

# **CITY OF ALBUQUERQUE**



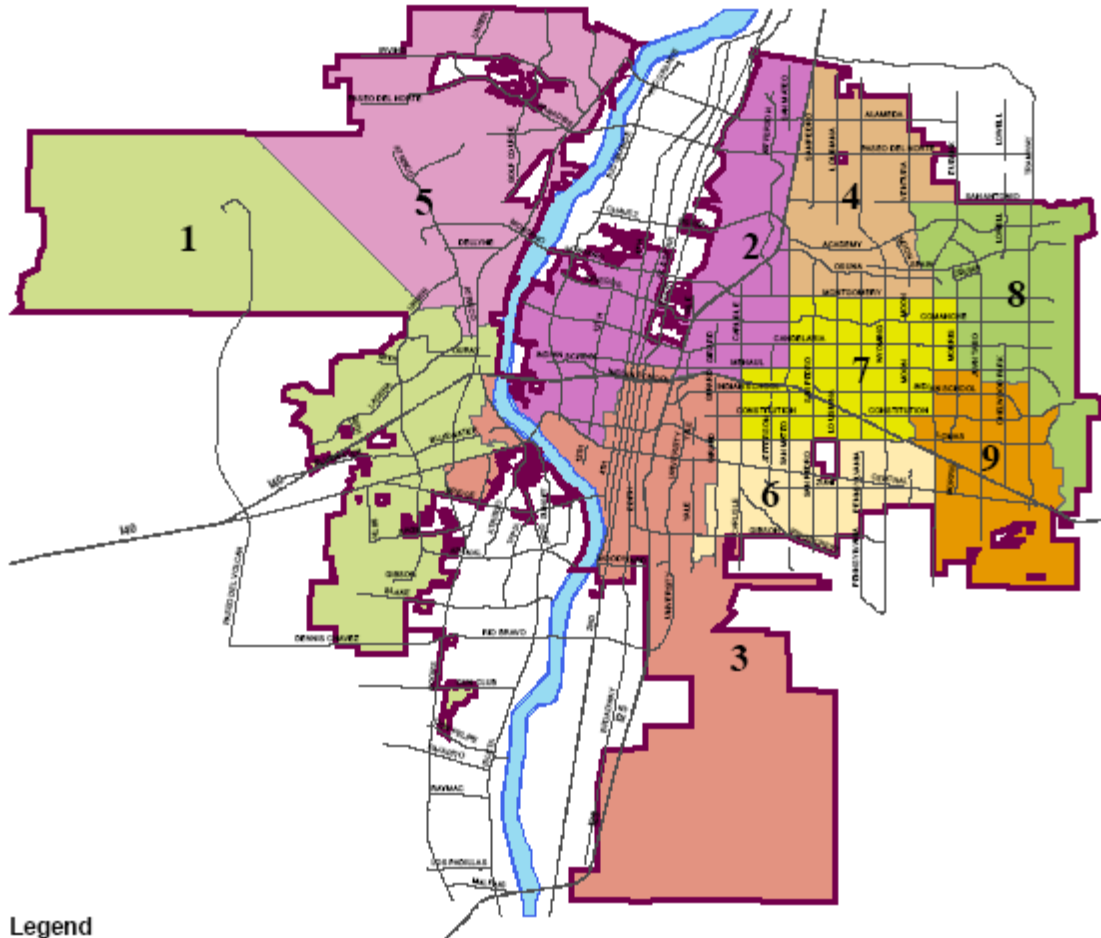
## **ANNUAL INFORMATION STATEMENT**

**DATED JANUARY 20, 2006**

## **IN CONNECTION WITH BONDS AND OTHER OBLIGATIONS**

**[Amended To Include Fiscal Year 2005 Audited Basic Financial Statements]**

# Albuquerque City Council Districts and Albuquerque Municipal Limit












## Legend

 Rio Grande

 Albuquerque Municipal Limit

### Albuquerque City Council District

 1: Ken Sanchez	 6: Martin Heinrich
 2: Debbie O'Malley	 7: Sally Mayer
 3: Isaac Benton	 8: Craig Loy
 4: Brad Winter	 9: Don Harris
 5: Michael Cadigan	

0 0.5 1 2 3 Miles



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

Map prepared January 4, 2006  
by City of Albuquerque City Council Services.

## **CITY OF ALBUQUERQUE**

### **MAYOR**

Martin J. Chavez

### **CITY COUNCIL**

Ken Sanchez	District 1
M. Debbie O'Malley	District 2
Isaac Benton	District 3
Brad Winter	District 4
Michael Cadigan	District 5
Martin T. Heinrich (President)	District 6
Sally Mayer	District 7
Craig E. Loy	District 8
Don Harris	District 9

### **ADMINISTRATION**

Bruce J. Perlman, PhD., Chief Administrative Officer  
Gail D. Reese, Chief Financial Officer  
Ed Adams, Chief Operations Officer  
Nicholas Bakas, Chief Public Safety Officer  
Millie Santillanes, City Clerk

### **DEPARTMENT OF FINANCE AND ADMINISTRATIVE SERVICES**

Tanda Meadors, CMA, Director  
Lou D. Hoffman, CCM, City Treasurer  
Cilia Aglialoro, Assistant Treasurer-Debt

### **OFFICE OF MANAGEMENT AND BUDGET**

Anna Lamberson, PhD., Budget Officer  
Jacques Blair, PhD., City Economist  
R. Cameron Hull, Accounting Officer

### **LEGAL DEPARTMENT**

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

### **BOND COUNSEL**

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

### **DISCLOSURE COUNSEL**

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

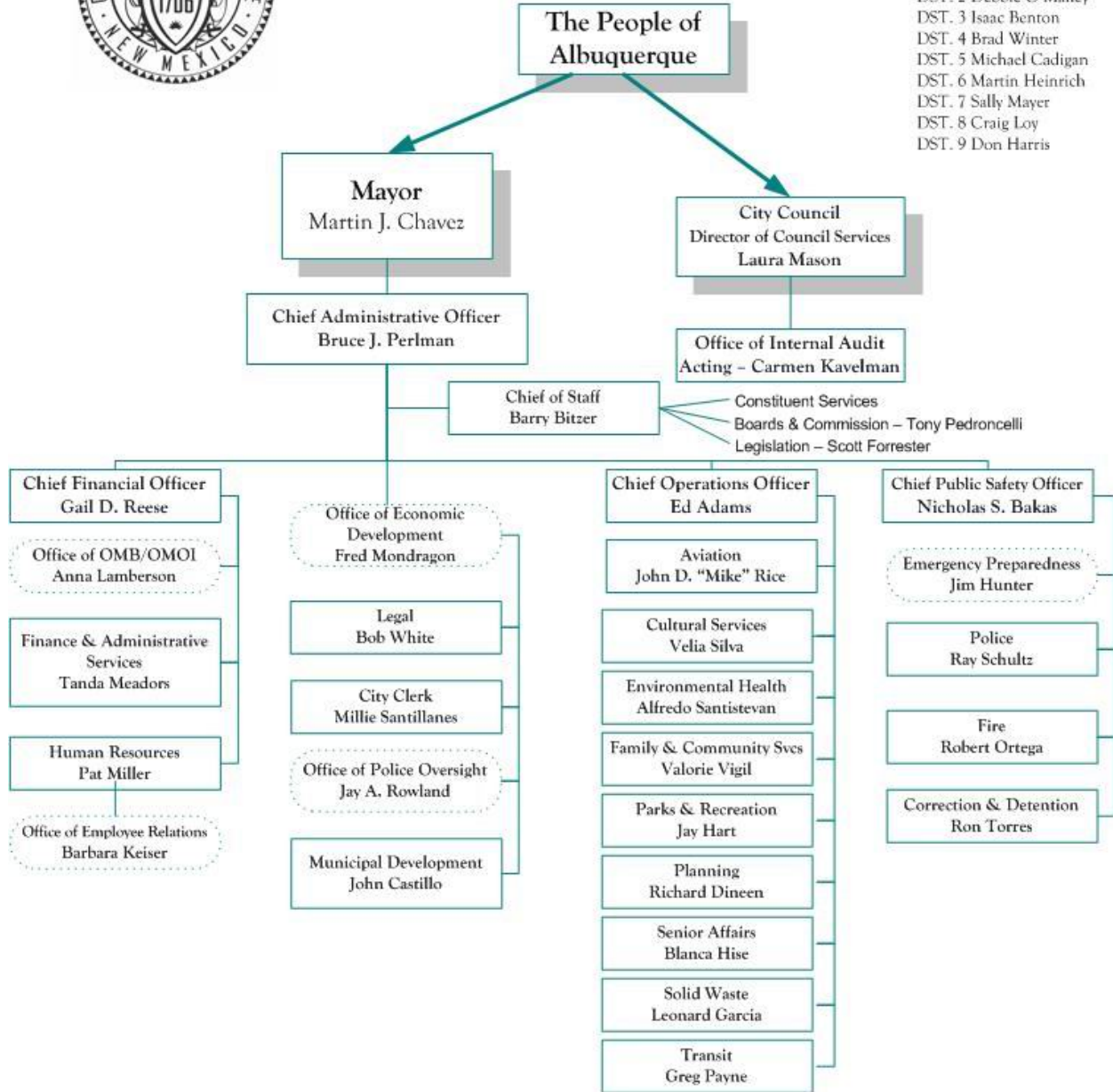
### **SPECIAL TAX COUNSEL**

Kutak Rock LLP, Denver, Colorado



# City of Albuquerque

- DST. 1 Ken Sanchez
- DST. 2 Debbie O'Malley
- DST. 3 Isaac Benton
- DST. 4 Brad Winter
- DST. 5 Michael Cadigan
- DST. 6 Martin Heinrich
- DST. 7 Sally Mayer
- DST. 8 Craig Loy
- DST. 9 Don Harris



Signature: \_\_\_\_\_ Date: \_\_\_\_\_

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## INTRODUCTION

**The Fiscal Year 2005 financial statements of the City of Albuquerque (the “City”) have been audited by Neff & Ricci LLP, independent certified public accountants. On January 20, 2006, the date on which the City filed its Annual Information Statement with Disclosure USA, the New Mexico State Auditor had not released the City’s Fiscal Year 2005 financial statements. Those financial statements have now been released and the 2005 financial information in this Annual Information Statement, as amended, is audited. The audited financial statements of the City for the year 2005 were filed with Disclosure USA on February 27, 2006.**

This “Annual Information Statement Dated January 20, 2006 in Connection with Bonds and Other Obligations” (the “Annual Statement”) has been prepared by 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, 2006, 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 may also be obtained through the City’s World Wide Web site, [www.cabq.gov](http://www.cabq.gov). It is anticipated that a copy will be posted to that web site in March 2006.

## 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 1996B;
- (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;
- (26) General Obligation Storm Sewer Bonds, Series 2002C;
- (27) General Obligation Bonds, Series 2003A, B, and C;
- (28) Airport Refunding and Improvement Revenue Bonds, Series 2004A and Taxable Series 2004B;
- (29) General Obligation Taxable General Purpose Bonds, Series 2004B;
- (30) Gross Receipts/Lodgers’ Tax Refunding Revenue Bonds, Series 2004A and Taxable Series 2004B;
- (31) General Obligation General Purpose Bonds, Series 2005A; and
- (32) General Obligation Storm Sewer Bonds, Series 2005B.

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. Because year end audits have not been released by the State Auditor in time to make filings within 180 days of the end of the City's Fiscal Year, certain of the audited financial statements, including the audited financial statements for Fiscal Year 2005, have been filed late. Other than the delay in filing its 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 summarized in the City's Audited General Purpose Financial Statements; a portion of which are 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, 2005 ("CAFR"); it is anticipated that the CAFR will be able to be viewed at and downloaded from the City's website, [www.cabq.gov](http://www.cabq.gov) in March 2006. 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 liquidity 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 general purpose general obligation bonds in an outstanding aggregate principal amount of \$186,770,000, and storm sewer system general obligation bonds, in an outstanding aggregate principal amount of \$52,435,000.

In a regular municipal election held October 4, 2005, the voters approved the future issuance of \$113,045,000 general purpose general obligation bonds and \$8,080,000 of storm sewer system general obligation bonds.

### **City of Albuquerque Outstanding General Obligation Bonds As of December 31, 2005**

<u>Issue<sup>(1)</sup></u>	<u>Principal Amount Of Original Issue</u>	<u>Currently Outstanding</u>
<b><u>General Purpose G.O. Bonds:</u></b>		
February 1999	\$16,870,000	\$ 2,000,000
August 1999	24,105,000	8,000,000
September 2001	46,315,000	21,350,000
October 2001 – Taxable Stadium	10,000,000	5,000,000
February 2002	20,000,000	10,600,000
July 2003	81,805,000	49,225,000
June 2005	<u>90,595,000</u>	<u>90,595,000</u>
Total	\$289,690,000	\$186,770,000
<b><u>Water, Sewer and Storm Sewer G.O. Bonds:</u></b>		
February 1997	\$6,700,000	\$4,200,000
February 1998	6,350,000	6,350,000
February 1999	4,760,000	4,760,000
July 2000	6,750,000	6,000,000
September 2001	4,510,000	4,510,000
February 2002	5,600,000	5,600,000
July 2003	9,440,000	9,440,000
June 2005	<u>11,575,000</u>	<u>11,575,000</u>
Total	\$55,685,000	\$52,435,000
<b><u>Total General Obligation Bonds</u></b>	<b><u>\$345,375,000</u></b>	<b><u>\$239,205,000</u></b>

(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 \$9,307,580,592

as shown below, the City may issue \$185,533,224 aggregate principal amount of general purpose general obligation bonds in the future.

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

4% Assessed Value of \$9,307,580,592 <sup>(*)</sup>	\$372,303,223
Outstanding (General Purpose subject to 4% limitation):	186,770,000
Available for Future Issues	185,533,223

\* See the table below entitled "Assessed Valuation County Tax Year 2005 (Fiscal Year 2006)."

**City of Albuquerque  
Assessed Valuation  
County Tax Year<sup>(1)</sup> 2005 (Fiscal Year 2006)**

Market Value of Property Assessed	\$32,521,589,205 <sup>(2)</sup>
Taxable Value of Property Assessed	
(1/3 Market Value)	10,515,874,074
Less Exemptions	(1,532,949,143)
Plus Centrally Assessed (Corporate)	<u>324,655,661</u>
Certified Net Tax Base	\$9,307,580,592 <sup>(3)</sup>

- (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 31, 2005**

Gross G.O. Bonded Debt	\$239,205,000 <sup>(1)</sup>
Less G.O. Sinking Fund Balance (October 31, 2005)	<u>(20,667,580) <sup>(2)</sup></u>
Net G.O. Bonded Debt	<u>\$218,537,420</u>

	<b>G.O. Debt</b>	<b>Tax Year 2005 Assessed Valuation</b>	<b>% Applicable to City</b>	<b>Net Overlapping</b>
City of Albuquerque	\$218,537,420	\$9,307,580,592	100.00%	\$218,537,420
Albuquerque Public Schools	120,745,000	11,193,299,206	83.15%	100,403,268
Albuquerque Metropolitan Arroyo Flood Control Authority	22,250,000	10,814,430,353	86.07%	19,149,753
Albuquerque Technical-Vocational Institute	16,600,000	11,203,726,789	83.08%	13,790,575
Bernalillo County	84,404,000	11,260,432,703	82.66%	69,766,150
State of New Mexico	299,295,000	32,194,252,218	28.91%	<u>86,528,251</u>
<b>Total Direct and Overlapping G.O. Debt</b>				<b><u>\$508,175,417</u></b>

**Ratios**

Direct and Overlapping G.O. Debt as Percent of Taxable Assessed Valuation	5.46%
Direct and Overlapping G.O. Debt as Percent of Actual Market Valuation	1.56%
Assessed Valuation Per Capita (2005 Estimated Population 490,541) <sup>(3)</sup>	\$18,974.11
Direct and Overlapping G.O. Debt Per Capita	1,035.95

- (1) Amount does not include any bonds which have been advance refunded and fully defeased by an escrow containing cash and securities.
- (2) The cash balance as of October 31, 2005 was \$24,032,070. The amount properly attributable to principal reduction is 86% of the cash balance.
- (3) Population estimated by City of Albuquerque Office of Management & Budget.

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

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

**General Obligation Debt**

<b>Fiscal Year</b>	<b>Population<sup>(1)</sup></b>	<b>Taxable Value(000s)<sup>(2)</sup></b>	<b>Total G.O. Debt (000s)</b>	<b>Debt Service Fund(000s)<sup>(3)</sup></b>	<b>Net G.O. Debt (000s)</b>	<b>Ratio of Net G.O. Debt To Taxable Value</b>	<b>Net G. O. Debt Per Capita</b>
1996	420,527	5,077,321	176,315	10,476	165,839	3.27%	394.36
1997	420,907	5,184,693	168,170	7,742	160,428	3.09%	381.15
1998	421,384	5,469,636	172,155	7,834	164,321	3.00%	389.96
1999	420,578	5,656,901	169,165	12,114	157,051	2.78%	373.42
2000	448,607 <sup>(4)</sup>	6,856,281	152,825	24,832	127,993	1.87%	285.31
2001	454,015 <sup>(4)</sup>	6,900,667	138,180	10,707	127,473	1.85%	280.77
2002	460,464 <sup>(4)</sup>	7,423,666	117,440	18,230	99,210	1.34%	215.46
2003	473,849	7,623,843	160,055	45,493	114,562	1.50%	241.77
2004	479,061	7,887,551	126,810	46,158	80,652	1.02%	168.35
2005	490,541	8,285,493	239,205	19,487	219,718	2.65%	447.91

- (1) Population is estimated for all years except for June 30, 2000 which is based on Bureau of Census date. Estimates provided by City of Albuquerque Planning Department.
- (2) Assessment made by County Assessor. The taxable ratio by State statute is one-third of assessed value.
- (3) Available for debt service.
- (4) Full accrual basis.

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

**City of Albuquerque**  
**Aggregate Debt Service**  
**For Outstanding General Obligation Bonds**  
**As of December 1, 2005**

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
2006	\$39,440,000	\$9,455,277	\$48,895,277
2007	35,270,000	7,928,737	43,198,737
2008	32,275,000	6,518,112	38,793,112
2009	29,900,000	5,223,195	35,123,195
2010	27,900,000	4,033,070	31,933,070
2011	27,695,000	2,858,730	28,553,730
2012	18,685,000	1,837,410	20,522,410
2013	18,685,000	1,201,950	19,886,950
2014	<u>11,355,000</u>	<u>441,710</u>	<u>11,796,710</u>
	<u>\$239,205,000</u>	<u>\$39,498,189</u>	<u>\$278,703,189</u>

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

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

<b><u>Fiscal Year</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total Debt Service</u></b>	<b><u>Total General Fund Expenditures (Excluding GO Debt Service)<sup>(1)</sup></u></b>	<b><u>Debt Service as a % of Total General Fund Expenditures (Excluding GO Debt Service)</u></b>
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%
2004	52,220,000	9,366,770	61,586,770	349,401,983	17.6%
2005	87,355,917	7,747,457	95,103,374	393,168,745	24.2%

(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 as described in “FINANCIAL INFORMATION - Gross Receipts Taxes - State Gross Receipts Taxes.”

**City of Albuquerque  
Outstanding State Gross Receipts Tax Obligations  
as of December 31, 2005**

<u>Issue<sup>(1)</sup></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 Tax Refunding Revenue Bonds, Series 1996 <sup>(2)</sup>	Refunding	\$18,315,000	\$3,365,000	N/A	7/01/08 @ 100%
Gross Receipts Tax Refunding Revenue Bonds, Series 1999C	Refunding	27,130,000	27,130,000	N/A	7/01/09 @ 100%
Taxable Gross Receipts Tax Adjustable Tender Revenue Bonds, Series 2000A	Parking Structures	25,600,000	22,200,000	MBIA Surety	Callable on any interest payment date at 100%
Taxable Golf Revenue/Gross Receipts Tax Bonds Series 2001 <sup>(3)</sup>	Golf Course	2,420,000	1,660,000	N/A	7/01/06 @ 100%
New Mexico Finance Authority Helicopter Loan	Police Helicopter	700,000	151,299	N/A	Callable on any interest payment after one year from April 25, 2001
New Mexico Finance Authority Stadium Loan #1 <sup>(4)</sup>	Baseball Stadium	6,000,000	5,714,934	N/A	Callable on any interest payment after one year from October 4, 2002
New Mexico Finance Authority Stadium Loan #2 <sup>(5)</sup>	Baseball Stadium	9,000,000	<u>8,515,085</u>	N/A	Callable on any interest payment after one year from December 27, 2002
Total Outstanding State Gross Receipts Tax Obligations			<u>\$68,736,318</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 and in the following paragraph entitled “Outstanding State Gross Receipts/Lodgers’ Tax Bonds”, 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 Taxes - State Gross Receipts Taxes” and 50% of the revenues received by the City from the 5% lodgers’ tax levied as described in “FINANCIAL INFORMATION - Lodgers’ Tax and Hospitality Fee.”



**City of Albuquerque**  
**Outstanding State Gross Receipts/Lodgers' Tax Bonds**  
**as of December 31, 2005**

<u>Issue<sup>(1)</sup></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 <sup>(2)</sup>	Refunding and Convention Center	\$20,095,587	\$2,148,699 <sup>(2)</sup>	N/A	7/1/11 @ 103%
Gross Receipts/ Lodgers' Tax Adjustable Tender Revenue Bonds, Series 1995 <sup>(3)</sup>	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	12,235,000	N/A	7/1/09 @ 100%
Tax-Exempt Gross Receipts Tax/Lodgers' Tax Refunding Revenue Bonds, Series 2004A	Refunding	31,965,000	31,965,000	N/A	7/01/2014 @ 100%
Taxable Gross Receipts Tax/Lodgers' Tax Refunding Revenue Bonds, Series 2004B	Refunding	28,915,000	<u>28,965,000</u>	N/A	Callable at any time with make- whole premium <sup>(4)</sup>
Total Outstanding State Gross Receipts/Lodgers' Tax Obligations			<u>\$76,613,699</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 July 1, 2005.
- (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.
- (4) Optional Redemption requires an approving opinion of bond or special tax counsel.

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

<u>Issue</u>	<u>Project Financed</u>	<u>Principal Amount of Original Issue</u>	<u>Outstanding Principal Amount</u>	<u>Reserve Fund Balances</u>	<u>Optional Redemption Provisions</u>
New Mexico Finance Hospitality Fee Loan	Convention Center Improvements	\$5,700,000	\$5,240,000	\$186,573	Callable on any interest payment after one year from September 9, 2005
Total Hospitality Fee Loan			\$5,240,000		

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 Taxes.”

**Estimated Total Combined Debt Service  
Outstanding Gross Receipts Tax Obligations**

**Old Lien Tax Obligations**

**New Lien Tax Obligations**

July 1	Series 1991B (1)(3)	Series 1995 (2)(3)	Series 1996	Series 1999B <sup>(3)</sup>	Series 1999C	Series 2000A <sup>(4)</sup>	Series 2001 <sup>(5)</sup>	NMFA Helicopter Loan	NMFA Stadium Lease Loan <sup>(6)</sup>	Surcharge Stadium Loan <sup>(7)</sup>	Series 2004A/B <sup>(3)</sup>	Estimated Total Combined Debt Service Requirements
2006	--	\$195,000	\$538,250	\$609,005	\$1,355,213	\$4,564,000	\$ 343,888	\$157,154	\$490,847	\$670,944	\$ 3,383,721	\$12,308,021
2007	--	195,000	594,750	609,005	1,355,213	4,536,000	344,200		490,863	670,963	3,356,763	12,152,757
2008	--	195,000	632,500	609,005	1,355,213	4,384,000	342,950		490,881	670,987	3,354,451	12,034,985
2009	--	195,000	702,250	609,005	1,355,213	4,220,000	345,460		490,902	671,013	3,321,079	11,909,921
2010	--	195,000	742,250	609,005	1,355,213	4,244,000	341,650		490,925	671,043	3,313,002	11,962,087
2011	--	195,000	<u>813,750</u>	609,005	1,355,213	3,932,000	<u>346,775</u>		490,950	671,074	3,299,474	11,713,240
2012	\$560,000	195,000	--	709,005	1,355,213	3,820,000	--		490,976	671,109	3,315,714	11,117,017
2013	590,000	195,000	--	764,405	1,355,213	3,884,000	--		491,005	671,148	3,290,431	11,241,201
2014	585,000	195,000	--	826,885	1,855,213	<u>2,800,000</u>	--		491,036	671,188	3,305,414	10,729,735
2015	600,000	195,000	--	885,960	3,956,463	--	--		491,069	671,229	3,303,899	10,103,620
2016	540,000	195,000	--	951,410	4,533,650	--	--		491,104	671,275	3,370,694	10,753,132
2017	545,000	195,000	--	1,012,790	4,538,300	--	--		491,142	671,322	3,378,176	10,831,730
2018	<u>550,000</u>	195,000	--	1,080,250	4,533,500	--	--		491,182	671,373	3,379,311	10,900,616
2019	--	195,000	--	1,692,750	4,593,500	--	--		491,225	671,426	3,394,368	11,038,269
2020	--	195,000	--	1,768,250	4,606,250	--	--		491,271	671,484	3,392,539	11,124,794
2021	--	195,000	--	1,847,000	4,543,888	--	--		491,321	671,545	3,394,631	11,143,385
2022	--	195,000	--	1,933,500	<u>1,105,113</u>	--	--		491,374	671,610	3,385,376	7,781,973
2023	--	<u>1,495,00</u>	--	662,000	--	--	--		491,430	671,678	3,440,313	6,760,421
2024	--	--	--	2,145,000	--	--	--		491,491	671,751	3,395,937	6,704,179
2025	--	--	--	<u>2,157,750</u>	--	--	--		491,556	671,827	3,467,370	6,788,504
2026	--	--	--	--	--	--	--		<u>491,626</u>	<u>671,909</u>	5,707,468	6,871,003
2027	--	--	--	--	--	--	--		--	--	5,796,531	5,796,531
2028	--	--	--	--	--	--	--		--	--	5,881,744	5,881,744
2029	--	--	--	--	--	--	--		--	--	5,972,553	5,972,553
2030	--	--	--	--	--	--	--		--	--	6,057,850	6,057,850
2031	--	--	--	--	--	--	--		--	--	6,151,401	6,151,401
2032	--	--	--	--	--	--	--		--	--	6,245,241	6,245,241
2033	--	--	--	--	--	--	--		--	--	6,341,491	6,341,491
2034	--	--	--	--	--	--	--		--	--	6,431,491	6,431,491
2035	--	--	--	--	--	--	--		--	--	6,526,592	6,526,592
2036	--	--	--	--	--	--	--		--	--	6,626,342	6,626,342
2037	--	--	--	--	--	--	--		--	--	<u>6,690,875</u>	<u>6,690,875</u>
Total	<u>3,970,000</u>	<u>\$4,810,000</u>	<u>\$4,023,750</u>	<u>\$22,090,986</u>	<u>\$45,107,575</u>	<u>\$36,384,000</u>	<u>\$2,064,923</u>	<u>\$157,154</u>	<u>\$10,314,176</u>	<u>\$14,097,900</u>	<u>\$141,672,238</u>	<u>\$284,692,702</u>

- (1) Accreted Values shown.
- (2) 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.
- (3) Payable from both State Shared Gross Receipts Tax Revenues and Lodgers' Tax Revenues.
- (4) 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.
- (5) Taxable Golf Course Net Revenue/Gross Receipts Tax Revenue Bonds, Series 2001.
- (6) NMFA Lease Revenue/Gross Receipts Tax Stadium Loan – October 4, 2002.
- (7) NMFA 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 2005 were \$162,583,140. 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 \$12,308,021 (occurring in calendar year 2006). The coverage ratio of the Fiscal Year 2005 State gross receipts tax revenues to such maximum estimated calendar year combined debt service requirements is 13.21x.

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 31, 2005**

<u>Issue<sup>(1)</sup></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	\$2,570,000	N/A	7/1/04 @ 100%
Municipal Gross Receipts Tax Refunding Revenue Bonds, Series 1999A	Refunding	\$ 6,070,000	<u>\$4,465,000</u>	N/A	7/1/09 @ 100%
Total Outstanding Municipal Gross Receipts Tax Bonds			<u>\$7,035,000</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 31, 2005**

<u>Calendar Year</u>	<u>Series 1992 Bonds</u>	<u>Series 1999A Bonds</u>	<u>Estimated Total Combined Debt Service</u>
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>\$2,814,763</u>	<u>\$5,702,225</u>	<u>\$8,516,988</u>

The municipal gross receipts tax (0.5%) revenues of the City for Fiscal Year 2005 were \$63,333,003. See “FINANCIAL INFORMATION - Gross Receipts Taxes - Municipal and Other Gross Receipts Taxes.” 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 2005 municipal gross receipts tax revenues to such maximum calendar year combined debt service requirements is 32.0x.

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.

*2005 Debt Calculations for Tax-Supported Obligations*

The following table summarizes (i) the total outstanding obligations of the City as of December 31, 2005 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 31, 2005**

<b><u>General Obligation Debt</u></b>	<b><u>Total Outstanding</u></b>	<b><u>Per Capita (Population of 490,541<sup>(1)</sup>)</u></b>
Net Direct G.O. Debt <sup>(2)</sup>	\$218,537,420	\$445.50
Overlapping Jurisdiction G.O. Debt <sup>(3)</sup>	<u>289,637,996</u>	<u>590.45</u>
Total Direct and Overlapping G.O. Debt	<u>\$508,175,417</u>	<u>\$1,035.95</u>
 <b><u>Special Tax Obligations</u></b>		
State Gross Receipts Tax Bonds <sup>(4)</sup>	\$68,736,318	\$140.12
State Gross Receipts/Lodgers' Tax Bonds <sup>(5)</sup>	76,613,699	156.18
Municipal Gross Receipts Tax Bonds <sup>(6)</sup>	7,035,000	14.34
SAD Bond-Pledged Gasoline Tax Subseries <sup>(7)</sup>	<u>245,000</u>	<u>0.50</u>
Direct Special Tax Obligations	<u>\$152,630,017</u>	<u>\$311.15</u>
<b>TOTAL OVERALL TAX-SUPPORTED OBLIGATIONS</b>	<b><u>\$660,805,433</u></b>	<b><u>\$1,347.10</u></b>

- (1) Population estimated by the City of Albuquerque Planning Division.  
(2) See table entitled "City of Albuquerque Direct and Overlapping General Obligation Debt as of December 31, 2005" under this caption.  
(3) See table entitled "City of Albuquerque Direct and Overlapping General Obligation Debt as of December 31, 2005" under this caption.  
(4) See table entitled "City of Albuquerque Outstanding State Gross Receipts Tax Obligations as of December 31, 2005" under this caption.  
(5) See table entitled "City of Albuquerque Outstanding State Gross Receipts/Lodgers' Tax Bonds as of December 31, 2005" under this caption.  
(6) See table entitled "City of Albuquerque Outstanding Municipal Gross Receipts Tax Bonds" under this caption.  
(7) See "Outstanding Special Assessment District Bonds" 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 and Double Eagle II Airport. See "ENTERPRISE OPERATIONS - Albuquerque International Sunport."

**City of Albuquerque**  
**Outstanding Airport Revenue Bonds**  
**as of December 31, 2005**

<u>Issue<sup>(1)</sup></u>	<u>Project Financed</u>	<u>Principal Amount of Original Issue</u>	<u>Outstanding Principal Amount</u>	<u>Reserve Fund Balances</u>	<u>Optional Redemption Provisions<sup>(2)</sup></u>
Airport Subordinate Lien Adjustable Tender Refunding Revenue Bonds, Refunding Series 1995 <sup>(3)(4)</sup>	Refunding	\$ 67,000,000	\$44,200,000	\$ 6,700,000	Callable on any interest payment date @100%
Airport Refunding Revenue Bonds, Series 1997 <sup>(3)</sup>	Refunding	33,310,000	25,825,000	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 <sup>(3)</sup>	Refunding	42,685,000	35,660,000	Ambac surety	7/1/08 @100%
Subordinate Lien Adjustable Rate Airport Refunding Revenue Bonds, Series 2000 A & B <sup>(3)(4)</sup>	Road Improvements and Rental Car Facility	47,200,000	23,800,000	Ambac surety	Callable on any interest payment date @100%
Airport Revenue Bonds, Series 2001 <sup>(3)</sup>	Refunding	42,550,000	36,760,000	Ambac surety	7/1/11 @100%
Subordinate Lien Taxable Airport Refunding Revenue Bonds, Series 2004A	Refunding	20,610,000	<u>19,975,000</u>	MBIA Surety	7/1/13 @100%
Senior Lien Airport Improvement Revenue Bonds, Series 2004B	Fuel Facility, Terminal and Improvements	30,000,000	<u>30,000,000</u>	MBIA Surety	7/1/13 @100%
Total Airport Revenue Bonds			<u>\$216,220,000</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 the Airport on a subordinate parity lien basis to the other outstanding Airport revenue bonds, which are sometimes referred to herein as "Senior Parity Obligations." See also "Credit Enhancement 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.

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.

## Total Combined Outstanding Debt Service of Airport Obligations

Calendar Year	Outstanding Senior Parity Obligations					Outstanding Subordinate Parity Obligations				
	Series 1997 Bonds	Series 1998B Bonds	Series 2001 Bonds	Series 2004B Bonds	Total Senior Parity Obligations	Series 1995 Bonds <sup>(1)</sup>	Series 2000A & B Bonds <sup>(2)</sup>	Series 2004A Bonds	Total Subordinate Parity Obligations	Estimated Total Combined Requirements
2006	\$3,023,921	\$ 3,546,924	\$ 5,312,200	\$ 1,246,840	\$ 13,129,885	\$ 6,591,790	\$ 3,065,000	\$ 1,661,697	\$ 1,858,487	\$ 24,448,372
2007	3,018,121	3,573,299	5,138,200	2,916,840	14,646,460	6,646,965	4,675,000	1,809,337	13,131,302	27,777,762
2008	3,027,121	3,574,234	4,964,200	2,883,440	14,448,995	6,681,155	4,986,000	1,968,089	13,635,244	28,084,239
2009	3,029,621	3,579,474	4,790,200	2,843,778	14,243,073	6,694,360	5,225,000	2,241,174	14,160,534	28,403,607
2010	3,021,621	3,568,399	4,994,040	2,798,688	14,382,748	6,786,580	4,989,000	2,213,614	13,989,194	28,371,942
2011	3,011,871	3,571,279	3,769,350	2,715,188	13,067,688	6,850,820	4,641,000	2,245,254	13,737,074	26,804,761
2012	3,020,034	3,568,748	3,770,463	2,665,088	13,024,331	6,887,080	4,793,000	2,208,474	13,888,554	26,912,885
2013	3,014,421	3,578,323	3,768,513	2,576,588	12,937,844	6,995,360	4,570,000	2,206,891	13,772,251	26,710,094
2014	3,018,096	3,575,683	3,768,231	2,493,338	12,855,348	<u>7,168,665</u>	4,317,000	2,214,338	13,700,003	26,555,351
2015	3,023,165	3,575,945	3,769,081	2,410,088	12,778,279		2,334,000	2,211,970	4,545,970	17,324,249
2016	3,018,990	3,573,500	<u>3,760,525</u>	2,326,838	12,679,853		676,000	2,173,466	2,849,466	15,529,319
2017	3,022,495	3,571,500		2,260,238	8,854,233		628,000	2,170,667	2,798,667	11,652,900
2018	<u>3,019,610</u>	3,572,250		2,193,638	8,785,498		680,000	<u>1,881,469</u>	2,561,469	11,346,967
2019		<u>3,575,250</u>		2,110,388	5,685,638		620,000		620,000	6,305,638
2020				2,027,138	2,027,138		<u>560,000</u>		<u>560,000</u>	2,587,138
2021				1,956,375	1,956,375					1,956,375
2022				1,885,613	1,885,613					1,885,613
2023				1,814,850	1,814,850					1,814,850
2024				<u>1,739,925</u>	<u>1,739,925</u>					<u>1,739,925</u>
<b>Total</b>	<u>\$39,269,089</u>	<u>\$50,004,805</u>	<u>\$47,805,003</u>	<u>\$43,864,873</u>	<u>\$180,943,769</u>	<u>\$61,302,775</u>	<u>\$47,299,000</u>	<u>\$27,206,439</u>	<u>\$135,808,214</u>	<u>\$316,751,982</u>

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

- (1) The interest rate payable by the City for the Subordinate Series 1995 Bonds has been calculated at 6.685% per annum pursuant to the interest rate exchange agreement entered by the City in connection with its issuance of the Subordinate Series 1995 Bonds.
- (2) The interest payable by the City for the Subordinate Series 2000A and 2000B Bonds has been calculated at assumed annual interest rates of 12% and 15%, respectively, the maximum bond interest rates under the bond ordinance pursuant to which the those Bonds were issued, although the City expects the actual rates to be significantly lower than such maximum bond interest rates.



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 2005, as shown in the CAFR, were \$39,779,910 (Test No. 1) and \$40,326,863 (Test No. 2). See "ENTERPRISE OPERATIONS - Albuquerque International Sunport - Airport Financial Information; Airport Fund." This amount is adjusted 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. The maximum estimated calendar year combined debt service requirements for all outstanding Senior Parity Obligations are estimated to be \$14,646,460 (occurring in calendar year 2007). With respect to Test No. 1, the coverage ratio of the adjusted net revenues for the Airport for Fiscal Year 2005 (\$39,779,910) to such maximum estimated calendar year debt service requirements is 2.71x. The maximum estimated calendar year combined debt service requirements for all outstanding Airport revenue bonds are estimated to be \$28,403,607 (occurring in calendar year 2009). With respect to Test No. 2, the coverage ratio of the adjusted net revenues of the Airport for Fiscal Year 2005 (\$40,326,863) to such maximum estimated calendar year debt service requirements is 1.41x (occurring in calendar year 2009). For Fiscal Year 2005, the actual debt service ratio for Test No. 1 is equal 3.22x, and the ratio for Test No. 2 is equal to 1.93x.

Current Ratings of the Airport Revenue Bonds. All of the City's outstanding Airport revenue bonds 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. However, the following underlying ratings have been assigned to the Senior Parity Obligations: "Aa3" by Moody's, "A+" by S&P and "A+" by Fitch. The following underlying ratings have been assigned to the Subordinate Parity Obligations: "A1" by Moody's, "A" by S&P, and "A" by Fitch.

#### *Joint Water and Sewer System Obligations*

The joint water and sewer system was owned by the City and operated by its Public Works Department until December 17, 2003 (the "Water/Sewer System") and revenue bond debt relating to the Water/Sewer System continues to be outstanding. In 2003, the New Mexico Legislature adopted Laws 2003, Chapter 437 (Section 72-1-10, NMSA 1978) which created the Albuquerque Bernalillo County Water Utility Authority (the "Authority") and provided that all functions, appropriations, money, records, equipment and other real and personal property pertaining to the Water/Sewer System would be transferred to the Authority. The legislation also provides that the debts of the City payable from net revenues of the Water/Sewer System shall be debts of the Authority and that the Authority shall not impair the rights of holders of outstanding debts of the Water/Sewer System. The City has transferred functions, appropriations, money records, equipment and other real and personal property pertaining to the Water/Sewer System to the Authority and the policy-making functions of the Water/Sewer System have been transferred to the Authority. The Authority and the City entered into a Memorandum of Understanding dated January 21, 2004, as amended April 7, 2004, under which the City continues to operate the Water/Sewer System.

Information relating to outstanding Water/Sewer System obligations may be found in the Annual Information Statement of the Authority dated January 20, 2006 on file with each Nationally Recognized Municipal Securities Information Repository.

*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 31, 2005**

<u>Issue</u> <sup>(1)</sup>	<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> <sup>(2)</sup>
Refuse Removal and Disposal Refunding Revenue Bonds, Series 1995 <sup>(3)</sup>	Refunding	\$13,515,000	\$6,260,000	Ambac surety	Not callable
Refuse Removal and Disposal Revenue Bonds, Series 1998 <sup>(3)</sup>	System improvements	10,170,000	6,240,000	Ambac surety	7/1/2007 @ 100%
Refuse Removal and Disposal Revenue Bonds, Series 2001A and B	System improvements and refunding	14,205,000	12,210,000	FSA surety	Not callable
NMFA – Refuse Removal and Disposal Loan	System Improvements	5,800,000	5,270,679	N/A	Callable on any interest payment date after one year from and after July 13, 2004
Total Refuse System Revenue Bonds			\$29,980,679		

- (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 31, 2005**

<u>Calendar Year</u>	<u>Series 1995 Bonds</u>	<u>Series 1998 Bonds</u>	<u>Series 2001A Bonds</u>	<u>Series 2001B Bonds</u>	<u>NMFA Loan</u>	<u>Combined Debt Service Requirements</u>
2006	\$1,772,965	\$946,218	\$1,160,394	\$576,885	\$677,687	\$5,134,148
2007	1,773,548	948,218	1,155,400	576,285	677,707	5,131,157
2008	1,777,988	948,468	1,153,800	<u>504,885</u>	677,732	5,062,872
2009	<u>1,778,725</u>	947,443	1,150,338	--	677,762	4,554,267
2010	--	949,193	2,929,950	--	677,796	4,556,939
2011	--	949,213	2,933,700	--	677,837	4,560,750
2012	--	946,863	<u>2,925,950</u>	--	677,883	4,550,695
2013	--	<u>946,856</u>	--	--	677,932	1,624,788
2014					<u>677,986</u>	<u>677,986</u>
Total	<u>\$7,103,225</u>	<u>\$7,582,469</u>	<u>\$13,409,531</u>	<u>\$1,658,055</u>	<u>\$6,100,322</u>	<u>\$35,853,602</u>

In the ordinances pursuant to which the City’s refuse system obligations have been issued, the City has agreed to charge users of the system such reasonable rates as are sufficient to produce net revenues annually to pay 150% of the annual debt service requirements on all outstanding refuse system obligations. The net revenues of the City’s solid waste and refuse disposal system for Fiscal Year 2005 were \$10,661,233. 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 \$5,134,148 (occurring in calendar year 2006). The coverage ratio of the 2005 refuse system net revenues (\$10,661,233) to such maximum calendar year combined debt service requirements (\$5,134,148) would be 2.08x. For Fiscal Year 2006, the ratio of net revenues (\$10,661,233) to actual debt service (\$5,134,148) is equal to 2.08x.

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 31, 2005**

<u>Issue<sup>(1)</sup></u>	<u>Project Financed</u>	<u>Principal Amount Of Original Issue</u>	<u>Outstanding Principal Amount</u>	<u>Reserve Fund Balances</u>	<u>Optional Redemption Provisions</u>
Taxable Golf Course Net Revenue/Gross Receipts Tax Revenue Bonds, Series 2001 <sup>(2)(3)</sup>	Golf Course Facilities	\$2,420,000	\$1,660,000	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 31, 2005**

<u>Calendar Year</u>	<u>Series 2001 Bonds</u>
2006	\$ 343,888
2007	344,200
2008	342,950
2009	345,460
2010	341,650
2011	<u>346,775</u>
Total	<u>\$2,064,923</u>

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

redemption provisions). The amount available in Fiscal Year 2005 that constituted the net revenues of the City's golf courses was \$439,715. The maximum calendar year debt service requirements for the outstanding golf course bonds of the City (as shown above) are \$346,775 (occurring in calendar year 2011). The coverage ratio of Fiscal Year 2005 net revenues (\$439,715) to such maximum calendar year debt service requirements (\$346,775) would be 1.26x. For Fiscal Year 2005, the ratio of net revenues (\$439,715) to actual debt service (\$347,670) is equal to 1.27x. 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. Total outstanding street improvement bonds equal \$245,000 and total outstanding water/sewer improvement bonds equal \$360,000.

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 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 of the joint water and sewer system.

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 five SAD NMFA Loans and bonds outstanding in an aggregate principal amount of \$10,038,334.

**City of Albuquerque**  
**Outstanding Special Assessment District Obligations**  
**as of December 31, 2005**

<u>District and Bond Issues/Loans<sup>(1)</sup></u>	<u>Principal Amt. Of Original Issue</u>	<u>Outstanding Principal Amt.</u>	<u>Redemption Provisions<sup>(2)</sup></u>
SAD 223B (Bond Issue June 1, 1995):			
Water and Sewer Improvements <sup>(3)</sup>	\$1,510,000	\$320,000	Optional and special redemption
SAD 224 (Bond Issue February 1999):			
Street Improvements	3,955,000	245,000	Optional and special redemption
Water and Sewer Improvements	995,000	40,000	
SAD 226 (July 2000):			
NMFA Tax-Exempt Loan (Street and Water Improvements)	11,568,376	407,483	Optional and special redemption
NMFA Taxable Loan (Natural Gas and Electric Improvements)	788,685	2,366	
SAD 225 (November 2000):			
NMFA Tax-Exempt Loan (Street and Storm Drainage Improvements)	3,867,500	482,620	Optional and special redemption
SAD 222 (October 2001):			
NMFA Tax-Exempt Loan (Street and Storm Drainage Improvements)	2,605,539	756,299	Optional and special redemption
SAD 216 (May 2002):			
NMFA Tax-Exempt Loan (Street and Storm Drainage Improvements)	1,314,322	548,500	Optional and special redemption
SAD 227 (February 2004): NMFA			
Tax-Exempt Loan	8,170,888	6,902,838	Optional and special redemption
Taxable Loan	404,255	<u>333,228</u>	
Total Special Assessment District Obligations		<u>\$10,038,334</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) The bonds are subject to optional redemption and special redemption at par in accordance with the bond ordinances relating to such bonds.
- (3) The 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 coverage's for the City's SAD Bonds secured by pledged gasoline tax receipts for Fiscal Years 2006-2009 is set forth below.

**City of Albuquerque  
Estimated Combined Debt Service Coverage  
Gasoline Tax Obligations  
as of December 31, 2005**

<b><u>Fiscal Year</u></b>	<b><u>Combined Debt Service<sup>(1)</sup></u></b>	<b><u>Pledged Gasoline Tax Receipts Fiscal Year 2005<sup>(2)</sup></u></b>	<b><u>Estimated Coverage</u></b>
2006	\$ 12,495	\$4,640,454	371.39x
2007	12,495	4,640,454	371.39x
2008	12,495	4,640,454	371.39x
2009	257,495	4,640,454	18.02x

- (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 2006 through 2009 have been assumed to be the pledged gasoline tax receipts received in Fiscal Year 2005 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 coverage's for the City's SAD Bonds secured by a pledge of surplus water and sewer revenues for Fiscal Years 2006-2010 is set forth below.

**City of Albuquerque  
Estimated Combined Debt Service Coverage  
Surplus Water and Sewer Obligations  
as of December 31, 2005**

<b><u>Fiscal Year</u></b>	<b><u>Combined Debt Service</u></b>	<b><u>Pledged Surplus Water And Sewer Revenues Fiscal Year 2005<sup>(1)</sup></u></b>	<b><u>Estimated Coverage<sup>(2)</sup></u></b>
2006	\$23,320	\$32,790,542	1,406.11x
2007	23,320	32,790,542	1,406.11x
2008	23,320	32,790,542	1,406.11x
2009	63,320	32,790,542	520.70x
2010	21,280	32,790,542	1,540.09x

- (1) Surplus water and sewer revenues available in Fiscal Year 2005 have been projected for five-years to calculate the debt service coverage ratio although bonds with a first lien on the joint water and sewer system net revenues are expected to be issued which could diminish the resulting surplus water and sewer revenues available in the future.
- (2) The pledged surplus water and sewer revenues for Fiscal Years 2006 through 2010 have been assumed to be the pledged surplus water and sewer revenues received in Fiscal Year 2005 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 and NMFA Loans 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 December 1, 2005 in the aggregate principal amount of \$5,000,000. The only 1988 CMO Bonds currently outstanding are the Class A-4 Bonds which are zero coupon or capital appreciation bonds. Interest on the 1988 CMO Bonds is subject to federal income taxation.

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

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

### *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 December 1, 2005 in the aggregate principal amount of \$13,480,000.



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; 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 <sup>(1)</sup></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	\$178,745,000	S&P: AAA Moody's: Aaa	· Airport Revenue Bonds, Series 1995B · Airport Subordinate Lien Adjustable Tender Refunding Revenue Bonds, Series 1995 <sup>(2)</sup> · 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 <sup>(3)</sup> · Airport Refunding Revenue Bonds, Series 2001	Maturity of insured bonds	N/A
Financial Guaranty Insurance Corporation	\$5,000,000	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	\$73,040,000	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 · Tax-Exempt Gross Receipts Tax/Lodgers' Tax Refunding Revenue Bonds, Series 2004A · Taxable Gross Receipts Tax/Lodgers' Tax Refunding Revenue Bonds, Series 2004B	Maturity of insured bonds	N/A
MBIA Insurance Corporation	\$139,905,000	S & P: AAA Moody's: Aaa	· Gross Receipts Tax Refunding Revenue Bonds, Series 1996 · Variable Rate Gross Receipts Tax Improvement Revenue Bonds, Series 2000A <sup>(4)</sup> · Affordable Housing Projects Refunding Revenue Bonds, Series 2000 <sup>(5)</sup> · Taxable Golf Course Net Revenue/ Gross Receipts Tax Revenue Bonds, Series 2001 · General Obligation Bonds, Series 2003B · Subordinate Lien Taxable Airport Refunding Revenue Bonds, Series 2004A · Senior Lien Airport Improvement Revenue Bonds, Series 2004B	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	11/27/2007	None
Bank of America, N.A.	\$320,000	S & P: AA-/A-1+ Moody's: Aa1/P-1	· SAD 223 Bonds	05/09/2010	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 AIG Liquidity Corp. which expires February 24, 2007.

(3) These bonds are also secured by a standby bond purchase agreement provided by Morgan Guaranty Trust Company of New York which expires May 30, 2010.

(4) These bonds are also secured by a standby bond purchase agreement provided by Bank of America, N.A. which expires January 20, 2014.

(5) These bonds are also secured by a standby bond purchase agreement provided by Bank of America, N.A. which expires July 20, 2010.

### *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"). The Rate Cap Agreement has terminated and the City has determined not to renew the Agreement.

## **ECONOMIC AND DEMOGRAPHIC INFORMATION**

### **The City and Metropolitan Area**

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

**City of Albuquerque  
Area in Square Miles**

	<u>Square Miles</u>
December 31, 1885	0.36
December 31, 1940	11.15
December 31, 1950	48.81
December 31, 1960	61.94
December 31, 1970	82.72
December 31, 1980	100.31
December 31, 1990	137.46
June 30, 2000	181.70
June 30, 2001	184.30
June 30, 2002	187.80
June 30, 2003	187.80
June 30, 2004	188.10
June 30, 2005	188.10

Source: City of Albuquerque Planning Department.

**Population**

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

**Population**

<u>Year</u>	<u>City</u>	<u>Bernalillo County</u>	<u>Albuquerque MSA</u>	<u>State</u>
1960	201,189	262,199	292,500 <sup>(1)</sup>	951,023
1970	244,501	315,774	353,800 <sup>(1)</sup>	1,017,055
1980	332,920	420,262	485,500 <sup>(1)</sup>	1,303,303
1990	384,736	480,577	589,131	1,515,069
2000 April <sup>(2)</sup>	448,607	556,678	729,649	1,819,046
2000	449,950	557,543	731,599	1,821,496
2001 <sup>(3)</sup>	454,711	562,677	739,604	1,832,335
2002 <sup>(3)</sup>	464,178	573,044	753,614	1,855,143
2003 <sup>(3)</sup>	473,330	582,461	766,619	1,878,562
2004 <sup>(3)</sup>	484,246	593,765	781,447	1,903,289

- (1) Because Valencia County was split into two counties in 1981, official data is not available prior to that year for the Albuquerque MSA. Figures shown represent estimates by the University of New Mexico Bureau of Business and Economic Research (“BBER”).
- (2) April of 2000 is the month and year of the Census. It is reported as the benchmark; all other years are as of July of the year. The Census in 2000 expanded the Albuquerque MSA to include Tarrant County, population of 16,911.
- (3) 2001 through 2004 data: U.S. Dept. of Commerce, Bureau of the Census, Population Division. Date Released June 30, 2005.

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

Population in the City grew at a compounded annual rate of 1.97% during the 1960s, 3.13% during the 1970s, 1.46% during the 1980s and 1.55% during the 1990s. The percentage

of the State’s population in the City was 21.2% in 1960, 24.0% in 1970, 25.5% in 1980, 25.4% in 1990 and 24.7% in 2000.

**Age Distribution**

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

**2004 Population by Age Group**

<u>Age</u>	<u>% City</u>	<u>% County</u>	<u>% State</u>	<u>% U.S.<sup>(1)</sup></u>
0-17 <sup>(2)</sup>	25.5	24.8	26.5	24.8
18-24	9.9	9.9	10.4	9.9
25-34	13.2	13.8	12.4	13.5
35-49	22.3	22.1	21.1	22.4
50 and Older	29.1	29.4	29.6	29.4

- (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: 2004 Survey of Buying Power, Sales and Marketing Management Magazine, September 2004.

**Employment**

*General*

The Albuquerque economy in the period Fiscal Year 1996 to 2005 grew at an average of 1.6% a year. This growth was limited due to the decline in employment experienced in 2002. The economy has rebounded from this and in Fiscal Year 2005 annual employment growth was 2.2%.

The slowdown was largely driven by job losses in manufacturing and the closing of several manufacturing plants.

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 Fiscal Years 1996-2005” under the heading “Major Industries” under this caption.

**Nonagricultural Employment  
(000s Omitted)**

<b>Calendar Year</b>	<b><u>Albuquerque MSA</u></b>		<b><u>New Mexico</u></b>		<b><u>United States</u></b>	
	<b><u>Employment</u></b>	<b><u>% Chg.</u></b>	<b><u>Employment</u></b>	<b><u>% Chg.</u></b>	<b><u>Employment</u></b>	<b><u>% Chg.</u></b>
1996	328.7	1.9%	694.6	1.8%	119,708	2.1%
1997	337.1	2.6%	708.5	2.0%	122,776	2.6%
1998	342.2	1.5%	720.1	1.6%	125,930	2.6%
1999	347.0	1.4%	729.8	1.3%	128,993	2.4%
2000	357.4	3.0%	744.9	2.1%	131,785	2.2%
2001	362.2	1.3%	757.2	1.7%	131,826	0.0%
2002	361.7	-0.1%	766.2	1.2%	130,341	-1.1%
2003	363.1	0.4%	775.6	1.2%	129,999	-0.3%
2005 <sup>(1)</sup>	376.3	1.5%	805.3	1.9%	133,471	1.5%

(1) As of October 2005.

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**

<b>Calendar Year</b>	<b><u>Albuquerque MSA</u></b>			<b><u>Unemployment Rates</u></b>		
	<b><u>Civilian Labor Force</u></b>	<b><u>Number Employed</u></b>	<b><u>Number Unemployed</u></b>	<b><u>Albuquerque MSA</u></b>	<b><u>New Mexico</u></b>	<b><u>United States</u></b>
1996	358,039	340,013	18,026	5.0%	7.5%	5.4%
1997	363,907	347,303	16,604	4.6%	6.6%	5.0%
1998	369,579	352,489	17,090	4.6%	6.2%	4.5%
1999	373,258	358,687	14,571	3.9%	5.6%	4.2%
2000	370,229	354,926	15,303	4.1%	5.0%	4.0%
2001	375,508	359,539	15,969	4.3%	4.9%	4.7%
2002	377,954	358,941	19,014	5.0%	5.5%	5.8%
2003	382,534	361,874	20,660	5.4%	5.9%	6.0%
2005	403,008	381,580	21,428	5.3%	5.7%	5.1%

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 February 2005. 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<sup>(1)</sup>  
By Number of Employees – 2005**

<u>Organization</u>	<u>Employees</u>	<u>% of Total Non- Agricultural &amp; Military Employment<sup>(2)</sup></u>	<u>Description</u>
Kirtland Air Force Base (Civilian) <sup>(3)</sup>	17,892	4.65%	Air Force Material Command
University of New Mexico	15,835	4.11%	Educational Institution
Albuquerque Public Schools	11,700	3.04%	Educational Institution
Sandia National Labs <sup>(4)</sup>	7,700	2.00%	Research Development
Kirtland Air Force Base (Military Active Duty)	6,834	1.78%	Government
City of Albuquerque <sup>(5)</sup>	6,449	1.68%	Air Force Material Command
Presbyterian	5,800	1.51%	Healthcare Services
State of New Mexico	5,660	1.47%	Government
Lovelace Sandia Health Systems	5,400	1.40%	Hospital/Medical Services
Intel Corporation	5,200	1.35%	Semiconductor Manufacturer
UNM Hospital	4,380	1.14%	Hospital/Medical Services
US Post Office	2,200	0.57%	Government
Sandia Resort & Casino	1,916	0.50%	Casino and Resort
Albuquerque Technical Vocational Institute	1,850	0.48%	Educational Institution
PNM Electric & Gas Services	1,790	0.46%	Utilities Provider
Bernalillo County	1,780	0.46%	Government
T-Mobile	1,700	0.44%	Customer Service Provider
Veterans Affairs Medical Center	1,700	0.44%	Hospital/Medical Services
Rio Rancho Public Schools	1,405	0.36%	Educational Institution
Qwest Communications	1,400	0.36%	Telecommunications Provider
Bank of America	1,360	0.35%	Financial Institution
Citi Cards	1,250	0.32%	Credit Card Collection Center
Albuquerque Publishing Company	1,200	0.31%	Publisher
Los Lunas Public Schools	1,200	0.31%	Educational Institution
Honeywell Defense & Space Electronic Systems	1,100	0.29%	Aircraft Avionics Manufacturer
Isleta Gaming Palace	1,100	0.29%	Casino
Sprint PCS	<u>1,000</u>	0.26%	Customer Service Center

(1) Unless otherwise indicated, employment figures are from a survey conducted by Albuquerque Economic Development, Inc. For a discussion regarding major employers and certain changes which may impact their number of employees, see "Major Industries" under this caption.

(2) Based on total nonagricultural employment (378,233) as reported by the New Mexico Department of Labor plus the number of military employees reported by Kirtland Air Force Base (6,746) for a total of 384,979 employees (New Mexico Department of Labor April 2005 statistics.).

(3) "Military" includes active duty personnel, reservists and National Guard. "Civilian" includes Appropriated Funds and contracted civilians

(4) Full-time permanent employees.

(5) Includes both temporary and permanent employees.

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

## Major Industries

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, Fiscal Years 1996-2005” provides detailed information regarding employment growth within key sectors of the economy for that period.

### *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 have not been made because of the significant differences in the two systems. The Government classification did not change, but all other sectors changed 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 is composed of retail trade, wholesale trade, transportation, and utilities and constitutes approximately 18% of MSA employment. As a whole the employment increased by an annual average of only 0.7% from Fiscal Year 1996 to 2005. Wholesale trade lost employment and utilities had limited growth of 1.4%, but declined in Fiscal Years 2004 and 2005. Retail grew by approximately 1.4%. For the City government retail is an important sector and retail trade makes up approximately 40% of gross receipts tax revenues.

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 the fastest growing category in the MSA economy. From Fiscal Year 1996 to 2005 an average annual growth was 4.2%. The sector now makes up 12.4% of non-agricultural employment. Much of this growth is due to a change in Medicare policy that allows payment for home healthcare. The educational sector is small in comparison to health services. Exact numbers are not available, but the educational sector has also grown substantially in the past several years 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. 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, four hotels with a total of 544 rooms were permitted. The largest, the Embassy Suites Hotel near downtown, has 261 suites and large convention facilities and opened for business in April 2005. Occupancy at Albuquerque hotels continues to be a problem. In 1995, Rocky Mountain Lodging



Report reported occupancy of 72.8%. Occupancy has averaged around 60% for the past five years. Lodgers' Tax Revenues have shown similar trends. Growth in Lodgers' Tax Revenues was approximately 10% in the early 1990s, but after 1995 this growth slowed dramatically. In 2001, following the September 11<sup>th</sup> terrorist attacks, travel declined as did Lodgers' 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%. In Fiscal Year 2004 there was a rebound with growth in Lodgers' Tax Revenues of nearly 5%. This continued with growth in Fiscal Year 2005 of 3.2%.

The City opened a rebuilt AAA baseball stadium with a new team - the Albuquerque Isotopes - on April 11, 2003. Attendance for the opening season, at 594,143, eclipsed the record attendance of 390,652 set in 1993 by the then Albuquerque Dukes. Attendance at the stadium has remained near opening season levels for each of the first three seasons.

Professional Scientific and Technical Services. This sub-sector includes temporary employment agencies and some of Albuquerque's back-office operations, SNL and other scientific and research facilities. This sector had average annual growth of approximately 1% from Fiscal Year 1996 to Fiscal Year 2005. In Fiscal Year 2005 growth was much stronger at 3.4%. The slow growth is in part due to decreases in employment at SNL which 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 had 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 contributes 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.

Manufacturing. This sector accounted for 8.6% of City employment in Fiscal Year 1996 declining to 6.0% in Fiscal Year 2005. Employment in this sector peaked in Fiscal Year 1998 at 28,342, declining to 22,610 in Fiscal Year 2005, a loss of 5,725 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 (“Eclipse”), has set up headquarters in the City with plans to manufacture a small two-engine jet following receipt of FAA approval of its jet. Eclipse received authorization of Industrial Revenue Bonds from the City totaling \$45 million for equipment and machinery at its current facilities at the Sunport International Airport. With this equipment Eclipse envisions approximately 300 additional jobs, by or before 2007. The presence of Eclipse at the Airport and the future (2009) location of Eclipse at the Double Eagle II Airport would diversify the City’s economy and 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. Eclipse’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. The airplane, with the new engine, had successful test flights in April, 2005.

Eclipse has reported that it moved forward with production and has made major contracts with a number of suppliers for building parts of the airplane including the tail and computer systems. The City is moving ahead in providing basic infrastructure for an aerospace tech park of 300 acres near the City’s Double Eagle II airport. The bulk of the major infrastructure for the project has been completed with roadway and storm drainage improvements to be completed by 2007-2008. Eclipse plans to move to Double Eagle in 2009. It is anticipated that Eclipse will use 150 acres of the park and eventually employ approximately 2000 workers.

Other aerospace manufacturing firms are slated to move production facilities to Albuquerque and the Double Eagle II airport facility. Utilicraft, a Georgia based company, began work on a manufacturing facility at the end of 2005. The company plans to hire 350 to 400 workers to operate the plant.

Tempur-Pedic Inc., a high tech mattress company, is near completion of construction of a plant that will employ as many as 300 workers. Production is expected to begin early in 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. The decline continued in 2004 when MCI and QWEST closed their call centers with a total loss of 1,110 jobs; the effect of these layoffs slows down in 2005, but there are still job losses in the sector.

Government. Over the past ten years government employment (comprised of federal, state and local employees) has remained at a relatively constant share of employment. In Fiscal Year 2005 it accounted for 20.3% 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 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 process in 2005 had a small positive impact on Kirtland. The base will gain 30 military and 176 civilian employees, from a realignment of the Air Force research Laboratory.

In an effort to counteract the loss of DOE-funded jobs, the DOE is assisting communities in attracting other types of employment. In New Mexico, the DOE funded a study to assess and report on the central New Mexico economy with a focus on industry clusters and the key competencies in the area. The study, completed in the summer of 2000, identified three mature industry clusters-Electronics, Tourism and Artisan Manufacturing and two 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 (“CRO’s”). 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 292 jobs from Fiscal Year 1996 to Fiscal Year 2005, 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. The U.S. Forest Service is creating a regional office for financial services center, human resources and information technology (IT) personnel in Albuquerque. This consolidation will result in transferring or filling approximately 700 positions,

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. In the summer of 2005 the Sandia Pueblo, opened a new golf course and in December 2005 opened a 238 room full service hotel. This continues the efforts of the Indian Pueblos to make their casinos into destination resorts.

Financial Activities. This sector includes finance and insurance including credit intermediation. The sector increased employment by an average of 1% per year from Fiscal Year 1996 to Fiscal Year 2005, 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 increased substantially at the end of 2003 and into 2005. Fiscal Year 2005 had employment of 26,733, a new maximum for this sector, with an increase of 7.9% or 1,950 jobs from fiscal year 2004. The largest source of growth in construction has been in single-family construction. This growth has leveled off, with a decline of 67 units posted in 2004 and through September 2005 construction employment is close to the same level. Though 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. While single family construction has leveled off at historically high levels, multifamily construction slowed dramatically in 2004, with only 519 units permitted; through September 2005, only 459 units have been permitted. Also, the value of new public construction permitted slowed in 2004, but this was from a very large level in 2003, that included the City permitting its Balloon Museum. Roads projects have helped, and there are several road projects worth over \$100 million that are under way.

Mesa Del Sol is located in the southwest quadrant of the City. This area, previously owned by the State land office and the University of New Mexico, is being developed by Forest City Covington, a joint venture between Forest City Enterprises, a, real estate company and Covington Capital, a major residential and industrial developer in the Southwest. This planned community development of about 9,000 acres could house as many as 40,000 residences. The first stage of the development is construction of a plant for Advent Solar (a solar cell manufacturer). Groundbreaking for this plant is to occur in January 2006. By 2010 the plant is expected to employ 1000 workers. The first level master plan for development has been approved by the City Council and more detailed plans will be submitted in 2006 when some residential construction is scheduled to begin.

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</u> <sup>(1)</sup>		<u>Multi-Residential</u>		<u>Commercial Buildings</u>		<u>Public Buildings</u>			Total Permits \$ Value	
	# of Permits	\$ Value	# of Units	# of Permits	\$ Value	# of Permits	\$ Value	# of Permits	\$ Value		Additions & Alterations \$ Value
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
2003	5,034	554,888,261	720	35	46,232,739	118	95,467,862	7	33,258,787	163,555,378	893,403,027
2004	4,975	629,042,637	462	15	24,637,800	117	117,591,103	12	21,439,556	137,816,901	930,527,997
2004 <sup>(2)</sup>	3,815	465,365,530	435	12	23,491,207	84	98,236,701	9	13,639,931	123,374,637	724,108,006
2005 <sup>(2)</sup>	3,672	570,488,172	440	8	22,238,491	118	119,481,486	14	68,358,927	96,799,822	877,366,898
Growth 04 to 05 <sup>(2)</sup>	-3.75%	22.59%	1.15%	-33.33%	-5.33%	40.48%	21.63%	55.56%	401.17%	-21.54%	21.17%

(1) Figures do not include manufactured housing.

(2) Through September

<u>Total Housing Units in the City of Albuquerque:</u>	<u>Total Units</u>	<u>Single Family</u>	<u>Multi Family</u>	<u>Mobile Homes &amp; 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 (2001-2005)	29,456	25,620	3,836	N/A
Estimated Units as of December 2005	228,170	152,263	67,121	8,786

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 1996-2005**  
(\$000 omitted)

<u>Category</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>2004</u>	<u>2005</u>	<u>2004 to 2005</u>	<u>Annual Average Growth 1996 to 2005</u>
Total Nonagricultural	324,975	332,942	340,442	343,508	352,008	361,783	361,150	362,417	366,283	374,267	2.2%	1.6%
Natural Resources and Mining and Construction	22,575	22,367	21,725	21,025	22,267	24,875	24,058	23,500	24,783	26,733	7.9%	1.9%
Manufacturing	27,833	27,650	28,342	26,808	26,892	28,058	25,567	24,133	22,775	22,617	-0.7%	-2.3%
Computer and Electronics Manufacturing	12,275	12,492	13,017	11,525	11,450	12,350	11,258	10,408	9,592	9,150	-4.6%	-3.2%
Trade	62,009	64,283	66,033	65,950	65,608	66,500	65,642	65,924	65,908	66,375	0.7%	0.8%
Wholesale Trade	14,592	14,650	14,858	14,533	14,133	14,075	13,592	13,233	12,925	12,658	-2.1%	-1.6%
Retail Trade	38,225	40,133	41,350	41,050	40,925	41,800	41,492	42,083	42,475	43,275	1.9%	1.4%
Transportation, Warehousing and Utilities	9,192	9,500	9,825	10,367	10,550	10,625	10,558	10,608	10,508	10,442	-0.6%	1.4%
Information	7,042	7,217	8,233	9,617	10,875	11,233	11,400	10,542	9,900	8,892	-10.2%	2.6%
Financial Activities	17,592	18,150	18,467	19,400	19,483	19,625	19,117	18,850	18,967	19,325	1.9%	1.0%
Professional, Scientific and Technical Services	27,058	26,300	26,042	25,917	26,592	26,858	26,958	27,767	28,258	29,208	3.4%	0.9%
Management/Administration/Support	24,417	26,358	27,492	29,033	31,142	32,225	31,000	29,892	29,858	30,642	2.6%	2.6%
Educational and Health Services	32,142	33,642	34,975	35,667	36,983	38,025	40,392	42,042	43,783	46,383	5.9%	4.2%
Leisure and Hospitality	31,000	31,967	32,267	32,225	32,900	34,025	34,392	35,308	36,250	36,258	0.0%	1.8%
Food Services and Drinking Places	24,958	25,050	24,933	24,667	25,375	26,225	26,675	27,383	28,158	27,975	-0.6%	1.3%
Other Services	10,333	10,625	10,683	10,750	10,792	11,050	11,242	11,608	11,750	12,008	2.2%	1.7%
Government	62,592	64,383	66,183	67,117	68,475	69,308	71,383	72,850	74,050	75,825	2.4%	2.2%
Federal Government	30,133	29,600	30,725	31,808	32,433	33,175	34,792	35,567	36,158	37,533	3.8%	2.5%
State Government	18,133	20,608	21,358	21,308	21,917	22,333	22,658	23,133	23,850	24,258	1.7%	3.3%
Local Government	14,325	14,175	14,100	14,000	14,125	13,800	13,933	14,150	14,042	14,033	-0.1%	-0.2%

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; information for calendar year 2003 is the latest available to the City.

### Per Capita Personal Income <sup>(1)</sup>

<u>Calendar Year</u>	<u>Albuquerque MSA</u>	<u>New Mexico</u>	<u>United States</u>
1995	21,401	18,426	23,076
1996	22,172	19,029	24,175
1997	22,931	19,698	25,334
1998	23,894	20,656	26,883
1999	24,412	21,042	27,939
2000	25,848	22,135	29,845
2001	27,979	24,088	30,575
2002	27,874	24,247	30,814
2003	28,519	24,903	31,487

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

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

The following table presents data on non-farm earnings by industry for the Albuquerque MSA for 2001 through 2003.

**Albuquerque MSA**  
**Estimated Earnings by NAICS Industry, 2001-2003<sup>(1)</sup>**  
**(\$000s omitted)**

<u>NAICS Category</u>		<u>2001</u>	<u>2002</u>	<u>2003</u>
81	Farm earnings	25,630	15,793	18,043
82	Nonfarm earnings	15,970,429	16,509,441	17,327,989
90	Private earnings	12,520,332	12,777,866	13,395,443
200	Mining	54,281 <sup>(2)</sup>	63,698 <sup>(2)</sup>	69,338 <sup>(2)</sup>
300	Utilities	<sup>(3)</sup>	49,223 <sup>(2)</sup>	<sup>(3)</sup>
400	Construction	1,239,397	1,163,268	1,236,318
500	Manufacturing	1,556,027	1,479,871	1,520,469
600	Wholesale trade	687,670 <sup>(2)</sup>	727,077 <sup>(2)</sup>	710,812 <sup>(2)</sup>
700	Retail trade	1,238,880	1,293,688	1,346,784
800	Transportation and warehousing	438,587	456,650	468,037
900	Information	<sup>(3)</sup>	469,049 <sup>(2)</sup>	471,677 <sup>(2)</sup>
1000	Finance and insurance	839,520	829,269	860,499
1100	Real estate and rental and leasing	323,402	339,790	385,739
1200	Professional and technical services	2,075,313 <sup>(2)</sup>	2,147,737	2,322,166
1300	Management of companies and enterprises	235,848 <sup>(2)</sup>	231,733 <sup>(2)</sup>	206,346 <sup>(2)</sup>
1400	Administrative and waste services	727,097 <sup>(2)</sup>	755,584 <sup>(2)</sup>	776,617 <sup>(2)</sup>
1500	Educational services	111,012 <sup>(2)</sup>	123,625 <sup>(2)</sup>	133,856 <sup>(2)</sup>
1600	Health care and social assistance	1,357,454 <sup>(2)</sup>	1,518,245 <sup>(2)</sup>	1,629,145 <sup>(2)</sup>
1700	Arts, entertainment, and recreation	93,009	107,038 <sup>(2)</sup>	117,232 <sup>(2)</sup>
1800	Accommodation and food services	476,051	497,334 <sup>(2)</sup>	527,467 <sup>(2)</sup>
1900	Other services, except public administration	391,118	434,945 <sup>(2)</sup>	460,252 <sup>(2)</sup>
2000	Government and government enterprises	3,450,097	3,731,575	3,932,546
2001	Federal, civilian	1,041,616	1,099,540	1,120,869
2002	Military	316,985	360,749	423,664
2011	State government	866,008	923,816	986,258
2012	Local government	1,225,488	1,347,470	1,401,755

(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) The estimate shown here constitutes the major portion of the true estimate.

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

The following two tables reflect Median Household Effective Buying Income ("EBI") (1994-2004) and the Percent of Households by EBI Groups 2004 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 the 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  
(1994-2004)**

<b>Calendar Year</b>	<b>Bernalillo County</b>	<b>New Mexico</b>	<b>United States</b>
1994	\$33,978	\$30,032	\$37,070
1995 <sup>(1)</sup>	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
2003	36,484	32,737	38,201
2004	37,723	34,203	40,759

(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.

Sources: 2005 Survey of Buying Power, Sales and Marketing Management Magazine, September 2005 and previous annual surveys from the same source.

**Percent of Households by  
Effective Buying Income Groups-2004**

<b>Effective Buying Income Group</b>	<b>Bernalillo County</b>	<b>New Mexico</b>	<b>United States<sup>(1)</sup></b>
Under \$20,000 <sup>(2)</sup>	21.3	26.0	21.5
\$20,000-\$34,999	24.2	25.2	22.5
\$35,000-\$49,999	20.2	19.8	19.3
\$50,000 and over	34.3	29.0	36.7

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

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

Sales and Marketing Management Magazine, September 2005.

## FINANCIAL INFORMATION

### General

#### *Taxes and Revenues*

The City is a home rule charter municipality, chartered as a town in 1885. No tax imposed by the governing body of a charter municipality, unless authorized by general law, becomes effective until approved at an election of its voters. Taxes authorized by general law that may be imposed without an election include a property tax for general purposes (up to a maximum of 7.65 mills), which is set by the State Department of Finance and Administration, and the local-option gross receipts tax, 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.

The latest five-year forecast for Fiscal Years 2006-2010 was presented to the City Council in January 2006. This forecast will be used to help develop the Fiscal Year 2007 budget.

### *Budget Process - Capital Funds*

The budget amounts of the capital project funds and certain of the special revenue funds are individual project budgets authorized by the City Council for the entire length of the project which are not necessarily the same as the Fiscal Year of the City. Pursuant to City ordinance, the Mayor develops a capital 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 the City Council 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 2005 and 2006.

Actual Fiscal Year 2005 Revenues. Revenues in Fiscal Year 2005 substantially outperformed any of the estimates.

The revenues for Fiscal Year 2005 are actual results for the General Fund. Revenues for the City in Fiscal Year 2005 were at \$413.8 million; this is 1.8% or \$7.2 million above the estimated actual revenues. The strengths are in gross receipts taxes, building permits and charges for services. Weakness shows primarily in revenues to pay for CIP funded positions. The CIP funded positions are directly offset by expenditures that didn't occur, therefore, this does not have a net impact on fund balance. The following describes each sector in more detail.

Gross Receipts Tax ("GRT"). GRT revenues were somewhat above the estimates. Not including the new quarter cent for public safety tax, growth was 4.2% exceeding the estimated growth rate of 3.0%. The addition of the quarter cent tax, approved by the voters in October 2003, makes the growth 15.4% compared to an estimate of 14.2%. This accounts for only eleven months of revenues due to the month delay in distribution from when the tax is collected.

Local Taxes other than GRT. Property taxes were \$743,000 or 2.9% above the estimated actuals. Growth from Fiscal Year 2005 was 5.7%. Franchise tax revenues totaled \$22,700. Revenues from the telephone franchise with QWEST declined again in Fiscal Year 2005. The City is not receiving franchise revenues from DSL and cellular phones continue to provide strong competition. Natural gas is the primary source of strength with high natural gas prices continuing to boost revenues. A memorandum of understanding with the Albuquerque Bernalillo County Water Utility Authority ("Water Authority") requires a franchise fee of 4% of revenues from the Water Authority, beginning in Fiscal Year 2005. In previous years, the Water Utility, as predecessor to the Water Authority, paid a payment in lieu of taxes ("PILOT") that included an implied 3% franchise fee as well as other taxes. For reporting purposes the Water Authority PILOT and franchise fees are listed separately.

Payments in lieu of taxes not including the Water Authority are now only \$1.1 million and were equal to the amount estimated.

Licenses and Permits. Building permit revenues are \$2.1 million above the estimated. Single-family construction, buoyed by a 27% increase in the value per home permitted, was exceptionally strong. Non-residential permits improved in part on the strength of public projects.

Revenues from other permits and licenses are \$277,000 above the estimate. Business licenses, restaurant and food inspections and animal licenses all showed increases.

Intergovernmental revenues other than the GRT distributions are \$154,000 above the estimate, and are 9.1% above Fiscal Year 2004. Gains are primarily from the receipt of court administrative charges that were to begin in Fiscal Year 2004 but were not received until Fiscal Year 2005. The municipal gasoline tax distribution was up 1.3%.

Charges for Services. Direct charges for services were strong, due to revenues from construction related fees for engineering, zoning fees, records search fees and material testing fees. There also were some losses due to the full year of the privatization of the operations of the Convention Center. The contract with SMG to operate the City's Convention Center began in January 2004 and expires in January 2007 with two one year extensions; therefore, revenues and expenses were shifted to the contract, reducing revenues by \$1.2 million. There was also a similar reduction in expenses.

Internal services include charges for services provided to other City funds. This includes landscaping maintenance by the Parks and Recreation Department for the Airport, provision of special legal counsel to other funds, engineering and surveying for the public works department. This category has become less important over the years as the City has moved to contract out rather than directly provide services such as office services, building construction, and engineering and surveying.

Indirect overhead charges were somewhat higher than anticipated as more positions were filled in the enterprise funds that pay indirect. Also, indirect revenues from capital projects were above estimates.

Funding for CIP funded positions was lower than anticipated, but these revenues are offset directly by expenditures and do not affect the fund balance.

Interest on Investments. Earnings on investments have slowed down somewhat and ended the year at \$1.6 million, up from \$426,000 in Fiscal Year 2004. The estimate was \$1.5 million. The increase is due to higher interest rates.

Other Miscellaneous. This includes revenues from fines for a newly enacted dust abatement ordinance and one-month of STOP a new red light ordinance, where civil fines are imposed for running a red light.

Approved Budget Revenue Estimates for Fiscal Year 2006. The following descriptions are based on the Fiscal Year 2006 budget. The revenue estimates for Fiscal Year 2006 were in many cases based on the estimates of Fiscal Year 2005 revenues at the time the budget was prepared. As noted above in the section entitled "Actual Fiscal Year 2005 Revenues" under this caption, revenues exceeded the estimates made at the time the budget was prepared.

Estimated total General Fund revenues for Fiscal Year 2006 are \$442.4 million, representing growth of 3.9% or \$16.0 million above the revised Fiscal Year 2005 estimate. GRT revenues are expected to increase by \$14.1 million, including a full 12 months of the quarter cent public safety tax. See "FINANCIAL INFORMATION – Gross Receipts Taxes." Non-recurring revenues are \$8.25 million primarily from GRT from one-time construction projects and the

quarter cent transportation tax transfer. Recurring revenues are \$414.2 million, an increase of 4.0% above the revised Fiscal Year 2005 estimate. Details by category are discussed in the following text.

Gross Receipts Taxes. GRT is reported as state shared revenues and municipal revenues. The state shared portion is 1.225% that is distributed to municipalities. The total municipal distribution to the general fund including, as of July 2004, the quarter cent public safety tax is 1.0625%. The State legislature in the 2004 session removed the tax on food and some medical services. This change took effect January 1, 2005. Also taking effect in January 2005 is an increase in the Bernalillo County taxes with an increase of 3/16th of a cent. The tax rate in the City commencing January 1, 2005 is 6.75%.

GRT revenues, after experiencing weak growth of 0.2% in Fiscal Year 2002, recovered with growth of 4.6% in Fiscal Year 2003. In Fiscal Year 2005, growth was 9.2%, in part accelerated by an annexation of a large retail shopping area. In Fiscal Year 2005, 11 months of the quarter cent public safety tax was received and revenues increased 15.4%. Revenues for Fiscal Year 2006 are projected to increase by 4.8%. This is buoyed by a full 12 months of the quarter cent public safety tax.

Local Taxes Other Than Gross Receipts. Property tax revenues in Fiscal Year 2006 were expected to increase 4% to \$26.4 million from the estimated Fiscal Year 2005 revenues.

Franchise tax revenues, including revenues from the Water Authority, were \$22.8 million in Fiscal Year 2004 and estimated at \$23 million for Fiscal Year 2005. The estimate for the Fiscal Year 2006 budget is \$23.2 million. Growth is limited as QWEST continues to lose revenues due to customers switching to wireless phone services. The primary strength is continued high natural gas prices. The other utilities are growing at approximately the rate of population growth

In Fiscal Year 2006 PILOT revenues (not including the Water Authority revenues) are anticipated to increase \$296,000, as the PILOT rate was increased to reflect the quarter cent public safety tax.

Licenses and Permits. Building permit inspection revenues have been growing rapidly. However, in Fiscal Year 2006 revenues were estimated at \$9 million, a 7.4% decline from the Fiscal Year 2005 estimate.

License and permit receipts for Fiscal Year 2006 are estimated at \$2.9 million or \$100,000 above the Fiscal Year 2005 estimate of \$2.8 million.

Intergovernmental Revenues Other than Gross Receipts. In Fiscal Year 2006, intergovernmental revenues were estimated to decline from the estimate for Fiscal Year 2005 by 4.1% to \$4.9 million. Most of this reduction is due to one-time revenues received from the Federal Emergency Management Agency in Fiscal Year 2005. Also cigarette tax revenues are expected to decrease as sales of cigarettes continue to decline.

Charges for Services. Total charges for services include four distinct categories of charges. The first category, Direct Charges for Services, 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. The second category is charges to the Capital Implementation Program (“CIP”) to fund positions for oversight and administration of capital projects. The third category is Internal Service Charges, such as office and building services. The last category is Indirect Overhead, which includes charges to other funds for services such as accounting and payroll. The total charges for services were estimated to be \$40.3 million for Fiscal Year 2005. The Fiscal Year 2006 budget includes estimated revenues of \$41.3 million, an increase of 2.2%.

Direct charges for services were \$17.9 million in Fiscal Year 2004 and the estimated Fiscal Year 2005 revenues were \$16.5 million. The decline was primarily due to the reductions in revenues from contracting out the management of the Convention Center and reduced visitation at the zoo. In Fiscal Year 2006 revenues are expected to increase 3.6% to 17.1 million. The biggest single increase was \$400,000 in revenues expected from the opening of the new balloon museum.

Internal services charges have declined as the City has chosen not to provide certain services. Office service charges now total about \$33,000 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 \$175,000 in Fiscal Year 2004. Fiscal Year 2005 charges were expected to be down by 10% and were kept at the same level for Fiscal Year 2006.

In Fiscal Year 2004, CIP funded positions resulted in \$7.4 million in revenues. Estimates for Fiscal Year 2005 are that revenues will be \$8.5 million and in Fiscal Year 2006 the revenues are expected to increase to \$9.1 million.

Indirect overhead revenues in Fiscal Year 2006 are expected at \$14.1 million. This is down slightly from the \$14.4 million estimated for Fiscal Year 2005.

Miscellaneous Revenues. In Fiscal Year 2004, the largest source of miscellaneous revenues was \$2.2 million from an IRB settlement. Fines and forfeitures generated only \$384,000 in Fiscal Year 2004 and were expected to generate \$91,000 in Fiscal Year 2005. The City’s dust ordinance is expected to generate one time revenues. In Fiscal Year 2006, fines are expected to be \$125,000, with \$120,000 coming from the City’s red light ordinance.

Inter-Fund Transfers. In Fiscal Year 2005 and 2006 revenues are anticipated at \$2.1 million.

## *General Fund Appropriations and Expenditures*

### Fiscal Year 2005 Year End Report

No City department overspent its total appropriation. The General Fund produced a significant fund balance and only four other funds required clean-up in final action preceding the submission of the annual audit to the State Auditor.

General Fund programs reverted \$15.9 million and actual revenues exceed the revised budget estimate by \$7.2 million. Encumbrances totaled \$4.3 million.

There were 105 General Fund Fiscal Year 2005 programs. The only program with expenses exceeding budget by either 5% or \$100,000, whichever is less, was the CIP funded positions in the Fire Department which overspent by \$70,000.

Approved Fiscal Year 2006 Budget. The approved budget for Fiscal Year 2006 is built on the assumption that total revenues will increase 7.45% over the Fiscal Year 2005 approved budget level. Expenditures in the approved budget are 11.16% greater than the approved appropriation level for Fiscal Year 2005. The growth in expenditures will be supported by a large fund balance to be carried forward from Fiscal Year 2005. The available fund balance does not include \$3 million of the \$5.3 million expected in Fiscal Year 2005 reversions, which is reserved in the Fiscal Year 2006 proposal.

The Fiscal Year 2006 budget reflects the City's priorities to enhance public safety, assure a sustainable water supply and provide increased economic opportunity.

Council mandates funded include additional staffing at the Animal Care Center, an increase in the number of sector plans that are updated in Fiscal Year 2006, funding from the General Fund to support weed and litter eradication efforts in Solid Waste, establishment of a City Forester, and an increase in the number of off leash dog parks. In addition, funding to address prairie dog issues, develop a plan to economically use landfill methane and conduct transit studies is expanded in response to Council concerns. Council staffing is increased to meet their demand for additional budget analysts.

The proposed budget also fully funds the increases in employee compensation and benefits as determined in the Fiscal Year 2005 budget and negotiated with the bargaining units for Fiscal Year 2005 and Fiscal Year 2006.

The Five-Year Forecast prepared in December 2004 estimated future revenues and expenditures for the General Fund and the subsidized funds for Fiscal Year 2005 through Fiscal Year 2009.

The Five-Year Forecast projected the General Fund unreserved fund balance for Fiscal Year 2005 would be positive at \$25.8 million (plus \$5.9 million in Fiscal Year 2005 reserves including: \$2 million set aside by the City Council for Fiscal Year 2006 needs; \$1.5 million for the IRB settlement balance; \$1.5 million of public safety quarter cent tax revenues for the anticipated processing facility; as well as the nuisance abatement and the City's tricentennial



reserves). It also estimated that recurring revenues would exceed recurring expenses by \$10.2 million. Much of this was due to an unanticipated improvement in revenues in Fiscal Year 2004 and Fiscal Year 2005. In Fiscal Year 2006 the gap between General Fund recurring revenues and expenditures was projected to swing wildly to a negative \$32.2 million, producing an unreserved fund balance of negative \$18.3 million.

The \$18.3 million Fiscal Year 2006 projected gap had seven primary causes. First, a GRT revenues reduction of 1/16th cent was assumed in the Five-Year Forecast. Secondly, unanticipated GRT revenue growth in Fiscal Year 2004 and Fiscal Year 2005 included nonrecurring revenues from the State's audit compliance efforts that would not carry forward to Fiscal Year 2006. Third, the suspension of a transfer to fund storm drainage projects provided General Fund capacity in Fiscal Year 2004 and Fiscal Year 2005, but should be restored in Fiscal Year 2006, unless the City ordinance is amended. Fourth, the Five-Year Forecast estimated cost of operating CIP coming-on-line in Fiscal Year 2006 was \$13 million. This large amount was driven by the opening of the Balloon Museum, preparing for the panda exhibit and operating the new 311 system. Also, the initiatives carried forward from Fiscal Year 2005 and/or added in Fiscal Year 2006 added \$5.5 million. Fifth, employee compensation was increased per the Fiscal Year 2005 budget and negotiated agreements with bargaining units. As agreed, 83% of employee insurance costs continued to be absorbed by the City as insurance premiums increased. Sixth, ongoing costs continue to increase as jail population increases and the cost of covering risk for a growing organization increases. Finally, the vacancy rate assumed for budgeting purposes (salary savings) was reduced to 0.5% for all departments and funds.

Departments made over \$56 million in issue paper requests: \$19.6 million in positive issues; \$29.9 million in public safety quarter cent issues; and \$6.7 million in CIP coming-on-line requests. Fortunately, budget hearings revealed several areas that could be reduced to close the \$18.3 million gap that had been forecast in December 2004. Although the Five-Year Forecast had ambitiously reduced the salary savings rate of 0.5%, analysis of actual data from March 1, 2005 revealed a General Fund vacancy rate of 9.96%, well above the Fiscal Year 2005 budgeted salary savings rate of up to 3.5% in some departments. The Fiscal Year 2006 General Fund budget retains the Fiscal Year 2005 salary savings rate of 3.5% for all departments except Fire, Police, Metropolitan Detention Center, Mayor, Chief Administrative Officer, Council Services and Internal Audit which remain at 0.5% and Senior Affairs and Human Resources that are set at 1.0%. The increase in the salary savings rate reduced the gap by approximately \$3 million. The cost of CIP coming-on-line was dramatically reduced from the \$13 million level projected in the Five-Year Forecast to \$4.3 million, creating approximately \$8.7 million in savings. By not incorporating a GRT reduction of 1/16th cent or a similar tax reduction, the gap was further reduced by \$7.6 million. The total of eliminating the salary savings adjustment of 0.5%, reducing CIP coming-on-line, and not funding a tax rate reduction closed the Five-Year Forecast projected gap. Combined with other reductions, sufficient capacity was created to fund necessary positive issue papers, including vehicle replacement.

Revenue and Expenditure Aggregates. The budget is built on the assumption that available revenues will increase 3.9% over the estimated actual level for Fiscal Year 2005. Expenditures in the Fiscal Year 2006 general fund budget are 10.6% greater than the estimated actual spending level for Fiscal Year 2005. The growth in expenditures is supported by the

\$28.2 million fund balance available in Fiscal Year 2005, which supports the \$32.2 million non-recurring expenditure level in Fiscal Year 2006. By drawing down this non-recurring fund balance, a higher total level of spending is supported.

The large growth rate in both revenues and expenditures is driven by the growth in GRT, primarily the additional month of the public safety quarter cent tax that began in Fiscal Year 2005. During the first year of a GRT imposition only 11 months are remitted to the municipality due to the lag between imposition, reporting to the State and distribution to the City. The public safety quarter cent tax is expected to produce \$32.4 million dedicated to specific spending purposes.

Total recurring revenues exceed recurring appropriations by \$7,000 and are increasing at 4%, but recurring spending is increasing at 8%. Revenues from the growing public safety quarter cent tax is recurring. That tax, along with the adoption of an ordinance to remove the dedication of the basic services quarter cent tax, provides a basis for the final favorable balance between recurring revenues and recurring appropriations. All capital expenditures are considered non-recurring.

The basic services quarter cent tax directed a recurring transfer to Fund 305 for storm drainage, traffic engineering and street maintenance. The basic services quarter cent tax was imposed in 1989. A portion of the tax was dedicated to public safety, social services and public works in the five year table for expenditures attached to the 1989 ordinance. The original legislation earmarked Public Works funding for preventative street maintenance and rehabilitation; equipment replacement; traffic engineering for signs and markings; and storm drainage maintenance and improvements. A 1994 resolution established the transfer to Fund 305 for major paving rehabilitation, traffic sign replacement and pavement markings in public works/streets; and storm drainage improvements and north and south valley storm drainage in public works/storm drainage. The legislation also directed that sufficient additional funds from the general obligation bond program, grants and other sources available be allocated to the North and South Valley storm drainage program. An attached table allocated funding through Fiscal Year 2004. In Fiscal Year 2004 and Fiscal Year 2005 the storm drainage portion of the transfer was suspended because the program had not spent previous transfers and approximately two years of funding was in cash balances. The Fiscal Year 2006 proposed budget fully funded the transfer to Fund 305 for basic services for the traffic engineering, street maintenance and storm drainage program on a nonrecurring basis. However, the amount of the transfer was reduced by \$700,000 in Council amendments. Legislation removing the dedication of the basic services quarter cent tax was introduced and passed and is included in this document in the sections entitled Appropriations and Legislation.

**General Fund Revenues and Expenditures Aggregates**  
(000's)

General Fund	Estimated Actual FY/05	Approved Budget FY/05	\$ Change from FY/05 Est. Actual	% Change from FY/05 Est. Actual
REVENUES	406,418	422,425	16,007	3.94%
Total Recurring	398,311	414,176	15,865	3.98%
Nonrecurring	8,107	8,249	142	1.75%
EXPENDITURES	403,781	446,507	42,726	10.58%
Total Recurring	382,644	414,169	31,525	8.24%
Nonrecurring	21,137	32,338	11,201	52.99%
AVAILABLE FUND BALANCE	28,164	2	(28,162)	(99.99%)
RECURRING REVENUES LESS RECURRING EXPENDITURES	15,667	7	(15,660)	

The General Fund budget increases expenditures \$42.7 million above the Fiscal Year 2005 estimated actual expenditure level, and \$44.7 million or 11.13% above the original Fiscal Year 2005 original budget. Other funds expenditures increased \$15.58 million or 4.05% from the Fiscal Year 2005 original budget to the Fiscal Year 2006 budget.

Expenditure expansions are sorted and presented by category below: technical adjustments, adopted issue papers, compensation, public safety quarter cent tax programs, and CIP coming-on-line.

The budget also includes funding for a number of CIP coming on line in Fiscal Year 2006: the balloon museum opened in October 2005, a full year of the Phase I expansion of the Albuquerque Museum, new exhibits at the BioPark, the opening of the renovated Tingley beach, opening of several remodeled and expanded community centers, a senior fitness center and a full year of operation of the west side transit center and the rapid ride bus.

*General Fund Balances*

The following table shows actual revenues, expenditures and fund balances for the General Fund in Fiscal Years 2001-2005 and also shows the approved budget and estimated actual amounts for Fiscal Year 2005 and approved budget for 2006.

In 2003 the fund balance policy was changed. The reserve is now 1/12 (8.33%) of expenses rather than 5% of recurring revenues.

**General Fund Revenues, Expenditures and Fund Balances**  
**Fiscal Years 2001-2005**  
**(\$000)**

<b><u>REVENUES</u></b>	<b><u>Actual</u> <u>2001</u></b>	<b><u>Actual</u> <u>2002</u></b>	<b><u>Actual</u> <u>2003</u></b>	<b><u>Actual</u> <u>2004</u></b>	<b><u>Actual</u> <u>2005</u></b>	<b><u>Budget</u> <u>2006</u></b>	<b><u>Compound</u> <u>Annual</u> <u>Chg. 01-06</u></b>
Taxes:							
Property Tax	15,429	15,880	16,498	24,734	26,153	26,426	11.4%
Gross Receipts Tax	88,353	89,068	93,173	101,663	134,936	141,364	9.9%
Other Taxes	15,626	15,369	17,457	17,695	22,723	18,082	3.0%
Water Authority PILOT Franchise							
Payment in lieu of taxes	5,117	5,450	5,613	6,036	1,122	6,559	5.1%
<b>Total Taxes</b>	<b>124,525</b>	<b>125,766</b>	<b>132,741</b>	<b>150,128</b>	<b>184,934</b>	<b>192,431</b>	<b>9.1%</b>
Licenses & Permits	8,723	8,643	12,279	13,716	15,026	12,003	6.6%
Intergovernmental Revenue:							
State Grants	20	22	46	370	145	14	-6.9%
Gross Receipts Tax	135,831	136,655	142,840	156,138	162,583	167,050	4.2%
Other State Shared	4,114	4,672	4,233	4,256	4,791	4,624	2.4%
County	220	169	242	201	332	264	3.7%
<b>Total Intergovernmental Revenue</b>	<b>140,185</b>	<b>141,519</b>	<b>147,361</b>	<b>160,965</b>	<b>167,851</b>	<b>171,952</b>	<b>4.2%</b>
Charges for Services	36,719	36,638	37,770	40,429	41,287	41,215	2.3%
Miscellaneous	3,748	1,580	1,249	3,898	2,598	2,683	-6.5%
Other Transfers	3,663	3,436	1,509	1,927	2,112	2,141	-10.2%
<b>TOTAL REVENUE</b>	<b>317,563</b>	<b>317,581</b>	<b>332,909</b>	<b>371,063</b>	<b>413,807</b>	<b>422,425</b>	<b>5.9%</b>
Beginning Fund Balance	43,403	40,183	36,599	43,125	64,786	69,082	9.7%
<b>TOTAL RESOURCES</b>	<b>360,966</b>	<b>357,764</b>	<b>369,508</b>	<b>414,188</b>	<b>478,593</b>	<b>491,507</b>	<b>6.4%</b>
<b>EXPENDITURES</b>							
General government	44,444	43,375	43,775	59,417	57,685	57,867	5.4%
Public Safety	122,153	127,469	130,107	139,621	163,130	182,758	8.4%
Cultural and recreation	50,408	49,152	48,653	49,171	57,242	65,308	5.3%
Public works	9,223	8,571	6,161	8,037	8,444	10,504	2.6%
Highways and streets	11,872	12,898	12,373	8,107	9,817	14,515	4.1%
Health	6,134	6,288	6,557	6,906	8,699	9,697	9.6%
Human services	29,264	26,795	27,146	27,385	31,903	37,653	5.2%
Other transfer out	47,284	46,616	49,113	50,757	56,248	68,204	7.6%
<b>TOTAL EXPENDITURES</b>	<b>320,782</b>	<b>321,164</b>	<b>323,886</b>	<b>349,401</b>	<b>393,169</b>	<b>446,506</b>	<b>6.8%</b>
<b>ENDING FUND BALANCE</b>	<b>40,183</b>	<b>36,599</b>	<b>45,622</b>	<b>64,786</b>	<b>85,424</b>	<b>44,844</b>	
<b>TOTAL ADJUSTMENTS</b> <sup>(1)(2)</sup>	-	-	(502)	(1,197)	(4,273)	(162)	
<b>RESERVES</b>	-	-	-	275	4,408	7,460	
<b>AVAILABLE FUND BALANCE</b>	<b>40,183</b>	<b>36,599</b>	<b>45,120</b>	<b>63,314</b>	<b>76,743</b>	<b>37,222</b>	
Ending fund balance as percent of recurring revenue <sup>(3)</sup>	12.8%	11.6%					
Ending fund balance as percent of total expenditure <sup>(3)</sup>			13.93%	18.12%	19.52%	8.34%	
Recurring revenues	314,044	314,330	329,259	329,259	401,807	414,176	5.7%
Recurring expenditures	319,546	317,399	322,331	341,032	400,827	413,929	5.3%

- (1) Adjustments reflect changes in reserves for encumbrances and other accounting adjustments. The adjustments for the designation for future appropriations is not made following the change in reserve policy in Fiscal Year 2003.
- (2) The Fiscal Year 2002 adjustment includes a \$1.2 million reserve for the corrections department.
- (3) 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.

## 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 7-19D-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 the full 1.25%. 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 services gross receipts tax and an additional 0.25% municipal capital outlay gross receipts tax for municipal infrastructure purposes. Effective July 1, 2005, if the City becomes a member of a regional transit district, upon request from the district, the City, after an election approving the tax, shall impose a municipal regional transit gross receipts tax of up to 0.5% for a public transit system or public transit projects or services for the district.

Real Property Tax. The City is authorized to impose a maximum levy of 7.650 mills for City operations. In Fiscal Year 2005, only 3.028 mills imposed on residential property and 3.274 mills imposed on commercial property are used by the City for operations and are subject to yield control. See "Property Taxes" below.

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

### *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. In addition to the 1.225% gross receipts tax distribution, State 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 7.65 mills. Beginning in Tax Year 2003, of the 7.65 mills authorized, only 3.028 mills imposed on residential property and 3.274 mills imposed on commercial property are used by the City for operations (referred to as the “operational levy”) and are 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 revenues no greater than that which would have been produced if the valuation of property subject to the imposition had been the valuation in the Tax Year in which the increased rate was authorized by the taxing district. The yield control provisions do not apply to the general obligation debt service levy.

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 was applied for Tax Year 2003. 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 2005 (Fiscal Year 2006) are 11.004 mills for residential and 11.250 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 2005 (Fiscal Year 2006) is 7.976 mills and the operational levy is 3.028 mills on residential property and 3.2744 mills on commercial property.

<u>Purpose of Property Tax</u>	<u>Total Taxing Authority</u>	<u>Levy Imposed</u>	<u>Unused Authority</u>
Operations:	7.650 mills		
Residential		3,028 mills	4.622 mills
Commercial		3.274 mills	4.376 mills
Debt Service <sup>(1)</sup>	12.000 mills <sup>(2)</sup>		
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, 2003, and 2005 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 levy 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. 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 \$16,600,000 is outstanding, with \$13,790,575 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.

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**

<b><u>Tax Year</u></b> <sup>(1)</sup>	<b><u>Real Property</u></b>	<b><u>Corporate Property</u></b>	<b><u>Personal Property</u></b>	<b><u>Net Taxable Valuation</u></b>
1996 <sup>(2)</sup>	\$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
2004	7,582,619,605	314,998,373	387,875,178	8,285,493,156
2005	8,602,349,098	324,655,661	380,575,833	9,307,580,592

(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 2005 (Fiscal Year 2006)<sup>(1)(2)</sup>**

<u>Name of Taxpayer</u>	<u>Taxable Value</u> <sup>(3)</sup> <u>2005 Assessed</u>	<u>Tax Amount</u> <sup>(4)</sup>	<u>Percentage of Total City Assessed Valuation</u> <sup>(4)</sup>
Qwest (US West)	\$82,812,060	\$3,681,024	0.890%
PNM Electric	74,137,617	3,305,631	0.797%
PNM Gas Services	22,970,677	892,676	0.247%
Southwest Airlines	20,079,667	853,245	0.216%
Crescent Real Estate (Hyatt Hotel)	18,276,794	903,811	0.196%
Comcast Cablevision of New Mexico	17,554,859	745,959	0.189%
Heitman Properties of NM (part of Coronado Shopping Mall)	16,866,414	716,705	0.181%
Simon Property Group Ltd. (Cottonwood Mall)	16,684,032	708,955	0.179%
Verizon Wireless (VAW) LLC.	16,585,876	704,784	0.178%
Voicestream PCS II Corporation	13,534,419	575,118	0.145%
Alltel Communications Inc.	11,000,035	467,425	0.118%
Winrock Property (Winrock Mall)	8,383,061	356,221	0.090%
AHS Albuquerque Regional Medical Center	8,314,168	353,294	0.089%
Chant Family III LTD Properties	8,291,471	352,330	0.089%
Cingular Wireless LLC	<u>7,388,034</u>	<u>313,940</u>	<u>0.079%</u>
	<u>\$342,869,184</u>	<u>\$14,931,17</u>	<u>3.7%</u>

- (1) As of November 1, 2005.
- (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 2005 represents only 4.0% of the total net taxable value of the City for 2005. 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**

<b>Fiscal Year</b>	<b>Total Current Tax Levy <sup>(1)</sup></b>	<b>Current Tax Collections</b>	<b>Percent of Levy Collected</b>	<b>Delinquent Tax Collections</b>	<b>Total Tax Collections</b>	<b>Total Collections as Percent of Current Levy</b>	<b>City Debt Service Collections</b>	<b>Percent of Total City Levy</b>
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 <sup>(2)</sup>	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	68,707,63	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%
2004	87,976,148	84,534,873	96.09%	3,674,088	88,208,961	100.26%	63,153,644 <sup>(3)</sup>	71.8%
2005	92,559,948	88,965,021	96.12%	3,234,797	92,199,818	99.61%	66,046,681	71.4%

Taxes are due as follows: First half-November 10, second half-April 10. The taxes are collected by the County Treasurer and remitted to the City monthly. Properties in which taxes are delinquent (11<sup>th</sup> 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 Fiscal Year 96 to 8.976 mills in Fiscal Year 97, City debt service collections decreased slightly.
- (3) Since debt service mill levy decreased from 8.976 mills in Fiscal Year 03 to 7.976 mills in Fiscal Year 04, 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**

<b>Tax Year</b>	<b>Total Tax Levy</b>	<b>City</b>	<b>Bernalillo County</b>	<b>State of New Mexico</b>	<b>Schools</b>	<b>Technical Vocational Education</b>	<b>Flood Control Authority</b>	<b>Hospital</b>	<b>Conservancy District</b>
1996	43.814	11.257	8.279	1.556	9.020	2.783	1.006	4.497	5.416
1997	48.132	11.362	9.070	1.347	11.888	2.935	1.050	4.565	5.915
1998	46.752	11.357	9.066	1.438	11.013	2.945	1.050	4.103	5.780
1999	42.499	11.080	8.270	1.482	8.505	2.578	0.939	4.016	5.629
2000	43.701	11.166	8.558	1.529	8.527	3.179	0.962	4.184	5.596
2001	45.571	11.161	8.635	1.765	8.503	2.628	0.943	6.500	5.436
2002	44.701	11.153	8.532	1.123	7.883	3.174	0.937	6.500	5.399
2003	46.668	11.154	9.549	1.520	8.497	3.175	0.936	6.500	5.337
2004	46.610	11.149	9.536	1.028	8.493	3.174	0.934	6.500	5.346
2005	44.496	11.080	8.408	1.234	8.441	3.122	.0924	6.310	4.975

Source: Bernalillo County Treasurer's Office.

## **Gross Receipts Taxes**

### *State Gross Receipts Taxes*

Imposition of Tax. The Gross Receipts and Compensating Tax Act (Sections 7-9-1 through 7-9-91, NMSA 1978, as amended), authorizes the State to impose the state gross receipts tax which is levied by the State for the privilege of doing business in the State and is collected by the Department of Taxation and Revenue. The state gross receipts tax is levied at 5.00% of taxable gross receipts. Effective January 1, 2005, a credit of 0.50% for municipal option gross receipt taxes was discontinued and the State now collects the 5.00% tax within municipalities, including the City. Of the 5.00 cents collected per dollar of taxable gross receipts reported for a particular municipality, 1.35 cents had, prior to August 1992, been remitted monthly back to the municipality by the State 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.

Until July 1, 2004, businesses in the City paid a total 5.8125% gross receipts tax rate to the State, the County of Bernalillo (the "County") and the City. On July 1, 2004, as a result of the City's 0.25% public safety tax, the total gross receipts tax paid by businesses in the City was increased to 6.0625% and, as a result of an increase in the Bernalillo County gross receipts tax rate from 0.25% to 0.4375%, increased to 6.2500%, effective January 1, 2005. On July 1, 2005, the total gross receipts tax increased to 6.7500%. See the following paragraph.

Laws of 2004, Chapter 625, which became effective January 1, 2005 made a number of changes to the State gross receipts tax laws. The gross receipts tax on food and certain medical services was eliminated but the credit of 0.50% for payers of the municipal option tax was also eliminated and the State now collects the full 5.00% state gross receipts tax. The legislation creates a deduction for state gross receipts tax from retail sales of food, as defined for federal food stamp program purposes, but requires retailers to report receipts from sales of food and then claim a deduction for the receipts. The legislation enacts significant penalties for improper filings. The deduction does not apply to receipts of restaurants and sellers of prepared foods. The legislation also creates a gross receipts tax deduction for some receipts of licensed health care providers (broadly defined) from Medicare Part C and managed health care plans and health care insurers. To compensate municipalities for lost revenues resulting from the state gross receipts tax deductions for certain food and medical services, the legislation also provides for payments in lieu of taxes from the State to reimburse local governments for lost gross receipts tax revenues. The definition of state gross receipts tax revenues includes payments received from the State in lieu of gross receipts tax revenues.

Taxed Activities. For the privilege of engaging in business in the State, the state gross receipts tax is imposed upon any person engaging in business in the State. "Gross Receipts" is defined in the Gross Receipts and Compensating Tax Act as the total amount of money or value of other consideration received from selling property in the State (including tangible personal property handled on consignment in the State), from leasing property employed in the State, from selling certain research and development services performed outside the State the product

of which is initially used in the State and from performing services in the State. The definition excludes cash discounts allowed and taken, the state gross receipts tax payable on transactions for the reporting period and any county gross receipts tax, county fire protection excise tax, county and municipal gross receipts taxes, any type of time-price differential and certain gross receipts or gross receipts taxes imposed by an Indian tribe or pueblo. Unlike most other states, the State taxes sales and services, including legal services. For a description of the percentages of gross receipts tax revenues that have been historically received in various other sectors, see “Gross Receipts Taxes - Historical Taxable Gross Receipts” under this caption.

Exemptions. Some activities and industries are exempt from the state gross receipts tax, many by virtue of their taxation under other laws. Exemptions include but are not limited to receipts of governmental agencies and certain organizations (some of which are taxable by the State, with no local distribution), receipts from the sale of vehicles, occasional sales of property or services, wages, certain agricultural products, dividends, receipts from the sale of prescription drugs and certain federal government paid medical expenses and interest and receipts from the sale of or leasing of natural gas, oil or mineral interests. Various deductions are also allowed, including, but not limited to, receipts from various types of sales or leases of tangible personal property or services, receipts from sales to governmental agencies or certain organizations, receipts from processing certain agricultural products, receipts from certain publication sales, certain receipts from interstate commerce transactions and, beginning January 1, 2005, receipts from the sale of certain food and certain medical services. See “State Gross Receipts Tax - Imposition of Tax” under this caption. In spite of the numerous specified exemptions and deductions from gross receipts taxation, the general presumption is that all receipts of a person engaging in business in the State are subject to the state gross receipts tax.

Administration of the Tax. 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 gross receipts tax revenues and of receipts from local option gross receipts taxes.

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

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

<u>Fiscal Year</u>	<u>Revenues</u>
2001	\$135,830,834
2002	136,655,396
2003	142,840,456
2004	156,137,731
2005	162,583,140

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 and Hospitality Fee."

### *Municipal and Other Gross Receipts Taxes*

Imposition of Tax. In addition to receiving a distribution from the State, the Municipal Local Option Gross Receipts Tax Act (Sections 7-19D-1 through 7-19D-13 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 City is imposing the full 1.25%. 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 City's General Fund. One half of one percent (0.50%) is used for general purposes and the revenues are deposited into a fund pledged to secure certain outstanding municipal gross receipts tax bonds of the City. An additional 0.25% municipal gross receipts tax is imposed to provide for street maintenance, roadway improvements, an increase in the level of services provided by the public transit system, and construction of a bikeway system. The final 0.25% increment of municipal gross receipts tax is imposed to provide for public safety, a variety of social-service programs and jail expenses. The City has also imposed a 0.0625% municipal infrastructure gross receipts tax for general purposes. The City has authority to impose a second 0.0625% municipal infrastructure gross receipts tax without a referendum, but has not exercised this authority. In addition, the City is authorized to impose an additional 0.125% municipal infrastructure tax for general municipal purposes, infrastructure, regional transit and/or economic development but has not used this authority to date, and a positive referendum will be required to impose such tax. The City also has authority to impose a 0.0625% municipal environmental services gross receipts tax but thus far has not used this authority. The State Legislature in 2004 passed legislation, which became effective on July 1, 2005, authorizing a municipal regional transit gross receipts tax. If the City becomes a member of a regional transit district, upon request from the district, the City, after an election approving the tax, is required to impose a municipal regional transit gross receipts tax of up to 0.5% for a public transit system or public transit projects or services for the district. The tax may be imposed in increments of 0.0625%.

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

**City of Albuquerque  
Historical Municipal Gross Receipts Tax Revenues**

<u>Fiscal Year</u>	<u>Revenues</u>
2001	\$54,609,793
2002	55,034,047
2003	57,569,166
2004	62,778,208
2005	63,333,003

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

*Taxing Authority and Payments*

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

**Fiscal Year 2005 Gross Receipts Tax (GRT) Paid  
in the City of Albuquerque**

<u>Type of Tax &amp; Purpose</u>	<u>Percentage Imposed</u>
Municipal GRT <sup>(1)</sup>	1.2500%
Municipal Infrastructure GRT	0.625
Bernalillo County GRT	0.4375
State GRT	<u>5.0000</u>
Total	<u>6.7500%</u>

(1) Municipal GRT may be imposed by the City in increments of 0.125%, 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.

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**  
**Fiscal Year 2005 Taxing Authority and Gross Receipts Tax (GRT) Imposed**

<u>Type of Tax &amp; Purpose</u>	<u>Total Taxing Authority</u>	<u>Percentage Imposed</u>	<u>Unused Authority</u>
Municipal GRT <sup>(1)</sup>	1.2500%		
Basic Services		0.2500%	
General Purposes <sup>(2)</sup>		0.5000%	
Transportation		0.2500%	
Public Safety		<u>0.2500%</u>	
<i>Total Municipal GRT</i>		<u>1.2500%</u>	
Municipal Infrastructure GRT <sup>(3)</sup>			
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 <sup>(4)</sup>	0.2500%	0.0000%	0.2500%
Regional Transit GRT <sup>(5)</sup>	<u>0.5000%</u>	0.0000%	<u>0.5000%</u>
<i>Total Other GRT</i>		<u>0.0625%</u>	<u>1.0000%</u>
Total Impositions by the City		<u>1.3125%</u>	<u>1.0000%</u>
State GRT <sup>(6)</sup>		<u>1.2250%</u>	
Total Distribution to the City		<u>2.5375%</u>	

- (1) Municipal GRT may be imposed by the City in increments of 0.125%, subject to a negative referendum, and collections are assessed an administrative fee by the State of 5.0% on all local option revenues imposed above those derived from the initial 0.50% tax levied.
- (2) Represents the municipal gross receipts tax pledged by the City to secure certain outstanding bonds.
- (3) A positive referendum is required to impose any amount of the municipal infrastructure gross receipts tax: (i) in excess of 0.1250%; or (ii) for the purpose of economic development. The tax may be imposed in increments of 0.0625%.
- (4) A positive referendum is required to impose any amount of the municipal capital outlay gross receipts tax and it may be imposed only after all other local option gross receipts taxes have been imposed.
- (5) A positive referendum is required to impose any amount of the regional transit gross receipts tax after the City becomes a member of a regional transit district and upon request from the district. The tax may be imposed in increments of 0.0625%.
- (6) Revenues from this tax are state gross receipts tax revenues.

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 1996.

**City of Albuquerque**  
**Taxable Gross Receipts By Sector and Total Gross Receipts <sup>(1)</sup>**  
**Fiscal Years 1996-2005 (\$000,000s omitted)**

											<u>% of Total Shares by Sector</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>2004</u> <sup>(4)</sup>	<u>2005</u> <sup>(4)</sup>	<u>1996</u>	<u>2005</u>
Construction	\$1,007.7	\$1,068.1	\$1,000.8	\$ 1,001.4	\$ 1,098.7	\$ 1,307.6	\$ 1,250.6	\$ 1,213.5	\$ 1,354.5	\$ 1,549.7	10.9%	11.8%
Manufacturing	278.3	281.0	320.1	324.2	319.4	308.6	283.7	233.7	275.0	266.1	3.0%	2.0%
Trans, Comm., & Pub Util.	562.3	600.9	616.1	615.1	611.1	650.0	565.2	569.1				
Wholesale Trade	513.2	511.1	554.1	535.6	604.8	608.0	630.5	738.0				
Retail Trade	3,634.0	3,759.6	3,882.4	3,963.1	4,158.7	4,367.6	4,345.0	4,652.6	5,036.7	4,891.7	39.4%	37.3%
Fin, Insur., & Real Estate	251.6	258.1	279.0	286.3	292.2	292.7	270.4	269.4				
Services	2,902.6	3,001.2	3,103.6	3,276.2	3,379.2	3,406.2	3,550.8	3,740.7				
Other	11.5	19.8	15.0	21.7	22.4	22.6	23.5	18.5				
Interstate Comm. <sup>(2)</sup>	64.2	62.2	59.3	56.2	62.4	52.9	50.4	37.9				
All Other Sectors	--	--	--	--	--	--	--	--	<u>5,836.2</u>	<u>6,391.3</u>	<u>46.7%</u>	<u>48.8%</u>
Total Taxable Gross Receipts <sup>(3)</sup>	<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>\$10,970.0</u>	<u>\$11,473.0</u>	<u>\$12,502.52</u>	<u>\$13,098.8</u>	<u>100%</u>	<u>100%</u>
Total Gross Receipts Reported	\$15,784.0	\$16,414.0	\$17,096.8	\$17,317.9	\$18,294.2	\$20,836.9	\$20,708.3	\$20,153.4	\$22,406.9	\$24,666.2		

(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.

(3) Totals may not add due to rounding.

(4) The groupings by Standard Industrial Classification are not available after Fiscal Year 2003 with the exception of Construction and Retail Trade.

Source: New Mexico Taxation and Revenue Department.



### *Manner of Collection and Distribution*

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

### *Remedies for Delinquent Taxes*

The Department may assess gross receipts taxes to a taxpayer who has not paid the taxes due to the State. If any taxpayer to whom gross receipts taxes have been assessed does not make payment 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 rate of tax on gasoline is \$0.17 per gallon. Gasoline is defined by State statute 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.

The amount of the distribution of gasoline tax receipts from the State (“State Shared Gasoline Tax Receipts”) was increased 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.

*Historical Receipts*

The following table sets forth the historical distributions of State Shared Gasoline Tax Receipts for Fiscal Years 1996-2005.

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

<u>Fiscal Year</u>	<u>State Gasoline Tax Receipts</u>
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
2004	4,476,207
2005	4,686,513

Sources: City of Albuquerque Comprehensive Annual Financial Reports for 1996 to 2005.

### *Distribution of the Gasoline Tax*

The Department distributes gasoline taxes to municipalities and counties pursuant to statutory procedures. 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. 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.

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.

### **Lodgers' Tax and Hospitality Fee**

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 lodging.

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

### *Historical Lodgers' Tax Revenues*

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

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

<u>Fiscal Year</u>	<u>Gross Taxable Rent<sup>(1)</sup></u>	<u>Lodgers' Tax Revenues</u>
2001	\$169,762,360	\$8,488,118
2002	166,380,620	8,319,031
2003	166,521,380	8,326,069
2004	174,606,940	8,730,347
2005	180,207,820	9,010,391

(1) Defined by the Lodgers' Tax Act to mean "the total amount of rent paid for lodging, not including the state gross receipts tax or local sales taxes."  
Source: City of Albuquerque, Department of Finance and Administrative Services.

*Hospitality Fee*

The State Legislature passed the Hospitality Fee Act (Sections 3-38A-1 through 3-38A-12 NMSA 1978) which became effective in June 2003. Under the Act, the City has authority to impose, without a referendum, a hospitality fee of up to 1% of the gross rent proprietors receive from tourist accommodations within the City. On April 19, 2004, the City enacted its ordinance imposing the hospitality fee. The Hospitality Fee Act includes a section which repeals the Act effective July 1, 2013. As required by the Hospitality Fee Act, fifty percent of the fees collected are to be used for advertising to publicize and promote tourist-related attractions, facilities and events and the remaining fifty percent is to be used to equip and furnish the City's Convention Center.

The hospitality fee will generate revenues to pay for certain capital improvements at the Convention Center that will help make the Convention Center a more desirable venue.

**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 6,449 full-time employment positions funded by the City for Fiscal Year 2005. As of January 1, 2005, of the filled positions, over 80% of City employees are affected by union contracts. There are seven bargaining units within the City. The City's union contracts which all expire on June 30, 2006 are as follows: Albuquerque Officers' Association (A.F.S.C.M.E. Local 1888, AFL-CIO); Clerical and Technical Employees (A.F.S.C.M.E. Local 2962, AFL-CIO); United Transportation Union (Local 1745); Blue Collar workers

(A.F.S.C.M.E. Local 624, AFL-CIO); Albuquerque Area Firefighters Union; Albuquerque Police Officers' Association; and Management Union.

## **Retirement Plan**

The employees of the City are members of the State Public Employees Retirement Association. Employees are credited for contribution amounts to the plan varying from 3.29% to 16.20% of their wages and the City contributes amounts which vary from 7.0% to 21.25%.

The last actuarial valuation attesting to the availability of funds to cover the obligations of the plan is as of June 30, 2005. 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**

### *General*

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

In July 2005, the City adopted a ten year capital plan for calendar years 2005 through 2014. In a regular municipal election on October 4, 2005, the voters approved the future issuance of \$113,045,000 general purpose general obligation bonds and \$8,080,000 storm sewer system general obligation bonds. It is expected that the City will issue additional general obligation bonds in Spring/Summer 2006.

### *Impact Fees*

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

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

The four types of new infrastructure that the City of Albuquerque Impact Fees will support are: Public Safety Facilities, Drainage Facilities, Park, Recreation, Trails and Open Space Facilities and Roadway Facilities. Service Areas have been identified for each type of infrastructure.

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

## **Financial Statements**

The financial statements of the City at June 30, 2005 and for the year then ended are included in Appendix A hereto and have been audited by Neff & Ricci LLP, independent certified public accountants See Appendix A.

## **ENTERPRISE OPERATIONS**

### **Albuquerque International Sunport**

#### *Generally*

The Albuquerque International Sunport (“the Airport”) is the principal air carrier airport serving the Albuquerque Area and the State of New Mexico, and provides the only major air carrier service to the State. Owned by the City and operated by the City’s Aviation Department, the Airport is five miles southeast of downtown Albuquerque and about six miles from the City’s center of population. The Airport is classified as a “medium hub” airport by the FAA. According to the Airports Council International-North America records, the Airport ranked as the 57th largest passenger airport in the United States in 2004. The Airport serves primarily an “origination/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. See “Airport Service Area” and “Historical Airline Traffic” under this caption. In addition to the Airport, the City also owns and operates Double Eagle II Airport, a general aviation reliever airport that, together with the Airport, comprise the City of Albuquerque Airport System, hereinafter referred to as the “Airports.”

The Airport has three principal runways for air carrier use: Runway 8-26, the primary air carrier/military runway, is 13,793 feet long and 150 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 national airlines as well as regional and commuter airlines. Southwest Airlines, American Airlines, Delta Airlines, and America West Airlines accounted for 51.6%, 11.6%, 8.1% and 6.1%, respectively, of the enplaned passengers at the Airport in Fiscal Year 2005. See “Airlines Serving the Airport” under this caption.

The major national airlines passenger facilities of the Airport include the main Terminal Complex and 23 air carrier aircraft gates. 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. In addition, there is one commuter gate, identified as Gate E, serving two commuter airlines with six aircraft parking positions. The Terminal Complex area includes a two-level terminal loop roadway system, a 3,400 space automobile parking structure, and a 480 space surface parking lot.

In March 2001, the Airport opened a Consolidated Rental Car Facility (the “Rental Car Facility”) located on approximately 76 acres of Airport property southwest of the Terminal

Complex. It is comprised of a customer service building, ready/return parking area and service center facilities. The Rental Car Facility is currently used by eight rental car companies, which include Avis, Budget, Dollar, Hertz, Advantage, Thrifty, Enterprise as well as Vanguard Rental, who operates Alamo and National Rent a Car (collectively, the “On-Airport Rental Car Companies”).

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

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

#### *Airport Service Area*

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

The Airport also serves a secondary area consisting of the remainder of the State. The limits of a secondary area are generally defined by the range and quality of airline service at other air carrier airports. There are seven air carrier airports in the surrounding states of Arizona, Colorado, Texas and Utah that provide airline service and together define the limits of the secondary area, including Amarillo International Airport to the east, Denver International Airport to the north, El Paso International Airport to the south, Lubbock International Airport to the southeast, Dallas/Ft. Worth International Airport to the southeast, Phoenix Sky Harbor International Airport to the west and Salt Lake City International Airport to the northwest. There are also nine other airports in the State that provided scheduled commuter airline service during Fiscal Year 2005.

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

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

Each of the major national airlines listed above have entered into a Scheduled Airline Operating Agreement and Terminal Building Lease with the City (the “Airline Agreements”). Collectively, these Signatory Airlines lease approximately 75% of the available exclusive and preferential use space in the Terminal Complex. See “Agreements with the Airlines” for a discussion of the obligations of the Signatory Airlines pursuant to the Airline Agreements. In addition to these major national airlines, Mesa Airlines and Great Lakes Airlines provide flights throughout New Mexico, Texas and Colorado. Certain other regional/commuter airlines are also currently serving the Airport. Three Air Cargo Airlines (two of which provide services for two larger cargo carriers) provide service at the Airport. These three are:

DHL USA	Federal Express
UPS Air Cargo	

The Air Cargo Airlines listed above have all entered into a Schedule Air Cargo Airline Operating Agreement and Air Cargo Building Lease with the City (the “Air Cargo Airline Agreements”) and all operate as Signatory Air Cargo Airlines. See “Agreements with the Airlines - Agreements with Signatory Air Cargo Airlines” under this caption.

Events Affecting the Air Transportation Industry and the Airport. The events of September 11, 2001 caused substantial disruption to the airline industry. In response to the attacks, the Aviation and Transportation Security Act was enacted into law on November 19, 2001, creating the Transportation Security Administration (“TSA”). The TSA took over from the airlines all contracts for security checkpoint operation at the Airport in February 2002. The security checkpoint was federalized on October 8, 2002, when all civilian contractors at the checkpoint were replaced with screeners employed by the TSA. Prior to the creation of the TSA, the FAA had implemented security measures, including, but not limited to, the elimination of 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. Some of those measures remain in effect at the Airport and 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.

Several airlines, including three airlines operating at the Airport, United Airlines (“United”), Delta Airlines (“Delta”) and Northwest Airlines (“Northwest”) have filed for bankruptcy protection. The three airlines accounted for approximately 16% of enplanements and approximately 12% of revenues at the Airport in Fiscal Year 2005 and continue to operate at the Airport while they restructure under bankruptcy protection.



Security Checkpoint Reconfiguration and Meeter/Greeter Area Addition. Due to congestion and delay resulting from heightened security at the Airport and new restrictions on public access to the concourses, the security checkpoint must be changed and a new area will be added for the “meeters and greeters” of arriving passengers. Development of the meeter/greeter area will be done in conjunction with, and adjacent to, the expanded and reconfigured security checkpoint area. Construction of the project began in December of Fiscal Year 2005, and will be completed in the third quarter of Fiscal Year 2006 at a cost of approximately \$14 million.

Historical Airline Traffic. During Fiscal Year 2005, there were approximately 227,398 aircraft operations (landings and takeoffs) at the Airport, which is an increase from 208,127 in Fiscal Year 2004. The additional aircraft operations are due to an increase in activity resulting from the major national carriers using smaller regional jet aircraft.

The following table presents the number of airline enplaned passengers for major national airlines at the Airport from Fiscal Year 1996 through Fiscal Year 2005.

**Historical Airline Traffic Activity  
Albuquerque International Sunport**

**Enplaned Passengers**

<b><u>Fiscal Year</u></b>	<b><u>Number</u></b>	<b><u>Percent Increase (Decrease)</u></b>
1996	3,159,377	0.5
1997	3,273,829	3.6
1998	3,109,915	(5.0)
1999	3,093,853	(0.5)
2000	3,160,245	2.1
2001	3,151,608	(0.3)
2002	3,043,775	(3.4)
2003	3,010,471	(1.1)
2004	3,121,162	3.7
2005	3,189,886	2.3

Source: City of Albuquerque, Department of Aviation.

The total number of enplaned passengers at the Airport increased at an average annual rate of 0.20 % per year between Fiscal Years 1996 and 2005. In Fiscal Year 2002, the number of enplaned passengers at the Airport decreased 3.4%, principally as a result of the September 11 terrorist attacks, the national economic downturn, and resulting decreases in airline service. The Airport has experienced an upward trend during 2004 and 2005.

In Fiscal Year 2005, the number of enplaned passengers at the Airport increased approximately 2.3%. This increase is a direct result of additional regional jet air carriers as well as continued economic improvement. In 2004, the number of enplaned passengers increased by 3.7%, principally as a result of the return of travelers’ confidence in air travel, and improved economic conditions in New Mexico and nationally. It should be noted that the average decrease in enplaned passengers at the Airport between 2001 and 2003 (2.3% per year) was at a lesser rate

than experienced nationally. The FAA reported that enplaned passengers nationally decreased 6.6% between 2001 and 2002 (the most recent year for which data is available). Low-fare airlines such as Southwest Airlines and America West have continued to maintain or increase service at the Airport. The Airport has recovered from the impacts of the events of September 11 at a faster rate than other United States airports.

The size of an origination/destination market, as measured by the number of originating passengers, is related to the vitality of an airport service area. Origination/destination passenger traffic in the Albuquerque Area and other parts of the State consists of resident and visitor travel. The level of resident passenger travel is related to the size of the population base, overall activity and growth in the economy, companies that rely on airline travel for their business use, and disposable income levels that may affect the propensity for airline travel. The level of visitor passenger travel in the Albuquerque Area and the State is related to companies located in the Albuquerque Area and the State that are visited by personnel from other offices or businesses located in other parts of the United States or the world, the demand for tourist and convention facilities in the Albuquerque Area and the State, and people visiting residents.

Airline Market Shares. In Fiscal Years 2001 through 2005, Southwest and American Airlines combined, accounted for at least 58.9% of enplanements. In Fiscal Year 2005, Southwest Airlines ranked first in number of enplaned passengers at the Airport (51.6%) with American Airlines, Delta Airlines and America West Airlines ranked second, third and fourth respectively, comprising 25.8%.

The share of passengers enplaned by the regional and commuter airlines at the Airport increased from 3.5% in Fiscal Year 2001 to 9.0% in Fiscal Year 2005 as the share of passengers enplaned by major national airlines decreased from 93% to 91%. The number of passengers enplaned by regional and commuter airlines increased from 228,868 in Fiscal Year 2002 to 497,422 in Fiscal Year 2005. This increase is due to the major airlines choosing to put their passengers on regional jets.

The following table presents the percentage shares of enplaned passengers for the airlines serving the Airport in the Fiscal Years 2001 through 2005:

**Albuquerque International Sunport  
Airline Market Shares  
Fiscal Years 2001-2005**

	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY2004</u>	<u>FY2005</u>
	% Share Enplaned Passengers	% Share Enplaned Passengers	% Share Enplaned Passengers	% Share Enplaned Passengers	% Share Enplaned Passengers
Major/National:					
Southwest Airlines	50.3	52.9	53.1	53.2	51.6
American Airlines	8.6	9.8	11.3	11.2	11.6
Delta Airlines	9.0	8.4	7.5	7.6	8.1
America West Airlines	6.7	6.7	6.6	5.8	6.1
United Airlines	7.0	6.2	6.1	6.0	5.6
Continental Airlines	5.5	5.4	4.9	4.9	4.9
Northwest Airlines	2.6	2.7	3.0	2.8	2.8
Frontier Airlines	1.2	1.6	1.6	1.5	0.3
Trans World Airlines <sup>(1)</sup>	<u>5.7</u>	<u>1.9</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Subtotal	<u>96.5</u>	<u>95.6</u>	<u>94.2</u>	<u>93.0</u>	<u>91.0</u>
Regional and Commuter:					
Mesa Airlines	2.1	1.6	1.3	1.9	1.4
Skywest	1.2	2.0	3.0	4.1	4.5
Other	<u>0.2</u>	<u>0.9</u>	<u>1.4</u>	<u>1.0</u>	<u>3.1</u>
Subtotal	<u>3.5</u>	<u>4.4</u>	<u>5.8</u>	<u>7.0</u>	<u>9.0</u>
TOTAL	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

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

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

Source: City of Albuquerque, Department of Aviation.

Airport Administration.

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

**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, Facilities Maintenance, Custodial Services, Aviation Police, Airfield Maintenance and the Double Eagle II 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.

**Ms. Pam White** is the Director of Finance and is responsible for the Finance and Administration Division, including Contract Administration, Public Relations, Landside Operations, and Business Development. Ms. White has sixteen years experience in finance, administration, and government accounting. Ms. White was employed with the New Mexico Department of Transportation where she worked in accounting and finance and her latter six years she worked for the Aviation Division as the Finance and Business Manager. She has a Bachelor of Science in Business Administration/Accounting and is pursuing an MBA.

Airports Capital Program. The Capital Program for the Airports for Fiscal Years 2006 through 2010 includes approximately \$163.6 million of planned projects and another \$125.8 million of demand-responsive projects. Demand-responsive projects are those which will be undertaken if predetermined thresholds of passenger activity are met and the City receives Airline support. The City does not anticipate the need to provide funding for the demand-responsive projects during the forecast period.

The planned projects for the terminal complex are the expansion of the passenger screening checkpoint and improvements to the outbound baggage screening system, both to be completed in Fiscal Year 2006. Additional improvements to the terminal and concourses include extensive refurbishment to airport systems, as well as expansion and renovation to public areas to correct deficiencies in terminal use resulting from passenger dwell times in the terminal. This will optimize the terminal operations in the short term (5 year period) and delay the need to build a new Terminal Complex, which is anticipated in the master plan. Demand-responsive projects include the implementation of a centralized in-line explosives detection system (EDS) screening for all checked baggage and expansion of the existing terminal to provide additional gates on Concourse B.

The Airport has a planned project to reconstruct the terminal apron in Fiscal Years 2007 and 2008.

The planned projects for the Airfield are the rehabilitation of the general aviation apron in Fiscal Years 2006 and 2007 the construction of taxiway connectors to Runway 3-21, and the construction of taxiway connectors between Taxiways C and D, all to be completed in Fiscal Year 2008. The demand-responsive project is the extension of Runway 3-21.

Planned projects for Double Eagle II Airport are to make various infrastructure investments between Fiscal Years 2006 and 2010 to support planned commercial and industrial development at Double Eagle II Airport. Planned projects for Fiscal Year 2006 include construction of a contract control tower, completion of the reconstruction of Runway 17-35, and

the beginning of an environmental assessment for extension of the runways and reconfiguration of the roadways.

Other planned projects at the Airport are construction of the Fuel Facility in Fiscal Year 2006, construction of a belly freight building in Fiscal Year 2007, provisions for landscaping modifications, and land acquisition for a future second terminal throughout the five-year period. The demand-responsive projects are air cargo development, including extension of the north air cargo facilities, expansion to the south, and construction of a new Airfield maintenance complex.

Additional Baggage Screening Requirements. Under the 2001 Aviation and Transportation Security Act (“ATSA”), all airline checked baggage must be screened for explosives by the TSA. At the Airport, the screening of bags is performed using a combination of explosive detection system (“EDS”) and explosive trace detection equipment.

Even though the City is in compliance with the ATSA requirements for baggage screening, it has installed an in-line EDS for Southwest Airlines, which has been the largest carrier at the Airport in terms of passengers for over fifteen fiscal years. According to the City, the in-line baggage system for Southwest Airlines is necessary to (a) mitigate existing operational inefficiencies in the processing of checked baggage and (b) provide additional space and equipment to meet future needs. The other airlines at the Airport, which mostly operate from ticket counter and baggage rooms on the west side of the Terminal Complex, have checked baggage screening systems that are adequate to meet existing and future demand. The City has performed various studies on integrating an in-line EDS on the west side of the Terminal Complex, which may be needed in the future if warranted by demand, and substantial funding through federal grants is received by the Airport. The in-line EDS at the Airport has been classified by the City as a demand responsive project.

#### *Airport Financial Information; Airport Fund*

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

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

**Albuquerque International Sunport  
Historical Financial Information  
Fiscal Years 2001-2005  
(\$000)**

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Total operating revenues	\$47,632	\$50,402	\$51,134	\$52,744	\$55,761
Non-operating revenues (expenses):					
Interest	1,725	1,919	708	237	336
Passenger Facility Charge	8,545	7,083	8,155	7,900	7,928
Other	119	100	182	8	453
Gain (loss) on disposition of Property & Equipment	<u>(10)</u>	<u>(10)</u>	<u>(22)</u>	<u>185</u>	<u>(81)</u>
Total adjusted revenues	<u>\$58,011</u>	<u>\$59,494</u>	<u>\$60,157</u>	<u>\$61,076</u>	<u>\$64,397</u>
Total operating expenses (excluding interest expense)	\$43,457	\$49,854	\$49,905	\$52,779	\$46,050
Less:					
Payments in lieu of taxes	--	--	--	--	
Depreciation	(23,321)	(28,417)	(27,846)	(27,631)	(21,895)
Amortization	--	--	--	860	--
Total adjusted operating expenses	<u>\$20,136</u>	<u>\$21,437</u>	<u>\$22,059</u>	<u>\$24,288</u>	<u>\$24,153</u>
Net revenues, all funds combined	<u>\$37,875</u>	<u>\$38,057</u>	<u>\$38,098</u>	<u>\$36,788</u>	<u>\$40,244</u>

Sources: City's Comprehensive Annual Financial Report for the years ending June 30, 2000 through June 30, 2005.

**Historical Gross Airport Revenues  
(Fiscal Year 2001-2005)  
(\$000 omitted)**

	<u>2001</u>		<u>2002</u>		<u>2003</u>		<u>2004</u>		<u>2005</u>	
	\$	%	\$	%	\$	%	\$	%	\$	%
Airline revenues	24,447	43.4	24,707	42.7	25,863	43.3	26,351	43.3	28,192	43.9
Non-Airline Revenues:										
Terminal Complex	10,304	18.3	11,516	19.9	10,538	17.6	11,173	17.6	10,886	17.0
PFCs	8,545	15.2	7,083 <sup>(2)</sup>	12.3	8,155	13.6	7,899	13.6	7,828	12.2
CFCs	1,841	3.3	3,360	5.8	3,651	6.1	3,795	6.1	4,100	6.4
Parking area	7966	14.1	6,377	11	6449	10.8	6,882	10.8	7,059	11.0
Miscellaneous	<u>3234</u>	<u>5.8</u>	<u>4,774</u>	<u>8.3</u>	<u>5,095</u>	<u>8.5</u>	<u>5,100</u>	<u>8.5</u>	<u>6,265</u>	<u>9.8</u>
TOTAL	<u>56,336</u>	<u>100.0</u>	<u>57,818</u>	<u>100.0</u>	<u>59,750</u>	<u>100.0</u>	<u>61,200</u>	<u>100.0</u>	<u>64,330</u>	<u>100.0</u>

(2) 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.

Airline Revenues. Airline revenues include revenues from the Signatory Airlines under the Airline Agreements, non-signatory passenger airlines and cargo airlines. Components of

Airline Agreement revenues include terminal space rentals, loading bridge fees, baggage claim device charges, landing fees and passenger facility charges (“PFCs”). Cargo airlines are required to pay landing fees and ramp use fees and cargo building space rentals, as appropriate. See “Agreements with the Airlines” under this caption.

Amounts to be paid by the Signatory Airlines pursuant to the Airline Agreements constitute a major source of Revenues to the Airport. In the aggregate, according to estimates of the City, the Signatory Airlines represented approximately 91% of commercial enplaned passengers at the Airport for Fiscal Year 2005. For Fiscal Year 2005, payments from Signatory Airlines represented approximately 43.9% of the total Gross Airport Revenues. Pre-petition debt of bankrupt airlines is not recoverable at this time and the final net effect of this debt cannot be determined until a final ruling is issued by the bankruptcy court.

Passenger Facility Charges. PFCs were authorized by Congress as part of the Aviation Safety and Capacity Expansion Act of 1990 (the “1990 PFC Act”) and were originally intended to supplement FAA’s Airport Improvement Program (“AIP”) Grants that are distributed from the Airport and Airway Trust Fund. AIP Grants typically fund up to 95% 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. Allowable uses of PFCs are for capital projects that preserve or enhance capacity, safety or security of the air transportation system, reduce noise or mitigate noise impacts or furnish opportunities for enhanced competition between or among air carriers (e.g. provide additional gates). PFC revenues cannot be used for commercial facilities at airports such as restaurants and other concession space, rental car facilities or public parking facilities. While the original intention was to supplement capital needs, it is becoming more and more likely that PFCs will replace AIP Grants.

Pursuant to the 1990 PFC Act and the Wendell H. Ford Aviation Investment and Reform Act for the 21st Century (P.L. 106-181) (“AIR 21” and collectively with the 1990 PFC Act, the “PFC Acts”), in March 1996 the FAA approved the City’s application to collect a total of \$49,638,000 over a period of approximately six years by imposing a \$3.00 PFC on each enplaning revenue passenger at the Airport. An amendment to the original amount of PFCs authorized to be collected allowed the collection of an additional \$135,870. In June 2002, the City received approval from the FAA to continue to collect the \$3.00 PFC at the Airport for a total additional amount of \$44,438,079 over a period of approximately five and a half years. The Airport is currently in the process of submitting a new PFC application to further extend the current \$3.00 PFC to supplement the terminal expansion, Airfield, and roadway projects. PFC revenues may be included as part of Gross Airport Revenues and are available to pay applicable Airport Obligations, to the extent directed by a designated officer of the City. PFCs collected by the City have been and will be used to reimburse the City for investments it has made in eligible projects.

The following table sets forth the annual collections of PFCs from in 2001 through 2005.

**City Annual Collections of PFCs  
(2001 – 2005)  
(\$000s omitted)**

<u>Year</u>	<u>PFCs Collected</u>
2001	\$8,545
2002	7,083 <sup>(1)</sup>
2003	8,155 <sup>(1)</sup>
2004	7,899 <sup>(2)</sup>
2005	7,828 <sup>(2)</sup>

- (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. Because of this, Fiscal Year 2003 PFC revenue is overstated by the same amount.
- (2) As of May 1, 2004, the airlines are retaining an additional \$.03 per PFC fee collected.

Source: City of Albuquerque Department of Aviation.

The actual amount of PFC revenues received each Fiscal Year will vary depending on the number of qualifying passenger enplanements at the Airport. Reduction in the number of enplaned passengers will cause a corresponding reduction in PFC revenues. The \$.03 increase in compensation to the airlines will also contribute to the reduction in PFC revenues to the Airport.

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

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.

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

Rental Car Facility Revenues. In connection with the March 2001 opening of the City's Rental Car Facility, the eight On-Airport Rental Car Companies entered into five-year lease agreements with the City for use and lease of counter space at the customer service building and parking spaces at the ready/return parking area. Pursuant to these agreements, the City receives: (a) privilege fees in the amount of 9% of gross receipts against a minimum annual guarantee; (b)



a monthly fee for use of the ready/return parking area; and (c) reimbursement for any Airport operating expenses allocated to the customer service building. Also under the agreements, the On-Airport Rental Car Companies are required to collect a Customer Facility Charge (CFC) per rental car contract day to be used specifically for the operation of the rental car shuttle bus system. See “Rental Car Facility - Customer Facility Charges.”

In addition, the City has executed 20-year leases with the On-Airport Rental Car Companies for use and lease of the service center facilities and vehicle storage areas. Revenues from the CFCs and all rentals, fees and charges imposed by the City and collected from the rental car companies accounted for approximately 20.4% of Gross Airport Revenues in 2005.

Terminal Complex Concessions. Non-airline Terminal Complex Food and Beverage concession revenues are generated under agreements with CA One 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 as well as minimum annual guarantees.

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

Parking Area Revenues. The Department of Aviation operates the parking facilities at the Airport. Public parking facilities include a garage with 3,400 spaces for short-term parking and a surface lot north of the parking garage with 500 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 rate of \$7.00 per day) in the short-term lot and \$6.00/day in the long-term lot.

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

Additional Airfield Revenue. In addition to the revenue sources previously discussed, the Airport also collects revenue from the Airfield use by the military (including Kirtland Air Force Base under its agreement), nonscheduled airlines, and charter airlines. See “Albuquerque International Sunport - Generally” under this caption.

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

The presence of Eclipse Aviation Corporation (“Eclipse”) at the Airport, the 2006 relocation of American Utilicraft Corporation to Double Eagle II Airport, and the 2009 relocation of the Eclipse manufacturing facilities to Double Eagle II represent current and future potential for increased revenues. The infrastructure development plan, business development and property management plan, and the parallel marketing efforts for an Aerospace Technology Park will provide a solid foundation for future revenue generating opportunities.

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

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

Federal Grants. The City receives federal grant monies from the FAA each year through the AIP. These funds are not considered to be part of Gross Airport Revenues. Although the amount of funding available under the AIP on a national basis had been reduced in recent years, pursuant to the requirements of AIR 21, funding levels are now, once again, on the increase. There can be no assurance as to the amount of such funding the Airport will receive in future years.

In addition to the AIP grants the Airport receives, the FAA also provides entitlement and discretionary funding. Between Fiscal Year 1991 and Fiscal Year 2004, the City received a total of \$56,764,918 in AIP grants and entitlement/discretionary funds. The City has earmarked \$10,040,400 of that money for the new passenger screening checkpoint expansion. The City received \$3,112,736 in AIP entitlement/discretionary grants in 2005, which were used primarily for the master plan for the Double Eagle II Airport. 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 improvements at the Double Eagle II Airport.

The City’s financial plan for funding its Capital Improvement Program assumes that the AIP grants and the entitlement discretionary funds will be available to fund the eligible portions 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.

Other sources of grant funds include: the Army Corps of Engineers, U.S. Department of Commerce, Department of Housing and Urban Development, the Federal Highway Administration and the Department of Energy.

### *Agreements with the Airlines*

Signatory Airline Agreements. The Signatory Airlines, which include America West Airlines, American Airlines, Continental Airlines, Delta Airlines, Frontier Airlines, Northwest Airlines, Southwest Airlines and United Airlines, have each entered into a Signatory Airline Agreement with the City for the use and lease of certain facilities at the Airport. The following is only a summary of certain provisions of the Airline Agreements. Reference is made to the Airline Agreements for a complete statement of the provisions or contents thereof.

The term of the Airline Agreements extends ten (10) years, from July 1, 1996, to June 30, 2006. The Department of Aviation is currently involved in negotiations with the airlines to implement a new agreement. Whether the airlines currently in bankruptcy can sign the agreement will be determined by the bankruptcy court. All of the airlines that are in bankruptcy are still operating at the Airport.

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

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

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

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

If in any given Fiscal Year, the City decides to fund additional improvements of Airports from the proceeds of additional Airport revenue bonds or the Capital Fund, and if the funding would cause a projected increase in airline rental rates or landing fees of more than 10%, the City is required to notify the Signatory Airlines. Within 60 days of the City's notice, the Signatory Airlines are required to meet and provide the City with concurrence or non-concurrence with respect to the proposed capital improvement. Concurrence will be deemed to have been received unless concurrence is specifically withheld by the Signatory Airlines. If concurrence is specifically withheld by Signatory Airlines representing a majority-in-interest (66.7%) or more of the rents or landing fees paid to the City, then the City shall not include additional annual debt service for bonds nor include amortization for such capital improvement in the recalculation of Signatory Airline rents, fees and charges. None of the capital improvements anticipated to be completed by the City prior to the expiration of the Airline Agreements in June 30, 2006, is expected to require a majority-in-interest (66.7%) approval.

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

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

Agreements with Non-Signatory Airlines. Other passenger airlines, which do not qualify as Signatory Airlines, but instead operate under a Non-Signatory Airline Agreement with the City, include Skywest Airlines, Pinnacle Airlines, Horizon Airlines, Mesa Airlines, and Chautauqua Airlines. These Non-Signatory Agreements are on a continuing month-to-month basis and commit the airlines to pay certain fees and lease certain space in connection with their use of the Airport Facilities.

Agreements with Commuter Airlines. Mesa Airline and Great Lakes Airline have agreements with the Airport on a continuing month-to-month basis. They provide commuter service throughout New Mexico, as well as west Texas and eastern Arizona.

Agreements with Signatory Air Cargo Airlines. The three Signatory Air Cargo Airlines, which serve the Airport, DHL USA, Federal Express, and UPS Air Cargo, have all entered into an Air Cargo Airline Agreement with the City concerning their use of the air cargo facilities at the Airport. The agreements extend through June 30, 2006. The Airport is currently involved in negotiations with the Air Cargo Airlines to implement a new agreement. Under the current Air Cargo Airline Agreements, each of the Signatory Air 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.

### *Rental Car Facility - Customer Facility Charges*

The Rental Car Facility was completed in March 2001. It consists of a customer service building, ready/return parking area, service center facilities and related roadway improvements. The Rental Car Facility Project cost approximately \$46.0 million, and was primarily financed using proceeds of revenue bonds.

A Customer Facility Charges (“CFC”) is calculated to recover: (i) the costs of providing, operating and maintaining the common rental car shuttle bus system, which transports rental car customers to and from the Terminal Complex and Rental Car Facility; (ii) debt service requirements on bonds issued to finance the Rental Car Facility and which may be issued in the future for the Rental Car Facility; and (iii) other allocable costs associated with the customer service building, passenger pick-up and drop-off areas and canopies at the customer service building, and roadways used by the shuttle buses. The City may adjust fees and charges imposed by the agreements with the On-Airport Rental Car Companies from time to time. The City may recalculate the fee at least annually based on the projected number of rental car contract days and costs associated with the elements of the Rental Car Facility discussed above. The CFC was limited to \$1.53 per rental car contract day for the first year in which the facility was open. At the end of the first year of CFC collections, the CFC was increased to \$1.95 per contract day, mainly due to lower than anticipated total transaction days, in part because of the downturn in traffic subsequent to the September 11 terrorist attacks. After discussion and agreement with the participating rental car representatives, the CFC fee has been increased to \$2.05 per contract day to cover the increased operating costs of the shuttle bus fleet.

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.

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

### **Joint Water and Sewer System**

The Water/Sewer System was owned by the City and operated by its Public Works Department until December 17, 2003 and revenue bond debt relating to the Water/Sewer System continues to be outstanding. In 2003, the New Mexico Legislature adopted Laws 2003, Chapter 437 (Section 72-1-10, NMSA 1978) which created the Albuquerque Bernalillo County Water Utility Authority (the “Authority”) and required that all functions, appropriations, money, records, equipment and other real and personal property pertaining to the Water/Sewer System be transferred to the Authority. The legislation also provides that the debts of the City payable

from net revenues of the Water/Sewer System shall be debts of the Authority and that the Authority shall not impair the rights of any holders of outstanding debts of the Water/Sewer System. The legislation also required that the New Mexico Public Regulation Commission audit the Water/Sewer System prior to the transfer of money, assets and debts of the Water/Sewer System; the audit was completed December 2003. The City has transferred functions, appropriations, money records, equipment and other real and personal property pertaining to the Water/Sewer system to the Authority and the policy-making functions of the Water/Sewer System have been transferred to the Authority. The Authority and the City entered into a Memorandum of Understanding dated January 21, 2004, as amended April 7, 2004, under which the City continues to operate the Water/Sewer System. The Memorandum of Understanding is scheduled to expire December 31, 2006.

Information relating to Water/Sewer System may be found in the Annual Information Statement of the Authority dated January 20, 2006 on file with each Nationally Recognized Municipal Securities Information Repository. Financial information and information relating to the operations of the Water/Sewer System for years prior to Fiscal Year 2004 may be found in the Annual Information Statement of the City dated January 20, 2004 on file with each Nationally Recognized Municipal Securities Information Repository.

### **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 40 to 50 years. The landfill presently meets or exceeds all federal and state regulations. To continue in compliance with federal requirements, the City installed a methane gas collection system for the first five cells of the Cerro Colorado landfill, which work was completed in 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 (“SWANA”) 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-person crews using side-loading packer vehicles for regular household refuse and recycling. The collection of refuse and recycling occurs once a week. Residential customers receive one coupon every year typically in the month of August which can be redeemed for 30 clear bags which are used for recyclables. The monthly refuse fee includes the cost of the recycling bags. The regular work schedule for the residential and recycling collection is five eight-hour days a week. Residential refuse route equipment consists of 59 automated refuse vehicles and 13 recycling vehicles. The total residential refuse vehicles include the daily route vehicles and also the back-up fleet.

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 routes include two rear packers, 20 roll-offs and 33 front-loading routes.

### *Convenience Centers*

The City has constructed three convenience centers for public use, which accept residential haul-your-own waste and small commercial haulers with a vehicle size of less than two tons. The solid waste brought to the convenience centers is collected in large roll-off containers and 120-cubic-yard trailers and hauled to the Cerro Colorado landfill by the City as part of the convenience center's operations. The tonnage collected at the convenience centers represents approximately 8% of the total annual tonnage disposed of at the Cerro Colorado landfill. The current fee at the convenience centers is \$3.30 per load for individuals and \$8.65 per load for small commercial haulers, not including tax. The Convenience Centers are opened seven days a week for customer convenience.

### *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. The City utilizes 10 routes and 13 manual side-loader collection vehicles for these collections in order to reduce the capital investment associated with the curbside-recycling program. The recyclables collected are processed and marketed from a City-owned and operated intermediate processing facility. The level of projected revenues from the sale of recyclables and the \$1.89 per resident charge for recycling services covers approximately 94% 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. Revenues, produced from this mission 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. This is a program funded by moneys from the State. The Community Service section distributes funds from Keep Albuquerque Beautiful to provide supplies and hire youths and promote litter control.

**Mr. Clarence V. Lithgow** was the Director of Solid Waste Management Department for the City through November 2005. Prior to joining the Mayor's Staff, Mr. Lithgow held various key positions in state and city governments. Mr. Lithgow retired from the Director position effective November 25, 2005.

**Mr. Leonard E. Garcia** is the Director of the Solid Waste Management Department of the City. Mr. Garcia brings to the city over 20 years of public sector service and experience. Prior to joining the Mayor's Staff, Mr. Garcia served as the Associate Director for the City's Transit Department. Mr. Garcia brings a customer service background to the position. Mr. Garcia was appointed to serve as Acting Director to the Albuquerque Convention Center from December 2001 to February 2004. Mr. Garcia also has a background in information technology. He once served as the Albuquerque Police Department's director of Management information systems. Mr. Garcia holds a bachelors degree in Economics and has completed numerous graduate courses in Public Administration.

**Mr. Stephen C. Falk**, CPA, is the Fiscal Manager of Solid Waste Management Department. Mr. Falk has over 21 years of financial accounting experience, working as an auditor in public accounting, a financial manager in private industry, and in various governmental accounting positions. Mr. Falk is a Certified Public Accountant for 21 years, and has worked for the City of Albuquerque for the last 11 years.

**Ms. Natalie Y. Howard** is the Superintendent of Administrative Services for the Solid Waste Management Department. Ms. Howard has over 15 years of private and public sector



experience and has been serving the City for over ten years. Ms. Howard has a public relations, customer service, and financial background. She managed the Keep Albuquerque Beautiful Program, and served as the Communications and Billing Manager for the Solid Waste Management Department. Ms. Howard received her bachelor's degree from the University of New Mexico in Sociology and earned a Master's Degree in Public Administration.

*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 1996 through 2005.

**City of Albuquerque  
Refuse System Operational Data  
Fiscal Years 1996-2005 Collections**

<b><u>Fiscal Year</u></b>	<b><u>Residential/ Recycling Units</u></b>	<b><u>Routes</u></b>	<b><u>Commercial Units</u></b>	<b><u>Routes</u></b>	<b><u>Refuse Employees</u></b>	<b><u>Collection Vehicles</u></b>
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
2004	156,106	49	11,674	56	414	147
2005	160,201	40	11,436	52	418	154

Source: City of Albuquerque, Solid Waste Management Department.

**City of Albuquerque  
Solid Waste Tonnage History  
Fiscal Years 1996-2005**

<u>Fiscal Year</u>	<u>Commercial</u>	<u>Residential</u>	<u>Private Haul To Landfill</u>	<u>Total Department</u>
1996	200,564	169,636	273,580 <sup>(1)</sup>	643,780 <sup>(1)</sup>
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
2004	224,350	179,290	104,350	527,990
2005	237,786	159,778	111,889	509,453

(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 Cerro Colorado 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 did not implement a rate increase for Fiscal Year 2005. 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	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
June	2004	10.24	0.0
June	2005	10.24	0.0

Source: City of Albuquerque, Solid Waste Management Department.

**Landfill Fee Adjustment**

<u>Month</u>	<u>Year</u>	<u>Rate</u>	<u>% Increase</u>
June	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
June	2004	\$105.65/ton (tires)	0.0
June	2005	\$105.65/ton (tires)	0.0

Source: City of Albuquerque, Solid Waste Management Department.

### Convenience Center Fee Adjustments 2004

<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
June	2004	\$3.30/load (residential)	0.0
		\$8.65/load (commercial)	0.0
June	2005	\$3.30/load (residential)	0.0
		\$8.65/load (commercial)	0.0

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 Water Authority Department Customer Information System (CIS). 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. The City may require the customer to provide a deposit. 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. Under most circumstances, at any time a bill is delinquent, a lien on the customer's property can be filed.

The Solid Waste Management Department collects on delinquent 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 to make payment arrangements.

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 2001-2005**  
**(\$000)**

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Total operating revenues	\$38,219	\$39,233	\$40,753	\$43,544	\$45,546
Non-operating revenues (expenses):					
Interest <sup>(1)</sup>	781	556	356	345	529
Other	0	12	390	156	0
Gain (loss) on disposition of property & equipment	(3)	(61)	34	0	0
Transfers in/(out)	<u>(478)</u>	<u>(539)</u>	<u>(538)</u>	<u>(524)</u>	<u>(1,187)</u>
Total adjusted revenues	<u>\$38,519</u>	<u>\$39,191</u>	<u>\$41,000</u>	<u>\$43,521</u>	<u>\$44,888</u>
Total operating expenses (excluding interest expense)	\$33,706	\$35,035	\$36,676	\$39,109	41,137
Less:					
Payments in lieu of taxes	(477)	(485)	(524)	(535)	(676)
Depreciation	(4,654)	(4,693)	(4,782)	(5,113)	(6,032)
Amortization	(110)	(219)	(205)	(198)	(202)
Total adjusted operating expenses	<u>\$28,465</u>	<u>\$29,638</u>	<u>\$31,165</u>	<u>\$33,263</u>	<u>\$34,227</u>
Net revenues available for debt service	<u>\$10,054</u>	<u>\$ 9,553</u>	<u>\$ 9,835</u>	<u>\$10,258</u>	<u>\$10,661</u>

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

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 borrowed \$5,800,000 for heavy capital equipment required for operation of the Solid Waste Management Department from the New Mexico Finance Authority in May, 2004. The New Mexico Finance Authority loan will be amortized over seven years and secured by net revenues 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 9-hole course (opened in 1989) designed by Richard Phelps.

Arroyo del Oso meanders through Bear Canyon waterway and is 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 3 to 3.5 stars as one of Golf Digest magazines “Places to Play” for the years 2000-2004.

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 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 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. Ladera Golf Course is located on the City’s west side just north of Interstate 40.

A pro shop, restaurant and banquet facilities were constructed at Ladera in September 2001 at a total cost of approximately \$1,800,000 and was funded with \$1,200,000 of cash and \$600,000 of Series 2001 Bond proceeds. These buildings 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. 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. The regulation 18-hole course plays 6,534 yards and Los Altos also offers a par 29 executive course.

Los Altos Golf Course, with views of the Sandia Mountains, is located on 170 acres of City-owned property.

The new clubhouse at the golf course consists of a single 9,432 square foot building housing the pro shop, restaurant, banquet room and kitchen. The restaurant has seating area for 89 people while the banquet room accommodates groups of up to 130 inside and over 100 additional guests on the exterior patio. The detached cart storage facility received some renovations to correct roofing and minor structural issues as well as to improve the exterior aesthetics. Construction and renovations of the facilities were completed in July 2005.

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. Twenty acres of this property was purchased with an FAA grant and is leased by the City 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.

Puerto del Sol Golf Course, which has been ranked in the top 50 of United States 9-hole courses by the National Golf Foundation, 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 only 8.5 inches of precipitation each year.

The majority of rounds are played by local residents, with approximately 5% of play coming from tourism and outside tournaments. The table below sets forth the estimated number of nine- and eighteen-hole rounds played at each Golf Course over the past five fiscal years.

**Rounds Played at City of Albuquerque Golf Courses  
Fiscal Years 2001-2005**

<u>Golf Course</u>	<u>2001</u>	<u>% Change</u>	<u>2002</u>	<u>% Change</u>	<u>2003<sup>(1)</sup></u>	<u>% Change</u>	<u>2004<sup>(1)</sup></u>	<u>% Change</u>	<u>2005</u>	<u>% Change</u>
Arroyo Del Oso	127,274	(10.27)%	124,713	(2.01)%	116,255	(6.78)%	114,896	(1.17)%	116,180	1.12%
Ladera	78,286	(14.77)%	78,636	0.00%	69,267	(11.91)%	64,964	(6.21)%	69,198	6.52%
Los Altos	96,054	(8.76)%	96,532	0.00%	90,569	(6.18)%	82,526	(8.89)%	76,401	(7.42)%
Puerto Del Sol	57,068	(9.16)%	58,905	3.22%	55,138	(6.40)%	51,278	(7.00)%	49,468	(3.53)%

(1) The Golf Management Division believes the reduction in rounds played in 2003 and 2004 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:

**Jay Hart, Director, Parks & Recreation Department.** Mr. Hart was appointed Parks and Recreation Director in August 2004 by Mayor Martin J. Chavez. Mr. Hart has served over 25 years with the City, all with the Parks and Recreation Department. Prior to his appointment as Department Director, Mr. Hart served as the Division Manager for the City's Open Space Program. During his time with the Open Space Division, Mr. Hart administered the City's Bosque Restoration Program, one of the largest ongoing habitat restoration efforts in the United States; and helped to establish a force of over 500 volunteers for the Division. Mr. Hart has a strong background in organizational supervision, performance based budgeting and strategic management. Mr. Hart holds a Bachelor's of Science in Agriculture from Oklahoma State University, as well as a Master's in Business Administration.

**John C. King, Division Manager, Golf Management.** Mr. King's 14-year experience in the golf course industry includes six years of management and administrative responsibility. Mr. King possesses a New Mexico Pesticide Applicators License, along with formal education in engineering, business management, turf management and mathematics. In addition, he has attained numerous certificates of completion for continuing education from the Golf Course Superintendents Association of America. He has served two terms as President of the Rio Grande Golf Course Superintendents Association in 2004 and 2005 and is on track to become a Certified Golf Course Superintendent.

**Gary Lee Young, Finance Manager, Parks & Recreation Department.** Mr. Young has been with the City for 23 years, and has been Finance Manager for the Parks & Recreation Department for 13 years. Mr. Young has a Bachelor's of Accountancy degree from New Mexico State University and an MBA in Finance from Webster University.

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, 2013. New Mexico Golf, Ltd. also holds the concessions contract at Marty Sanchez-Lines 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, 2012. The City has recently renegotiated these two contracts to extend the terms as stated and increase the percentage of gross concessions paid to City. Westside Golf, Inc., a New Mexico corporation, has operated the pro shop and concessions at Ladera Golf Course since 1995; the initial term of the will expire on. However, the concessionaire has opted to exercise the first of two, one-year extensions available per the Concession Agreement. Westside Golf, Inc., a New Mexico corporation, has operated the pro shop and concessions at Ladera Golf Course since 1995; the initial term of the current contract expired on December 31, 2005. However, the concessionaire exercised the first of two, one-year extensions available per the Concession Agreement. 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 2001-2005**

<b><u>Operating Revenues</u></b>	<b><u>2001</u></b>	<b><u>2002</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>% Increase (Decrease) Between 2001 &amp; 2005</u></b>
Charges for Services <sup>(1)</sup>	\$3,706,698	\$3,981,145	\$3,861,051	\$3,718,624	\$3,823,904	3.16%
<b><u>Operating Expenses</u></b>						
Salaries and Fringe Benefits	\$1,739,798	\$1,828,129	\$1,720,826	\$1,901,482	\$1,936,607	11.31%
Professional Services	35,728	1,598	-	13,603	3,406	(90.47)%
Utilities	668,204	777,212	767,101	848,172	745,904	11.63%
Supplies	25,718	40,626	58,411	79,779	83,582	224.99%
Travel	2,453	2,580	1,518	1,971	342	(86.06)%
Fuel, Repairs and Maintenance	476,611	412,404	424,971	429,362	381,117	(20.04)%
Contractual Services	94,569	73,787	54,459	66,823	84,134	(11.03)%
Indirect Overhead	349,641	361,864	310,222	173,622	174,000	(50.23)%
Other Operating Expenses	80,752	123,129	98,435	79,680	90,345	11.88%
Depreciation	422,291	439,817	429,693	332,246	288,994	(31.57)%
Payments in Lieu of Taxes	47,997	0	0	0	0	(100.00)%
Total Operating Expenses	<u>3,943,762</u>	<u>4,061,146</u>	<u>3,865,636</u>	<u>3,926,740</u>	<u>3,788,431</u>	<u>(3.94)%</u>
Operating Income	<u>(237,064)</u>	<u>(80,001)</u>	<u>(4,585)</u>	<u>(208,116)</u>	<u>35,473</u>	<u>114.96%</u>
<b><u>Non-Operating Revenues/ Expenses</u></b>						
Interest on Investments	179,422	78,319	50,739	19,599	44,627	(75.13)%
Bond Issue Costs (Amortization)	0	(16,658)	(13,581)	(31,950)	(12,749)	(100.00)%
Gain (Loss) on Sale of Property	(24,865)	0	0	423	(809)	96.75%
Interest Expense	(60,104)	(54,315)	(147,381)	(134,685)	(92,122)	53.27%
Other	<u>58,711</u>	<u>43,965</u>	<u>69,366</u>	<u>63,434</u>	<u>89,161</u>	<u>51.86%</u>
Total Non-Operating Revenue	<u>153,164</u>	<u>51,311</u>	<u>(40,857)</u>	<u>(83,179)</u>	<u>28,108</u>	<u>(81.65)%</u>
<b>Income (Loss) Before Transfers</b>	(83,900)	(28,690)	(45,442)	(291,295)	63,581	175.78%
Operating Transfers Out	<u>0</u>	<u>(50,902)</u>	<u>(49,937)</u>	<u>(53,735)</u>	<u>(62,643)</u>	100.00%
<b>Change in Net Assets</b>	<u>\$ (83,900)</u>	<u>\$ (79,592)</u>	<u>\$ (95,379)</u>	<u>\$(345,030)</u>	<u>\$ 938</u>	<u>100.01%</u>
<b>Amount Available for Debt Service</b>						
Net Income	\$ (83,900)	\$ (79,592)	\$ (95,379)	\$(345,030)	\$ 938	100.01%
Add: Depreciation	422,291	439,817	429,693	332,246	288,994	(31.57)%
Interest Expense	60,104	54,315	147,381	134,685	92,122	53.27%
Payment in Lieu of Taxes	47,997	50,902	49,937	53,735	62,643	30.51%
Amortization	0	16,658	13,581	31,950	12,749	100.00%
Change in Market Value of Investments	0	7,214	5,112	17,873	(8,471)	100.00%
Less Gain (Loss) on Sale of Assets	<u>24,865</u>	<u>0</u>	<u>0</u>	<u>(423)</u>	809	<u>(96.75)%</u>
Less contributed capital	0	0	0	0	(10,069)	(100.00)%
<b>Amount Available for Debt Service</b>	<u>\$ 471,357</u>	<u>\$ 489,314</u>	<u>\$ 550,325</u>	<u>\$ 225,036</u>	<u>\$ 439,715</u>	<u>(6.71)%</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, \$22.00 for weekends and holidays and \$23.50 for tournaments. These fees, effective June 1, 2004, represent a rate increase of \$3.75 on weekdays and \$1.75 for tournaments. This was the first rate increase at the Golf Courses since March 1, 2002. 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. There were no rate increases in Fiscal Year 2005. These increases are evaluated annually and it is anticipated that the Parks and Recreation Department will request the City Council to impose certain rate increases for Fiscal Year 2006. The Golf Courses 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 2001-2005**

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Greens Fees					
Los Altos	\$ 835,022	\$ 898,383	\$ 851,808	\$ 809,260	\$ 754,663
Arroyo	1,262,684	1,321,539	1,320,922	1,267,705	1,325,678
Puerto	446,242	504,878	496,455	457,077	458,416
Ladera	726,060	804,984	743,679	678,239	761,229
Annual Passes	<u>204,981</u>	<u>189,770</u>	<u>173,515</u>	<u>179,925</u>	<u>183,317</u>
Total	<u>3,474,989</u>	<u>3,719,554</u>	<u>3,586,379</u>	<u>3,392,206</u>	<u>3,483,303</u>
Concessions					
Los Altos	51,020	62,457	53,514	70,187	39,758
Arroyo	133,893	136,062	130,567	158,444	176,772
Puerto	12,190	14,844	21,450	23,286	30,822
Ladera	<u>34,606</u>	<u>48,228</u>	<u>69,141</u>	<u>74,501</u>	<u>93,249</u>
Total	<u>231,709</u>	<u>261,591</u>	<u>274,672</u>	<u>326,418</u>	<u>340,601</u>
<u>Total Greens Fees and</u>					
<u>Concessions</u>	<u>3,706,698</u>	<u>3,981,145</u>	<u>3,861,051</u>	<u>3,718,624</u>	<u>3,823,904</u>
Other Revenues					
Interest	137,534	78,319	50,379	19,599	44,627
Rentals	32,820	22,000	46,242	36,038	44,848
Misc.	<u>25,353</u>	<u>21,965</u>	<u>23,124</u>	<u>27,819</u>	<u>44,587</u>
Total	<u>195,707</u>	<u>195,707</u>	<u>119,745</u>	<u>83,456</u>	<u>134,062</u>
Total Revenue	<u>\$3,902,405</u>	<u>\$4,176,852</u>	<u>\$3,980,796</u>	<u>\$3,802,080</u>	<u>\$3,957,966</u>

Source: City of Albuquerque, Parks and Recreation Department.

For Fiscal Year 2005 total greens fees and concessions increased by 2.83% compared to Fiscal Year 2004. Total revenues at the Golf Courses in Fiscal Year 2005 increased by 4.10% compared to Fiscal Year 2004, and total expenses decreased by 4.58%.

Net revenues in Fiscal Year 2005 from the City's golf courses were not sufficient, standing alone, to meet the 150% debt service coverage ratio required for the outstanding Taxable Golf Course Net Revenue/Gross Receipts Tax Revenue Bonds, Series 2001. The bonds are also payable with gross receipts taxes and there has been no default in payment of debt service on the bonds. The City believes that the decrease in net revenues for the golf courses is the result of several factors including economic conditions and increased competition from private courses located in or near the City. The rounds played at city golf courses during Fiscal Year 2005 are down by .8% from Fiscal Year 2004, while revenues are up by 2.8 percent. However, due to the warm weather currently being experiencing in Albuquerque, both rounds and revenues are ahead of estimated projections for the month of January. We anticipate rounds and revenues to be more than our estimated projections at the end of the Fiscal Year 2006. This, along with the request for an increase in certain fees for Fiscal Year 2006, increased fees from concessionaires and reductions in expenses appropriated to the golf courses should increase net revenues of the golf course available to pay debt services.

## **OTHER PROJECTS OF THE CITY**

### **Special Assessment Districts**

#### *Generally*

The City first began its Special Assessment District Program (the "SAD Program") in 1919 and used available statutory procedures at that time for creation of paving programs and paving districts until 1965. 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 and updates 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 to the City policy, Sections 3-33-1 through 3-33-43 NMSA 1978, as amended and supplemented (the "SAD Act"), govern the creation of special assessment districts. 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 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 Sections 5-11-1 through 5-11-27, NMSA 1978, as amended and supplemented (the "PID Act"). The PID Act provides procedures for local governments to create public improvement districts ("PIDs") through a petition and hearing process, followed by approval through an election of property owners and qualified resident electors. PIDs are authorized to finance various infrastructure and improvements, including water and sewer systems, streets and trails, parks, electrical, gas and telecommunications systems, public buildings, libraries and cultural facilities, school facilities, equipment and related costs of operation and administration.

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

The 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, for the purpose of financing street, drainage, landscaping, parks and related infrastructure improvements in an annexation tract known as Ventana West, in northwest Albuquerque. On June 15, 2004, the Ventana West Public Improvement District issued its Special Levy Revenue Bonds in an aggregate principal amount of \$7,000,000. 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, 2005, the Beach Apartments Project generated total revenues of \$420,992 and incurred \$295,126 in operating and other expenses, resulting in net income of \$125,866 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.

During the twelve (12) month period ended June 30, 2005, the Manzano Vista Apartments Project generated total revenues of \$1,079,424 and incurred \$960,242 in operating and other expenses, resulting in net income of \$119,182 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") under the terms of a Turnkey Contract on a site located at 6600 Bluewater Road, N.W., Albuquerque, New Mexico. 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. The Series 1996 Bonds have been refunded.

During the twelve (12) month period ended June 30, 2005 the Bluewater Village Apartments Project generated total revenues of \$1,343,996 and incurred \$966,082 in operating and other expenses, resulting in net income of \$377,914 for that period.

#### *Refunding Bonds*

The Series 1991 Bonds, Series 1994 Bonds and Series 1996 Bonds have all been refunded. See "OUTSTANDING CITY OBLIGATIONS - 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, 2005, had a balance of \$280,000 in cash. 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, 2005, had a balance of \$500,261. 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 Oversight Committee which guides the City’s financial decisions. The Investment Oversight Committee reviews the Investment Policy annually and recommends changes as necessary. The Investment Oversight Committee is established by ordinance and consists of five voting members; the Director of Finance and Administrative Services serves as the Chair of the Investment Committee. Day-to-day management of the City’s Investment Program is delegated to the Treasury Division of the Department of Finance and Administrative Services, and specifically to the Investment Manager of the Treasury Division. According to the Investment Policy, all the City’s investments should be made in accordance with the “Prudent Person” rule,<sup>\*</sup> and the City invests all its funds on the basis of competitive bids and/or offers.

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

<sup>\*</sup> 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.



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, because some investments are deemed unsuitable or too risky for the City, 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**

According to the City, there is no action, suit, proceeding, inquiry, investigation or controversy of any nature pending, or to the City's knowledge threatened, involving the City (i)

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

#### *New Mexico Tort Claims Act Limitations*

The New Mexico Tort Claims Act limits liability to (i) \$100,000 for damage to or destruction of property arising out of a single occurrence, (ii) \$300,000 for all past and future medical and medically-related expenses arising out of a single occurrence, (iii) \$400,000 to any person for any number of claims arising out of a single occurrence for all damages other than property damage and medical and medically-related expenses, as permitted under the New Mexico Tort Claims Act, and (iv) \$750,000 for all claims other than medical or medically-related expenses arising out of a single occurrence. In two consolidated cases, the City had two judgments entered against it that exceeded these caps on damages under the New Mexico Tort Claims Act. In August 1998, the New Mexico Supreme Court declared the cap on damages unconstitutional as to these two cases only. However, the Court changed the standard from 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.

#### *Airline Bankruptcies*

Three signatory commercial air carriers, United Airlines, Northwest Airlines, and Delta Airlines, serving the City are presently seeking restructuring relief under Chapter 11 of the United States Bankruptcy Code.

On December 9, 2002, UAL Corporation (“UAL”) and twenty-seven of its U.S.-based subsidiaries, including United Airlines, Inc. (collectively, the “Debtors”), filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code. United accounted for approximately 6.0% of enplanements and 4.0% of revenues at the Airport in Fiscal Year 2005. The Debtors continue to operate their business as “debtors-in-possession” under the jurisdiction of the Bankruptcy Court in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court. United Airlines was operating at the Airport under an Airline Agreement at the time of its filing for Chapter 11 bankruptcy protection and continues to operate under its Airline Agreement.

UAL also filed Debtors’ First Amended Joint Plan of Reorganization Pursuant to Chapter 11 of the United States Bankruptcy Code on October 20, 2005. It continues to operate at the Airport and has submitted a settlement proposal to the Bankruptcy Court that was approved by the Court, offering shares of equity stock in the UAL Corporation. In the creditor class of “other unsecured claims,” UAL proposed to pay 4-8% of respective claims, the amount the City may recover is unknown at this time. United paid the City all pre-petition landing fees that it owes and currently owes the City \$205,834.30 in landing fees and gate and terminal rentals.

On September 14, 2005 Northwest Airlines and its related entities petitioned for Bankruptcy under Chapter 11 and also is operating at the Airport as a debtor in possession. Northwest accounted for approximately 3.0% of enplanements and 2.0% of revenues at the Airport in Fiscal Year 2005. No business plan for Northwest has been filed as of this date.

Delta Airlines, Inc. and its related entities filed a Chapter 11 Bankruptcy Petition on September 14, 2005. Delta accounted for approximately 7.0% of enplanements and 6.0% of revenues at the Airport in Fiscal Year 2005. At this time, it is functioning at the Airport as a debtor in possession. Delta has not submitted a business plan to the Bankruptcy Court and by motion to the Court has received an extension until May 15, 2006 to submit such a plan. The City has submitted a Proof of Claim in the bankruptcy proceedings for \$412,009.28.

### *Risk Management*

During Fiscal Year 2005, two comprehensive actuarial reviews were done to gauge the adequacy of the reserves for both the Workers' Compensation and Tort Liability programs. The actuarial reviews validated that the \$2,900,000 added in Fiscal Year 2004 to the "incurred but not yet reported" reserves was adequate for reserves in anticipation of adverse developments in reported cases and for claims which may have occurred but have not yet been reported. Based on historical data, the City believes the Risk Management Fund (an internal service fund) is adequate. The cash balance grew by \$6,930,550 during Fiscal Year 2005 and the City is in the fourth year of a five year plan to address a deficit in the Risk Management Fund. If necessary, pursuant to Section 41-4-25(B) NMSA 1978, in the event of a judgment against the City in excess of \$1,000,000 the City, with City Council approval, may levy a tax on real property to provide for the payment of catastrophic losses. In addition, the City started Fiscal Year 2005 with \$15,300,000 available in the General Fund balance, largely the result of unanticipated revenues and reversions from Fiscal Year 2004. The City has available \$1,560,000 in cash that was refunded to the City due to an unfulfilled industrial revenue bond obligation and \$2,000,000 in a special reserve. Finally, the City has reserve amounts created by the City's policy to reserve one-twelfth of the General Fund budgeted amount.

## **APPROVAL OF ANNUAL STATEMENT**

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

**Submitted for Approval by:**  
City Treasurer

**Approved by:**  
Chief Administrative Officer

/s/ Lou D. Hoffman

/s/ Bruce J. Perlman

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**APPENDIX A**

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

**as of and for the Fiscal Year ended June 30, 2005**

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# NEFF + RICCI LLP

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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, 2005. 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, 2005, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Neff + Ricci LLP*

Albuquerque, New Mexico  
December 16, 2005

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CITY OF ALBUQUERQUE, NEW MEXICO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2005

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, 2005. 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 \$1.3 billion (net assets). Of this amount, \$138.3 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 \$136.1 million during the year, principally as a result of the completion of several major capital improvement program projects.
- As of June 30, 2005, the City's governmental funds reported combined ending fund balances of \$372.3 million. Approximately 73.9% of this amount, \$275.0 million, is unreserved fund balance available for spending at the government's discretion. Included in this amount is approximately \$156.2 million in the Capital Acquisition Fund.
- At the close of the current fiscal year, unreserved fund balance for the general fund was \$42.7 million or 12.6% of the total general fund expenditures of \$337.8 million.
- The City's total long-term debt increased by \$64.7 million during the current year. The key factors in this change were: 1) the issuance of bonds and notes payable accompanied by additions to accrued vacation and sick leave pay and claims totaling \$251.5 million, and 2) debt reduction payments and liquidations of accrued liabilities totaling \$186.8 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.

CITY OF ALBUQUERQUE, NEW MEXICO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2005

**OVERVIEW OF THE FINANCIAL STATEMENTS, continued**

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, a baseball stadium, refuse disposal services, golf courses, parking facilities, and a 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. The City does, however, operate the water and waste water utility serving the City and its citizens that is owned by the Albuquerque Bernalillo Water Utility Authority under the terms of a Memorandum of Understanding that will expire on June 30, 2006.

**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, 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.

CITY OF ALBUQUERQUE, NEW MEXICO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2005

OVERVIEW OF THE FINANCIAL STATEMENTS, continued

The City adopts an annual appropriated budget for the General Fund. A budgetary comparison statement for the General Fund is 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, Refuse Disposal, and Transit, which are considered major funds of the City. In addition the following nonmajor funds are reported: Apartments, Golf Course, Parking, Stadium, and Housing Authority.
- ***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 stock issues; workers' 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.

**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 statement for the General Fund is 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.

**CITY OF ALBUQUERQUE, NEW MEXICO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2005**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

This is the fourth 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. 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 2004 - 2005
	Governmental Activities		Business-type Activities		Total		
	2005	2004	2005	2004*	2005	2004*	
<b>Assets:</b>							
Current and other assets	\$ 602.8	\$ 571.1	\$ 182.4	\$ 169.0	\$ 785.2	\$ 740.1	6.1%
Capital Assets	953.7	843.0	486.0	466.1	1,439.7	1,309.1	10.0%
<b>Total assets</b>	<b>1,556.5</b>	<b>1,414.1</b>	<b>668.4</b>	<b>635.1</b>	<b>2,224.9</b>	<b>2,049.2</b>	<b>8.6%</b>
<b>Liabilities:</b>							
Long-term liabilities outstanding	439.7	368.0	276.5	283.4	716.2	651.4	9.9%
Other liabilities	178.6	200.4	36.7	30.7	215.3	231.1	-6.8%
<b>Total liabilities</b>	<b>618.3</b>	<b>568.4</b>	<b>313.2</b>	<b>314.1</b>	<b>931.5</b>	<b>882.5</b>	<b>5.6%</b>
<b>Net assets:</b>							
Invested in capital assets, net of related debt	654.1	557.9	237.1	206.9	891.2	764.8	16.5%
Restricted	181.0	211.5	83.0	77.5	264.0	289.0	-8.7%
Unrestricted	103.1	76.3	35.1	36.6	138.2	112.9	22.4%
<b>Total net assets</b>	<b>\$ 938.2</b>	<b>\$ 845.7</b>	<b>\$ 355.2</b>	<b>\$ 321.0</b>	<b>\$ 1,293.4</b>	<b>\$ 1,166.7</b>	<b>10.9%</b>

\* Restated see note 22

**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 \$1.3 billion at the close of the year. The largest portion of the City's net assets (68.9%) reflects its investment of \$891.2 million 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.

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.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2005**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS, continued**

**Analysis of Changes in Net Assets**

	CHANGE IN NET ASSETS						Total Percentage Change 2004 - 2005
	(in millions of dollars)						
	Governmental		Business-type		Total		
	Activities		Activities		Total		
	2005	2004	2005	2004*	2005	2004*	
<b>REVENUES</b>							
<b>Program revenues:</b>							
Charges for services	\$ 87.1	\$ 83.9	\$ 129.1	\$ 125.0	\$ 216.2	\$ 208.9	3.5%
Operating grants and contributions	29.9	32.9	24.8	25.2	54.7	58.1	-5.9%
Capital grants and contributions	1.0	2.4	29.9	12.8	30.9	15.2	103.3%
<b>General revenues:</b>							
Gross receipts taxes	163.3	132.2	-	-	163.3	132.2	23.5%
Property taxes	92.6	88.2	-	-	92.6	88.2	5.0%
Other taxes	33.9	32.3	-	-	33.9	32.3	5.0%
State shared taxes and fees	167.9	161.8	-	-	167.9	161.8	3.8%
Grants, investment income, and other	57.5	33.4	1.7	0.1	59.2	33.5	76.7%
<b>Total revenues</b>	<b>633.2</b>	<b>567.1</b>	<b>185.5</b>	<b>163.1</b>	<b>818.7</b>	<b>730.2</b>	<b>12.1%</b>
<b>EXPENSES</b>							
General government	67.6	65.2	-	-	67.6	65.2	3.7%
<b>Public safety:</b>							
Corrections and detention	44.6	42.9	-	-	44.6	42.9	4.0%
Fire protection	55.6	50.9	-	-	55.6	50.9	9.2%
Police protection	109.7	102.7	-	-	109.7	102.7	6.8%
Cultural and recreation	82.1	66.8	-	-	82.1	66.8	22.9%
Public works	10.4	9.3	-	-	10.4	9.3	11.8%
Health	13.4	11.1	-	-	13.4	11.1	20.7%
Human services	50.6	48.5	-	-	50.6	48.5	4.3%
Housing	6.2	3.4	-	-	6.2	3.4	82.4%
Highways and streets	12.0	18.3	-	-	12.0	18.3	-34.4%
Special assessments	3.3	6.6	-	-	3.3	6.6	-50.0%
Interest expense	13.8	15.9	-	-	13.8	15.9	-13.2%
Airport	-	-	54.6	53.1	54.6	53.1	2.8%
Refuse Disposal	-	-	41.4	39.4	41.4	39.4	5.1%
Transit	-	-	37.9	29.8	37.9	29.8	27.2%
Non major enterprise funds	-	-	41.9	40.7	41.9	40.7	2.9%
<b>Total expenses</b>	<b>469.3</b>	<b>441.6</b>	<b>175.8</b>	<b>163.0</b>	<b>645.1</b>	<b>604.6</b>	<b>6.7%</b>
Excess (deficiency) before transfers	163.9	125.5	9.7	0.1	173.6	125.6	38.2%
Write off of Capital Assets	(45.4)	-	(1.3)	-	(46.7)	-	----
Transfers	(25.9)	(25.6)	25.9	25.6	-	-	----
<b>Increase (decrease) in net assets</b>	<b>\$ 92.6</b>	<b>\$ 99.9</b>	<b>\$ 34.3</b>	<b>\$ 25.7</b>	<b>\$ 126.9</b>	<b>\$ 125.6</b>	<b>1.0%</b>

\* Restated see note 22

CITY OF ALBUQUERQUE, NEW MEXICO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2005

GOVERNMENT-WIDE FINANCIAL ANALYSIS, continued

Analysis of Changes in Net Assets, continued

The City's overall net assets increased by \$126.9 million during the current fiscal year. 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 decrease 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 \$92.6 million.

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:

Gross receipts tax revenue and state shared taxes grew 12.6% as compared to the prior year.

Investment earnings were increased from \$4.3 million in fiscal year ended June 30, 2004, to \$12.5 million in the current year. The primary cause for this increase was the growth in the investment market experienced by virtually all governments and an increase in investment balances during the year.

Intergovernmental revenues plus operating and capital contributions from sources other than state shared taxes was decreased by \$4.4 million.

Other revenues for the current year were generally equivalent to or higher than the previous fiscal year.

Business-type activities. Business-type activities increased the City's net assets by \$34.3 million. Key factors of this increase are as follows:

The Airport fund had an increase in net assets of \$16.0 million in fiscal year 2005 compared to a \$2.2 million increase in 2004. The passenger facilities charges (PFC) increased slightly from the prior year. The September 11, 2001 events continued to have a slightly negative impact on the level of air travel in fiscal year 2005. In addition, the growth in the investment market resulted in an increase in investment earnings to a net gain of \$0.8 million offset by unrealized losses of \$0.1 million.

For the Refuse Disposal fund, the reported change in net assets of \$2.0 million was decreased from \$3.8 million in fiscal year 2004. The primary change was due to increased interest expenses and transfers out.

For the Transit Fund, the current year change in net assets was \$16.3 million compared to \$9.6 million for the prior year. The increase was primarily due to an increase in the capital contribution of \$13.9 for capital assets purchased or constructed in the Capital Acquisition Fund. The increase in the capital contribution was offset by an increase in fuels, repairs, maintenance and other operating expenses; and the subsidy transfer from the General Fund decreased by \$0.2 million.

The Stadium Fund and the Apartment Fund were included for the first time in fiscal year 2003 with net operating revenues of \$4.0 million. For fiscal year 2005 those revenues were \$4.6 million as compared to revenues of \$4.9 million in 2004.



CITY OF ALBUQUERQUE, NEW MEXICO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2005

**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 balances 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 \$372.3 million, an increase of \$16.2 million in comparison with the prior year. Approximately 73.9% of this amount, \$275.0 million, is unreserved fund balance available for spending at the government's discretion. Included in unreserved fund balance is \$156.2 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 (\$38.2 million); 2) for acquisition and management of open space and urban enhancement (\$22.9 million); and 3) to show the fund balance representing advances to other funds and other assets not available for spending (\$28.4 million).

Revenues for governmental functions overall totaled approximately \$640.0 million in the fiscal year ended June 30, 2005, which represents an increase of \$64.2 million from the prior year. The major causes for the increase were: 1) tax revenues increased by \$36.9 million; 2) intergovernmental revenues increased by \$21.5 million caused by an increase of state shared gross receipts tax; and 3) interest income increased by \$8.4 million in interest income.

Expenditures for governmental functions of \$731.6 million increased by \$115.1 million from the previous year total of \$616.5 million. The primary cause of the increase was from increased debt service requirements of \$27.6 million, increased expenditures of \$42.0 million for capital outlay, and \$44.4 million for public safety, culture and recreation, highways and streets, health and human services and housing. These increased expenditures generally reflect an increased demand and need for public services.

**General Fund.**

This is the City's chief operating fund. At the end of the current fiscal year, the total fund balance was \$85.4 million, of which \$42.7 million is available as an unreserved fund balance. The reserved fund balance of \$42.7 million is designated: 1) for unanticipated expenditures (\$38.2 million equaling 10.36% of recurring expenditures); and 2) to indicate that non-current financial resource assets of \$4.5 million are unavailable to spend or already are committed for spending. The net change in fund balance for the current fiscal year was an increase of \$20.6 million.

The total revenues of \$411.3 million for the current fiscal year were \$42.4 million greater than for the previous fiscal year. The increase largely resulted from an increase of \$33.3 million in gross receipts tax revenues, \$6.9 million in intergovernmental revenues, \$1.3 million in property taxes, \$1.3 million in licenses and permits, \$1.2 million in interest revenues and \$1.0 million in charges for services.

CITY OF ALBUQUERQUE, NEW MEXICO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2005

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS, continued**

Total expenditures of \$337.8 million represent an increase of \$39.2 million over the previous fiscal year. The major cause of this increase was \$23.5 million for police and fire protection due to an increased emphasis on public safety while the expenditures for general government decreased by \$1.0 million. Additional increases in expenditures from the previous fiscal year are for culture and recreation (\$8.1 million), health and human services (\$6.3 million) and highways and streets (\$1.7 million). See the General Fund budgetary highlights for an analysis with respect to budgets.

**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	\$ 13.4
Refuse Disposal Fund	6.2
Transit Fund	2.4
Nonmajor enterprise funds	<u>13.1</u>
	<u>\$ 35.1</u>

Internal service funds, which are used to account for certain governmental activities, had deficit unrestricted net assets of \$3.3 million. The Risk Management fund, an internal service fund, had deficit unrestricted net assets of \$8.7 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 ending 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 FY05 budget did not differ significantly from the original budget, primarily because the growth in gross receipts tax revenues and other revenue sources was equal to or greater than forecasted growth. Revenues and expenses were monitored closely throughout the year and new disciplinary procedures put in place in FY03 regarding budgetary responsibility remain in place. These actions resulted in actual expenditures being \$8.7 million less than the original budget and \$16.3 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 \$4.4 million, based on the last mid-year budget. All General Fund agencies continue to answer the call for budgetary responsibility by carefully controlling their expenses and returning funds.

CITY OF ALBUQUERQUE, NEW MEXICO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2005

FINANCIAL ANALYSIS OF THE CITY'S FUNDS, continued

Revenues continued to be very difficult to predict during this fiscal year with mixed economic indicators and activities. Gross receipts tax revenues showed overall strength in virtually every sector, and construction permit revenues continued with unprecedented growth. Revenues were \$20.7 million greater than anticipated in the original budget and \$7.4 million more than the budget as last projected at mid-year. Gross receipts tax (local option and state shared), a major component of the City's operating revenue came in at \$3.2 million more than the last revised budget estimate and \$15.5 million more than the original budget. 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 licenses and permits of \$15.0 million were higher than projected as a result of continued, unusual strength in the construction area, primarily new residential construction as well as substantial state and federal government road construction within the City.

The Department of Municipal Development, created early in FY04 for the purpose of coordinating CIP activities, continued to be very successful in implementing and completing both bond and general fund projects. Backlogs were reduced substantially from \$170.9 million at the beginning of the fiscal year to \$121.0 million at the end of the fiscal year. This successful effort contributed to the growth in gross receipts tax revenues.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2005, amount to \$1.4 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 \$129.1 million or 9.8% from fiscal year 2004.

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

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2004-2005
	2005	2004**	2005	2004**	2005	2004**	
	Land *	\$ 231.8	\$ 215.9	\$ 59.5	\$ 58.5	\$ 291.3	
Other *	1.8	0.9	0.7	0.7	2.6	1.6	61.4
Buildings and improvements	133.8	133.2	214.6	191.2	348.4	324.3	7.4
Runways and improvements	-	-	97.1	103.8	97.1	103.8	-6.4
Improvements other than buildings and runways	146.3	156.3	41.8	35.1	188.0	191.3	-1.7
Equipment	2.4	35.7	43.7	36.5	46.2	72.2	-35.9
Infrastructure	70.2	77.6	-	-	70.2	77.6	-9.4
Construction in progress *	367.4	223.5	28.5	41.8	395.9	265.3	49.2
<b>Total</b>	<b>\$ 953.7</b>	<b>\$ 843.0</b>	<b>\$ 486.1</b>	<b>\$ 467.5</b>	<b>\$ 1,439.8</b>	<b>\$ 1,310.5</b>	<b>9.9</b>

\* Assets not depreciated

\*\* Restated see note 22

CITY OF ALBUQUERQUE, NEW MEXICO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2005

**CAPITAL ASSETS AND DEBT ADMINISTRATION, continued**

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

In *governmental activities*, land was acquired for open space costing \$10.2 million, and replacement vehicles were acquired for the police (\$5.2 million) and for fire (\$3.7 million). The construction work in progress increased by \$130.6 million primarily due to the continuing facility development at the Balloon Fiesta Park Museum, a major expansion of the Albuquerque Museum, the redevelopment of Tingley Beach linking the north and south ends of the BioPark and other facilities development.

In *business-type activities*, additions to equipment included new transit vehicles (\$8.2 million) and new solid waste vehicles and heavy equipment (\$5.8 million). The increase in buildings and improvements includes the Westside Transit Facility (\$20.9 million), the Uptown Transit Facility (\$1.0 million) and for the Housing Fund (\$3.1 million). The Aviation Fund had additions to runways and improvements (\$4.1 million) and to improvements other than buildings and runways (\$10.7 million). The construction work in progress decreased by \$13.2 million. The major expenditures in construction work in progress consisted of improvements to the Sunport and construction on the new Westside Transit Facility.

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 \$829.1 million of which \$115.7 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 \$733.0 million. The remaining debt is for loans, accrued vacation and sick leave pay, and claims payable.

During the fiscal year ended June 30, 2005 the City issued bonds for \$183.1 million. Bond proceeds were deposited into the Capital Acquisition Fund for the betterment of parks and recreation, the BioPark, libraries, museums, senior citizen centers, community centers, public transportation facilities and for improvements to the storm sewer system.

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 2.7% of the \$8.3 billion taxable value of property within the City's boundaries. The City currently may issue up to an additional \$63.2 million of general obligation bonds. It has \$268.4 million of general obligation debt outstanding subject to the legal debt limit at June 30, 2005. The net general bonded debt per capita is \$619.52. The highest per capita amount in the last ten fiscal years was \$619.52 in the fiscal year ended June 30, 2005 and the lowest per capita amount was \$213.73 in the fiscal year ended June 20, 2002.

The City's ratings on uninsured general obligation bonds remained unchanged from the prior year and as of June 30, 2005 were:

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

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

**CITY OF ALBUQUERQUE, NEW MEXICO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2005**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The City's elected and appointed officials considered many factors when setting the fiscal year 2006 budget. Many of the City's revenues are influenced by the economy. The gross receipts tax revenue forecast, particularly, is highly influenced by economic conditions. The budget contemplates 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, with a modest increase in commercial construction during the last part of the 2005 fiscal year. The budget contemplates that these high levels will not be sustained throughout the year, although reduced levels of residential and commercial construction are expected to be somewhat offset by continuing state and federal highway construction with the City.

Charges for entry into some City venues and for certain City services are unchanged in the fiscal year 2006 budget. However, the budget does include revenues from new City venues, particularly the Balloon Museum, scheduled to open in October, 2005.

Property tax revenues continue to grow as the economy expands. One mill of taxing authority was converted from capital to operations during fiscal year 2004. 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.

During the 2004 legislative session, legislation to repeal the gross receipts tax on food and certain medical services effective January 1, 2005 was enacted. In an attempt to hold local governments harmless, the distribution to cities of the state-shared gross receipts tax was increased. This increased distribution was to be funded by the state by a repeal of the half-cent credit against local option impositions, also effective January 1, 2005. Distributions for the first three months after January 1, 2005, were materially reduced from the same periods in the prior year, primarily due to incorrect reporting by merchants and implementation issues at the state Taxation and Revenue Department. The City worked actively with the Taxation and Revenue Department to identify the reasons for the lowered distributions, and by June 30, 2005, the major problems seem to have been resolved.

In the October, 2003 general municipal election, the voters approved a gross receipts tax increase of one-quarter percent (0.25%) to be dedicated to public safety. Fire is to receive 33% of the revenues, police 33%, corrections 8% and social services for prevention and intervention 25% each year. The tax was expected to generate about \$27.8 million on an annual basis when it was effective on July 1, 2004. The fiscal year 2006 budget reflects estimated tax proceeds of \$32.65 million for a full twelve months.

Also in the October 2003 general municipal election, the voters rejected the streets and roads bond question. Because of the potentially negative impact on the City's infrastructure program, the question was again put to the voters during the general state election in November 2004. The streets and roads bond question passed by a majority in November 2004.

**CITY OF ALBUQUERQUE, NEW MEXICO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2005**

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

During the 2003 legislative session, legislation was enacted that transferred “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 of the utility became the debt of the Authority, but the Authority was not to impair the rights of any bondholders of outstanding bonds. All contractual obligations of the existing proprietary activity were to be binding on the Authority. Although the legislation had an effective date of June 20, 2003, an audit by the Public Regulation Commission was a condition precedent to the transfer of money, assets and debts to the Authority. That audit was completed in late December 2003 and the transfer to the Authority was made effective July 1, 2003. Concurrently with the transfer, the Authority entered into a six-month Memorandum of Understanding with the City to administer the water and wastewater utility. That Memorandum of Understanding was subsequently extended to June 30, 2006. The Authority retains the authority and obligation to determine and impose rates for services.

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

<b>Economic Assumptions Underlying the Revenue Estimates</b>			
<b>October-2004</b>			
Fiscal Year	2004	2005	2006
<b>National Variables</b>			
% Chg Real GDP	4.4%	3.8%	3.1%
% Chg Non-Farm Employment	0.2%	1.6%	1.5%
Federal Funds Rate	1.0%	2.0%	3.1%
10 U.S. Bonds	4.3%	4.5%	5.1%
% Chg CPI U	2.2%	2.5%	1.4%
Per bbl Price of Oil (WTI)	\$ 33.8	\$ 44.0	\$ 37.6
Unemployment Rate(U.S.)	5.8%	5.4%	5.4%
% Chg in Personal Income	3.7%	5.3%	4.9%
<b>New Mexico Economy</b>			
% Chg Total Non-Agricultural Employment	1.5%	2.3%	2.1%
% Chg Personal Income	6.1%	5.9%	5.0%
Unemployment Rate	6.0%	5.7%	5.7%
<b>Albuquerque MSA Economy</b>			
% Chg Total Non-Agricultural Employment	1.0%	2.4%	2.7%
% Chg Construction Employment	5.2%	5.2%	3.9%
% Chg Personal Income	4.3%	5.7%	5.6%
Unemployment Rate (Alb.)	5.2%	4.7%	4.6%
<b>Construction Units Permitted in City of Albuquerque</b>			
Single-Family Permits	5,050	4,884	4,404
Muli-Family Permits	1,000	603	679
Total Residential Permits	6,050	5,487	5,083

Source: October 2004 baseline forecasts. National source is Global Insight Inc. Local variables from University of New Mexico, Bureau of Business and Economic Research

**CITY OF ALBUQUERQUE, NEW MEXICO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2005**

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

The total General Fund appropriation for fiscal year 2006 is \$446.5 million before interfund eliminations and \$381.1 million after eliminations. Total appropriation increased by \$44.7 million, which is an 11.1% increase over the original fiscal year 2005 budget. Recurring appropriations increased by 7.4%, while non-recurring appropriations increased by 101.7%, primarily due to the use of fund balances.

The international, national, state and local economies have shown modest growth following the 2001-2002 recession, but recent increases in the prices of oil and natural gas, bring concern about the effects it will have on the City's 2006 budget. Costs for items such as fleet and building operations are escalating rapidly. These price increases also have negative impacts on revenues as consumers spend more on gasoline and fewer dollars are available to spend on items subject to the gross receipts tax. However, the City continues 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.

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# **FINANCIAL SECTION**

## **BASIC FINANCIAL STATEMENTS**

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENT OF NET ASSETS**  
**June 30, 2005**

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash, investments and accrued interest	\$ 294,996,644	\$ 32,433,204	\$ 327,429,848	\$ 5,061,038
Cash with fiscal agents held for debt service	73,264,139	19,053,615	92,317,754	37,468,373
Cash held by others	95,866	636,984	732,850	-
Taxes receivable (note 5)	64,318,568	-	64,318,568	-
Accounts receivable, net of allowance for uncollectible accounts	7,012,134	7,080,636	14,092,770	9,389,901
Notes receivable, current portion	-	-	-	1,086,835
Due from other governments	15,750,940	2,819,949	18,570,889	414,377
Deposits	112,679	-	112,679	-
Internal balances	22,200,000	(22,200,000)	-	-
Inventories	2,549,665	2,163,420	4,713,085	-
Prepaid expenses	351,036	38,366	389,402	-
<b>Total current assets</b>	<b>480,651,671</b>	<b>42,026,174</b>	<b>522,677,845</b>	<b>53,420,524</b>
<b>Noncurrent assets:</b>				
Long-term accounts and notes receivable	18,113,532	-	18,113,532	6,087,640
<b>Restricted assets:</b>				
Cash, investments and accrued interest	95,374,426	133,083,007	228,457,433	113,562,178
Investment with fiscal agents	-	-	-	1,305,116
Accounts receivable - developers	-	3,626,651	3,626,651	-
Accounts receivable from bond escrow agent	-	534,799	534,799	-
Escrow deposits	-	626,138	626,138	145,398
<b>Total restricted assets:</b>	<b>95,374,426</b>	<b>137,870,595</b>	<b>233,245,021</b>	<b>115,012,692</b>
<b>Capital assets:</b>				
Land and construction in progress	601,008,355	88,785,230	689,793,585	111,144,642
Capital assets being depreciated	703,460,691	871,684,467	1,575,145,158	1,445,752,460
Accumulated depreciation	(350,761,804)	(474,417,374)	(825,179,178)	(739,667,785)
<b>Capital assets, net of depreciation</b>	<b>953,707,242</b>	<b>486,052,323</b>	<b>1,439,759,565</b>	<b>817,229,317</b>
<b>Other:</b>				
Purchased water rights, net of accumulated amortization	-	-	-	28,600,649
Capitalized bond issue costs	-	2,461,504	2,461,504	1,138,163
Deferred charges and other assets	8,656,019	-	8,656,019	-
<b>Total other</b>	<b>8,656,019</b>	<b>2,461,504</b>	<b>11,117,523</b>	<b>29,738,812</b>
<b>Total noncurrent assets</b>	<b>1,075,851,219</b>	<b>626,384,422</b>	<b>1,702,235,641</b>	<b>968,068,461</b>
<b>Total assets</b>	<b>1,556,502,890</b>	<b>668,410,596</b>	<b>2,224,913,486</b>	<b>1,021,488,985</b>

The accompanying notes are an integral part of these financial statements

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENT OF NET ASSETS**  
June 30, 2005

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Accounts payable	33,462,765	2,356,336	35,819,101	2,071,227
Due to other governments	1,126,914	78,839	1,205,753	-
Accrued expenses	61,905,564	4,569,117	66,474,681	2,338,476
Deposits	1,098,790	589,132	1,687,922	460,378
Deferred revenues	19,050,490	-	19,050,490	-
<b>Payable from restricted assets:</b>				
Contracts and other payable	-	7,101,098	7,101,098	19,135,695
<b>Current portion:</b>				
Bonds and notes payable	61,923,496	13,942,457	75,865,953	33,050,000
Water rights and loan agreements	-	-	-	6,255,273
Accrued interest	-	5,296,606	5,296,606	5,076,732
Deferred revenue	-	2,730,916	2,730,916	-
<b>Total current liabilities</b>	<b>178,568,019</b>	<b>36,664,501</b>	<b>215,232,520</b>	<b>68,387,781</b>
<b>Noncurrent liabilities:</b>				
<b>Liabilities payable from restricted assets:</b>				
Landfill closure costs	-	1,515,176	1,515,176	-
Other	-	228,953	228,953	-
<b>Total liabilities payable from restricted assets</b>	<b>-</b>	<b>1,744,129</b>	<b>1,744,129</b>	<b>-</b>
<b>Long-term payable:</b>				
Bonds and notes payable, net of current portion, discounts and premiums	396,836,637	273,257,489	670,094,126	149,144,319
Water rights contract and loan agreements	-	-	-	160,870,203
<b>Total long-term payable</b>	<b>396,836,637</b>	<b>273,257,489</b>	<b>670,094,126</b>	<b>310,014,522</b>
<b>Other:</b>				
Accrued vacation, sick leave and claims	41,792,467	1,512,084	43,304,551	580,155
Deferred credits and other liabilities	1,044,189	-	1,044,189	500,000
<b>Total other</b>	<b>42,836,656</b>	<b>1,512,084</b>	<b>44,348,740</b>	<b>1,080,155</b>
<b>Total noncurrent liabilities</b>	<b>439,673,293</b>	<b>276,513,702</b>	<b>716,186,995</b>	<b>311,094,677</b>
<b>Total liabilities</b>	<b>618,241,312</b>	<b>313,178,203</b>	<b>931,419,515</b>	<b>379,482,458</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	654,090,878	237,142,685	891,233,563	566,451,130
<b>Restricted for:</b>				
Debt service	48,852,386	14,741,431	63,593,817	11,490,993
Construction	86,521,172	68,225,283	154,746,455	26,620,816
Housing & economic development	14,297,699	-	14,297,699	-
Federal & state funded programs	1,169,115	-	1,169,115	-
<b>Open space and urban enhancement:</b>				
Nonexpendable	27,022,639	-	27,022,639	-
Expendable	3,179,012	-	3,179,012	-
<b>Unrestricted</b>	<b>103,128,677</b>	<b>35,122,994</b>	<b>138,251,671</b>	<b>37,443,588</b>
<b>Total net assets</b>	<b>\$ 938,261,578</b>	<b>\$ 355,232,393</b>	<b>\$ 1,293,493,971</b>	<b>\$ 642,006,527</b>

The accompanying notes are an integral part of these financial statements

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENT OF ACTIVITIES**  
Year ended June 30, 2005

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues Charges for Services
<b>Primary government:</b>			
<b>Governmental Activities:</b>			
General government	\$ 67,551,970	\$ (3,815,378)	\$ 42,536,261
Public Safety			
Corrections	44,655,145	1,510,516	24,738,451
Fire	55,630,082	135,213	380,599
Police	109,682,346	723,117	4,533,577
Culture and recreation	82,108,879	321,569	6,889,853
Public works	10,396,105	99,547	-
Health	13,370,716	256,915	4,629,482
Human services	50,571,869	371,744	2,424,030
Housing	6,198,786	73	-
Highways and streets	11,985,023	396,684	978,248
Special assessments	3,284,067	-	-
Interest expense	13,815,019	-	-
<b>Total governmental type activities</b>	<b>469,250,007</b>	<b>-</b>	<b>87,110,501</b>
<b>Business Type Activities:</b>			
Airport	54,644,728	-	64,046,597
Refuse Disposal	41,369,980	-	45,551,715
Transit	37,958,533	-	5,245,017
Nonmajor enterprise funds	41,878,871	-	14,253,172
<b>Total business type activities</b>	<b>175,852,112</b>	<b>-</b>	<b>129,096,501</b>
<b>Total primary government</b>	<b>\$ 645,102,119</b>	<b>\$ -</b>	<b>\$ 216,207,002</b>
<b>Component Unit:</b>			
Albuquerque Bernalillo County Water Utility Authority	\$ 118,909,420	\$ -	\$ 140,059,547

**General Revenues:**

**Taxes:**

Gross receipts taxes, local option

Property taxes

Payments in lieu of taxes

Franchise and hospitality taxes

Lodgers' tax

NM shared taxes and fees not restricted to specific programs

Grants and contributions not restricted to specific programs

Investment income

Other general revenues

Gain (loss) on disposition of capital assets

Transfers between governmental and business type activities

Total general revenues, special items and transfers

Change in net assets

Net assets (deficit), July 1, as restated

Net assets (deficit), June 30

Program Revenues, continued		Net (Expense) Revenue and Changes in Net Assets			
Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total	Component Unit
\$ 337,408	\$ -	\$ (20,862,923)	\$ -	\$ (20,862,923)	
92,524	-	(21,334,686)	-	(21,334,686)	
484,274	1,026,352	(53,874,070)	-	(53,874,070)	
2,755,326	-	(103,116,560)	-	(103,116,560)	
294,457	-	(75,246,138)	-	(75,246,138)	
662,125	-	(9,833,527)	-	(9,833,527)	
2,208,637	-	(6,789,512)	-	(6,789,512)	
15,018,564	-	(33,501,019)	-	(33,501,019)	
2,028,229	-	(4,170,630)	-	(4,170,630)	
6,034,251	200	(5,369,008)	-	(5,369,008)	
-	-	(3,284,067)	-	(3,284,067)	
-	-	(13,815,019)	-	(13,815,019)	
<u>29,915,795</u>	<u>1,026,552</u>	<u>(351,197,159)</u>	<u>-</u>	<u>(351,197,159)</u>	
-	5,817,552	-	15,219,421	15,219,421	
-	-	-	4,181,735	4,181,735	
-	23,710,984	-	(9,002,532)	(9,002,532)	
<u>24,750,772</u>	<u>363,445</u>	<u>-</u>	<u>(2,511,482)</u>	<u>(2,511,482)</u>	
<u>24,750,772</u>	<u>29,891,981</u>	<u>-</u>	<u>7,887,142</u>	<u>7,887,142</u>	
<u>\$ 54,666,567</u>	<u>\$ 30,918,533</u>	<u>(351,197,159)</u>	<u>7,887,142</u>	<u>(343,310,017)</u>	
<u>\$ -</u>	<u>\$ 20,848,605</u>				<u>\$ 41,998,732</u>
		163,250,264	-	163,250,264	-
		92,546,664	-	92,546,664	-
		4,769,764	-	4,769,764	-
		20,138,467	-	20,138,467	-
		9,019,206	-	9,019,206	-
		167,875,410	-	167,875,410	-
		29,230,347	-	29,230,347	-
		12,469,788	1,697,541	14,167,329	1,548,942
		15,759,659	-	15,759,659	-
		(45,363,094)	(1,267,740)	(46,630,834)	-
		<u>(25,933,600)</u>	<u>25,933,600</u>	<u>-</u>	<u>-</u>
		<u>443,762,875</u>	<u>26,363,401</u>	<u>470,126,276</u>	<u>1,548,942</u>
		92,565,716	34,250,543	126,816,259	43,547,674
		<u>845,695,862</u>	<u>320,981,850</u>	<u>1,166,677,712</u>	<u>598,458,853</u>
		<u>\$ 938,261,578</u>	<u>\$ 355,232,393</u>	<u>\$ 1,293,493,971</u>	<u>\$ 642,006,527</u>

The accompanying notes are an integral part of these financial statements

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2005**

	<u>General Fund</u>	<u>GO Bond Debt Service Fund</u>
<b>ASSETS</b>		
Cash, investments, and accrued interest	\$ 84,606,342	\$ 21,654,049
Cash with fiscal agents	-	61,173,205
Investments with fiscal agents	-	-
Cash held by others	-	-
Taxes receivable, net of allowance for uncollectible:		
Property tax	1,272,781	3,057,606
Gross receipts tax	52,524,503	-
Lodger's tax	-	-
Hospitality tax	-	-
Other taxes	552,382	-
Other receivables, net of allowance for uncollectible	3,610,426	-
Due from other governments	503,811	-
Due from other funds	1,005,868	-
Advances to other funds	307,636	-
Inventories of supplies	124,431	-
Prepaid items	70,326	-
Land held for sale	-	-
	<u>                    </u>	<u>                    </u>
<b>TOTAL ASSETS</b>	<b><u>\$ 144,578,506</u></b>	<b><u>\$ 85,884,860</u></b>

The accompanying notes are an integral part of these financial statements

<u>Capital Acquisition Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 158,888,852	\$ 79,249,393	\$ 344,398,636
-	9,779,385	70,952,590
992,442	1,319,107	2,311,549
-	95,866	95,866
-	90,046	4,420,433
-	5,570,126	58,094,629
-	920,436	920,436
-	330,688	330,688
-	-	552,382
1,454,234	20,034,702	25,099,362
7,599,139	7,580,093	15,683,043
-	-	1,005,868
-	22,200,000	22,507,636
-	328,746	453,177
-	-	70,326
-	5,065,930	5,065,930
<u>\$ 168,934,667</u>	<u>\$ 152,564,518</u>	<u>\$ 551,962,551</u>

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2005**

	<u>General Fund</u>	<u>GO Bond Debt Service Fund</u>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 9,232,936	\$ 10,137
Contracts and retainage payable	-	-
Accrued employee compensation and benefits	17,539,519	-
Due to other funds	2,303,484	-
Due to other governments	-	-
Deferred revenue	29,056,952	2,041,615
Deposits	1,021,600	-
Advances from other funds	-	-
Matured bonds and interest payable	-	61,173,205
<b>Total liabilities</b>	<u>59,154,491</u>	<u>63,224,957</u>
<b>Fund balances:</b>		
Reserved for:		
Encumbrances	3,964,919	-
Inventories of supplies	124,431	-
Prepaid items	70,326	-
Land held for resale	-	-
Advances to other funds	307,636	-
Transfer to capital acquisition fund	-	-
Acquisition and management of open space land	-	-
Urban enhancement	-	-
Operations	38,239,000	-
Unreserved (deficit)	42,717,703	22,659,903
Unreserved (deficit) , reported in:		
Special revenue funds	-	-
Debt service funds	-	-
Capital project funds	-	-
<b>Total fund balances</b>	<u>85,424,015</u>	<u>22,659,903</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 144,578,506</u>	<u>\$ 85,884,860</u>

The accompanying notes are an integral part of these financial statements



<u>Capital Acquisition Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ -	\$ 3,698,941	\$ 12,942,014
11,991,338	3,859,925	15,851,263
44,960	748,312	18,332,791
-	1,005,868	3,309,352
-	1,126,914	1,126,914
535,792	24,260,915	55,895,274
-	77,190	1,098,790
112,000	195,636	307,636
-	9,644,260	70,817,465
<u>12,684,090</u>	<u>44,617,961</u>	<u>179,681,499</u>
60,016	3,697,526	7,722,461
-	328,746	453,177
-	-	70,326
-	5,065,930	5,065,930
-	22,200,000	22,507,636
-	342,426	342,426
-	13,033,395	13,033,395
-	9,862,003	9,862,003
-	-	38,239,000
156,190,561	-	221,568,167
-	22,674,822	22,674,822
-	3,992,483	3,992,483
-	26,749,226	26,749,226
<u>156,250,577</u>	<u>107,946,557</u>	<u>372,281,052</u>
<u>\$ 168,934,667</u>	<u>\$ 152,564,518</u>	<u>\$ 551,962,551</u>

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
June 30, 2005

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

Total fund balance for governmental funds \$ 372,281,052

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, 2005 consist of:

Land	\$ 231,510,170	
Construction in progress and miscellaneous other	369,214,343	
Buildings	174,424,371	
Infrastructure	77,207,261	
Improvements	328,486,974	
Equipment	120,721,381	
Accumulated depreciation	<u>(348,559,399)</u>	
Total capital assets		953,005,101

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, 2005 are:

General Obligation bonds payable	(239,205,000)	
Sales tax revenue bonds and notes payable	(143,456,299)	
Special assessment debt with governmental commitment	(11,884,181)	
Current portion of bonds payable, net of reported matured principal	1,845,847	
Unamortized bond issue costs	1,860,089	
Unamortized premiums and discounts	<u>(2,291,157)</u>	
Total bonds and notes payable, net of premiums, discounts and bond issue costs	(393,130,701)	
Accrued vacation and sick leave pay	(27,130,049)	
Accrued rebatable arbitrage payable reported as deferred credit	<u>(1,044,189)</u>	
		(421,304,939)

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: (2,590,724)

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	30,198,743	
Property taxes	3,728,993	
Other taxes	676,725	
Amounts due on real estate contracts	<u>2,240,323</u>	
		36,844,784

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. 26,304

Total net assets of governmental activities \$ 938,261,578

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**CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-**  
**GOVERNMENTAL FUNDS**  
Year ended June 30, 2005

	<u>General Fund</u>	<u>GO Bond Debt Service Fund</u>
<b>Revenues:</b>		
Taxes	\$ 183,811,873	\$ 66,046,681
Licenses and permits	15,025,888	-
Intergovernmental	167,850,561	-
Charges for services	42,109,899	-
Fines and forfeits	159,120	-
Interest	1,590,015	1,129,428
Special assessments	-	-
Collections on real estate contracts receivable	-	-
Proceeds from disposition of capital assets	-	-
Other interest	-	-
Miscellaneous	787,185	-
<b>Total revenues</b>	<u>411,334,541</u>	<u>67,176,109</u>
<b>Expenditures:</b>		
<b>Current:</b>		
General government	58,612,909	-
Public safety	163,130,428	-
Culture and recreation	57,241,949	-
Public works	8,443,710	-
Highways and streets	9,817,193	-
Health	8,698,900	-
Human services	31,903,406	-
Housing	-	-
<b>Debt service:</b>		
Principal retirement	-	87,355,917
Interest	-	7,747,457
Fiscal agent fees and other fees	-	665,129
Capital outlay	-	-
Bond issuance costs	-	379,706
<b>Total expenditures</b>	<u>337,848,495</u>	<u>96,148,209</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>73,486,046</u>	<u>(28,972,100)</u>
<b>Other financing sources (uses):</b>		
Transfers in	2,471,937	-
Transfers out	(55,320,250)	-
Proceeds of notes payable and bonds issued	-	5,474,106
Proceeds from refunding bonds	-	-
Payment to refunded bond escrow agent	-	-
<b>Total other financing sources (uses)</b>	<u>(52,848,313)</u>	<u>5,474,106</u>
<b>Net change in fund balances</b>	20,637,733	(23,497,994)
<b>Fund balances (deficit), July 1</b>	<u>64,786,282</u>	<u>46,157,897</u>
<b>Fund balances (deficit), June 30</b>	<u>\$ 85,424,015</u>	<u>\$ 22,659,903</u>

The accompanying notes are an integral part of these financial statements

<u>Capital Acquisition Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 400,934	\$ 39,310,320	\$ 289,569,808
-	2,775,243	17,801,131
29,230,347	54,245,077	251,325,985
-	9,304,607	51,414,506
-	998,116	1,157,236
1,875,376	7,543,630	12,138,449
-	5,147,531	5,147,531
-	243,263	243,263
-	274,647	274,647
-	158,896	158,896
3,715,237	6,242,319	10,744,741
<u>35,221,894</u>	<u>126,243,649</u>	<u>639,976,193</u>
-	10,236,582	68,849,491
-	53,081,945	216,212,373
-	6,143,346	63,385,295
-	746,123	9,189,833
-	5,748,983	15,566,176
-	5,089,967	13,788,867
-	20,247,390	52,150,796
-	6,199,308	6,199,308
-	8,135,965	95,491,882
-	6,159,507	13,906,964
-	1,260,815	1,925,944
142,187,186	32,381,819	174,569,005
-	-	379,706
<u>142,187,186</u>	<u>155,431,750</u>	<u>731,615,640</u>
<u>(106,965,292)</u>	<u>(29,188,101)</u>	<u>(91,639,447)</u>
9,595,194	42,021,124	54,088,255
(1,558,557)	(22,874,048)	(79,752,855)
127,875,917	-	133,350,023
-	61,147,085	61,147,085
-	(61,023,204)	(61,023,204)
<u>135,912,554</u>	<u>19,270,957</u>	<u>107,809,304</u>
28,947,262	(9,917,144)	16,169,857
<u>127,303,315</u>	<u>117,863,701</u>	<u>356,111,195</u>
<u>\$ 156,250,577</u>	<u>\$ 107,946,557</u>	<u>\$ 372,281,052</u>

The accompanying notes are an integral part of these financial statements

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
For the year ended June 30, 2005

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

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Net change in fund balances - total governmental funds \$ 16,169,857

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

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

Capital outlay expenditures	\$ 185,879,057	
Depreciation expense	(29,796,654)	
Gain (loss) on disposition of capital assets	<u>(45,363,094)</u>	
		110,719,309

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. (35,584,427)

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. 4,721,768

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:

<b>Revenue:</b>		
Gross receipts tax	183,809	
Property tax	73,118	
Other taxes	12,632	
Collections on real estate contracts, net of deferred gains	(212,724)	
<b>Expenses:</b>		
Accrued vacation and sick leave pay	(3,573,065)	
Rebatable arbitrage	<u>55,439</u>	
Net adjustment		<u>(3,460,791)</u>

Change in net assets of governmental activities \$ 92,565,716

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
Year ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
<b>Taxes:</b>				
Current property tax	\$ 23,994,000	\$ 24,670,000	\$ 25,304,885	\$ 634,885
Delinquent property tax	1,052,000	740,000	848,252	108,252
<b>Franchise taxes:</b>				
Telephone	3,995,000	3,565,000	3,332,028	(232,972)
Electric	5,904,000	5,904,000	5,728,200	(175,800)
Gas	3,449,000	4,388,000	4,686,513	298,513
Cable television	3,367,000	3,367,000	3,421,843	54,843
New Mexico Utility	184,000	220,000	207,281	(12,719)
Telecommunications	524,000	674,000	577,191	(96,809)
Payments in lieu of Taxes	5,144,000	4,927,000	4,769,764	(157,236)
Gross receipts tax-local option	<u>128,037,000</u>	<u>133,565,000</u>	<u>134,935,916</u>	<u>1,370,916</u>
<b>Total taxes</b>	<u>175,650,000</u>	<u>182,020,000</u>	<u>183,811,873</u>	<u>1,791,873</u>
<b>Licenses and permits:</b>				
Liquor licenses	216,000	214,000	189,665	(24,335)
Building permits	3,585,000	4,068,000	5,034,048	966,048
Plumbing/mechanical permits	1,615,000	1,588,000	1,764,817	176,817
Electrical/refrigeration permits	1,170,000	1,082,000	1,181,306	99,306
Plan checking permits	2,600,000	2,670,000	3,543,263	873,263
Flood plain certification	173,000	346,000	293,736	(52,264)
Reroofing permits	34,000	32,000	92,198	60,198
Restaurant inspections	551,000	560,000	631,260	71,260
Food retailers inspections	135,000	110,000	171,465	61,465
Swimming pool inspections	120,000	120,000	129,815	9,815
Animal licenses	250,000	275,000	353,871	78,871
Right of way usage permits	140,000	176,000	158,810	(17,190)
Loading zone permits	9,000	-	12,138	12,138
Solicitation permits	6,000	6,000	7,475	1,475
Business registration fees	1,240,000	1,200,000	1,237,264	37,264
Other licenses and permits	<u>173,000</u>	<u>178,000</u>	<u>224,757</u>	<u>46,757</u>
<b>Total licenses and permits</b>	<u>12,017,000</u>	<u>12,625,000</u>	<u>15,025,888</u>	<u>2,400,888</u>
<b>Intergovernmental:</b>				
<b>State shared:</b>				
Gross receipts tax	154,006,000	160,782,000	162,583,140	1,801,140
Cigarette tax	612,000	580,000	552,224	(27,776)
Motor vehicle license distribution	1,428,000	1,331,000	1,426,523	95,523
Municipal road - gas tax	2,497,000	2,300,000	2,360,979	60,979
DWI Fines	515,000	400,000	451,090	51,090
<b>Grants:</b>				
Other	-	143,000	144,691	1,691
<b>Local administered grants:</b>				
Bernalillo County-shared operations	<u>279,000</u>	<u>359,000</u>	<u>331,914</u>	<u>(27,086)</u>
<b>Total intergovernmental</b>	<u>159,337,000</u>	<u>165,895,000</u>	<u>167,850,561</u>	<u>1,955,561</u>

The accompanying notes are an integral part of these 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, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues (continued):</b>				
<b>Charges for services:</b>				
<b>General government:</b>				
Photocopying	185,000	153,000	145,081	(7,919)
Engineering fees	1,100,000	1,600,000	2,092,795	492,795
Filing of plats and subdivisions	332,000	432,000	476,632	44,632
Sign fees	53,000	84,000	107,749	23,749
Zoning fence permit fees	146,000	203,000	246,536	43,536
Sale of maps and publications	31,000	5,000	16,420	11,420
Records search fees	290,000	350,000	563,141	213,141
Jury duty and witness fees	13,000	13,000	4,163	(8,837)
Planning services	38,000	32,000	36,165	4,165
Vendor registration fees	20,000	20,000	17,220	(2,780)
Shooting range fees	180,000	220,000	216,077	(3,923)
Grounds maintenance	521,000	521,000	520,987	(13)
Office services	35,000	35,000	36,518	1,518
Real property services	70,000	70,000	63,432	(6,568)
Material testing lab	-	-	16,152	16,152
Engineering inspections	100,000	100,000	180,551	80,551
Engineering surveying	5,000	5,000	5,733	733
Legal services	2,567,000	2,114,000	1,985,684	(128,316)
Administrative fees	43,000	88,000	100,016	12,016
Administrative charges to other funds	23,780,000	23,669,000	22,914,899	(754,101)
Other	740,000	785,000	812,476	27,476
<b>Public safety:</b>				
Police services	2,175,000	2,050,000	2,450,734	400,734
Fire services	282,000	308,000	380,599	72,599
<b>Culture and recreation:</b>				
Community centers	32,000	32,000	25,673	(6,327)
Swimming pools	500,000	500,000	510,081	10,081
Outdoor recreation fees	-	-	2,119	2,119
Sports programs	576,000	576,000	438,646	(137,354)
Other recreation charges	271,000	251,000	252,827	1,827
Tournament/field rental	33,000	33,000	39,472	6,472
Latch key program	820,000	770,000	766,191	(3,809)
Extended care fees	42,000	42,000	44,843	2,843
Special events	6,000	5,000	3,307	(1,693)
Special events parking	-	-	579	579
Museum charges	102,000	85,000	101,963	16,963
Zoo admissions	1,829,000	1,829,000	1,754,100	(74,900)
Other zoo charges	51,000	51,000	86,992	35,992
Albuquerque aquarium and gardens	986,000	986,000	1,064,347	78,347
Convention center	-	-	196,591	196,591
Facilities concessions	15,000	172,000	139,089	(32,911)
Library services	1,380,000	1,164,000	1,148,331	(15,669)
Cultural affairs	25,000	30,000	39,619	9,619

The accompanying notes are an integral part of these 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, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues (continued):</b>				
<b>Charges for services (continued):</b>				
<b>Highways and streets:</b>				
Compaction tests	180,000	170,000	161,092	(8,908)
Excavation permits	425,000	360,000	367,936	7,936
Other street division charges	489,000	434,000	437,082	3,082
<b>Health:</b>				
Animal control charges	351,000	400,000	749,094	349,094
<b>Human services:</b>				
Meal programs	160,000	160,000	157,084	(2,916)
Memberships	94,000	94,000	131,219	37,219
Coffee	14,000	14,000	16,034	2,034
Dances	33,000	32,000	42,516	10,516
DSA Route #2	-	28,000	16,373	(11,627)
Other	20,000	19,000	26,939	7,939
<b>Total charges for services</b>	<u>41,140,000</u>	<u>41,094,000</u>	<u>42,109,899</u>	<u>1,015,899</u>
<b>Fines and forfeits:</b>				
Air quality penalties	5,000	91,000	159,120	68,120
<b>Total fines and forfeits</b>	<u>5,000</u>	<u>91,000</u>	<u>159,120</u>	<u>68,120</u>
<b>Interest:</b>				
Interest on investments	1,900,000	1,500,000	1,590,015	90,015
<b>Miscellaneous:</b>				
Rental of City property	180,000	140,000	140,755	755
Community center rentals	228,000	270,000	288,440	18,440
Revenue sharing agreement	-	-	10,827	10,827
Sales of real property	30,000	-	129,811	129,811
Collections from property damage	-	-	2,465	2,465
Contributions and donations	80,000	20,000	21,571	1,571
Cash overages and shortages, net	-	-	110	110
Cash discounts earned	52,000	-	63,202	63,202
Other miscellaneous	42,000	300,000	130,004	(169,996)
<b>Total miscellaneous</b>	<u>612,000</u>	<u>730,000</u>	<u>787,185</u>	<u>57,185</u>
<b>Total revenues</b>	<u>390,661,000</u>	<u>403,955,000</u>	<u>411,334,541</u>	<u>7,379,541</u>

The accompanying notes are an integral part of these 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, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>General government:</b>				
Accounting	2,665,000	2,799,000	2,676,709	122,291
Chief Administrative Officer	1,713,000	1,713,000	1,579,821	133,179
City buildings	6,266,000	6,292,000	6,164,542	127,458
City wide financial support	585,000	585,000	517,499	67,501
City/County building rental	2,789,000	2,789,000	2,789,000	-
Community revitalization	1,508,000	1,708,000	1,293,747	414,253
Compensation in lieu of sick leave	350,000	350,000	238,331	111,669
Council services	1,891,000	2,572,500	1,810,825	761,675
Design - municipal devlp	579,000	579,000	493,020	85,980
Design recovered - municipal devlp	2,413,792	2,413,792	2,203,160	210,632
Design recovery storm	2,675,208	2,675,208	2,412,060	263,148
DFAS - Strategic support	317,000	317,000	285,329	31,671
Dues and memberships	542,000	542,000	475,981	66,019
Early retirement	5,500,000	6,700,000	6,699,127	873
Economic development	50,000	50,000	50,000	-
Information systems	7,570,000	7,997,000	7,759,686	237,314
International trade	238,000	238,000	211,878	26,122
ISD CIP funded	327,000	327,000	244,495	82,505
Water utility	-	927,922	927,922	-
Legal services	4,861,000	4,928,000	4,603,020	324,980
Legislative coordinator	224,000	224,000	226,500	(2,500)
Mayor's office	728,000	728,000	592,396	135,604
Municipal devlp - Strategic support	1,195,000	1,197,000	1,105,681	91,319
Office of city clerk	1,273,000	1,323,000	1,262,501	60,499
Office of economic development	837,000	1,050,000	951,199	98,801
Office of internal audit	1,185,000	1,189,000	674,489	514,511
Office of management and budget	1,250,000	1,250,000	1,087,404	162,596
Personnel services	2,171,000	2,195,000	2,141,382	53,618
Planning - Strategic support	956,000	956,000	934,709	21,291
Plaza del Sol building	1,108,000	1,108,000	1,108,000	-
Purchasing	1,071,000	1,071,000	1,010,834	60,166
Real property	487,000	487,000	453,428	33,572
Risk five year recovery plan	1,494,000	1,494,000	1,494,000	-
Treasury	1,358,000	1,358,000	1,263,165	94,835
Safe city strike force	899,000	899,000	871,069	27,931
<b>Total general government</b>	<u>59,076,000</u>	<u>63,032,422</u>	<u>58,612,909</u>	<u>4,419,513</u>

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
Year ended June 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Public safety:</b>				
<b>Police Department:</b>				
Central support services	28,332,000	28,732,000	28,366,567	365,433
Investigative services	20,146,000	20,146,000	19,318,869	827,131
Neighborhood Policing	58,954,000	58,653,000	57,505,383	1,147,617
Off duty police overtime	1,072,000	1,072,000	1,060,766	11,234
<b>Fire Department:</b>				
AFD headquarters	2,461,000	2,461,000	2,036,105	424,895
Dispatch	2,590,000	2,590,000	2,570,216	19,784
Fire dept/CIP funded employees	92,000	92,000	161,641	(69,641)
Fire dept/technical services	448,000	448,000	430,881	17,119
Fire prevention/fire marshal's office	3,159,000	3,159,000	3,153,021	5,979
Fire suppression	42,312,000	42,312,000	41,919,479	392,521
Fire training and safety	2,285,000	2,287,000	2,140,693	146,307
Logistics	4,910,000	4,910,000	4,404,319	505,681
Paramedic rescue	-	-	62,488	(62,488)
<b>Total public safety</b>	<u>166,761,000</u>	<u>166,862,000</u>	<u>163,130,428</u>	<u>3,731,572</u>
<b>Culture and recreation:</b>				
Biological park	9,861,000	9,866,000	9,848,603	17,397
CIP Biopark	1,945,000	1,945,000	1,482,603	462,397
CIP library	49,000	49,000	50,755	(1,755)
Citizen Services	1,453,000	1,453,000	807,196	645,804
Community events	2,127,000	2,727,000	2,375,028	351,972
Convention center	-	-	-	-
Explora Science Center	1,300,000	1,300,000	1,301,969	(1,969)
Museum	3,992,000	4,092,000	3,980,969	111,031
Quality parks & trails system	-	-	-	-
Strategic support - CS	1,026,000	1,026,000	1,021,108	4,892
Strategic support - Senior Affairs	1,312,000	1,320,000	1,182,081	137,919
Strategic support - PR	956,000	956,000	883,397	72,603
Parks land management	12,080,000	12,096,000	11,868,928	227,072
Promote safe use of firearms	292,000	292,000	289,646	2,354
Provide community recreation	6,160,000	6,311,000	6,078,783	232,217
Provide quality recreation	3,945,000	4,176,000	3,970,415	205,585
Public library	9,779,000	9,779,000	9,773,250	5,750
Tourism - convention center	2,041,000	2,597,000	2,308,243	288,757
Special events parking	19,000	19,000	18,975	25
<b>Total culture and recreation</b>	<u>58,337,000</u>	<u>60,004,000</u>	<u>57,241,949</u>	<u>2,762,051</u>
<b>Public works:</b>				
Code administration	2,622,000	2,622,000	2,567,743	54,257
Construction management	2,314,000	2,314,000	2,221,509	92,491
Strategic support	200,000	200,000	84,480	115,520
Street CIP trans infrastructure tx	1,945,000	1,945,000	1,778,117	166,883
Storm drainage/maintenance	1,925,000	1,925,000	1,791,861	133,139
<b>Total public works</b>	<u>9,006,000</u>	<u>9,006,000</u>	<u>8,443,710</u>	<u>562,290</u>
<b>Highways and streets:</b>				
GF street services	9,886,000	9,986,000	9,817,193	168,807
<b>Total highways and streets</b>	<u>9,886,000</u>	<u>9,986,000</u>	<u>9,817,193</u>	<u>168,807</u>

The accompanying notes are an integral part of these 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, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Expenditures (continued):</b>				
<b>Current (continued):</b>				
<b>Health:</b>				
Animal services	5,283,000	5,783,000	5,497,447	285,553
Bio disease management	364,000	364,000	317,279	46,721
Clean city section	-	-	-	-
Consumer protection	1,004,000	1,004,000	955,322	48,678
Environmental services	1,380,000	1,380,000	1,242,076	137,924
Program support	357,000	720,000	686,776	33,224
<b>Total health</b>	<u>8,388,000</u>	<u>9,251,000</u>	<u>8,698,900</u>	<u>552,100</u>
<b>Human services:</b>				
Access to basic services	118,000	118,000	99,236	18,764
Develop affordable housing	75,000	75,000	73,995	1,005
Development process & policy	6,179,000	6,179,000	5,975,796	203,204
Plan and coordinate	2,123,000	2,123,000	2,084,091	38,909
Long-range planning	1,258,000	1,351,700	1,169,846	181,854
Offer health & social services	2,499,000	2,500,000	2,243,286	256,714
Partner with public education	5,249,000	5,248,000	4,492,098	755,902
Prevent and reduce youth gangs	1,223,000	1,223,000	1,165,188	57,812
Prevent neighborhood deterioration	48,000	48,000	47,000	1,000
Provide early childhood education	4,947,000	4,947,000	4,329,667	617,333
Provide emergency shelter	163,000	823,000	812,567	10,433
Provide mental health	2,195,000	2,355,000	1,186,898	1,168,102
Provide transitional housing	164,000	164,000	151,350	12,650
Substance abuse treatment/prevention	5,328,000	5,328,000	4,755,256	572,744
Supportive services to homeless	212,000	212,000	179,677	32,323
Train lower income persons	204,000	204,000	166,341	37,659
Well-being	3,072,000	3,072,000	2,971,114	100,886
<b>Total human services</b>	<u>35,057,000</u>	<u>35,970,700</u>	<u>31,903,406</u>	<u>4,067,294</u>
<b>Total expenditures</b>	<u>346,511,000</u>	<u>354,112,122</u>	<u>337,848,495</u>	<u>16,263,627</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>44,150,000</u>	<u>49,842,878</u>	<u>73,486,046</u>	<u>23,643,168</u>
<b>Other financing sources (uses):</b>				
Transfers in	2,463,000	2,463,000	2,471,937	8,937
Transfers out	(55,292,000)	(55,566,000)	(55,320,250)	(245,750)
<b>Total other financing sources and uses</b>	<u>(52,829,000)</u>	<u>(53,103,000)</u>	<u>(52,848,313)</u>	<u>(236,813)</u>
<b>Net change in fund balance</b>	(8,679,000)	(3,260,122)	20,637,733	23,406,355
<b>Fund balance, July 1</b>	<u>64,786,282</u>	<u>64,786,282</u>	<u>64,786,282</u>	-
<b>Fund balance, June 30</b>	<u>\$ 56,107,282</u>	<u>\$ 61,526,160</u>	<u>\$ 85,424,015</u>	<u>\$ 23,406,355</u>

The accompanying notes are an integral part of these financial statements

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**CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**  
June 30, 2005

	<u>Airport Fund</u>	<u>Refuse Disposal Fund</u>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash, investments, and accrued interest	\$ 9,514,262	\$ 5,646,374
Cash with fiscal agents held for debt service	13,608,086	4,383,284
Cash held by others	-	-
Accounts receivable, net of allowance for uncollectible accounts	3,667,071	2,534,782
Due from other funds	-	-
Prepaid expenses	-	-
Due from other governments	-	-
Deposits	-	-
Inventories of supplies	<u>618,149</u>	<u>743,650</u>
<b>Total current assets</b>	<u><b>27,407,568</b></u>	<u><b>13,308,090</b></u>
<b>Noncurrent assets:</b>		
<b>Restricted assets:</b>		
Cash, investments, and accrued interest	107,061,445	11,380,245
Account receivable from bond escrow agent	534,799	-
Accounts receivable - developers	-	-
Escrow deposits	-	-
<b>Total restricted assets</b>	<u><b>107,596,244</b></u>	<u><b>11,380,245</b></u>
<b>Capital assets:</b>		
Land	33,057,300	5,165,504
Land and improvements acquired from U.S. Air Force	7,630,077	-
Buildings and improvements	146,757,016	39,795,558
Runways and other improvements	246,511,046	-
Improvements other than buildings	112,748,804	-
Machinery and equipment	12,771,515	63,303,752
Other	<u>647,096</u>	<u>-</u>
<b>Total</b>	<u><b>560,122,854</b></u>	<u><b>108,264,814</b></u>
Less accumulated depreciation and amortization	<u>308,399,709</u>	<u>53,477,318</u>
<b>Capital assets, net of depreciation</b>	<u><b>251,723,145</b></u>	<u><b>54,787,496</b></u>
Construction work in progress	<u>19,039,559</u>	<u>3,278,167</u>
<b>Total capital assets</b>	<u><b>270,762,704</b></u>	<u><b>58,065,663</b></u>
<b>Other:</b>		
Capitalized bond issuance costs	1,637,334	60,408
Land - acquired under claim settlement	<u>-</u>	<u>-</u>
<b>Total other assets</b>	<u><b>1,637,334</b></u>	<u><b>60,408</b></u>
<b>Total noncurrent assets</b>	<u><b>379,996,282</b></u>	<u><b>69,506,316</b></u>
<b>Total Assets</b>	<u><b>407,403,850</b></u>	<u><b>82,814,406</b></u>

The accompanying notes are an integral part of these financial statements

<u>Transit Fund</u>	<u>Other Enterprise Funds</u>	<u>Totals</u>	<u>Internal Service Funds</u>
\$ 3,761,343	\$ 13,511,225	\$ 32,433,204	\$ 45,972,434
-	1,062,245	19,053,615	-
-	636,984	636,984	-
192,913	685,870	7,080,636	-
-	-	-	2,303,484
-	38,366	38,366	280,710
2,628,395	191,554	2,819,949	67,897
-	-	-	112,679
<u>638,253</u>	<u>163,368</u>	<u>2,163,420</u>	<u>2,096,488</u>
<u>7,220,904</u>	<u>16,289,612</u>	<u>64,226,174</u>	<u>50,833,692</u>
7,316,333	7,324,984	133,083,007	-
-	-	534,799	-
-	3,626,651	3,626,651	-
-	<u>626,138</u>	<u>626,138</u>	-
<u>7,316,333</u>	<u>11,577,773</u>	<u>137,870,595</u>	<u>-</u>
4,768,660	8,875,432	51,866,896	283,842
-	-	7,630,077	-
46,635,707	137,979,844	371,168,125	406,001
-	-	246,511,046	-
-	-	112,748,804	765,388
61,004,400	4,176,825	141,256,492	1,449,315
-	<u>100,904</u>	<u>748,000</u>	-
<u>112,408,767</u>	<u>151,133,005</u>	<u>931,929,440</u>	<u>2,904,546</u>
<u>47,059,041</u>	<u>65,481,306</u>	<u>474,417,374</u>	<u>2,202,405</u>
<u>65,349,726</u>	<u>85,651,699</u>	<u>457,512,066</u>	<u>702,141</u>
<u>3,758,244</u>	<u>2,464,287</u>	<u>28,540,257</u>	<u>-</u>
<u>69,107,970</u>	<u>88,115,986</u>	<u>486,052,323</u>	<u>702,141</u>
-	763,762	2,461,504	-
-	-	-	1,730,000
-	<u>763,762</u>	<u>2,461,504</u>	<u>1,730,000</u>
<u>76,424,303</u>	<u>100,457,521</u>	<u>626,384,422</u>	<u>2,432,141</u>
<u>83,645,207</u>	<u>116,747,133</u>	<u>690,610,596</u>	<u>53,265,833</u>

The accompanying notes are an integral part of these financial statements

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**  
**June 30, 2005**

	<u>Airport Fund</u>	<u>Refuse Disposal Fund</u>
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable	270,424	541,112
Accrued payroll	202,229	340,753
Accrued vacation and sick leave pay	785,207	1,262,200
Accrued fuel cleanup costs	-	-
Fare tokens outstanding	-	-
Deposits	243,753	67,048
Due to other governments	-	-
Current portion of claims and judgments payable	-	-
<b>Liabilities payable from restricted assets:</b>		
Construction contracts and miscellaneous payable	4,343,667	1,280,258
Deferred revenue	2,730,916	-
Current portion - revenue bonds payable	9,410,000	3,639,321
Accrued interest	4,116,685	736,713
<b>Total current liabilities</b>	<u>22,102,881</u>	<u>7,867,405</u>
<b>Noncurrent liabilities:</b>		
<b>Liabilities payable from restricted assets:</b>		
Accrued landfill closure costs	-	1,515,176
Other	-	-
<b>Total</b>	<u>-</u>	<u>1,515,176</u>
<b>Revenue bonds, net of current portion and unamortized discounts, and capital leases</b>	<u>212,810,986</u>	<u>30,038,664</u>
<b>Other:</b>		
Claims and judgments payable	-	-
Accrued vacation and sick leave pay	314,426	803,450
Advances from other funds	-	-
<b>Total</b>	<u>314,426</u>	<u>803,450</u>
<b>Total noncurrent liabilities:</b>	<u>213,125,412</u>	<u>32,357,290</u>
<b>Total liabilities</b>	<u>235,228,293</u>	<u>40,224,695</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	90,641,123	32,743,885
<b>Restricted for:</b>		
Debt service	13,171,595	371,759
Construction	54,969,876	3,262,414
Unrestricted	13,392,963	6,211,653
<b>Total net assets</b>	<u>\$ 172,175,557</u>	<u>\$ 42,589,711</u>

The accompanying notes are an integral part of these financial statements



<u>Transit Fund</u>	<u>Other Enterprise Funds</u>	<u>Totals</u>	<u>Internal Service Funds</u>
330,652	1,214,148	2,356,336	4,669,488
352,186	112,909	1,008,077	97,915
1,126,648	386,985	3,561,040	456,068
-	-	-	116,232
65,765	-	65,765	-
-	212,566	523,367	-
-	78,839	78,839	-
-	-	-	17,503,500
1,216,918	260,255	7,101,098	-
-	-	2,730,916	-
-	893,136	13,942,457	-
-	443,208	5,296,606	-
<u>3,092,169</u>	<u>3,602,046</u>	<u>36,664,501</u>	<u>22,843,203</u>
-	-	1,515,176	-
-	228,953	228,953	-
<u>-</u>	<u>228,953</u>	<u>1,744,129</u>	<u>-</u>
<u>-</u>	<u>30,407,839</u>	<u>273,257,489</u>	<u>-</u>
-	-	-	32,875,264
281,661	112,547	1,512,084	138,090
-	22,200,000	22,200,000	-
<u>281,661</u>	<u>22,312,547</u>	<u>23,712,084</u>	<u>33,013,354</u>
<u>281,661</u>	<u>52,949,339</u>	<u>298,713,702</u>	<u>33,013,354</u>
<u>3,373,830</u>	<u>56,551,385</u>	<u>335,378,203</u>	<u>55,856,557</u>
69,107,970	44,649,707	237,142,685	702,141
-	1,198,077	14,741,431	-
8,727,810	1,265,183	68,225,283	-
2,435,597	13,082,781	35,122,994	(3,292,865)
<u>\$ 80,271,377</u>	<u>\$ 60,195,748</u>	<u>\$ 355,232,393</u>	<u>\$ (2,590,724)</u>

The accompanying notes are an integral part of these financial statements

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUNDS**  
Year ended June 30, 2005

	<u>Airport Fund</u>	<u>Refuse Disposal Fund</u>
<b>Operating revenues:</b>		
Charges for services	\$ 55,759,313	\$ 45,546,008
<b>Operating expenses:</b>		
Salaries and fringe benefits	12,522,171	20,202,177
Professional services	297,007	258,153
Utilities	2,495,700	398,907
Supplies	627,887	1,104,687
Travel	66,557	20,945
Fuels, repairs and maintenance	1,975,706	5,649,551
Contractual services	4,084,314	1,658,174
Claims and judgments	-	-
Insurance premiums	-	-
Other operating expenses	2,081,720	4,934,460
Depreciation	21,897,459	6,032,365
Bad debt expense	-	107,341
<b>Total operating expenses</b>	<u>46,048,521</u>	<u>40,366,760</u>
<b>Operating income (loss)</b>	<u>9,710,792</u>	<u>5,179,248</u>
<b>Non-operating revenues (expenses):</b>		
Interest on investments	814,502	225,529
Federal housing grants	-	-
Housing assistance payments	-	-
Passenger facilities charges	7,929,741	-
Gain (loss) on disposition of property and equipment	(80,981)	(1,186,759)
Interest and other debt service expenses	(8,262,415)	(1,003,342)
Bond issue costs	(333,792)	122
Other	357,543	5,707
<b>Total non-operating revenues (expenses)</b>	<u>424,598</u>	<u>(1,958,743)</u>
<b>Income (loss) before capital contributions and transfers</b>	<b>10,135,390</b>	<b>3,220,505</b>
Capital contributions	5,817,552	-
Transfers in	-	-
Transfers out	-	(1,252,055)
<b>Change in net assets</b>	<u>15,952,942</u>	<u>1,968,450</u>
<b>Net assets (deficit), July 1, as restated</b>	<u>156,222,615</u>	<u>40,621,261</u>
<b>Net assets (deficit), June 30</b>	<u>\$ 172,175,557</u>	<u>\$ 42,589,711</u>

The accompanying notes are an integral part of these financial statements

<u>Transit Fund</u>	<u>Other Enterprise Funds</u>	<u>Totals</u>	<u>Internal Service Funds</u>
\$ 3,461,802	\$ 13,770,287	\$ 118,537,410	\$ 83,804,939
20,042,703	6,765,187	59,532,238	6,060,866
13,752	83,356	652,268	770,801
537,917	2,500,188	5,932,712	125,679
581,007	151,290	2,464,871	1,212,598
16,091	3,552	107,145	5,928
3,825,077	2,418,723	13,869,057	4,397,110
4,862,454	466,568	11,071,510	1,954,702
-	-	-	23,682,795
-	-	-	39,512,277
3,453,841	3,035,182	13,505,203	2,094,785
4,621,291	4,845,546	37,396,661	110,490
4,400	306,399	418,140	-
<u>37,958,533</u>	<u>20,575,991</u>	<u>144,949,805</u>	<u>79,928,031</u>
<u>(34,496,731)</u>	<u>(6,805,704)</u>	<u>(26,412,395)</u>	<u>3,876,908</u>
189,304	468,206	1,697,541	1,020,796
-	24,750,772	24,750,772	-
-	(19,363,574)	(19,363,574)	-
-	-	7,929,741	-
-	-	(1,267,740)	(5,533)
-	(1,823,562)	(11,089,319)	-
-	(115,744)	(449,414)	-
<u>1,783,215</u>	<u>482,885</u>	<u>2,629,350</u>	<u>98,597</u>
<u>1,972,519</u>	<u>4,398,983</u>	<u>4,837,357</u>	<u>1,113,860</u>
(32,524,212)	(2,406,721)	(21,575,038)	4,990,768
23,710,984	363,445	29,891,981	-
25,331,537	2,300,000	27,631,537	-
(215,184)	(230,698)	(1,697,937)	(269,000)
<u>16,303,125</u>	<u>26,026</u>	<u>34,250,543</u>	<u>4,721,768</u>
<u>63,968,252</u>	<u>60,169,722</u>	<u>320,981,850</u>	<u>(7,312,492)</u>
\$ 80,271,377	\$ 60,195,748	\$ 355,232,393	\$ (2,590,724)

The accompanying notes are an integral part of these financial statements

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
Year ended June 30, 2005

	<u>Airport Fund</u>	<u>Refuse Disposal Fund</u>
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 57,557,180	\$ 44,836,450
Cash received from other funds for goods and services	-	803,640
Cash payments to employees for services	(11,713,385)	(18,868,237)
Cash payments to suppliers for goods and services	(10,246,037)	(9,929,045)
Cash payments to other funds for goods and services	(3,221,818)	(6,053,765)
Cash payments to claimants and beneficiaries	-	-
Miscellaneous cash received	<u>357,543</u>	<u>5,707</u>
Net cash provided by (used for) operating activities	<u>32,733,483</u>	<u>10,794,750</u>
<b>Cash flow from noncapital financing activities:</b>		
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	-	-
Transfers-out to other funds	<u>-</u>	<u>(1,252,055)</u>
Net cash provided by (used for) noncapital financing activities	<u>-</u>	<u>(1,252,055)</u>
<b>Cash flows from capital and related financing activities:</b>		
Proceeds from notes payable	-	5,800,000
Principal paid on revenue bond maturities and refunded bonds	(7,630,000)	(2,975,000)
Return of deposit	-	-
Interest and other expenses paid on revenue bond maturities	(9,425,315)	(856,942)
Acquisition and construction of capital assets	(14,719,187)	(14,498,300)
Cash payments to other funds for goods and services	(208,987)	(101,586)
Capital grants received	-	-
Receipts in anticipation of future land sale	-	-
Passenger facilities charges	7,929,741	-
Proceeds from sale (retirement) of property and equipment	<u>7,733</u>	<u>3,611,000</u>
Net cash used for capital and related financing activities	<u>(24,046,015)</u>	<u>(9,020,828)</u>
<b>Cash flows from investing activities:</b>		
Interest received on investments	<u>4,695,400</u>	<u>225,529</u>
Net cash provided by investing activities	<u>4,695,400</u>	<u>225,529</u>
Net increase (decrease) in cash and cash equivalents	13,382,868	747,396
Cash and cash equivalents, July 1	<u>116,800,925</u>	<u>20,662,507</u>
Cash and cash equivalents, June 30	<u>\$ 130,183,793</u>	<u>\$ 21,409,903</u>

The accompanying notes are an integral part of these financial statements

<u>Transit Fund</u>	<u>Other Enterprise Funds</u>	<u>Totals</u>	<u>Internal Service Funds</u>
\$ 3,335,445	\$ 13,055,055	\$ 118,784,130	\$ 22,080,810
-	287,718	1,091,358	63,564,802
(18,693,870)	(6,969,770)	(56,245,262)	(6,129,878)
(9,572,968)	(5,760,642)	(35,508,692)	(51,776,692)
(5,431,755)	(2,173,550)	(16,880,888)	(2,014,420)
-	-	-	(20,882,279)
<u>986,713</u>	<u>290,001</u>	<u>1,639,964</u>	<u>83,053</u>
<u>(29,376,435)</u>	<u>(1,271,188)</u>	<u>12,880,610</u>	<u>4,925,396</u>
1,084,242	23,177,115	24,261,357	-
-	(19,363,575)	(19,363,575)	-
-	(1,300,000)	(1,300,000)	-
-	(647,250)	(647,250)	-
25,331,537	2,300,000	27,631,537	-
<u>(215,184)</u>	<u>(230,698)</u>	<u>(1,697,937)</u>	<u>(269,000)</u>
<u>26,200,595</u>	<u>3,935,592</u>	<u>28,884,132</u>	<u>(269,000)</u>
-	-	5,800,000	-
-	(789,920)	(11,394,920)	-
-	339,188	339,188	-
-	(1,186,780)	(11,469,037)	-
(23,969,493)	(2,264,975)	(55,451,955)	(117,495)
-	-	(310,573)	-
26,354,555	1,619,861	27,974,416	-
-	-	-	25,000
-	-	7,929,741	-
<u>57</u>	<u>-</u>	<u>3,618,790</u>	<u>26,417</u>
<u>2,385,119</u>	<u>(2,282,626)</u>	<u>(32,964,350)</u>	<u>(66,078)</u>
<u>189,304</u>	<u>468,206</u>	<u>5,578,439</u>	<u>1,020,796</u>
<u>189,304</u>	<u>468,206</u>	<u>5,578,439</u>	<u>1,020,796</u>
(601,417)	849,984	14,378,831	5,611,114
<u>11,679,093</u>	<u>22,311,592</u>	<u>171,454,117</u>	<u>40,361,320</u>
<u>\$ 11,077,676</u>	<u>\$ 23,161,576</u>	<u>\$ 185,832,948</u>	<u>\$ 45,972,434</u>

The accompanying notes are an integral part of these financial statements

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
Year ended June 30, 2005

	Airport Fund	Refuse Disposal Fund
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>		
Operating income (loss)	\$ 9,710,792	\$ 5,179,248
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for ) operating activities:</b>		
Depreciation	21,897,459	6,032,365
Amortization	-	-
Miscellaneous cash received	357,543	5,707
Provision for claims and judgments	-	-
<b>Decrease (increase) in assets:</b>		
Receivables	(915,132)	194,009
Escrow deposits	-	-
Due from other governments	-	-
Due from other funds	81,869	-
Inventories of supplies	(618,149)	(45,318)
Prepaid expenses	-	-
<b>Increase (decrease) in liabilities:</b>		
Accounts payable	(93,949)	(208,849)
Customer deposits	97,450	-
Accrued landfill closure costs and fuels cleanup	-	103,160
Accrued employee compensation and benefits	(399,949)	(472,985)
Fare tokens outstanding and deposits	-	7,413
Due to other funds	-	-
Escrow liability	-	-
Deferred revenue	2,615,549	-
Due to other governments	-	-
<b>Net cash provided by (used for) operating activities</b>	<b>\$ 32,733,483</b>	<b>\$ 10,794,750</b>
<b>Cash and cash equivalents at June 30 consist of:</b>		
<b>Current assets:</b>		
Cash, investments, and accrued interest	\$ 9,514,262	\$ 5,646,374
Cash with fiscal agents	13,608,086	4,383,284
Cash held by others	-	-
<b>Restricted assets:</b>		
Cash, investments, and accrued interest	107,061,445	11,380,245
Escrow deposits	-	-
<b>Total cash and cash equivalents, June 30</b>	<b>\$ 130,183,793</b>	<b>\$ 21,409,903</b>
<b>Non cash transactions:</b>		
Unrealized gains (losses) on investments	\$ (74,180)	\$ (4,808)
Transfer of capital assets from the Capital Projects Fund	-	-
HUD payment of third party guaranteed debt	-	-

The accompanying notes are an integral part of these financial statements

<u>Transit Fund</u>	<u>Other Enterprise Funds</u>	<u>Totals</u>	<u>Internal Service Funds</u>
\$ (34,496,731)	\$ (6,805,704)	\$ (26,412,395)	\$ 3,876,908
4,621,291	4,845,546	37,396,661	110,490
-	20,130	20,130	-
986,713	528,999	1,878,962	83,053
-	-	-	2,800,516
(121,873)	(16,514)	(859,510)	50,793
-	(264,568)	(264,568)	-
-	-	-	(89,685)
-	-	81,869	(2,303,484)
(40,158)	88,226	(615,399)	(228,440)
-	(38,366)	(38,366)	40,232
129,115	678,942	505,259	693,878
-	-	97,450	-
-	-	103,160	-
(450,308)	(119,488)	(1,442,730)	(108,865)
(4,484)	30,680	33,609	-
-	(81,869)	(81,869)	-
-	(137,202)	(137,202)	-
-	-	2,615,549	-
-	-	-	-
<u>\$ (29,376,435)</u>	<u>\$ (1,271,188)</u>	<u>\$ 12,880,610</u>	<u>\$ 4,925,396</u>
\$ 3,761,343	\$ 13,511,225	\$ 32,433,204	\$ 45,972,434
-	1,062,245	19,053,615	-
-	636,984	636,984	-
7,316,333	7,324,984	133,083,007	-
-	626,138	626,138	-
<u>\$ 11,077,676</u>	<u>\$ 23,161,576</u>	<u>\$ 185,832,948</u>	<u>\$ 45,972,434</u>
\$ 8,280	\$ 745	\$ (69,963)	\$ (35,811)
68,581	250,525	319,106	-
-	1,516,359	1,516,359	-

The accompanying notes are an integral part of these financial statements

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**JUNE 30, 2005**

	<u>Agency Fund</u>
<b>ASSETS</b>	
<b>Assets:</b>	
Cash, investments, and accrued interest	\$ 13,460,158
Receivables	<u>237,069</u>
<b>Total Assets</b>	<u><b>13,697,227</b></u>
<b>LIABILITIES</b>	
<b>Liabilities:</b>	
Accounts payable	349,254
Funds held for others	<u>13,347,973</u>
<b>Total Liabilities</b>	<u><b>13,697,227</b></u>
<b>Net Assets</b>	<u><u><b>\$ -</b></u></u>

The accompanying notes are an integral part of these financial statements



**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2005

**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 consists 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 has determined that Albuquerque Bernalillo County Water Utility Authority (Authority), created with an effective date of July 1, 2003, is a component unit of the City. The Authority's governing board is composed of three members of the City Council, three members of the County of Bernalillo Commission and the Mayor of the City. See Note 23.

The City has determined that it does have relationships with other organizations that are considered to be component units of the City. However, those organizations, not included herein, are of such nature and significance that exclusion would not 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 and its component unit. 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 non-exchange 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 needed.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2005

NOTE 2            SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

A. Basis of Presentation, continued

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 for services rendered by all central service activities of the general government such as Accounting, Information Services, Treasury, Budgeting, and other central services.

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 non-exchange 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 that are required to be accounted for in another fund.

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.

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

Transit Fund. This fund accounts for the operations of the City's Sun Tran bus system.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2005

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**A. Basis of Presentation, continued**

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.

**Enterprise Funds.** These funds account for resources generally through services for which the City charges customers – either outside, or internal units or departments of the City. These funds report on the full accrual basis of accounting.

**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.

**B. Measurement Focus, Basis of Accounting**

**1. Government-Wide, Proprietary and Agency Fund Financial Statements**

The government-wide, proprietary, and agency fund financial statements are reported using the economic resources measurement focus and 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. Non-exchange 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, net of estimated refunds and uncollectible amounts, 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 are met.

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. The City has elected not to follow FASB Statements and interpretations issued after November 30, 1989.

**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.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2005

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

**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.

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 that 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 Independent Auditors' Report, together with the Financial Statements, the accompanying Notes to the Financial Statements, and the Independent Auditors' Report on Compliance and Internal Controls are available from the State Investment Council, 2055 South Pacheco Street, Suite 100, Santa Fe, New Mexico 87505, upon written request.

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).

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2005

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**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 4,357 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 government-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 that 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.

**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. Works of art and historical treasures are not capitalized because those are: 1) held for public exhibition rather than for financial gain, 2) protected, kept unencumbered, cared for, and preserved, and 3) all proceeds from the sale of collection items are required to be used to acquire other items for collections. Software is capitalized when acquired while library books are not capitalized because the aggregated cost of books is considered immaterial. 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.

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

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2005

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**I. Deferred Charges and Other Assets**

Land acquired in a 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, 2005, were accrued based on actuarial estimates of the City's self-insurance programs. At June 30, 2005, 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 5.0% at June 30, 2005, and 5.0% for 2004, 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 that 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 employees may also accumulate limited amounts of sick leave that 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 non-exchange 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 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.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2005

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**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, 2005, 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.

*Transfer to capital acquisition fund* - the amount of unencumbered fund balance in the False Alarm and Education Fund that is available for transfer to the Capital Acquisition Fund in the ensuing fiscal year.

*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.

**P. Encumbrances**

Encumbrances, outstanding at fiscal 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**

Refuse services are billed on a cycle basis; therefore, amounts for services provided but unbilled as of June 30, 2005 are not included in receivables or revenue of the enterprise fund. Such unbilled amounts are not material to the financial position and results of operations of the Refuse Disposal Fund.

**R. Inter-fund 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 transfers and are included in the determination of the results of operations in the governmental, proprietary, and fiduciary funds.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2005**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**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 Refuse Disposal, Golf, 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 2005, several supplemental appropriations were necessary.

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 BASIC FINANCIAL STATEMENTS**  
June 30, 2005

**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, \$372,281,052, differ from net assets of governmental activities, \$938,261,578, 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:

	Total Governmental Funds	Internal Service Funds	Long-term Assets & Liabilities	Reclassi- fications and Eliminations	Statement of Net Assets Totals
<b>Assets:</b>					
Cash, investments and accrued interest	\$ 417,759	\$ 45,972	\$ -	\$ (95,374)	\$ 368,357
Taxes receivable	64,319	-	-	-	64,319
Accounts receivable	25,099	-	-	(18,087)	7,012
Due from other governments	15,683	68	-	-	15,751
Accrued interest	-	-	-	-	-
Deposit	-	113	-	-	113
Long-term accounts and notes receivable	-	-	26	18,087	18,113
Internal balances	23,514	2,303	-	(3,617)	22,200
Inventories	453	2,096	-	-	2,549
Prepaid expenses	70	281	-	-	351
<b>Restricted assets:</b>					
Cash, investments and accrued interest	-	-	-	95,374	95,374
<b>Capital assets:</b>					
Land and construction in progress	-	284	600,724	-	601,008
Capital assets being depreciated	-	2,621	700,840	-	703,461
Accumulated depreciation	-	(2,202)	(348,559)	-	(350,761)
Deferred charges and other assets	5,066	1,730	1,860	-	8,656
<b>Total assets</b>	<b>\$ 551,963</b>	<b>\$ 53,266</b>	<b>\$ 954,891</b>	<b>\$ (3,617)</b>	<b>\$ 1,556,503</b>
<b>Liabilities:</b>					
Accounts payable	\$ 28,793	\$ 4,669	\$ -	\$ -	\$ 33,462
Accrued liabilities	18,333	214	-	7,048	25,595
Deposits	1,099	-	-	-	1,099
Due to other funds/advances	3,617	-	-	(3,617)	-
Due to other governments	1,127	-	-	-	1,127
Deferred revenues	55,896	-	(36,845)	-	19,051
<b>Current portion of long-term obligations:</b>					
Bonds and notes payable	-	-	61,923	-	61,923
Accrued vacation and sick leave pay	-	456	18,351	-	18,807
Accrued claims payable	-	17,505	-	-	17,505
Matured principal and interest	70,817	-	(63,769)	(7,048)	-
<b>Non current long-term obligations:</b>					
Bonds and notes payable	-	-	396,837	-	396,837
Accrued vacation and sick leave pay	-	138	8,779	-	8,917
Accrued claims payable	-	32,875	-	-	32,875
Deferred credit	-	-	1,044	-	1,044
<b>Total liabilities</b>	<b>179,682</b>	<b>55,857</b>	<b>386,320</b>	<b>(3,617)</b>	<b>618,242</b>
<b>Fund balances/net assets (deficit)</b>	<b>372,281</b>	<b>(2,591)</b>	<b>568,571</b>	<b>-</b>	<b>938,261</b>
<b>Total liabilities and fund balances/net assets</b>	<b>\$ 551,963</b>	<b>\$ 53,266</b>	<b>\$ 954,891</b>	<b>\$ (3,617)</b>	<b>\$ 1,556,503</b>

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2005

**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, \$16,169,857, differ from the change in net assets for governmental activities, \$92,565,716, reported in the Statement Of Activities. The differences arise primarily from the long-term economic focus in the Statement Of Activities versus the current financial resources focus in the governmental funds. The differences (*in thousands*) are illustrated below:

	Total Governmental Funds	Internal Service Funds	Long-term Revenues/ Expenses	Reclassi- fications and Eliminations	Statement of Activities Totals
<b>Revenues:</b>					
<b>Taxes:</b>					
Property tax	\$ 92,474	\$ -	\$ 73	\$ -	\$ 92,547
Gross receipts tax	163,169	-	81	-	163,250
Payments in lieu of taxes	4,770	-	-	-	4,770
Franchise tax	18,354	-	-	-	18,354
Lodgers tax	9,019	-	-	-	9,019
Hospitality tax	1,784	-	-	-	1,784
Licenses and permits	17,801	-	-	-	17,801
Intergovernmental	251,325	-	115	-	251,440
Charges for services	51,415	-	-	(8,088)	43,327
Fines and forfeits	1,157	-	-	-	1,157
Investment earnings	12,297	1,021	(848)	-	12,470
Special assessments	5,148	-	-	-	5,148
Other revenue	11,263	91	(44,727)	55	(33,318)
<b>Total revenues</b>	<b>639,976</b>	<b>1,112</b>	<b>(45,306)</b>	<b>(8,033)</b>	<b>587,749</b>
<b>Expenditures/Expenses:</b>					
<b>Current:</b>					
General government	68,849	(660)	1,952	(2,590)	67,551
Corrections	46,376	(559)	349	(1,511)	44,655
Fire	58,244	(218)	(2,260)	(135)	55,631
Police	111,593	(1,446)	1,412	(1,876)	109,683
Culture and recreation	63,385	(433)	9,729	9,428	82,109
Public works	9,190	(35)	1,151	(100)	10,206
Highways and streets	15,566	(306)	832	(4,107)	11,985
Health	13,789	(86)	(75)	(257)	13,371
Human services	52,151	(136)	(1,071)	(372)	50,572
Housing	6,199	-	189	-	6,388
Special assessments	-	-	-	3,284	3,284
<b>Debt service:</b>					
Principal retirement	95,492	-	(95,492)	-	-
Interest and other fiscal charges	15,833	-	11,269	(12,354)	14,748
Bond issuance costs	380	-	(1,228)	(86)	(934)
Capital outlay	174,569	-	(164,717)	(9,852)	-
Miscellaneous	-	-	(55)	55	-
<b>Total expenditures/expenses</b>	<b>731,616</b>	<b>(3,879)</b>	<b>(238,015)</b>	<b>(20,473)</b>	<b>469,249</b>
<b>Other financing sources (uses)/changes in net assets:</b>					
Net transfers (to) from other funds	(25,665)	(269)	-	-	(25,934)
Proceeds from issuance of bonds and loans	133,475	-	(121,035)	(12,440)	-
<b>Total other financing sources (uses)/changes in net assets</b>	<b>107,810</b>	<b>(269)</b>	<b>(121,035)</b>	<b>(12,440)</b>	<b>(25,934)</b>
<b>Net change for the year</b>	<b>\$ 16,170</b>	<b>\$ 4,722</b>	<b>\$ 71,674</b>	<b>\$ -</b>	<b>\$ 92,566</b>

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2005

**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, 2005, consist of the following:

	(In thousands of dollars)				
	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>	<u>Component Unit</u>
<b>Cash, investments, accrued interest and cash with fiscal agents, net of unamortized discounts and premiums:</b>					
Repurchase agreements	\$ 135,574	\$ 56,548	\$ 4,426	\$ 196,548	\$ 43,452
Obligations of federal agencies or instrumentalities	223,024	93,023	7,280	323,327	71,481
State of New Mexico investment council	27,578	-	-	27,578	-
State of New Mexico local government investment pool	-	6,732	-	6,732	-
Held in trust by NMFA in State of New Mexico local government investment pool	-	-	-	-	847
Held in trust by Wells Fargo Bank in U.S. Treasury Fund	67	2,648	-	2,715	-
Held in trust by Bank of Albuquerque in U.S. Treasury Fund	<u>2,494</u>	<u>-</u>	<u>-</u>	<u>2,494</u>	<u>458</u>
<b>Total investments</b>	<u>388,737</u>	<u>158,951</u>	<u>11,706</u>	<u>559,394</u>	<u>116,238</u>
Certificates of deposit	200	-	-	200	-
Bank accounts at book balance	<u>73,552</u>	<u>25,227</u>	<u>1,724</u>	<u>100,503</u>	<u>40,868</u>
<b>Total bank balances</b>	<u>73,752</u>	<u>25,227</u>	<u>1,724</u>	<u>100,703</u>	<u>40,868</u>
Accrued interest receivable	959	378	30	1,367	291
Imprest cash funds	<u>187</u>	<u>14</u>	<u>-</u>	<u>201</u>	<u>-</u>
<b>Total other</b>	<u>1,146</u>	<u>392</u>	<u>30</u>	<u>1,568</u>	<u>291</u>
<b>Total cash, investments, accrued interest and cash with fiscal agents</b>	<u>\$ 463,635</u>	<u>\$ 184,570</u>	<u>\$ 13,460</u>	<u>\$ 661,665</u>	<u>\$ 157,397</u>
<b>Current cash, investments and accrued interest:</b>					
Cash, investments and accrued interest	\$ 294,997	\$ 32,433	\$ 11,801	339,231	\$ 5,061
Cash and investments with fiscal agents	<u>73,264</u>	<u>19,054</u>	<u>-</u>	<u>92,318</u>	<u>37,469</u>
<b>Total current cash, investments and accrued interest</b>	<u>368,261</u>	<u>51,487</u>	<u>11,801</u>	<u>431,549</u>	<u>42,530</u>
<b>Noncurrent cash, investments and accrued interest:</b>					
Cash, investments and accrued interest	95,374	133,083	1,659	230,116	113,562
Cash and investments with fiscal agents	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,305</u>
<b>Total noncurrent cash, investments and accrued interest</b>	<u>95,374</u>	<u>133,083</u>	<u>1,659</u>	<u>230,116</u>	<u>114,867</u>
<b>Total cash, investments, accrued interest and cash with fiscal agents</b>	<u>\$ 463,635</u>	<u>\$ 184,570</u>	<u>\$ 13,460</u>	<u>\$ 661,665</u>	<u>\$ 157,397</u>

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2005

**NOTE 4 CASH AND CASH EQUIVALENTS, continued**

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

The City chose to early implement the provisions of GASB Statement No. 40, Deposit and Investment Risk Disclosure – an amendment of GASB Statement No. 3 effective for Financial Statements dated June 30, 2004. The objective of this Statement is to update the custodial credit risk disclosure requirements of Statement 3 and to establish more comprehensive disclosure requirements addressing other common risks of the deposits and investments of state and local governments. The Statement changes the content and form of the risk disclosure in the footnotes. The Statement requires disclosure of four types of risk - 1) custodial credit risk for bank deposits and investments 2) credit risk 3) concentration of credit risk and 4) interest rate risk.

- 1A. Custodial credit risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City’s funds may not be returned to it.

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).

At June 30, 2005, none of the City’s bank balances of \$150,837,762 was exposed to custodial credit risk.

- 1B. Custodial credit risk – Investments. Custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The City’s investment policy requires that all security transactions, including collateral for repurchase agreements, entered into by the City shall be conducted on a delivery-versus-payment basis. The investment policy further requires that all collateral securities held by a third party custodian, designated by the City Treasurer, shall be held in the City’s name and evidenced by a safekeeping receipt or Federal Reserve book-entry reporting.

2. Credit risk. Credit risk is the risk that in the event an issuer or other counterparty to an investment does not fulfill its obligations, the City will not be able to recover the value of its principal.

As a home rule city, the City’s general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital and, in general, avoid speculative investments.

The City’s Investment Committee annually reviews its asset allocation strategies and guidelines for the percentage of its total portfolio that may be invested in securities other than repurchase agreements, U.S. Treasury bills and notes or insured/collateralized certificates of deposit. The guidelines are reviewed considering the probability of market and default risk in various investments sectors as part of its allocation evaluation.

The City’s investment policy describes permitted investments in Section 7 and describes prohibited investments in Section 8. Among permitted investments, the investment policy requires that 1) repurchase agreements have a collateralized value of 102% of the par value of the agreement 2) certificates of deposit with local banks be fully insured and 3) brokered certificates of deposit be 100% collateralized. Investments in direct obligations of the U.S. Treasury are permitted as are securities of most U.S. Government agencies with the exception of Government National Mortgage Association securities. Other prohibited investments are 1) Collateralized Mortgage Obligations 2) inverse floaters and 3) reverse repurchase agreements.

At June 30, 2005 all of the City’s investments in its internal investment pool other than overnight repurchase agreements were invested with U.S. Government agencies whose debt was rated AAA by Standard & Poor’s and Aaa by Moody’s Investors Service. The City’s non-pooled investments in the State of New Mexico Investment Council Core Bond Fund and the State of New Mexico Local Government Investment Pool were not rated.

3. Concentration of credit risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the City’s investment in a single issuer.

The City’s investment policy states the City will develop diversification strategies to avoid incurring concentration risk. The following general policies and constraints shall apply: Portfolio maturities shall be staggered to avoid undue concentration of assets in a specific maturity sector. With the exception of U.S. Treasury securities and authorized pools, no more than 50% of the total investment portfolio will be invested in a single security type or with a single financial institution or at a single maturity.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2005

**NOTE 4 CASH AND CASH EQUIVALENTS, continued**

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

**3. Concentration of credit risk, continued**

All of the City's internal investment pool other than repurchase agreements is in debt securities issued by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and the Federal Home Loan Bank. These investments are 53.13%, 32.58% and 14.29% respectively of the non-repurchase agreement portfolio and 33.18%, 20.34% and 8.92% of the total portfolio.

**4. Interest rate risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the City's investments.**

The City's investment policy limits the City's exposure to interest rate risk by requiring that no less than 80% of the funds invested in the internal investment pool or in other discretionary funds be in maturities of no more than three years from date of purchase. No more than 20% of the funds may be invested in maturities of up to five years. Investment of non-discretionary assets, including funds to be held in trust, may be committed to maturities up to ten years from the date of purchase.

The weighted average maturity of the investments in the internal investment pool at June 30, 2005 was 227.40 days. The weighted average days to call of the same portfolio was 227.40 days.

**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, 2005, consists of the following:

(In thousands of dollars)

	First State Bank (Water)	First State Bank (Housing)	Bank of America	Wells Fargo Bank	Compass Bank	Bank 1st	Union Bank	NM Bank & Trust
Total amount on deposit	\$ 4,057	\$ 5,673	\$138,578	\$ 2,259	\$ 6	\$ 100	\$ 100	\$ 64
Less FDIC coverage	100	100	100	100	6	100	100	64
Total uninsured public funds	3,957	5,573	138,478	2,159	-	-	-	-
50% collateral requirement	1,979	2,787	69,239	1,079	-	-	-	-
Pledged securities, fair value	4,048	6,475	74,006	1,404	-	-	-	75
Pledged in excess (deficit) of requirement	\$ 2,069	\$ 3,688	\$ 4,767	\$ 325	\$ -	\$ -	\$ -	\$ 75

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2005

**NOTE 5 TAXES, ACCOUNTS AND NOTES RECEIVABLE**

**A. Taxes receivable**

The taxes receivable at June 30, 2005 are from the following sources:

Gross receipts tax	\$58,094,629
Property tax	4,420,433
Lodgers tax	920,436
Hospitality tax	330,688
Other taxes	<u>552,382</u>
<b>Total</b>	<b><u>\$64,318,568</u></b>

The property taxes above include a receivable of \$3,057,606 in the General Obligation Debt Service Fund, \$1,272,781 in the General Fund, and \$90,046 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 Bernalillo County Assessor and the State of New Mexico Department of Taxation and Revenue determine the taxable valuations for the various classes of property at one-third of assessed valuation. Property in the City for the fiscal year 2005 tax levy had a taxable value of \$8,289,292,625. The State Constitution limits the rate of taxes for operating purposes for all taxing jurisdictions to 20 mills (\$20 per \$1000 assessed valuation), of which the City's portion, by state regulation, is limited to 2.225 mills. The 2005 weighted average residential and non-residential City rate for both operations and debt service was 11.149 mills. Taxes are payable in two equal installments on November 10 and April 10 and become delinquent after 30 days.

**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, 2005, are as follows:

	<u>Total receivables</u>	<u>Allowance for uncollectible accounts</u>	<u>Net receivables</u>
<b>Government activities:</b>			
<b>Major funds:</b>			
General Fund	\$ 3,999,923	\$ 389,497	\$ 3,610,426
Capital Acquisition Fund	1,473,141	18,907	1,454,234
Nonmajor governmental funds	<u>2,775,872</u>	<u>828,398</u>	<u>1,947,474</u>
<b>Total government activity funds</b>	<b><u>\$ 8,248,936</u></b>	<b><u>\$ 1,236,802</u></b>	<b><u>\$ 7,012,134</u></b>
<b>Business-type activities:</b>			
<b>Major funds:</b>			
Airport	\$ 4,455,590	\$ 788,519	\$ 3,667,071
Refuse Disposal	2,819,778	284,996	2,534,782
Transit	203,095	10,182	192,913
Nonmajor enterprise funds	<u>1,632,979</u>	<u>947,109</u>	<u>685,870</u>
<b>Total business-type activity funds</b>	<b><u>\$ 9,111,442</u></b>	<b><u>\$ 2,030,806</u></b>	<b><u>\$ 7,080,636</u></b>

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2005

**NOTE 5 TAXES, ACCOUNTS AND NOTES RECEIVABLE, continued**

**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>
<b>Government activities:</b>			
<b>Nonmajor funds:</b>			
Rehabilitation loans	\$ 3,074,296	\$ 1,269,195	\$ 1,805,101
Notes receivable	38,553	-	38,553
Developer loans	1,885,282	-	1,885,282
Special assessments debt service*	11,809,528	-	11,809,528
Real estate contracts	<u>2,575,068</u>	<u>-</u>	<u>2,575,068</u>
<b>Total government activity funds</b>	<b>\$ 19,382,727</b>	<b>\$ 1,269,195</b>	<b>\$ 18,113,532</b>
<b>Business-type activities:</b>			
<b>Nonmajor funds:</b>			
Developer loans	<u>3,626,651</u>	<u>-</u>	<u>3,626,651</u>
<b>Total business-type activity funds</b>	<b>\$ 3,626,651</b>	<b>\$ -</b>	<b>\$ 3,626,651</b>

**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, 2005, consist of the following:

	<u>Due from other funds</u>	<u>Due to other funds</u>
<b>Major governmental funds:</b>		
General Fund	\$ 1,005,868	\$ 2,303,484
Nonmajor governmental funds	-	1,005,868
Internal Service Funds	<u>2,303,484</u>	<u>-</u>
<b>Total</b>	<b>\$ 3,309,352</b>	<b>\$ 3,309,352</b>

**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, 2005.

<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>22,200,000</u>
<b>Total advances</b>		<b>\$ 22,507,636</b>

\* 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 BASIC FINANCIAL STATEMENTS**  
June 30, 2005

**NOTE 8 CAPITAL ASSETS**

Capital asset activity of the City for the year ended June 30, 2005, was as follows:

**A. Governmental Activities**

	<u>Balance July 1*</u>	<u>Additions*</u>	<u>Deductions*</u>	<u>Balance June 30*</u>
<b>Assets not being depreciated:</b>				
Land	\$ 215,941,528	\$ 16,118,436	\$ 265,952	\$ 231,794,012
Construction work in progress	223,532,205	149,646,243	5,802,497	367,375,951
Other	<u>854,300</u>	<u>1,011,440</u>	<u>27,348</u>	<u>1,838,392</u>
	<u>440,328,033</u>	<u>166,776,119</u>	<u>6,095,797</u>	<u>601,008,355</u>
<b>Assets being depreciated:</b>				
Buildings	169,865,698	4,964,674	-	174,830,372
Infrastructure	81,959,054	-	4,751,793	77,207,261
Improvements other than buildings	328,503,444	748,918	-	329,252,362
Equipment	<u>163,110,449</u>	<u>19,612,703</u>	<u>60,552,456</u>	<u>122,170,696</u>
	<u>743,438,645</u>	<u>25,326,295</u>	<u>65,304,249</u>	<u>703,460,691</u>
<b>Less accumulated depreciation:</b>				
Buildings	36,704,818	4,366,076	-	41,070,894
Infrastructure	4,390,904	2,573,575	-	6,964,479
Improvements other than buildings	172,216,570	10,746,751	-	182,963,321
Equipment	<u>127,457,049</u>	<u>12,220,745</u>	<u>19,914,684</u>	<u>119,763,110</u>
	<u>340,769,341</u>	<u>29,907,147</u>	<u>19,914,684</u>	<u>350,761,804</u>
Capital assets being depreciated, net	<u>402,669,304</u>	<u>(4,580,852)</u>	<u>45,389,565</u>	<u>352,698,887</u>
Total capital assets, net	<u>\$ 842,997,337</u>	<u>\$ 162,195,267</u>	<u>\$ 51,485,362</u>	<u>\$ 953,707,242</u>

\*Includes Internal Service Funds

In fiscal year 2004, \$4.7 million of costs associated with museum development was incorrectly placed in the infrastructure category. This error was corrected in fiscal year 2005 by placing the costs in the building category. In fiscal year 2005, land was acquired for open space costing \$10.2 million, \$5.2 million was spent on law enforcement vehicles, and \$3.7 million was spent on fire trucks.

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 increased by \$143.8 million primarily due to street, storm, and park development.



**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2005

NOTE 8 CAPITAL ASSETS, continued

**B. Business-type activities**

	<u>Balance July 1*</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30</u>
<b>Assets not being depreciated:</b>				
Land	\$ 50,834,081	\$ 1,032,815	\$ -	\$ 51,866,896
Land and improvements acquired from the U.S. Air Force	7,638,439	-	8,362	7,630,077
Other	748,000	-	-	748,000
Construction work in progress	<u>41,780,314</u>	<u>25,590,008</u>	<u>38,830,065</u>	<u>28,540,257</u>
Total assets, not being depreciated	<u>101,000,834</u>	<u>26,622,823</u>	<u>38,838,427</u>	<u>88,785,230</u>
<b>Assets being depreciated:</b>				
Buildings and improvements	336,831,431	36,364,628	2,027,934	371,168,125
Runways and improvements	242,374,624	4,136,422	-	246,511,046
Improvements other than buildings and runways	101,129,123	11,619,681	-	112,748,804
Equipment	<u>129,068,222</u>	<u>17,863,140</u>	<u>5,674,870</u>	<u>141,256,492</u>
Total assets, being depreciated	<u>809,403,400</u>	<u>69,983,871</u>	<u>7,702,804</u>	<u>871,684,467</u>
<b>Less accumulated depreciation:</b>				
Buildings and improvements	145,681,212	10,923,961	30,114	156,575,059
Runways and improvements	138,620,561	10,748,432	-	149,368,993
Improvements other than buildings and runways	66,075,575	5,912,580	1,049,170	70,938,985
Equipment	<u>92,555,612</u>	<u>9,811,688</u>	<u>4,832,963</u>	<u>97,534,337</u>
Total accumulated depreciation	<u>442,932,960</u>	<u>37,396,661</u>	<u>5,912,247</u>	<u>474,417,374</u>
Capital assets being depreciated, net	<u>366,470,440</u>	<u>32,587,210</u>	<u>1,790,557</u>	<u>397,267,093</u>
Total capital assets, net	<u>\$ 467,471,274</u>	<u>\$ 59,210,033</u>	<u>\$ 40,628,984</u>	<u>\$ 486,052,323</u>

The additions to equipment were for Refuse Disposal Fund purchases of heavy equipment (\$5.8 million) and new Transit Fund buses (\$8.2 million). The increase in additions for buildings and improvements were a for the Westside Transit Facility (\$20.9 million), the Uptown Transit Facility (\$1.0 million), and Housing (\$3.1 million). The additions to runways and improvements were for the Aviation Fund (\$4.1 million). The additions to improvements other than buildings and runways were for the Aviation Fund (\$10.7 million).

The construction work in progress decreased by \$13.2 million. The construction work in progress consists of expenditures made in connection with the Airport Fund, Golf Fund, Refuse Disposal Fund, Transit Fund, and Housing Authority Fund. The major amounts are for improvements to the Sunport and Transit Fund's new West Side Facility.

\*In addition, as explained in the restatement Note 22, accumulated depreciation was reduced by \$7.6 million in the Aviation Fund and by \$1.7 million in the Transit Fund.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2005**

**NOTE 8 CAPITAL ASSETS, continued**

**C. Depreciation expense**

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

**Governmental activities:**

General government	\$ 1,991,038
Public Safety:	
Corrections	217,561
Fire protection	1,863,897
Police protection	7,207,696
Culture and recreation	12,688,715
Public works	1,469,833
Highways and streets	2,351,099
Health	612,988
Human services	1,205,030
Municipal development	188,797
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	<u>110,493</u>
Total depreciation expense - governmental activities	<u>\$ 29,907,147</u>

**Business-type activities:**

Major funds:	
Airport	\$ 21,897,459
Refuse disposal	6,032,365
Transit	4,621,291
Nonmajor funds:	<u>4,845,546</u>
Total depreciation expense - business-type activities	<u>\$ 37,396,661</u>

**D. Capitalized interest**

Changes to the capital assets for the business-type activities for 2005 include the following amounts of capitalized interest:

	Total Interest	Interest Related to Tax-Exempt Borrowing	Net
Interest expense	\$ 15,691,895	\$ 4,602,576	\$ 11,089,319
Interest income	4,099,529	<u>2,401,988</u>	1,697,541
Capitalized interest		<u><u>\$ 2,200,588</u></u>	

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2005

**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, 2005 is as follows:

**A. Governmental Activities**

Capital Acquisitions Fund \$ 95,374,426

**B. Business-type activities**

Airport Fund	\$ 107,596,244
Refuse Disposal Fund	11,380,245
Transit Fund	7,316,333
Nonmajor Enterprise Funds	<u>11,577,773</u>
<b>Totals</b>	<b><u>\$ 137,870,595</u></b>

**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, 2005, are as follows:

	Outstanding				Payable in one year
	July 1	Increases	Decreases	June 30	
General Obligation Bonds	\$ 262,605,000	\$ 122,175,917	\$ 88,220,000	\$ 296,560,917	\$ 57,355,917
Sales Tax Revenue Bonds	152,735,000	60,880,000	72,360,000	141,255,000	3,190,000
Sales Tax Revenue Notes	437,800	5,700,000	140,684	5,997,116	605,817
Special Assessment Bonds and Notes					
With Governmental Commitment	16,680,492	-	4,024,549	12,655,943	771,762
Accrued vacation and sick leave pay	24,049,522	28,088,318	24,413,633	27,724,207	18,807,004
Accrued claims payable	47,578,248	23,682,795	20,882,279	50,378,764	17,503,500
Less deferred amounts:					
Deferred refunding costs	-	(5,447,361)	(143,577)	(5,303,784)	-
Unamortized bond discounts	(14,453,537)	-	(12,487,951)	(1,965,586)	-
Unamortized bond premiums	5,181,398	5,741,192	1,362,063	9,560,527	-
	494,813,923	240,820,861	198,771,680	536,863,104	98,234,000
Current portion of long-term obligations	<u>(127,897,738)</u>	<u>-</u>	<u>(29,663,738)</u>	<u>(98,234,000)</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 366,916,185</u></b>	<b><u>\$ 240,820,861</u></b>	<b><u>\$ 169,107,942</u></b>	<b><u>\$ 438,629,104</u></b>	<b><u>\$ 98,234,000</u></b>

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. The City's Risk Management Fund (an internal service fund) liquidates all claims payable.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2005

**NOTE 10 LONG-TERM OBLIGATIONS, continued**

**A. Governmental activities, continued**

General obligation bonds outstanding at June 30, 2005, are as follows:

<u>Issue</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Call Provisions</u>
February 1, 1996 Storm Sewer	\$ 2,500,000	5.00/5.50%	July 1, 2005	Not callable
January 1, 1997 General Purpose	1,700,000	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	4,200,000	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	4,000,000	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	10,000,000	4.50/4.75	July 1, 2009	100% beginning July 1, 2007
July 1, 2000 General Purpose	450,000	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	25,670,000	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	6,000,000	4.00/5.60%	July 1, 2010	Not callable
February 1, 2002 General Purpose	13,400,000	2.50/5.00%	July 1, 2009	Not callable
February 1, 2002 Storm Sewer	5,600,000	4.50%	July 1, 2011	100% beginning July 1, 2010
July 1, 2004 General Purpose	56,555,000	2.50/5.00%	July 1, 2012	100% beginning July 1, 2011
July 1, 2004 Storm Sewer	9,440,000	3.00/4.50%	July 1, 2013	100% beginning July 1, 2011
June 24, 2004 General Purpose Taxable	5,800,000	2.50%	July 1, 2005	Not callable
June 30, 2005 General Purpose	90,595,000	4.00/5.00%	July 1, 2013	Not callable
June 30, 2005 Storm Sewer	11,575,000	4.00/4.25%	July 1, 2014	100% beginning July 1, 2013
June 30, 2005 General Purpose	<u>20,005,917</u>	2.93%	July 1, 2005	Not callable
	<u>\$ 296,560,917</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, 2005, based on the most recent assessed taxable valuation of \$8,289,292,625, the City may issue an additional \$63,195,083 of general-purpose general obligation bonds. Included in the general obligation bonds outstanding at June 30, 2005, are Storm Sewer bonds in the amount of \$58,185,000 that are not subject to the legal debt limit.

On June 30, 2005, the City issued \$102,170,000 of General Obligation Bonds, Series 2005A and B with an average interest rate of 4.38%. The proceeds of these bonds were deposited into the Capital Acquisition Fund and will be used for various construction projects for police, fire, parks, cultural services, facilities and equipment, libraries, public transit, storm sewers, and streets. The bonds require annual principal and semi-annual interest payments through July 1, 2014.

Also, on June 1, 2005 the City issued \$20,005,917 Short Term General Obligation Bonds, Series C. The Series 2005C Bonds bear interest at the daily rate on the date of issuance applicable to the Local Government Investment Pool administered by the State Treasurer of New Mexico. The interest rate in effect was 2.93%. The proceeds of these bonds were used for various construction projects for police, fire, parks, cultural services, facilities and equipment, libraries, public transit, storm sewers, and streets. The bonds matured on July 1, 2005.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2005

**NOTE 10 LONG-TERM OBLIGATIONS, continued**

**A. Governmental activities, continued**

Sales Tax Revenue Bonds and Notes 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, 2005, 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	\$ 3,970,000	6.60/7.10%	July 1, 2019	103% beginning July 1, 2011
May 1, 1992 Refunding	3,740,000	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	3,690,000	5.00%	July 1, 2011	100% beginning July 1, 2007
January 15, 1999 A Refunding	4,810,000	3.75/5.00%	July 1, 2015	100% beginning July 1, 2009
January 15, 1999 B Refunding	12,235,000	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	23,500,000	adjustable weekly	July 1, 2014	100% beginning January 20, 2000
October 6, 2004 A Refunding	31,965,000	4.75%	July 1, 2037	100% beginning July 1, 2014
October 6, 2004 B Refunding	28,915,000	2.39/4.90%	July 1, 2014	100% beginning October 6, 2004
April 27, 2001, Note	297,116	3.02/3.62%	July 1, 2006	None
September 9, 2004, Note	5,700,000	1.26/3.67%	July 1, 2014	None
	<u>\$ 147,252,116</u>			

On October 6, 2004, the City issued \$60,880,000 of Gross Receipts Tax/Lodgers' Tax Refunding Revenue Bonds, Series 2004A and B, with an average coupon rate of 3.88%. The Series 2004 Bonds are being issued for the purpose of restructuring the debt service on the City's bonds and obligations payable from pledged lodgers' tax revenues and gross receipts tax revenues so that the amount of debt service on such bonds paid by the City using state-shared gross receipts tax revenues is substantially reduced or eliminated.

**Tax-Exempt Series 2004A - \$31,965,000**

The net proceeds of \$31,643,964 (exclusive of \$587,293 of underwriters' fees and other issuance costs and \$267,085 of original issue premium) plus an additional \$383,909 were used to purchase state and local government securities. These securities were deposited into an irrevocable trust with an escrow agent to provide for the advance refunding of certain Series 1999B Bonds maturing on July 1, 2012 through July 1, 2025. The total amount of Series 1999B Bonds to be partially redeemed with the Series 2004A Bonds is \$30,945,000. As a result, that portion of the Series 1999B Bonds described above are considered to be defeased and the liability for those bonds has been removed from the General Long Term Debt Account Group. The advance refunding was undertaken to provide fiscal relief to the General Fund.

**Taxable Series 2004B - \$28,915,000**

The net proceeds of \$28,400,768 (exclusive of \$377,483 of underwriters' fees and other issuance costs) plus an additional \$594,563 were used to purchase state and local government securities. These securities were deposited into an irrevocable trust with an escrow agent to provide for the advance partial refunding of certain Bonds: Series 1999B Bonds maturing on July 1, 2012 through July 1, 2025 in the total amount of \$2,155,000; Series 1996 Bonds maturing on July 1, 2005 through July 1, 2011 in the total amount of \$5,510,000; and Series 1991B Capital Appreciation Bonds maturing July 1, 2005 through July 1, 2019 with an accreted value of \$17,361,298. As a result, those portions of the bonds described above are considered to be defeased and the liability for those bonds has been removed from the General Long Term Debt Account Group. The advance refunding was undertaken to provide fiscal relief to the General Fund.

The advance refunding on the Series 2004A and B Bonds was undertaken to defer the payment of principal to future years resulting in a net increase to debt service payments over the next 33 years by \$46,170,665 and resulting in an economic loss (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$4,599,947.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2005

**NOTE 10 LONG-TERM OBLIGATIONS, continued**

**A. Governmental activities, continued**

On September 9, 2004, the City executed a loan agreement with the New Mexico Finance Authority for \$5,700,000, with an average interest rate of 2.75%. The proceeds of the loan will consist of equipping and furnishing the Albuquerque Convention Center. The loan is secured by pledges of revenues from hospitality taxes only. Final payment is due July 1, 2014. The balance due at June 30, 2005 was \$5,700,000.

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 Albuquerque Bernalillo County Water Utility Authority (a component unit), 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 \$12,655,943 are outstanding at June 30, 2005. Interest rates range from .94% 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, 2005, 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	\$ 280,630,000	\$ -	\$ 11,015,000	\$ 269,615,000	\$ 12,945,000
Loans and notes payable	15,000,000	5,800,000	379,920	20,420,080	919,383
Accrued vacation and sick leave pay	4,708,590	3,817,540	3,453,006	5,073,124	3,561,040
Less deferred amounts:					
Deferred refunding costs	(5,872,303)	55,346	(878,605)	(4,938,352)	-
Unamortized bond premiums	1,702,153	13,535	289,160	1,426,528	-
Unamortized bond discounts	(266,090)	-	(23,597)	(242,493)	-
	<u>295,902,350</u>	<u>9,686,421</u>	<u>14,234,884</u>	<u>291,353,887</u>	<u>17,425,423</u>
Capitalized leases	-	944,458	25,274	919,184	78,075
Subtotal	295,902,350	10,630,879	14,260,158	292,273,071	17,503,498
Current portion	<u>(14,223,375)</u>	<u>-</u>	<u>3,280,123</u>	<u>(17,503,498)</u>	<u>-</u>
Business-type activity long-term obligations	<u>\$ 281,678,975</u>	<u>\$ 10,630,879</u>	<u>\$ 17,540,281</u>	<u>\$ 274,769,573</u>	<u>\$ 17,503,498</u>

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

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2005

**NOTE 10 LONG-TERM OBLIGATIONS, continued**

**B. Business-type activities, continued**

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

Airport Revenue bonds outstanding at June 30, 2005, are as follows:

Issue	Amount	Rate	Maturity	Call Provisions
May 3, 1995 Refunding	47,400,000	a *	July 1, 2014	100% on any interest payment date
April 3, 1997 Refunding	27,065,000	6.25/6.75%	July 1, 2018	102% beginning July 1, 2007
September 1, 1998 Refunding	37,440,000	3.80/5.00%	July 1, 2019	100% beginning July 1, 2008
May 4, 2000 A	5,500,000	a	July 1, 2020	100% on any interest payment date
May 4, 2000 B	18,700,000	a	July 1, 2020	100% on any interest payment date
August 1, 2001	39,315,000	3.20/4.75%	July 1, 2016	100% beginning July 1, 2012
March 23, 2004 A	20,610,000	1.63/5.11%	July 1, 2018	100% beginning July 1, 2005
March 23, 2004 B	<u>30,000,000</u>	2.0/4.5%	July 1, 2024	100% beginning July 1, 2007
Total outstanding	226,030,000			
Unamortized premiums	1,002,610			
Deferred refunding costs	<u>(4,811,624)</u>			
Net outstanding	<u>\$ 222,220,986</u>			

\* 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.

On July 20, 2000, the City, pursuant to a mortgage and indenture of trust, issued its Affordable Housing Projects Refunding Revenue Bonds Series 2000 (Series 2000) in the aggregate principal amount of \$15,080,000 for the purpose of refunding and defeasing three bond issues of the City; 1) its Multifamily Mortgage Revenue Bonds (Beach Apartments Project), Series 1991, 2) its Multifamily Mortgage Revenue Bonds (Manzano Vista, formerly Dorado Village Apartments Project), Series 1994, and 3) its Affordable Housing Project/Gross Receipts Tax Subordinate Lien Revenue Bonds, Series 1996. The Series 2000 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 in staggered amounts beginning July 1, 2001 with final payment due July 1, 2030 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, during the year ended, 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, 2005 and 2004 interest was being paid monthly. The average interest rate on the Series 2000 bonds for the years ended June 30, 2005 and 2004 was 1.75% and .99% respectively. The weekly interest rate at June 30, 2005 and 2004 was .97% and 1.06% respectively.

The City has executed a standby bond purchase agreement, which expires July 20, 2005, with Bank of America 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.

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 \$13,880,000 is outstanding at June 30, 2005 and maturities extend through July 1, 2030.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2005

**NOTE 10 LONG-TERM OBLIGATIONS, continued**

**B. Business-type activities, continued**

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

Golf Course Revenue bonds outstanding at June 30, 2005 are as follows:

<u>Issue</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Call Provisions</u>
February 1, 2001	\$ 1,885,000	5.70/6.70%	July 1, 2011	100% beginning July 1, 2007
Unamortized discounts	<u>(3,288)</u>			
Net outstanding	<u>\$ 1,881,712</u>			

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

Refuse Disposal Revenue Bonds outstanding at June 30, 2005, are as follows:

<u>Issue</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Call Provisions</u>
September 1, 1992	\$ 555,000	5.50/5.60%	July 1, 2005	102% beginning July 1, 2002
July 1, 1995	7,635,000	4.90/5.30%	July 1, 2009	Not callable
February 1, 1998	6,875,000	4.20/5.00%	July 1, 2013	100% beginning July 1, 2007
May 1, 2001A	2,030,000	4.00/4.10%	July 1, 2008	Not callable
May 1, 2001B	<u>10,725,000</u>	3.63/5.25%	July 1, 2012	Not callable
Total outstanding	27,820,000			
Unamortized premiums	184,716			
Deferred refunding costs	<u>(126,731)</u>			
Net outstanding	<u>\$ 27,877,985</u>			

Refuse Loans On July 9, 2004 the City entered into a tax-exempt loan agreement with New Mexico Finance Authority for \$5,800,000 with an average interest rate of 2.87%. Final payment is due on July 1, 2014. The balance due on June 30, 2005 was \$5,800,000.

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, 2005 was \$5,859,786.

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, 2005 was \$8,760,294.

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

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, 2005, the outstanding balance of the revenue bonds was \$895,000 with annual payments required through 2013 and the outstanding balance of the permanent notes was \$7,461,564 with annual payments required through 2017.



**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2005**

**NOTE 10 LONG-TERM OBLIGATIONS, continued**

**B. Business-type activities, continued**

**Housing Authority Capital Lease** The Housing Authority has also entered into a lease agreement as lessee for financing the acquisition of equipment and improvements. This lease agreement is treated as a capital lease for accounting purposes and, therefore, has been reported at the present value of the future minimum lease payments as of the inception date in the basic financial statements. At June 30, 2005 the outstanding balance of the capital lease is \$919,183.

The assets acquired through capital leases are as follows:

Equipment and Improvements	\$ 944,458
Less: Accumulated amortization	<u>(89,437)</u>
<b>Total</b>	<b><u>\$ 855,021</u></b>

The future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2005 are as follows:

Year Ending June 30	<u>Principal and Interest</u>
2006	\$ 116,843
2007	116,843
2008	116,842
2009	116,843
2010	116,842
2011-2015	<u>545,264</u>
Total minimum lease payments	1,129,477
Less amount representing interest	<u>(210,294)</u>
Present value of minimum lease payments	<b><u>\$ 919,183</u></b>

**C. Summary of Annual Debt Service Requirements**

The annual debt service requirements on the obligations outstanding at June 30, 2005 are as follows:

<u>Year ending June 30</u>	<u>Governmental activities</u>		<u>Business-type activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 61,923,496	\$ 16,093,627	\$ 13,942,457	\$ 13,514,583
2007	44,963,061	16,536,550	16,468,804	12,774,115
2008	41,001,762	14,664,798	19,679,526	11,927,649
2009	36,969,579	13,052,438	19,284,770	11,026,633
2010	35,615,566	11,578,078	23,609,682	9,980,693
2011-2015	134,690,512	37,765,439	116,632,455	32,667,710
2016-2020	24,485,000	22,571,895	58,182,605	10,181,811
2021-2025	20,025,000	16,584,897	16,135,270	2,474,865
2026-2030	15,855,000	12,694,780	7,018,695	307,569
2031-2035	22,975,000	7,676,846	-	-
2036-2038	17,965,000	1,418,014	-	-
<b>Total</b>	<b><u>\$ 456,468,976</u></b>	<b><u>\$ 170,637,362</u></b>	<b><u>\$ 290,954,264</u></b>	<b><u>\$ 104,855,628</u></b>

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2005

**NOTE 10 LONG-TERM OBLIGATIONS, continued**

**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, 2005, the City has set aside an amount of \$1,044,189 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 \$110,280,000 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, 2005, 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, 2007
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 6/30/2005	\$1,300,000
Annual Debt Service Requirements	\$60,000. Final payment of \$1,300,000 due July 1, 2023

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

Remarketing Agent	Citigroup
Terms of "Take-Out" Agreement:	
Purchaser	AIG Liquidity Corporation
Method of Purchase	Direct Pay Letter of Credit
Expiration Date	February 25, 2006
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 6/30/2005	\$47,400,000
Annual Debt Service Requirements	Range of payment is from \$6,600,000 to \$7,200,000

**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	JP Morgan Chase Bank, N.A.
Method of Purchase	Liquidity Facility
Expiration Date	May 3, 2010
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 6/30/2005	\$24,200,000
Annual Debt Service Requirements	Range of payment is from \$560,000 to \$5,200,000

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2005

**NOTE 11 DEMAND BONDS, continued**

**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	January 20, 2014
Annual Fee	.14% 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 6/30/2005	\$23,500,000
Annual Debt Service Requirements*	Range of payment is from \$2,800,000 to \$4,600,000

**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, 2010
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 6/30/2005	\$13,880,000
Annual Debt Service Requirements*	Range of payment is from \$349,500 to \$1,021,000

\* Based on interest rate in effect on June 30, 2005.

**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, 2005, is as follows:

Sales Tax Revenue Bonds	<u>\$61,751,438</u>
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**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 that 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, 2005, there were sixty-nine series of Industrial Revenue Bonds outstanding. The aggregate principal amount payable for the thirty-six series issued after July 1, 1995, is \$688.7 million. The aggregate principal amount payable for the thirty-three series issued prior to July 1, 1995, could not be determined; however, the original amount issued totaled \$591.3 million.

**Metropolitan Redevelopment Bonds**

As of June 30, 2005, there were ten series of Metropolitan Redevelopment Bonds outstanding. The aggregate principal amount payable for the four series issued after July 1, 1995 is \$18.9 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 \$24.9 million.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2005**

**NOTE 14 DEFICIT FUND EQUITIES**

**Capital Projects Funds**

While the total unreserved fund balance 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 fund balance of various purposes at June 30, 2005 is as follows:

<b>Capital Acquisition Fund</b>	
Community Services Building	<u>\$ 25,651</u>
<b>Quality of Life Fund</b>	
Quarter Cent Streets	\$ 52,222
Quarter Cent Storm Drain	111
Rio Grande Bosque RR	<u>260</u>
	<u>\$ 52,593</u>
<b>Transportation Infrastructure Tax Fund</b>	
Maintenance	\$ 14,341,228
Transit	<u>535,887</u>
	<u>\$ 14,877,115</u>
<b>Community Development Fund</b>	
Urban Development	<u>\$ 12,496</u>
<b>Albuquerque Biological Park Projects</b>	
Program movement	<u>\$ 89,226</u>

**Internal Service Funds**

The deficit fund net assets of the Risk Management Fund decreased to \$8,689,788 at June 30, 2005 from the \$12,585,384 deficit fund net assets at June 30, 2004. The City has implemented a five-year recovery plan that began in fiscal year ended June 30, 2003 that will reduce the deficit net assets by increasing charges to other funds.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2005

**NOTE 15 INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2005, were as follows:

From	To		
General Fund	Capital Acquisition Fund	3,795,000	
General Fund	Transit Fund	16,365,000	
General Fund	Nonmajor Proprietary Funds	2,300,000	
General Fund	Nonmajor Governmental Funds	32,860,250	
Capital Acquisition Fund	Transit Fund	1,558,557	
Refuse Disposal Fund	General Fund	1,252,055	
Transit Fund	General Fund	215,184	
Nonmajor Governmental Funds	Capital Acquisition Fund	5,800,194	
Nonmajor Governmental Funds	Transit Fund	7,407,980	
Nonmajor Governmental Funds	General Fund	505,000	
Nonmajor Governmental Funds	Nonmajor Governmental Funds	9,160,874	
Nonmajor Proprietary Funds	General Fund	230,698	
Internal Service Funds	General Fund	269,000	
Total transfers		\$ 81,719,792	
		<u>Transfers In</u>	<u>Transfers Out</u>
Exhibit A-4, "Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Funds"		\$ 54,088,255	\$ 79,752,855
Exhibit A-7, "Statement of Revenues, Expenses, and Changes in Net Assets - All Proprietary Funds"			
Enterprise funds		27,631,537	1,697,937
Internal Service funds		-	269,000
Total transfers		\$ 81,719,792	\$ 81,719,792

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 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 Obligations 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 BASIC FINANCIAL STATEMENTS**  
June 30, 2005

**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, 2005, (in thousands of dollars) is as follows:

	Golf Course Fund	Apart- ments Fund	Housing Authority Fund	Parking Facilities Fund	Stadium Fund	Total
<b>CONDENSED STATEMENT OF NET ASSETS</b>						
<b>Assets:</b>						
Current assets	\$ 450	\$ 688	\$ 12,104	\$ 1,417	\$ 1,630	\$ 16,289
Restricted assets	502	2,739	535	7,780	21	11,577
Capital assets	7,040	14,635	19,047	26,280	21,114	88,116
Other assets	39	337	-	219	170	765
<b>Total assets</b>	<b>8,031</b>	<b>18,399</b>	<b>31,686</b>	<b>35,696</b>	<b>22,935</b>	<b>116,747</b>
<b>Liabilities:</b>						
Current liabilities	754	288	1,526	228	806	3,602
Liabilities payable from restricted assets	-	96	133	-	-	229
Bonds and other long-term liabilities	1,765	13,680	841	4	14,230	30,520
Advance from other funds	-	-	-	22,200	-	22,200
<b>Total liabilities</b>	<b>2,519</b>	<b>14,064</b>	<b>2,500</b>	<b>22,432</b>	<b>15,036</b>	<b>56,551</b>
<b>Net assets:</b>						
Invested in capital assets, net of related debt	5,617	1,292	21,104	9,683	6,953	44,649
<b>Net assets restricted for:</b>						
Debt service	37	-	-	1,140	21	1,198
Construction	9	-	-	1,256	-	1,265
Unrestricted net assets (deficit)	(152)	3,043	8,081	1,185	925	13,082
<b>Total net assets</b>	<b>\$ 5,511</b>	<b>\$ 4,335</b>	<b>\$ 29,185</b>	<b>\$ 13,264</b>	<b>\$ 7,899</b>	<b>\$ 60,194</b>
<b>CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS</b>						
Operating revenues	\$ 3,824	\$ 2,832	\$ 1,707	\$ 3,681	\$ 1,726	\$ 13,770
Depreciation	(289)	(640)	(1,607)	(1,260)	(1,050)	(4,846)
Other operating expenses	(3,501)	(2,104)	(6,326)	(3,225)	(575)	(15,731)
<b>Operating income (loss)</b>	<b>34</b>	<b>88</b>	<b>(6,226)</b>	<b>(804)</b>	<b>101</b>	<b>(6,807)</b>
<b>Nonoperating revenues (expenses):</b>						
Investment earnings	45	35	223	141	24	468
Interest and other debt related expenses	(105)	(334)	-	(684)	(817)	(1,940)
Federal housing grants	-	-	24,751	-	-	24,751
Housing assistance payments	-	-	(19,364)	-	-	(19,364)
Other	79	225	214	(42)	7	483
Capital contributions	10	-	-	103	251	364
Transfers in	-	-	-	2,300	-	2,300
Transfers out	(63)	-	-	(168)	-	(231)
<b>Change in net assets</b>	<b>-</b>	<b>14</b>	<b>(402)</b>	<b>846</b>	<b>(434)</b>	<b>24</b>
Beginning net assets	5,511	4,322	29,588	12,417	8,333	60,171
<b>Ending net assets</b>	<b>\$ 5,511</b>	<b>\$ 4,336</b>	<b>\$ 29,186</b>	<b>\$ 13,263</b>	<b>\$ 7,899</b>	<b>\$ 60,195</b>
<b>CONDENSED STATEMENT OF CASH FLOWS</b>						
<b>Net cash provided (used) by:</b>						
Operating activities	\$ 407	\$ 966	\$ (4,282)	\$ 414	\$ 1,224	\$ (1,271)
Noncapital financing activities	(63)	-	3,814	185	-	3,936
Capital and related financing activities	(1,805)	(237)	924	(8)	(1,156)	(2,282)
Investing activities	45	35	223	141	24	468
<b>Net increase (decrease)</b>	<b>(1,416)</b>	<b>764</b>	<b>679</b>	<b>732</b>	<b>92</b>	<b>851</b>
Beginning cash and cash equivalents	2,368	2,612	11,230	4,782	1,320	22,312
<b>Ending cash and cash equivalents</b>	<b>\$ 952</b>	<b>\$ 3,376</b>	<b>\$ 11,909</b>	<b>\$ 5,514</b>	<b>\$ 1,412</b>	<b>\$ 23,163</b>

**CITY OF ALBUQUERQUE, NEW MEXICO**  
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**NOTE 16 SEGMENT INFORMATION, continued**

The types of services provided by each individual fund are stated below:

**Golf Course Fund.** This fund charges a greens fee for the use of the City's golf courses.

**Apartments Fund.** This fund charges rental on housing for persons who meet eligibility requirements based on the level of income earned.

**Parking Facilities Fund.** This fund provides parking space for the City's residents in the downtown area.

**Stadium Fund.** This fund provides a baseball stadium that is being used by an AAA class baseball team.

**Housing Fund.** This fund provides housing or rental assistance to low income City residents.

**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 that 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, 2005.

<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%	\$ 6,333	19.01%	\$ 28,974
General - Bus Drivers	13.15%	848	9.15%	590
General - Other	7.00%	167	7.00%	195
Police	16.30%	7,279	18.50%	8,543
Fire	16.20%	4,578	21.25%	6,006
		<u>\$ 19,205</u>		<u>\$ 44,308</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>
2004	\$16,933	\$42,065
2003	17,032	42,347

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, 2005, was \$240,089,175; the total payroll for all employees of the City of Albuquerque was \$268,763,204.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2005

**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, 2005, were approximately \$188,184. The number of retired employees covered under the life insurance benefit was 3,327 at June 30, 2005, and the amount of life insurance coverage for these retired employees was \$63,750,400.

**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:

- (1) Retirees 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, unless that person retires before the employer's NMRHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement;
- (2) Retirees defined by the Act who retired prior to July 1, 1990; and former legislators who served at least two years.

**Fund Contributions:**

Each participating employer makes contributions to the fund in the amount of 1.3 percent of each participating employee's annual salary. Each employee contributes to the fund an employee contribution in an amount equal to 0.65 percent of the employee's salary. Each participating retiree pays a monthly premium for the medical plus basic life plan and an additional participation fee of five dollars (\$5.00) if the eligible participant retired prior to the employer's NMRHCA effective date or is a former legislator. Participants may also enroll in optional plans of coverage.

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 Retiree Health Care Authority requires that the employer, employee, and retiree contributions be remitted 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, Albuquerque State Government Center, 401 Roma NW Suite 200, Albuquerque, NM 87102.

The City of Albuquerque remitted \$3,127,138 in employer contributions and \$1,563,569 in employee contributions in the fiscal year ended June 30, 2005.

**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.



**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2005

**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 \$1,515,176 reported as other liabilities payable from restricted assets at June 30, 2005, represents the cumulative amount reported to date based on the use of 17.3% 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 \$6,820,247 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 2005. 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 \$1,816,586 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.

**NOTE 21 RISK MANAGEMENT**

The City is exposed to various risks of loss related to: torts and civil rights claims (including law enforcement and employment related exposures); theft, damage and destruction of its real and personal assets; workers compensation losses; errors and omissions of City officers and officials; 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 \$600,000 for each workers' compensation incident, \$1,050,000 for each tort liability claim, and \$50,000 for each City real and contents damage claim. At various periods in past years, certain risk exposures were insured and the City continues to benefit from case coverage on claims that were incurred during those claim years.

The Risk Management Fund tracks claims on a fund by fund basis and assesses charges to each fund based on historical claims experience and the need to establish a reserve for unanticipated catastrophic losses. That reserve was \$1,000,000 at June 30, 2005, 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.

During fiscal years 2004 and 2005, the City had actuarial reviews of the adequacy of the reserves for both the Workers Compensation and Tort Liability programs. The actuarial reviews recommended that the City increase the amounts reserved in anticipation of severe adverse developments in reported cases and for claims that may have occurred but have not yet been reported, and this recommendation was taken. Historical data contributes to the confidence that the Risk Management Fund is adequate for unanticipated developments. The cash balance grew by \$6,930,550 during this fiscal year and the City has a funding plan in place to address the remaining deficit in the Risk Management Fund. Further, if necessary, the City Council can add catastrophic losses directly to the tax rolls. In addition, the City has other cash resources in excess of the balance not addressed. The City began fiscal year 2005 with a \$15,300,000 available in the General Fund balance largely the result of unanticipated revenue and reversions from fiscal year 2004. The City has available \$1,560,000 in cash that was refunded to the City due to an unfulfilled IRB obligation and \$2,000,000 in a special reserve. Finally, the City has reserve amounts that are created by the City's policy to reserve one-twelfth of the General Fund budgeted expenditures amount.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2005**

**NOTE 21 RISK MANAGEMENT, continued**

The amounts and changes in the Fund's claims liability in fiscal year 2005 and 2004 were:

	<b>2005</b>	<b>2004</b>
Claims liability at July 1	\$ 47,578,248	\$ 40,601,564
Current year claims and change in estimates	23,682,795	23,545,885
Claims liquidated	(20,882,279)	(16,569,201)
 Claims liability at June 30	 \$ 50,378,764	 \$ 47,578,248
 The components of the claims liability at June 30 are:		
Current portion	\$ 17,503,500	\$ 17,989,500
Noncurrent portion	32,875,264	29,588,748
 Total claims liability	 \$ 50,378,764	 \$ 47,578,248

Reflected in the reserves reported at year end was a major land use case which the state district court had decided adversely to the City. Substantial case reserves had been established to reflect the award of \$8.3 million plus attorney's fees, costs and interest on the judgment at the rate of 10% until paid. In December of 2005, the state court of appeals reversed the judgment completely. Unless the claimants are successful on a subsequent appeal to the New Mexico Supreme Court, the ultimate cost of this claim will be only what the City expended on its defense.

**NOTE 22 RESTATEMENT OF PRIOR PERIOD FUND BALANCES OR NET ASSETS**

The fund balances and net assets of various funds were restated as of June 30, 2005 for the following reasons:

1. The Transit Fund's depreciation expense was over reported by \$1,673,410. Accordingly, the capital assets and retained earning were increased by that amount.
2. The Aviation Fund's depreciation expense was over reported in fiscal year 2004. Accordingly, the capital assets and retained earnings were increased by \$7,654,046.

A summary of the effect of the restatements is as follows:

	<b>Governmental</b>	<b>Business</b>
Net assets as previously reported	\$ 845,695,863	\$ 311,654,420
Restatement for:		
1. Over reported depreciation in Transit	-	1,673,410
2. Over reported depreciation in Aviation	-	7,654,046
 Restated balances	 \$ 845,695,863	 \$ 320,981,876

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 23 ALBUQUERQUE BERNALILLO COUNTY WATER UTILITY AUTHORITY – COMPONENT UNIT**

In 2003, the New Mexico Legislature adopted Senate Bill 887 (Laws 2003, Chapter 437, codified as Section 72-1-10, NMSA 1978) creating the Albuquerque Bernalillo County Water Utility Authority (Authority) and transferred all functions, appropriations, money, records, equipment and other real and personal property of the City's Joint Water and Sewer Fund (Fund) to the Authority. The Authority is comprised of a board of three City Councilors, three County of Bernalillo Commissioners, and the Mayor of the City.

Under the provisions of the legislation, the Water/Wastewater System transferred to the Authority on December 17, 2003, after completion of an audit as of June 30, 2003 of the Water/Wastewater System by the New Mexico Public Regulation Commission. Accordingly, as of July 1, 2003 the Authority reports all transactions of the Water/Wastewater System.

To facilitate the Water/Wastewater System transfer, the City, County of Bernalillo, and the Authority entered into a joint powers agreement governing policy matters and a memorandum of understanding governing operational matters. Both of these documents provide a framework for the Authority to operate successfully and without interruption in services provided to the community. The memorandum of understanding runs through December 31, 2006. In accordance with those documents, the City provides accounting and other services for the Authority as well as receiving water and wastewater services from the Authority.

The City and the Authority engaged in transactions that are summarized below:

The Authority paid the City for the following services:

Franchise fees	\$ 4,769,764
Administrative indirect overhead, including accounting and other central services	2,574,956
Supplies	1,761,963
Fleet Management Services	1,574,311
Telephone	220,052
Office services and parking	77,766
Total	<u>\$ 10,978,812</u>

The City paid the Authority for the following services:

Water and sewer services	<u>\$ 5,339,333</u>
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The Authority's Comprehensive Annual Financial Report as of and for the year ended June 30, 2005 is available by contacting the Authority at the following address; Fifth floor, P.O. Box 1293, Albuquerque, NM 87103.

**NOTE 24 COMMITMENTS AND CONTINGENCIES**

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	\$ 3,964,919
Capital Acquisition Fund	60,016
Nonmajor Government Funds	3,697,526
Internal Service Funds	-
Total Government Funds	<u>\$ 7,722,461</u>

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2005

**NOTE 24 COMMITMENTS AND CONTINGENCIES, continued**

In addition, the business-type funds have uncompleted construction and other commitments that will be paid from assets restricted for construction, improvements and replacements or from operating revenues:

**Business-type activities:**

<b>Major Funds:</b>	
Aviation Fund	\$ 54,969,876
Refuse Disposal Fund	3,262,414
Transit Operating Fund	8,727,810
Nonmajor Business-type Funds	<u>1,265,183</u>
<b>Total Business Funds</b>	<b><u>\$ 68,225,283</u></b>

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 \$590,756 were incurred for the year ended June 30, 2005. Lease commitments for future years are as follows:

2006	438,905
2007	362,242
2008	219,096
2009	219,096

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.

1. 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 Fire Department and Transit employees 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.
2. 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 \$2 million in damages. The claimants appealed and we await a decision from the Court of Appeals.
3. The City has received a number of Federal and State grants for specific purposes. These grants are subject to audit that may result in requests for reimbursements to granting agencies for expenditures disallowed under the terms of the grants. Based on prior experience, City management believes that such disallowances, if any, will not be material.

**NOTE 25 SUBSEQUENT EVENTS**

**Bond election:**

In a regular municipal election on October 4, 2005, the voters approved the future issuance of \$113,045,000 general purpose general obligation bonds and \$8,080,000 of storm sewer system general obligation bonds.

**Risk Management Fund (see note 21):**

Reflected in the reserves reported at year end was a major land use case which the state district court had decided adversely to the City. Substantial case reserves had been established to reflect the award of \$8.3 million plus attorney's fees, costs and interest on the judgment at the rate of 10% until paid. In December of 2005, the state court of appeals reversed the judgment completely. Unless the claimants are successful on a subsequent appeal to the New Mexico Supreme Court, the ultimate cost of this claim will be only what the City expended on its defense.

**APPENDIX B**

**CUSIP Numbers for Outstanding City Bonds**

<b>Bond Issue name</b>	<b>D/S Month &amp; Year</b>	<b>Cusip</b>	<b>Principal</b>
Airport 2004 A	July 2006	013538GP2	\$800,000.00
Airport 2004 A	July 2007	013538GQ0	\$965,000.00
Airport 2004 A	July 2008	013538GR8	\$1,150,000.00
Airport 2004 A	July 2009	013538GS6	\$1,460,000.00
Airport 2004 A	July 2010	013538GT4	\$1,485,000.00
Airport 2004 A	July 2011	013538GU1	\$1,575,000.00
Airport 2004 A	July 2012	013538GV9	\$1,605,000.00
Airport 2004 A	July 2013	013538GW7	\$1,675,000.00
Airport 2004 A	July 2014	013538GX5	\$1,760,000.00
Airport 2004 A	July 2015	013538GY3	\$1,840,000.00
Airport 2004 A	July 2016	013538GZ0	\$1,890,000.00
Airport 2004 A	July 2017	013538HA4	\$1,980,000.00
Airport 2004 A	July 2018	013538HB2	\$1,790,000.00
Airport 2004 B	July 2007	013538HC0	\$1,670,000.00
Airport 2004 B	July 2008	013538HD8	\$1,670,000.00
Airport 2004 B	July 2009	013538HE6	\$1,670,000.00
Airport 2004 B	July 2010	013538HF3	\$1,670,000.00
Airport 2004 B	July 2011	013538HG1	\$1,670,000.00
Airport 2004 B	July 2012	013538HH9	\$1,670,000.00
Airport 2004 B	July 2013	013538HJ5	\$1,665,000.00
Airport 2004 B	July 2014	013538HK2	\$1,665,000.00
Airport 2004 B	July 2015	013538HL0	\$1,665,000.00
Airport 2004 B	July 2016	013538HM8	\$1,665,000.00
Airport 2004 B	July 2017	013538HN6	\$1,665,000.00
Airport 2004 B	July 2018	013538HP1	\$1,665,000.00
Airport 2004 B	July 2019	013538HQ9	\$1,665,000.00
Airport 2004 B	July 2020	013538HR7	\$1,665,000.00
Airport 2004 B	July 2021	013538HS5	\$1,665,000.00
Airport 2004 B	July 2022	013538HT3	\$1,665,000.00
Airport 2004 B	July 2023	013538HU0	\$1,665,000.00
Airport 2004 B	July 2024	013538HV8	\$1,665,000.00
Airport Refunding 1997	July 2006	013538ER0	\$1,320,000.00
Airport Refunding 1997	July 2007	013538ES8	\$1,400,000.00
Airport Refunding 1997	July 2008	013538ET6	\$1,500,000.00
Airport Refunding 1997	July 2009	013538EU3	\$1,600,000.00
Airport Refunding 1997	July 2010	013538EV1	\$1,700,000.00
Airport Refunding 1997	July 2011	013538EW9	\$1,805,000.00
Airport Refunding 1997	July 2012	013538EX7	\$1,935,000.00
Airport Refunding 1997	July 2013	013538EA6	\$2,060,000.00
Airport Refunding 1997	July 2014	013538EA6	\$2,195,000.00
Airport Refunding 1997	July 2015	013538EA6	\$2,340,000.00
Airport Refunding 1997	July 2016	013538EB4	\$2,485,000.00
Airport Refunding 1997	July 2017	013538EB4	\$2,655,000.00
Airport Refunding 1997	July 2018	013538EB4	\$2,830,000.00
Airport Refunding 1998	July 2006	013538FG3	\$1,850,000.00

<b>Bond Issue name</b>	<b>D/S Month &amp; Year</b>	<b>Cusip</b>	<b>Principal</b>
Airport Refunding 1998	July 2007	013538FH1	\$1,955,000.00
Airport Refunding 1998	July 2008	013538FJ7	\$2,040,000.00
Airport Refunding 1998	July 2009	013538FK4	\$2,135,000.00
Airport Refunding 1998	July 2010	013538FL2	\$2,220,000.00
Airport Refunding 1998	July 2011	013538FM0	\$2,325,000.00
Airport Refunding 1998	July 2012	013538FN8	\$2,430,000.00
Airport Refunding 1998	July 2013	013538FP3	\$2,555,000.00
Airport Refunding 1998	July 2014	013538FQ1	\$2,675,000.00
Airport Refunding 1998	July 2015	013538FR9	\$2,805,000.00
Airport Refunding 1998	July 2016	013538FS7	\$2,940,000.00
Airport Refunding 1998	July 2017	013538FS7	\$3,085,000.00
Airport Refunding 1998	July 2018	013538FS7	\$3,240,000.00
Airport Refunding 1998	July 2019	013538FS7	\$3,405,000.00
Airport Refunding 2001	July 2006	013538GB3	\$3,480,000.00
Airport Refunding 2001	July 2007	013538GC1	\$3,480,000.00
Airport Refunding 2001	July 2008	013538GD9	\$3,480,000.00
Airport Refunding 2001	July 2009	013538GE7	\$3,480,000.00
Airport Refunding 2001	July 2010	013538GF4	\$3,830,000.00
Airport Refunding 2001	July 2011	013538GG2	\$2,770,000.00
Airport Refunding 2001	July 2012	013538GH0	\$2,920,000.00
Airport Refunding 2001	July 2013	013538GJ6	\$3,075,000.00
Airport Refunding 2001	July 2014	013538GK3	\$3,240,000.00
Airport Refunding 2001	July 2015	013538GL1	\$3,415,000.00
Airport Refunding 2001	July 2016	013538GM9	\$3,590,000.00
Airport Sub Lien 1995	July 2006	013538EG4	\$3,500,000.00
Airport Sub Lien 1995	July 2007	013538EG4	\$3,800,000.00
Airport Sub Lien 1995	July 2008	013538EG4	\$4,100,000.00
Airport Sub Lien 1995	July 2009	013538EG4	\$4,400,000.00
Airport Sub Lien 1995	July 2010	013538EG4	\$4,800,000.00
Airport Sub Lien 1995	July 2011	013538EG4	\$5,200,000.00
Airport Sub Lien 1995	July 2012	013538EG4	\$5,600,000.00
Airport Sub Lien 1995	July 2013	013538EG4	\$6,100,000.00
Airport Sub Lien 1995	July 2014	013538EG4	\$6,700,000.00
Airport Sub Lien 2000A	July 2006	013538FV0	\$300,000.00
Airport Sub Lien 2000A	July 2007	013538FV0	\$300,000.00
Airport Sub Lien 2000A	July 2008	013538FV0	\$300,000.00
Airport Sub Lien 2000A	July 2009	013538FV0	\$300,000.00
Airport Sub Lien 2000A	July 2010	013538FV0	\$400,000.00
Airport Sub Lien 2000A	July 2011	013538FV0	\$400,000.00
Airport Sub Lien 2000A	July 2012	013538FV0	\$400,000.00
Airport Sub Lien 2000A	July 2013	013538FV0	\$400,000.00
Airport Sub Lien 2000A	July 2014	013538FV0	\$400,000.00
Airport Sub Lien 2000A	July 2015	013538FV0	\$400,000.00
Airport Sub Lien 2000A	July 2016	013538FV0	\$400,000.00
Airport Sub Lien 2000A	July 2017	013538FV0	\$400,000.00

<b>Bond Issue name</b>	<b>D/S Month &amp; Year</b>	<b>Cusip</b>	<b>Principal</b>
Airport Sub Lien 2000A	July 2018	013538FV0	\$500,000.00
Airport Sub Lien 2000A	July 2019	013538FV0	\$500,000.00
Airport Sub Lien 2000A	July 2020	013538FV0	\$500,000.00
Airport Sub Lien 2000B	July 2006	013538FW8	\$700,000.00
Airport Sub Lien 2000B	July 2007	013538FW8	\$1,100,000.00
Airport Sub Lien 2000B	July 2008	013538FW8	\$1,500,000.00
Airport Sub Lien 2000B	July 2009	013538FW8	\$2,000,000.00
Airport Sub Lien 2000B	July 2010	013538FW8	\$2,400,000.00
Airport Sub Lien 2000B	July 2011	013538FW8	\$2,400,000.00
Airport Sub Lien 2000B	July 2012	013538FW8	\$2,500,000.00
Airport Sub Lien 2000B	July 2013	013538FW8	\$2,700,000.00
Airport Sub Lien 2000B	July 2014	013538FW8	\$2,900,000.00
Airport Sub Lien 2000B	July 2015	013538FW8	\$3,000,000.00
Airport Sub Lien 2000B	July 2016	013538FW8	\$3,300,000.00
Airport Sub Lien 2000B	July 2017	013538FW8	\$3,400,000.00
Airport Sub Lien 2000B	July 2018	013538FW8	\$3,700,000.00
Airport Sub Lien 2000B	July 2019	013538FW8	\$3,900,000.00
Airport Sub Lien 2000B	July 2020	013538FW8	\$4,100,000.00
General Obligation General Purpose 1999A	July 2006	013518K46	\$2,000,000.00
General Obligation General Purpose 1999C	July 2006	013518L52	\$2,000,000.00
General Obligation General Purpose 1999C	July 2007	013518L60	\$2,000,000.00
General Obligation General Purpose 1999C	July 2008	013518L78	\$2,000,000.00
General Obligation General Purpose 1999C	July 2009	013518L86	\$2,000,000.00
General Obligation General Purpose 2001A	July 2006	013518N84	\$4,310,000.00
General Obligation General Purpose 2001A	July 2007	013518N92	\$4,310,000.00
General Obligation General Purpose 2001A	July 2008	013518P25	\$4,310,000.00
General Obligation General Purpose 2001A	July 2009	013518P33	\$4,310,000.00
General Obligation General Purpose 2001A	July 2010	013518P41	\$4,110,000.00
General Obligation General Purpose 2002B	July 2006	013518R56	\$2,700,000.00
General Obligation General Purpose 2002B	July 2007	013518R64	\$2,700,000.00
General Obligation General Purpose 2002B	July 2008	013518R72	\$2,700,000.00
General Obligation General Purpose 2002B	July 2009	013518R80	\$2,500,000.00
General Obligation General Purpose 2005 A	July 2006	013518U29	\$11,350.00
General Obligation General Purpose 2005 A	July 2007	013518U37	\$11,350.00
General Obligation General Purpose 2005 A	July 2008	013518U45	\$11,355.00
General Obligation General Purpose 2005 A	July 2009	013518U52	\$11,355.00
General Obligation General Purpose 2005 A	July 2010	013518U60	\$11,355.00
General Obligation General Purpose 2005 A	July 2011	013518U78	\$11,350.00
General Obligation General Purpose 2005 A	July 2012	013518U86	\$11,350.00
General Obligation General Purpose 2005 A	July 2013	013518U94	\$11,130.00
General Obligation General Purpose Bonds 2003B	July 2006	013518S71	\$7,330,000.00



<b>Bond Issue name</b>	<b>D/S Month &amp; Year</b>	<b>Cusip</b>	<b>Principal</b>
General Obligation General Purpose Bonds 2003B	July 2007	013518S89	\$7,330,000.00
General Obligation General Purpose Bonds 2003B	July 2008	013518S97	\$7,330,000.00
General Obligation General Purpose Bonds 2003B	July 2009	013518T21	\$7,335,000.00
General Obligation General Purpose Bonds 2003B	July 2010	013518T39	\$7,335,000.00
General Obligation General Purpose Bonds 2003B	July 2011	013518T47	\$7,335,000.00
General Obligation General Purpose Bonds 2003B	July 2012	013518T54	\$5,230,000.00
General Obligation Stadium 2001 C	July 2006	013518Q32	\$1,000,000.00
General Obligation Stadium 2001 C	July 2007	013818Q40	\$1,000,000.00
General Obligation Stadium 2001 C	July 2007	013818Q40	\$1,000,000.00
General Obligation Stadium 2001 C	July 2008	013818Q57	\$1,000,000.00
General Obligation Stadium 2001 C	July 2009	013518Q65	\$1,000,000.00
General Obligation Stadium 2001 C	July 2010	013518Q73	\$1,000,000.00
General Obligation Storm Sewer 1997B	July 2006	013518G24	\$4,200,000.00
General Obligation Storm Sewer 1998B	July 2006	013518J30	\$3,350,000.00
General Obligation Storm Sewer 1998B	July 2007	013518J48	\$3,000,000.00
General Obligation Storm Sewer 1999B	July 2007	013518K53	\$2,380,000.00
General Obligation Storm Sewer 1999B	July 2008	013518K61	\$2,380,000.00
General Obligation Storm Sewer 2000B	July 2006	013518M69	\$1,200,000.00
General Obligation Storm Sewer 2000B	July 2007	013518M77	\$1,200,000.00
General Obligation Storm Sewer 2000B	July 2008	013518M85	\$1,200,000.00
General Obligation Storm Sewer 2000B	July 2009	013518M93	\$1,200,000.00
General Obligation Storm Sewer 2000B	July 2010	013518N27	\$1,200,000.00
General Obligation Storm Sewer 2001B	July 2010	013518P58	\$200,000.00
General Obligation Storm Sewer 2001B	July 2011	013518P66	\$4,310,000.00
General Obligation Storm Sewer 2002C	July 2009	013518R98	\$200,000.00
General Obligation Storm Sewer 2002C	July 2010	013518S22	\$2,700,000.00
General Obligation Storm Sewer 2002C	July 2011	013518S30	\$2,700,000.00
General Obligation Storm Sewer 2005 B	July 2013	013518V28	\$220,000.00
General Obligation Storm Sewer 2005 B	July 2014	013518V36	\$11,355.00
General Obligation Storm Sewer Bonds 2003C	July 2012	013518T62	\$2,105,000.00
General Obligation Storm Sewer Bonds 2003C	July 2013	013518T70	\$7,335,000.00
Golf Course Net Revenue/GRT Series 2001	July 2006	01354T AE6	\$235,000.00
Golf Course Net Revenue/GRT Series 2001	July 2007	01354T AF3	\$250,000.00
Golf Course Net Revenue/GRT Series 2001	July 2008	01354T AG1	\$265,000.00
Golf Course Net Revenue/GRT Series 2001	July 2009	01354T AH9	\$285,000.00
Golf Course Net Revenue/GRT Series 2001	July 2010	01354T AJ5	\$300,000.00
Golf Course Net Revenue/GRT Series 2001	July 2011	01354T AK2	\$325,000.00

<b>Bond Issue name</b>	<b>D/S Month &amp; Year</b>	<b>Cusip</b>	<b>Principal</b>
Gross Receipts Tax Improvement Bonds 2000 A	July 2006	01354PBK9	\$1,900,000.00
Gross Receipts Tax Improvement Bonds 2000 A	July 2007	01354PBK9	\$2,100,000.00
Gross Receipts Tax Improvement Bonds 2000 A	July 2008	01354PBK9	\$2,200,000.00
Gross Receipts Tax Improvement Bonds 2000 A	July 2009	01354PBK9	\$2,300,000.00
Gross Receipts Tax Improvement Bonds 2000 A	July 2010	01354PBK9	\$2,600,000.00
Gross Receipts Tax Improvement Bonds 2000 A	July 2011	01354PBK9	\$2,600,000.00
Gross Receipts Tax Improvement Bonds 2000 A	July 2012	01354PBK9	\$2,800,000.00
Gross Receipts Tax Improvement Bonds 2000 A	July 2013	01354PBK9	\$3,200,000.00
Gross Receipts Tax Improvement Bonds 2000 A	July 2014	01354PBK9	\$3,500,000.00
Gross Receipts Tax Refunding 1996	July 2006	01354HEL2	\$370,000.00
Gross Receipts Tax Refunding 1996	July 2007	01354HEM0	\$445,000.00
Gross Receipts Tax Refunding 1996	July 2008	01354HEN8	\$505,000.00
Gross Receipts Tax Refunding 1996	July 2009	01354HEP3	\$600,000.00
Gross Receipts Tax Refunding 1996	July 2010	01354HEQ1	\$670,000.00
Gross Receipts Tax Refunding 1996	July 2011	01354HER9	\$775,000.00
Gross Receipts Tax Refunding 1999C	July 2014	01354PBB9	\$500,000.00
Gross Receipts Tax Refunding 1999C	July 2015	01354PBC7	\$2,625,000.00
Gross Receipts Tax Refunding 1999C	July 2016	01354PBD5	\$3,340,000.00
Gross Receipts Tax Refunding 1999C	July 2017	01354PBE3	\$3,520,000.00
Gross Receipts Tax Refunding 1999C	July 2018	01354PBF0	\$3,700,000.00
Gross Receipts Tax Refunding 1999C	July 2019	01354PBG8	\$3,945,000.00
Gross Receipts Tax Refunding 1999C	July 2020	01354BBH6	\$4,155,000.00
Gross Receipts Tax Refunding 1999C	July 2021	01354PBH6	\$4,290,000.00
Gross Receipts Tax Refunding 1999C	July 2022	01354PBH6	\$1,055,000.00
Gross Receipts Tax/Lodger Refunding 2004 A	July 2030	01354MDB4	\$2,300,000.00
Gross Receipts Tax/Lodger Refunding 2004 A	July 2031	01354MDB4	\$4,280,000.00
Gross Receipts Tax/Lodger Refunding 2004 A	July 2032	01354MDC2	\$4,575,000.00
Gross Receipts Tax/Lodger Refunding 2004 A	July 2033	01354MDC2	\$4,900,000.00
Gross Receipts Tax/Lodger Refunding 2004 A	July 2034	01354MDE8	\$2,800,000.00
Gross Receipts Tax/Lodger Refunding 2004 A	July 2035	01354MDE8	\$5,605,000.00
Gross Receipts Tax/Lodger Refunding 2004 A	July 2036	01354MDE8	\$1,130,000.00
Gross Receipts Tax/Lodger Refunding 2004 A	July 2037	01354MDE8	\$6,375,000.00
Gross Receipts Tax/Lodger Refunding 2004 B	July 2006	01354MDG3	\$245,000.00
Gross Receipts Tax/Lodger Refunding 2004 B	July 2007	01354MDH1	\$225,000.00
Gross Receipts Tax/Lodger Refunding 2004 B	July 2008	01354MDJ7	\$230,000.00
Gross Receipts Tax/Lodger Refunding 2004 B	July 2009	01354MDK4	\$205,000.00
Gross Receipts Tax/Lodger Refunding 2004 B	July 2010	01354MDL2	\$205,000.00
Gross Receipts Tax/Lodger Refunding 2004 B	July 2011	01354MDM0	\$200,000.00
Gross Receipts Tax/Lodger Refunding 2004 B	July 2012	01354MDN8	\$225,000.00
Gross Receipts Tax/Lodger Refunding 2004 B	July 2013	01354MDP3	\$210,000.00
Gross Receipts Tax/Lodger Refunding 2004 B	July 2014	01354MDQ1	\$235,000.00
Gross Receipts Tax/Lodger Refunding 2004 B	July 2015	01354MDR9	\$245,000.00
Gross Receipts Tax/Lodger Refunding 2004 B	July 2016	01354MDR9	\$325,000.00
Gross Receipts Tax/Lodger Refunding 2004 B	July 2017	01354MDR9	\$350,000.00

<b>Bond Issue name</b>	<b>D/S Month &amp; Year</b>	<b>Cusip</b>	<b>Principal</b>
Gross Receipts Tax/Lodger Refunding 2004 B	July 2018	01354MDR9	\$370,000.00
Gross Receipts Tax/Lodger Refunding 2004 B	July 2019	01354MDR9	\$405,000.00
Gross Receipts Tax/Lodger Refunding 2004 B	July 2020	01354MDR9	\$425,000.00
Gross Receipts Tax/Lodger Refunding 2004 B	July 2021	01354MDR9	\$450,000.00
Gross Receipts Tax/Lodger Refunding 2004 B	July 2022	01354MDR9	\$465,000.00
Gross Receipts Tax/Lodger Refunding 2004 B	July 2023	01354MDR9	\$545,000.00
Gross Receipts Tax/Lodger Refunding 2004 B	July 2024	01354MDR9	\$530,000.00
Gross Receipts Tax/Lodger Refunding 2004 B	July 2025	01354MDS7	\$630,000.00
Gross Receipts Tax/Lodger Refunding 2004 B	July 2026	01354MDS7	\$2,905,000.00
Gross Receipts Tax/Lodger Refunding 2004 B	July 2027	01354MDS7	\$3,155,000.00
Gross Receipts Tax/Lodger Refunding 2004 B	July 2028	01354MDS7	\$3,415,000.00
Gross Receipts Tax/Lodger Refunding 2004 B	July 2029	01354MDS7	\$3,695,000.00
Gross Receipts Tax/Lodger Refunding 2004 B	July 2030	01354MDS7	\$1,685,000.00
Gross Receipts Tax/Lodger Refunding 2004 B	July 2031	01354MDS7	\$0.00
Gross Receipts Tax/Lodger Refunding 2004 B	July 2032	01354MDS7	\$0.00
Gross Receipts Tax/Lodger Refunding 2004 B	July 2033	01354MDS7	\$0.00
Gross Receipts Tax/Lodger Refunding 2004 B	July 2034	01354MDS7	\$2,435,000.00
Gross Receipts Tax/Lodger Refunding 2004 B	July 2035	01354MDS7	\$0.00
Gross Receipts Tax/Lodger Refunding 2004 B	July 2036	01354MDS7	\$4,855,000.00
Gross Receipts/Lodgers 1991B	July 2012	01354MCT6	\$135,744.00
Gross Receipts/Lodgers 1991B	July 2013	01354MCU3	\$132,118.70
Gross Receipts/Lodgers 1991B	July 2014	01354MCV1	\$120,908.80
Gross Receipts/Lodgers 1991B	July 2015	01354MCW9	\$115,650.00
Gross Receipts/Lodgers 1991B	July 2016	01354MCX7	\$97,070.40
Gross Receipts/Lodgers 1991B	July 2017	01354MCY5	\$91,363.80
Gross Receipts/Lodgers 1991B	July 2018	01354MCZ2	\$85,992.50
Gross Receipts/Lodgers 1995	July 2023	01354MBG5	\$1,300,000.00
Gross Receipts/Lodgers 1999B	July 2012	01354PBW3	\$100,000.00
Gross Receipts/Lodgers 1999B	July 2013	01354PBX1	\$160,000.00
Gross Receipts/Lodgers 1999B	July 2014	01354PBY9	\$230,000.00
Gross Receipts/Lodgers 1999B	July 2015	01354PBZ6	\$300,000.00
Gross Receipts/Lodgers 1999B	July 2016	01354PCA0	\$380,000.00
Gross Receipts/Lodgers 1999B	July 2017	01354PCB8	\$460,000.00
Gross Receipts/Lodgers 1999B	July 2018	01354PCC6	\$550,000.00
Gross Receipts/Lodgers 1999B	July 2019	01354PCD4	\$1,190,000.00
Gross Receipts/Lodgers 1999B	July 2020	01354PCE2	\$1,325,000.00
Gross Receipts/Lodgers 1999B	July 2021	01354PCF9	\$1,470,000.00
Gross Receipts/Lodgers 1999B	July 2022	01354PCF9	\$1,630,000.00
Gross Receipts/Lodgers 1999B	July 2023	01354PCF9	\$440,000.00
Gross Receipts/Lodgers 1999B	July 2024	01354PCF9	\$1,945,000.00
Gross Receipts/Lodgers 1999B	July 2025	01354PCF9	\$2,055,000.00
Joint Water and Sewer 1990 A	July 2006	013554KM1	\$1,937,253.05
Joint Water and Sewer 1990 A	July 2007	013554KP4	\$3,412,568.55
Joint Water and Sewer 1990 A	July 2008	013554KQ2	\$3,179,472.40

<b>Bond Issue name</b>	<b>D/S Month &amp; Year</b>	<b>Cusip</b>	<b>Principal</b>
Joint Water and Sewer 1995	July 2006	013554MV9	\$4,695,000.00
Joint Water and Sewer 1995	July 2007	013554MW7	\$4,975,000.00
Joint Water and Sewer 1997	July 2006	013554NF3	\$4,925,000.00
Joint Water and Sewer 1997	July 2007	013554NG1	\$5,170,000.00
Joint Water and Sewer 1997	July 2008	013554NH9	\$5,435,000.00
Joint Water and Sewer 1997	July 2009	013554NJ5	\$5,720,000.00
Joint Water and Sewer 1999A	July 2006	013554NS5	\$8,230,000.00
Joint Water and Sewer 1999A	July 2007	013554NT3	\$8,690,000.00
Joint Water and Sewer 1999A	July 2008	013554NU0	\$10,215,000.00
Joint Water and Sewer 1999A	July 2009	013554NV8	\$10,750,000.00
Joint Water and Sewer 1999A	July 2010	013554NW6	\$11,320,000.00
Joint Water and Sewer 1999A	July 2011	013554NX4	\$11,910,000.00
Joint Water and Sewer 2000A	July 2006	013554PD6	\$4,960,000.00
Joint Water and Sewer 2001	July 2006	013554PJ3	\$2,830,000.00
Joint Water and Sewer 2001	July 2007	013554PK0	\$2,970,000.00
Joint Water and Sewer 2001	July 2008	013554PL8	\$3,115,000.00
Joint Water and Sewer 2001	July 2009	013554PM6	\$3,275,000.00
Joint Water and Sewer 2001	July 2010	013554PN4	\$3,435,000.00
Joint Water and Sewer 2001	July 2011	013554PP9	\$3,610,000.00
Joint Water and Sewer 2001	July 2012	013554PQ7	\$3,790,000.00
Joint Water and Sewer 2001	July 2013	013554PR5	\$3,980,000.00
Municipal Gross Receipts 1992	July 2006	10354HDF6	\$1,245,000.00
Municipal Gross Receipts 1992	July 2007	10354HDG4	\$1,325,000.00
Municipal Gross Receipts 1999A	July 2006	01354PAF1	\$360,000.00
Municipal Gross Receipts 1999A	July 2007	01354PAG9	\$375,000.00
Municipal Gross Receipts 1999A	July 2008	01354PAH7	\$395,000.00
Municipal Gross Receipts 1999A	July 2009	01354PAJ3	\$415,000.00
Municipal Gross Receipts 1999A	July 2010	01354PAK0	\$435,000.00
Municipal Gross Receipts 1999A	July 2011	01354PAL8	\$450,000.00
Municipal Gross Receipts 1999A	July 2012	01354PAM6	\$475,000.00
Municipal Gross Receipts 1999A	July 2013	01354PAN4	\$495,000.00
Municipal Gross Receipts 1999A	July 2014	01354PAP9	\$520,000.00
Municipal Gross Receipts 1999A	July 2015	01354PAQ7	\$545,000.00
Refuse Removal and Disposal 1995	July 2006	013630CF3	\$1,445,000.00
Refuse Removal and Disposal 1995	July 2007	013630CG1	\$1,520,000.00
Refuse Removal and Disposal 1995	July 2008	013630CJ5	\$1,605,000.00
Refuse Removal and Disposal 1995	July 2009	013630CJ5	\$1,690,000.00
Refuse Removal and Disposal 1998	July 2006	013630CS5	\$660,000.00

<b>Bond Issue name</b>	<b>D/S Month &amp; Year</b>	<b>Cusip</b>	<b>Principal</b>
Refuse Removal and Disposal 1998	July 2007	013630CT3	\$695,000.00
Refuse Removal and Disposal 1998	July 2008	013630CU0	\$730,000.00
Refuse Removal and Disposal 1998	July 2009	013630CV8	\$760,000.00
Refuse Removal and Disposal 1998	July 2010	013630CW6	\$795,000.00
Refuse Removal and Disposal 1998	July 2011	013630CX4	\$830,000.00
Refuse Removal and Disposal 1998	July 2012	013630CY2	\$865,000.00
Refuse Removal and Disposal 1998	July 2013	013630CZ9	\$905,000.00
Refuse Removal and Disposal 2001A	July 2006	013630DE5	\$515,000.00
Refuse Removal and Disposal 2001A	July 2007	013630DF2	\$525,000.00
Refuse Removal and Disposal 2001A	July 2008	01360DG0	\$485,000.00
Refuse Removal and Disposal 2001B	July 2006	013630DL9	\$645,000.00
Refuse Removal and Disposal 2001B	July 2007	013630DM7	\$665,000.00
Refuse Removal and Disposal 2001B	July 2008	013630DN5	\$690,000.00
Refuse Removal and Disposal 2001B	July 2009	013630DP0	\$715,000.00
Refuse Removal and Disposal 2001B	July 2010	013630DQ8	\$2,525,000.00
Refuse Removal and Disposal 2001B	July 2011	013630DR6	\$2,655,000.00
Refuse Removal and Disposal 2001B	July 2012	013630DS4	\$2,780,000.00
SAD 224 1999A	July 2006	01365UAG5	\$355,000.00
SAD 224 1999A	July 2007	01365UAH3	\$355,000.00
SAD 224 1999A	July 2008	01365UAJ9	\$355,000.00
SAD 224 1999A	July 2009	01365UAK6	\$760,000.00
SAD 224 1999B	July 2005	01365UAR1	\$90,000.00
SAD 224 1999B	July 2006	01365UAS9	\$90,000.00
SAD 224 1999B	July 2007	01365UAT7	\$90,000.00
SAD 224 1999B	July 2008	01365UAU4	\$90,000.00
SAD 224 1999B	July 2009	01365UAV2	\$185,000.00
SAD 224 1999C	July 2005	01365UBB5	\$35,000.00
SAD 224 1999C	July 2006	01365UBC3	\$35,000.00
SAD 224 1999C	July 2007	01365UBD1	\$35,000.00
SAD 224 1999C	July 2008	01365UBE9	\$35,000.00
SAD 224 1999C	July 2009	01365UBF6	\$45,000.00

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CHANGE IN INFORMATION AND ADDRESS FORM

PLEASE FILL IN CORRECT ADDRESS AND RETURN

Name:

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Organization:

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Street address/PO Box:

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City, State, Zip:

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Email address:

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- Please Continue Sending Annual Information Statement to me.
- Please discontinue sending Annual Information Statement to me.
- Please email me a copy of the Annual Information Statement.

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(Fold here and tape shut, do not staple)

Return to:

City of Albuquerque

Treasury Division

PO Box 17

Albuquerque, NM 87103-0017