned and pledged for payment of the 1989 CMO Bonds all amounts from time to time released from the lien of the 1988 Indenture. Subject to the prior lien of the 1988 Indenture, the Assignment also grants a lien as security for payment of the 1989 CMO Bonds against the trust estate pledged under the 1988 Indenture. The amount of scheduled distributions under the Assignment which are available to pay special redemptions on the 1989 CMO Bonds will depend upon the principal.

Certain scheduled payments on the 1989 CMO Bonds are unconditionally and irrevocably guaranteed pursuant to a bond insurance policy from Financial Guaranty Insurance Corporation.

Multifamily Revenue Bonds

On July 20, 2000, the City issued its Affordable Housing Projects Refunding Revenue Bonds, Series 2000 (the “Series 2000 Bonds”) in the aggregate principal amount of \$15,080,000 for the purpose of refunding and defeasing the three following bond issues of the City: (i) its Multifamily Mortgage Revenue Bonds (Beach Apartments Project), Series 1991; its Multifamily Mortgage Revenue Bonds (Manzano Vista, formerly Dorado Village Apartments Project), Series 1994; and its Affordable Housing Project/Gross Receipts Tax Subordinate Lien Revenue Bonds, Series 1996. The Series 2000 Bonds were outstanding as of January 1, 2004 in the aggregate principal amount of \$14,180,000.

The Series 2000 Bonds are secured by a lien on, and payable only from revenues of, the Beach Apartments project, the Manzano Vista Apartments project and the Bluewater Village Apartments project (including a mortgage on such projects), certain funds and accounts created under the indenture relating to the Series 2000 Bonds, a municipal bond insurance policy issued by MBIA Insurance Corporation and a standby bond purchase agreement provided by Bank of America, N.A. See “OTHER PROJECTS OF THE CITY—Housing Projects.”

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 from 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. The Annual Statement does not therefore include any description of the bonds previously issued by the City in favor of such conduit borrowers.

Credit Enhancement and Interest Rate Risk Management

Credit Enhancement

The following table sets forth certain information concerning the providers of credit enhancement (including municipal bond insurance and letters of credit) supporting outstanding obligations of the City. **THE CITY MAKES NO REPRESENTATION AS TO THE FINANCIAL STATUS OF OR OTHERWISE ABOUT ANY OF SUCH CREDIT PROVIDERS, AND INVESTORS SHOULD CONTACT THE RESPECTIVE PROVIDER FOR ANY SUCH INFORMATION.**

City of Albuquerque
Credit Enhancement Supporting Outstanding Obligations of the City

<u>Name of Credit Provider</u>	<u>Outstanding Aggregate Principal Amount of Obligations Supported</u>	<u>Present Ratings of Credit Provider ⁽¹⁾</u>	<u>Credit Enhanced Obligations</u>	<u>Expiration of Credit Enhancement</u>	<u>Date City May Request Renewal of Credit Enhancement</u>
Ambac Assurance Corporation	\$ 220,565,000	S&P: AAA Moody's: Aaa	. Airport Revenue Bonds, Series 1995B . Airport Subordinate Lien Adjustable Tender Refunding Revenue Bonds, Series 1995 ⁽²⁾ . Refuse Removal and Disposal Revenue Bonds, Series 1992, 1995 and 1998 . Airport Refunding Revenue Bonds, Series 1997 . Airport Refunding Revenue Bonds, Series 1998 . Airport Subordinate Lien Adjustable Rate Revenue Bonds, Series 2000A & B ⁽³⁾ . Airport Refunding Revenue Bonds, Series 2001	Maturity of insured bonds	N/A
Financial Guaranty Insurance Corporation	13,468,439	S & P: AAA Moody's: Aaa	. Municipal Refunding Collateralized Mortgage Obligations, Series 1988 and 1989 . General Obligation Bonds, Series 2003C	Maturity of insured bonds	N/A
Financial Security Assurance	32,576,693	S & P: AAA Moody's: Aaa	. Gross Receipts/Lodgers' Tax Refunding and Improvement Revenue Bonds, Series 1991B . Refuse Removal and Disposal Improvement Revenue Bonds, Series 2001 A . Refuse Removal and Disposal Refunding Revenue Bonds, Series 2001B	Maturity of insured bonds	N/A
MBIA Insurance Corporation	56,565,000	S & P: AAA Moody's Aaa	. Gross Receipts Tax Refunding Revenue Bonds, Series 1996 . Variable Rate Gross Receipts Tax Improvement Revenue Bonds, Series 2000A ⁽⁴⁾ . Affordable Housing Projects Refunding Revenue Bonds, Series 2000 ⁽⁵⁾ . Taxable Golf Course Net Revenue/ Gross Receipts Tax Revenue Bonds, Series 2001 . 19,900,000 General Obligation Bonds, Series 2003B	Maturity of insured bonds	N/A
Bank of America, N.A.	1,300,000	S & P: AA-/A-1+ Moody's: Aa1/P-1	. Gross Receipts/Lodgers' Tax Adjustable Tender Revenue Bonds, Series 1995	11/27/2004	None
Bank of America, N.A.	820,000	S & P: AA-/A-1+ Moody's: Aa1/P-1	. SAD 223 Bonds	05/09/2005	None

(1) To the City's knowledge as of the date hereof.

(2) These bonds are also secured by a standby bond purchase agreement provided by Bayerische Hypo-Und Vereinsbank AG which expires February 29, 2004; a renewal has been requested.

(3) These bonds are also secured by a standby bond purchase agreement provided by Morgan Guaranty Trust Company of New York which expires 5/30/05. Renewal must be requested by 2/28/05.

(4) These bonds are also secured by a standby bond purchase agreement provided by Bank of America, N.A. which expires 1/20/05. An extension has been requested.

(5) These bonds are also secured by a standby bond purchase agreement provided by Bank of America, N.A. which expires 7/20/05. An extension has been requested.

Interest Rate Risk Management

The City has from time to time entered into financing arrangements in order to more effectively manage its debt portfolio and limit its exposure in certain cases to interest rate risk. At the present time, there are two such arrangements in place with respect to the City's outstanding long-term obligations as described below.

Subordinate Series 1995 Airport Revenue Bonds. In connection with the City's Subordinate Series 1995 Bonds relating to the Airport, the City entered into an Interest Rate Swap Agreement (the "Exchange Agreement") dated as of October 1, 1992, with AIG Financial Products Corp. ("AIG-FP"). Under the Exchange Agreement, the City is obligated to make payments to AIG-FP calculated on the basis of a fixed rate (6.685% per annum), and AIG-FP is obligated to make reciprocal floating rate payments equal to the interest rate on the Subordinate Series 1995 Bonds, subject to certain conditions. These payments are to be made on a net basis on the business day immediately preceding each interest payment date for the Subordinate Series 1995 Bonds.

Arrangements made in respect of the Exchange Agreement do not alter the City's obligation to pay principal of and interest on the Subordinate Series 1995 Bonds from net revenues of the Airport and other amounts pledged therefor. The Exchange Agreement does not provide a source of security or other credit for the Subordinate Series 1995 Bonds. The City's obligations under the Exchange Agreement to make monthly fixed rate payments to AIG-FP are on a parity with the City's obligation to pay principal of and interest on the Subordinate Series 1995 Bonds. The obligations of AIG-FP under the Exchange Agreement have been guaranteed by its parent corporation, American International Group, Inc.

Under certain limited circumstances, the Exchange Agreement may be terminated prior to the maturity of the Subordinate Series 1995 Bonds. Accordingly, no assurance can be given that the Exchange Agreement will continue to be in existence. If the Exchange Agreement is terminated under certain market conditions, the City may owe a termination payment to AIG-FP payable from net revenues of the Airport which could be substantial.

Series 2000 Housing Bonds. In connection with its Affordable Housing Projects Refunding Revenue Bonds, Series 2000 (the "Series 2000 Housing Bonds"), the City entered into a Rate Cap Agreement dated as of July 12, 2000, with Morgan Guaranty Trust Company of New York ("Morgan Guaranty"). Pursuant to the Rate Cap Agreement, in the event that the average BMA Municipal Swap Index for a particular month exceeds 6.00%, Morgan Guaranty agrees to pay to the City, on the first day of the subsequent month, an amount equal to the difference between the average BMA Municipal Index for such month and 6.00%. Since interest on the Series 2000 Housing Bonds is payable at a variable rate based on an index similar to the BMA Municipal Swap Index, the City will be able to use any such payments to pay interest on the Series 2000 Housing Bonds, if interest fluctuates to levels above 6.00%. The Rate Cap Agreement will terminate on July 1, 2005. In addition, under certain circumstances the Rate Cap Agreement may terminate prior to such date. Upon such termination (whether on July 1, 2005 or prior to such date), the City expects to enter into a similar agreement for the purpose of hedging

against the variable interest rate payable on the Series 2000 Housing Bonds, although there is no assurance that the City will obtain such a hedge at that time.

ECONOMIC AND DEMOGRAPHIC INFORMATION

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 of Albuquerque Area in Square Miles

	<u>Square Miles</u>
December 31, 1885	0.36
December 31, 1940	11.15
December 31, 1950	48.81
December 31, 1960	61.94
December 31, 1970	82.72
December 31, 1980	100.31
December 31, 1990	137.46
June 30, 2000	186.92
October 31, 2001	184.94
September 30, 2002	189.48
September 30, 2003	189.66

Source: City of Albuquerque Planning Department.

Population

The Albuquerque Metropolitan Statistical Area (“MSA”), which until January 1, 1994 consisted solely of the County, now includes all of the County, plus Sandoval and Valencia Counties.

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	449,480	557,621	714,716	1,821,767
2001 ⁽⁴⁾	454,109	562,760	722,591	1,830,935
2002 ⁽⁴⁾	463,874	573,675	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 month of Census. It is reported as benchmark; all other years are as of July of year.
- (4) 2001 and 2002 data: U.S. Dep’t of Commerce, Bureau of the Census, Population Estimates Program, Population Division. Data released July 10,2003.

Sources: U.S. Dept. of Commerce, Bureau of the Census, except as indicated in footnotes. Population Estimates Program, Population Division. Data released April 17, 2003

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, and 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.

2002 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⁾	24.8 ⁽²⁾	27.1	25.8
18-24	10.1	10.0	10.2	9.5
25-34	14.6	13.8	12.4	13.3
35-49	22.6	22.8	21.7	22.5
50 and Older	28.4	28.6	28.6	28.9

- (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 2003.

Employment

General

In 2002, nonagricultural employment in the Albuquerque MSA experienced a slight decline. Jobs were lost due to completion of the construction of the Big I project and of the Intel Facility expansion. Manufacturing jobs declined with the slowdown in the semiconductor industry and 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 by June 2003 growth was 1.8% over the previous June. The rest of New Mexico had similar growth to the Albuquerque MSA at 1.8%. While this is not particularly strong growth, it ties New Mexico with Nevada as the fastest growing state in the U.S.

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 “Estimated Nonagricultural Wage and Salary Employment for the Albuquerque MSA 1994-2003” under the heading “Major Industries” under this caption.

Nonagricultural Employment (000s Omitted)

Calendar Year	<u>Albuquerque MSA⁽¹⁾</u>		<u>New Mexico</u>		<u>United States</u>	
	<u>Employment</u>	<u>% Chg.</u>	<u>Employment</u>	<u>% Chg.</u>	<u>Employment</u>	<u>% Chg.</u>
1994	307.3	6.1%	657.2	5.0%	114,172	3.0%
1995	320.2	4.2	682.4	3.8	117,298	2.6
1996	326.3	1.9	694.9	1.8	119,708	2.1
1997	333.1	2.1	708.5	2.0	122,776	2.6
1998	338.5	1.6	720.0	1.6	125,930	2.6
1999	344.2	1.7	729.6	1.3	128,993	2.4
2000	354.9	3.1	744.9	2.1	131,785	2.2
2001	359.1	1.2	757.8	1.6	131,826	0.0
2002	359.0	0.0	766.0	0.7	130,376	(1.1)
2003 ⁽²⁾	363.1	1.1	776.1	1.3	129,848	(0.4)

(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, 2003.

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
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	385,630	367,346	18,284	4.7	5.5	5.8
2003 ⁽²⁾	393,759	372,781	20,978	5.3	6.1	6.1

(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, 2003.

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 January 2003. As of that date, Kirtland Air Force Base, the University of New Mexico, Albuquerque Public Schools, Sandia National Laboratories (“SNL”) and the City 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⁾	6,408	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	1,200	0.33%	Customer Service Center
Total Major Employers	<u><u>116,592</u></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.

(3) Full-time permanent employees.

(4) Includes both temporary and permanent employees.

(5) Statewide employees.

Source: Albuquerque Economic Development, Inc; except as noted.

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 Annual Information Statement unless otherwise noted. The City makes no projections or representation, nor shall the provision of such information create any implication, that there has been no change in the described employment sectors of the City or that any historical trends set forth herein will continue. The table in this section entitled "Estimated Nonagricultural Wage and Salary Employment for the Albuquerque MSA, 1994-2003" provides detailed information regarding employment growth within key sectors of the economy from 1994 to 2003.

NAICS Classifications

In 2002 a switch was made from the Standard Industrial Classification ("SIC") codes to the new North American Industrial Classification System ("NAICS"). NAICS uses different classifications that better represent modern industries and is now the classification system for Mexico, Canada and the United States. The classification system uses self explanatory titles. Comparisons to the old SIC codes are not readily made. The Government classification did not change, but all other sectors change to some degree. For details on the conversion from SIC to NAICS, see the U.S. Census website at <http://www.census.gov/epcd/www/naics/html>.

Trade Transportation and Utilities. This sector increased only 1.5% on average in the last decade. In fiscal year 2002 sector employment declined by 1.8% and increased by only 0.9% in fiscal year 2003. Retail food store employment has suffered and the local electric and gas utility laid off approximately 75 workers in the local area. The transportation sector is influenced strongly by the national economy and shipping declined during fiscal year 2002.

Educational and Health Services. Albuquerque is a major regional medical center. Presbyterian Hospital and its HMO is one of the largest employers in the area. This is one of the fastest growing categories in the MSA economy. In the past 10 fiscal years this sector had average growth of 4.2%. In fiscal years 2002 and 2003 growth was 6.3% and 5.7% respectively. Much of this growth is due to a change in Medicare policy that allows payment for home healthcare. The educational sector is small in comparison to health services. Exact numbers are not available, but the educational sector has also grown substantially in the past several years with expansion of several of the local private education facilities.

Leisure and Hospitality. This category includes eating and drinking establishments as well as hotels and other tourist related facilities. The 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. The hotel stock in the City of Albuquerque has increased substantially in the past few years. From 1995 to June 2003, 4088 hotel room were permitted. Since June 2003, three hotels-with a total of 471 rooms-have been permitted and are under construction. Rocky Mountain Lodging Report reported occupancy of 72.8% in 1995. Occupancy has averaged around 60% for the past three years. Lodgers' tax revenues have shown similar trends. Growth in lodger's tax revenues was

approximately 10% in the early 1990s, but after 1995 this growth slowed dramatically. In 2001, following the September 11th terrorist attacks, travel declined as did lodger's tax revenues. Growth in fiscal year 2001 was 1.3% followed by a decline of 2% in Fiscal Year 2002 and an increase in Fiscal Year 2003 of 1.5%.

The newest City venue is the rebuilt AAA baseball stadium. The new team-the Albuquerque Isotopes-had a very successful opening season. Their opening game was played on April 11, 2003 and an estimated 300-400 workers were hired for the season. The season was also a financial success for the team and the City, with attendance, sales of merchandise and refreshment revenues exceeding expectations. Attendance for the season, at 594,143, eclipsed the record attendance of 390,652 set in 1993 by the then Albuquerque Dukes.

Professional and Business Services. This sub-sector includes temporary employment agencies and some of Albuquerque's back-office operations. It also includes Sandia National Laboratories ("SNL") and other scientific and research facilities. This sector had average annual growth of 3% in the past decade, but suffered declines of 2.1% and 0.2% in fiscal years 2002 and 2003, respectively. As of October, the labor department shows increases of jobs during the year ending September 2003. These increases are in part due to increases at SNL. Employment at SNL declined from 1994 to 1999 by about 1,450 employees. According to SNL, employment stabilized at around 6,500 for 1999 to 2001. In 2002, SNL experienced growth in part as a result of anti-terrorism efforts and the labs core nuclear protection. As of December 2002, SNL has approximately 7,700 employees in Albuquerque. The first phase of a \$450 million project called Microsystems and Engineering Sciences Applications facility ("MESA") was started in the summer of 2003. This is the largest project ever at SNL. The project has the basic purpose of helping modernize safety, security, and reliability functions of the United States nuclear deterrent and contribute to other national security missions. The Center for Integrated Nanotechnologies ("CINT") is being built at SNL. CINT is one of five new Nanoscale Science Research Centers being created by the Office of Science of the United States Department of Energy. Funding is in place to begin this process from existing Department of Energy appropriations and is expected to cost approximately \$78 million. The SNL science and technology park is an effort to house research facilities and/or manufacturing that benefit from the expertise available from SNL. The first tenant of the Park was EMCORE a manufacturing firm. EMCORE opened in 1998, with a facility to build solar cells for telecommunications satellites and expanded that facility in 2001. Since 2001 there have been 6 new facilities, plus renovations for a total \$26 million in development. Employment services, which includes temporary employment agencies, declined in Fiscal Year 2001, but grew by 6.4% in Fiscal Year 2003.

Manufacturing. This sector accounted for 8.5% of City employment in fiscal year 1993 declining to 6.7% in fiscal year 2003. Employment in this sector peaked in fiscal year 1998 at 28,242, declining to 24,392 in fiscal year 2003, a loss of 3,850 jobs. Still the manufacturing sector has held up better in Albuquerque than it has in the United States economy. The jobs losses in Albuquerque were due first to the Asian financial crisis of 1998, which hit telephone manufacturing and hurt the local employment of Motorola and Philips. Motorola sold what little manufacturing capacity it had left in 1999 and Philips closed its plant in October 2003. Intel, after expanding in 1995, has held employment rather constant despite a \$2 billion expansion in 2002.

A 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. However, Eclipse has announced that the engine it intended to use in the jet would not provide sufficient thrust, and 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.

Information. This sector includes businesses in publishing, broadcasting, telecommunications and internet service establishments. This sector had average annual growth of 7.4% in the past decade, even with a decline of 6.7% in fiscal year 2003. The decline is related to the national decline in internet services and telecommunications.

Government. While it has declined in importance as a direct employer, in 2003 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 SNL. SNL 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 business 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 SNL, military and civilian employment on the base is approximately 24,040; approximately 5,500 of these employees are military and 19,000 are civilian. 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 approximately 6,500 in 2003. The general downtrend of military jobs since 1998 reflects the decision of the military to replace military jobs with civilians where possible. The Base Realignment and Closure Commission ("BRACC") process in 1995 left Kirtland AFB untouched but it had been on a list for closure. The BRACC is planned to undergo another round of evaluation and closures in 2005. It is not known whether Kirtland AFB will be affected. New Mexico has prepared efforts to combat closures of bases in the State.

In an effort to counteract the loss of DOE-funded jobs, the DOE is assisting communities in attracting other type 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 the 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. 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 Work and Community Transition. The purpose of the CRO is to provide leadership, program management, cohesion and collaboration in the expansion of the industry clusters identified by the DOE-funded study.

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. In 2002, the federal government increased employment as the Transportation Safety Administration took over baggage screening operations at the Albuquerque International Sunport. Total federal civilian employment increased by approximately 225 jobs. In Fiscal Year 2003 net federal government employment increased by 142 jobs.

While federal government employment was declining, local government employment increased by several thousand jobs. In large 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.

Financial Activities. This sector includes finance and insurance including credit intermediation. The sector increased employment by an average of 2% per year, despite consolidations in the banking industry and a 2.7% decline in Fiscal Year 2002. The sector was buoyed by strong growth in the insurance carrier industry, including about 500 jobs created in 2002 and 2003 by Blue Cross.

Construction. Construction employment in the Albuquerque MSA from fiscal year 1995 to 1999 hovered around 21,000. In 2000 and 2001 construction employment in the MSA increased as workers were added for two very large projects: the Intel expansion completed in 2002 and the reconstruction of the Big-I interstate interchange. Jobs declined in fiscal years 2002 and 2003, but for the year ending September 2003 employment in this sector increased by 1,400 jobs. The largest source of growth in construction has been in single-family construction. The past few years have seen records set for the number of single family homes constructed. While typically cyclical, the housing industry has shown nearly steady increases in growth since the early 1990s following a substantial turndown in multifamily and single family construction. Multifamily building has remained at a low level compared to the 1980s when tax breaks helped spur several booms and busts in the housing industry.

The value of building permits issued in the City of Albuquerque is cyclical, but has historically increased over time.

Construction Building Permits Issued in Albuquerque

Year	<u>Single Residential⁽¹⁾</u>		<u>Multi-Residential</u>		<u>Commercial Buildings</u>		<u>Public Buildings</u>		<u>Additions & Alterations</u>	<u>Total Permits</u>	
	<u># of Permits</u>	<u>\$ Value</u>	<u># of Units</u>	<u># of Permits</u>	<u>\$ Value</u>	<u># of Permits</u>	<u>\$ Value</u>	<u># of Permits</u>	<u>\$ Value</u>	<u>\$ Value</u>	
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	149,130,782	698,283,222
2002	4,434	451,295,687	1,212	24	50,570,538	102	91,737,800	2	2,900,000	206,841,623	803,345,648
2002 ⁽²⁾	3,848	389,741,641	911	18	36,951,159	86	80,616,204	2	2,900,000	172,700,559	682,909,563
2003 ⁽²⁾	4,378	481,176,651	354	6	19,258,787	102	86,986,942	6	19,258,787	139,099,682	745,780,849
Growth ⁽³⁾	14%	23%	-61%	-67%	-48%	19%	8%	200%	564%	-19%	9%

Total Housing Units in the City of Albuquerque:	Mobile homes &			
	<u>Total Units</u>	<u>Single Family</u>	<u>Multi Family</u>	<u>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)	18,890	16,322	2,568	Not available
Estimated Units as of 2003	217,604	142,969	65,853	8,786

(1) Figures do not include manufactured housing.

(2) As of October 2002 & 2003.

(3) Growth comparing first ten months of 2002.

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).

Estimated Nonagricultural Wage and Salary Employment for the Albuquerque MSA 1994-2003

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2002 to 2003	Annual average 1994 to 2003
Total Nonfarm Employment	297,792	316,058	322,617	329,992	336,800	340,192	349,425	358,950	358,092	361,508	1.0%	2.2%
Natural Resources and Mining and Construction	19,800	23,017	22,392	22,200	21,525	20,817	21,992	24,758	24,033	22,950	-4.5%	1.7%
Manufacturing	25,908	27,592	27,733	27,550	28,242	26,708	26,792	27,958	25,467	24,392	-4.2%	-0.7%
Trade, Transportation, & Utilities	57,775	60,317	61,567	63,400	65,142	65,175	65,208	66,100	64,883	65,483	0.9%	1.4%
Wholesale Trade	13,150	13,867	13,692	13,725	13,908	13,700	13,733	13,975	13,500	13,308	-1.4%	0.1%
Retail Trade	34,425	36,100	37,825	39,733	40,950	40,608	40,425	41,300	41,025	41,892	2.1%	2.2%
Transportation, Warehouse, & Utilities	10,200	10,350	10,050	9,942	10,283	10,867	11,050	10,825	10,358	10,283	-0.7%	0.1%
Information	6,225	7,117	7,042	7,217	8,233	9,617	10,875	11,233	11,400	10,642	-6.7%	6.1%
Telecommunications	2,683	3,325	3,250	3,117	3,383	4,558	5,783	6,250	6,667	5,892	-11.6%	9.1%
Financial Activities	16,192	16,350	16,767	17,450	17,758	19,000	19,483	19,567	19,033	19,150	0.6%	1.9%
Professional & Business Services	44,400	49,008	51,375	52,558	53,358	54,650	57,433	58,583	57,375	57,283	-0.2%	2.9%
Professional, Scientific, & Technical Services	25,483	26,967	27,058	26,300	26,042	25,917	26,592	26,858	26,942	27,375	1.6%	0.8%
Scientific Research & Development Services	10,383	10,358	10,342	10,050	9,817	9,733	9,800	9,625	10,142	10,908	7.6%	0.5%
Management of Companies & Enterprises	3,033	3,283	3,742	4,183	4,642	4,633	4,450	4,617	4,425	4,200	-5.1%	3.7%
Administrative & Support & Waste Management & Remediation Services	15,883	18,758	20,575	22,075	22,625	24,100	26,392	27,108	26,008	25,708	-1.2%	5.5%
Employment Services	6,675	8,517	9,917	10,733	10,175	10,842	11,975	11,442	11,933	12,700	6.4%	7.4%
Business Support Services	1,467	1,750	1,908	2,508	3,400	3,800	4,792	5,642	4,167	2,958	-29.0%	8.1%
Educational and Health Services	28,833	30,583	32,042	33,542	34,875	35,567	36,975	37,942	40,350	42,667	5.7%	4.5%
Health Care and Social	25,525	27,033	28,417	29,792	31,033	31,492	32,600	33,158	35,250	37,675	6.9%	4.4%
Leisure and Hospitality	29,583	31,308	31,733	32,208	31,883	31,883	32,542	33,667	34,092	34,767	2.0%	1.8%
Food Services & Drinking Places	22,733	24,242	24,758	25,050	24,663	24,417	25,133	25,950	26,475	26,900	1.6%	1.9%
Other Services	9,758	10,392	10,333	10,625	10,683	10,750	10,792	11,008	11,250	11,967	6.4%	2.3%
Government	59,317	60,375	61,633	63,242	65,100	66,025	67,333	68,133	70,208	72,208	2.8%	2.2%
Federal Government	14,792	14,533	14,225	14,075	14,000	13,900	14,025	13,700	13,833	13,975	1.0%	-0.6%
State Government	17,192	17,758	18,033	20,383	21,258	21,208	21,817	22,233	22,558	23,108	2.4%	3.3%
Local Government	27,333	28,083	29,375	28,783	29,842	30,917	31,492	32,200	33,817	35,125	3.9%	2.8%

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
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 2002.

The Following table presents data on non-farm earnings by industry for the Albuquerque MSA for 2002 the only year available with the NAICS classification.

Albuquerque MSA
Estimated Earnings by NAICS Industry, 2001⁽¹⁾
(\$000s omitted)

300	Utilities	51,900
400	Construction	1,136,229
500	Manufacturing	1,391,113
600	Wholesale trade	639,833
700	Retail trade	1,096,641
800	Transportation and warehousing	398,684
900	Information	(2)
1000	Finance and insurance	659,002
1200	Professional and technical services	1,896,906
1300	Management of companies and enterprises	226,244
1400	Administrative and waste services	677,685
1500	Educational Services	106,447
1600	Health care and social assistance	1,247,713
1700	Arts, entertainment, and recreation	83,677
1800	Accommodation and food services	480,667
1801	Accommodation	95,170
1802	Food services and drinking places	385,497
1900	Other services, except public administration	357,499
2000	Government and government enterprises	3,239,602
2001	Federal, civilian	976,503
2002	Military	299,454
2010	State and local	1,963,645
2011	State government	827,046
2012	Local government	1,136,599

- (1) In 2002 the North American Industrial Classification System replaced the Standard Industrial Classification. See "major Industries-NAICS Classifications." Comparisons of the NAICS to the SIC are not readily made.
- (2) Not shown to avoid disclosure of confidential information.

The following two tables reflect Median Household Effective Buying Income ("EBI") (1993-2002) and the Percent of Households by EBI Groups 2002 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 nonfarm 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 nonbusiness 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
(1993-2001)**

Calendar Year	Bernalillo County	New Mexico	United States
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
2002	36,381	32,291	38,035

(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 2003 and previous annual surveys from the same source.

**Percent of Households by
Effective Buying Income Groups-2002**

Effective Buying Income Group	Bernalillo County	New Mexico	United States⁽¹⁾
Under \$20,000	23.1%	28.2%	22.2%
\$20,000-\$34,999	25.3%	26.6%	23.3%
\$35,000-\$49,999	19.6%	18.9%	19.5%
\$50,000 and over	32.0%	26.3%	35.0%

(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 2003.

FINANCIAL INFORMATION

General

Taxes and Revenues

The City is a home rule charter municipality, chartered as a town in 1885. An election on the proposed unification of the City and County governments was held in November 2003. The

question of unification was defeated at that election. The New Mexico Constitution (Article X, Section II) requires that another election on the question of unification be held within 12 months of the November 2003 election.

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, except that 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.

The general policy of the City is to charge 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 on the modified accrual basis, consistent with the City's basis of accounting. Governmental funds, expendable trust funds, and agency funds use the modified accrual basis of accounting, while enterprise, 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 appropriations. The financial officers and staff of each department are responsible for monitoring and controlling the expenditures of their departments to ensure that budgeted appropriations for their departments are not exceeded. The City's Office of Management and Budget monitors expenditures and revenues quarterly. Budget amendments during or after the end of the fiscal year require approval of the Mayor and the 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 prepares revenue forecasts for five-year periods (referred to as the “five-year forecast”) each December and updates the budget year forecast prior to introduction of the Mayor’s Proposed General Fund Budget. All revenue forecasts are prepared by the Office of Management and Budget. These forecasts make certain adjustments to revenue forecasts in the current budget based on events occurring since the preparation of the budget and provide a starting point for preparation of the next year’s budget. The Forecast Advisory Committee, comprised of experts from City government, the University of New Mexico, State government and the private sector, reviews forecasts and makes recommendations. After incorporating any recommendations of the Advisory Committee, the five-year forecast is presented to the City Council. In response to changing conditions and revenue forecasts, the City may 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 (Approved Budget, Adjustments 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"). The latest five-year forecast for Fiscal Years 2004-2008 was introduced for council consideration in December 2003 and a presentation will be made in January 2004.

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 implementation program (“CIP”), which consists of a ten-year plan of capital expenditures, including a more detailed two-year CIP budget, and submits it to the City Council by January 23 of each odd-numbered year. See “Capital Implementation 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 a federal grant application, the Mayor is authorized to expend any funds awarded as a result of the grant application if the grant does not require the City’s commitment of funds or resources which were approved by the Council to be increased by more than 10%, and if the goals, objectives and proposed programs included in the application approved by the Council have not changed.

The General Fund

General Fund Revenues

The General Fund is the City's primary operating fund and is used to account for the general operations of the City and for all financial resources, except those required to be accounted for in another fund. Set forth below are discussions of General Fund revenues in Fiscal Years 2003 and 2004 including actual revenue for Fiscal Year 2003. The substantial increases in Fiscal Year 2003 actual revenue above those expected give a stronger outlook for Fiscal Year 2004 than was anticipated when the budget for that year was prepared.

Fiscal Year 2003 (Approved Budget, Adjustments and Actual Revenues). 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 then estimated at \$9 million.

The estimate of Fiscal Year 2003 revenues presented with the Fiscal Year 2004 Proposed Budget was \$328.4 million; \$10.8 million above, and an increase of 3.4% over, Fiscal Year 2002 but \$10.8 million below the approved Fiscal Year 2003 budget. The actual revenues received in Fiscal Year 2003 of \$332.9 million are \$4.5 million above the expectations and an increase of 4.8% above Fiscal Year 2002. Gross receipts taxes for Fiscal Year 2003 were above expectations and only \$1.4 million below the Approved Fiscal Year 2003 budget. The economy and many of the types of revenues experienced substantial growth in the second half of Fiscal Year 2003.

Approved Budget Revenue Estimates for Fiscal Year 2004. Estimated total General Fund revenues for Fiscal Year 2004 are \$349.6 million representing growth of 6.4% above the revised Fiscal Year 2003 estimate. This is an increase of \$21.2 million from the Fiscal Year 2003 estimate. 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. The Fiscal Year 2004 approved 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 2002. The Fiscal Year 2004 estimate is from the five-year forecast. Actual General Fund gross receipts tax revenues were \$236 million in Fiscal Year 2003 a growth of 4.8% above Fiscal Year 2002 and \$4.6 million above the estimated revenues. The Fiscal Year 2004 budget anticipated revenues of \$240 million based on growth of 3.7% from the Fiscal Year 2003 estimate.

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 revenues to the General Fund by \$8 million to \$24.3 million. In Fiscal Year 2003 property tax revenues were \$208 thousand above the approved Fiscal Year 2003 budget.

Franchise tax revenues in Fiscal Year 2004 are anticipated to be \$16.3 million. 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 revenues 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. In Fiscal Year 2003 Franchise revenues were \$384 thousand above the approved Fiscal Year 2003 budget.

Payments in lieu of taxes increase generally due to increased revenue collections and property valuations. Growth was at 6.5% in Fiscal Year 2003 and is estimated at 4.4% in Fiscal Year 2004. The actual Fiscal Year 2003 revenues were \$193 thousand below the approved Budget.

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 budge anticipated a substantial reduction in building activity. Actual building permit revenues for Fiscal Year 2003 are \$3 million above the approved budget and \$1 million above the adjusted revenue estimate. This is an increase of 54% above 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 from the Fiscal Year 2003 estimate.

Other licenses and permits brought in about \$2.7 million in receipts in Fiscal Year 2003, \$972 thousand below the approved budget, primarily because anticipated increased fees for food inspections and animal licenses were not adopted. Permit revenues increased by 10.7% for Fiscal Year 2003, as only half a year of food inspection revenues was collected in Fiscal Year 2002. In Fiscal Year 2004, permit 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, and legal assistance provided to other funds. Second are charges to the Capital Implementation Program (“CIP”) to fund positions for oversight 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 increased 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 brought \$17.0 million or \$800 thousand above the expected \$16.2 million in Fiscal Year 2003. The strength is primarily due to a \$520 thousand unexpected payment from the county to pay for services from the City's crime lab. Revenues are expected to be \$17.9 million in Fiscal Year 2004. Fiscal Year 2003 revenues are \$1.2 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 resulting in a loss of \$401 thousand.

In Fiscal Year 2003, revenues for funding CIP positions are \$6 million, \$1.4 million below the approved budget. Positions were not filled during the year causing the reduction and offsetting the revenue decline with reduced expenditures. In Fiscal Year 2004, CIP funded positions are anticipated to generate \$9 million. Funding for special cultural projects, including the Tingley Beach renovation, increases by \$350 thousand. The Balloon Museum development adds \$220 thousand, street projects funding of CIP positions increased 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. Fiscal Year 2003 total actual revenues were \$1.3 million, \$545 thousand below the approved Fiscal Year 2003 budget. Fiscal Year 2004 revenues were estimated at \$1.2 million.

Indirect Overhead for Fiscal Year 2004 increased by \$411 thousand over the Fiscal Year 2003 estimate, primarily due to general increases in the City's enterprise funds. Fiscal Year 2003 actual revenues were only \$13.2 million. This is due to many unfilled positions in enterprise funds and a reduction in allowable costs for capital indirect charges.

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. Revenues from interest earnings in Fiscal Year 2003 are \$756 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 \$0.5 million. This is down \$1.9 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. 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.

Outlook for Fiscal Year 2004. Given the boost in revenues at the end of Fiscal Year 2003, revenues in Fiscal Year 2004 are generally expected to exceed the estimates in the Fiscal Year 2004 Approved Budget. Gross receipts revenues were much higher in Fiscal Year 2003 than expected therefore the same growth will generate substantial revenue. An additional \$2.2 million in one-time revenue was received from Philips Semiconductor Inc. due to closure of a plant. The revenue was the result of provisions in the industrial revenue bond agreement to recover tax exemptions given the company in the event of closure. Also, the year-end fund balance was \$13.8 million above what was anticipated as the beginning fund balance in the approved Fiscal Year 2004 budget.

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 signed the budget. The Council's changes to the overall General Fund Budget were small. The Mayor's 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 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, in Fiscal Year 2003, the City's General Fund budget faced overspending problems in an amount of approximately \$4.7 million. Overspending concerns were 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, the problem did not materialize. The effect of the hiring and spending freeze was to produce a reversion of \$4.3 million (the difference between the final year-end appropriation level and actual expenditures in Fiscal Year 2003).

The January 2003 five-year forecast of revenues and expenditures 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, \$17.1 million of the shortfall was 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 \$3.6 million available in the General Fund. Eliminating vacant job positions and reorganizing operations to shift City employees to vacant but funded positions saved an additional estimated \$6 million. This savings was partially offset by positions added to staff new City facilities. Increasing charges for services provided to the public and other governmental entities and drawing down available fund balances were offset by program expansions and fully funding known operating costs. Finally, expenditures that were assumed in the five-year forecast, including a police cadet expansion class and non-public safety vehicle replacement, were not funded. The City has traditionally maintained an operating reserve calculated as 5% of recurring General Fund revenues. In Fiscal Year 2002 the operating reserve held \$16.2 million and in the Fiscal Year 2003 the amount was \$16.8 million. In addition to the operating reserve, the City began accruing the Gross Receipts Tax in Fiscal Year 1995 and treated the July accrual as unavailable for spending, i.e. designated for future appropriations. The adjustment contained approximately one month's worth of revenue from the Gross Receipts Tax, Cigarette Tax and the Municipal Road (Gasoline) Tax. In Fiscal Year 2002, \$17.8 million was held for the adjustment and in Fiscal Year 2003, \$18.3 million was held.

The City combined these amounts and replaced them with a General Fund reserve equal to 8.33% or 1/12th of General Fund appropriations. For Fiscal Year 2004 the amount budgeted for that reserve is \$29.2 million. Although the City is a home rule municipality, the proposed reserve policy change is consistent with 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 1999-2003 and the approved budget amounts for Fiscal Year 2004. Appropriation levels do not reflect final year and clean-up of Fiscal Year 2003 approved by the City Council in November 2003, that increased the Fiscal Year 2003 budget level by \$2.6 million and the Fiscal Year 2004 by \$582 thousand. Nor does the table reflect the approval of a one-time bonus for City employees with a non-recurring General Fund cost of \$5.1 million.

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

REVENUES	Actual 1999	Actual 2000	Actual 2001	Actual 2002	Approved Budget 2003	Actual 2003	Approved Budget 2004	Compound Ann. Change 99-04
Taxes:								
Property Tax	\$13,530	14,267	15,429	15,880	16,350	16,498	24,316	12.4%
Gross Receipts Tax	81,027	84,166	88,353	89,068	92,783	93,173	93,830	3.0%
Other Taxes	14,161	13,581	15,626	15,369	17,073	17,457	16,303	2.9%
Payment in lieu of taxes	<u>4,890</u>	<u>4,842</u>	<u>5,117</u>	<u>5,450</u>	<u>5,806</u>	<u>5,613</u>	<u>6,062</u>	4.4%
Total Taxes	<u>113,608</u>	<u>116,855</u>	<u>124,525</u>	<u>125,766</u>	<u>132,012</u>	<u>132,741</u>	<u>140,511</u>	4.3%
Licenses & Permits	8,136	8,011	8,723	8,643	10,189	12,279	10,385	5.0%
Intergovernmental Revenue:								
State Grants	73	270	20	22	70	46	-	-100.0%
State Shared Revenue:								
Gross Receipts Tax	125,538	130,282	135,831	136,655	144,604	142,840	146,229	3.1%
Other State Shared	9,522	4,739	4,114	4,672	4,738	4,233	4,848	-12.6%
County	250	210	220	169	700	242	202	-4.2%
Total Intergovernmental Revenue	135,382	135,501	140,185	141,519	150,112	147,361	151,279	2.2%
Charges for Services	35,758	35,539	36,719	36,638	42,313	37,770	42,979	3.7%
Miscellaneous	2,960	2,710	3,748	1,580	3003	1,249	2,105	-6.6%
Other Transfers	1,398	1,468	3,663	3,436	1,603	1,509	2,307	10.5%
TOTAL REVENUES	<u>297,243</u>	<u>300,084</u>	<u>317,563</u>	<u>317,581</u>	<u>339,232</u>	<u>332,909</u>	<u>349,566</u>	3.3%
Beginning Fund Balance	44,739	44,142	43,403	40,183	36,599	36,599	31,753	-6.6%
TOTAL RESOURCES	<u>341,982</u>	<u>344,226</u>	<u>360,966</u>	<u>357,764</u>	<u>375,831</u>	<u>369,508</u>	<u>381,319</u>	2.2%
EXPENDITURES								
General government	42,081	43,979	44,444	43,375	43,954	43,775	49,921	3.5%
Public safety	111,039	116,909	122,153	127,469	132,034	130,107	140,552	4.8%
Cultural and recreation	47,466	46,791	50,408	49,152	51,900	48,653	51,952	1.8%
Public works	14,842	14,425	9,223	8,571	7,092	6,161	6,219	-16.0%
Highways and streets	13,947	9,520	11,872	12,898	13,061	12,373	12,708	-1.8%
Health	5,796	5,774	6,134	6,288	7,241	6,557	7,086	4.1%
Human services	18,523	22,104	29,264	26,795	30,076	27,146	30,418	10.4%
Other transfers out	44,147	41,321	47,284	46,616	51,130	49,113	51,950	3.3%
TOTAL EXPENDITURES	<u>297,841</u>	<u>300,823</u>	<u>320,782</u>	<u>321,164</u>	<u>336,488</u>	<u>323,886</u>	<u>350,806</u>	3.3%
ENDING FUND BAL.	44,141	43,403	40,183	36,599	39,343	45,622	30,513	
TOTAL ADJUSTMENTS ^{(1), (2), (3)}	(24,880)	(23,229)	(24,485)	(18,525)	(19,025)	(502)	(678)	
TOTAL RESERVES ⁽⁴⁾	14,686	14,879	15,549	16,161	20,203	27,758	29,811	
Ending fund balance as %								
of recurring total Revenue ⁽⁵⁾	6.5%	6.78%	5.00%	5.75%	6.02%			
Ending fund balance as %						13.93%	8.5%	
of total expenditure ⁽⁵⁾								
Recurring revenues	296,524	297,584	314,044	314,330	337,432	329,259	346,617	2.9%
Recurring expenditures	296,565	294,892	319,546	317,399	335,488	322,331	347,699	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) A reserve of \$275 thousand for the transfer to transit is included in the Approved Fiscal Year 2004 Budget.

(5) 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.

The General Fund currently anticipates a significant fund balance in excess of the required reserve level and available for appropriation. Because Fiscal Year 2003 revenues were stronger

than anticipated (\$4.5 million above the third quarter estimate) and Fiscal Year 2004 revenues are performing better than anticipated when the budget was approved, combined with an unanticipated reversion from spending below the budgeted level in Fiscal Year 2003, available fund balance in Fiscal Year 2004 is significantly improved. Even after passage of the employee bonus plan, available fund balance was estimated at \$12.7 million. Approximately \$2.2 million of the increase is attributable to the settlement of an IRB lease.

Due to significant delays in hiring, first quarter estimates of expenditures anticipate reversions for Fiscal Year 2004. Revenue performance continues to exceed expectations. The most recent estimate of available General Fund balance is \$19 million.

The following is an analysis of recent changes in General Fund revenues, appropriations and fund balance.

	FY04 Approved Budget 6/30/03 (000's)	FY04 Revised Budget 9/10/03 (000's)	FY04 1st Quarter Projections 11/25/03 (000's)
Resources:	\$ 349,566	\$ 356,518	\$ 358,601
Revenue*	<u>31,753</u>	<u>43,125</u>	<u>43,125</u>
Beginning fund balance	<u>381,319</u>	<u>399,643</u>	<u>401,726</u>
Appropriations/Expenditures:			
Operating expenditures	\$ 350,806	351,404	347,182
Employee bonus	-	<u>5,069</u>	<u>5,069</u>
Total expenditures/appropriations	<u>350,806</u>	<u>356,473</u>	<u>352,251</u>
Fund Balance	<u>\$ 30,513</u>	<u>\$ 43,170</u>	<u>\$ 49,475</u>
Fund balance adjustments	(678)	(736)	(736)
Fund balance reserves	29,811	29,706	29,706
Available fund balance	<u>\$ 24</u>	<u>\$ 12,728</u>	<u>\$ 19,033</u>

* Revenues are projected, actual revenues may vary.

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 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%. The City has also imposed a 0.0625% municipal infrastructure gross receipts tax for general purposes and has authority to impose a second 0.0625% municipal infrastructure gross receipts tax for general purposes without a referendum. The City may impose an additional 0.125% municipal infrastructure gross receipts tax for general municipal purposes, infrastructure, regional transit and/or economic development, a 0.0625% municipal environmental gross receipts tax and an additional 0.25% municipal capital outlay gross receipts tax for municipal infrastructure purposes. See “Gross Receipts Taxes—Municipal and Other Gross Receipts Taxes” under this caption.

Real Property Tax. The City is authorized to impose a maximum levy of 7.650 mills for City operations. In Fiscal Year 2004, only 3.014 mills imposed on residential property and 3.544 mills imposed on commercial property is used by the City for operations and is subject to yield control. 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. Beginning in Tax Year 2003, of the 7.650 mills authorized, only 3.014 mills imposed on residential property and 3.544 mills imposed on commercial property is used by the City for operations (referred to as the “operational levy”) and is subject to yield control. The yield control provisions of Section 7-37-7.1 NMSA 1978, as amended, require that the Local Government Division of the New Mexico Department of Finance and Administration annually adjust operational mill levies subject to

yield control after the reassessment 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 NMSA 1978, 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 2003 (Fiscal Year 2004) 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 2003 (Fiscal Year 2004) is 7.976 mills and the operational levy is 3.014 mills on residential property and 3.544 mills on commercial property.

<u>Purpose of Property Tax</u>	<u>Total Taxing Authority</u>	<u>Levy Imposed¹</u>	<u>Unused Authority¹</u>
Operations:	7.650 mills		
Residential		3.014 mills	4.636 mills
Commercial		3.544 mills	4.106 mills
Debt Service ⁽¹⁾ :	12.000 mills ⁽²⁾		
Residential		7.976 mills	4.024 mills
Commercial		7.976 mills	4.024 mills

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

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

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, 2001 and 2003, 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. In Fiscal Year 2004 the debt service levy was decreased to 7.976 mills.

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 \$24,350,000 is outstanding, with \$20,741,350 payable from taxable property within the City.

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 1.0% 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 for property tax assessments, collections and distributions resulted in a shortfall of property tax revenues distributed to the City in tax years 2001 and 2002. 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>
1994 ⁽²⁾	\$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
2003	7,132,035,544	332,740,564	419,057,494	7,883,833,602

(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>2003 Assessed Taxable Value</u> ⁽³⁾	<u>Tax Amount</u>	<u>Percentage of Total City Assessed Valuation</u> ⁽⁴⁾
Qwest (US West)	\$85,458,242	\$4,103,505	1.084%
PNM Electric	81,479,888	3,910,105	1.034%
Comcast Cablevision of New Mexico	21,694,707	996,894	0.275%
Southwest Airlines	21,089,467	969,082	0.268%
Simon Property Group Ltd. (Cottonwood Mall)	20,483,754	941,249	0.260%
PNM Gas Services	19,116,492	905,082	0.242%
Heitman Properties of NM (part of Coronado Shopping Mall)	19,111,489	878,192	0.242%
Crescent Real Estate (Hyatt Hotel)	15,965,071	832,595	0.203%
Verizon Wireless (VAW) LLC	14,715,110	676,174	0.187%
Voicestream PCS II Corporation	12,022,694	552,455	0.152%
Alltel Communications Inc.	11,773,257	540,993	0.149%
Winrock Property (Winrock Mall)	11,743,269	536,615	0.149%
AT&T Communications	7,594,489	396,060	0.096%
AHS Albuquerque Regional Medical Center	8,314,168	382,044	0.105%
Delta Airlines Inc.	7,785,475	357,750	0.099%
Time Warner Telecom of NM LLC	7,000,000	321,657	0.089%
HUB Albuquerque LLC	6,147,719	320,610	0.078%
Cigna Corp-Finance Dept.	5,492,029	252,364	0.070%
Pinnacle at High Desert	6,019,398	236,659	0.076%
Sun Healthcare Group Inc.	<u>5,129,400</u>	<u>235,701</u>	<u>0.065%</u>
	<u>\$388,136,118</u>	<u>\$18,345,786</u>	<u>4.9%</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**

Fiscal Year	Total Current Tax Levy ⁽¹⁾	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Total Collections as Percent of Current Levy	City Debt Service Collections	Percent of Total City Levy
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%
2003	85,014,269	81,327,454	95.66%	4,084,547	85,412,001	100.46%	67,971,422	79.95%

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**

Tax Year	Total Tax Levy	City	Bernalillo County	State of New Mexico	Schools	Technical Vocational Education	Flood Control Authority	Hospital
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
2003	46.668	11.154	9.549	1.52	8.497	3.175	.936	6.500

Source: Bernalillo County Treasurer's Office.

Gross Receipts Taxes

State Gross Receipt Tax

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. 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, 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>
1999	\$124,241,610
2000	130,281,585
2001	135,830,834
2002	136,655,396
2003	142,840,456

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. 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 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 (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. In October 2003, a 0.25 % municipal gross receipts tax was approved by the City electors with the proceeds to be used for public safety, a variety of social-service programs and jail expenses. The tax will be imposed effective July 1, 2004. 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>
1999	\$50,161,975
2000	52,668,581
2001	54,609,793
2002	55,034,047
2003	57,569,166

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 2003 Gross Receipts Tax (GRT) Paid
in the City of Albuquerque**

<u>Type of Tax & Purpose</u>	<u>Percentage Imposed</u>
Municipal GRT ⁽¹⁾⁽²⁾	1.0000%
Municipal Infrastructure GRT	0.0625
Bernalillo County GRT	0.2500
State GRT	5.0000
Credit on State GRT ⁽³⁾	<u>(0.5000)</u>
Total ⁽²⁾	<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) In October 2003, a 0.25 % municipal gross receipts tax was passed by the City electors with the proceeds to be used for public safety, a variety of social-service programs and jail expenses. The tax will be imposed effective July 1, 2004.
- (3) 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 2004 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> ⁽³⁾		1.000%	0.2500% ⁽³⁾
Municipal Infrastructure GRT ⁽⁴⁾			
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 ⁽⁵⁾	0.2500%	<u>0.0000%</u>	<u>0.2500%</u>
<i>Total Other GRT</i>		<u>0.0625%</u>	<u>0.500%</u>
Total Impositions by the City ⁽³⁾		<u>1.0625%</u>	<u>0.7500%</u>
State Shared GRT ^{(6) (7)}		<u>1.2250%</u>	<u>--</u>
Total Distribution to the City ⁽³⁾		<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) In October 2003, a 0.25 % municipal gross receipts tax was approved by the City electors with the proceeds to be used for public safety, a variety of social-service programs and jail expenses. The tax will be imposed effective July 1, 2004 resulting in no unused authority for municipal gross receipts tax.
- (4) 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%.
- (5) 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.
- (6) State imposed levy in lieu of earlier local sales tax and remitted to local jurisdictions.
- (7) 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 1994.

City of Albuquerque
Taxable Gross Receipts By Sector and Total Gross Receipts ⁽¹⁾
Fiscal Years 1994-2003 (000,000s omitted)

	<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>2003</u>	<u>% of Total Shares by Sector</u>	
											<u>1994</u>	<u>2003</u>
Construction	\$ 668.5	\$ 837.4	\$1,007.7	\$1,068.1	\$1,000.8	\$ 1,001.4	\$ 1,098.7	\$ 1,307.6	\$ 1,250.6	1,213.5	8%	11%
Manufacturing	256.7	272.9	278.3	281.0	320.1	324.2	319.4	308.6	283.7	233.7	3%	2%
Trans, Comm, & Pub Utl	560.4	563.6	562.3	600.9	616.1	615.1	611.1	650.0	565.2	569.1	7%	5%
Wholesale Trade	468.6	498.0	513.2	511.1	554.1	535.6	604.8	608.0	630.5	738.0	6%	6%
Retail Trade	3,157.2	3,417.2	3,634.0	3,759.6	3,882.4	3,963.1	4,158.7	4,367.6	4,345.0	4,652.6	40%	41%
Fin, Insur., & Real Estate	243.1	228.8	251.6	258.1	279.0	286.3	292.2	292.7	270.4	269.4	3%	2%
Services	2,517.3	2,688.8	2,902.6	3,001.2	3,103.6	3,276.2	3,379.2	3,406.2	3,550.8	3,740.7	32%	33%
Other	16.5	16.7	11.5	19.8	15.0	21.7	22.4	22.6	23.5	18.5	0%	0%
Interstate Communications ⁽²⁾	<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>52.9</u>	<u>50.4</u>	<u>37.9</u>	<u>1%</u>	<u>0%</u>
Total Taxable Gross Receipts	<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>\$10,970</u>	<u>\$11,473</u>	<u>100%</u>	<u>100%</u>
Total Gross Receipts Reported	\$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	\$20,153.4		

(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 or furnish security for payment) 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. The Department may, under certain circumstances, enter into an agreement with a delinquent taxpayer to permit monthly installment payments for a period of not more than 60 months. Interest is due on any delinquent taxes from the first day following the day on which it is due at the rate of 15.0% per year, computed on a daily basis until paid, without regard to any installment agreement. However, if the gross receipts taxes are paid within 10 days after demand is made, no interest accrues.

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

Gasoline Tax

Generally

The tax on gasoline was reduced, as of July 1, 1995, to a rate of \$0.17 per gallon (from the previous rate of \$0.20) pursuant to Sections 7-13-1 through 7-13-18 NMSA 1978, as amended (“Gasoline Tax Act”). The section of the Gasoline Tax Act which required the reduction of the gasoline tax back to \$0.16 per gallon on July 1, 2003 was repealed by New Mexico Laws 2003, Chapter 289, Section 1.

Gasoline is defined in the Gasoline Tax Act as any flammable liquid used primarily as fuel for propulsion of motor vehicles, motorboats or aircraft but does not include diesel engine fuel, kerosene, liquefied petroleum gas, natural gas and products specially prepared and sold for use in the turbo-prop or jet-type engines. The gasoline tax is imposed on registered distributors of gasoline in the State at the time the gasoline is received by a registered distributor. Gasoline is generally deemed to be “received” when delivered to a registered distributor for resale to a wholesaler or retailer in the State. The registered distributor is responsible for filing gasoline tax

returns with and paying the gasoline tax due to the State Taxation and Revenue Department (the “Department”) on or before the twenty-fifth day of the month following the month in which the gasoline is received in the State. Distributors are required to include the gasoline tax in the resale price of gasoline sold to a purchaser. Delinquent taxpayers may be required to file a surety bond in favor of the State to ensure prompt filing of reports and the payment of all taxes levied by the Gasoline Tax Act. “Registered tribal distributors” are permitted to deduct the tax from gasoline sold at the wholesale level. Each registered tribe is limited to total annual sales of 30 million gallons.

The gasoline tax is not imposed on gasoline received in the State for export from the State by a distributor or on gasoline sold to and used by any United States agency or instrumentality. Wholesalers and distributors of gasoline may sell specially dyed gasoline to persons not using the gasoline in motor boats or in vehicles licensed to operate on the highways in the State. The persons purchasing specially dyed gasoline are required to hold a gasoline tax refund permit issued by the Department and must make individual purchases of the specially dyed gasoline in quantities of 50 gallons or more (individual aviation fuel purchases may be aggregated). Certain limited deductions from the gasoline tax also apply to ethanol blended gasoline using ethanol made with at least 50% agricultural feed stocks produced in the State.

In the 1990 session, the State Legislature adopted legislation which increased the amount of the distribution of gasoline tax receipts from the State (“State Shared Gasoline Tax Receipts”) to 11.25% from 9.28%. In 1993, the distribution of gasoline tax receipts was decreased to 8.82%. This distribution was increased again on August 1, 1995 to 10.38%. The percentage of total gasoline tax receipts shared with municipalities has varied depending on the total State tax on gasoline then in effect. By changing the percentage of gasoline tax receipts distributed to municipalities, the State Legislature has attempted to maintain the flow of State Shared Gasoline Tax Receipts to municipalities. Despite the fluctuation in the amount of gasoline tax receipts distributed to municipalities, the net effect on the level of State Shared Gasoline Tax Receipts distributed to the City has been insignificant. See the table entitled “Historical State Gasoline Tax Receipts” under this caption.

In the 1999 legislative session, the State Legislature adopted legislation requiring, under Section 7-1-6-9(C) NMSA 1978, that gasoline taxes be paid into a separate road fund in the municipal treasury. This legislation has no impact on the amount of State Gasoline Tax Receipts distributed to the City. The City began depositing State Gasoline Tax Receipts received by it from the State into a separate fund in Fiscal Year 2000.

Historical Receipts

The following table sets forth the historical distributions of State Gasoline Tax Receipts for Fiscal Years 1994-2003.

City of Albuquerque Historical State Gasoline Tax Receipts

<u>Fiscal Year</u>	<u>State Gasoline Tax Receipts</u>
1994	\$3,871,140
1995	4,258,909
1996	4,612,407
1997	4,516,251
1998	4,748,965
1999	4,514,428
2000	4,604,981
2001	4,661,581
2002	4,431,007
2003	4,293,636

Sources: City of Albuquerque Comprehensive Annual Financial Reports for 1994 to 2003.

Distribution of the Gasoline Tax

The Department distributes gasoline taxes to municipalities and counties pursuant to statutory procedures. A portion of the gasoline tax is distributed pursuant to Section 7-1-6.9 NMSA 1978, as amended. The amount of the gasoline taxes distributed to municipalities is, since August 1995, equal to 10.38% of the net receipts attributable to gasoline taxes imposed pursuant to the Gasoline Tax Act. The City can make no prediction as to future actions of the State Legislature with respect to the amount of gasoline tax receipts to be distributed pursuant to Section 7-1-6.9 NMSA 1978. Net receipts are the amount paid to the Department in any month less any refunds. Ninety percent (90%) of the amount distributed by the Department is paid to treasurers of municipalities in the proportion that the taxable motor fuel sales in each of the municipalities' bears to the aggregate taxable motor fuel sales in all municipalities in the State. The remaining 10% is distributed by the Department to counties in the State.

Taxation and Revenue Department Gasoline Tax Collection Procedures

The Department collects gasoline taxes in the State but does not engage in extensive monitoring and compliance activities. The Department reviews the payment of gasoline taxes for reasonableness and may conduct a farther investigation if the amount of taxes paid by a particular distributor are not deemed reasonable. The Department publishes monthly reports regarding gasoline tax collections and receipts.

Variation in Local Distributions and Local Monitoring Procedures

The amount of gasoline taxes distributed to individual municipalities is variable because the distributions are tied to the reported amounts of taxable motor fuel sales in each individual municipality relative to all municipalities. If the amount of reported sales in an individual municipality declines, the amount of distribution of gasoline taxes also declines. Additionally, if the amount of taxable motor fuel sales in certain municipalities increases, those municipalities will receive a larger portion of the total amount of gasoline taxes to be distributed to all municipalities by the Department, resulting in a smaller portion to be distributed to municipalities with proportionally lower taxable motor fuel sales.

Lodgers' Tax and Hospitality Fee

Generally

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

The State Legislature passed the Hospitality Fee Act (Sections 3-38A-1 through 3-38A-12 NMSA 1978) which became effective in June 2003. Under the Act, the City has authority to impose, without a referendum, a hospitality fee of up to 1% of the gross rent proprietors receive from tourist accommodations within the City. The hospitality fee is required to be used to equip and furnish a convention center and for advertising, publicizing, and promoting tourist-related attractions, facilities and events in the City and its area. The City has not used this authority to date. The Hospitality Fee Act includes a section which repeals the Act effective July 1, 2013.

Historical Lodgers' Tax Revenues

The gross taxable rent, the lodgers' tax rate and the lodgers' tax revenues collected by the City since Fiscal Year 1999 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>
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
2003	166,521,380	5	8,326,069

- (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 6,408 full-time employment positions funded by the City for Fiscal Year 2004. Of the filled positions, over 80% of City employees are affected by union contracts, as of January 1, 2004. 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. While many of these contracts have expired, the City is negotiating for new contracts.

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, 2003. 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 Implementation 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 Implementation Program consists of a ten-year program, with a general obligation bond election held every odd-numbered year to approve the two-year capital budget portion of the program.

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's 2003 general obligation bond election was held on October 28, 2003, with an amount of \$157,838,460 of capital projects voted on; the electors voted affirmatively on \$105,460,967 of the bonds; the election for the issuance of street bonds in the amount of \$52,377,493 did not pass.

Financial Statements

The financial statements of the City at June 30, 2003 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 November 7, 2003. Such financial statements represent the most current audited financial information available for the City.

ENTERPRISE OPERATIONS

Albuquerque International Sunport

Generally

The City owns and operates the Airport and the Double Eagle II Airport, a general aviation airport opened in 1983 (the "Reliever Airport"). Certain data set forth under this caption as data of the "Airport" is comprised of data of the Albuquerque International Sunport and the Reliever Airport. However, generally the amounts attributable to the Reliever Airport are relatively insignificant. The Airport is the principal airport serving the Albuquerque metropolitan region and provides the only major air carrier service to the State. The City's Department of Aviation operates the Airport which is located in the southernmost part of the City, approximately five miles southeast of the downtown business area and about six miles from the City's center of population. The City is classified as a "medium hub¹" by the Federal Aviation Administration (the "FAA"). According to Airports Council International-North America records, the Airport ranked as the 55th largest passenger airport in 2002. The Airport

¹ A medium hub is defined as a community that accounts for between 0.25% and 0.99% of the total enplaned revenue passengers in all services and all operations of U.S. certificated route air carriers within the 50 states, the District of Columbia and territorial possessions of the United States.

serves primarily an “origin/destination” air traffic market: approximately 90% of the total number of enplaned passengers using the Airport begin or end their trips in the Albuquerque Area and other parts of the State. The Airport is also a connecting hub in a regional airline route system serving numerous smaller cities in the State. In addition, Southwest Airlines uses the Airport as a connecting point for its service between cities in Texas to the east and cities in Arizona, California and Nevada to the west. See “Airport Service Area” and “Historical Airline Traffic” under this caption.

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

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

The passenger facilities of the Airport include the Terminal Complex with more than 500,000 square feet of interior space and 23 air carrier aircraft gates and two regional/commuter gate areas serving eight commuter aircraft parking positions. The air carrier gates are situated in a linear east-west concourse, parallel to the Terminal Complex and connected to it via a terminal-concourse connector. The eastern portion of this concourse is referred to as Concourse A and the western portion is referred to as Concourse B. There are two commuter gates, identified as Gates D and E. The Terminal Complex area includes a two-level terminal loop roadway system, a 3,400 space automobile parking structure, and a 480 space surface parking lot. In March 2001, the Airport opened a Consolidated Rental Car Facility located on approximately 76 acres of Airport property southwest of the Terminal Complex. It is comprised of a customer service building, ready/return parking area and service center facilities. The Consolidated Rental Car Facility is currently utilized by eight rental car companies-Avis, Budget, Dollar, Hertz, Advantage, Thrifty, Enterprise and Vanguard Rental. See “Consolidated Rental Car Facility” under this caption.

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

Airport Service Area

The primary area served by the Airport (the “Albuquerque Area”) is defined as the Albuquerque Metropolitan Statistical Area (Bernalillo, Sandoval and Valencia counties), the Santa Fe Metropolitan Statistical Area (Santa Fe and Los Alamos Counties) and Torrance County.

The Airport also serves a secondary area consisting of the remainder of the State. The limits of a secondary area are generally defined by the range and quality of airline service at other air carrier airports. There are seven air carrier airports in the surrounding states of Arizona, Colorado, Texas and Utah that provide airline service and together define the limits of the secondary area, including Amarillo International Airport to the east, Denver International Airport to the north, El Paso International Airport to the south, Lubbock International Airport to the southeast, Dallas/Ft. Worth International Airport to the southeast, Phoenix Sky Harbor International Airport to the west and Salt Lake City International Airport to the northwest. There are also 11 other airports in the State that provide scheduled commuter airline service.

Airlines Serving the Airport

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

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

Each of the major and national airlines listed above have entered into a Scheduled Airline Operating Agreement and Terminal Building Lease with the City (the “Airline Agreements”). Trans World Airlines (“TWA”), a former Signatory Airline, declared bankruptcy in Fiscal Year 2001 and operations were taken over by TWA LLC, a subsidiary of American Airlines. Collectively, the Signatory Airlines lease approximately 75% of the available exclusive and preferential use space in the Terminal Complex. See “Agreements with the Signatory Airlines” for a discussion of the obligations of the Signatory Airlines pursuant to the Airline Agreements.

In addition to these major and national airlines, Mesa Airlines provides flights throughout New Mexico, Texas and Colorado. Skywest Airlines, Rio Grande Air and Great Plains Airlines are the other three commuter airlines currently serving the Airport. In addition, eight all-cargo airlines (two of which provide services for two larger cargo carriers) provide service at the Airport. The three largest are ABX Air, Federal Express, and United Parcel Service. All three of the all air-cargo operators have entered into an All Air-Cargo Airline Agreement (“All-Cargo Airline Agreement”) with the City and are referred to herein as the “Signatory Cargo Airlines” See “All Air-Cargo Airline Agreements.”

Recent Events Affecting the Air Transportation Industry

The terrorist attacks that occurred in the United States on September 11, 2001 (the “September 11 Events”) caused substantial disruption to the airline industry. In response to the

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

Recent Events and Other Factors Affecting the Airline Industry and the Airport

The Airport, like all major airports in the United States, has been adversely affected by the September 11 Events, the economic slowdown (which commenced prior to the September 11 Events), the recent hostilities in Iraq and Afghanistan and the financial difficulties of the airlines. As a result, the Airport incurred increased operating costs in 2002 and 2003. During this period, aviation activity and enplaned passenger traffic have declined as the major airlines have reduced service levels to control costs in response to decreased passenger demand and financial losses. Several airlines, including one airline operating at the Airport, United Air Lines (“United”), have filed for bankruptcy protection. United, which accounted for approximately 6.1% of enplanements and approximately 4.0% of revenues at the Airport in fiscal year 2003, continues to operate at the Airport while it restructures under bankruptcy protection.

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

Due to heightened security at the airport and new restrictions on public access to the concourses, the security checkpoint must be changed and a new area will be added for the “meters and greeters” of arriving passengers. Development of the meeter/greeter area will be done in conjunction with and adjacent to, the expansion and reconfiguration of the security checkpoint area. Conceptual design has been completed by the City. The cost of this project could be as high as \$11 million, with construction to begin sometime in Fiscal Year 2004.

Historical Airline Traffic

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

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

**City of Albuquerque
Historical Airline Traffic Activity
Albuquerque International Sunport**

Enplaned Passengers

<u>Fiscal Year</u>	<u>Number</u>	<u>Percent increase (decrease)</u>
1994	2,917,043	7.2
1995	3,116,527	6.8
1996	3,159,378	1.4
1997	3,253,395	3.0
1998	3,107,792	(4.5)
1999	3,093,853	(0.4)
2000	3,160,245	2.2
2001	3,149,964	(0.3)
2002	3,091,498	(1.9)
2003	3,008,255	(2.7)

Source: City of Albuquerque, Department of Aviation (except as noted).

The total number of enplaned passengers at the Airport increased at an average annual rate of .34% per year between Fiscal Years 1994 and 2003. In Fiscal Year 2002, the number of enplaned passengers at the Airport decreased 1.9%, principally as a result of the September 11 Events, the national economic downturn, and resulting decreases in airline service.

In Fiscal Year 2003, the number of enplaned passengers at the Airport decreased 2.7%, principally as a result of the continued national economic downturn, and the war in Iraq. It should be noted that the average decrease in enplaned passengers at the Airport between 2001 and 2003 (2.3% per year) was at a lesser rate than nationally-the FAA reported that enplaned passengers nationally decreased 9.3% between 2001 and 2002 (the most recent year for which data are available). Low-fare airlines such as Southwest and America West have continued to maintain or increase service at the Airport.

The size of an origin-destination market, as measured by the number of originating passengers, is related to the strength of the economy of an airport service area. Origin-destination passenger traffic in the Albuquerque Area and other parts of the State consists of resident and visitor travel. The level of resident passenger travel is related to the size of the population base, overall activity and growth in the economy, companies that rely on airline travel for their business use, and disposable income levels that may affect the propensity for airline travel. The level of visitor passenger travel in the Albuquerque Area and the State is related to (1) companies located in the Albuquerque Area and the State that are visited by personnel from other offices or

businesses located in other parts of the United States or the world, (2) the demand for tourist and convention facilities in the Albuquerque Area and the State, and (3) people visiting residents.

Airline Market Shares

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

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

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

City of Albuquerque
Airline Market Shares Albuquerque International Sunport
Fiscal Years 1999-2003

	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
	% share enplaned <u>passengers</u>	% share enplaned <u>passengers</u>	% share enplaned <u>passengers</u>	% share enplaned <u>passengers</u>	% share enplaned <u>passengers</u>
Major/National:					
Southwest Airlines	45.9	48.8	50.3	52.3	53.1
American Airlines	9.6	9.0	8.6	9.7	11.3
Delta Air Lines	12.0	10.1	9.0	8.3	7.5
America West Airlines	6.3	6.7	6.7	6.6	6.6
United Airlines	9.2	8.1	7.0	6.6	6.1
Continental Airlines	5.0	5.4	5.5	5.8	4.9
Trans World Airlines (1)	5.6	5.8	5.7	1.9	0.0
Northwest Airlines	2.4	2.6	2.6	2.6	3.0
Frontier Airlines	<u>0.9</u>	<u>1.0</u>	<u>1.2</u>	<u>1.5</u>	<u>1.6</u>
Subtotal	96.9	96.8	96.6	95.3	94.2
Regional and Commuter:					
Mesa Airlines	2.7	2.3	2.1	1.6	1.3
Skywest	0.4	0.8	1.2	2.0	3.0
Other		<u>0.1</u>	<u>0.2</u>	<u>1.1</u>	<u>1.7</u>
Subtotal	3.1	3.2	3.4	4.7	5.9
All Cargo:					
	--	--	--	--	--
	--	--	--	--	--
	--	--	--	--	--
	--	--	--	--	--
	--	--	--	--	--
TOTAL	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

(1) TWA was acquired by a subsidiary of American Airlines in Fiscal Year 2002.

Source: City of Albuquerque, Department of Aviation.

Consolidated Rental Car Facility

The Consolidated Rental Car Facility was completed in March 2001. It consists of a Customer Service Building, Ready/Return Parking Area, Service Center Facilities and related roadway improvements. The Consolidated Rental Car Facility Project cost approximately \$46.0 million, and was primarily financed using proceeds of the Series 2000B Bonds.

The Facility is located on approximately 76 acres of Airport property southwest of the Terminal Complex and is served from the primary Airport access roadway, Sunport Boulevard, via University Boulevard. The Consolidated Rental Car Facility is expected to accommodate eight rental car companies for a period of 20 years. All rental car companies serving the Airport

are required to transport their customers between the Customer Service Building and the Terminal Complex on a common rental car shuttle bus system.

Under leases executed with eight rental car companies-Avis, Budget, Dollar, Hertz, Advantage, Thrifty, Enterprise and Vanguard Rental (collectively, the “On-Airport Rental Car Companies”), the City receives a privilege fee, a monthly use fee, reimbursement of certain costs, and requires the companies to collect and remit to the City a Customer Facility Charge. In addition, the City has executed 20-year leases with the On-Airport Rental Car Companies for use and lease of the Service Center Facilities.

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

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

Airports Administration

Mr. Dewey Cave is the Director of Aviation. Mr. Cave was appointed to this position effective December 2001, after serving as Finance Director from 1998 to that date. As Finance Director, Mr. Cave was responsible for the Finance and Administration Division including finance, human resources, properties and information systems functions and reported to the Director of Aviation. Prior to serving as Finance Director, Mr. Cave was Deputy Director for Finance and Administration at the City’s Solid Waste Management Department; and Budget and Rate Analyst for the City’s Department of Finance and Administration.

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

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

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

Airports Capital Program

The Capital Program for the Airports for Fiscal Years 2004 through 2008 includes approximately \$158.5 million of planned projects and approximately \$104.0 million of demand-responsive projects. Demand-responsive projects are those which will be undertaken if predetermined thresholds of activity are met or tenant support is received by the City.

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

The planned projects to the terminal apron are to rehabilitate the terminal apron in Fiscal Years 2005 and 2006, to rehabilitate Runway 8-26, to reconstruct taxiways A, B, and C to be completed in Fiscal Year 2004 and to construct taxiway connectors to Runway 3-21 and between Taxiways C and D, to be completed in Fiscal Year 2008. The demand-responsive projects are the reconstruction of the general aviation apron and the extension of Runway 3-21.

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

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

Other planned projects are to finance a fuel facility on the Airport in Fiscal Year 2004, construct a new airfield maintenance complex in Fiscal Year 2005 and Fiscal Year 2006, construct a belly freight building in Fiscal Year 2006 and also, during the five-year period, landscaping modifications and land acquisition for a future second terminal. Another demand-responsive project is cargo development, including extension of the north air cargo facilities and expansion to the south.

Airport Financial Information

Net Revenues are defined by the Bond Ordinance to mean the Gross Airport Revenues after deducting Operation and Maintenance Expenses. The term “Airport” is defined by the Bond Ordinance to mean all of the City's existing and future Airport Facilities, including the Albuquerque International Sunport, the Reliever Airport and all related facilities except certain special facilities. Gross Airport Revenues include substantially all of the income and revenues directly or indirectly derived by the City from the operation of the Airports. The City generates Gross Airport Revenues primarily by assessing fees and charges payable by air carriers, general aviation operations, concessionaires and other users of the Airport, including revenues from the operation of parking facilities at the Airport. Operation and Maintenance Expenses include substantially all of the reasonable and necessary current expenses of the City, paid or accrued, related to operating, maintaining and repairing the Airports.

Historically, Gross Airport Revenues have been comprised of (i) airline revenues and (ii) revenues from sources other than airline rentals, fees and charges, such as concessions in the terminal complex which includes 506,000 square feet of interior space and non-airline space (the “Terminal Complex”), rental revenues, parking revenues, airfield revenues and certain other revenues.

Historical financial results of the Airport over the last five Fiscal Years are compared in the following tables.

**Albuquerque International Sunport
Historical Financial Information
Fiscal Years 1999-2003
(\$000)**

	<u>1999</u>	<u>Fiscal Year ended June 30</u>			<u>2003</u>
		<u>2000</u>	<u>2001</u>	<u>2002</u>	
Total operating revenues	\$42,910	\$45,144	\$47,632	\$50,402	\$51,134
Non-operating revenues (expenses):					
Interest	3,496	1,662	1,725	1,919	708
Passenger Facility Charge	8,258	8,290	8,545	7,083	8,155
Other	180	340	119	100	182
Gain (loss) on disposition of Property & Equipment	<u>(17)</u>	<u>3</u>	<u>(10)</u>	<u>(10)</u>	<u>(22)</u>
Total adjusted revenues	<u>\$54,827</u>	<u>\$55,439</u>	<u>\$58,011</u>	<u>\$59,494</u>	<u>\$60,157</u>
Total operating expenses (excluding interest expense)	\$37,375	\$38,454	\$43,457	\$49,854	\$49,905
Less:					
Payments in lieu of taxes	--	--	--	--	--
Depreciation	(21,266)	(21,418)	(23,321)	(28,417)	(27,846)
Amortization	--	--	--	--	--
Total adjusted operating expenses	<u>\$16,109</u>	<u>\$17,036</u>	<u>\$20,136</u>	<u>\$21,437</u>	<u>\$22,059</u>
Net revenues, all funds combined	<u>\$38,718</u>	<u>\$38,403</u>	<u>\$37,875</u>	<u>\$38,057</u>	<u>\$38,098</u>

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

Historical Gross Airport Revenues (1)
(000s omitted)
(Fiscal Year ended June 30)

	1999		2000		2001		2002		2003	
	\$	%	\$	%	\$	%	\$	%	\$	%
Airline revenues	\$23,215	45.0	\$24,255	44.9	\$24,447	43.4	\$24,707	42.7	\$25,863	43.3
Non-Airline Revenues:										
Terminal Complex										
Concession and space										
Rentals	9,271	18.0	10,159	18.8	10,304	18.3	11,516	19.9	10,538	17.6
Passenger Facility										
Charges	8,259	16.0	8,290	15.4	8,545	15.2	7,083 ⁽¹⁾	12.3	8,155	13.6
Customer Facility										
Charges	--	--	--	--	1,841	3.3	3,360	5.8	3,651	6.1
Parking area-	8032	15.6	8293	15.4	7966	14.1	6,377	11	6449	10.8
Miscellaneous	2786	5.4	3004	5.5	3234	5.8	4,774	8.3	5116	8.5
Revenues										
TOTAL	<u>\$51,563</u>	100.0	<u>\$54,001</u>	100.0	<u>\$56,336</u>	100.0	<u>\$57,818</u>	100.0	<u>\$59,772</u>	100.0

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

Source: City of Albuquerque, Department of Aviation.

The general purpose audited financial statements of the City for the Fiscal Year ending June 30, 2003 are available from the City, upon written request to the City Treasurer.

Airline revenues include revenues from the Signatory Airlines under the Airline Agreements, non-signatory passenger airlines and cargo airlines. Components of Airline Agreement revenues include terminal space rentals, loading bridge fees, baggage claim device charges and landing fees. Cargo airlines are required to pay landing fees and ramp use fees and cargo space rentals, as applicable, pursuant to certain agreements. For fiscal year 2003, payments from Signatory Airlines represented approximately 36% of the total Gross Airport Revenues.

Non airline revenues include nonairline Terminal Complex revenues from concessions, fees and nonairline space rentals. Terminal Complex concessions include rental car companies, food and beverage concessions, news/gift stores and other concessions. The largest component of nonairline Terminal Complex revenues has historically been generated by rental car privilege fees.

Consolidated Rental Car Facility. In connection with the March 2001 opening of the City's Consolidated Rental Car Facility, the eight On-Airport Rental Car Companies entered into five-year lease agreements with the City for use and lease of counter space at the Customer Service Building and parking spaces at the Ready/Return Parking Area. Pursuant to these agreements, the City receives: (a) privilege fees in the amount of 9% of gross receipts against a minimum annual guarantee; (b) a monthly fee for use of the Ready/Return Parking Area; and (c) reimbursement for any Airport operating expenses allocated to the Customer Service Building.

Also under the agreements, the On-Airport Rental Car Companies are required to collect a fee (the “CFC”) per rental car contract day. The CFC is calculated to recover: (i) the costs of providing, operating and maintaining the common rental car shuttle bus system; (ii) debt service requirements on bonds issued and which may be issued to finance the Facility; and (iii) other allocable costs associated with the Customer Service Building, passenger pick-up and drop-off areas and canopies at the Customer Service Building, and roadways used by the shuttle buses. Fees and charges imposed by the agreements with the On-Airport Rental Car Companies may be adjusted by the City from time to time. The CFC is to be recalculated by the City at least annually based on the projected number of rental car contract days and costs associated with the elements of the Consolidated Rental Car Facility. The current CFC is \$1.95 per contract day.

In the event that the projected revenues from the CFC in any year are less than the costs associated with the common rental car shuttle bus system and the areas described above, the On-Airport Rental Car Companies will be required to pay the City additional rent equal to the shortfall in CFC revenues. Excess revenues from the CFC in any year may be used in the following year to pay shuttle bus and other costs, as well as reduce the amount of the CFC in that year.

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

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

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

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

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

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

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

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

Passenger Facility Charges were authorized by Congress as part of the Aviation Safety and Capacity Act of 1990 and were originally intended to supplement FAA’s Airport Implementation Program Implementation Program (“AIP”) Grants that are distributed from the Airport and Airway Trust Fund. AIP Grants typically fund up to 84% of an eligible project. The balance must come from a local “match.” One of the intended uses of PFCs was to enable airports without sufficient other revenue sources to use PFCs to fund that matching portion. Allowed uses of PFCs are for capital projects that (1) preserve or enhance capacity, safety or security of the air transportation system, (2) reduce noise or mitigate noise impacts, or (3) furnish opportunities for enhanced competition between or among air carriers (i.e., provide additional gates). PFC revenue cannot be used for commercial facilities at airports such as restaurants and other concession space, rental car facilities or public parking facilities. While the original intention was to supplement capital needs, it is becoming more and more likely that PFCs will replace AIP Grants.

In March 1996 the FAA approved the City’s applications to collect a total of \$49,638,000 over a period of approximately six years by imposing a \$3.00 PFC on each enplaning revenue passenger at the Airport. An amendment to the original amount of PFCs authorized to be collected allowed the collection of an additional \$135,870. In June 2002, the City received approval from the FAA to continue to collect the \$3.00 PFC at the Airport for a total additional amount of \$44,438,079 over a period of approximately five and a half years. PFCs collected by the City have been and will be used to fund (or to repay bonds used to complete) eligible projects. The City anticipates that it will seek approval from the FAA to continue to collect the \$3.00 PFC at the Airport for a total additional amount of \$20,000,000 over a period of approximately 2 1/2 years.

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

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

<u>Year</u>	<u>PFCs Collected</u>
1999	\$8,259
2000	8,290
2001	8,545
2002	7,083*
2003	8,155*

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

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

Federal Grants. The City receives federal grant moneys from the FAA each year which are not part of Gross Airport Revenues. The amount of funding available under the AIP on a national basis had been reduced in recent years. However, pursuant to Wendel H. Ford Aviation Investment and Reform Act for the 21st Century (P.L. 106-181) the amount of funding available under the AIP on a national basis has been increased. There can be no assurance as to the amount of such funding the Airport will receive in future years.

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

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

Agreements with the Signatory Airlines

The Signatory Airlines have each entered into an Airline Agreement with the City. The term of the Signatory Airline Agreements extends ten (10) years, from July 1, 1996 to June 30, 2006. UAL Corporation, the parent of United Airlines, filed for Chapter 11 Bankruptcy on December 9, 2002. United, which accounted for approximately 6.1% of enplanements and approximately 4.0% of revenues at the Airport in fiscal year 2003, continues to operate at the Airport while it restructures under bankruptcy protection. The Airline Agreement entered into by United is currently required to be assumed or rejected by United by March 12, 2004. This date could be extended by the bankruptcy court.

The Signatory Airline Agreements govern the right to operate scheduled service to and from the Airport and the lease of space within the Terminal Complex. Under the Signatory Airline Agreements, rental rates are calculated according to a commercial compensatory method after allowing a credit for a portion of the net concession revenues generated in the Terminal Complex. Signatory Airlines also pay to the City monthly landing fees for use of the Airfield by multiplying the number of 1,000-pound units of total landed weight for such Airline during the month by the then-current landing fee rate. The landing fee rate under the Signatory Airline Agreements is calculated according to a “cost center residual” method, whereby the City recovers 100% of the costs associated with the Airfield. Reference is made to the Signatory Airline Agreements for a complete statement of the provisions or contents thereof.

Agreements with Non-Signatory Airlines

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

All Air-Cargo Airline Agreements

The Signatory Cargo Airlines which serve the Airport—ABX Air, Federal Express, and United Parcel Service—have entered into an All-Cargo Airline Agreement with the City concerning their use of the Airport Facilities. Under the All Air-Cargo Airline Agreements, each of the all Signatory Cargo Airlines lease exclusive-use space in the Airport's air cargo building and receive preferential use apron parking spaces at the air-cargo apron.

The Airline Industry

Net revenues of the Airport may be affected by the ability of the Signatory Airlines, individually and collectively, to meet their respective obligations under the Airline Agreements, or by the ability of the non-Signatory Airlines or Signatory Cargo Airlines to meet their obligations to pay fees and rates charged by the Airport under their agreements. Each of the Airlines subject to the Airline Agreement (or their respective parent corporations) is subject to

the information reporting requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files reports and other information with the Securities and Exchange Commission (the "Commission"). Certain other airlines are subject to the information reporting requirements of the Commission. Certain information, including financial information, as of particular dates concerning each of these reporting airlines (or their respective parent corporations) is disclosed in reports and statements filed with the Commission. Such reports and statements can be inspected and copied at the public reference facilities maintained by the Commission at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549 and the Commission's regional offices at 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511 and 233 Broadway, New York, New York 10279. Copies of such material can be obtained from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 (at the above address at the prescribed rates). The Commission also maintains a website that contains reports, proxy and information statements and other written information regarding companies that file electronically with the Commission. The address of the website is <http://www.sec.gov>. In addition, each of the Airlines subject to the Airline Agreement is required to file periodic reports of financial and operating statistics with the United States Department of Transportation (the "DOT"). Such reports can be inspected at the following location: Office of Aviation Information Management, Data Requirements and Public Reports Division, Research and Special Programs Administration, Department of Transportation, 400 Seventh Street, S. W. Washington, D.C. 20590, and copies of such reports can be obtained from the DOT at prescribed rates.

Joint Water and Sewer System

Generally

The Joint Water and Sewer System, owned by the City and operated by its Public Works Department includes certain water facilities and properties (the "Water System") and certain sanitary sewer facilities and properties (the "Sewer System," and, together with the Water System, the "Water/Sewer System").

Albuquerque-Bernalillo Water Utility Authority

In the 2003 Regular Session, the New Mexico Legislature adopted legislation (Laws 2003, Chapter 437, codified as NMSA 1978, Section 72-1-10) creating the Albuquerque-Bernalillo Water Utility Authority ("ABWUA") and transferring all functions, appropriations, money, records, equipment and other real and personal property pertaining to the Water/Sewer System to the ABWUA. The ABWUA is comprised of a board of three City Councilors, three County Commissioners and the Mayor of the City. The legislation creating the ABWUA also provides that the debts of the City payable from net revenues of the Water/Sewer System shall be debts of ABWUA and that ABWUA shall not impair the rights of any bondholders of outstanding debts of the Water/Sewer System. Under the provisions of the legislation, the Water/Sewer System transferred to the ABWUA on December 28, 2003, after completion of an audit of the Water/Sewer System by New Mexico Public Regulation Commission.

The ABWUA, the County and the City have begun the process of transferring the policy-making functions and operations of the Water/Sewer System to ABWUA. To facilitate the

transfer, the City, Bernalillo County and the ABWUA have entered into a joint powers agreement governing policy matters and a memorandum of understanding governing operational matters. In addition, new legislation has been proposed for the 2004 Regular Legislative Session which will clarify the obligations and powers of the ABWUA. While transfer of the Water/Sewer System to the ABWUA is not yet complete, it is expected that a phased transfer of operations will be completed by approximately June 30, 2004.

Water System

The Water System provides water services to approximately 504,800 customers comprising approximately 88% of the residents of Bernalillo County, New Mexico. About one-third of unincorporated Bernalillo County residents are customers of the Water System. Service is provided to approximately 158,200 accounts, including 143,300 residential and 14,900 commercial, institutional and industrial accounts, as of the end of Fiscal Year 2003. Approximately 56% of the City's water sales are for residential uses.

Ground water from the middle Rio Grande basin fill aquifer underlying the City is presently the sole source of supply used for the Water System. The supply is produced from 93 wells grouped in 25 well fields located throughout the metropolitan area. Total well production capacity is approximately 294 million gallons per day ("MGD"). Maximum historical peak day demand is 214 MGD. A chlorination/fluoridation station associated with each well field satisfies the total required water treatment needs for the water produced in such well field. Ground storage reservoirs provide for fire, peak hour and uphill transfer storage. Water is then distributed from higher to lower elevations through a 115-foot vertical height pressure zone to provide minimum static pressures of 50 psi for consumers.

Forty-five reservoirs are located throughout the City, with a total reservoir storage capacity of 211 million gallons. If demand requires, reservoir water can also be transferred uphill through a pressure zone to the next highest reservoir or in an east-west series of reservoirs by means of pump stations sited at the reservoirs.

There are a total of 110 boosters, with a total capacity of 680 MGD, available for water transfers between reservoirs. These reservoirs are interconnected by over 2,500 miles of pipelines and are situated at various locations east and west of the City to provide multiple sources of supply to customers and for operating economics. In this way, the Water System takes advantage of the unique topography of the Albuquerque area which allows ground level storage while simultaneously providing system pressure by gravity. Control of the Water System is provided by remote telemetry units distributed throughout the system for control from a central control facility.

Water Supply

Existing Water Resources. The New Mexico Office of the State Engineer granted the City's 1993 application to appropriate ground water in the Middle Rio Grande Administrative Area on September 4, 2003. The new water rights permit allows the City to withdraw ground water from the aquifer in the amount of 155,000 acre-feet per annum as follows:

<u>Years</u>	<u>Annual Diversion Limit (acre-feet)</u>
Thru 2015	132,100
2016 thru 2029	142,900
2030 and thereafter	155,000

The previous ground water permit limited the City’s pumping to 132,000 acre-feet per year. The city’s new permit will be governed by the Middle Rio Grande Administrative Area Guidelines for Review of Water Rights Applications (adopted September 22, 2000).

The average annual withdrawal for the five-years ending in FY 2003 was 109,603 acre-feet, with a maximum of 114,792 acre-feet in FY 2000. In July 2003, the City began diversions of San Juan-Chama river water under the Non-potable Surface Water Reuse project. Therefore, in 2003, the City’s water resources used consisted of 99% from ground water and 1% from the City’s San Juan-Chama water. This transition is consistent with the City’s adopted water supply policy entitled the Water Resources Management Strategy.

Additionally, the City currently has the right to use consumptively 72,265 acre feet of water per year, including imported water from a contract with the Secretary of the Interior for 48,200 acre-feet per year firm delivery from the San Juan-Chama project, vested water rights of 17,875 acre-feet dating from the Rio Grande Basin declaration in 1956 by the New Mexico State Engineer, and other water rights holdings totaling 6,190 acre-feet. The City’s program of water rights acquisition continues to increase its holdings each year. In addition to the annual delivery contract for 48,200 acre-feet of San Juan-Chama water, approximately 55,000 acre-feet of City-owned imported San Juan-Chama deliveries from previous years is stored in reservoirs located in northern New Mexico.

The City’s contract for imported San Juan-Chama water and its rights to Rio Grande Basin water are sufficient to support, in perpetuity, a population of more than 700,000 using 175 gallons per capita per day with 50% consumptive use and 50% return flow. Alternately, these same water resources will support a population of 500,000 using water at the rate of 250 gallons per person per day. The current service population is about 490,000, and the current usage is approximately 196 gallons per capita per day. In 1994, the City initiated the “Water Conservation Program” and the “Ground Water Protection Plan” described below under such captions.

Water Supply Plan. Prior to 1997, the water supply plan for the City of Albuquerque, which was based on technical knowledge of the surface and ground water systems at the time, could be summarized as follows: the City would pump ground water to meet water system demands; ground water pumping would cause additional seepage (induced recharge) from the river; and the City would provide surface water to offset river depletion by return wastewater flow, native water rights and imported water obtained under contract with the Secretary of Interior from the San Juan-Chama diversion project. However, technical investigations by the New Mexico Bureau of Mines and Mineral Resources, the U.S. Geological Survey and the Bureau of Reclamation have concluded that additional annual seepage from the Rio Grande

associated with the City's ground water pumping is currently less than the City's wastewater return flows to the river. This means that the depletion of river flow caused by the City's pumping is offset by the City's wastewater return flow. Further, the limited additional seepage means that the City's ground water pumping is causing depletion of the aquifer underlying the City. The over-compensating offset of the limited additional seepage with wastewater return flows means that the City's surface water resources are not being fully utilized for the City's sustainable water supply. Technical work is continuing to provide water resources information needed for long-term management and to resolve uncertainties prerequisite to eventual Federal and State permitting of the City's water supply solutions

In the spring of 1997, the Albuquerque Water Resource Management Strategy ("AWRMS") was adopted by the City Council as the City's water supply plan. The adopted AWRMS was the culmination of years of planning and technical investigations, cooperation with federal, state and local agencies and public involvement and education. The AWRMS: (1) calls for the City to more fully utilize its renewable water resources in order to reduce reliance on ground water to serve customers; (2) provides for limited reuse of industrial and municipal effluent to irrigate large turf areas and provide a non-potable industrial water supply source; (3) provides for the development of a ground water drought reserve, which was recommended by resource economists in a report commissioned by the City Council to provide for the City's anticipated year 2060 water demands even through a 10-year drought with no use of surface water (two million acre-feet); (4) includes recommended implementation and financing plans; and (5) recommends pursuit of regional solutions and several specific additional sources of water for the future. The total estimated capital and initial operating costs of the AWRMS (including \$10.8 million for costs of site selection and acquisition, \$207.8 million for the drinking water supply project, and \$29.4 million for the three reclamation and reuse projects) is \$248 million. The future annual operating and maintenance costs for the AWRMS program are estimated at \$14.8 million.

The City is implementing the four specific projects identified in the AWRMS: the drinking water project and three water reclamation and reuse projects. The City submitted application to the State Engineer's Office on May 21, 2001 for diversion and full consumptive use of the City's San Juan-Chama water. The hearings on the permit were concluded in February 2003 with Findings and Recommendations submitted in April 2003. The City expects the State Engineer to act on the application in February or March 2004. The City received a Draft Biological Opinion from the U.S. Fish & Wildlife Service on October 9, 2003. The opinion concludes that the effects of the City's project on endangered fish and wildlife will not cause jeopardy of the species. The City anticipates a Final Biological Opinion in February 2004. With the Final Biological Opinion, the City can finalize the NEPA process by issuance of the Final Environmental Impact Statement. The Final EIS will be published in March 2004 with the Record of Decision issued in April 2004. With the State and federal permitting complete, the City will begin construction of the Drinking Water Project in August 2004 and will be complete sometime in 2006. The six consultants are continuing design efforts and will advertise portions of the project for construction in April 2004.

With respect to the three water reclamation and reuse projects which were identified in the AWRMS, the first project, the Industrial Recycling Project, has been completed and operational since approximately August 2000 and has been providing water to the Albuquerque

International Balloon Fiesta Park and recreational complex. The second project, the Non-Potable Surface Water Reuse Project, began initial operations in July 2003. The City began diversions of City San Juan-Chama water for industrial and irrigation use in the Northeast Heights of Albuquerque. The third project, the Southside Municipal Effluent Polishing and Reuse Project, will utilize treatment wastewater effluent for irrigation and industrial use in the Southeast Heights and South Valley of Albuquerque. Construction of the Non-Potable Surface Water Reuse project continues and is anticipated that construction will be complete in November 2004. The design of the Southside Municipal Effluent Polishing and Reuse Project is underway and is anticipated that the construction will start in August 2004.

To finance the implementation of the AWRMS, the City Council adopted the strategy's recommended financial plan, which called for seven years of phased incremental increases in water rates sufficient to cover the estimated capital costs, and estimated operating expenses, necessary to implement the strategy through the year 2007 ("AWRMS Rate Increases"). Each AWRMS Rate Increase is to be specifically approved by City Council. The first six dedicated incremental AWRMS Rate Increases went into effect on May 1 of the years 1998, 1999, 2000, 2001, 2002 and 2003. The remaining planned AWRMS rate increase in the financial plan has also been approved by City Council and will become effective May 1, 2004. See "Increases to Rates and Charges" under this caption.

Silvery Minnow Litigation. The Rio Grande silvery minnow was designated as an endangered species in 1994. A group of environmental organizations filed suit against the United States (Bureau of Reclamation and the Army Corps of Engineers), claiming that the United States had the discretion and authority to release water from Heron Reservoir (the San Juan-Chama reservoir located in northern New Mexico) for the sole purpose of providing habitat for the minnow. In addition, the environmental groups claimed that the City's contract with the United States provided the authority for the U.S. to reallocate the City's San Juan-Chama water to the minnow.

The United States District Court for the District of New Mexico ruled in April 2001 that the United States must consult with the Fish and Wildlife Service about reducing deliveries of San Juan-Chama water to the City and others to provide water for the minnow. In September 2002, the District Court ruled that the United States had the discretion to directly release San Juan-Chama water from Heron Reservoir and further ruled that the United States should reduce deliveries of San Juan-Chama water to the City if needed for the minnow.

The City and the State intervened in the litigation and filed with the Tenth Circuit Court of Appeals a Request to Stay the District Court's September 2002 Order. The Court of Appeals granted the Stay and heard argument on January 14, 2003. The Court of Appeals upheld the District Courts ruling in April 2003.

In response to the Court of Appeals ruling, Senators Bingaman and Domenici introduced a rider to the 2004 Energy and Water Appropriations to exempt the use of San Juan-Chama water for endangered species. The rider was approved by Congress and signed by the President in November 2003. The rider exempts the use of San Juan-Chama water for endangered species and the City has requested that the Court of Appeals reverse the decision as it related to San Juan-Chama water.

New Arsenic Standard Applicable to Water Supply. The United States Environmental Protection Agency promulgated new regulations in 2001 reducing the allowable amount of arsenic in municipal drinking water from 50 parts per billion to 10 parts per billion. The new standard becomes effective in 2006 and the City must develop a treatment program to meet the new standard. The Public Works Department is currently evaluating and implementing tests of procedures on existing water wells that are designed to reduce the level of arsenic in City drinking water to meet the new standard. The estimated costs of obtaining compliance within the new standard, as of January 2003, range from \$30,000,000 to \$50,000,000.

Water Conservation Program. In an effort to extend the lifetime of City water resources, the City initiated a water conservation program in 1995. The City adopted a goal of 30% reduction from baseline period water use to be attained by 2005. During calendar years 1987 through 1993 “baseline” period, gross community per capita water use averaged 250 gallons per day. Gross community water use will need to be reduced to 175 gallons per capita per day to achieve the 30% conservation savings goal. At the end of 2002, Albuquerque customers had reduced their use approximately 27% compared with use during the established baseline period. When weather is taken into account, through regression model analysis, comparative water usage was down by 30%. The City has in the past and will continue to take conservation strategy, goals and changes in use into account in developing revenue estimates and its financial planning for the System.

In 2003, the City Council and Administration adopted a new water conservation goal of 10% reduction in addition to the 30% reduction goal established in 1995. The new 10% goal begins in 2005 and continues at a reduction rate of about 1% per year until 2014. New water conservation rebates and incentives will be added to continue reduction progress. Additional mandatory measures may be necessary to meet the new goal.

The long-term water conservation strategy elements implemented to date include an extensive public education and marketing effort, financial incentives for replacement of high volume toilets with low volume toilets, financial incentives for replacing existing high water use landscaping with xeriscaping, financial incentives for replacing high water use washing machines with low use models, and free water use audits. Residential audits include retrofits of showerheads, faucet aerators, and toilet displacement devices. Mandatory water waste prohibitions and limited use of high water use plants in landscaping new development have been enacted and are being enforced. New components now underway include recommendation of more aggressive excess use surcharges, reduction of water produced by the utility but not billed to customers, and developing methods for more accurate evaluation of the conservation program. The City has also adopted a large-user ordinance requiring that customers using more than 50,000 gallons per day, including multi-family residential, commercial and industrial customers, develop and implement a conservation plan.

Ground Water Protection Plan. In 1994, the City adopted jointly with Bernalillo County the Albuquerque/Bernalillo County Ground Water Protection Policy and Action Plan. This comprehensive plan is intended to prevent future contamination of the ground water aquifer under the City, and to facilitate the identification and cleaning up of the contamination that now exists. The City and Bernalillo County have executed a Joint Powers Agreement for implementation of the Plan and have established a joint City/County Ground Water Protection

Advisory Board. The Board is now guiding implementation, coordinating with Federal and State agencies for cleanup actions, and evaluating progress to-date and changes needed to the Plan.

Water Usage. The Water System, generally recognized as one of the most technologically advanced systems in the United States, serves consumers inside and outside of the City limits. The consumers served outside the City limits constitute approximately 10% of total consumers served. Well pumps are presently producing at 150 to 1,000 feet depths. Their yields range from about 500 gallons per minute to more than 3,700 gallons per minute. During the past five Fiscal Years, the City has supplied to customers the following amounts of water from the Water System:

**City of Albuquerque
Water Usage⁽¹⁾
1999-2003**

<u>Fiscal Year</u>	<u>Gallons Pumped (in 000s)</u>	<u>Gallons Billed (in 000s)</u>	<u>Percentage Billed</u>
1999	36,603,000	32,564,811	88.97
2000	36,635,000	32,392,830	88.42
2001	36,055,000	32,774,731	90.90
2002	36,004,000	32,050,716	89.02
2003	33,275,540	29,444,060	88.49

(1) The City distinguishes between gallons pumped and gallons billed. Gallons which are pumped but not billed include certain accounts billed on the basis of estimated usage, amounts lost due to line leakage and breakage, and fire protection usage which is not metered.

Source: City of Albuquerque, Public Works Department.

Sewer System

The Sewer System consists of small diameter collector sewers, sewage lift stations, and large diameter interceptor sewers conveying wastewater flows by gravity to the Southside Water Reclamation Plant located south of the City. The treatment plant provides preliminary screening, grit removal, primary clarification and sludge removal, advanced secondary treatment including ammonia and nitrogen removal, final clarification, and effluent chlorination and de-chlorination prior to discharge to the Rio Grande.

Treatment capacity has in the past been based on 76 MGD hydraulic capacity. Due to aging equipment in certain process areas that are pending capital program improvements, present capacity is rated in the range of 60 to 65 MGD. Existing flows at the plant are about 54 MGD. The City has a fully operational industrial pretreatment program approved by the U.S. Environmental Protection Agency (“EPA”) that was approved as a pilot program under the EPA’s XL Program. The City’s industrial pretreatment program received a first place national award from the EPA in 1999. In 2002, the National Pollution Prevention Roundtable, an organization made up of many city, state and federal agencies, awarded their “MVP-P2” (Most Valuable Player in Pollution Prevention) to the City’s Pretreatment/P2 Program.

The City's wastewater effluent discharge has consistently met, with rare exceptions, all National Pollution Discharge Elimination System ("NPDES") permit requirements. Two Operations awards, one in Biosolids Management and one in Pretreatment, were awarded in 2003 by the Rocky Mountain section of the Water Environment Association, which is the country's most esteemed organization representing a cross section of all wastewater agencies. A new NPDES permit is expected to be drafted by the EPA 2004.

Also located at the treatment plant is the City's 6.6 mega-watt cogeneration facility. This facility supplies 100% of the treatment plant's present electrical needs, along with providing heating of various buildings and sludge digesters. As a result of expansion of the plant, the City has achieved significant annual savings in power costs and reduced natural gas consumption. The engines are fueled by methane produced in the digesters and by natural gas purchased through a contract carrier.

Beneficial reuse of sludge is accomplished by a combination of land application on 5000-acres of public-private range land (with respect to 85% of sludge produced) and co-composting with animal bedding and pulverized yard trimmings (with respect to 15% of sludge produced). Disposal at a 660-acre dedicated land application site is a backstop alternative when beneficial reuse options are unavailable (for example, when the range land site is snow-covered). The possible beneficial reuse of the sludge to enhance landfill gas production at the City's landfill is also under study.

The Albuquerque Wastewater Utility Division operates a state-of-the-art environmental monitoring laboratory, providing analytical support for process control and regulatory compliance programs in drinking water, wastewater, groundwater, residuals management, storm water, surface water and the zoological park. The laboratory is nationally accredited by the American Association for Laboratory Accreditation for inorganic chemistry and microbiology testing.

Management of the Water/Sewer System

The Public Works Department of the City is responsible for the overall management and administration of the Water/Sewer System. The present management and supervisory staff for the Public Works Department of the City is as follows:

Charles T. Asbury, P.E., Director of Public Works. Mr. Asbury is the Director of the Public Works Department which consists of 15 divisions, nearly 800 personnel, and an annual budget of approximately \$170 million. Mr. Asbury has more than 35 years of engineering experience, 30 years of which were as an owner and principal in a civil engineering consulting firm in Albuquerque. Mr. Asbury is a former member of the New Mexico House of Representatives and has served on a number of Boards and Commissions.

Steve Bockemeier, P.E., Associate Director of Public Works. Mr. Bockemeier was promoted to Associate Director of Public Works at the end of Fiscal Year 2003. He has been employed with the City since 1984 and served in a number of capacities: Manager of the Wastewater Engineering Section at the Treatment Plant from 1984 to 1986; Senior Engineer with the Department's Utilities Planning Group from 1986 to 1991; and lead coordinator for water

and wastewater CIP project programming and financing with the Finance Division since 1991. Prior to coming to the City, Mr. Bockemeier was engaged as an engineering consultant in the private sector, and has over 33 years experience in the water and wastewater engineering field.

Stan Allred, Finance Officer. Mr. Allred is new to the City's Public Works Department but has over 15 years of Financial and Cost Accounting experience. Prior to employment with the City's Public Works Department, Mr. Allred was employed as a Director with a multi-billion dollar national long term care corporation. Mr. Allred has been involved with corporate financial reporting requirements and rate setting for Medicare and 15 different State Medicaid systems.

Doug Dailey, P.E., Acting Manager, Wastewater Utility Division. Mr. Dailey has worked in the City's Water and Wastewater Utilities since 1985 starting as the Control Systems Engineer in the Wastewater Division and recently accepting an assignment as the Deputy Division Manager of the Wastewater Division. He has held progressively responsible positions within the engineering, information systems, operating and maintenance sections of both the Water and Wastewater Divisions. Prior to working for the Utilities, Mr. Dailey was a Plant Engineer Senior Grade with a major oil company responsible for a 70 MMCFD Natural Gas Processing Facility, and has a B.S. Degree in Chemical Engineering from New Mexico State University.

Tom Shoemaker, P.E., MSCE, MBA Acting Manager, Water Utility Division. Mr. Shoemaker has 28 years experience in management and engineering of water and wastewater utilities. Prior to 17 years involvement in all aspects of the Albuquerque Utility System, he held posts of Utilities Director and General Manager at other utilities.

John M. Stomp, P.E., Manager, Water Resources Division. Mr. Stomp is responsible for the City's water resources program. Prior to employment with the City's Public Works Department, Mr. Stomp was employed as a Project Manager by local and national water/wastewater consulting firms. Mr. Stomp has been involved with water issues in Albuquerque and throughout New Mexico for more than 10 years. He also has a Master's Degree in Environmental Engineering from the University of New Mexico.

Water/Sewer System Financial Information

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

**City of Albuquerque
Joint Water and Sewer System
Historical Financial Information
Fiscal Years 1999-2003
(\$000)**

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Total operating revenues	\$ 99,436	\$104,196	\$108,360	\$115,272	\$119,515
Non-operating revenues (expenses):					
Interest ⁽¹⁾	3,032	3,496	2,656	2,047	1,684
Expansion charges	11,968	10,780	10,909	11,909	14,433
Other	10	346	3,078	197	4,304
Gain (loss) on disposition of Property & Equipment	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total adjusted revenues	<u>114,446</u>	<u>118,818</u>	<u>125,003</u>	<u>129,425</u>	<u>139,936</u>
Total operating expenses (excluding interest expense)	100,906	100,107	100,286	100,496	103,786
Less:					
Payments in lieu of taxes	(4,126)	(4,102)	(4,310)	(4,643)	(4,779)
Depreciation	(42,205)	(41,670)	(37,070)	(39,355)	(40,844)
Amortization	<u>(1,604)</u>	<u>(1,221)</u>	<u>(1,091)</u>	<u>(1,142)</u>	<u>(849)</u>
Total adjusted operating expenses	<u>52,971</u>	<u>53,114</u>	<u>57,815</u>	<u>55,356</u>	<u>57,314</u>
Net revenues available for debt service	<u>\$ 61,475</u>	<u>\$ 65,704</u>	<u>\$ 67,187</u>	<u>\$ 74,069</u>	<u>\$82,622</u>

Sources: City of Albuquerque Comprehensive Annual Financial Reports.

Operating Revenue. The following table outlines the revenue from water and sewer charges and other operating revenue received by the City over the past five Fiscal Years.

**City of Albuquerque
Revenue from Water and Sewer Charges
and Other Operating Revenue**

Fiscal Year	Revenue from Water Charges				Total Operating Revenue
	For General Operations	For AWRMS⁽¹⁾	Revenue From Sewer Charges	Other Operating Revenue⁽²⁾	
1999	\$45,515,854	\$3,610,515	\$43,605,325	\$6,704,614	\$99,436,308
2000	45,346,424	7,310,019	44,487,321	7,051,933	104,195,697
2001	46,504,223	9,954,245	44,898,231	6,966,656	108,323,355
2002	48,115,849	13,276,044	46,691,595	7,188,885	115,272,373
2003	47,176,063	16,410,278	44,602,059	11,327,409	119,515,809

- (1) These revenues are attributable to rate increases adopted by City Council to finance capital costs and operating expenses to implement the Albuquerque Water Resource Management Strategy (“AWRMS”). For more information on AWRMS and related rate increases approved by City Council, see “Water Supply — Water Supply Plan” under this caption.
- (2) These revenues are derived from the State Water Conservation Fees, Water Resource Management Fees, meter rentals and other miscellaneous services.

Sources: City of Albuquerque Comprehensive Annual Financial Reports.

Utility Expansion Charges. In order to fund expanded capacity of the System, all new customers of the System are currently charged one-time utility expansion charges (“UECs”) for water and sewer services. The charges are calculated by analyzing the average forecast of new customers to the System over a five-year period, average expansion-related construction expenditures and the revenues generated by such customers. Effective July 1, 1993, the State legislature adopted Senate Bill 361, referred to as the Development Fees Act, which authorized the imposition of utility expansion charges and provided for a method of calculation of such charges which is consistent with historical calculations by the City. Under the Development Fees Act, the City was required to prepare a capital implementation plan and to calculate a maximum impact fee under the allowed methodologies of the Act, applicable to any impact fee imposed on or after July 1, 1995.

Since that time, a new planned growth strategy (“PGS”) has been adopted. As part of implementing the PGS, development of impact fees will be reviewed and updated. The determination of water and sewer UECs is based on the calculated unit-cost of capacity for major infrastructure elements which have been constructed, or are planned to be constructed as part of an approved 10-year plan, to provide water and sewer service. When UECs are charged to new customers, the charge is proportioned to reflect the capacity that user is requesting, depending on the size of service purchased by the customer. Larger sized service installations have greater use capacity, and this a greater proportion of the UEC cost basis is allocated to that service size.

The following table sets forth the current water and sewer utility expansion charges.

**City of Albuquerque
Current Utility Expansion Charges**

<u>Service Size</u>	<u>Water Charge</u>	<u>Sewer Charge</u>
¾"	\$ 1,419	\$ 1,200
1"	2,526	2,134
1 ¼"	N/A	N/A
1 ½"	5,677	4,800
2"	10,090	8,533
3"	22,707	19,200
4"	40,361	34,133
6"	90,829	76,800
8" & over	161,477	136,534

During Fiscal Years 1999 through 2003, the City received the following revenue from the collection of the above-described utility expansion charges.

**City of Albuquerque
Revenue from Utility Expansion Charges**

<u>Fiscal Year</u>	<u>Total City UEC Revenues</u>
1999	\$11,967,761
2000	10,780,053
2001	10,908,556
2002	11,908,616
2003	14,432,966

Sources: City of Albuquerque Comprehensive Annual Financial Reports.

In 1984, the City adopted a Line Extension Policy pursuant to which it agrees with developers to allow for connection of their lines to the City's System under certain conditions which must be met by the developer. In October, 1998, the City entered an agreement with Westland Development Corporation ("Westland"), in conformance with the Line Extension Policy, for the construction of certain water and sewer facilities needed by Westland for development of certain property adjacent to the City. The agreement with Westland provides for Westland's construction of these facilities and for reimbursement by the City of Westland's construction costs through the collection of UECs paid to the City within and outside the Westland property served by the new facilities. Construction of these facilities is underway and is expected to become operational in Fiscal Year 2005.

Additional Charges In Effect. The City also has the following variable charges in effect for all accounts to which the specific criteria for each charge apply:

Water Commodity Charge: Water usage metered or estimated is at a rate of \$1.205 per unit (1 unit = 100 cubic feet or 748 gallons).

Water Conservation Charge: Annually, the average water usage for the months of December through March is calculated and used in determining the surcharge during the months of April through October. In May 2002, a two-tiered surcharge was implemented. Beginning May 1, 2003, the surcharge amount added for each unit exceeding 300% of the winter mean water usage is equal to 50% of the commodity charges, and is added to the base commodity charge, the water conservation fee charged by the state, and the sustainable water supply charge per unit. Beginning May 1, 2003, a second tier surcharge for each unit exceeding 400% of the winter mean water usage is equal to 50% of the commodity charges, and is added to the base commodity charge, the water conservation fee charged by the state, and the Sustainable Water Supply charge per unit.

Sewer Commodity Charge: All wastewater discharged is charged at a rate of \$0.712 per unit based on either 95% of the average metered or estimated volume of water for the previous winter months of December through March, or based on 95% of the actual water used if that amount is less.

Rate Comparisons

The City continues in its attempt to keep water and sewer rates at a competitive level compared to the surrounding southwest area. Based on results for the 50 largest cities in the United States extracted from a recent water/wastewater survey by Black & Veatch Enterprise Consulting Division, the City was ranked (from lowest to highest) at or below average for water and sewer rates, 23rd for water and 16th for sewer, of the 50 communities surveyed on typical monthly combined residential water and sewer bills, based upon a usage of 15,000 gallons. The rates have increased over the past six years to provide for the financing of the development of a new surface water supply system for drinking water.

Water/Sewer Billing and Collections

All rates and charges are imposed by the City through a Water and Sewer Rate Ordinance. Charges are billed to the property and are the responsibility of the property owner (except in cases of leased property in which the City is notified that the tenant will have payment responsibility). Property liens may be filed and foreclosed as provided by State law.

The City performs all meter reading services in connection with the Water/Sewer System. Meters are read and billed once each month. Customers are billed within the same approximate time frame each month depending upon the location of the customer. Customers are billed the same day their meters are read. The payment is delinquent if not made within 15 days following the due date on a utility statement. The City may cause the water supply to be turned off and discontinue service to the property if any charge remains unpaid for a period of 30 days from the original due date on the customer's utility statement. A penalty of 1.5% per month may be imposed on any delinquent account.

The City's delinquency rate has typically been less than 1% but currently is less than 1.2% of annual revenues. The increase is due to one large customer which is disputing certain

charges and has made no payment of the disputed charges. The City is working with that customer in an attempt to resolve the situation

Rates and Charges of the Water/Sewer System

The City Council has mandated that the operation and maintenance of the Water/Sewer System be self-sustaining. Consistent with this statement of intent, the System is budgeted as a self-sustaining enterprise fund for the purpose of determining costs associated with providing water and sewer services. The City's bond ordinances authorizing issuance of joint water and sewer system bonds prohibit net revenues of the Water/Sewer System from being transferred to the General Fund or other funds of the City, except for repayment of operation and maintenance expenses owed by the Water/Sewer System to the City and taxes, payments in lieu of taxes, assessments and other municipal or government charges of the City lawfully levied upon the system.

The capital and operating budgets for the System are submitted to the City Council by March 1 of each year for the fiscal year which begins July 1. The City Council considers the budgets, together with the rates necessary to finance the operation and capital improvements, and adopts the budget and rates necessary for the next fiscal year no later than 60 days after their receipt. Biennially, 10-year capital plans are also prepared and adopted. These plans are modified by the annual budget review process as immediate needs become clear.

The Federal Water Pollution Control Act Amendments of 1974 have a stated goal of restoring and maintaining the chemical, physical and biological integrity of the nation's waters. As a result of this law, each federally funded and publicly owned wastewater treatment facility is required to charge each user a proportionate share of the costs of operation and maintenance. Since the City has been granted funds by the Environmental Protection Agency, the requirements under the Amendments must be met. Accordingly, the following items have been incorporated into the sewer rate structure:

(i) Costs benefiting both water and sewer operations have been identified, and each cost has been evaluated to determine an appropriate basis for its allocation between water and sewer service.

(ii) Budgeted sewer categories for collection, treatment, disposal and an equitable portion of the administration expenses have been isolated for sewer rate-making purposes.

(iii) A "high-strength sewage treatment surcharge" is imposed in order that each user pay his proportionate share of the operational, maintenance and replacement costs to treat liquid waste discharged with significant levels of pollutants above the domestic level.

Current Levels of Base Rates and Charges

Customers pay fixed rates for the City's water and sewer services as well as additional charges which vary depending on the volume of water used or discharged. See "Additional Charges in Effect" under this caption. Since July 1, 2003, residential customers have been paying fixed water rates (depending on service size) between \$8.08 and \$801.97, while commercial customers have been paying between \$13.00 and \$1,359.76. For sewer service as of

July 1, 2003, residential customers have been paying a fixed rate (depending on service size) between \$11.98 and \$1,250.48, while commercial customers have been paying between \$18.16 and \$1,953.91.

Increases to Rates and Charges

Increases to rates and charges of the System in order to meet the following percentage increases in operating revenues have been implemented or approved through increases in the appropriate rate or charge to accomplish a particular objective, during the past five Fiscal Years as described below:

**City of Albuquerque
Approved Increases in Rates and Charges**

<u>Fiscal Year</u>	% Increase	
	<u>General Operations</u>	<u>AWRMS⁽¹⁾</u>
2000	--	4.5
2001	2.5	4.5
2002	2.5	4.5
2003	4.4	4.5
2004	4.5	4.5

(1) Each effective May 1 of the respective years. These rates were approved by City Council to finance capital costs and operating expenses to implement the Albuquerque Water Resource Management Strategy (“AWRMS”) and affect water charges only. For more information on AWRMS, the related increases and revenues generated by such rate increases, see “Water Supply—Water Supply Plan” and “Water/Sewer System Financial Information—Operating Revenue” under this caption.

Source: City of Albuquerque, Public Works Department.

The City anticipates that increases to rates and charges will be approved in future years to implement the additional AWRMS increments, to fund other capital needs and necessary operation and maintenance needs of the System. See “Capital Implementation Program for the Water/Sewer System” under this caption.

Customer Information

The following tables set forth historical information regarding the average number of customers of the Water System by meter size and class during Fiscal Years 1999 through 2003. The majority of the customers of the City’s water services during Fiscal Year 2003 was residential and used a 3/4” meter size.

**City of Albuquerque
History of Water Users by Meter Sizes**

<u>Meter Size</u>	<u>Average Number of Customers by Fiscal Year</u>				
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
¾"	118,730	121,854	124,523	128,192	132,387
1" and 1 ¼ "	20,076	19,899	19,692	19,153	18,321
1 ½ "	1,817	1,838	1,846	1,854	1,847
2"	1,769	1,822	1,868	1,892	1,905
3"	401	404	406	410	412
4"	23,333	238	242	246	247
6"	55	55	55	55	55
8" and over	<u>40</u>	<u>40</u>	<u>38</u>	<u>38</u>	<u>39</u>
Total	<u>143,121</u>	<u>146,150</u>	<u>148,670</u>	<u>151,840</u>	<u>155,213</u>

Source: City of Albuquerque, Public Works Department.

**City of Albuquerque
History of Water Users by Class**

<u>Class</u>	<u>Average Number of Customers by Fiscal Year</u>				
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Residential	128,738	131,618	134,014	137,081	140,347
Commercial	12,636	12,767	12,871	12,952	13,033
Institutional	1,618	1,638	1,660	1,683	1,712
Industrial	<u>129</u>	<u>127</u>	<u>125</u>	<u>124</u>	<u>121</u>
Total	<u>143,121</u>	<u>146,150</u>	<u>148,670</u>	<u>151,840</u>	<u>155,213</u>

Source: City of Albuquerque, Public Works Department.

According to records of the Public Works Department of the City, for Fiscal Years 1999 through 2003, the top ten retail customers of the System in the aggregate accounted for no more than 3.3% of the total billed consumption for the Water System, 2.8% of the total revenue of the Water System, 7.9% of the total billed consumption for the Sewer System and 3.8% of the total revenue of the Sewer System. Kirtland Air Force Base, the largest retail customer during each of such Fiscal Years, annually accounted for no more than 0.1% of the total billed consumption for the Water System, 0.1% of the total revenues of the Water System, 5.0% of the total billed consumption for the Sewer System and 2.2% of the total revenue of the Sewer System.

During Fiscal Year 2003, 56% of billed water consumption was residential, while only 31% was classified as commercial. The balance consisted of institutional users consuming 11% and industrial users at 2%.

**City of Albuquerque
Selected Water/Sewer System Statistics
(Calendar Year)**

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Estimated Population (Service Area)	485,569	491,723	497,916	503,371	508,855
Number of Meters Billed	144,502	147,605	149,883	153,245	156,502
Estimated Persons Per Meter	3.36	3.33	3.32	3.28	3.25
Annual Pumpage (1,000 Gallons)	36,841,000	35,627,000	37,101,000	35,750,000	34,760,000
Annual Water Billed (1,000 Gallons)	32,288,181	31,384,676	33,074,427	31,670,527	30,836,908
Average Daily Pumpage (Gallons)	100,934,247	97,608,219	101,646,575	97,945,205	95,232,877
Peak Day Pumpage (Gallons)	181,560,000	174,430,000	169,500,000	163,600,000	160,140,000
Average Daily Production Per Meter (Gallons)	698	661	678	639	609
Well Pumping Capacity (per 24 Hour Period)	293,000,000	293,000,000	294,000,000	294,000,000	294,000,000
Storage Capacity (Gallons)	206,600,000	211,000,000	211,000,000	211,000,000	211,000,000
Number of Miles of Lines ⁽¹⁾					
-Water	2,360	2,390	2,420	2,450	2,520
-Sewer	1,650	1,690	1,730	1,780	1,820

(1) Estimated.

Source: City of Albuquerque, Public Works Department.

Capital Implementation Program for the Water/Sewer System

The Public Works Department has prepared a Decade Plan Water and Wastewater capital Implementation Program for Fiscal Years 2004 through 2013 (the “program”), which was adopted by the City Council in May 2003. The program contemplates the following expenditure amounts for basic water and sewer system improvements (excluding North and South Valley grants and exclusive of the \$248 million implementation costs for the AWRMS):

**City of Albuquerque
Estimated Program Expenditures**

<u>Fiscal Year</u>	<u>Estimated Program Expenditures</u>
2004	\$34.8 million
2005	38.6 million
2006	35.7 million
2007	38.5 million
2008	35.2 million
2009	33.5 million
2010	31.2 million
2011	36.2 million
2012	42.6 million
2013	50.0 million

Source: City of Albuquerque, Public Works Department.

The program has been designed to meet basic utility needs and is balanced between water and wastewater, and between growth, rehabilitation and meeting federal and state regulatory requirements. The program focuses on maintaining safe drinking water, meeting pollution control standards, providing adequate fire protection and water system reliability, including significant efforts towards rebuilding existing deteriorated water and wastewater infrastructure.

Approximately 2% of the total program is related to federal, state and local regulations and policies. About 70% of the program is allocated towards infrastructure replacement, rehabilitation and renovation of deteriorated facilities. Another 10% of the program is allocated to systems reliability, which includes projects having components that do not increase capacity but improve systems reliability or remove performance deficiencies. Growth related projects account for 12% of the program but largely occur in the latter years of the program contingent on sustained growth demand requiring plant expansion. The remaining 6% of the program includes expenditures for special projects and for water resource and facility planning studies.

The program anticipates the expenditure of \$392 million over the next five years, including \$182 million in basic water/wastewater capital improvements, about \$10 million in conjunction with other anticipated federal/state grant funding for the extension of water/sewer utilities to unserved areas of Bernalillo County, and approximately \$200 million for construction of a new drinking water supply and treatment plant and large diameter water transmission lines throughout the water service area. Major financing for the drinking water supply project will be segmented over a 3-year construction period, including funding contributions from operating revenues, reclamation grants, loans and revenue bonds.

Isleta Water Quality Standards Litigation

In December 1992, the United States Environmental Protection Agency (“EPA”) approved the adoption by the Tribal Council of the Pueblo of Isleta (the “Pueblo”) of water quality standards (“WQS”) for all tribal water within the Pueblo. These WQS are significantly stricter than the current EPA-approved State designation of the Rio Grande. On October 21, 1993, the United States District Court for the District of New Mexico upheld the approval of the

WQS by the EPA in City of Albuquerque v. Carol M. Browner, Administrator, United States Environmental Protection Agency, U.S. District Court for the District of New Mexico (No. 9382-M Civil). The City filed an appeal to the U.S. Court of Appeals for the Tenth Circuit seeking to challenge EPA's approval of the WQS. The Tenth Circuit ruled against the City in October 1996 and concluded that the EPA has the discretion to impose the approved WQS. On April 4, 1997, the City filed a petition for certiorari in the United States Supreme Court which petition was denied in November, 1998.

Since the EPA approval of these WQS, the City has entered into an agreement with EPA, the State, and the Pueblo regarding the City's NPDES permit. Pursuant to the agreement, the City has spent more than \$60 million for capital improvements to the City's wastewater treatment plant. These improvements reduce the estimated cost of compliance by the City with the WQS if the EPA chooses in the future to fully impose such standards on the City. The City's existing NPDES permit, which was set to expire June 1998, has been administratively continued by EPA.

Endangered Species Act-related lawsuits filed against EPA by the Forest Guardians, an environmental organization based in Santa Fe, New Mexico, have forced EPA to delay NPDES permitting actions for many cities in New Mexico, including Albuquerque. EPA has therefore been delayed in the process of determining what standards to include in the City's renewal permit.

The Total Maximum Daily Load ("TMDL") determinations for the middle Rio Grande have been established by the New Mexico Water Quality Control Commission, and are based only on bacterial loadings. The primary impact of the TMDL program will fall onto NPDES storm water discharge permits in the middle Rio Grande yet to be issued by EPA. The City's storm water permit is reportedly ready to be issued by EPA, perhaps early in 2004.

The Pueblo of Isleta did complete a water quality standards (i.e. stream standards) revision process and submitted a Tribal Council approved version to EPA in 2002. EPA has yet to formally approve the Pueblo's proposed changes. This fact is important as it would be beneficial for the City's next NPDES permit for the Southside Water Reclamation Plant ("SWRP") to be based on the Pueblo's updated stream standards.

The State of New Mexico is, as of December 2003, in the process of updating the New Mexico stream standards. The first round of formal public hearings is scheduled to occur early in 2004. The State stream standards revisions could have an influence on the City's NPDES renewal permit. Actual impacts will depend on the final decisions of the New Mexico Water Quality Control Commission.

EPA has stated their intention to prepare a draft renewal NPDES permit for the SWRP only after first issuing the City's storm water NPDES permit. EPA is still conferring with the United States Fish & Wildlife Service and the Isleta & Sandia Pueblos to receive their approvals before issuing any permits. Some studies have been completed while others are in progress that were required by the United States Fish & Wildlife Service to assure protection of endangered species.

EPA has stated that it would be possible to issue permits even if some studies are still in progress. Permit “re-opener clauses” can be added to permits that allow future study results to modify issued permits. The City’s assigned permit writer at EPA has changed hands many times in the last 5 years making it difficult to maintain continuity with planned permitting actions by EPA. Many unanswered questions remain outstanding insofar as methods and calculations to establish revised permit limits for the SWRP. The Wastewater Utility Division continues to maintain a positive rapport with EPA-Dallas to facilitate the permitting process.

Refuse Removal and Disposal System

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

Landfills

The City uses a landfill site, which has been registered with State and federal authorities since May 1990. The permit for the City’s Cerro Colorado landfill allows only licensed commercial haulers to dispose of solid waste at the landfill site. Residents are not allowed to haul waste to the landfill and, instead, must use the convenience centers described below. If current waste disposal operations continue unchanged, the lifetime of the landfill is estimated to be 26 to 50 years. The landfill presently meets or exceeds all federal and state regulations. To continue in compliance with federal requirements, the City is installing a methane gas collection system for the first three cells of the Cerro Colorado landfill, estimated to cost \$1.5 million, which is to be completed by the deadline of June 2004. The City issued \$3,385,000 in Refuse Removal and Disposal Improvement Revenue Bonds, Series 2001A to finance the methane gas collection system and other landfill remediation in May 2001. In July 2000, the Cerro Colorado landfill was selected by the Solid Waste Association of North America to receive the 2000 SWANA Landfill Excellence Silver Award. This award is presented annually to recognize outstanding performance in operation, design, efficiency and an overall integrated solid waste management system.

Collection System

Historically, the residential collection system consisted of one-man crews using side-loading packer vehicles for regular trash routes and one-man crews for the collection of recyclables at the curbside in disposable containers once a week. Residential customers receive one coupon every year, which can be redeemed for 30 clear bags for recyclables. The monthly fee includes the cost of the bags. The regular work schedule for residential collection is five eight-hour days a week. Residential route equipment consists of 12 side-loading collection vehicles and 50 automated trucks, which include about 10% of the total as “back-up” vehicles.

Proceeds from the sale of revenue bonds issued in 1992 were used, in part, to purchase an automated system for the removal of residential solid waste. Each household is provided with a 95-gallon container on wheels. The container is wheeled to the curb by the resident on his/her weekly collection day and is serviced by a fully automated collection vehicle, which utilizes a hydraulic arm to grab, lift and empty the container. The automated collection system was fully implemented as of December 1997.

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

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

The commercial collection system is containerized to the maximum extent possible. Containers varying in size from two cubic yards to eight cubic yards are mechanically dumped into packer trucks. Large generators of refuse use roll-off containers. Collection frequency and container size is determined by the needs of the customer. Commercial equipment includes six rear packers, 32 roll-offs and 44 front-loading trucks.

Convenience Centers

The City has constructed three convenience centers for public use, which accept residential haul-your-own waste and small commercial haulers with a one-ton or less sized vehicle. The solid waste brought to the convenience centers is collected in large roll-off containers and 120-cubic-yard trailers and hauled to the Cerro Colorado landfill by the City as part of the convenience center's operations. The tonnage collected at the convenience centers represents approximately 12% of the total annual tonnage disposed of at the Cerro Colorado landfill. The current fee at the convenience centers is \$3.30 per load for individuals and \$8.65 per load for small commercial haulers, not including tax.

Recycling Programs

A Citywide residential curbside recycling program for aluminum, metals, paper and plastic was implemented in December 1992. The City collects commingled residential recyclables weekly on regular collection days in a separate clear bag. The City of Albuquerque has implemented curbside recycling to every other week. The City utilizes 7 routes and 8 manual side-loader collection vehicles for these collections in order to reduce the capital investment associated with the curbside-recycling program. The recyclables collected from these programs are processed and marketed from a City-owned and operated intermediate processing facility. The level of projected revenues from the sale of recyclables does not cover the cost of providing the service. However, the level of projected revenues from the sale of recyclables and the \$1.89 per resident charge for recycling services covers approximately 98% of the cost of providing the service.

Weeds, Litter and Graffiti Removal and Community Support

As part of the Solid Waste Management Department's overall mission of protecting and preserving the environment, the Department is also responsible for the removal of weeds, litter and graffiti from the City's major thoroughfares and public properties. Effective July 1, 1996, the Clean City Program was established within the Solid Waste Management Department to manage these responsibilities. Certain revenues, such as revenues resulting from charges imposed on and received from property owners or vandals, are projected to be produced from these various removal responsibilities but are expected by the City to be at a minimal level compared to budgeted expenses for such responsibilities. The Community Service section of the Clean City Division encourages neighborhood associations to participate in Keep Albuquerque Beautiful, a program funded by moneys from the State, through neighborhood clean-ups. The Community Service section distributes funds from Keep Albuquerque Beautiful to provide supplies and hire youths and private companies and associations for the clean-ups.

Mr. Clarence V. Lithgow is the Director of Solid Waste Management Department for the City and was appointed by Mayor Martin Chavez in 2002. Mr. Lithgow brings to the city over 30 years of public sector service and experience. Prior to joining the Mayor's Staff, Mr. Lithgow held various key positions in state and city governments. He began his professional career as Bureau Chief for the NM Department of Human Services, then became Director of the Local Government Division of the Department of Finance and Administration, and finally, Cabinet Secretary for the NM General Services Department. He also held the Chief Administrative Officer position for the City of Albuquerque under Mayor Ken Schultz. Mr. Lithgow holds a bachelors degree in business administration and has served as public servant in a variety of civic organizations and commissions.

Mr. Demetrio "Tito" Montoya is the Superintendent of the Central Services Division and has been with the City for 19 years. Prior to his appointment, Mr. Montoya served as Section Manager of Research and Planning, which oversaw all process and quality improvements within the Solid Waste Management Department. Mr. Montoya also served with the Office of Neighborhood Coordination and Office of Senior Affairs in managing programs with Federal, State and City matching funds.

Ms. Regina Cappello has been the Management Analyst for the Solid Waste Management Department for the last four years. Ms. Cappello has been employed with the City for 25 years in various financial positions. Ms. Cappello has work experience with enterprise and general funds. Ms. Cappello has served as financial accountant for Parks and Recreation, the City's Convention Center and the Public Works Department. Ms. Cappello started her career at the Solid Waste Management Department in 1978. Ms. Cappello retired in December 2003 but agreed to continue as a private consultant to the Solid Waste Management Department until her successor is appointed.

Refuse System Financial Information

Operational Data and Tonnage History for the Refuse System. Shown below are the operational data and solid waste tonnage history for the Refuse System for Fiscal Years 1994 through 2003.

**City of Albuquerque
Refuse System Operational Data
Fiscal Years 1994-2003**

Fiscal Year	<u>Collections</u>		Commercial Units	Routes	Refuse Employees	Collection Vehicles
	Residential/ Recycling Units	Routes				
1994	116,581	51	13,564	47	355	129
1995	117,903	51	13,884	49	366	129
1996	121,018	50	13,904	50	373	129
1997	124,960	50	14,305	50	408	127
1998	131,357	50	14,662	51	414	128
1999	135,415	51	14,700	55	412	140
2000	138,726	52	14,710	54	410	137
2001	141,300	52	14,710	56	409	137
2002	142,445	52	14,720	56	409	137
2003	147,097	47	14,725	56	405	137

Source: City of Albuquerque, Solid Waste Management Department.

**City of Albuquerque
Solid Waste Tonnage History
Fiscal Years 1994-2003**

Fiscal Year	Commercial	Residential	Private Haul To Landfill/	Total Department
1994	193,871	156,805	36,008	386,684
1995	208,366	169,373	193,491 ⁽¹⁾	571,230 ⁽¹⁾
1996	200,564	169,636	273,580 ⁽¹⁾	643,780 ⁽¹⁾
1997	220,729	183,218	69,756	473,703
1998	208,551	132,687	96,297	437,535
1999	225,472	139,286	73,836	438,594
2000	212,555	170,750	112,523	495,828
2001	220,326	190,004	91,446	501,776
2002	216,549	162,254	91,006	469,809
2003	228,324	178,503	96,421	503,248

(1) Includes one-time contract to accept waste from old landfill site in connection with the Sunport Boulevard renovation.

Source: City of Albuquerque, Solid Waste Management Department.

Budget, Rates and Charges. The capital and operating budgets for the Refuse System are submitted to the Council by March 1 of each year for the fiscal year, which begins July 1. The Council considers the budgets, together with the rates necessary to finance the operation and capital improvements, and adopts the budget and rates necessary for the next Fiscal Year no later

than 60 days after their receipt. Biannually, decade capital plans are also prepared and adopted. These plans are modified by the annual budget process as immediate needs become clear. The current decade capital plan (2003-2012) calls for expenditures of approximately \$75.5 million financed with a combination of operating cash and refuse revenue bonds.

The rates for residential collection, commercial collection and the use of the sanitary landfill are established from time to time by the City by ordinance and are not subject to approval by any other regulatory body. The current rate for residential collection is \$10.24 per month. Commercial rates vary considerably based on the size of container and frequency of service. Current landfill fees by tonnage (not including tax) are \$6.80 for up to 500 pounds, \$13.60 for 500 to 1,000 pounds, \$20.39 for 1,001 to 1,500 pounds, and \$27.19 for 1,500 to 2,000 pounds. Other rates apply for use of the landfill for certain categories of waste such as tires and contaminated soil. The current fee at the convenience centers is \$3.30 per load for individuals and \$8.65 per load for small commercial haulers, not including tax.

The following tables present a limited 10-year summary of the history of refuse service rate adjustments implemented by the City showing the effective date of such adjustments. The Department increased residential and commercial rates by 3.0% effective June 30, 2003. See “Historical Financial Information” under this caption.

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

<u>Month</u>	<u>Year</u>	<u>Monthly Rate</u>	<u>% Increase</u>
June	1994	\$8.76	5.0
June	1995	9.20	5.0
June	1996	9.02	-1.9
June	1997	9.02	0.0
June	1998	9.38	4.0
June	1999	9.38	0.0
June	2000	9.91	5.7
June	2001	9.94	0.0
June	2002	9.94	0.0
June	2003	10.24	3.0

Source: City of Albuquerque, Solid Waste Management Department.

Commercial Collection Fee Adjustments ⁽¹⁾

<u>Month</u>	<u>Year</u>	<u>Monthly Rate/Ton</u>	<u>% Increase</u>
June	1994	\$70.51	5.0
June	1995	74.04	5.0
June	1996	74.04	0.0
June	1997	74.04	0.0
June	1998	77.00	4.0
June	1999	77.00	0.0
June	2000	81.00	5.7
June	2001	81.27	0.0
June	2002	81.27	0.0
June	2003	83.71	3.0

- (1) For purposes of showing the overall trends of increases in commercial rates only, the “Rate per Ton” set forth above has been calculated by dividing the total of all commercial collection fees in the indicated year by the total commercial tons collected in such year. “Rate per Ton” does not correlate with any particular commercial rate; commercial rates vary considerably as they are based upon frequency of service and size of container.

Source: City of Albuquerque, Solid Waste Management Department.

Landfill Fee Adjustment

<u>Month</u>	<u>Year</u>	<u>Rate</u>	<u>% Increase</u>
June	1994	\$40.00/ton (tires)	N/A
June	1995	\$75.00/ton (contaminated soil)	200.0
June	1996	\$6.25/500 lbs (\$25.00/ton)	66.7
June	1996	\$75.00/ton (tires)	87.5
June	1997	\$6.25/500 lbs \$25.00/ton)	0.0
June	1997	\$75.00/ton (tires)	0.0
June	1998	\$6.25/500 lbs \$25.00/ton)	0.0
June	1998	\$75.00/ton (tires)	0.0
October	1998	\$100.00/ton (tires)	33.3
June	1999	\$100.00/ton (tires)	0.0
June	2000	\$125.00/ton (tires)	25.0
June	2001	\$105.65/ton (tires)	15.0
June	2002	\$105.65/ton (tires)	0.0
June	2003	\$105.65/ton (tires)	0.0

Source: City of Albuquerque, Solid Waste Management Department.

Convenience Center Fee Adjustments

<u>Month</u>	<u>Year</u>	<u>Rate</u>	<u>% Increase</u>
June	1994	\$3.00/load (residential)	0%
		\$8.00/load (commercial)	0
June	2000	\$3.15/load (residential)	5.0
		\$8.28/load (commercial)	4.0
June	2001	\$3.25/load (residential)	4.0
		\$8.40/load (commercial)	2.0
June	2002	\$3.25/load (residential)	0.0
		\$8.40/load (commercial)	0.0
June	2003	\$3.30/load (residential)	2.0
		\$8.65/load (commercial)	3.0

Source: City of Albuquerque, Solid Waste Management Department.

Refuse System Billing and Collections. The City's Solid Waste Management Department, which operates the Refuse System, processes the refuse billing through the Public Works Department Utility Billing System. The system bills water, sewer and refuse together on a monthly basis. The bill indicates whether the account is 30, 60 or 90 days delinquent. After 90 days, the customer receives a 15-day trial shut-off notice. If no response is received by the City from the customer, the City for health and safety reasons will continue to collect the customer's refuse but has the authority to shut off the customer's water and to leave a notice on the door. When partial payments are received, these payments are applied to the customer's total account balance and not prorated to the individual charges for water, sewer or refuse. Accounts receivable balances for water, sewer and refuse are calculated on a monthly basis based on the pro rata share of each utility's billings to total billings for the month. The City applies a 1.5% per month penalty to all delinquent bills. Delinquencies have averaged less than 1% of annual operating revenues over the last five-years and write-offs average less than one-tenth of one percent.

Under most circumstances, at any time a bill is delinquent, a lien on the customer's property can be filed. The lien upon property served by the Refuse System for unpaid charges is limited in the case of leased properties. If the owner of property leased to another files a written disclaimer of responsibility with the City, the City may not place a lien against that property for unpaid charges. The City does, however, have a right to demand a deposit from the tenant of the property served.

The Solid Waste Management Department reimburses the City's joint water and sewer fund for utility billing expenses incurred on behalf of the Refuse System.

The Solid Waste Management Department collects refuse-only accounts and landfill accounts. On delinquent landfill charge accounts, the customer is required to pay on a cash basis. The customer is also given an option of a "promise payment," which is a set amount each month to catch up the customer's arrears account plus the current month's charges.

A new joint billing system is under development by the Municipal Development Department which is expected to be fully operational in 2005. The new billing system will allow

the Solid Waste Management Department to better track delinquencies and pursue delinquent account collection efforts.

The Solid Waste Management Department also uses the GPS system to help track refuse collection activities, including times and accounts of refuse collections. When combined with the better data expected from the new billing system, the Solid Waste Management Department expects to improve oversight of customer accounts to assure that billing is uniform and equal among all classes of customers.

Historical Financial Information. The following table compares revenues and expenses over the past five Fiscal Years. For detailed financial information for the Refuse System, see the City's Comprehensive Annual Financial Reports.

**City of Albuquerque
Refuse Removal and Disposal System
Historical Financial Information
Fiscal Years 1999-2003
(\$000)**

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Total operating revenues	\$33,436	\$35,587	\$38,219	\$39,233	\$40,753
Non-operating revenues (expenses):					
Interest	982	865	781	556	356
Other	9	55	0	12	390
Gain (loss) on disposition of property & equipment	44	(70)	(3)	(61)	34
Transfers in/(out)	<u>(512)</u>	<u>(495)</u>	<u>(478)</u>	<u>(539)</u>	<u>(538)</u>
Total adjusted revenues	<u>\$33,959</u>	<u>\$35,943</u>	<u>\$38,519</u>	<u>\$39,191</u>	<u>\$41,000</u>
Total operating expenses (excluding interest expense)	\$31,058	\$32,206	\$33,706	\$35,035	\$36,676
Less:					
Payments in lieu of taxes	(432)	(411)	(477)	(485)	(524)
Depreciation	(4,254)	(4,459)	(4,654)	(4,693)	(4,782)
Amortization	(111)	(110)	(110)	(219)	(205)
Total adjusted operating expenses	<u>\$26,261</u>	<u>\$27,226</u>	<u>\$28,465</u>	<u>\$29,638</u>	<u>\$31,165</u>
Net revenues available for debt service	<u>\$ 7,698</u>	<u>\$ 8,716</u>	<u>\$10,054</u>	<u>\$ 9,553</u>	<u>\$ 9,835</u>

Source: City of Albuquerque Comprehensive Annual Financial Reports.

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

The City expects to borrow approximately \$5,000,000 for heavy capital equipment required for operation of the Solid Waste Management Department from the New Mexico Finance Authority in April or May, 2004. The New Mexico Finance Authority loan will be amortized over seven years and secured by net resources of the Refuse System.

Golf Courses

Location and Facilities of the Golf Courses

The City currently owns and operates four municipal golf courses: Arroyo del Oso, Ladera, Los Altos and Puerto del Sol (collectively, the “Golf Courses”), as more particularly described below.

Arroyo del Oso Golf Course. Opened in 1965, Arroyo del Oso Golf Course is a 27-hole facility, with a regulation 18-hole course designed by Arthur Jack Snyder and a challenging 9-hole course (opened in 1989) designed by Richard Phelps.

Arroyo del Oso Golf Course, meandering through Bear Canyon waterway, located on 250 acres of City-owned property in north-central Albuquerque, offers two putting greens, a chipping green and a large driving range. Arroyo del Oso Golf Course has received several awards, including being ranked in the top 200 United States golf courses and receiving 3V2 stars as one of Golf Digest magazines “Places to Play” for the year 2000.

Arroyo del Oso’s 8,601 square foot pro shop has an attached cart barn and overlooks an outdoor eating area, a practice facility and the back nine. Also connected to the pro shop is a meeting room that seats 45 and a small food preparation area. Arroyo del Oso also offers a full-service restaurant cafe with a drive-up window and a 2,800 square foot gazebo used for tournament scoring and food service.

Ladera Golf Course. Opened in April of 1980, Ladera Golf Course is a 27-hole facility designed by Richard Phelps. Ladera’s regulation 18 hole course is the longest of the Golf Courses, playing over 7,100 yards. In addition, Ladera offers a challenging par-31 executive 9-hole course.

Ladera Golf Course, with views of volcanoes and water on the finishing hole of each nine, is located on 140 acres owned by the City. The City acquired this property from the Albuquerque Metropolitan Arroyo Flood Control Authority pursuant to a special warranty deed providing for its use by the City solely and exclusively for public parks and recreational purposes. Located on the City’s west side just north of Interstate 40, Ladera Golf Course is bordered by Ladera Drive on its south and east sides and by residential housing on the north and west.

A pro shop, restaurant and banquet facilities were constructed at Ladera in September 2001 at a total cost of approximately \$180,000 and was funded with \$1,200,000 of cart and \$600,000 of Series 2001 Bond proceeds. These buildings now house a 2,761 square foot pro shop and a 2,400 square foot enclosed cart storage area. An adjacent but separate 8,651 square foot building supplies the food and beverage services and includes a 65-seat restaurant and banquet facilities that can accommodate 244 guests inside and over 100 additional guests on the

two exterior patios. The kitchen area separates the restaurant from the banquet room and is large enough to service both areas simultaneously. Additionally, a 2,400 square foot gazebo with scoreboard used for tournaments is available for outdoor eating, post tournament functions and posting of golf scores.

Los Altos Golf Course. Opened in May of 1960, Los Altos Golf Course is a 27-hole facility designed by Bob Baldock. This regulation 18-hole course, playing 6,534 yards from the back tees, offers wide fairways, level terrain, large mature trees and strategic bunkering. In addition, Los Altos' par 29 executive course is great for beginners and a good place to practice one's short game.

Los Altos Golf Course, with views of the Sandia Mountains, is located on 170 acres of City-owned property, bordered by Interstate 40 to the north, Wyoming Boulevard to the west, and residential areas to the south and east. Just across Interstate 40 from the golf course is Los Altos Park, connected to the golf course by a pedestrian bridge and bike path.

The Los Altos pro shop, club house, full-service snack bar and unheated storage area are currently housed in the two-story, 5,385 square foot main building. A 1,425 square foot detached cart facility is located west of this main building and putting green. In addition, a 1,600 square foot covered gazebo, used for tournament scoring and eating area, is located east of the main building and adjacent to the chipping green.

Puerto del Sol Golf Course. Puerto del Sol Golf Course, originally built as a pitch and putt golf course by a private individual, was dedicated as a public golf course on October 30, 1970. The course was later redesigned by Arthur Jack Snyder and was reopened as a 9-hole par 35 facility on January 28, 1978. Puerto del Sol Golf Course is located in south-central Albuquerque near the Albuquerque International Sunport on 75 acres owned by the City. Pursuant to requirements of the Federal Aviation Administration ("FAA"), 20 acres of this property purchased with an FAA grant is leased by the Golf Management Division of the City's Parks and Recreation Department from the Department of Aviation for \$24,000 per year (as adjusted every five-years in accordance with the appraised value of such property). The lease renews annually unless terminated by either party on June 30 of any year by giving notice no later than March 31 of such year. The FAA also requires that the 20 acres leased from the Department of Aviation remain an open land area with no large structures.

Puerto del Sol Golf Course, which has been ranked in the top 50 of United States 9-hole courses, offers a practice facility with over 3 acres of natural teeing area, multiple range targets and a 15,000 square foot putting green, all of which are lighted and open until 10:30 p.m., Memorial Day through Labor Day. The Puerto del Sol pro shop, snack bar and cart storage area are housed in a 3,761 square foot building.

Market and Usage

All four Golf Courses are open year round, only closing for Christmas Day and severely inclement weather. According to the Water Conservation Division of the City's Public Works Department, the City receives an average of 8.5 inches of precipitation each year, nearly three inches of this representing rainfall in just a few days of July and August.

The majority of rounds are played by local residents, with approximately 3% of play coming from tourism and outside tournaments. The table below sets forth the estimated number of nine- and eighteen-hole rounds played at each Golf Course over the past five fiscal years.

**Rounds Played at City of Albuquerque Golf Courses
Fiscal Years 1999-2003**

<u>Golf Course</u>	<u>1999</u>	<u>% Change</u>	<u>2000</u>	<u>% Change</u>	<u>2001</u>	<u>% Change</u>	<u>2002</u>	<u>% Change</u>	<u>2003</u>	<u>% Change</u>
Arroyo Del	137,383	(2.54)%	141,839	3.24%	127,274	(10.27)%	124,713	(2.01)%	116,255	(6.78)%
Oso										
Ladera	91,894	5.81%	91,849	0.00%	78,286	(14.77)%	78,636	0.00%	69,267	(11.91)%
Los Altos	99,812	0.00%	105,273	5.47%	96,054	(8.76)%	96,532	0.00%	90,569	(6.18)%
Puerto Del Sol	61,340	(3.32)%	62,821	2.41%	57,068	(9.16)%	58,905	3.22%	55,138	(6.40)%

(1) The Golf Management Division believes the reduction in rounds played in 2003 is consistent with national and regional trends for daily fee courses and occurred, in part, because of unusually hot summer weather and general economic conditions.

Source: City of Albuquerque, Parks and Recreation Department.

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

John C. King, Division Manager, Golf Management. Mr. King’s 12-year experience includes increasingly responsible experience in the golf course industry, including six years of management and administrative responsibility. His possession of a New Mexico Pesticide Applicators License, along with his education in engineering, business management, biology and mathematics is a valuable resource to the Golf Management Division. In addition, he has attained various training and certificates of completion from the Golf Course Superintendents Association of America. He is the 2004 president of the Rio Grande Golf Course Superintendents Association and is on track to become a Certified Golf Course Superintendent.

Blanca B. Hise, Director, Parks & Recreation Department. Mrs. Hise has served as Director of the Parks and Recreation Department since 2000 and was director of Department of Senior Affairs from 1994 to 1997. Prior to assuming that position, she served as Public Information Officer for Mayor Martin I. Chavez. Mrs. Hise has Bachelor’s and Master’s Degree from the University of New Mexico, and was nominated as Business Woman of the Year by the Duke City Business Women in 1983.

Gary Lee Young, Finance Manager, Parks & Recreation Department. Mr. Young has been with the City of Albuquerque for 20 years, and has been Finance Manager for the Parks & Recreation Department for 11 years. Mr. Young has a Bachelor’s of Accountancy degree from New Mexico State University, and earned an MBA in Finance from Webster University in 1989.

All four golf courses are maintained by the City’s Golf Management Division. The City has contracted with certain third parties (collectively, the “Concessionaires”) to manage the pro shop operations, concessions and certain other operations at each Golf Course. New Mexico Golf, Ltd., a New Mexico corporation, has operated the pro shop and concessions at Arroyo del

Oso and Puerto del Sol since their openings; the current contract expires December 31, 2008. New Mexico Golf, Ltd. also holds the concessions contract at Marty Sanchez-Links de Santa Fe. Los Altos Golf Course Concessions, Inc., a New Mexico corporation, has operated the pro shop and concessions at Los Altos Golf Courses since its opening in 1960; the current contract expires December 31, 2004. Westside Golf, Inc., a New Mexico corporation, has operated the pro shop and concessions at Ladera Golf Course since 1995; the current contract expires December 31, 2005. Sam Zimmerly, president of Westside Golf, Inc., was the Director of Golf in Los Alamos, New Mexico for 25 years and was the Director at Paradise Hills Golf Course in Rio Rancho, New Mexico for two years.

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

Golf Course Financial Information

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

**City of Albuquerque-Golf Course
Historical Financial Information — Fiscal Years 1999-2003**

<u>Operating Revenues</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	% Increase (Decrease) Between <u>1999 & 2003</u>
Charges for Services ⁽¹⁾	\$3,758,078	\$3,897,078	\$3,706,698	\$3,981,145	\$3,861,051	2.74%
<u>Operating Expenses</u>						
Salaries and Fringe Benefits	\$1,668,875	\$1,666,148	\$1,739,798	\$1,828,129	\$1,720,826	3.11
Professional Services	14,013	21,852	35,728	1,598	-	(100.00)
Utilities	641,946	727,181	668,204	777,212	767,101	19.5
Supplies	65,225	60,429	25,718	40,626	58,411	(10.45)
Travel	3,159	2,223	2,453	2,580	1,518	(51.95)
Fuel, Repairs and Maintenance	477,527	430,072	476,611	412,404	423,146	(11.39)
Contractual Services	16,666	41,933	94,569	73,787	54,459	226.76
Indirect Overhead	315,787	377,967	430,393	484,993	408,657	29.41
Other Operating Expenses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Depreciation	371,479	404,492	422,291	439,817	429,693	15.67
Payments in Lieu of Taxes	<u>49,369</u>	<u>45,303</u>	<u>47,997</u>	<u>0</u>	<u>0</u>	<u>(100.00)</u>
Total Operating Expenses	<u>\$3,624,046</u>	<u>\$3,777,600</u>	<u>\$3,943,762</u>	<u>\$4,061,146</u>	<u>\$3,863,811</u>	<u>6.62</u>
Operating Income	134,160	119,478	(237,064)	(80,001)	(2,758)	(102.06)
<u>Non-Operating Revenues</u>						
<u>Expenses</u>						
Interest on Investments	\$ 48,737	\$ 57,841	\$ 179,422	\$ 78,319	\$55,851	14.60
Bond Issue Costs (Amortization)	0	0	0	(16,658)	(14,194)	(100.00)
Gain (Loss) on Sale of Property	5,124	(15,135)	(24,865)	0	(2,904)	(176.45)
Interest Expense	0	0	(60,104)	(54,315)	(147,381)	(100.00)
Other	<u>51,670</u>	<u>51,720</u>	<u>58,711</u>	<u>43,965</u>	<u>65,944</u>	<u>27.62</u>
Total Non-Operating Revenue	\$ 105,531	\$ 94,426	\$ 153,164	<u>\$ 51,311</u>	\$ (42,684)	<u>(140.45)</u>
Income (Loss) Before Transfers	239,691	213,904	(83,900)	(28,690)	(45,442)	(118.96)
Operating Transfers Out	0	0	0	(50,902)	(49,937)	(100.00)
Change in Net Assets	<u>\$ 239,691</u>	<u>\$ 213,904</u>	<u>\$ (83,900)</u>	<u>\$ (79,592)</u>	<u>\$ (95,379)</u>	<u>(139.79)</u>
Amount Available for Debt Service						
Net Income	\$ 239,691	\$ 213,904	\$ (83,900)	\$ (79,592)	\$ (95,379)	(139.79)
Add: Depreciation	371,479	404,492	422,291	439,817	429,693	15.67
Interest Expense	0	0	60,104	54,315	147,381	100.00
Payment in Lieu of Taxes	49,369	45,303	47,997	50,902	49,937	1.15
Amortization	0	0	0	16,658	14,194	100.00
Change in Market Value of Investments	0	0	0	7,214	1,663	100.00
Less Gain (Loss) on Sale of Assets	<u>(5,124)</u>	<u>15,135</u>	<u>24,865</u>	<u>0</u>	<u>(2,904)</u>	<u>(156.67)</u>
Amount Available for Debt Service	<u>\$ 655,415</u>	<u>\$ 678,834</u>	<u>\$ 471,357</u>	<u>\$ 489,314</u>	<u>\$ 544,585</u>	<u>(16.91)</u>

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

Source: City of Albuquerque, Parks and Recreation Department.

Fee Structure and Revenues. Revenues of the Golf Courses consist primarily of green fees and concessions. Regular fees for 18 holes at all Golf Courses are \$17.00 for weekdays, \$18.25 for weekends (including Fridays) and holidays and \$21.75 for tournaments. These fees, effective March 1, 2002, represent a rate increase of \$.75 on weekdays, \$1.00 on weekends, and \$1.40 for tournaments. This was the first rate increase at the Golf Courses since July 1, 2000. The City has a five-year plan in place which calls for regular nominal rate increases at the Golf Courses to provide funds for increases in personnel and other expenses. These increases are evaluated annually. The Golf Courses also offer reduced rates for seniors, juniors and seasonal special play, as well as a variety of annual passes.

Golf Course management will continue to monitor expenditures as compared to revenues and work toward lowering expenses when possible in order to meet revenue expectations.

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

**City of Albuquerque Golf Course Revenues
Fiscal Years 1999-2003**

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Greens Fees					
Los Altos	\$ 802,946	\$ 865,867	\$ 835,022	\$ 898,383	\$ 851,808
Arroyo	1,228,697	1,299,792	1,262,684	1,321,539	1,320,922
Puerto	430,726	457,737	446,242	504,878	496,455
Ladera	810,797	810,743	726,060	804,984	743,679
Annual Passes	224,845	226,767	204,981	189,770	173,515
<i>Total</i>	<u>\$3,556,211</u>	<u>\$3,660,906</u>	<u>\$3,474,989</u>	<u>\$3,719,554</u>	<u>\$ 3,586,379</u>
Concessions					
Los Altos	\$ 37,535	\$ 50,797	\$ 51,020	\$ 62,457	\$ 53,514
Arroyo	114,173	131,737	133,893	136,062	130,567
Puerto	11,150	12,534	12,190	14,844	21,450
Ladera	39,137	41,104	34,606	48,228	69,141
<i>Total</i>	<u>\$ 201,995</u>	<u>\$ 236,172</u>	<u>\$ 231,709</u>	<u>\$ 261,591</u>	<u>\$ 274,672</u>
<u>Total Greens Fees and</u>					
<u>Concessions</u>	<u>\$3,758,206</u>	<u>\$3,897,078</u>	<u>\$3,706,698</u>	<u>\$3,981,145</u>	<u>\$3,861,051</u>
Other Revenues					
Interest	\$ 48,737	\$ 57,841	\$ 137,534	\$ 78,319	\$ 50,379
Rentals	32,000	30,000	32,820	22,000	46,242
Misc.	24,794	21,720	25,353	21,965	23,124
<i>Total</i>	<u>\$ 105,531</u>	<u>\$ 109,561</u>	<u>\$ 195,707</u>	<u>\$ 195,707</u>	<u>\$ 119,745</u>
Total Revenue	<u>\$3,863,737</u>	<u>\$4,006,639</u>	<u>\$3,902,405</u>	<u>\$4,176,852</u>	<u>\$3,980,796</u>

Source: City of Albuquerque, Parks and Recreation Department.

For Fiscal Year 2003 total greens fees and concessions decreased by 3.02% compared to Fiscal Year 2002. Total revenues at the Golf Courses in Fiscal Year 2003 decreased by 4.69% compared to Fiscal Year 2002, and total expenses decreased by 4.86%.

OTHER PROJECTS OF THE CITY

Special Assessment Districts

Generally

The City first began its Special Assessment District Program (the “SAD Program”) in 1919 and utilized available statutory procedures at that time for creation of paving programs and paving districts until 1965. One hundred and sixty-eight paving programs or paving districts were created from 1919 through 1965. In 1966, the City combined water, sanitary sewer, paving and storm drainage improvements into single special assessment districts and has created approximately 55 combined improvement districts since 1966.

In 1984 the Council adopted a specific policy related to procedures for establishing special assessment districts. Those policies generally govern the City’s current SAD Program.

The City Council adopted the Albuquerque Special Assessment District Policy Ordinance (the “SAD Policy Ordinance”) on October 21, 1996 which consolidates policies and procedures and repeals a number of Council resolutions dating back to 1984 dealing with SAD policies and procedures. In addition, the SAD Policy Ordinance provides for preliminary review of proposed SADs by a committee made up of staff of various City departments and a financial review by the Department of Finance and Administrative Services and the Office of Management and Budget. The SAD Policy Ordinance provides that the City may pledge certain supplemental revenues to bonds for SADs where (a) the City owns the improvements; (b) the SAD is contiguous to existing urban facilities or services; and (c) the SAD is for the benefit of the Central Urban or Established Urban areas of the City and certain Developing Urban areas. A minimum property value/lien ratio of 3:1 is required if an owner of property within a SAD will be responsible for 20% or more of the total proposed special assessment liens in the SAD

Special Assessment District Procedures

In addition the City policy, Section 3-33-1 through 3-33-43 NMSA 1978, as amended and supplemented (the “SAD Act”) govern the creation of special assessment. A special assessment district is generally initiated by property owners requesting that a district be created for installation of particular street, storm drainage, water and/or sanitary sewer improvements. Those applications are evaluated and if it is determined that a special assessment district is feasible, the Council and the Municipal Development Department select a consulting engineer to design the improvements and to allocate the benefits and costs of the improvements to each of the properties to be included within the special assessment district.

The consulting engineer prepares an assessment plat showing the properties to be included within the district, preliminary engineering plans and designs, a cost estimate, and an estimated maximum benefit roll stating the estimated maximum benefits and assessments to accrue to each property to be included within the district. Properties may not be assessed for general benefits accruing to the City and its residents as a whole. Therefore, because most special assessment districts include some general benefit to the City and its residents as a whole, the City will pay some portion of the cost of the improvements associated with a special assessment district.

After notice is given to all affected property owners, a protest hearing is held by the Council to determine the need for the improvements and to allow property owners to protest the amount of estimated maximum benefit and estimated assessments to accrue to their property as a result of the installation of the improvements. Upon completion of the protest hearing and disposition of the protests by the Council, the Council directs the consulting engineer to modify and prepare final plans and designs for the improvements and to proceed to advertise for construction bids.

The consulting engineer then prepares a tentative assessment roll allocating the costs of the improvements to each of the individual properties included in the special assessment district. Notice is given to another property owners and the protest hearing is held by the Council to hear objections to the assessments. After objections are settled, the Council adopts a resolution which confirms the assessment roll.

An ordinance of the Council assesses the cost of the improvements to the properties within the district and sets the terms of the special assessment liens. Property owners are given a cash pay period of 30 days in which to pay the assessment lien in advance and avoid having a claim of lien filed against their properties. After the 30 day cash pay period expires, the City proceeds with the sale and delivery of bonds in order to provide funds to construct the improvements.

Public Improvement Districts

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

The PID Act provides for financing based on levying property taxes on land within a PID, imposing special levies based on benefit to property, front footage, acreage, cost of improvements (or other factors apart from assessed valuation), and by providing for use charges for improvements or revenue-producing projects or facilities. PID taxes, levies and charges may be pledged to pay debt service on bonds issued by a PID. Under the Act, PID bonds are not obligations of the State of New Mexico or the local government jurisdiction in which the PID is located, but are obligations solely of the PID issuing the bonds.

The City Council adopted the Albuquerque Public Improvement District Policy Ordinance (the "PID Policy Ordinance") in February 2003, which enacts policies and procedures for processing and approving applications for approval of PIDs within the City's boundaries. Under the PID Policy Ordinance, the City Council will approve petitions for PID formation only with the consent of 100 percent of the owners of real property to be included within the PID. PIDs are self-supporting and do not result in any net cost to the City. The PID Policy Ordinance imposes certain requirements for PID debt financing transactions, including that all proposed

financings must be publicly marketed bonds which must be rated investment-grade or meet other specified requirements.

On December 8, 2003, the City Council approved the Ventana West Public Improvement District and enacted a formation resolution authorizing that PID to issue PID Bonds secured by a special levy in an original aggregate amount not to exceed \$7,000,000, for the purpose of financing street, drainage, landscaping, parks and related infrastructure improvements in an annexation tract known as Ventana West, in northwest Albuquerque. The Ventana West Public Improvement District is the first PID to be approved by the City.

Housing Projects

Beach Apartments Project

The Beach Apartments Project, acquired by the City from the Resolution Trust corporation (“RTC”) in July 1991 with proceeds of its \$1,265,000 Multifamily Mortgage Revenue Bonds (Beach Apartments Project), Series 1991 (the “Series 1991 Bonds”) is located at 2525 Tingley Drive, S.W., Albuquerque, New Mexico and consists of 74 units. The complex was conveyed subject to a land use restriction agreement between the City and RTC which stipulates that not less than 35% of the units in the property be made available to households with incomes less than 65% of the area median income, adjusted for family size. Monarch Properties, Inc. is currently management agent for the Project. The Series 1991 Bonds have been refunded using proceeds of other City obligations.

During the twelve (12) month period ended June 30, 2003, the Beach Apartments Project generated total revenues of \$449,759 and incurred \$371,578 in operating and other expenses, resulting in net income of \$71,181 for that period.

Manzano Vista Apartments Project

The Manzano Vista Apartments Project, purchased by the City in January 1994 with proceeds of its \$3,030,000 Multifamily Mortgage Revenue Bonds (Manzano Vista, formerly Dorado Village Apartments, Project), Series 1994 (the “Series 1994 Bonds”), is located at 300 Dorado Place, S.E., Albuquerque, New Mexico and consists of 178 units. The complex was purchased at foreclosure auction and was conveyed by foreclosure deed subject to a use agreement between the City and the U.S. Department of Housing and Urban Development (“HUD”). The use agreement stipulates specific improvements to the property and requires that the property accept rental applications from households assisted by the HUD Section 8 program. Monarch Properties, Inc. is currently management agent for the Project. The Series 1994 Bonds have been refunded using proceeds of other City obligations.

During the twelve (12) month period ended June 30, 2003, the Manzano Vista Apartments Project generated total revenues of \$1,035,834 and incurred \$1,041,141 in operating and other expenses, resulting in a net loss of \$5,307 for that period.

Bluewater Village Apartments Project

The Bluewater Village Apartments Project is a 200-unit multi-family building developed by Hunt Building Corp. and was acquired by the City with proceeds of its \$11,245,000 Affordable Housing Project/Gross Receipts Tax Subordinate Lien Revenue Bonds, Series 1996 (the “Series 1996 Bonds”) upon completion under the terms of a Turnkey Contract on a site located at 6600 Bluewater Road, N.W., Albuquerque, New Mexico. The Series 1996 Bonds have been refunded. Monarch Properties, Inc. is currently management agent for the Project which will be operated as a mixed-income community, i.e., a portion of the units will be occupied by low- and moderate-income families.

During the twelve (12) month period ended June 30, 2003 the Bluewater Village Apartments Project generated total revenues of \$1,222,105 and incurred \$921,484 in operating and other expenses, resulting in net income of \$300,621 for that period.

Refunding Bonds

The Series 1991 Bonds, Series 1994 Bonds and Series 1996 Bonds have all been refunded. See “OUTSTANDING INDEBTEDNESS—Housing Obligations—Multifamily Revenue Bonds.” As a result of the refunding, prior reserves relating to the Beach Apartments Project, the Manzano Vista Apartments Project and the Bluewater Village Apartments Project were combined. A new debt service reserve fund, securing the refunding was established which, as of June 30, 2003, had a balance of \$280,876 in cash and a surety bond in the amount of \$4,510,000. Also in connection with the refunding, a repair and replacement fund was established for the benefit of the three projects which, as of June 30, 2003, had a balance of \$309,176. All funds and accounts are in compliance with the requirements of the mortgage and indenture of trust governing the refunding bonds.

INVESTMENT POLICIES AND PROCEDURES

The City has adopted an Investment Policy (the “Investment Policy”) established and maintained by the Investment Committee which guides the City’s financial decisions. The Investment Committee, consists of five voting members; the Director of Finance and Administrative Services serves as the Chair of the Investment Committee. Day-to-day management of the City’s Investment Program is delegated to the Treasury Division of the Department of Finance and Administrative Services, and specifically to the Investment Manager of the Treasury Division. According to the Investment Policy, all the City’s investments should be made in accordance with the “Prudent Person” rule,^{*} and the City invests all its funds on the basis of competitive bids and/or offers.

^{*} The “Prudent Person” rule provides that all investments should be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

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

The City attempts to diversify its use of investment instruments to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions or maturities. The Investment Policy generally provides that, with the exception of U.S. Treasury securities and authorized pools, no more than 50% of the total investment portfolio can be invested in a single security type or with a single financial institution or at a single maturity. The City also attempts to take advantage of temporary aberrations in the market by trading securities of comparable quality to further improve the overall rate of return on the portfolio. It is the policy to trade only if both an improvement in yield (pick-up in basis points) and an increase in net monetary return will be realized by the City over the life of the original investment.

The Investment Policy permits the City to invest in (a) direct obligations or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, or in certain certificates or receipts established by the United States Government or its agencies or instrumentalities; (b) obligations of certain specified government-sponsored agencies; (c) accounts, certificates of deposit or time deposits with qualifying banks and savings and loan associations located in Bernalillo County, New Mexico; (d) certificates of deposit, time deposits and banker's acceptances of any qualifying bank or savings and loan association located outside the City; (e) bonds or securities of the State of New Mexico, its agencies, or certain of its subdivisions; (f) certain stripped securities; (g) certain specified repurchase agreements; (h) specified short-term investment and other funds maintained by the State of New Mexico; (i) money market instruments and other securities of commercial banks, brokers-dealers and other specified financial investors; and (j) in other permissible investments permitted under statutes of the State of New Mexico. Proceeds of bonds, amounts set aside to pay bonds and reserve funds relating thereto may also be invested in certain tax-exempt obligations and other investments specified in documents relating to the bonds and approved by the City Council.

Conversely, the Investment Policy prohibits the City from making investments in (a) collateralized mortgage obligations and other hybrid mortgage-backed, pass-through securities, because of their complexity and prepayment rate uncertainty; (b) inverse floaters, leveraged floaters, capped and range floaters, dual index floaters, and floating rate notes whose index is tied to a long-term interest rate or lagging index, e.g., Cost of Funds Index; (c) Government National Mortgage Association ("GNMA")—Guaranteed mortgage-backed securities and GNMA-guaranteed participation certificates, General Services Administration participation certificates, U.S. Department of Housing and Urban Development-local authority bonds, and U.S. Export-Import Bank obligations; (d) investment purchases on margin or short sales; and (e)

leveraging the portfolio and lending City-owned securities with an agreement to buy them back after a stated period of time (reverse repurchase agreements from the perspective of the City).

FORWARD-LOOKING STATEMENTS

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

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

LITIGATION 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 was approximately \$14.1 million and decreased to approximately \$12.7 million as of June 1, 2003. The balance, or deficit, in the Risk Management Fund generally represents: (i) cash and other assets in the Fund, less (ii) an amount determined by the City to be an appropriate reserve for unpaid claims and other potential liabilities (including pending litigation brought against the City which may or may not be

resolved in the City's favor). The City is in the second year of a five-year plan to eliminate the projected deficit by increasing charges to other funds. 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.

APPROVAL OF ANNUAL STATEMENT

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

Submitted for Approval by:
City Treasurer

Approved by:
Chief Administrative Officer

/s/ Lou D. Hoffman

/s/ Jay Czar

APPENDIX A

CITY OF ALBUQUERQUE, NEW MEXICO

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

as of and for the Fiscal Year ended June 30, 2003



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, 2003. 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, 2003, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Albuquerque, New Mexico
November 7, 2003

CITY OF ALBUQUERQUE, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2003

This section of the City of Albuquerque's (City) Comprehensive Annual Financial Report (CAFR) presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2003. 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 \$1.6 billion (net assets). Of this amount, \$138.2 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors in subsequent accounting periods.
- The government's total net assets increased by \$157.3 million during the year, but see Note No. 25 regarding a subsequent event that will have a negative impact on the government's total net assets in FY04.
- As of June 30, 2003, the City's governmental funds reported combined ending fund balances of \$273.0 million. Approximately 66.6% of this amount, \$181.9 million, is unreserved fund balance available for spending at the government's discretion. Of this amount, approximately \$68.3 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 \$15.0 million or 5.5% of the total general fund expenditures of \$274.8 million.
- The City's total long-term debt decreased by \$62.8 million (7.0%) during the current year. The key factors in this change were: 1) debt reduction payments and liquidations of accrued liabilities totaling \$134.9 million, and 2) the issuance of \$15.0 million notes payable for the construction of a new baseball stadium accompanied by additions to accrued vacation and sick leave pay and claims payable totaling \$43.6 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements contain 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, absent extraordinary events.

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.

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 safety and protection, culture and recreation, public works, public health, human services, housing, highways and streets, and special assessments. The business-type activities of the City include an airport, apartments, baseball stadium, 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.

CITY OF ALBUQUERQUE, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
June 30, 2003

OVERVIEW OF THE FINANCIAL STATEMENTS, continued

Fund Financial Statements

The fund financial statements are designed to report information about groupings of related accounts that 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 nonmajor 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 and Corrections and Detention Fund. Budgetary comparison statements for each of these funds are presented in the Basic Financial Statements section of this report. A budgetary comparison statement for the General Obligation Debt Service Fund, a major fund, is presented in the Supplementary Information section. In addition, the City adopts an annual appropriated budget for other nonmajor governmental funds. Budgetary comparison statements for those funds are also presented in the Supplementary Information section.

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 nonmajor funds are reported: Apartments, Golf Course, Parking, Stadium, and Transit.
- **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 proprietary 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, 2003

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 General Fund and the Corrections and Detention Fund are presented separately and in the basic financial statements. 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 nonmajor governmental funds, nonmajor 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 second 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. In the first year under the new reporting model, the City did not restate prior fiscal years for the purpose of providing comparative information for the MD&A. Below is a comparative analysis of government-wide data for the most recently completed fiscal year and the prior fiscal year.

		NET ASSETS (in millions)						Total Percent Change
		<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>		<u>2002 - 2003</u>
		<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002 *</u>	<u>2003</u>	<u>2002 *</u>	
Assets:								
Current and other assets		\$ 444.1	\$ 476.3	\$ 276.2	\$ 251.4	\$ 720.3	\$ 727.7	-1.0%
Capital Assets		<u>746.5</u>	<u>691.6</u>	<u>1,143.9</u>	<u>1,136.1</u>	<u>1,890.4</u>	<u>1,827.7</u>	3.4%
Total assets		<u>1,190.6</u>	<u>1,167.9</u>	<u>1,420.1</u>	<u>1,387.5</u>	<u>2,610.7</u>	<u>2,555.4</u>	2.2%
Liabilities:								
Long-term liabilities outstanding		315.5	358.0	523.6	558.7	839.1	916.7	-8.5%
Other liabilities		<u>128.8</u>	<u>161.2</u>	<u>80.5</u>	<u>73.0</u>	<u>209.3</u>	<u>234.2</u>	-10.6%
Total liabilities		<u>444.3</u>	<u>519.2</u>	<u>604.1</u>	<u>631.7</u>	<u>1,048.4</u>	<u>1,150.9</u>	-8.9%
Net assets:								
Invested in capital assets, net of related debt		504.1	439.6	651.1	602.9	1,155.2	1,042.5	10.8%
Restricted		192.0	174.8	76.9	75.0	268.9	249.8	7.6%
Unrestricted		<u>50.2</u>	<u>34.3</u>	<u>88.0</u>	<u>77.9</u>	<u>138.2</u>	<u>112.2</u>	23.2%
Total net assets		<u>\$ 746.3</u>	<u>\$ 648.7</u>	<u>\$ 816.0</u>	<u>\$ 755.8</u>	<u>\$ 1,562.3</u>	<u>\$ 1,404.5</u>	11.2%

* Restated - see note 23

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 \$1.6 billion at the close of the year. The largest portion of the City's net assets (73.9%) reflects its investment of \$1.16 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, 2003

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 Assets

	CHANGE IN NET ASSETS (in millions of dollars)						Total Percentage Change 2002 - 2003
	Governmental Activities		Business-type Activities		Total		
	2003	2002	2003	2002 *	2003	2002 *	
REVENUES							
Program revenues:							
Charges for services	\$ 75.8	\$ 70.8	\$ 255.2	\$ 239.7	\$ 331.0	\$ 310.5	6.6%
Operating grants and contributions	28.7	28.0	24.8	22.0	53.5	50.0	7.0%
Capital grants and contributions	9.9	8.2	38.9	24.5	48.8	32.7	49.2%
General revenues:							
Gross receipts taxes	122.0	116.3	-	-	122.0	116.3	4.9%
Property taxes	86.4	72.2	-	-	86.4	72.2	19.7%
Other taxes	26.4	23.7	-	-	26.4	23.7	11.4%
State shared taxes and fees	152.5	146.3	-	-	152.5	146.3	4.2%
Grants, investment income, and other	35.5	37.5	2.5	4.5	38.0	42.0	-9.5%
Total revenues	537.2	503.0	321.4	290.7	858.6	793.7	8.2%
EXPENSES							
General government	53.0	52.8	-	-	53.0	52.8	0.4%
Public safety:							
Corrections and detention	40.9	35.5	-	-	40.9	35.5	15.2%
Fire protection	47.3	46.0	-	-	47.3	46.0	2.8%
Police protection	97.9	99.0	-	-	97.9	99.0	-1.1%
Cultural and recreation	71.8	64.8	-	-	71.8	64.8	10.8%
Public works	9.0	12.0	-	-	9.0	12.0	-25.0%
Health	10.3	10.4	-	-	10.3	10.4	-1.0%
Human services	51.6	51.7	-	-	51.6	51.7	-0.2%
Housing	4.0	2.2	-	-	4.0	2.2	81.8%
Highways and streets	22.2	27.1	-	-	22.2	27.1	-18.1%
Special assessments	0.8	15.9	-	-	0.8	15.9	-95.0%
Interest expense	15.3	16.8	-	-	15.3	16.8	-8.9%
Airport	-	-	60.6	60.5	60.6	60.5	0.2%
Joint Water and Sewer	-	-	109.5	107.0	109.5	107.0	2.3%
Refuse Disposal	-	-	37.2	35.8	37.2	35.8	3.9%
Housing Authority	-	-	25.8	24.2	25.8	24.2	6.6%
Non major enterprise funds	-	-	44.1	41.6	44.1	41.6	6.0%
Total expenses	424.1	434.2	277.2	269.1	701.3	703.3	-0.3%
Excess (deficiency) before transfers	113.1	68.7	44.2	21.6	157.3	90.3	74.2%
Transfers	(15.9)	(21.2)	15.9	21.2	-	-	---
Increase (decrease) in net assets	\$ 97.2	\$ 47.5	\$ 60.1	\$ 42.8	\$ 157.3	\$ 90.3	74.2%

* Restated see note 23

CITY OF ALBUQUERQUE, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
June 30, 2003

GOVERNMENT-WIDE FINANCIAL ANALYSIS, continued

Analysis of Changes in Net Assets, continued

The City's overall net assets were increased by \$157.3 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 increase in net assets is explained in the governmental and business-type activities discussion below.

Governmental activities. Governmental activities increased the City's net assets by \$97.2 million, thereby accounting for 61.8% of the total growth in the net assets of the City.

Since the City has not capitalized infrastructure assets acquired prior to the fiscal year ending June 30, 2001, 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 continued slow economy, the gross receipts tax revenue and state shared taxes grew modestly from those of the prior year.

- The investment earnings were reduced from \$11.3 million in fiscal year ended June 30, 2002, to \$8.6 million in the current year. The primary cause for this reduction was due to the weakened investment market experienced by virtually all governments and to reduced investment balances during the year.
- The intergovernmental revenues plus operating and capital contributions from sources other than state shared taxes was increased by \$1.6 million.
- Other revenues for the current year were generally higher from the previous fiscal year.

Business-type activities. Business-type activities increased the City's net assets by \$47.5 million, accounting for 38.2% of the total growth in the net assets of the City. Key factors of this increase are as follows:

- The Airport fund had an increase in net assets of \$0.4 million in fiscal year 2003 compared to a \$1.6 million decrease in 2002. The passenger facilities charges (PFC) were increased from the prior year by \$1.1 million. The September 11, 2001 events continued to have a negative impact on the level of air travel in fiscal year 2003. In addition, the weakened investment market rates resulted in reducing investment earnings by \$0.3 million.
- Due to increased rates for water and sewer services, the Joint Water and Sewer fund increased its operating revenues by \$3.9 million over fiscal year 2002. The expenses increased by \$2.6 million. The reduction in investment earnings from fiscal year 2002 was approximately \$0.96 million. In addition, capital contributions from developers for the current year were \$22.2 million compared to \$15.0 million for fiscal year 2002. The net assets of the fund increased by \$45.3 million during the year compared to \$31.4 million for the previous fiscal year.
- For the Refuse Disposal fund, the reported change in net assets of \$3.2 million was increased from \$2.5 million in fiscal year 2002. The primary change was due to increased other revenues and reduced interest expenses.
- The inclusion of the Stadium Fund and the Apartment Fund accounted for most of the change in the nonmajor funds with an increase of \$4.0 million in operating revenues.

CITY OF ALBUQUERQUE, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
June 30, 2003

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 \$273.0 million, a decrease of \$10.6 million in comparison with the prior year. Approximately 66.6% of this amount, \$181.9 million, is unreserved fund balance available for spending at the government's discretion. Included in unreserved fund balance is \$68.3 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 (\$27.8 million); 2) for acquisition and management of open space and urban enhancement (\$33.3 million); and 3) to show the fund balance representing advances to other funds and other assets not available for spending (\$30.1 million).

Revenues for governmental functions overall totaled approximately \$540.1 million in the fiscal year ended June 30, 2003, which represents an increase of \$25.4 million from last year. The major causes for the increase were: 1) tax revenues increased by \$14.0 million; and 2) intergovernmental revenues increased by \$6.8 million caused by an increase of state shared gross receipts tax; and 3) an increase of \$4.0 million in licenses and permits caused largely by construction activities.

Expenditures for governmental functions of \$548.2 million decreased by \$11.9 million from the previous year total of \$560.1 million. The primary cause of the decrease was from reduced debt service requirements of \$16.8 million and reduced expenditures of \$4.9 million for public works. The decrease was offset by increased expenditures for Corrections and Detention of \$6.5 million and other public safety of \$2.6 million. These increased expenditures generally reflect an increased demand and need for public safety services.

General Fund.

This is the City's chief operating fund. At the end of the current fiscal year, the total fund balance was \$43.1 million, of which \$15.0 million is available as an unreserved fund balance. The reserved fund balance of \$28.2 million is designated: 1) for unanticipated expenditures (\$27.8 million equaling 8.33% of recurring expenditures); and 2) to indicate that non-current financial resource assets of \$0.4 million are unavailable to spend or already are committed for spending. Included in the unreserved fund balance is \$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 an increase of \$6.5 million. A change was made at fiscal year end to bring the City into compliance with the state recommended reserve policy. This change eliminated \$17.8 million of unreserved fund balance designated for future appropriations at the beginning of fiscal year 2003 and changed the determination of the reserved fund balance designated for unanticipated expenditures from 5% of recurring revenues to 8.33% of recurring expenditures.

The total revenues of \$325.8 million for the current fiscal year was \$17.1 million greater than for the previous fiscal year. The increase largely resulted from an increase of \$4.1 million in gross receipts tax revenues, \$5.8 million in intergovernmental revenues, and \$3.6 million in licenses and permits and \$1.1 million increase in charges for services. This was partially offset by a decrease in interest revenues of \$0.2 million caused by weakened investment market rates.

Total expenditures of \$274.8 million represent an increase of \$0.3 million over the previous fiscal year. The expenditures for fire and police protection increased by \$2.6 million due to an increased emphasis on public safety while the expenditures for highways and streets decreased by \$0.5 million. Additional reductions in expenditures from the previous fiscal year are for culture and recreation (\$0.5 million), public works (\$2.4 million) and human services (\$0.4 million). The reductions were necessary due to a weakened economy that resulted in lower revenues than originally 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, 2003

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	\$13.3
Joint Water and Sewer Fund	51.3
Refuse Disposal Fund	6.5
Housing Authority Fund	9.9
Nonmajor enterprise funds	<u>6.9</u>
 Total	 <u>\$87.9</u>

Internal service funds which are used to account for certain governmental activities had deficit unrestricted net assets of \$6.8 million. The Risk Management fund, an internal service fund, had deficit unrestricted net assets of \$12.7 million resulting from unanticipated judgment awards and claims against the City in prior years. 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.

General Fund budgetary highlights

The City's final budget differs from the original budget. Early in the fiscal year, it became apparent that actual revenues were not meeting forecasted revenues as a result of continuing economic weakness. In response, there were two mid-year modifications in the first six months of the fiscal year. The original budget anticipated revenues of \$339.2 million. In early October 2002, revenue projections were reduced by \$11.1 million to reflect changing expectations. The General Fund budget was reduced by \$4.6 million. A second de-appropriations bill in late November 2002 reduced the budget yet again by \$3.3 million. Subsequent to that, the revenue outlook improved modestly and the total revised revenue shortfall was reduced from \$11.1 million to \$9 million.

In addition to reducing departmental budgets, a hiring freeze, with limited exceptions, was in place the last eight months of the fiscal year. Positions were not filled when they became vacant due to resignations or retirements. Expenses were monitored closely and new disciplinary procedures regarding budgetary responsibility were imposed. All of these actions resulted in actual expenditures being \$10.1 million less than the original budget and \$6.9 million less than the budget as last approved mid-year. General government activities actually returned unused monies to the General Fund in the amount of \$7.2 million, based on the last mid-year budget. All General Fund agencies answered the call for budgetary responsibility by carefully controlling their expenses and returning funds.

Revenues continued to be very difficult to predict during this fiscal year as the economy remained sluggish. Revenues were \$6.3 million less than anticipated in the original budget and \$4.4 million more than the budget as last projected at mid-year, although there was a substantial increase in collections in the last month of the fiscal year. Gross receipts tax (local option and state shared), a major component of the City's operating revenue came in at \$4.6 million more than the last revised budget estimate and \$1.4 million less than the original budget. \$1.4 million in revenue was lost in interest earnings as interest rates remained at historic lows and cash balances declined. Revenues were weaker than budgeted in indirect overhead and CIP funded positions as personnel positions were reduced and government construction activity was less than originally anticipated. In contrast, revenues from permits and fees of \$12.3 million was higher than projected as a result of continued, unusual strength in the construction area, primarily new residential construction.

CITY OF ALBUQUERQUE, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
June 30, 2003

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2003, amounts to \$1.9 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 \$62.7 million or 3.4%.

	CAPITAL ASSETS						Total Percentage Change
	(net of depreciation, in millions of dollars)						
	Governmental Activities		Business-type Activities		Total		
	2003	2002	2003	2002 **	2003	2002 **	2002-2003
Land *	\$ 209.5	\$ 202.8	\$ 81.8	\$ 81.1	\$ 291.4	\$ 283.8	2.6
Other *	-	-	0.6	0.6	0.6	0.6	0.0
Buildings and improvements	86.7	50.6	192.0	153.9	278.7	204.5	36.3
Runways and improvements	-	-	105.8	118.0	105.8	118.0	-10.4
Improvements other than buildings and runways	158.4	123.9	656.5	677.8	814.8	801.7	1.6
Equipment	32.6	30.5	48.2	52.8	80.9	83.3	-2.9
Infrastructure	53.2	35.0	-	-	53.2	35.0	52.1
Construction in progress *	<u>206.1</u>	<u>248.8</u>	<u>59.0</u>	<u>51.9</u>	<u>265.0</u>	<u>300.7</u>	-11.9
Total	\$ 746.5	\$ 691.6	\$ 1,143.9	\$ 1,136.1	\$ 1,890.4	\$ 1,827.7	3.4

* assets not depreciated

** restated - see note 23

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

- In *governmental activities*, infrastructure assets of \$18.2 million were added for roadways, storm sewers and bike trails. In addition, a totally renovated baseball stadium was completed for \$23.0 million, land was acquired for open space costing \$5.5 million, a new crime lab was completed for \$8.3 million, and replacement vehicles were acquired for the police (\$0.5 million). The construction work in progress decreased by \$42.7 primarily due to the completion of various construction projects while the other change in construction is a result of continuing facility development at the Balloon Fiesta Park, including the Balloon Park Museum, a major expansion of the Albuquerque Museum, and other facilities.
- In *business-type activities*, additions included water and sewer lines (\$24.4 million) and new transit vehicles (\$3.6 million). The construction work in progress increased by \$7.1 million.

More detailed information may be found in Note 8 of the accompanying financial statements.

Debt Administration

At the end of the current fiscal year, the City had total long-term obligations of \$952.8 million of which \$113.7 million is due within the next fiscal year. The total bonded debt (net of unamortized discounts, deferred amounts on refunding and including unamortized premiums) is \$800.4 million. The remaining debt is for loans, accrued vacation and sick leave pay, and claims payable.

During the fiscal year ended June 30, 2003 the City issued no bonds.

CITY OF ALBUQUERQUE, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
June 30, 2003

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 to management, citizens and investors of the City's debt position. The State's Constitution provides for a legal debt limit of 4% of taxable valuation. The percentage for the City of Albuquerque is 1.5% of the \$7.6 billion taxable value of property within the City's boundaries. The City currently may issue up to an additional \$192 million of general obligation bonds. It has \$113 million of general obligation debt outstanding subject to the legal debt limit at June 30, 2003. The net general bonded debt per capita is \$171.61. The highest per capita amount in the last ten fiscal years was \$498.80 in the fiscal year ended June 30, 1994 and the lowest per capita amount was \$171.61 in the current fiscal year.

The City's ratings on uninsured general obligation bonds remained unchanged from the prior year and as of June 30, 2003 were:

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

Since the close of the 2003 fiscal year, the City has issued \$100.0 million in general obligation bonds for the governmental activities. No revenue bonds have been issued for the business-type activities.

More detailed information may be found in Note 10 and Note 25 of the accompanying financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2004 budget. Many of the revenues are influenced by the economy. The gross receipts tax revenue forecast particularly is highly influenced by economic conditions. The budget contemplates modest growth in gross receipts tax revenues over the prior year, reflecting slightly stronger economic conditions both nationally and locally.

Construction employment in the area has remained unusually high, particularly with respect to residential construction. The budget contemplates that these high levels will not be sustained throughout the year.

Charges for entry into some City venues and for certain City services are increased in the fiscal year 2004 budget.

Property tax revenues continue to grow as the economy expands, and one mill of taxing authority has been converted from capital to operations. A state imposed limitation on assessed value for residential properties is not expected to have a major fiscal impact in the near term.

Revenues for internal services continue to decline as the City reduces its direct provision of office services, building alternations, surveying and engineering inspections, all of which are available through the private sector.

The State of New Mexico enacted a large personal income tax rate reduction in the 2003 legislative session. A special legislative session called for in October, 2003, failed to address various tax reform proposals. The impact on cities and counties in the state is unknown, although the Governor has pledged that local governments will be held harmless with respect to their revenue streams should tax measures be enacted during the 2004 legislative session.

Also during the 2003 legislative session, legislation was enacted that transfers "all functions, appropriations, money, records, equipment and other real and personal property pertaining to the Albuquerque water and wastewater utility" to a newly created entity, the Albuquerque-Bernalillo Water Utility Authority. Existing debt shall become debt of the Authority, but the Authority shall not impair the rights of any bondholders of outstanding bonds. All contractual obligations of the existing proprietary activity shall be binding on the Authority. Although the legislation had an effective date of June 20, 2003, an audit by the Public Regulation Commission is a condition precedent to the transfer of money, assets and debts to the Authority. That audit is expected to be completed in the last quarter of calendar year 2003. Following the transfer, the Authority is charged with administering the water and wastewater utility, including the determination and imposition of rates for services. It is not possible at this time to forecast if the Authority will chose to administer the utility by itself, contract with the City to provide that service, or select some other alternative.

CITY OF ALBUQUERQUE, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
June 30, 2003

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

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

Economic Assumptions Underlying the Revenue Estimates			
November 2002			
Fiscal Year	2002	2003	2004
National Economy			
% Chg Real GDP	0.8%	2.5%	3.5%
% Chg Non-Farm Employment	-0.8%	0.0%	1.9%
% Chg Personal Income	2.1%	3.8%	5.0%
% Chg CPI-U	1.8%	2.1%	2.4%
Federal Funds Rate	2.3%	1.4%	2.5%
Per bbl Price of Oil (WTI)	\$ 23.70	\$ 26.92	\$ 24.83
Unemployment Rate	5.5%	5.9%	5.6%
New Mexico Economy			
% Chg Non-Agricultural Employment	0.7%	0.8%	1.5%
% Chg Personal Income	5.1%	4.9%	4.8%
Unemployment Rate	5.5%	6.5%	6.5%
Albuquerque MSA Economy			
% Chg Personal Income	3.8%	4.4%	5.6%
% Chg Non-Agricultural Employment	0.4%	0.4%	1.6%
% Chg Construction Employment	-3.4%	-3.5%	-0.4%
Albuquerque Unemployment Rate	4.7%	5.6%	5.6%
City Housing Permits Issued (Units)			
Single-Family Residential	4,087	4,181	3,769
Multi-Family Residential	1,002	408	614

Source: November 2002 baseline forecasts. National source is Global Insight Inc.
Local variables from University of New Mexico Bureau of Business and Economic Research

The total General Fund appropriation for fiscal year 2004 is \$350.8 million before interfund eliminations and \$300.0 million after eliminations. The before elimination appropriation of \$14.3 million is a 4.3% increase over the original fiscal year 2003 budget.

The international, national, state and local economies seem to be stabilizing to a modest degree, and the City has not considered it necessary to revise the budget for fiscal year 2004, as opposed to prior years. However, based on recent history, the City continues, and will continue, to diligently monitor expenditures along with revenues so that it can respond quickly should changes be required.

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 11015, One Civic Plaza N.W., Albuquerque, New Mexico 87102.

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash, investments and accrued interest	\$ 265,900,776	\$ 45,237,261	\$ 311,138,037
Taxes receivable	61,172,587	-	61,172,587
Accounts receivable	2,803,846	17,216,009	20,019,855
Due from other governments	26,690,884	248,480	26,939,364
Accrued interest	161,755	-	161,755
Deposits	6,679	-	6,679
Internal balances	24,300,000	(24,300,000)	-
Inventories	2,127,008	1,472,034	3,599,042
Prepaid expenses	304,256	-	304,256
Total current assets	<u>383,467,791</u>	<u>39,873,784</u>	<u>423,341,575</u>
Long-term accounts and notes receivable	<u>19,085,292</u>	<u>7,286,844</u>	<u>26,372,136</u>
Restricted assets:			
Cash, investments and accrued interest	34,401,951	191,560,520	225,962,471
Accounts receivable	-	5,910,634	5,910,634
Deferred charges and other assets	-	381,534	381,534
Escrow deposits	-	620,893	620,893
Total restricted assets	<u>34,401,951</u>	<u>198,473,581</u>	<u>232,875,532</u>
Capital assets:			
Land and construction in progress	415,597,995	141,427,093	557,025,088
Capital assets being depreciated	645,277,592	2,077,030,466	2,722,308,058
Accumulated depreciation	(314,345,241)	(1,074,573,990)	(1,388,919,231)
Total capital assets	<u>746,530,346</u>	<u>1,143,883,569</u>	<u>1,890,413,915</u>
Deferred charges and other assets	<u>7,133,265</u>	<u>30,552,564</u>	<u>37,685,829</u>
Total assets	<u>1,190,618,645</u>	<u>1,420,070,342</u>	<u>2,610,688,987</u>

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

	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable	19,800,645	4,620,092	24,420,737
Accrued liabilities	18,967,693	4,294,278	23,261,971
Deposits	849,843	778,386	1,628,229
Due to other governments	2,130,962	569,488	2,700,450
Deferred revenues	19,496,330	-	19,496,330
Current portion of non current liabilities:			
Bonds and notes payable	38,978,499	-	38,978,499
Accrued vacation and sick leave pay	16,234,794	4,614,876	20,849,670
Accrued claims payable	11,153,000	-	11,153,000
Water rights contracts and loan agreements	-	768,932	768,932
Total current liabilities	127,611,766	15,646,052	143,257,818
Liabilities payable from restricted assets:			
Accounts payable	-	6,651,448	6,651,448
Accrued interest	-	9,846,523	9,846,523
Current portion of revenue bonds payable	-	41,720,000	41,720,000
Other	-	5,464,722	5,464,722
Total liabilities payable from restricted assets	-	63,682,693	63,682,693
Noncurrent liabilities:			
Bonds and notes payable, net of unamortized discounts	276,877,441	472,812,104	749,689,545
Water rights contracts and loan agreements	-	48,575,147	48,575,147
Accrued vacation and sick leave pay	9,214,130	2,198,564	11,412,694
Accrued claims payable	29,448,564	-	29,448,564
Total non current liabilities	315,540,135	523,585,815	839,125,950
Deferred credits and other liabilities	1,142,836	1,175,191	2,318,027
Total liabilities	444,294,737	604,089,751	1,048,384,488
NET ASSETS			
Invested in capital assets, net of related debt	504,054,856	651,138,659	1,155,193,515
Restricted for:			
Debt service	73,835,877	19,806,930	93,642,807
Construction	60,439,518	57,047,591	117,487,109
Housing & economic development	13,999,192	-	13,999,192
Federal & state funded programs	2,792,295	-	2,792,295
Open space and urban enhancement:			
Nonexpendable	37,627,202	-	37,627,202
Expendable	3,338,040	-	3,338,040
Unrestricted	50,236,928	87,987,411	138,224,339
Total net assets	\$ 746,323,908	\$ 815,980,591	\$ 1,562,304,499

See Notes to Financial Statements

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF ACTIVITIES
Year ended June 30, 2003

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Indirect Expenses Allocation</u>	<u>Program Revenues Charges for Services</u>
Governmental Activities:			
General government	\$ 53,021,966	\$ (3,978,961)	\$ 35,131,516
Public Safety			
Corrections	40,966,405	1,523,130	22,706,441
Fire	47,355,223	119,082	404,693
Police	97,884,238	914,660	3,247,777
Culture and recreation	71,782,754	315,537	7,865,001
Public works	9,018,564	22,865	-
Health	10,326,259	239,973	3,332,726
Human services	51,616,880	433,385	1,818,603
Housing	3,994,279	40	90,375
Highways and streets	22,197,881	410,289	1,184,406
Special assessments	838,613	-	-
Interest expense	<u>15,275,693</u>	<u>-</u>	<u>-</u>
Total governmental type activities	<u>424,278,755</u>	<u>-</u>	<u>75,781,538</u>
Business Type Activities:			
Airport	60,643,039	-	59,325,022
Joint Water and Sewer	109,545,515	-	136,252,062
Refuse Disposal	37,131,656	-	41,182,770
Housing Authority	25,796,567	-	1,698,469
Nonmajor enterprise funds	<u>44,107,381</u>	<u>-</u>	<u>16,747,170</u>
Total business type activities	<u>277,224,158</u>	<u>-</u>	<u>255,205,493</u>
Total primary government	<u>\$ 701,502,913</u>	<u>\$ -</u>	<u>\$ 330,987,031</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>
\$ 197,026	\$ 222,243	\$ (13,492,220)	\$ -	\$ (13,492,220)
-	-	(19,783,094)	-	(19,783,094)
6,963	854,955	(46,207,694)	-	(46,207,694)
3,897,183	-	(91,653,938)	-	(91,653,938)
198,412	1,999,900	(62,034,978)	-	(62,034,978)
204,963	-	(8,836,466)	-	(8,836,466)
1,420,182	-	(5,813,324)	-	(5,813,324)
18,886,019	-	(31,345,643)	-	(31,345,643)
2,459,064	-	(1,444,880)	-	(1,444,880)
1,458,440	4,293,636	(15,671,688)	-	(15,671,688)
-	2,559,441	1,720,828	-	1,720,828
-	-	(15,275,693)	-	(15,275,693)
<u>28,728,252</u>	<u>9,930,175</u>	<u>(309,838,790)</u>	<u>-</u>	<u>(309,838,790)</u>
-	1,022,772	-	(295,245)	(295,245)
-	22,177,697	-	48,884,244	48,884,244
-	-	-	4,051,114	4,051,114
24,770,592	-	-	672,494	672,494
-	15,708,852	-	(11,651,359)	(11,651,359)
<u>24,770,592</u>	<u>38,909,321</u>	<u>-</u>	<u>41,661,248</u>	<u>41,661,248</u>
<u>\$ 53,498,844</u>	<u>\$ 48,839,496</u>	<u>(309,838,790)</u>	<u>41,661,248</u>	<u>(268,177,542)</u>
		121,984,293	-	121,984,293
		68,950,387	-	68,950,387
		17,130,608	-	17,130,608
		312,551	-	312,551
		18,119,767	-	18,119,767
		8,326,069	-	8,326,069
		152,505,829	-	152,505,829
		11,471,037	-	11,471,037
		8,594,542	2,506,826	11,101,368
		15,559,876	-	15,559,876
		(15,943,671)	15,943,671	-
		<u>407,011,288</u>	<u>18,450,497</u>	<u>425,461,785</u>
		97,172,498	60,111,745	157,284,243
		<u>649,151,410</u>	<u>755,868,846</u>	<u>1,405,020,256</u>
		<u>\$ 746,323,908</u>	<u>\$ 815,980,591</u>	<u>\$ 1,562,304,499</u>

CITY OF ALBUQUERQUE, NEW MEXICO
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2003

	<u>General Fund</u>	<u>Corrections Fund</u>
ASSETS		
Cash, investments, and accrued interest	\$ 22,925,886	\$ -
Cash with fiscal agents	-	-
Investments with fiscal agents	-	-
Taxes receivable, net of allowance for uncollectible:		
Property tax	1,017,259	-
Gross receipts tax	47,284,307	-
Franchise tax	2,139,856	-
Lodger's tax	-	-
Other taxes	591,134	-
Other receivables, net of allowance for uncollectible	2,395,923	-
Due from other governments	322,016	11,852,509
Due from other funds	9,158,860	-
Advances to other funds	307,636	-
Inventories of supplies	78,948	271,458
Prepaid items	2,800	7,100
Land held for sale	-	-
	<u> </u>	<u> </u>
TOTAL ASSETS	\$ 86,224,625	\$ 12,131,067

<u>GO Bond Debt Service Fund</u>	<u>Capital Acquisition Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 44,283,613	\$ 68,558,951	\$ 86,345,563	\$ 222,114,013
37,043,476	-	8,454,847	45,498,323
-	1,613,102	-	1,613,102
3,779,330	-	123,900	4,920,489
-	-	5,577,507	52,861,814
-	-	-	2,139,856
-	-	659,294	659,294
-	-	-	591,134
-	96,464	19,396,751	21,889,138
-	6,344,984	8,105,219	26,624,728
-	-	-	9,158,860
-	-	24,300,000	24,607,636
-	-	-	350,406
-	-	-	9,900
-	-	5,065,930	5,065,930
<u>\$ 85,106,419</u>	<u>\$ 76,613,501</u>	<u>\$ 158,029,011</u>	<u>\$ 418,104,623</u>

CITY OF ALBUQUERQUE, NEW MEXICO
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2003

	General Fund	Corrections Fund
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 4,633,266	\$ 601,233
Contracts and retainage payable	-	-
Accrued employee compensation and benefits	9,880,312	1,038,571
Due to other funds	-	8,029,463
Due to other governments	-	2,130,962
Deferred revenue	27,823,363	-
Deposits	762,483	76,360
Advances from other funds	-	-
Matured bonds and interest payable	-	-
Total liabilities	43,099,424	11,876,589
Fund balances:		
Reserved for:		
Encumbrances	16,380	1,033
Inventories of supplies	78,948	271,458
Prepaid items	2,800	7,100
Land held for resale	-	-
Advances to other funds	307,636	-
Acquisition and management of open space land	-	-
Urban enhancement	-	-
Operations	27,758,000	-
Unreserved (deficit)	14,961,437	(25,113)
Unreserved (deficit) , reported in:		
Special revenue funds	-	-
Debt service funds	-	-
Capital project funds	-	-
Total fund balances	43,125,201	254,478
TOTAL LIABILITIES AND FUND BALANCES	\$ 86,224,625	\$ 12,131,067

<u>GO Bond Debt Service Fund</u>	<u>Capital Acquisition Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 12,236	\$ -	\$ 3,032,948	\$ 8,279,683
-	7,113,981	3,345,477	10,459,458
-	124,316	1,025,983	12,069,182
-	-	1,129,397	9,158,860
-	-	-	2,130,962
2,557,295	982,235	24,942,983	56,305,876
-	-	11,000	849,843
-	112,000	195,636	307,636
<u>37,043,476</u>	<u>-</u>	<u>8,477,907</u>	<u>45,521,383</u>
<u>39,613,007</u>	<u>8,332,532</u>	<u>42,161,331</u>	<u>145,082,883</u>
-	-	9,101	26,514
-	-	-	350,406
-	-	-	9,900
-	-	5,065,930	5,065,930
-	-	24,300,000	24,607,636
-	-	22,706,265	22,706,265
-	-	10,574,483	10,574,483
-	-	-	27,758,000
45,493,412	68,280,969	-	128,710,705
-	-	21,466,100	21,466,100
-	-	4,042,465	4,042,465
-	-	27,703,336	27,703,336
<u>45,493,412</u>	<u>68,280,969</u>	<u>115,867,680</u>	<u>273,021,740</u>
<u>\$ 85,106,419</u>	<u>\$ 76,613,501</u>	<u>\$ 158,029,011</u>	<u>\$ 418,104,623</u>

CITY OF ALBUQUERQUE, NEW MEXICO
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2003

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

Total fund balance for governmental funds \$ 273,021,740

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, 2003 consist of:

Land	\$ 209,261,294	
Construction in progress	206,052,859	
Buildings	119,428,378	
Infrastructure	55,342,445	
Improvements	319,201,809	
Equipment	148,479,596	
Accumulated depreciation	<u>(312,007,978)</u>	
Total capital assets		745,758,403

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, 2003 are:

General Obligation bonds payable	(126,810,000)	
Sales tax revenue bonds and notes payable	(153,172,800)	
Special assessment debt with governmental commitment	(10,993,899)	
Unamortized bond issue costs	237,335	
Unamortized premiums and discounts	<u>14,099,258</u>	
Total bonds and notes payable, net of premiums, discounts and bond issue costs	(276,640,106)	
Accrued vacation and sick leave pay	(24,845,243)	
Accrued rebatable arbitrage payable reported as deferred credit	<u>(1,142,836)</u>	
		(302,628,185)

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: (6,799,351)

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

Gross receipts tax	29,811,560	
Property taxes	3,650,997	
Other taxes	728,425	
Amounts due on real estate contracts	<u>2,618,564</u>	
		36,809,546

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. 161,755

Total net assets of governmental activities \$ 746,323,908



CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
GOVERNMENTAL FUNDS
Year ended June 30, 2003

	<u>General Fund</u>	<u>Corrections Fund</u>
Revenues:		
Taxes	\$ 127,128,157	\$ -
Licenses and permits	12,278,896	-
Intergovernmental	147,361,166	20,652,000
Charges for services	37,770,173	1,948,846
Fines and forfeits	43,965	-
Interest	745,784	(194,992)
Special assessments	-	-
Collections on real estate contracts receivable	-	-
Proceeds from disposition of capital assets	-	-
Other interest	-	-
Miscellaneous	459,055	105,595
Total revenues	<u>325,787,196</u>	<u>22,511,449</u>
Expenditures:		
Current:		
General government	43,801,719	-
Public safety	130,106,791	42,775,454
Culture and recreation	48,653,334	-
Public works	6,161,156	-
Highways and streets	12,373,468	-
Health	6,556,698	-
Human services	27,146,121	-
Housing	-	-
Debt service:		
Principal retirement	-	-
Interest	-	-
Fiscal agent fees and other fees	-	-
Capital outlay	-	-
Rebatable arbitrage payments	-	-
Total expenditures	<u>274,799,287</u>	<u>42,775,454</u>
Excess (deficiency) of revenues over expenditures	<u>50,987,909</u>	<u>(20,264,005)</u>
Other financing sources (uses):		
Transfers in	7,122,180	20,766,000
Transfers out	(51,584,352)	(487,245)
Proceeds of bonds, notes and premiums issued	-	-
Total other financing sources (uses)	<u>(44,462,172)</u>	<u>20,278,755</u>
Net change in fund balances	6,525,737	14,750
Fund balances (deficit), July 1, as restated	<u>36,599,464</u>	<u>239,728</u>
Fund balances (deficit), June 30	<u>\$ 43,125,201</u>	<u>\$ 254,478</u>

See Notes to Financial Statements

<u>GO Bond Debt Service Fund</u>	<u>Capital Acquisition Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 67,971,422	\$ 663,000	\$ 36,554,712	\$ 232,317,291
-	-	2,156,674	14,435,570
-	11,468,256	36,692,860	216,174,282
-	-	5,964,251	45,683,270
-	-	670,590	714,555
814,964	1,772,425	4,546,981	7,685,162
-	-	7,163,086	7,163,086
-	-	1,771,488	1,771,488
-	-	336,836	336,836
-	-	260,897	260,897
-	5,871,179	7,165,019	13,600,848
<u>68,786,386</u>	<u>19,774,860</u>	<u>103,283,394</u>	<u>540,143,285</u>
-	-	10,391,771	54,193,490
-	-	6,050,958	178,933,203
-	-	4,237,990	52,891,324
-	-	223,480	6,384,636
-	-	5,706,029	18,079,497
-	-	3,689,922	10,246,620
-	-	23,836,949	50,983,070
-	-	3,994,992	3,994,992
33,245,000	-	11,518,499	44,763,499
7,596,953	-	5,985,074	13,582,027
680,596	-	167,057	847,653
-	95,712,946	17,024,837	112,737,783
-	579,726	-	579,726
<u>41,522,549</u>	<u>96,292,672</u>	<u>92,827,558</u>	<u>548,217,520</u>
<u>27,263,837</u>	<u>(76,517,812)</u>	<u>10,455,836</u>	<u>(8,074,235)</u>
-	6,486,000	16,802,109	51,176,289
-	(639,299)	(14,140,064)	(66,850,960)
-	16,522,445	-	16,522,445
-	22,369,146	2,662,045	847,774
27,263,837	(54,148,666)	13,117,881	(7,226,461)
<u>18,229,575</u>	<u>122,429,635</u>	<u>102,749,799</u>	<u>280,248,201</u>
<u>\$ 45,493,412</u>	<u>\$ 68,280,969</u>	<u>\$ 115,867,680</u>	<u>\$ 273,021,740</u>

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended June 30, 2003

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		\$ (7,226,461)
<p>The change in net assets reported for governmental activities in the statement of activities is different because:</p> <p>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.</p>		
Capital outlay expenditures	\$ 79,458,785	
Depreciation expense	(24,412,532)	
Gain (loss) on disposition of capital assets	<u>934</u>	
		55,047,187
<p>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.</p>		
Principal repayments	44,763,499	
Amortization of premiums, discounts and bond issue costs	<u>(846,013)</u>	
Net adjustment		43,917,486
<p>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.</p>		
		1,675,232
<p>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:</p>		
Revenue:		
Gross receipts tax	2,005,396	
Property tax	1,611,209	
Other taxes	(28,501)	
Collections on real estate contracts, net of deferred gains	(1,205,943)	
Interest on loans receivable	46,094	
Expenses:		
Accrued vacation and sick leave pay	491,428	
Rebatable arbitrage	<u>839,371</u>	
Net adjustment		<u>3,759,054</u>
Change in net assets of governmental activities		<u>\$ 97,172,498</u>

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
Year ended June 30, 2003

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes:				
Current property tax	\$ 15,150,000	\$ 15,650,000	\$ 15,818,910	\$ 168,910
Delinquent property tax	1,200,000	700,000	679,454	(20,546)
Franchise taxes:				
Telephone	4,074,000	4,074,000	3,917,126	(156,874)
Electric	5,937,000	5,937,000	5,829,186	(107,814)
Gas	2,483,000	2,350,000	2,809,485	459,485
Cable television	3,932,000	3,932,000	4,273,789	341,789
New Mexico Utility	130,000	130,000	181,746	51,746
Telecommunications	517,000	517,000	445,435	(71,565)
Gross receipts tax-local option	92,783,000	90,439,000	93,173,026	2,734,026
Total taxes	126,206,000	123,729,000	127,128,157	3,399,157
Licenses and permits:				
Liquor licenses	172,000	172,000	200,113	28,113
Building permits	2,421,000	3,143,000	3,773,543	630,543
Plumbing/mechanical permits	1,282,000	1,909,000	1,674,995	(234,005)
Electrical/refrigeration permits	990,000	1,279,000	1,231,566	(47,434)
Plan checking permits	1,666,000	2,030,000	2,717,940	687,940
Flood plain certification	155,000	200,000	182,231	(17,769)
Reroofing permits	41,000	41,000	36,463	(4,537)
Restaurant inspections	1,177,000	525,000	525,091	91
Food retailers inspections	-	-	142,608	142,608
Swimming pool inspections	140,000	120,000	102,117	(17,883)
Consumer health	-	-	45	45
Animal licenses	414,000	250,000	260,449	10,449
Right of way usage permits	185,000	200,000	143,612	(56,388)
Loading zone permits	9,000	9,000	8,024	(976)
Solicitation permits	6,000	6,000	6,495	495
Business registration fees	1,322,000	1,150,000	1,102,160	(47,840)
Other licenses and permits	209,000	153,000	171,444	18,444
Total licenses and permits	10,189,000	11,187,000	12,278,896	1,091,896
Intergovernmental:				
State shared:				
Gross receipts tax	144,604,000	140,948,000	142,840,456	1,892,456
Cigarette tax	600,000	630,000	585,620	(44,380)
Motor vehicle license distribution	1,749,000	1,300,000	1,106,151	(193,849)
Municipal road - gas tax	2,389,000	2,400,000	2,481,033	81,033
DWI Fines	-	-	11,683	11,683
Grants:				
Other	70,000	-	93,887	93,887
Local & Local administered grants:				
Bernalillo County-shared operations	700,000	283,000	242,336	(40,664)
Total intergovernmental	150,112,000	145,561,000	147,361,166	1,800,166

See Notes to Financial Statements

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
Year ended June 30, 2003

	<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	196,000	180,000	177,396	(2,604)
Engineering fees	1,200,000	1,200,000	1,463,342	263,342
Filing of plats and subdivisions	340,000	340,000	352,582	12,582
Sign fees	52,000	58,000	73,898	15,898
Zoning fence permit fees	229,000	150,000	194,435	44,435
Sale of maps and publications	26,000	30,000	40,872	10,872
Records search fees	260,000	310,000	409,065	99,065
Jury duty and witness fees	13,000	13,000	11,242	(1,758)
Planning services	36,885	20,000	36,885	16,885
Vendor registration fees	44,000	20,000	22,815	2,815
Shooting range fees	200,000	140,000	141,352	1,352
Building maintenance	-	-	(8,327)	(8,327)
Grounds maintenance	521,000	521,000	520,987	(13)
Office services	33,000	37,000	41,170	4,170
Real property services	232,000	70,000	134,394	64,394
Engineering inspections	330,000	200,000	200,207	207
Engineering surveying	67,000	30,000	34,915	4,915
Legal services	2,532,000	2,140,000	1,958,403	(181,597)
Administrative fees	42,000	43,000	56,728	13,728
Administrative charges to other funds	22,142,000	21,518,000	19,365,850	(2,152,150)
Other	759,000	571,000	620,344	49,344
Public safety:				
Police services	1,743,000	1,662,000	2,001,101	339,101
Fire services	185,000	225,000	404,693	179,693
Culture and recreation:				
Community centers	26,000	24,000	31,249	7,249
Swimming pools	599,000	500,000	489,971	(10,029)
Sports programs	506,000	410,000	345,367	(64,633)
Other recreation charges	658,000	262,000	239,229	(22,771)
Tournament/field rental	16,000	13,000	30,491	17,491
Latch key program	219,000	228,000	235,971	7,971
Extended care fees	30,000	21,000	25,864	4,864
Special events	20,000	10,000	7,045	(2,955)
Museum charges	119,000	170,000	92,072	(77,928)
Zoo admissions	1,921,000	1,627,000	1,623,828	(3,172)
Zoo adopt-an-animal	30,000	-	-	-
Other zoo charges	95,000	90,000	74,440	(15,560)
Albuquerque aquarium and gardens	1,087,000	986,000	1,183,182	197,182
Convention center	1,730,000	1,477,000	1,296,091	(180,909)
Facilities concessions	1,118,000	955,000	917,840	(37,160)
Library services	1,044,000	1,039,000	986,193	(52,807)
Cultural affairs	46,000	39,000	50,868	11,868

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
Year ended June 30, 2003

	<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	210,000	210,000	328,082	118,082
Excavation permits	325,000	385,000	364,307	(20,693)
Other street division charges	542,000	403,000	483,993	80,993
Health:				
Animal control charges	508,000	351,000	348,741	(2,259)
Human services:				
Meal programs	161,000	170,000	177,782	7,782
Memberships	76,000	76,000	109,892	33,892
Coffee	14,000	15,000	16,833	1,833
Dances	48,000	30,000	32,051	2,051
Other	19,000	20,000	24,442	4,442
Total charges for services	<u>42,313,000</u>	<u>38,989,000</u>	<u>37,770,173</u>	<u>(1,218,827)</u>
Fines and forfeits:				
Nuisance abatement/enforcement	-	-	41,865	41,865
Air quality penalties	40,000	25,000	2,100	(22,900)
Total fines and forfeits	<u>40,000</u>	<u>25,000</u>	<u>43,965</u>	<u>18,965</u>
Interest:				
Interest on investments	2,109,000	848,000	745,784	(102,216)
Miscellaneous:				
Rental of City property	120,000	120,000	159,767	39,767
Community center rentals	150,000	150,000	179,633	29,633
Sales of real property	70,000	70,000	(360,784)	(430,784)
Sales of other property	30,000	30,000	4,950	(25,050)
Contributions and donations	-	38,000	39,353	1,353
Cash overages and shortages, net	-	-	(249)	(249)
Cash discounts earned	50,000	8,000	11,828	3,828
Other miscellaneous	434,000	390,000	424,557	34,557
Total miscellaneous	<u>854,000</u>	<u>806,000</u>	<u>459,055</u>	<u>(346,945)</u>
Total revenues	<u>331,823,000</u>	<u>321,145,000</u>	<u>325,787,196</u>	<u>4,642,196</u>

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
Year ended June 30, 2003

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Expenditures:				
Current:				
General government:				
Accounting	2,628,000	2,553,000	2,504,957	48,043
Capital implementation project	1,902,000	1,902,000	1,793,716	108,284
Chief Administrative Officer	1,326,000	1,326,000	1,225,607	100,393
City buildings	4,325,000	3,903,000	3,755,601	147,399
City wide financial support	442,000	442,000	485,866	(43,866)
City/County building rental	2,503,000	2,503,000	2,503,000	-
Community revitalization	1,038,000	1,033,000	1,015,431	17,569
Compensation in lieu of sick leave	350,000	350,000	288,005	61,995
Council services	1,418,000	1,418,000	1,379,786	38,214
Culture	19,000	19,000	19,000	-
Dues and memberships	469,000	469,000	377,000	92,000
Early retirement	4,000,000	4,000,000	5,071,526	(1,071,526)
Economic development	50,000	50,000	50,000	-
Information systems	7,000,000	6,758,000	6,469,774	288,226
International trade	30,000	30,000	22,320	7,680
Legal services	4,044,000	3,940,000	3,926,555	13,445
Legislative coordinator	185,000	185,000	224,000	(39,000)
Mayor's office	504,000	504,000	490,125	13,875
Office of city clerk	925,000	906,000	819,548	86,452
Office of economic development	594,000	557,000	385,605	171,395
Office of internal audit	835,000	794,000	761,495	32,505
Office of management and budget	1,207,000	1,186,000	1,012,860	173,140
Personnel services	2,198,000	2,168,000	2,133,887	34,113
Strategic support - Planning	899,000	893,000	886,435	6,565
Plaza del Sol building	1,133,000	1,133,000	1,133,000	-
Purchasing	1,025,000	1,000,000	944,719	55,281
Real property	496,000	458,000	363,349	94,651
Risk five year recovery plan	1,494,000	1,494,000	1,494,000	-
Strategic support - DFAS	306,000	281,000	275,077	5,923
Treasury	1,340,000	1,311,000	1,293,090	17,910
Utility franchising office	782,000	781,000	696,385	84,615
Total general government	<u>45,467,000</u>	<u>44,347,000</u>	<u>43,801,719</u>	<u>545,281</u>

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
Year ended June 30, 2003

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Public safety:				
Police Department:				
Central support services	20,459,000	20,096,000	20,624,052	(528,052)
Investigative services	17,659,000	17,527,000	17,165,134	361,866
Neighborhood Policing	47,559,000	47,639,000	46,571,600	1,067,400
Off duty police overtime	1,072,000	1,072,000	948,230	123,770
Fire Department:				
AFD headquarters	1,291,000	1,287,000	1,271,985	15,015
Dispatch	1,707,000	1,704,000	1,685,338	18,662
Emergency Management	50,000	50,000	24,993	25,007
Fire dept/CIP funded employees	87,000	87,000	85,850	1,150
Fire dept/technical services	382,000	382,000	379,028	2,972
Fire prevention/fire marshal's office	2,775,000	2,762,000	2,720,714	41,286
Fire suppression	27,954,000	27,912,000	27,819,595	92,405
Fire training and safety	1,318,000	1,214,000	1,209,761	4,239
Logistics	982,000	981,000	948,011	32,989
Paramedic rescue	8,739,000	8,693,000	8,652,500	40,500
Total public safety	<u>132,034,000</u>	<u>131,406,000</u>	<u>130,106,791</u>	<u>1,299,209</u>
Culture and recreation:				
Biological park	9,518,000	9,172,000	8,899,684	272,316
Community events	1,483,000	1,404,000	1,312,068	91,932
Convention center	3,491,000	3,278,000	3,145,638	132,362
Cultural-Capital implementation program				
Explora Science Center	550,000	550,000	550,000	-
Museum	2,279,000	2,024,000	2,005,092	18,908
Quality parks & trails system	784,000	781,000	723,376	57,624
Strategic support - Senior Affairs	808,000	807,000	811,733	(4,733)
Strategic support - PR	791,000	758,000	751,873	6,127
Parks land management	11,977,000	11,595,000	10,871,388	723,612
Promote safe use of firearms	280,000	254,000	252,807	1,193
Provide community recreation	5,342,000	5,321,000	5,083,754	237,246
Provide quality recreation	3,545,000	3,396,000	3,218,304	177,696
Public library	8,882,000	8,621,000	8,312,101	308,899
Strategic support - CS	2,959,000	2,836,000	2,715,516	120,484
Total culture and recreation	<u>52,689,000</u>	<u>50,797,000</u>	<u>48,653,334</u>	<u>2,143,666</u>
Public works:				
Code administration	1,983,000	1,879,000	1,786,766	92,234
Construction management	2,676,000	2,536,000	2,310,552	225,448
Storm drainage/maintenance	2,433,000	2,383,000	2,063,838	319,162
Total public works	<u>7,092,000</u>	<u>6,798,000</u>	<u>6,161,156</u>	<u>636,844</u>
Highways and streets:				
GF street services	13,061,000	12,632,000	12,373,468	258,532
Total highways and streets	<u>13,061,000</u>	<u>12,632,000</u>	<u>12,373,468</u>	<u>258,532</u>

See Notes to Financial Statements

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
Year ended June 30, 2003

Expenditures (continued):	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Current (continued):				
Health:				
Animal services	4,059,000	3,803,000	3,754,204	48,796
Clean city section	50	-	50	(50)
Consumer protection	1,158,000	1,044,000	939,322	104,678
Environmental services	1,597,000	1,482,000	1,453,629	28,371
Program support	427,000	425,000	409,493	15,507
Total health	7,241,050	6,754,000	6,556,698	197,302
Human services:				
Access to basic services	124,000	108,000	75,875	32,125
Develop affordable housing	509,000	508,000	487,300	20,700
Development process & policy	5,853,000	5,846,000	5,726,429	119,571
Plan and coordinate	1,750,000	1,746,000	1,667,609	78,391
Long-range planning	1,178,000	1,138,080	1,091,577	46,503
Offer health & social services	1,803,000	1,800,000	1,764,643	35,357
Partner with public education	5,443,000	5,466,000	4,930,634	535,366
Prevent and reduce youth gangs	1,012,000	1,012,000	1,003,000	9,000
Prevent neighborhood deterioration	48,000	48,000	47,000	1,000
Provide early childhood education	4,306,000	4,153,000	3,908,418	244,582
Provide emergency shelter	163,000	163,000	155,056	7,944
Provide mental health	204,000	219,000	210,714	8,286
Provide transitional housing	212,000	212,000	151,350	60,650
Substance abuse treatment/prevention	2,792,000	2,792,000	2,498,110	293,890
Supportive services to homeless	240,000	240,000	173,853	66,147
Train lower income persons	461,000	461,000	449,886	11,114
Volunteerism	1,000	1,000	714	286
Well-being	3,169,000	3,037,000	2,803,953	233,047
Total human services	29,268,000	28,950,080	27,146,121	1,803,959
Total expenditures	286,852,050	281,684,080	274,799,287	6,884,793
Excess (deficiency) of revenues over expenditures	44,970,950	39,460,920	50,987,909	11,526,989
Other financing sources (uses):				
Transfers in	7,409,000	7,344,000	7,122,180	(221,820)
Transfers out	(49,636,000)	(51,624,920)	(51,584,352)	40,568
Total other financing sources and uses	(42,227,000)	(44,280,920)	(44,462,172)	(181,252)
Net change in fund balance	2,743,950	(4,820,000)	6,525,737	11,345,737
Fund balance, July 1	36,599,464	36,599,464	36,599,464	-
Fund balance, June 30	\$ 39,343,414	\$ 31,779,464	\$ 43,125,201	\$ 11,345,737

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, 2003

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Intergovernmental:				
County-shared operations	\$ 17,477,000	\$ 17,315,000	\$ 20,652,000	\$ 3,337,000
Charges for services:				
Care of prisoners-state	343,000	343,000	237,044	(105,956)
Care of prisoners-other	-	-	375	375
Commissary	-	-	10,000	10,000
Community custody program fees	193,000	193,000	183,366	(9,634)
CCP reimbursement	439,000	439,000	434,886	(4,114)
Detoxification reimbursement	1,018,000	1,018,000	971,043	(46,957)
Medical Co-Pay-inmates	-	-	22,132	22,132
Recycling services	90,000	90,000	90,000	-
Total charges for services	2,083,000	2,083,000	1,948,846	(134,154)
Interest:				
Interest on investments	-	-	(194,992)	(194,992)
Miscellaneous:				
Telephone royalties	-	-	3,530	3,530
Other	-	-	102,065	102,065
Total miscellaneous	-	-	105,595	105,595
Total revenues	19,560,000	19,398,000	22,511,449	3,113,449
Expenditures:				
Current:				
Public safety:				
Administrative support	4,109,000	4,087,000	3,900,090	186,910
Community custody	733,000	733,000	855,976	(122,976)
Correction and detention	29,538,000	35,147,000	35,587,845	(440,845)
Detoxification program	1,053,000	1,053,000	942,863	110,137
Metro criminal justice coordinating council	125,000	177,000	176,311	689
Indirect overhead charge	1,579,000	1,579,000	1,312,369	266,631
Total expenditures	37,137,000	42,776,000	42,775,454	546
Excess (deficiency) of revenues over expenditures	(17,577,000)	(23,378,000)	(20,264,005)	3,113,995
Other financing sources (uses):				
Transfers in	17,539,000	20,766,000	20,766,000	-
Transfers out	(488,000)	(488,000)	(487,245)	755
Total other financing sources (uses)	17,051,000	20,278,000	20,278,755	755
Net change in fund balance	(526,000)	(3,100,000)	14,750	3,114,750
Fund balance (deficit), July 1	239,728	239,728	239,728	-
Fund balance (deficit), June 30	\$ (286,272)	\$ (2,860,272)	\$ 254,478	\$ 3,114,750

See Notes to Financial Statements

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
June 30, 2003

	Enterprise Funds	
	Airport Fund	Joint Water and Sewer Fund
ASSETS		
Current assets:		
Cash, investments, and accrued interest	\$ 7,935,010	\$ 14,557,430
Receivables, net of allowance for uncollectibles:		
Accounts	3,377,572	9,144,195
Notes - expansion charges	-	1,474,098
Prepaid expenses	-	-
Due from other governments	-	-
Deposits	-	-
Inventories of supplies	-	-
Total current assets	11,312,582	25,175,723
Non-current notes receivables	-	7,286,844
Restricted assets:		
Cash, investments, and accrued interest	58,201,384	46,017,130
Cash with fiscal agents	9,915,924	37,099,152
Investment with fiscal agents	-	4,984,544
Accounts receivable	-	-
Due from other governments	494,096	1,468,014
Capitalized bond issuance costs	-	-
Interest rate cap	-	-
Escrow deposits	-	143,842
Total restricted assets	68,611,404	89,712,682
Property and equipment:		
Land	33,032,723	22,954,851
Land and improvements acquired from U.S. Air Force	7,630,077	-
Buildings and improvements	146,252,947	2,257,926
Runways and other improvements	242,374,623	-
Improvements other than buildings	98,866,622	1,243,473,350
Machinery and equipment	12,240,548	36,451,372
Other	640,546	-
	541,038,086	1,305,137,499
Less accumulated depreciation and amortization	267,709,138	663,322,224
Net property and equipment	273,328,948	641,815,275
Construction work in progress	3,886,224	42,050,839
Total property and equipment	277,215,172	683,866,114
Other assets		
Capitalized bond issuance costs	1,272,260	577,999
Land - acquired under claim settlement	-	-
Purchased water rights, net of accumulated amortization	-	27,943,094
Total other assets	1,272,260	28,521,093
Total Assets	358,411,418	834,562,456

See Notes to Financial Statements

Enterprise Funds				
Refuse Disposal Fund	Housing Authority Fund	Other Enterprise Funds	Totals	Internal Service Funds
\$ 6,319,698	\$ 10,708,443	\$ 5,716,680	\$ 45,237,261	\$ 31,077,289
2,594,054	197,042	429,048	15,741,911	-
-	-	-	1,474,098	-
-	-	-	-	294,356
-	248,480	-	248,480	66,156
-	-	-	-	6,679
<u>693,134</u>	<u>170,063</u>	<u>608,837</u>	<u>1,472,034</u>	<u>1,776,602</u>
<u>9,606,886</u>	<u>11,324,028</u>	<u>6,754,565</u>	<u>64,173,784</u>	<u>33,221,082</u>
-	-	-	7,286,844	-
12,267,567	-	18,755,469	135,241,550	-
3,647,744	-	273,384	50,936,204	-
-	-	398,222	5,382,766	-
-	-	2,433,365	2,433,365	-
-	-	1,515,159	3,477,269	-
-	-	377,764	377,764	-
-	-	3,770	3,770	-
-	387,487	89,564	620,893	-
<u>15,915,311</u>	<u>387,487</u>	<u>23,846,697</u>	<u>198,473,581</u>	<u>-</u>
5,165,504	3,767,389	9,254,403	74,174,870	283,842
-	-	-	7,630,077	-
37,949,556	47,721,432	100,601,761	334,783,622	406,001
-	-	-	242,374,623	-
-	-	-	1,342,339,972	765,388
53,046,590	396,287	55,397,452	157,532,249	1,653,975
-	-	-	640,546	-
<u>96,161,650</u>	<u>51,885,108</u>	<u>165,253,616</u>	<u>2,159,475,959</u>	<u>3,109,206</u>
<u>46,104,601</u>	<u>35,314,871</u>	<u>62,123,156</u>	<u>1,074,573,990</u>	<u>2,337,263</u>
50,057,049	16,570,237	103,130,460	1,084,901,969	771,943
175,686	2,167,586	10,701,265	58,981,600	-
<u>50,232,735</u>	<u>18,737,823</u>	<u>113,831,725</u>	<u>1,143,883,569</u>	<u>771,943</u>
116,045	-	643,166	2,609,470	-
-	-	-	-	1,830,000
-	-	-	27,943,094	-
<u>116,045</u>	<u>-</u>	<u>643,166</u>	<u>30,552,564</u>	<u>1,830,000</u>
<u>75,870,977</u>	<u>30,449,338</u>	<u>145,076,153</u>	<u>1,444,370,342</u>	<u>35,823,025</u>

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
June 30, 2003

	Enterprise Funds	
	Airport Fund	Joint Water and Sewer Fund
LIABILITIES		
Current liabilities:		
Accounts payable	279,447	2,985,977
Accrued payroll	524,159	1,246,188
Accrued vacation and sick leave pay	628,195	1,596,410
Accrued interest	-	526,918
Accrued fuel cleanup costs	-	-
Fare tokens outstanding	-	-
Deposits	194,085	205,147
Due to other governments	-	-
Current portion of claims and judgements payable	-	-
Current portion of water rights contract and loan agreements	-	768,932
Total current liabilities	1,625,886	7,329,572
Liabilities payable from restricted assets:		
Construction contracts	348,153	5,279,951
Current portion of revenue bonds payable	6,900,000	31,580,000
Current portion of loan agreements	-	191,552
Line of credit	-	3,484,446
Accrued interest	3,235,912	5,341,600
Other	-	-
Total liabilities payable from restricted assets	10,484,065	45,877,549
Non current liabilities excluding current portion:		
Revenue bonds, net of unamortized discounts	199,624,875	211,357,665
Water rights contract and loan agreements	-	48,575,147
Claims and judgements payable	-	-
Accrued vacation and sick leave pay	345,524	586,600
Total non current liabilities	199,970,399	260,519,412
Other liabilities:		
Deferred revenue	-	1,175,191
Advances from other funds	-	-
Total other liabilities	-	1,175,191
Total liabilities	212,080,350	314,901,724
NET ASSETS		
Invested in capital assets, net of related debt	95,536,771	446,162,225
Restricted:		
Debt service	11,857,865	6,441,513
Construction	25,604,749	15,742,696
Unrestricted	13,331,683	51,314,298
Total net assets	\$ 146,331,068	\$ 519,660,732

See Notes to Financial Statements

Enterprise Funds

Refuse Disposal Fund	Housing Authority Fund	Other Enterprise Funds	Totals	Internal Service Funds
553,471	422,380	378,817	4,620,092	1,061,504
871,503	108,089	1,017,421	3,767,360	287,205
1,183,044	108,856	1,098,371	4,614,876	458,467
-	-	-	526,918	-
-	-	-	-	68,422
-	-	162,468	162,468	-
68,338	148,348	-	615,918	-
-	569,488	-	569,488	-
-	-	-	-	11,153,000
-	-	-	768,932	-
<u>2,676,356</u>	<u>1,357,161</u>	<u>2,657,077</u>	<u>15,646,052</u>	<u>13,028,598</u>
175,044	-	848,300	6,651,448	-
2,840,000	-	400,000	41,720,000	-
-	-	-	191,552	-
-	-	-	3,484,446	-
807,744	-	461,267	9,846,523	-
<u>1,306,429</u>	<u>387,487</u>	<u>94,808</u>	<u>1,788,724</u>	<u>-</u>
<u>5,129,217</u>	<u>387,487</u>	<u>1,804,375</u>	<u>63,682,693</u>	<u>-</u>
30,559,111	-	31,270,453	472,812,104	-
-	-	-	48,575,147	-
-	-	-	-	29,448,564
<u>766,620</u>	<u>33,783</u>	<u>466,037</u>	<u>2,198,564</u>	<u>145,214</u>
<u>31,325,731</u>	<u>33,783</u>	<u>31,736,490</u>	<u>523,585,815</u>	<u>29,593,778</u>
-	-	-	1,175,191	-
-	-	24,300,000	24,300,000	-
-	-	24,300,000	25,475,191	-
<u>39,131,304</u>	<u>1,778,431</u>	<u>60,497,942</u>	<u>628,389,751</u>	<u>42,622,376</u>
25,240,886	18,737,823	65,460,954	651,138,659	771,943
610,511	-	897,041	19,806,930	-
4,407,520	-	11,292,626	57,047,591	-
<u>6,480,756</u>	<u>9,933,084</u>	<u>6,927,590</u>	<u>87,987,411</u>	<u>(7,571,294)</u>
<u>\$ 36,739,673</u>	<u>\$ 28,670,907</u>	<u>\$ 84,578,211</u>	<u>\$ 815,980,591</u>	<u>\$ (6,799,351)</u>

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

	Enterprise Funds	
	Airport Fund	Joint Water and Sewer Fund
Operating revenues:		
Charges for services	<u>\$ 51,133,762</u>	<u>\$ 117,681,329</u>
Operating expenses:		
Salaries and fringe benefits	11,420,298	24,760,183
Professional services	82,540	5,553,843
Utilities	2,364,867	7,923,571
Supplies	500,321	1,528,551
Travel	29,802	5,171
Fuels, repairs and maintenance	2,235,991	7,523,882
Contractual services	3,576,033	2,949,505
Claims and judgements	-	-
Insurance premiums	-	-
Other operating expenses	1,827,578	5,687,026
Depreciation	27,845,671	40,843,474
Amortization	-	457,590
Bad debt expense	-	34,703
Total operating expenses	<u>49,883,101</u>	<u>97,267,499</u>
Operating income (loss)	<u>1,250,661</u>	<u>20,413,830</u>
Non-operating revenues (expenses):		
Interest on investments	663,529	1,073,204
Federal housing grants	-	-
Housing assistance payments	-	-
Passenger facilities charges	8,154,815	-
Gain (loss) on disposition of property and equipment	(22,491)	18,869
Interest expense	(10,527,363)	(12,278,016)
Bond issue costs	(212,349)	-
City water service expansion charges	-	14,432,966
Fiscal agent fees	(20,226)	-
Equipment purchased for another fund	-	(332,631)
Other	58,936	4,451,529
Total non-operating revenues (expenses)	<u>(1,905,149)</u>	<u>7,365,921</u>
Income (loss) before capital contributions and transfers	(654,488)	27,779,751
Capital contributions	1,022,772	22,177,697
Transfers in	-	487,245
Transfers out	-	(5,098,927)
Change in net assets	<u>368,284</u>	<u>45,345,766</u>
Net assets (deficit), July 1	<u>145,962,784</u>	<u>474,314,966</u>
Net assets (deficit), June 30	<u>\$ 146,331,068</u>	<u>\$ 519,660,732</u>

See Notes to Financial Statements

Enterprise Funds				
Refuse Disposal Fund	Housing Authority Fund	Other Enterprise Funds	Totals	Internal Service Funds
\$ 40,757,677	\$ 1,559,127	\$ 14,484,032	\$ 225,615,927	\$ 64,816,329
19,311,480	2,639,874	22,425,562	80,557,397	6,308,207
351,956	8,750	421,548	6,418,637	878,496
339,202	550,041	1,943,252	13,120,933	136,288
821,511	-	396,725	3,247,108	1,187,489
10,850	-	9,967	55,790	843
4,358,458	821,487	3,845,021	18,784,839	2,733,992
1,597,193	-	1,284,648	9,407,379	1,825,366
-	-	-	-	17,507,793
-	-	-	-	30,869,968
4,374,832	902,659	4,159,992	16,952,087	1,968,144
4,782,031	1,733,369	7,933,688	83,138,233	126,179
-	-	-	457,590	-
<u>27,518</u>	<u>47,872</u>	<u>313,738</u>	<u>423,831</u>	<u>-</u>
<u>35,975,031</u>	<u>6,704,052</u>	<u>42,734,141</u>	<u>232,563,824</u>	<u>63,542,765</u>
<u>4,782,646</u>	<u>(5,144,925)</u>	<u>(28,250,109)</u>	<u>(6,947,897)</u>	<u>1,273,564</u>
168,769	179,577	421,747	2,506,826	602,389
-	24,770,592	-	24,770,592	-
-	(19,092,515)	-	(19,092,515)	-
-	-	-	8,154,815	-
34,504	849	-	31,731	12,112
(1,156,625)	-	(1,071,587)	(25,033,591)	-
-	-	(99,016)	(311,365)	-
-	-	-	14,432,966	-
-	-	(202,637)	(222,863)	-
-	-	-	(332,631)	-
<u>390,589</u>	<u>138,493</u>	<u>2,263,138</u>	<u>7,302,685</u>	<u>49,042</u>
<u>(562,763)</u>	<u>5,996,996</u>	<u>1,311,645</u>	<u>12,206,650</u>	<u>663,543</u>
4,219,883	852,071	(26,938,464)	5,258,753	1,937,107
-	-	15,708,852	38,909,321	7,125
-	-	21,927,606	22,414,851	-
<u>(1,061,791)</u>	<u>-</u>	<u>(310,462)</u>	<u>(6,471,180)</u>	<u>(269,000)</u>
<u>3,158,092</u>	<u>852,071</u>	<u>10,387,532</u>	<u>60,111,745</u>	<u>1,675,232</u>
<u>33,581,581</u>	<u>27,818,836</u>	<u>74,190,679</u>	<u>755,868,846</u>	<u>(8,474,583)</u>
<u>\$ 36,739,673</u>	<u>\$ 28,670,907</u>	<u>\$ 84,578,211</u>	<u>\$ 815,980,591</u>	<u>\$ (6,799,351)</u>

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year ended June 30, 2003

	Enterprise Funds	
	Airport Fund	Joint Water and Sewer Fund
Cash flows from operating activities:		
Cash received from customers	\$ 50,999,597	\$ 113,449,193
Cash received from other funds for goods and services	-	3,790,019
Cash payments to employees for services	(10,439,907)	(22,956,972)
Cash payments to suppliers for goods and services	(8,009,427)	(23,669,127)
Cash payments to other funds for goods and services	(3,498,990)	(8,751,322)
Cash payments to claimants and beneficiaries	-	-
Miscellaneous cash received	58,936	3,779,535
Net cash provided by (used for) operating activities	29,110,209	65,641,326
Cash flow from noncapital financing activities:		
Principal paid on water rights contract	-	(748,500)
Interest paid on water rights contract	-	(649,200)
Purchased water rights	-	(1,287,738)
Operating grants received	-	-
Housing assistance payments	-	-
Principal paid on advance from other funds	-	-
Interest paid on advance from other funds	-	-
Transfers-in from other funds	-	487,245
Transfers-out to other funds	-	(5,098,927)
Net cash provided by (used for) noncapital financing activities	-	(7,297,120)
Cash flows from capital and related financing activities:		
Proceeds from notes payable	-	7,084,446
Capitalized bond issuance costs	-	(37,537)
Principal paid on revenue bond maturities and refunded bonds	(18,560,000)	(31,160,000)
Interest and other expenses paid on revenue bond maturities	(10,937,520)	(10,691,440)
Principal paid on notes payable	-	(2,452,874)
Interest paid on notes payable	-	(1,666,943)
Acquisition and construction of capital assets	(7,617,388)	(25,416,936)
Cash payments to other funds for goods and services	(122,777)	(1,394,662)
Capital grants received	(423,071)	5,338,468
Passenger facilities charges	8,154,815	-
City water service expansion charges	-	14,432,966
Proceeds from sale of property and equipment	30,813	39,880
Net cash used for capital and related financing activities	(29,475,128)	(45,924,632)
Cash flows from investing activities:		
Interest received on investments	1,530,580	1,587,715
Net cash provided by investing activities	1,530,580	1,587,715
Net increase (decrease) in cash and cash equivalents	1,165,661	14,007,289
Cash and cash equivalents, July 1, restated	74,886,657	88,794,809
Cash and cash equivalents, June 30	\$ 76,052,318	\$ 102,802,098

See Notes to Financial Statements

Enterprise Funds

<u>Refuse Disposal Fund</u>	<u>Housing Authority Fund</u>	<u>Other Enterprise Funds</u>	<u>Totals</u>	<u>Internal Service Funds</u>
\$ 39,941,389	\$ 1,384,145	\$ 13,946,137	\$ 219,720,461	\$ 6,919,100
893,218	-	263,008	4,946,245	66,918,253
(17,758,239)	(2,412,083)	(21,001,172)	(74,568,373)	(5,967,919)
(7,838,609)	(1,739,258)	(7,595,641)	(48,852,062)	(45,395,571)
(5,533,469)	(712,920)	(6,429,090)	(24,925,791)	(2,591,196)
-	-	-	-	(16,204,742)
390,589	153,316	1,201,800	5,584,176	49,013
<u>10,094,879</u>	<u>(3,326,800)</u>	<u>(19,614,958)</u>	<u>81,904,656</u>	<u>3,726,938</u>
-	-	-	(748,500)	-
-	-	-	(649,200)	-
-	-	-	(1,287,738)	-
-	24,032,756	1,086,913	25,119,669	-
-	(19,092,515)	-	(19,092,515)	-
-	-	(1,300,000)	(1,300,000)	-
-	-	(511,363)	(511,363)	-
-	-	21,927,606	22,414,851	-
<u>(1,061,791)</u>	<u>-</u>	<u>(310,462)</u>	<u>(6,471,180)</u>	<u>(269,000)</u>
<u>(1,061,791)</u>	<u>4,940,241</u>	<u>20,892,694</u>	<u>17,474,024</u>	<u>(269,000)</u>
-	-	15,000,000	22,084,446	-
-	-	-	(37,537)	-
(2,650,000)	-	(625,000)	(52,995,000)	-
(1,012,230)	-	(820,991)	(23,462,181)	-
-	-	-	(2,452,874)	-
-	-	-	(1,666,943)	-
(3,596,277)	(1,249,942)	(26,637,107)	(64,517,650)	95,282
(97,817)	-	(122,172)	(1,737,428)	-
-	1,535,759	10,733,108	17,184,264	-
-	-	-	8,154,815	-
-	-	-	14,432,966	-
<u>144,047</u>	<u>849</u>	<u>130,104</u>	<u>345,693</u>	<u>12,139</u>
<u>(7,212,277)</u>	<u>286,666</u>	<u>(2,342,058)</u>	<u>(84,667,429)</u>	<u>107,421</u>
<u>168,769</u>	<u>179,577</u>	<u>509,028</u>	<u>3,975,669</u>	<u>602,389</u>
<u>168,769</u>	<u>179,577</u>	<u>509,028</u>	<u>3,975,669</u>	<u>602,389</u>
1,989,580	2,079,684	(555,294)	18,686,920	4,167,748
<u>20,245,429</u>	<u>9,016,246</u>	<u>25,788,613</u>	<u>218,731,754</u>	<u>26,909,541</u>
<u>\$ 22,235,009</u>	<u>\$ 11,095,930</u>	<u>\$ 25,233,319</u>	<u>\$ 237,418,674</u>	<u>\$ 31,077,289</u>

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year ended June 30, 2003

	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)	\$ 1,250,661	\$ 20,413,830
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	27,845,671	40,843,474
Amortization	-	457,590
Miscellaneous cash received	58,936	3,779,535
Provision for claims and judgements	-	-
Decrease (increase) in assets:		
Receivables	(130,049)	(442,117)
Inventories of supplies	-	-
Due from other governments	-	-
Prepaid expenses	-	-
Increase (decrease) in liabilities:		
Accounts payable	(52,869)	632,448
Accrued employee compensation and benefits	141,975	(43,434)
Fare tokens outstanding and deposits	-	-
Escrow liability	-	-
Deferred revenue	(4,116)	-
Net cash provided by (used for) operating activities	\$ 29,110,209	\$ 65,641,326
Cash and cash equivalents at June 30 consist of:		
Current assets:		
Cash, investments, and accrued interest	\$ 7,935,010	\$ 14,557,430
Restricted assets:		
Cash, investments, and accrued interest	58,201,384	46,017,130
Cash with fiscal agents	9,915,924	37,099,152
Investment with fiscal agents	-	4,984,544
Escrow deposits	-	143,842
Total cash and cash equivalents, June 30	\$ 76,052,318	\$ 102,802,098
Non cash transactions:		
Unrealized gains (losses) on investments	\$ (152,174)	\$ (95,836)
Capital contributions by developers	-	14,183,397
Transfer of capital assets from the Capital Projects Fund	-	-
HUD payment of third party guaranteed debt	-	-

Enterprise Funds				
Refuse Disposal Fund	Housing Authority Fund	Other Enterprise Funds	Totals	Internal Service Funds
\$ 4,782,646	\$ (5,144,925)	\$ (28,250,109)	\$ (6,947,897)	\$ 1,273,564
4,782,031	1,733,369	7,933,688	83,138,233	126,179
-	-	-	457,590	-
390,589	153,316	1,201,800	5,584,176	49,013
-	-	-	-	1,303,051
76,930	(63,983)	(271,939)	(831,158)	2,014,375
(80,164)	(30,212)	(72,991)	(183,367)	129,582
-	-	-	-	11,887
-	-	-	-	6,607
(65,833)	64,627	6,158	584,531	(1,072,243)
208,680	24,135	(170,270)	161,086	(115,077)
-	2,139	8,705	10,844	-
-	(65,266)	-	(65,266)	-
-	-	-	(4,116)	-
<u>\$ 10,094,879</u>	<u>\$ (3,326,800)</u>	<u>\$ (19,614,958)</u>	<u>\$ 81,904,656</u>	<u>\$ 3,726,938</u>
\$ 6,319,698	\$ 10,708,443	\$ 5,716,680	\$ 45,237,261	\$ 31,077,289
12,267,567	-	18,845,033	135,331,114	-
3,647,744	-	671,606	51,334,426	-
-	-	-	4,984,544	-
-	387,487	-	531,329	-
<u>\$ 22,235,009</u>	<u>\$ 11,095,930</u>	<u>\$ 25,233,319</u>	<u>\$ 237,418,674</u>	<u>\$ 31,077,289</u>
\$ (31,560)	\$ -	\$ (227,282)	\$ (506,852)	\$ 626
-	-	-	14,183,397	-
-	-	68,581	68,581	-
-	475,875	-	475,875	-

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2003

	<u>Agency Fund</u>
ASSETS	
Assets:	
Cash, investments, and accrued interest	\$ 11,601,211
Receivables	194,208
Due from other governments	<u>22</u>
Total Assets	<u>11,795,441</u>
LIABILITIES	
Liabilities:	
Accounts payable	304,109
Funds held for others	<u>11,491,332</u>
Total Liabilities	<u>11,795,441</u>
Net Assets	<u>\$ -</u>

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

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 elected from districts. 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 include, 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 budgets, 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 are 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, 2003

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 business-type (enterprise) funds, each displayed in a separate column. All remaining governmental and business-type (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 Sunport.

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, 2003

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 gross receipts and 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 a) principal and interest payments on general long-term debt which are recorded when amounts have been accumulated in the debt service funds for the current debt service payments on July 1 in the following year and b) 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.

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, 2003

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 per 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 Permanent 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.

For the City-wide financial statements, 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. In the financial statements for the governmental funds, the City recognizes income from the sale of real estate when the principal on mortgage contracts are collected. At the time of the sale, the principal on the real estate contracts are recorded as deferred revenue.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
 June 30, 2003

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, 2003, 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, 2003, and 5.5% for 2002, 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, 2003

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, 2003, 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 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, 2003

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, 2003 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 proposed 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 2003, 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:		Corrections and Detention Fund:	
City wide financial support	\$ 43,866	Community custody	\$ 122,976
Early retirement	1,071,526	Correction and detention	440,845
Legislative coordinator	39,000	Joint Water and Sewer Fund:	
Central support services	528,052	San Juan Chama	240,463
Strategic support - Senior Affairs	4,733	Low income utility credit	3,525
Clean city action	50	Refuse Disposal Fund:	
		Payment for General Fund services	13,032

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.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

S. Budgets, continued

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

Unreserved fund balance (deficit) - governmental funds					
General	Corrections and Detention	GO Bond Debt Service	Capital Acquisition	Nonmajor Funds	Totals
Designated for:					
Unrealized gains	\$ 97	\$ (27)	\$ 104	\$ 162	\$ 263
Undesignated	<u>14,864</u>	<u>2</u>	<u>45,390</u>	<u>68,119</u>	<u>181,324</u>
Total Unrestricted	<u>\$ 14,961</u>	<u>\$ (25)</u>	<u>\$ 45,494</u>	<u>\$ 68,281</u>	<u>\$ 53,212</u>

Unrestricted net assets (deficits) - enterprise funds					
Airport	Joint Water and Sewer	Refuse Disposal	Housing Authority	Nonmajor Funds	Totals
Designated for:					
Unrealized gains	\$ 155	\$ 127	\$ 42	\$ (5)	\$ 365
Undesignated	<u>13,177</u>	<u>51,187</u>	<u>6,439</u>	<u>9,938</u>	<u>87,622</u>
Total Unrestricted	<u>\$ 13,332</u>	<u>\$ 51,314</u>	<u>\$ 6,481</u>	<u>\$ 9,933</u>	<u>\$ 87,987</u>

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

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, \$273,021,740, differs from net assets of governmental activities, \$746,323,908, reported in the statement of net assets. The differences primarily result 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:

	<u>Total Governmental Funds</u>	<u>Internal Service Funds</u>	<u>Long-term Assets & Liabilities</u>	<u>Reclassi- fications and Eliminations</u>	<u>Statement of Net Assets Totals</u>
Assets:					
Cash, investments and accrued interest	\$ 269,225	\$ 31,077	\$ -	\$ (34,402)	\$ 265,900
Taxes receivable	61,173	-	-	-	61,173
Accounts receivable	21,889	-	-	(19,085)	2,804
Due from other governments	26,625	66	-	-	26,691
Accrued interest	-	-	162	-	162
Deposit	-	7	-	-	7
Long-term accounts and notes receivable	-	-	-	19,085	19,085
Internal balances	33,766	-	-	(9,466)	24,300
Inventories	350	1,777	-	-	2,127
Prepaid expenses	10	294	-	-	304
Restricted assets:					
Cash, investments and accrued interest	-	-	-	34,402	34,402
Capital assets:					
Land and construction in progress	-	284	415,314	-	415,598
Capital assets being depreciated	-	2,825	642,453	-	645,278
Accumulated depreciation	-	(2,337)	(312,008)	-	(314,345)
Deferred charges and other assets	<u>5,066</u>	<u>1,830</u>	<u>237</u>	<u>-</u>	<u>7,133</u>
Total assets	<u>\$ 418,104</u>	<u>\$ 35,823</u>	<u>\$ 746,158</u>	<u>\$ (9,466)</u>	<u>\$ 1,190,619</u>
Liabilities:					
Accounts payable	\$ 18,739	\$ 1,062	\$ -	\$ -	\$ 19,801
Accrued liabilities	12,069	355	-	6,543	18,967
Deposits	850	-	-	-	850
Due to other funds/advances	9,466	-	-	(9,466)	-
Due to other governments	2,131	-	-	-	2,131
Deferred revenues	56,306	-	(36,809)	-	19,497
Current portion of long-term obligations:					
Bonds and notes payable	-	-	-	38,978	38,978
Accrued vacation and sick leave pay	-	458	15,777	-	16,235
Accrued claims payable	-	11,153	-	-	11,153
Matured principal and interest	45,521	-	-	(45,521)	-
Non current long-term obligations:					
Bonds and notes payable	-	-	276,877	-	276,877
Accrued vacation and sick leave pay	-	145	9,069	-	9,214
Accrued claims payable	-	29,449	-	-	29,449
Deferred credit	<u>-</u>	<u>-</u>	<u>1,143</u>	<u>-</u>	<u>1,143</u>
Total liabilities	<u>145,082</u>	<u>42,622</u>	<u>266,057</u>	<u>(9,466)</u>	<u>444,295</u>
Fund balances/net assets (deficit)	<u>273,022</u>	<u>(6,799)</u>	<u>480,101</u>	<u>-</u>	<u>746,324</u>
Total liabilities and fund balances/net assets	<u>\$ 418,104</u>	<u>\$ 35,823</u>	<u>\$ 746,158</u>	<u>\$ (9,466)</u>	<u>\$ 1,190,619</u>

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

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, (\$7,226,461), differs from the change in net assets for governmental activities, \$97,172,498, 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:

	<u>Total Governmental Funds</u>	<u>Internal Service Funds</u>	<u>Long-term Revenues/ Expenses</u>	<u>Reclassi- fications and Eliminations</u>	<u>Statement of Activities Totals</u>
Revenues:					
Taxes:					
Property taxes	\$ 84,782	\$ -	\$ 1,611	\$ -	\$ 86,393
Gross receipts tax	121,089	-	895	-	121,984
Franchise tax	18,120	-	-	-	18,120
Lodgers tax	8,326	-	-	-	8,326
Licenses and permits	14,436	-	-	-	14,436
Intergovernmental	216,174	-	1,082	-	217,256
Charges for services	45,683	-	-	(8,101)	37,582
Fines and forfeits	715	-	-	-	715
Investment earnings	7,946	603	46	-	8,595
Special assessments	7,163	-	-	-	7,163
Other revenue	<u>15,709</u>	<u>61</u>	<u>(1,205)</u>	<u>2,260</u>	<u>16,825</u>
Total revenues	<u>540,143</u>	<u>664</u>	<u>2,429</u>	<u>(5,841)</u>	<u>537,395</u>
Expenditures/Expenses:					
Current:					
General government	54,193	(171)	2,290	(3,291)	53,021
Corrections	42,788	(166)	(132)	(1,523)	40,967
Fire	45,631	(25)	1,190	559	47,355
Police	90,515	(581)	4,762	3,188	97,884
Culture and recreation	52,891	(134)	(4,695)	23,720	71,782
Public works	6,385	(14)	845	1,804	9,020
Highways and streets	18,079	(144)	1,367	2,896	22,198
Health	10,247	(21)	338	(237)	10,327
Human services	50,983	(24)	1,059	(402)	51,616
Housing	3,995	-	(1)	-	3,994
Special assessments	-	-	-	839	839
Debt service:					
Principal retirement	44,763	-	(44,763)	-	-
Interest and other fiscal charges	14,430	-	846	-	15,276
Capital outlay	112,738	-	(77,084)	(35,654)	-
Miscellaneous	<u>580</u>	<u>-</u>	<u>(840)</u>	<u>260</u>	<u>-</u>
Total expenditures/expenses	<u>548,218</u>	<u>(1,280)</u>	<u>(114,818)</u>	<u>(7,841)</u>	<u>424,279</u>
Other financing sources (uses)/changes in net assets:					
Net transfers (to) from other funds	(15,675)	(269)	-	-	(15,944)
Proceeds from issuance of bonds and loans	<u>16,523</u>	<u>-</u>	<u>(14,523)</u>	<u>(2,000)</u>	<u>-</u>
Total other financing sources (uses)/ changes in net assets	<u>848</u>	<u>(269)</u>	<u>(14,523)</u>	<u>(2,000)</u>	<u>(15,944)</u>
Net change for the year	<u>\$ (7,227)</u>	<u>\$ 1,675</u>	<u>\$ 102,724</u>	<u>\$ -</u>	<u>\$ 97,172</u>

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

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, 2003, 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	\$ 158,231,095	\$ 110,724,292	\$ 6,044,612	\$ 274,999,999
Obligations of federal agencies or instrumentalities	111,256,120	76,775,054	4,191,271	192,222,445
State of New Mexico investment council	24,205,539	-	-	24,205,539
State of New Mexico local government investment pool	-	6,677,701	-	6,677,701
Held in trust by NMFA in State of New Mexico local government investment pool	-	4,934,431	-	4,934,431
Held in trust by Wells Fargo Bank in U.S. Treasury Fund	-	3,429,043	-	3,429,043
Held in trust by Bank of Albuquerque in U.S. Treasury Fund	<u>1,613,102</u>	<u>448,335</u>	<u>-</u>	<u>2,061,437</u>
Total investments	<u>295,305,856</u>	<u>202,988,856</u>	<u>10,235,883</u>	<u>508,530,595</u>
Certificates of deposit	100,000	-	-	100,000
Bank accounts (book balance)	<u>4,214,216</u>	<u>33,383,923</u>	<u>1,365,328</u>	<u>38,963,467</u>
Total bank balances	<u>4,314,216</u>	<u>33,383,923</u>	<u>1,365,328</u>	<u>39,063,467</u>
Accrued interest receivable	631,582	412,257	-	1,043,839
Imprest cash funds	<u>51,073</u>	<u>12,745</u>	<u>-</u>	<u>63,818</u>
Total other	<u>682,655</u>	<u>425,002</u>	<u>-</u>	<u>1,107,657</u>
Total cash, investments, accrued interest and cash with fiscal agents	<u>\$ 300,302,727</u>	<u>\$ 236,797,781</u>	<u>\$ 11,601,211</u>	<u>\$ 548,701,719</u>
Unrestricted cash, investments and accrued interest:				
Cash, investments and accrued interest	\$ 220,402,453	\$ 45,237,261	\$ 11,601,211	\$ 277,240,925
Cash with fiscal agents	<u>45,498,323</u>	<u>-</u>	<u>-</u>	<u>45,498,323</u>
Total unrestricted cash, investments and accrued interest	<u>265,900,776</u>	<u>45,237,261</u>	<u>11,601,211</u>	<u>322,739,248</u>
Restricted cash, investments and accrued interest:				
Cash, investments and accrued interest	34,401,951	140,624,316	-	175,026,267
Cash with fiscal agents	<u>-</u>	<u>50,936,204</u>	<u>-</u>	<u>50,936,204</u>
Total restricted cash, investments and accrued interest	<u>34,401,951</u>	<u>191,560,520</u>	<u>-</u>	<u>225,962,471</u>
Total cash, investments, accrued interest and cash with fiscal agents	<u>\$ 300,302,727</u>	<u>\$ 236,797,781</u>	<u>\$ 11,601,211</u>	<u>\$ 548,701,719</u>

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

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, 2003, are categorized below to indicate the level of risk assumed by the City:

1. Investment Categories of Credit Risk

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

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

The reported amounts (in thousands) are as follows:

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

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

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 (in thousands) at June 30, 2003, consists of the following:

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

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

NOTE 5 TAXES, ACCOUNTS AND NOTES RECEIVABLE

A. Taxes receivable

The taxes receivable at June 30, 2003 are from the following sources:

Gross receipts tax	\$52,861,814
Property tax	4,920,489
Franchise tax	2,139,856
Lodgers tax	659,294
Other taxes	<u>591,134</u>
Total	<u>\$61,172,587</u>

The property taxes above include a receivable of \$3,779,330 in the General Obligation Debt Service Fund, \$1,017,259 in the General Fund, and \$123,900 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 2003 tax levy had a taxable value of \$7,623,843,160. 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 2003 weighted average residential and non-residential City rate for both operations and debt service was 11.153 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, 2003

NOTE 5 TAXES, ACCOUNTS AND NOTES RECEIVABLE, continued

B. Accounts receivable and Allowance for uncollectible accounts

Included on Exhibit A-1, "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, 2003, are as follows:

	<u>Total receivables</u>	<u>Allowance for uncollectible accounts</u>	<u>Net receivables</u>
Government Activities:			
Major funds:			
General Fund	\$ 3,066,913	\$ 670,990	\$ 2,395,923
Nonmajor governmental funds	<u>434,037</u>	<u>122,578</u>	<u>311,459</u>
Total government activity funds	<u>\$ 3,500,950</u>	<u>\$ 793,568</u>	<u>\$ 2,707,382</u>
Business-type activities:			
Major funds:			
Airport	\$ 4,193,144	\$ 815,572	\$ 3,377,572
Joint Water and Sewer	11,847,500	1,229,207	10,618,293
Refuse Disposal	2,897,025	302,971	2,594,054
Housing Authority Fund	475,257	278,215	197,042
Nonmajor funds	<u>770,752</u>	<u>341,704</u>	<u>429,048</u>
Total business-type activities	<u>\$ 20,183,678</u>	<u>\$ 2,967,669</u>	<u>\$ 17,216,009</u>

C. Long Term And Notes Receivable

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

	<u>Total receivables</u>	<u>Allowance for uncollectible accounts</u>	<u>Net receivables</u>
Government Activities:			
Nonmajor governmental funds:			
Rehabilitation loans	\$ 6,778,213	\$ 4,289,062	\$ 2,489,151
Notes receivable	56,727	-	56,727
Developer loans	1,704,308	-	1,704,308
Special assessments debt service*	11,833,834	-	11,833,834
Real estate contracts	<u>3,001,272</u>	<u>-</u>	<u>3,001,272</u>
Total government activities	<u>\$ 23,374,354</u>	<u>\$ 4,289,062</u>	<u>\$ 19,085,292</u>
Business-type activities:			
Major funds:			
Joint Water and Sewer:			
Notes receivable	\$ 7,286,844	\$ -	\$ 7,286,844
Nonmajor funds:			
Developer loans	<u>2,433,365</u>	<u>-</u>	<u>2,433,365</u>
Total business-type activities	<u>\$ 9,720,209</u>	<u>\$ -</u>	<u>\$ 9,720,209</u>

* Includes delinquent accounts of \$257,443.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 6 INTERFUND RECEIVABLE AND PAYABLE

The interfund receivable and payable accounts have primarily been recorded when funds overdraw their share of pooled cash. The composition of interfund balances as of June 30, 2003, consist of the following:

	<u>Due from other funds</u>	<u>Due to other funds</u>
Major governmental funds:		
General Fund	\$ 9,158,860	\$ -
Corrections and Detention	-	8,029,463
Nonmajor governmental funds	<u>-</u>	<u>1,129,397</u>
Total	<u>\$ 9,158,860</u>	<u>\$ 9,158,860</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, 2003.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Capital Acquisition Fund	\$ 112,000
	Open Space Expenditures Fund	195,636
Nonmajor governmental fund *	Nonmajor enterprise fund *	<u>24,300,000</u>
Total advances		<u>\$ 24,607,636</u>

* Revenue bonds payable solely from gross receipts tax revenues were issued in fiscal year 2000. The proceeds of these bonds were advanced by the Sales Tax Refunding Debt Service Fund 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, 2003

NOTE 8 CAPITAL ASSETS

Capital asset activity of the City for the year ended June 30, 2003, 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	\$ 202,758,574	\$ 6,786,562	\$ -	\$ 209,545,136
Construction work in progress	<u>248,830,022</u>	<u>61,963,634</u>	<u>104,740,797</u>	<u>206,052,859</u>
	<u>451,588,596</u>	<u>68,750,196</u>	<u>104,740,797</u>	<u>415,597,995</u>
Assets being depreciated:				
Buildings	81,193,940	38,640,439	-	119,834,379
Infrastructure	35,599,482	19,742,963	-	55,342,445
Improvements other than buildings	275,684,773	44,282,477	53	319,967,197
Equipment	<u>143,755,836</u>	<u>12,796,339</u>	<u>6,418,604</u>	<u>150,133,571</u>
	<u>536,234,031</u>	<u>115,462,218</u>	<u>6,418,657</u>	<u>645,277,592</u>
Less accumulated depreciation:				
Buildings	30,574,759	2,510,831	-	33,085,590
Infrastructure	593,325	1,515,699	-	2,109,024
Improvements other than buildings	151,825,817	9,758,156	-	161,583,973
Equipment	<u>113,231,233</u>	<u>10,754,025</u>	<u>6,418,604</u>	<u>117,566,654</u>
	<u>296,225,134</u>	<u>24,538,711</u>	<u>6,418,604</u>	<u>314,345,241</u>
Capital Assets being depreciated, net	<u>240,008,897</u>	<u>90,923,507</u>	<u>53</u>	<u>330,932,351</u>
Total capital assets, net	<u>\$ 691,597,493</u>	<u>\$ 159,673,703</u>	<u>\$ 104,740,850</u>	<u>\$ 746,530,346</u>

Infrastructure assets of \$18.2 million were added for roadways, storm sewers and bike trails. In addition, land was acquired for open space costing \$5.5 million; a new crime lab was completed for \$8.3 million and replacement vehicles were acquired for the police for \$0.5 million.

The construction work in progress consists of expenditures made in connection with the Capital Acquisition, Infrastructure Tax, and Quality of Life Funds. The construction work in progress decreased by \$42.8 primarily due to the completion of various construction projects while the other change in construction is a result of continuing facility development at the Balloon Fiesta Park, including the Balloon Park Museum, a major expansion of the Albuquerque Museum, and other facilities.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 8 CAPITAL ASSETS, continued

B. Business-type activities

	<u>Balance July 1*</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30</u>
Assets not being depreciated:				
Land	\$ 73,458,646	\$ 842,869	\$ 126,645	\$ 74,174,870
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>51,893,554</u>	<u>35,967,841</u>	<u>28,879,795</u>	<u>58,981,600</u>
Total assets, not being depreciated	<u>133,622,823</u>	<u>36,810,710</u>	<u>29,006,440</u>	<u>141,427,093</u>
Assets being depreciated:				
Buildings and improvements	287,390,042	47,393,580	-	334,783,622
Runways and improvements	242,350,627	23,996	-	242,374,623
Improvements other than buildings and runways	1,314,448,390	27,891,582	-	1,342,339,972
Equipment	<u>155,140,395</u>	<u>7,967,473</u>	<u>5,575,619</u>	<u>157,532,249</u>
Total assets, being depreciated	<u>1,999,329,454</u>	<u>83,276,631</u>	<u>5,575,619</u>	<u>2,077,030,466</u>
Less accumulated depreciation:				
Buildings and improvements	133,496,742	9,296,860	-	142,793,602
Runways and improvements	124,355,577	12,262,796	-	136,618,373
Improvements other than buildings and runways	636,619,834	49,228,223	-	685,848,057
Equipment	<u>102,351,430</u>	<u>12,350,354</u>	<u>5,387,826</u>	<u>109,313,958</u>
Total accumulated depreciation	<u>996,823,583</u>	<u>83,138,233</u>	<u>5,387,826</u>	<u>1,074,573,990</u>
Capital assets being depreciated, net	<u>1,002,505,871</u>	<u>138,398</u>	<u>187,793</u>	<u>1,002,456,476</u>
Total capital assets, net	<u>\$ 1,136,128,694</u>	<u>\$ 36,949,108</u>	<u>\$ 29,194,233</u>	<u>\$ 1,143,883,569</u>

* Restated. See Note 23.

A totally renovated baseball stadium was completed for \$23.0 million. Other additions included water and sewer lines (\$24.4 million) and new transit vehicles (\$3.6 million).

The construction work in progress increased by \$7.1 million. The construction work in progress consists of expenditures made in connection with the Airport Fund, 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, and Solid Waste Disposal Facilities.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

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	\$ 2,169,365
Public safety:	
Corrections	233,196
Fire protection	1,446,782
Police protection	6,309,385
Culture and recreation	10,250,465
Public works	1,063,218
Highways and streets	1,388,865
Health	496,881
Human services	1,054,375
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	126,179
Total depreciation expense - governmental activities	\$ 24,538,711
<u>Business-type activities:</u>	
Major funds:	
Airport	\$ 27,845,671
Joint Water and Sewer	40,843,474
Refuse Disposal	4,782,031
Housing Authority	1,733,369
Nonmajor funds	7,933,688
Total depreciation expense - business-type activities	\$ 83,138,233

D. Capitalized interest

Changes to the capital assets for the business-type activities for 2003 include the following amounts of capitalized interest:

	Total Interest	Interest Related to Tax-Exempt Borrowing	Net
Interest expense	\$ 28,849,440	\$ 3,815,849	\$ 25,033,591
Interest income	4,160,786	1,653,960	2,506,826
Capitalized interest		\$ 2,161,889	

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

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, 2003 is as follows:

A. Governmental Activities

Capital Acquisitions Fund \$ 34,401,951

B. Business-type activities

Airport Fund	\$ 68,611,404
Joint Water and Sewer Fund	89,712,682
Refuse Disposal Fund	15,915,311
Housing Authority Fund	387,487
Nonmajor Enterprise Funds	<u>23,846,697</u>
Totals	<u>\$ 198,473,581</u>

NOTE 10 LONG-TERM OBLIGATIONS

A. Governmental activities

Bonded obligations of the City consist 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, 2003, are as follows:

	Outstanding				Payable in one year
	July 1	Increases	Decreases	June 30	
General Obligation Bonds	\$ 209,865,000	\$ -	\$ 49,810,000	\$ 160,055,000	\$ 33,245,000
Sales Tax Revenue Bonds	159,790,000	-	3,885,000	155,905,000	3,170,000
Sales Tax Revenue Notes	700,000	-	126,312	573,688	135,888
Special Assessment Bonds and Notes					
With Governmental Commitment	22,407,474	-	8,985,964	13,421,510	2,427,611
Accrued vacation and sick leave pay	26,003,279	19,557,303	20,111,658	25,448,924	16,234,794
Accrued claims payable	39,298,513	17,507,793	16,204,742	40,601,564	11,153,000
Less deferred amounts:					
Unamortized Bond Discounts	(17,053,338)	-	(1,284,722)	(15,768,616)	-
Unamortized Bond Premiums	<u>2,240,264</u>	-	<u>570,906</u>	<u>1,669,358</u>	-
	443,251,192	37,065,096	98,409,860	381,906,428	66,366,293
Current portion of long-term obligations	<u>(85,294,016)</u>	<u>-</u>	<u>(18,927,723)</u>	<u>(66,366,293)</u>	<u>-</u>
Total	<u>\$ 357,957,176</u>	<u>\$ 37,065,096</u>	<u>\$ 79,482,137</u>	<u>\$ 315,540,135</u>	<u>\$ 66,366,293</u>

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. The sick leave and vacation pay obligations are being liquidated primarily by the following funds: General, Air Quality, City/County Facilities, Gas Tax Road, Plaza Del Sol Building, and Acquisition and Management of Open Space Expenditures. Limited amounts are being liquidated by other funds.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 10 LONG-TERM OBLIGATIONS, continued

A. Governmental activities, continued

General obligation bonds outstanding at June 30, 2003, are as follows:

<u>Issue</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Call Provisions</u>
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	<u>5,600,000</u>	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 general 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, 2003, based on the most recent assessed taxable valuation of \$7,623,843,160, the City may issue an additional \$192,068,000 of general purpose general obligation bonds. Included in the general obligation bonds outstanding at June 30, 2003, 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, 2003

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, 2003, 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	\$ 35,305,000	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	1,300,000	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	24,600,000	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>\$ 156,478,688</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.

Special Assessment debt and notes in the amount of \$13,421,510 are outstanding at June 30, 2003. Interest rates range from 3.21% to 7.10%, and maturities extend through January 1, 2015.

B. Business-type activities

The changes in the Business-type activities obligations for the year ended June 30, 2003, 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	\$ 560,100,000	\$ -	\$ 48,020,000	\$ 512,080,000	\$ 41,720,000
Loans and notes payable	49,137,006	18,600,000	3,201,375	64,535,631	960,484
Accrued vacation and sick leave pay	6,714,731	6,520,881	6,422,172	6,813,440	4,614,876
Less deferred amounts:					
Deferred refunding costs	(11,910,634)	-	(2,228,027)	(9,682,607)	-
Unamortized bond premiums	6,057,950	-	1,059,898	4,998,052	-
Unamortized bond discounts	<u>(9,588,405)</u>	-	<u>(1,725,064)</u>	<u>(7,863,341)</u>	-
	600,510,648	25,120,881	54,750,354	570,881,175	47,295,360
Current portion	<u>(46,592,057)</u>	-	<u>703,303</u>	<u>(47,295,360)</u>	-
Business-type activity long-term obligations	<u>\$ 553,918,591</u>	<u>\$ 25,120,881</u>	<u>\$ 55,453,657</u>	<u>\$ 523,585,815</u>	<u>\$ 47,295,360</u>

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 10 LONG-TERM OBLIGATIONS, continued

B. Business-type activities, continued

The sick leave and vacation pay obligations are being liquidated primarily by the following funds: Airport, Joint Water and Sewer, Refuse Disposal, Housing Authority, Golf Course, Transit, and Parking Facilities.

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

Airport Revenue bonds outstanding at June 30, 2003, are as follows:

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

a - adjustable weekly

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

The Apartments Revenue Bonds are secured by pledges of net revenues of the apartments.

In July 2000, the City pursuant to a mortgage and indenture of trust issued the \$15,080,000 Affordable Housing Projects Refunding Revenue Bonds Series 2000 (Series 2000) to refund previously issued revenue bonds. The Series 2000 revenue bonds consist of debt issued by three City owned trusts; Beach, Bluewater Village and Manzano Vista Apartments. The debt constitutes a limited obligation of the City and is payable solely from the resources of these trusts. The respective facilities and the revenues derived from these facilities are pledged for the repayment of the bonds. The mortgage and indenture of trust contain significant requirements for annual debt service and use of project revenues and resources. Required funds include escrow and expense funds, a debt service fund, use of project reserve funds (debt service, retained earnings coverage and sinking fund installment accounts) and restricted property reserve funds (rehabilitation, renovation, repair and replacement accounts).

The Series 2000 bonds mature July 1, 2003 and bear a variable interest rate based upon similar tax free obligations (BMA index). At the option of the City, interest is paid on market rates for either daily, weekly, short term or long term interest rate periods. Based on interest rate periods, interest is paid no less than monthly or in the case of long term periods paid semi annually each July and January. At June 30, 2003 and 2002 interest was being paid monthly. The average interest rate on the Series 2000 bonds for the years ended June 30, 2003 and 2002 was 1.26% and 1.7% respectively. The weekly interest rate at June 30, 2003 and 2002 was .97% and 1.23% respectively.

The City has executed a standby bond purchase agreement (expires July 20, 2005) to provide a liquid facility for the potential repurchase of bonds at the option of the bond owner (at par) as allowed under the terms of the mortgage and indenture of trust. The City has contracted with a remarketing agent to resell bonds purchased pursuant to the standby bond purchase agreement.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 10 LONG-TERM OBLIGATIONS, continued

B. Business-type activities, continued

The Series 2000 bonds are subject to optional and mandatory redemptions generally at par (unless long term rates are in effect) as required by the mortgage and indenture of trust commencing July 1, 2001. The Apartments debt in the amount of \$14,380,000 is outstanding at June 30, 2003 and maturities extend through July 1, 2030.

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, 2003 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
Unamortized discounts	<u>(4,547)</u>			
Net outstanding	<u>\$ 2,290,453</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. In ordinances pursuant to the issuance of these bonds, the City has agreed to charge all users of the system such reasonable rates as are sufficient to produce net revenues annually to pay 133% of the annual debt service requirements on all outstanding system obligations. The City met those requirements at the end of the fiscal year.

Joint Water and Sewer Revenue Bonds outstanding at June 30, 2003, 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	\$ 32,580,000	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	250,020,000			
Unamortized:				
premiums	3,718,156			
discounts	(7,573,860)			
deferred refunding costs	<u>(3,226,631)</u>			
Net outstanding	<u>\$ 242,937,665</u>			

Included in the outstanding Joint Water and Sewer Revenue Bonds are the June 1, 1990A issue, capital appreciation bonds with a par amount of \$32,580,000, net of original issue discount of \$22,588,290. No payment of principal or interest is due on these bonds until July 1, 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 \$15,014,430 has accreted as of June 30, 2003, and accordingly, the interest expense and related liability are included in the financial statements of the City. The accreted interest is included as a reduction of the unrestricted net assets.

Joint Water and Sewer Notes Payable and 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.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 10 LONG-TERM OBLIGATIONS, continued

B. Business-type activities, continued

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, 2003, was \$20,758,437 .

A line of credit agreement with the New Mexico Environment Department was entered into by the Fund on June 18, 2002. This agreement provides that the Fund may draw a total of \$12,000,000 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. Interest is 3.0 percent on funds drawn. At June 30, 2003, the Fund had drawn \$3,484,446.

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, 2003, was \$4,844,525.

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, 2003, was \$1,231,859.

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, 2003, was \$4,396,274.

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, 2003, was \$11,804,536.

On April 12, 2002, the City executed a loan agreement with the New Mexico Finance Authority in the amount of \$450,000 with an average interest rate of 3.6%. The proceeds from the loan will be used to construct chemical storage facilities used as part of the City's drinking water disinfection system. Final payment is due on July 1, 2014. The balance due at June 30, 2003 was \$450,000.

On May 10, 2002, the City executed a loan agreement with the New Mexico Finance Authority in the amount of \$2,450,000 with an average interest rate of 2.8%. The proceeds from the loan will be used for the construction of a drinking water disinfection system in the City's water and wastewater utility system. Final payment is due on July 1, 2014. The balance due at June 30, 2003 was \$2,450,000.

On April 11, 2003, the City executed a loan agreement with the New Mexico Finance Authority in the amount of \$3,600,000 with an interest rate of 2.0%. The proceeds from the loan will be used for the construction of a pump station in the City's water and wastewater utility system. Final payment is due on January 1, 2016. The balance due at June 30, 2003 was \$3,600,000.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 10 LONG-TERM OBLIGATIONS, continued

B. Business-type activities, continued

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

Refuse Disposal Revenue Bonds outstanding at June 30, 2003, 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 premiums	246,383			
Deferred refunding costs	<u>(482,272)</u>			
Net outstanding	<u>\$ 33,399,111</u>			

Stadium Loans are secured by pledges of net revenues of the Albuquerque baseball stadium.

On October 4, 2002 the City entered into a Taxable Stadium Lease loan agreement with the New Mexico Finance Authority in the amount of \$6,000,000 with an average interest rate of 5.2%. Final payment is due on July 1, 2026. The balance due on June 30, 2003 was \$6,000,000.

On December 27, 2002 the City entered into a Taxable Surcharge loan agreement with the New Mexico Finance Authority in the amount of \$9,000,000 with an average interest rate of 4.2%. Final payment is due on July 1, 2026. The balance due on June 30, 2003 was \$9,000,000.

Both loans were used to finance reconstruction of the existing baseball stadium. See Note 22.

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 state that the bonds and notes do not constitute a debt of the HA and, accordingly, these have not been reported in the accompanying financial statements. At June 30, 2003, the outstanding balance of the revenue bonds was \$1,065,000 with annual payments required through 2013 and the outstanding balance of the permanent notes was \$8,332,048 with annual payments required through 2017.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 10 LONG-TERM OBLIGATIONS, continued

C. Summary of Annual Debt Service Requirements

The annual debt service requirements on the obligations outstanding at June 30, 2003 are as follows:

Year ending June 30	Governmental activities		Business-type activities	
	Principal	Interest	Principal	Interest
2004	\$ 36,550,888	\$ 12,746,609	\$ 42,680,484	\$ 23,648,525
2005	28,742,836	11,212,277	49,017,658	22,700,918
2006	29,886,451	9,834,319	51,721,836	20,418,413
2007	27,669,505	8,630,860	52,878,810	18,122,394
2008	24,888,139	7,436,845	55,963,871	15,950,811
2009-2013	82,187,380	25,345,137	210,742,549	50,176,684
2014-2018	37,550,000	17,165,375	91,643,480	15,764,532
2019-2023	44,360,000	9,598,439	35,336,824	3,500,184
2024-2028	18,120,000	1,612,688	7,950,119	728,017
2029-2031	-	-	2,980,000	59,558
Total	\$ 329,955,199	\$ 103,582,548	\$ 600,915,631	\$ 171,070,036

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, 2003, the City has set aside an amount of \$1,142,836 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, 2003, no amounts were drawn on the "take out" agreements, which are as follows:

Sales Tax Revenue Bonds March 7, 1995

Remarketing Agent	Citigroup
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 6/30/2003	\$1,300,000
Annual Debt Service Requirements	\$195,000, Final payment of \$1,300,000 due July 1, 2023

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 11 DEMAND BONDS, continued

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

Remarketing Agent	Citigroup
Terms of "Take-Out" Agreement:	
Purchaser	Bayerische Hypo-und Vereinsbank, AG
Method of Purchase	Direct Pay Letter of Credit
Expiration Date	November 30, 2003
Annual Fee	.25% on the stated amount of 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 6/30/2003	\$53,000,000
Annual Debt Service Requirements	Range of payment is from \$622,500 to \$5,025,000

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 6/30/2003	\$46,300,000
Annual Debt Service Requirements	Range of payment is from \$5,413,000 to \$9,679,000

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 6/30/2003	\$24,600,000
Annual Debt Service Requirements	Range of payment is from \$2,800,000 to \$4,564,000

Affordable Housing Projects Refunding Revenue Bonds, Series 2000, July 1, 2000

Remarketing Agent	Newman & Associates, Inc.
Insured by	MBIA Insurance Corporation
Terms of "Take-Out" Agreement:	
Purchaser	Bank of America, N.A.
Method of Purchase	Liquidity Facility
Expiration Date	July 20, 2005
Annual Fee	.125% on the stated amount of the liquidity facility
Stated Amount at Time of Issuance	\$16,085,333 (Principal outstanding plus 200 days of interest at 12%)
Bonds Outstanding at 6/30/2003	\$14,380,000
Annual Debt Service Requirements	Range of payment is from \$1,428,400 to \$2,798,400

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, 2003, is as follows:

Sales Tax Revenue Bonds	<u>\$21,266,597</u>
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CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

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, 2003, there were seventy-four series of Industrial Revenue Bonds outstanding. The aggregate principal amount payable for the thirty-seven series issued after July 1, 1995, is \$1.2 billion. The aggregate principal amount payable for the thirty-seven series issued prior to July 1, 1995, could not be determined; however, the original amount issued totaled \$601.9 million.

Metropolitan Redevelopment Bonds

As of June 30, 2003, there were nine series of Metropolitan Redevelopment Bonds outstanding. The aggregate principal amount payable for the three series issued after July 1, 1995 is \$5.42 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 Community Development Fund at June 30, 2003 has a deficit unreserved fund balance of \$478,480 and the deficit total fund balance is \$478,480. 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 Rio Grande Zoo purpose at June 30, 2003, is \$1,555,580.

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, 2003, was \$88,202 and the Rio Grande Bosque RR purpose was \$260, at June 30, 2003

Internal Service Funds

The deficit fund net assets of the Risk Management Fund decreased to \$12,651,150 at June 30, 2003 from the \$14,109,749 deficit fund net assets at June 30, 2002. 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, 2003

NOTE 15 INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2003, were as follows:

From	To		
General Fund	Corrections and Detention Fund	\$	20,766,000
General Fund	Capital Acquisition Fund		6,486,000
General Fund	Nonmajor Proprietary Funds		15,556,000
General Fund	Nonmajor Governmental Funds		8,776,352
Corrections Fund	Joint Water & Sewer Capital Fund		487,245
Capital Acquisition Fund	Nonmajor Proprietary Funds		639,299
Joint Water & Sewer Fund	General Fund		5,098,927
Refuse Disposal Fund	General Fund		1,061,791
Nonmajor Governmental Funds	General Fund		651,000
Nonmajor Proprietary Funds	General Fund		310,462
Nonmajor Governmental Funds	Nonmajor Governmental Funds		8,025,757
Nonmajor Governmental Funds	Nonmajor Proprietary Funds		5,732,307
Total transfers			\$ 73,591,140
		Transfers In	Transfers Out
Exhibit A-4, "Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Funds		\$ 51,176,289	\$ 66,850,960
Exhibit A-8, "Statement of Revenues, Expenses, and Changes in Net Assets - All Proprietary Funds		22,414,851	6,740,180
Total transfers		\$ 73,591,140	\$ 73,591,140

The transfers from the General Fund to the other funds are for the purpose of: 1) providing a subsidy for the operations of the Transit and Parking Facilities nonmajor enterprise funds, 2) funding the City's share of the cost of operations of the Corrections and Detention Fund with Bernalillo County, 3) providing the City's local match for operating grants from federal and state agencies, 4) funding the purchase of police and fire vehicles, and various construction projects, and 5) transferring resources to debt service funds for the retirement of General Obligation and Sales Tax Refunding bonds.

The transfers to the General Fund from the major and nonmajor enterprise funds are primarily for payments in lieu of taxes.

Other transfers relating to funds within the nonmajor governmental funds type are: 1) for debt retirement and various other purposes, and 2) from permanent funds to the related expenditures governmental special revenue funds. The transfers from the nonmajor governmental fund to the nonmajor proprietary funds are for the transfer of a portion of the Infrastructure Tax Revenues to the Transit fund to be used for improvements to the local bus service.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

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, 2003, (in thousands of dollars) is as follows:

	Golf Course Fund	Apart- ments Fund	Parking Facilities Fund	Stadium Fund	Transit Fund	Total
CONDENSED STATEMENT OF NET ASSETS						
Assets:						
Current assets	\$ 330	\$ 501	\$ 336	\$ 603	\$ 4,985	\$ 6,755
Restricted assets	2,362	3,980	7,302	398	9,805	23,847
Capital assets	5,744	15,608	28,686	22,618	41,175	113,831
Other assets	83	-	291	269	-	643
Total assets	8,519	20,089	36,615	23,888	55,965	145,076
Liabilities:						
Current liabilities	196	110	260	26	2,065	2,657
Liabilities payable from restricted assets	312	306	-	377	809	1,804
Bonds and other long-term liabilities	2,155	14,180	42	15,004	355	31,736
Advance from other funds	-	-	24,300	-	-	24,300
Total liabilities	2,663	14,596	24,602	15,407	3,229	60,497
Net assets:						
Invested in capital assets, net of related debt	4,570	1,807	10,023	7,886	41,175	65,461
Net assets restricted for:						
Debt service	52	-	823	22	-	897
Construction	1,164	-	1,134	-	8,995	11,293
Unrestricted net assets (deficit)	70	3,686	33	573	2,566	6,928
Total net assets	\$ 5,856	\$ 5,493	\$ 12,013	\$ 8,481	\$ 52,736	\$ 84,579

**CONDENSED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS**

Operating revenues	\$ 3,861	\$ 3,067	\$ 3,575	\$ 705	\$ 3,276	\$ 14,484
Depreciation	(430)	(660)	(1,243)	(518)	(5,083)	(7,934)
Other operating expenses	(3,436)	(2,154)	(3,023)	(122)	(26,065)	(34,800)
Operating income (loss)	(5)	253	(691)	65	(27,872)	(28,250)
Nonoperating revenues (expenses):						
Investment earnings	51	114	(8)	6	259	422
Interest and other debt related expenses	(160)	(288)	(415)	(510)	-	(1,373)
Other	69	(19)	-	8	2,205	2,263
Capital contributions	-	-	(367)	8,912	7,163	15,708
Transfers in	-	-	-	-	21,928	21,928
Transfers out	(50)	-	(121)	-	(139)	(310)
Change in net assets	(95)	60	(1,602)	8,481	3,544	10,388
Beginning net assets	5,951	5,433	13,615	-	49,192	74,191
Ending net assets	\$ 5,856	\$ 5,493	\$ 12,013	\$ 8,481	\$ 52,736	\$ 84,579

CONDENSED STATEMENT OF CASH FLOWS

Net cash provided (used) by:						
Operating activities	\$ 450	\$ 869	\$ 633	\$ 335	\$ (21,902)	\$ (19,615)
Noncapital financing activities	(50)	-	(1,933)	-	22,875	20,892
Capital and related financing activities	(337)	(1,026)	(2,832)	374	1,479	(2,342)
Investing activities	51	114	79	6	259	509
Net increase (decrease)	114	(43)	(4,053)	715	2,711	(556)
Beginning cash and cash equivalents	2,563	4,089	9,184	-	9,952	25,788
Ending cash and cash equivalents	\$ 2,677	\$ 4,046	\$ 5,131	\$ 715	\$ 12,663	\$ 25,232

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
 June 30, 2003

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, 2003.

<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%	\$ 4,871	19.01%	\$ 28,172
General - Bus Drivers	13.15%	829	9.15%	577
General - Other	7.00%	156	7.00%	156
Police	16.30%	6,892	18.50%	7,822
Fire	15.20%	<u>4,284</u>	20.25%	<u>5,620</u>
		<u>\$ 17,032</u>		<u>\$ 42,347</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>
2002	\$17,168	\$43,344
2001	16,058	41,251

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

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

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, 2003, were approximately \$139,605. The number of retired employees covered under the life insurance benefit was 2,974 at June 30, 2003, and the amount of life insurance coverage for these retired employees was \$53,694,400.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 18 POST-EMPLOYMENT BENEFITS, continued

RETIREE HEALTH CARE ACT CONTRIBUTIONS: The Retiree Health Care Act (Sec 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, the Magistrate Retirement Act, or the Public Employees Retirement Act.

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

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

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

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

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

NOTE 19 DEFERRED COMPENSATION

The City of Albuquerque offers its employees three deferred compensation plans created in accordance with 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 \$1,306,429 reported as other liabilities payable from restricted assets at June 30, 2003, represents the cumulative amount reported to date based on the use of 14.8% 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 \$6,941,400 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 2003. The City expects to close the landfill in the year 2037. Actual cost may be higher due to inflation, change in technology, or change in regulations.

The City has set aside \$1,623,275 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 change 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, 2003

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 and contents damage claim. With the exception of the Corrections and Detention Center, the Risk Management Fund provides unlimited coverage for civil rights claims. The coverage on the Corrections and Detention Center was provided by private insurance with a limit of \$1,000,000 per occurrence subject to a maximum of \$2,000,000 with a \$100,000 deductible on each claim. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. Effective July 1, 2003, there will be unlimited coverage for these claims.

The Risk Management Fund tracks claims on a fund by fund basis and assesses charges to each fund based on historical claims experience, and to establish a reserve for catastrophic losses. That reserve was \$1,000,000 at June 30, 2003, and is included in the unrestricted net assets (deficit) of the Risk Management Fund. The claims liabilities reported in the Risk Management Fund are based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The amounts and change in the Fund's claims liability is reported in Note 10 – Long-term Obligations.

NOTE 22 NEW FUNDS

Apartments Fund

The City created this fund to report the assets, liabilities and net assets of its City-owned apartments. These apartments are provided for low income persons. For the fiscal year ended June 30, 2003, the operating revenue was \$3.1 million while the operating expenses was \$2.8 million. The non-operating revenues (expenses) was a net expense of \$.2 million. Refer to Note 23 for more information.

False Alarm Enforcement and Education Fund

This fund was established to account for fees and fines collected under the newly revised Albuquerque Alarm System Ordinance (Enactment 8-2003). The purpose of the ordinance is to establish criteria governing the installation, use and maintenance of Alarm Systems within the City in order to reduce or eliminate the false alarms that consume public safety resources. The revenue collected from May 1st through June 30, 2003 was \$276 thousand and will be used to fund the costs of enforcing this ordinance and to fund the purchase of equipment.

Stadium Fund

This fund was established to account for the operation and maintenance of the renovated baseball stadium for the local AAA baseball team. The City has entered into a twenty year lease contract with the Albuquerque Baseball Club, LLC.

The renovated baseball stadium was constructed using a combination of funding from General Obligation Taxable Baseball Bonds of \$10.0 million and two loans from the New Mexico Finance Authority totaling \$15.0 million. The General Obligation bonds are being re-paid from the G.O. Debt Service Fund using property taxes as its source of revenue.

The \$23.1 million cost of renovating the stadium was recorded in the Capital Acquisition Fund. Upon completion, the cost of the stadium was transferred to the Stadium Fund and is reported as a capital asset. The capital contribution of \$8.9 million results from the contribution of the \$23.1 million renovation cost plus other ancillary costs that was offset by the assumption of the \$15.0 million in loans. These loans will be repaid from the net earnings of this fund.

For fiscal year ended June 30, 2003, the fund reported total revenues of \$705 thousand and expenses of \$640 thousand including \$518 thousand in depreciation expense. The fund also incurred debt service expenses of \$510 thousand resulting in a negative change in net assets of \$430 thousand before the capital contribution noted above.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 23 RESTATEMENT OF PRIOR PERIOD FUND BALANCES OR NET ASSETS

The Open Space Permanent Fund was restated to report the fund under the current financial resources measurement focus and on the modified accrual basis. The change resulted in a reduction of the reported fund balance by \$3,824,507. In addition, the reported deferred revenue was increased by \$3,824,507. The beginning fund balance reported in the Statement of Revenue, Expenditures, and Changes in Fund Balance - Governmental Funds (Exhibit A-4) has also been reduced by the same amount. However, since the City-Wide Statement of Net Assets (Exhibit A-1) is reported on a full economic resources measurement focus and on the full accrual basis, no change is required in the reported net assets of the City.

The City has determined that the City-owned apartments, previously reported only in trusts, should also be reported in the City's financial statements. Accordingly, the apartments are now being reported in the Apartments Fund. As a result, the beginning net assets as reported in the Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Funds (Exhibit A-8) has been increased by \$5,432,548. In addition, the beginning net assets as reported in the City-wide Statement of Activities (Exhibit A-2) has been increased by the same amount. Refer to Note 22 for more information.

The City has determined that the receivable and revenue of a grant in the Operating Grants fund had been understated by \$466,711. Accordingly, the beginning fund balance reported in the Statement of Revenue, Expenditures, and Changes in Fund Balance - Governmental Funds (Exhibit A-4) and the beginning net assets as reported in the City-wide Statement of Activities (Exhibit A-2) has been increased by that amount.

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	\$ 629,026
Corrections Fund	151,138
Capital Acquisition Fund	33,335,977
Nonmajor Government Funds	23,167,746
Internal Service Funds	<u>547,771</u>
Total Government Funds	<u>\$ 57,831,658</u>

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	\$ 13,214,996
Joint Water and Sewer Fund	33,901,258
Refuse Disposal Fund	6,726,452
Housing Authority Fund	54,725
Nonmajor Business-type Funds	<u>6,503,729</u>
Total Business Funds	<u>\$ 60,401,160</u>

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 \$1,380,516 were incurred for the year ended June 30, 2003. Lease commitments for future years are as follows:

2004	\$767,423
2005	659,816
2006	366,570
2007	268,273

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 24 COMMITMENTS AND CONTINGENT LIABILITIES, continued

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, 2003. 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.

The City has incurred but has not recorded liabilities and expenditures in the amount of \$128 thousand in connection with natural gas purchases from Enron Energy Services, Inc. (Enron) that has filed Chapter 11 Bankruptcy proceedings. As part of the Natural Gas Sales Agreement, Enron furnished a Supply/Performance Bond to the City. As a result of Enron's bankruptcy, the City incurred an additional \$360 thousand in costs of acquiring natural gas. The City has filed Lawsuit against the Liberty Mutual Insurance Company (Liberty) under the performance bond petitioning the court to render judgment in favor of the City for Liberty to pay the City \$360 thousand reduced by the \$128 thousand due on the final billing from Enron.

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.

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 allege that the City had denied them access to their property from 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.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 25 SUBSEQUENT EVENTS

City election - October 28, 2003:

The City's voters authorized the issuance of general obligation bonds for the following purposes:

Parks and Recreation	\$ 32,548,197
Public Facilities, Equipment and System Modernization	14,247,984
Zoo, Biological Park and Museum	12,758,384
Storm Sewer System	11,576,370
Senior, Family and Community Center	9,505,926
Police	8,585,360
Public Transportation	6,443,100
Fire Protection	6,039,565
Library	<u>3,756,081</u>
	<u>\$ 105,460,967</u>

The City's voters failed to authorize the issuance of general obligation bonds for Streets of \$52,377,493. The City's voters also authorized the imposition of a one-quarter of one percent public safety gross receipts tax, which shall be dedicated to public safety.

Bond issues:

On July 11, 2003, the City issued \$8,750,000 of General Obligation Equipment Bonds, Series 2003A. The proceeds of the Series 2003A bonds will be used to purchase equipment for fire, police, library, transit and street improvements.

On July 11, 2003, the City issued \$81,805,000 of General Obligation General Purpose Bonds, Series 2003B. The proceeds of the Series 2003B bonds will be used for fire and police protection, citizens' centers, parks and recreational facilities, libraries, museums, transit facilities and street improvements.

Also on July 11, 2003, the City issued \$9,440,000 of General Obligation Storm Sewer Bonds, Series 2003C. The Series 2003C bonds will be used to finance storm sewer improvements.

During the 2003 legislative session, legislation was enacted that transfers "all functions, appropriations, money, records, equipment and other real and personal property pertaining to the Albuquerque water and wastewater utility" to a newly created entity, the Albuquerque-Bernalillo Water Utility Authority. Existing debt shall become debt of the Authority, but the Authority shall not impair the rights of any bondholders of outstanding bonds. All contractual obligations of the existing proprietary activity shall be binding on the Authority. Although the legislation had an effective date of June 20, 2003, an audit by the Public Regulation Commission is a condition precedent to the transfer of money, assets and debts to the Authority. That audit is expected to be completed in the last quarter of calendar year 2003. Following the transfer, the Authority is charged with administering the water and wastewater utility, including the determination and imposition of rates for services. It is not possible at this time to forecast if the Authority will chose to administer the utility by itself, contract with the City to provide that service, or select some other alternative.

The City has been selected to undergo an audit by the New Mexico Taxation and Revenue Department. The audit will be a review of the City's reporting on the Gross Receipts and Compensating Tax programs. The fieldwork phase has not yet begun so there is no estimate of liability.

APPENDIX B

CUSIP Numbers for Outstanding City Bonds

Bond Issue name	D/S Month & Year	Cusip	Principal
Airport Refunding 1998	July 2004	013538FE8	1,705,000.00
	July 2005	013538FF5	1,780,000.00
	July 2006	013538FG3	1,850,000.00
	July 2007	013538FH1	1,955,000.00
	July 2008	013538FJ7	2,040,000.00
	July 2009	013538FK4	2,135,000.00
	July 2010	013538FL2	2,220,000.00
	July 2011	013538FM0	2,325,000.00
	July 2012	013538FN8	2,430,000.00
	July 2013	013538FP3	2,555,000.00
	July 2014	013538FQ1	2,675,000.00
	July 2015	013538FR9	2,805,000.00
	July 2016	013538FS7	2,940,000.00
	July 2017	013538FS7	3,085,000.00
	July 2018	013538FS7	3,240,000.00
	July 2019	013538FS7	3,405,000.00
	Airport Refunding Revenue 1997	July 2004	013538EP4
July 2005		013538EQ2	1,240,000.00
July 2006		013538ER0	1,320,000.00
July 2007		013538ES8	1,400,000.00
July 2008		013538ET6	1,500,000.00
July 2009		013538EU3	1,600,000.00
July 2010		013538EV1	1,700,000.00
July 2011		013538EW9	1,805,000.00
July 2012		013538EX7	1,935,000.00
July 2013		013538EA6	2,060,000.00
July 2014		013538EA6	2,195,000.00
July 2015		013538EA6	2,340,000.00
July 2016		013538EB4	2,485,000.00
July 2017		013538EB4	2,655,000.00
July 2018	013538EB4	2,830,000.00	
Airport Subordinate Lien Adjustable Tender 1995	July 2004	013538EG4	2,900,000.00
	July 2005	013538EG4	3,200,000.00
	July 2006	013538EG4	3,500,000.00
	July 2007	013538EG4	3,800,000.00
	July 2008	013538EG4	4,100,000.00

Bond Issue name	D/S Month & Year	Cusip	Principal
	July 2009	013538EG4	4,400,000.00
	July 2010	013538EG4	4,800,000.00
	July 2011	013538EG4	5,200,000.00
	July 2012	013538EG4	5,600,000.00
	July 2013	013538EG4	6,100,000.00
	July 2014	013538EG4	6,700,000.00
Airport Sub Lien 2000A	July 2004	013538FV0	300,000.00
	July 2005	013538FV0	300,000.00
	July 2006	013538FV0	300,000.00
	July 2007	013538FV0	300,000.00
	July 2008	013538FV0	300,000.00
	July 2009	013538FV0	300,000.00
	July 2010	013538FV0	400,000.00
	July 2011	013538FV0	400,000.00
	July 2012	013538FV0	400,000.00
	July 2013	013538FV0	400,000.00
	July 2014	013538FV0	400,000.00
	July 2015	013538FV0	400,000.00
	July 2016	013538FV0	400,000.00
	July 2017	013538FV0	400,000.00
	July 2018	013538FV0	500,000.00
Airport Sub Lien 2000B	July 2005	013538FW8	400,000.00
	July 2006	013538FW8	700,000.00
	July 2007	013538FW8	1,100,000.00
	July 2008	013538FW8	1,500,000.00
	July 2009	013538FW8	2,000,000.00
	July 2010	013538FW8	2,400,000.00
	July 2011	013538FW8	2,400,000.00
	July 2012	013538FW8	2,500,000.00
	July 2013	013538FW8	2,700,000.00
	July 2014	013538FW8	2,900,000.00
	July 2015	013538FW8	3,000,000.00
	July 2016	013538FW8	3,300,000.00
	July 2017	013538FW8	3,400,000.00
	July 2018	013538FW8	3,700,000.00
	July 2019	013538FW8	3,900,000.00
	July 2020	013538FW8	2,800,000.00
Airport Refunding Revenue 2001	July 2004	013538FZ1	1,855,000.00
	July 2005	013538GA5	2,555,000.00

Bond Issue name	D/S Month & Year	Cusip	Principal
	July 2006	013538GB3	3,480,000.00
	July 2007	013538GC1	3,480,000.00
	July 2008	013538GD9	3,480,000.00
	July 2009	013538GE7	3,480,000.00
	July 2010	013538GF4	3,830,000.00
	July 2011	013538GG2	2,770,000.00
	July 2012	013538GH0	2,920,000.00
	July 2013	013538GJ6	3,075,000.00
	July 2014	013538GK3	3,240,000.00
	July 2015	013538GL1	3,415,000.00
	July 2016	013538GM9	3,590,000.00
	General Obligation General Purpose 1996A	July 2004	013518F59
General Obligation Storm Sewer 1996B	July 2004	013518F67	1,000,000.00
	July 2005	013518F75	2,500,000.00
General Obligation General Purpose 1997A	July 2004	013518G74	4,200,000.00
	July 2005	013518G82	1,700,000.00
General Obligation Storm Sewer 1997B	July 2005	013518G92	2,500,000.00
	July 2006	013518G24	4,200,000.00
General Obligation General Purpose 1998A	July 2004	013518H99	4,200,000.00
	July 2005	013518J22	4,200,000.00
General Obligation Storm Sewer 1998B	July 2006	013518J30	3,350,000.00
	July 2007	013518J48	3,000,000.00
General Obligation General Purpose 1999A	July 2004	013518K20	2,000,000.00
	July 2005	013518K38	2,000,000.00
	July 2006	013518K46	2,000,000.00
General Obligation Storm and Sewer 1999B	July 2007	013518K53	2,380,000.00
	July 2008	013518K61	2,380,000.00
General Obligation General Purpose 1999C	July 2004	013518L37	2,000,000.00
	July 2005	013518L45	2,000,000.00
	July 2006	013518L52	2,000,000.00
	July 2007	013518L60	2,000,000.00
	July 2008	013518L78	2,000,000.00
	July 2009	013518L86	2,000,000.00
General Obligation General Purpose 2000A	July 2004	013518M44	1,200,000.00
	July 2005	013518M51	450,000.00
General Obligation General Purpose 2000B	July 2005	013518N35	750,000.00
	July 2006	013518M69	1,200,000.00
	July 2007	013518M77	1,200,000.00
	July 2008	013518M85	1,200,000.00
	July 2009	013518M93	1,200,000.00

Bond Issue name	D/S Month & Year	Cusip	Principal
	July 2010	013518N27	1,200,000.00
General Obligation General Purpose 2001A	July 2004	013518N68	4,320,000.00
	July 2005	013518N76	4,320,000.00
	July 2006	013518N84	4,310,000.00
	July 2007	013518N92	4,310,000.00
	July 2008	013518P25	4,310,000.00
	July 2009	013518P33	4,310,000.00
	July 2010	013518P41	4,110,000.00
	General Obligation Storm Sewer 2001B	July 2010	013518P58
July 2011		013518P66	4,310,000.00
General Obligation Stadium 2001C	July 2004	013518P90	1,000,000.00
	July 2005	013518Q24	1,000,000.00
	July 2006	013518Q32	1,000,000.00
	July 2007	013518Q40	1,000,000.00
	July 2008	013518Q57	1,000,000.00
	July 2009	013518Q65	1,000,000.00
	July 2010	013518Q73	1,000,000.00
General Obligation General Purpose 2002B	July 2004	013518R31	2,800,000.00
	July 2005	013518R49	2,800,000.00
	July 2006	013518R56	2,700,000.00
	July 2007	013518R64	2,700,000.00
	July 2008	013518R72	2,700,000.00
	July 2009	013518R80	2,500,000.00
General Obligation Storm Sewer 2002C	July 2009	013518R98	200,000.00
	July 2010	013518S22	2,700,000.00
	July 2011	013518S30	2,700,000.00
Golf Course/GRT Series 2001	July 2004	01354TAC0	210,000.00
	July 2005	01354TAD8	225,000.00
	July 2006	01354TAE6	235,000.00
	July 2007	01354TAF3	250,000.00
	July 2008	01354TAG1	265,000.00
	July 2009	01354TAH9	285,000.00
	July 2010	01354TAJ5	300,000.00
	July 2011	01354TAK2	325,000.00
Gross Receipts Tax Refunding Bonds 1996	July 2004	01354HDS8	1,070,000.00
	July 2005	01354HDT6	1,125,000.00
	July 2006	01354HDU3	1,180,000.00
	July 2007	01354HDV1	1,245,000.00
	July 2008	01354HDW9	1,305,000.00
	July 2009	01354HDX7	1,375,000.00

Bond Issue name	D/S Month & Year	Cusip	Principal
	July 2010	01354HDY5	1,445,000.00
	July 2011	01354HDZ2	1,525,000.00
Gross Receipts Tax Refunding Revenue 1999C	July 2014	01354PBB9	500,000.00
	July 2015	01354PBC7	2,625,000.00
	July 2016	01354PBD5	3,340,000.00
	July 2017	01354PBE3	3,520,000.00
	July 2018	01354PBF0	3,700,000.00
	July 2019	01354PBG8	3,945,000.00
	July 2020	01354BBH6	4,155,000.00
	July 2021	01354PBH6	4,290,000.00
	July 2022	01354PBH6	1,055,000.00
Gross Receipts Tax/Lodgers' Tax 1999B	July 2012	01354PAR5	310,000.00
	July 2013	01354PAS3	505,000.00
	July 2014	01354PAT1	720,000.00
	July 2015	01354PAU8	950,000.00
	July 2016	01354PAV6	1,190,000.00
	July 2017	01354PAW4	1,450,000.00
	July 2018	01354PAX2	1,735,000.00
	July 2019	01354PAY0	4,040,000.00
	July 2020	01354PAZ7	5,330,000.00
	July 2021	01354PAZ7	5,895,000.00
	July 2022	01354PBA1	6,390,000.00
	July 2023	01354PBA1	1,390,000.00
	July 2024	01354PBA1	7,380,000.00
	July 2025	01354PBA1	8,050,000.00
Gross Receipts/Lodgers Tax 1991 B	July 2004	01354MCK5	698,987.25
	July 2005	01354MCL3	753,387.75
	July 2006	01354MCM1	799,625.60
	July 2007	01354MCN9	840,888.35
	July 2008	01354MCP4	873,590.85
	July 2009	01354MCQ2	905,711.00
	July 2010	01354MCR0	935,844.00
	July 2011	01354MCS8	875,610.00
	July 2012	01354MCT6	1,122,051.00
	July 2013	01354MCU3	1,039,878.00
	July 2014	01354MCV1	962,791.20
	July 2015	01354MCW9	897,905.40
	July 2016	01354MCX7	837,400.20
	July 2017	01354MCY5	780,981.60
	July 2018	01354MCZ2	728,326.20

Bond Issue name	D/S Month & Year	Cusip	Principal
	July 2019	01354MDA6	204,470.40
Gross Receipts/Lodgers Tax 1995	July 2023	01354MBG5	1,300,000.00
Gross Receipts Tax Improvement Bonds 2000 A	July 2004	01354PBK9	800,000.00
	July 2005	01354PBK9	1,300,000.00
	July 2006	01354PBK9	1,900,000.00
	July 2007	01354PBK9	2,100,000.00
	July 2008	01354PBK9	2,200,000.00
	July 2009	01354PBK9	2,300,000.00
	July 2010	01354PBK9	2,600,000.00
	July 2011	01354PBK9	2,600,000.00
	July 2012	01354PBK9	2,800,000.00
	July 2013	01354PBK9	3,200,000.00
	July 2014	01354PBK9	2,500,000.00
	Joint Water and Sewer 1990 A	July 2004	013554KK5
July 2005		013554KL3	438,996.60
July 2006		013554KM1	1,937,253.05
July 2007		013554KP4	3,412,568.55
July 2008		013554KQ2	3,179,472.40
Joint Water and Sewer 1994 A	July 2004	013554MD9	9,130,000.00
	July 2005	013554ME7	9,540,000.00
Joint Water and Sewer 1995	July 2004	013554MT4	4,225,000.00
	July 2005	013554MU1	4,430,000.00
	July 2006	013554MV9	4,695,000.00
	July 2007	013554MW7	4,975,000.00
Joint Water and Sewer 1997	July 2004	013554ND8	4,470,000.00
	July 2005	013554NE6	4,690,000.00
	July 2006	013554NF3	4,925,000.00
	July 2007	013554NG1	5,170,000.00
	July 2008	013554NH9	5,435,000.00
	July 2009	013554NJ5	5,720,000.00
Joint Water and Sewer Refunding Series 1999A	July 2004	013554NQ9	9,575,000.00
	July 2005	013554NR7	6,305,000.00
	July 2006	013554NS5	8,230,000.00
	July 2007	013554NT3	8,690,000.00
	July 2008	013554NU0	10,215,000.00
	July 2009	013554NV8	10,750,000.00
	July 2010	013554NW6	11,320,000.00
	July 2011	013554NX4	11,910,000.00
Joint Water and Sewer Refunding 2000A	July 2004	013554PB0	3,880,000.00
	July 2005	013354PC8	4,130,000.00

Bond Issue name	D/S Month & Year	Cusip	Principal
	July 2006	013554PD6	4,960,000.00
Joint Water and Sewer 2001	July 2004	013554PG9	100,000.00
	July 2005	013554PH7	2,695,000.00
	July 2006	013554PJ3	2,830,000.00
	July 2007	013554PK0	2,970,000.00
	July 2008	013554PL8	3,115,000.00
	July 2009	013554PM6	3,275,000.00
	July 2010	013554PN4	3,435,000.00
	July 2011	013554PP9	3,610,000.00
	July 2012	013554PQ7	3,790,000.00
	July 2013	013554PR5	3,980,000.00
	Municipal Gross Receipts Tax 1992	July 2004	01354HDD1
July 2005		01354HDE9	1,170,000.00
July 2006		01354HDF6	1,245,000.00
July 2007		01354HDG4	1,325,000.00
Municipal Gross Receipts Tax 1999A	July 2004	01354PAD6	335,000.00
	July 2005	01354PAE4	345,000.00
	July 2006	01354PAF1	360,000.00
	July 2007	01354PAG9	375,000.00
	July 2008	01354PAH7	395,000.00
	July 2009	01354PAJ3	415,000.00
	July 2010	01354PAK0	435,000.00
	July 2011	01354PAL8	450,000.00
	July 2012	01354PAM6	475,000.00
	July 2013	01354PAN4	495,000.00
	July 2014	01354PAP9	520,000.00
	July 2015	01354PAQ7	545,000.00
	Refuse Removal and Disposal 1992	July 2004	013630BU1
July 2005		013630BR8	555,000.00
Refuse Removal and Disposal 1995	July 2004	013630CD8	1,315,000.00
	July 2005	013630CE6	1,375,000.00
	July 2006	013630CF3	1,445,000.00
	July 2007	013630CG1	1,520,000.00
	July 2008	013630CJ5	1,605,000.00
	July 2009	013630CJ5	1,690,000.00
Refuse Removal and Disposal 1998	July 2004	013630CQ9	605,000.00
	July 2005	013630CR7	635,000.00
	July 2006	013630CS5	660,000.00
	July 2007	013630CT3	695,000.00
	July 2008	013630CU0	730,000.00

Bond Issue name	D/S Month & Year	Cusip	Principal
	July 2009	013630CV8	760,000.00
	July 2010	013630CW6	795,000.00
	July 2011	013630CX4	830,000.00
	July 2012	013630CY2	865,000.00
	July 2013	013630CZ9	905,000.00
Refuse Removal and Disposal 2001 A	July 2004	013630DC9	475,000.00
	July 2005	013630DD7	495,000.00
	July 2006	013630DE5	515,000.00
	July 2007	013630DF2	535,000.00
	July 2008	013630DG0	485,000.00
Refuse Removal and Disposal 2001 B	July 2004	013630DJ4	50,000.00
	July 2005	013630DK1	50,000.00
	July 2006	013630DL9	645,000.00
	July 2007	013630DM7	665,000.00
	July 2008	013630DN5	690,000.00
	July 2009	013630DP0	715,000.00
	July 2010	013630DQ8	2,525,000.00
	July 2011	013630DR6	2,655,000.00
	July 2012	013630DS4	2,780,000.00
Special Assessment District 223 1995 A	January 2015	01365RAM9	315,000.00
Special Assessment District 223 1995 B	January 2012	01365RAZ0	30,000.00
	January 2013	01365RAZ0	120,000.00
	January 2014	01365RAZ0	130,000.00
	January 2015	01365RAZ0	135,000.00
Special Assessment District 224 1999A	July 2008	01365UAJ9	55,000.00
	July 2009	01365UAK6	760,000.00
Special Assessment District 224 1999B	July 2009	01365UAV2	155,000.00
Special Assessment District 224 1999C	July 2009	01365UBF6	20,000.00
Grand Total			692,685,573.90

CHANGE IN INFORMATION AND ADDRESS FORM

PLEASE FILL IN CORRECT ADDRESS AND RETURN

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Organization:

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Treasury Division

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