Addendum to Official Statement dated September 11, 2007
related to

$48,125,000
CITY OF ALBUQUERQUE, NEW MEXICO
General Obligation Bonds

$43,045,000 General Purpose Bonds, Series 2007B	$5,080,000 Storm Sewer Bonds, Series 2007C

This Addendum corrects the dated date of the Official Statement for the above-referenced bonds. The correct date of the Official Statement should be August 6, 2007, not September 11, 2007.

This Addendum should be read in conjunction with the Official Statement. Terms used in this Addendum have the meanings set forth in the Official Statement.

The date of this Addendum is September 4, 2007

NEW ISSUE Book-Entry Only

In the opinion of Brownstein Hyatt Farber Schreck, P.C., Bond Counsel, under existing laws, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and continuing compliance described in "TAX MATTERS" herein, interest on the Series 2007 Bonds is excluded from gross income for federal income tax purposes. Bond Counsel is further of the opinion that interest on the Series 2007 Bonds is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for purposes of computing the federal alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings as described in "TAX MATTERS" herein. Under existing laws, regulations, rulings and judicial decisions, Bond Counsel is further of the opinion that interest on the Series 2007 Bonds is exempt from New Mexico state income taxes. See "TAX MATTERS" herein.

$48,125,000
CITY OF ALBUQUERQUE, NEW MEXICO
General Obligation Bonds

$43,045,000
General Purpose Bonds, Series 2007B

$5,080,000
Storm Sewer Bonds, Series 2007C

Dated: Date of Delivery **Due: as shown below**

The City of Albuquerque, New Mexico General Obligation General Purpose Bonds, Series 2007B and General Obligation Storm Sewer Bonds, Series 2007C (collectively, the "Series 2007 Bonds") are being issued as fully registered bonds to be sold as two issues in denominations of $5,000 or any integral multiple thereof. The Depository Trust Company will act as securities depository for the Series 2007 Bonds through its nominee, Cede & Co. One fully registered bond equal to the principal amount of each maturity of series of the Series 2007 Bonds will be registered in the name of Cede & Co. Individual purchases of Series 2007 Bonds will be made in book-entry form only and beneficial owners of the Series 2007 Bonds will not receive physical delivery of bond certificates, except as described herein. Upon receipt of payments of principal and interest, DTC will remit such payments to its participants for subsequent disbursement to the beneficial owners of the Series 2007 Bonds.

Principal of and interest on the Series 2007 Bonds will be payable to DTC, or its nominee, as owner of the Series 2007 Bonds, by the Director of the Department of Finance and Administration of the City of Albuquerque, New Mexico, as Paying Agent. Interest on the Series 2007 Bonds is payable on January 1 and July 1, commencing January 1, 2008.

MATURITY SCHEDULES
$43,045,000 Series 2007B Bonds

Maturity Date (July 1)	Principal Amount	Interest Rate	Yield	Cusip No.
2008	$5,350,000	4.500%	3.680%	013518V44
2009	5,350,000	5.000%	3.750%	013518V51
2010	5,350,000	5.000%	3.800%	013518V69
2011	5,350,000	5.000%	3.850%	013518V77
2012	5,345,000	5.000%	3.880%	013518V85
2013	5,345,000	5.000%	3.930%	013518V93
2014	5,345,000	5.000%	3.980%	013518W27
2015	2,805,000	5.000%	4.020%	013518W35
2016	2,805,000	4.500%	4.050%	013518W43

MATURITY SCHEDULES
$5,080,000 Series 2007C Bonds

Maturity Date (July 1)	Principal Amount	Interest Rate	Yield	Cusip No.
2015	$2,540,000	5.000%	4.020%	013518W50
2016	2,540,000	4.250%	4.080%	013518W68

The Series 2007B Bonds will not be subject to optional redemption. The Series 2007C Bonds will be subject to optional redemption as described herein.

The Series 2007 Bonds constitute general obligation indebtedness of the City, payable from property taxes levied against all taxable property in the City, without limitation of rate or amount, and the full faith and credit of the City is pledged for the payment of the Series 2007 Bonds.

Payment of the principal of and interest on the Series 2007 Bonds maturing on and after July 1, 2011, when due, will be insured by a financial guaranty insurance policy to be issued by MBIA Insurance Corporation simultaneously with the delivery of the Series 2007 Bonds.

mbia
WISDOM IN ACTION

In connection with the issuance of the Series 2007 Bonds, the City will commit to provide certain annual information and notice of certain material events as described herein under the caption "CONTINUING DISCLOSURE UNDERTAKING."

Approval of certain legal matters will be passed on by Brownstein Hyatt Farber Schreck, P.C., Albuquerque, New Mexico, as Bond Counsel. Certain legal matters will also be passed on for the City by the office of the City Attorney and by Modrall, Sperling, Roehl, Harris & Sisk, P.A., Disclosure Counsel to the City. It is expected that the Series 2007 Bonds will be delivered to DTC in New York, New York on or about September 11, 2007.

PiperJaffray.

September 11, 2007

CITY OF ALBUQUERQUE

MAYOR

Martin J. Chavez

CITY COUNCIL

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

ADMINISTRATION

Bruce J. Perlman, PhD., Chief Administrative Officer
Gail D. Reese, CPA, Chief Financial Officer
Ed Adams, PE, Chief Operations Officer
Millie U. Santillanes, City Clerk

DEPARTMENT OF FINANCE AND ADMINISTRATIVE SERVICES

Tanda Meadors, Director
Cilia Aglialoro, CTP, Assistant Treasurer-Debt
Christopher Daniel, CTP, CPA, Assistant Treasurer- Cash Management
Greg Stricklin, CPA, Accounting Officer

OFFICE OF MANAGEMENT AND BUDGET

Anna Lamberson, PhD., Budget Officer
Jacques Blair, PhD., City Economist

LEGAL DEPARTMENT

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

BOND COUNSEL

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

DISCLOSURE COUNSEL

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

No dealer, salesperson or other person has been authorized by the City of Albuquerque (the "City") or the Underwriter to give any information or to make any statements or representations, other than those contained in this Official Statement, and, if given or made, such other information, statements or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy any of the Series 2007 Bonds in any jurisdiction in which such offer or solicitation is not authorized, or in which any person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. The information set forth or included in this Official Statement has been provided by the City and from other sources believed by the City to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall create any implication that there has been no change in the financial condition or operations of the City described herein since the date hereof. This Official Statement contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions or that they will be realized.

The Series 2007 Bonds have not been registered under the Securities Act of 1933 in reliance upon exemptions contained in such Act. The registration and qualification of the Series 2007 Bonds in accordance with applicable provisions of the securities law of the states in which the Series 2007 Bonds have been registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation thereof. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity, nor any agency or department thereof, has passed upon the merits of the Series 2007 Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

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OFFICIAL STATEMENT

$48,125,000
CITY OF ALBUQUERQUE, NEW MEXICO
General Obligation Bonds

$43,045,000 **General Purpose Bonds,** **Series 2007B**	**$5,080,000** **Storm Sewer Bonds,** **Series 2007C**

INTRODUCTION

Generally

This Official Statement, which includes the cover page and appendices hereto, provides certain information in connection with the offer and sale by the City of Albuquerque, New Mexico (the "City") of its General Obligation General Purpose Bonds, Series 2007B (the "Series 2007B Bonds") in the original principal amount of $43,045,000, and its General Obligation Storm Sewer Bonds, Series 2007C (the "Series 2007C Bonds") in the original principal amount of $5,080,000. Capitalized terms used herein and not defined have the meanings specified in City Ordinance Seventeenth Council Bill No. O-07-97 to be adopted by the City on August 6, 2007 (the "Bond Ordinance"). See "DESCRIPTION OF BOND ORDINANCE - Certain Definitions" in Appendix B hereto.

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of Series 2007 Bonds to potential investors is made only by means of the entire Official Statement.

The City of Albuquerque

The City, founded in 1706, is the largest city in the State of New Mexico (the "State"), accounting for approximately one-quarter of the State's population. The City is a home rule municipality, with its charter originally adopted in 1971, and has a Mayor-Council form of government with a salaried full-time Mayor elected every four years. As reported by the U.S. Dept. of Commerce, Bureau of the Census, Population Division, the City had a population of approximately 494,236 people and, as of June 30, 2006, spanned 188.8 square miles. For financial and other information concerning the City, see "ECONOMIC AND DEMOGRAPHIC INFORMATION," "FINANCIAL INFORMATION" and Appendix A - "Comprehensive Annual Financial Report of The City of Albuquerque - Audited General Purpose Financial Statements - As of and For The Fiscal Year Ended June 30, 2006".See also the City's "Comprehensive Annual Financial Report July 1, 2005 through June 30, 2006" provided to each Nationally Recognized Municipal Securities Information Repository.

The City's Fiscal Year ends June 30 and is referred to in this Official Statement as the "Fiscal Year."

Purposes of the Series 2007 Bonds

Proceeds from the sale of the Series 2007 Bonds will be used to finance the acquisition of certain City projects relating to fire, police and emergency management; citizens' centers; parks and recreation facilities; facilities and equipment; public libraries; zoo and biological park; museums; streets and storm sewer (collectively, the "2007 Project").

Authority for Issuance

The Series 2007 Bonds are being issued under the authority of and pursuant to the regular municipal election of the City held on October 4, 2005, the Constitution and laws of the State of New Mexico, including Sections 3-30-1 to 3-30-9 and 6-15-1 to 6-15-10, 6-15-21 and 6-15-22, NMSA 1978, the powers of the City as a home rule city under authority given by the Constitution of the State and the City Charter and all enactments of the City Council relating to the issuance of the Series 2007 Bonds, including the Bond Ordinance.

Sources of Payment for the Series 2007 Bonds

The Series 2007 Bonds constitute general obligation indebtedness of the City, payable from property taxes levied against all taxable property in the City, without limitation of rate or amount, and the full faith and credit of the City is pledged for the payment of the Series 2007 Bonds. See "FINANCIAL INFORMATION - Property Taxes." See also "SECURITY AND SOURCES OF PAYMENT."

Payments of principal and interest on the Series 2007 Bonds maturing on and after July 1, 2011 (the "Insured Bonds") when due will be insured by a financial guaranty insurance policy to be issued by MBIA Insurance Corporation ("MBIA") simultaneously with the delivery of the Series 2007 Bonds. See "SECURITY AND SOURCES OF PAYMENT – Bond Insurance."

Terms of the Series 2007 Bonds

Payments

The Series 2007 Bonds will be dated their date of issuance. Interest on the Series 2007 Bonds is payable on January 1 and July 1, commencing January 1, 2008. The Series 2007 Bonds will be issued in the aggregate principal amounts and will mature on the dates and in the amounts shown on the front cover page.

Denominations

The Series 2007 Bonds are issuable in denominations of $5,000 or integral multiples thereof.

Book-Entry System

Individual purchases will be made in book-entry form only and purchasers of the Series 2007 Bonds will not receive physical delivery of bond certificates except as more fully described herein. Payments of principal of and interest and redemption premium, if any, on the Series 2007 Bonds will be made directly to The Depository Trust Company ("DTC") or its nominee, Cede & Co., by the Paying Agent, so long as DTC or Cede & Co. is the sole registered owner. Upon receipt of such payments, DTC is to remit such payments to the DTC participants for subsequent disbursement to the beneficial owners of the Series 2007 Bonds, all as more fully described in "THE SERIES 2007 BONDS - Book-Entry-Only System" and Appendix E - "Book-Entry-Only System."

In reading this Official Statement, it should be understood that while the Series 2007 Bonds are in book-entry-only form, references in other sections of this Official Statement to owners of the Series 2007 Bonds should be read to include the person for whom the Participant (as hereinafter defined) and indirect participants acquire an interest in the Series 2007 Bonds, but (i) all rights of ownership must be exercised through DTC and the book-entry-only system as described more fully herein, and (ii) notices that are to be given to owners by the City or the Paying Agent will be given only to DTC.

Optional Redemption

The Series 2007B Bonds are not subject to redemption. The Series 2007C Bonds are subject to optional redemption prior to maturity as provided herein.

For a more complete description of the Series 2007 Bonds and the Bond Ordinance, see "THE SERIES 2007 BONDS" and Appendix B - "Description of Bond Ordinance."

Tax Considerations

In the opinion of Brownstein Hyatt Farber Schreck, P.C., Bond Counsel, interest on the Series 2007 Bonds is excluded from gross income for federal income tax purposes and is exempt from New Mexico state income taxes.

The form of the bond counsel opinion is attached as Appendix C hereto. For a discussion of such opinion and certain other tax consequences incident to the ownership of the Series 2007 Bonds, see "TAX MATTERS" herein.

Commitment to Provide Continuing Information

The City will agree for the benefit of the owners of the Series 2007 Bonds that, so long as the Series 2007 Bonds remain outstanding, the City will provide annually its audited financial statements and certain other financial information and operating data to each nationally recognized municipal securities information repository approved in accordance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 and will file notice of certain specific material events with the Municipal Securities Rulemaking Board, as described in "CONTINUING DISCLOSURE UNDERTAKING" and Appendix D hereto.

Professionals Involved in the Offering

At the time of the issuance and sale of the Series 2007 Bonds, Brownstein Hyatt Farber Schreck, P.C., as Bond Counsel, will deliver the bond counsel opinion attached as Appendix C hereto. Certain legal matters relating to the Series 2007 Bonds will be passed upon for the City by its Disclosure Counsel, Modrall, Sperling, Roehl, Harris & Sisk, P.A., and by the office of the City Attorney. See "LEGAL MATTERS." The City's financial statements for the Fiscal Year ended June 30, 2006 have been audited by Moss Adams LLP, independent certified public accountants, Albuquerque, New Mexico.

Offering and Delivery of the Series 2007 Bonds

The Series 2007 Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel and the satisfaction of certain other conditions. The two series of Series 2007 Bonds are offered to the best bidder, subject to sale reservations, as more fully described in "OFFICIAL NOTICE OF BOND SALE." It is anticipated that a single certificate for each maturity of each series of the Series 2007 Bonds will be delivered to DTC in New York, New York on or about September 11, 2007.

Other Information

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

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

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or owners of any of the Series 2007 Bonds.

PLAN OF FINANCING

Sources and Uses of Bond Proceeds

The estimated sources and uses of Series 2007 Bond proceeds to be available in connection with the sale of the Series 2007 Bonds are set forth below.

	Amount
SOURCES OF BOND PROCEEDS:	
Principal amount of the Series 2007 Bonds:	
Series 2007B Bonds	$43,045,000.00
Series 2007C Bonds	5,080,000.00
Net Premium	1,812,258.76
TOTAL SOURCES OF PROCEEDS	$49,937,258.76
USES OF BOND PROCEEDS:	
Costs of the 2007 Projects[1]	$48,125,000.00
Deposit to Bond Fund[2]	1,812,258.76
TOTAL USES OF BOND PROCEEDS[3]	$49,937,258.76

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(1) See "The Series 2007 Projects" under this caption.
(2) The net premium will be applied to the payment of interest on the Series 2007 Bonds.
(3) The costs of issuance of the Series 2007 Bonds, including legal and accounting fees, printing and other miscellaneous costs in an amount expected to be approximately $256,402.14 will be paid by the City from amounts on deposit in the Project Fund.

The Series 2007 Projects

The City purposes and the amounts for which the Series 2007 Bonds will be issued are as follows: $465,000 for fire, police and emergency management; $1,738,550 for citizens' centers; $13,177,235 for parks and recreation facilities; $1,229,000 for facilities and equipment; $1,103,150 for public libraries; $1,289,500 for the zoo and biological park; $627,050 for museums; $23,415,515 for streets; and $5,080,000 for storm sewer improvements.

Annual Debt Service Requirements.

The following schedule shows, for each calendar year of the City, the annual debt service requirements to be payable for the Series 2007 Bonds.

Year	Series 2007B Bonds		Series 2007C Bonds		Total Debt Service Series 2007 Bonds
	Principal	Interest	Principal	Interest	Debt Service
2008	$5,350,000	$1,700,910.42	--	$189,265.28	$7,240,175.70
2009	5,350,000	1,870,725.00	--	234,950.00	7,455,675.00
2010	5,350,000	1,603,225.00	--	234,950.00	7,188,175.00
2011	5,350,000	1,335,725.00	--	234,950.00	6,920,675.00
2012	5,345,000	1,068,225.00	--	234,950.00	6,648,175.00
2013	5,345,000	800,975.00	--	234,950.00	6,380,925.00
2014	5,345,000	533,725.00	--	234,950.00	6,113,675.00
2015	2,805,000	266,475.00	$2,540,000	234,950.00	5,846,425.00
2016	2,805,000	126,225.00	2,540,000	107,950.00	5,579,175.00

SECURITY AND SOURCES OF PAYMENT

General Obligation Pledge

The Series 2007 Bonds constitute general obligation debt of the City, the security for which is described in “FINANCIAL INFORMATION - Property Taxes.” The primary security for the general obligation debt of the City, including the Series 2007 Bonds, is the City’s levy, pursuant to constitutional and statutory requirements, of an ad valorem tax on all real property in the City subject to ad valorem taxation. See “Tax Levies” under this caption. The tax levy is required to be in an amount sufficient to pay the principal of and interest on the Series 2007 Bonds when due, subject to the provisions of federal bankruptcy law and other laws affecting creditor’s rights.

In addition to the basic ad valorem property tax security described above, the Bond Ordinance provides further security by pledging the full faith and credit of the City for the payment of the principal of and interest on the Series 2007 Bonds when due. Included in such pledge are all funds of the City, except those specifically limited to another use or prohibited from use for such debt service by the State Constitution, state or federal law, the City Charter, revenue bond trust agreements or City ordinances pledging funds for payment of revenue bonds.

Tax Levies

Pursuant to the Bond Ordinance, in order to pay the principal of and interest on the Series 2007 Bonds when due and, at the option of the City, to reimburse the General Fund or other funds advanced for the payment of principal of or interest on Series 2007 Bonds for which property taxes were not available, there is to be an annual assessment and levy upon all of the taxable property of the City subject to taxation which provides an amount sufficient to pay the principal of and the interest on the Series 2007 Bonds when due.

The taxes are assessed, levied and collected annually. The City Council is required by the Bond Ordinance to take all reasonable action to insure the levy and collection of taxes in amounts sufficient at the time to pay the principal of and interest on the Series 2007 Bonds. The money produced by the levy of taxes provided in the Bond Ordinance to pay the principal of and interest on the Series 2007 Bonds is to be appropriated for that purpose and included in the annual budget and the appropriation bills adopted and passed by the City Council each year. The taxes collected are to be applied only to the payment of the principal of and interest on the Series 2007 Bonds when due and as otherwise required by law. To the extent property taxes are not available for the purpose, the principal of and interest accruing on Series 2007 Bonds are to be paid from the City's General Fund or from any other fund lawfully available for that purpose.

Additional General Obligation Indebtedness

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

Bond Insurance

The MBIA Insurance Corporation Insurance Policy

The following information has been furnished by MBIA Insurance Corporation ("MBIA") for use in this Official Statement. Reference is made to Appendix F for a specimen of MBIA's policy (the "Policy").

MBIA does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Policy and MBIA set forth under the heading "Bond Insurance." Additionally, MBIA makes no representation regarding the Series 2007 Bonds or the advisability of investing in the Series 2007 Bonds.

The MBIA Policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the City to the Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Series 2007 Bonds maturing on and after July 1, 2011 (the "Insured Bonds") as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the MBIA Policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless MBIA elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any Owner of the Series 2007 Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Owner within the meaning of any applicable bankruptcy law (a "Preference").

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

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

MBIA Insurance Corporation

MBIA Insurance Corporation ("MBIA") is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the "Company"). The Company is not obligated to pay the debts of or claims against MBIA. MBIA is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. MBIA, either directly or through subsidiaries, is licensed to do business in the Republic of France, the United Kingdom and the Kingdom of Spain and is subject to regulation under the laws of those jurisdictions. In February 2007, MBIA Corp. incorporated a new subsidiary, MBIA México, S.A. de C.V. ("MBIA Mexico"), through which it intends to write financial guarantee insurance in Mexico beginning in 2007. To date, MBIA Mexico has had no operating activity.

The principal executive offices of MBIA are located at 113 King Street, Armonk, New York 10504 and the main telephone number at that address is (914) 273-4545.

Regulation

As a financial guaranty insurance company licensed to do business in the State of New York, MBIA is subject to the New York Insurance Law which, among other things, prescribes minimum capital requirements and c ontingency reserves against liabilities for MBIA, limits the classes and concentrations of investments that are made by MBIA and requires the approval of policy rates and forms that are employed by MBIA. State law also regulates the amount of both the aggregate and individual risks that may be insured by MBIA, the payment of dividends by MBIA, changes in control with respect to MBIA and transactions among MBIA and its affiliates.

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

Financial Strength Ratings of MBIA

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

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

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

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

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

MBIA Financial Information

As of December 31, 2006, MBIA had admitted assets of $10.9 billion (audited), total liabilities of $6.9 billion (audited), and total capital and surplus of $4.0 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of March 31, 2007, MBIA had admitted assets of $11.2 billion (unaudited), total liabilities of $7.0 billion (unaudited), and total capital and surplus of $4.2 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

For further information concerning MBIA, see the consolidated financial statements of MBIA and its subsidiaries as of December 31, 2006 and December 31, 2005 and for each of the three years in the period ended December 31, 2006, prepared in accordance with generally accepted accounting principles, included in the Annual Report on Form 10-K of the Company for the year ended December 31, 2006 and the consolidated financial statements of MBIA and its subsidiaries as of March 31, 2007 and for the three month period ended March 31, 2007 and March 31, 2006 included in the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2007, which are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

Copies of the statutory financial statements filed by MBIA with the State of New York Insurance Department are available over the Internet at the Company's web site at http://www.mbia.com and at no cost, upon request to MBIA at its principal executive offices.

Incorporation of Certain Documents by Reference

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

(1) The Company's Annual Report on Form 10-K for the year ended December 31, 2006; and

(2) The Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007.

Any documents, including any financial statements of MBIA and its subsidiaries that are included therein or attached as exhibits thereto, filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of the Company's most recent Quarterly Report on Form 10-Q or Annual Report on Form 10-K, and prior to the termination of the offering of the Insured Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof from the respective dates of filing such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the Company's SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2006, and (2) the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007) are available (i) over the Internet at the SEC's web site at http://www.sec.gov; (ii) at the SEC's public reference room in Washington D.C.; (iii) over the Internet at the Company's web site at http://www.mbia.com; and (iv) at no cost, upon request to MBIA at its principal executive offices.

THE SERIES 2007 BONDS

Generally

Set forth below is a summary of certain provisions of the Series 2007 Bonds. Other information describing the Series 2007 Bonds appears elsewhere in this Official Statement. This summary and such other information should be read together and are qualified in their entirety by reference to the Bond Ordinance and the Series 2007 Bonds. Copies of the approved form of the Bond Ordinance are available from the City as provided in "ADDITIONAL INFORMATION." See also "Description of Bond Ordinance" in Appendix B hereto.

The Series 2007 Bonds will be dated their date of issuance. Interest on the Series 2007 Bonds is payable on January 1 and July 1, commencing on January 1, 2008. The Series 2007 Bonds will be issued in two series to be sold as one issue in the aggregate principal amount of $48,125,000. The Series 2007 Bonds will be sold through a public sale, will mature on the dates and in the amounts shown on the front cover and are issuable in denominations of $5,000 or integral multiples thereof.

The Series 2007 Bonds are being issued under the authority of and pursuant to the Constitution and laws of the State, the home rule power of the City derived from the State Constitution and the City Charter, and the Bond Ordinance.

A separate series of general obligation general purpose bonds designated as the City of Albuquerque, New Mexico General Obligation Short-Term Bonds, Series 2007A in the aggregate principal amount of $36,000,000 was sold at a private sale to the State of New Mexico on June 29, 2007, in accordance with Section 6-15-5 NMSA 1978. The Series 2007A Bonds matured on July 2, 2007.

Book-Entry-Only System

Individual purchases of the Series 2007 Bonds will be made in book-entry form only and purchasers of the Series 2007 Bonds will not receive physical delivery of bond certificates, except as more fully described herein. Payments of principal of and interest and redemption premium, if any, on the Series 2007 Bonds will be made directly to The Depository Trust Company ("DTC") or its nominee, Cede & Co., by the Director of the Department of Finance and Administration of the City, as Paying Agent, Registrar and Authenticating Agent (the "Fiscal Agent"), so long as DTC or Cede & Co. is the sole registered owner. Upon receipt of such payments, DTC is to remit such payments to the DTC participants (the "Participants") for subsequent disbursement to the beneficial owners of the Series 2007 Bonds. In reading this Official Statement, it should be understood that while the Series 2007 Bonds are in book-entry-only form, references in other sections of this Official Statement to owners of Series 2007 Bonds ("Owners") should be read to include the person for whom the Participants and indirect participants acquire an interest in the Series 2007 Bonds, but (i) all rights of ownership must be exercised through DTC and the book-entry-only system and (ii) notices that are to be given to Owners by the City or the Fiscal Agent will be given only to DTC. See Appendix E - "Book-Entry-Only System."

Redemption of the Series 2007 Bonds

Optional Redemption of Series 2007 Bonds

The Series 2007B Bonds are not subject to redemption prior to maturity. The Series 2007C Bonds maturing on July 1, 2016 are subject to redemption prior to maturity at the option of the City, in whole or in part, at any time on or after July 1, 2015, at a redemption price of 100% of the principal amount of the Series 2007 Bonds to be redeemed, plus accrued interest, if any, to the date of redemption.

Unless money sufficient to pay the principal of and premium, if any, on the Series 2007C Bonds to be optionally redeemed is received by the Paying Agent prior to the giving of notice of redemption, that notice is to state that the redemption is conditional upon the receipt of that money by the Paying Agent by 2:00 p.m. on the redemption date. If an amount sufficient to redeem all Series 2007C Bonds called for redemption is not received by that time (i) the Paying Agent is to redeem only those Series 2007C Bonds for which the redemption price was received, (ii) the Series 2007C Bonds to be redeemed are to be selected in the manner set forth in the Ordinance and (iii) the redemption notice will have no effect with respect to those Series 2007C Bonds for which the redemption price was not received and those Series 2007C Bonds will not be redeemed. The Registrar is to give notice to the Owners of the Series 2007C Bonds previously called for redemption which will not be redeemed in the manner in which the notice of redemption was given, identifying the Series 2007C Bonds which will not be redeemed and stating that the redemption did not take place with respect to those Series 2007C Bonds and is to promptly return any Series 2007C Bonds previously delivered by the Owners of the Series 2007C Bonds.

Order of Redemption

If less than all of the outstanding Series 2007C Bonds are to be redeemed at any one time, the Series 2007C Bonds to be redeemed shall be selected by the Registrar in the manner designated by the City. If a Series 2007C Bond to be redeemed is of a denomination larger than $5,000, a portion of such Series 2007C Bond may be redeemed, but Series 2007C Bonds will be redeemed only in the principal amount of $5,000 or any integral multiple thereof.

Notice of Redemption

Notice of redemption of Series 2007C Bonds is to be given by the Registrar by sending a copy of such notice by first-class, postage prepaid mail not less than 30 days prior to the redemption date to the registered owner of each Series 2007C Bonds, or portion thereof, to be redeemed at the address shown as of the fifth day prior to the mailing of notice on the registration books kept by the Registrar. The City is to give the Registrar notice of Series 2007C Bonds to be called for optional redemption at least fifteen (15) days prior to the date that the Registrar is required to give the bond owners notice of redemption specifying the Series 2007C Bonds and the principal amount thereof to be called for redemption and the applicable redemption date. If the City has not designated the Series 2007C Bonds to be called for redemption on the dates specified above, the Registrar is to select the Series 2007C Bonds to be redeemed by lot.

Neither the City's failure to give such notice, the Registrar's failure to give such notice to the registered owner of any Series 2007C Bonds, or any defect therein, nor the failure of DTC to notify any Participant, or any Participant to notify a Beneficial Owner, of any such redemption, will affect the validity of the proceedings for the redemption of any Series 2007C Bonds for which proper notice was given. All notices are to specify the number or numbers and maturity dates of the Series 2007C Bonds to be redeemed (if less than all are to be redeemed), the amount of such Series 2007C Bonds to be redeemed (if less than the full amount of any Series 2007C Bonds is to be redeemed), the date fixed for redemption, the redemption price, the series and the CUSIP number and are further to state that on such redemption date there will become and be due and payable upon each Series 2007C Bonds or part thereof to be redeemed at the office of the Paying Agent the principal amount thereof to be redeemed plus accrued interest and that interest will cease to accrue on the principal amount redeemed. Subject to the provisions of the Bond Ordinance setting forth certain conditions to optional redemption of the Series 2007C Bonds, notice having been given in the manner provided above, the Series 2007C Bonds or part thereof called for redemption will become due and payable on the redemption date designated and the Series 2007C Bonds or part thereof to be redeemed for which the redemption price is on deposit with the Paying Agent will not be deemed to be outstanding and will cease to bear interest from and after such redemption date. Subject to the provisions of the Ordinance setting forth certain conditions to optional redemption of the Series 2007C Bonds, upon presentation of Series 2007C Bonds to be redeemed at the office of the Paying Agent on or after the redemption date, or, so long as the book-entry system is used for determining beneficial ownership of the Series 2007C Bonds, upon satisfaction of the terms of any other arrangement between the Paying Agent and DTC, the Paying Agent will pay such Series 2007C Bonds, or portion thereof called for redemption.

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

	Square Miles
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	181.7
June 30, 2001	184.8
June 30, 2002	187.0
June 30, 2003	187.5
June 30, 2004	188.5
June 30, 2005	188.7
June 30, 2006	188.8

Source: City of Albuquerque Planning Department.

Population

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

Population

Year	City	Bernalillo County	Albuquerque MSA	State
1960	201,189	262,199	292,500(1)	951,023
1970	244,501	315,774	353,800(1)	1,017,055
1980	332,920	420,262	485,500(1)	1,303,303
1990	384,736	480,577	589,131	1,515,069
2000 April(2)	448,607	556,678	729,649	1,819,046
2000(3)	449,106	556,870	731,611	1,821,526
2001(3)	454,233	561,881	739,463	1,832,608
2002(3)	463,995	572,195	753,410	1,855,400
2003(3)	473,221	581,663	766,806	1,879,252
2004(3)	483,844	592,538	781,380	1,903,006
2005(3)	494,236	603,562	797,940	1,928,384
2006(3)	503,500(4)	615,059	816,811	1,954,599

(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 Torrance County, population of 16,911.
(3) 2000 through 2006 data: U.S. Dept. of Commerce, Bureau of the Census, Population Division. Date Released June 21, 2006.
(4) City estimated as percentage of Bernalillo County for 2006.

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.

2007 Population by Age Group

Age	% City	% County	% State	% U.S.
0-17	24.32	24.00	25.24	24.54
18-24	10.01	10.00	10.56	9.88
25-34	13.37	13.65	12.66	13.37
35-49	21.67	21.48	21.48	21.91
50 and Older	30.63	30.86	31.03	30.30
2007 Est. Median Age	36.65	36.68	36.19	36.53

Source: Claritas Inc., June 2007.

Employment

General

The Albuquerque economy in Fiscal Years 1997 to 2006 grew at an average rate 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 2006 annual employment growth was 2.5%.

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 1997-2006" under the heading "Major Industries" under this caption.

Nonagricultural Employment
(000s Omitted)

Calendar Year	Albuquerque MSA Employment	Albuquerque MSA % Chg.	New Mexico Employment	New Mexico % Chg.	United States Employment	United States % Chg.
1997	337.1	2.6%	708.5	2.0%	122,776	2.6%
1998	342.2	1.5%	720.0	1.6%	125,930	2.6%
1999	347.0	1.4%	729.7	1.4%	128,993	2.4%
2000	357.4	3.0%	744.8	2.1%	131,785	2.2%
2001	362.2	1.3%	757.2	1.7%	131,832	0.0%
2002	361.7	-0.1%	766.1	1.2%	130,347	-1.1%
2003	363.1	0.4%	775.6	1.2%	129,990	-0.3%
2004	370.2	1.9%	790.4	1.9%	131,423	1.1%
2005	377.9	2.1%	808.7	2.3%	133,696	1.7%
2006	391.7	3.7%	833.3	3.0%	136,175	1.9%

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

	Albuquerque MSA			Unemployment Rates		
Calendar Year	Civilian Labor Force	Number Employed	Number Unemployed	Albuquerque MSA	New Mexico	United States
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	370,857	355,580	15,277	4.12%	5.00%	4.00%
2001	376,382	360,240	16,142	4.29%	5.00%	4.00%
2002	378,031	358,841	19,190	5.08%	4.90%	4.70%
2003	382,397	361,686	20,711	5.42%	5.50%	5.80%
2004	391,190	370,654	20,536	5.25%	5.90%	6.00%
2005	399,956	380,354	19,602	4.90%	5.30%	5.10%
2006	403,978	387,797	16,181	4.01%	4.20%	4.60%

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 for 2006. Albuquerque Public Schools, the University of New Mexico, Kirtland Air Force Base, Sandia National Laboratories ("SNL"), the City and Presbyterian Healthcare Services were the largest employers in the Albuquerque area.

Major Employers in the Albuquerque Area[1]
By Number of Employees – 2007

Organization	Employees	% of Total Non-Agricultural & Military Employment[2]	Description
Albuquerque Public Schools	14,480	3.6%	Educational Institution
University of New Mexico	14,300	3.5%	Educational Institution
Kirtland Air Force Base (Civilian)	8,640	2.1%	Air Force Material Command
Sandia National Labs	7,720	1.9%	Research Development
City of Albuquerque	6,710	1.7%	Government
Presbyterian	6,670	1.6%	Healthcare Services
State of New Mexico	5,490	1.4%	Government
Lovelace	5,200	1.3%	Hospital/Medical Services
Kirtland Air Force Base (Military Active Duty)	5,100	1.3%	Air Force Materiel Command
Intel Corporation	4,700	1.2%	Semiconductor Manufacturer
UNM Hospital	4,600	1.1%	Hospital/Medical Services
Bernalillo County	2,300	0.6%	Government
PNM Electric & Gas Services	1,800	0.4%	Utilities Provider
New Mexico Veterans Affairs Healthcare System	1,800	0.4%	Hospital/Medical Services
Central New Mexico Community College	1,770	0.4%	Educational Institution
T-Mobile	1,700	0.4%	Customer Service Center
Sandia Resort & Casino	1,670	0.4%	Casino and Resort
Bank of America	1,600	0.4%	Financial Institution & Customer Service Center
Rio Rancho Public Schools	1,580	0.4%	Educational Institution
Los Lunas Public Schools	1,360	0.3%	Educational Institution
Heritage Home Healthcare	1,300	0.3%	Home-Based Healthcare Services
US Forest Service	1,200	0.3%	Government
Route 66 Casino	1,200	0.3%	Casino
Isleta Gaming Palace	1,200	0.3%	Casino
Eclipse Aviation	1,200	0.3%	Aircraft Manufacturer
Citi Cards	1,170	0.3%	Credit Card Collection 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 (399,535) plus the number of military employees (6,348) for a total of 405,883 employees (estimated by the Bureau of Business and Economic Research (for-UNM) in May 2007.

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

Major Industries

The following narrative discusses the trends in each major sector of the Albuquerque economy. The latest information available to the City in calendar year 2006 is provided unless otherwise noted. The City makes no projections or representations, nor shall the provision of such information create any implication that there has been no change in the described employment sectors of the City or that any historical trends set forth herein will continue. The table in this section entitled “Estimated Nonagricultural Wage and Salary Employment for the Albuquerque MSA, Fiscal Years 1997-2006” 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 0.6% from Fiscal Year 1997 to 2006. Wholesale trade lost employment and utilities had limited growth of 1.0%, but declined in Fiscal Years 2004 and 2005. In the same period retail grew by approximately 1.2%. Retail is an important sector for the City and retail trade makes up approximately 40% of gross receipts tax (“GRT”) revenues. Despite this slow growth in employment in the MSA, gross receipts tax revenues for the retail trade sector grew strongly in the past several years.

Educational and Health Services. Albuquerque is a major regional medical center. Presbyterian Healthcare Services is one of the largest employers in the area. This is the fastest growing category in the MSA economy. From Fiscal Year 1997 to 2006 the average annual growth was 3.8%. The sector now makes up 12.43% 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 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 City’s convention center. The hotel stock in the City of Albuquerque has increased substantially in the past few years. From 1995 to June 2003, construction permits for 4088 hotel rooms were issued. From June 2003 to June 2006, ten hotels with a total of 1073 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 11th 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 continues with growth in Fiscal Year 2005 of 3.3% and growth of 10.7% in Fiscal Year 2006.

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 four 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 1.4% from Fiscal Year 1997 to Fiscal Year 2006. In Fiscal Year 2005 growth was much stronger at 3.4% but growth slowed to 1.9% in Fiscal Year 2006. 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 SNL's core nuclear protection program. As of December 2006, 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 and is expected to be fully functional in 2008. The project has the basic purpose of helping modernize safety, security, and reliability functions of the United States nuclear deterrent and contributes to other national security missions. The Center for Integrated Nanotechnologies ("CINT") officially opened its doors in August 2006 at 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. 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. EMCORE has relocated its corporate headquarters to Albuquerque. The park, as of December 2006, has 22 tenants.

Manufacturing. This sector accounted for 8.6% of City employment in Fiscal Year 1996, declining to 6.1% in Fiscal Year 2006. Employment in this sector peaked in Fiscal Year 1998 at 28,342, declining to 22,610 in Fiscal Year 2006, a loss of 5,592 jobs. In Fiscal Year 2006 there was an increase of 442 jobs in the sector, an increase of almost 2%. The manufacturing sector has held up better in Albuquerque than it has in the United States economy. The job 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 Albuquerque in 1999 and Philips closed its plant in October 2003. Intel, after expanding in 1995 and 2002, announced in May 2007 that it would cut 1,000 workers from its Rio Rancho plant. These are the result of ending production of an older silicon wafer technology.

A new manufacturer, Eclipse Aviation Corporation ("Eclipse"), has set up headquarters in the City and is manufacturing small two-engine jets. Eclipse received authorization for industrial revenue bonds from the City totaling $45 million for buildings, equipment, and machinery at its current facilities at the Albuquerque Airport and at the Double Eagle II Airport. As of June 2007 Eclipse has approximately one thousand employees. The presence of Eclipse at the Albuquerque Airport and the future (2009) relocation of Eclipse at the Double Eagle II Airport helps diversify the City's economy and represent current and future potential for increased revenues from general aviation users.

The City has provided the 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. It is anticipated that Eclipse will use 150 acres of the park and eventually employ approximately 2000 workers. Eclipse reported delivery of its first jet on December 31, 2006. More aircraft are being delivered in 2007.

Tempur-Pedic Inc., a high tech mattress company, opened its plant on January 26, 2007 and will employ as many as 300 workers.

Tesla Motors has announced that it will build an assembly plant for an all electric sedan. The plant is expected to employ around 400 and produce up to 10,000 cars per year.

Information. This sector includes businesses in publishing, broadcasting, telecommunications and internet service establishments. The sector had a modest annual increase of 2.1% from Fiscal Year 1997 to Fiscal Year 2006. After adding over 4,000 jobs from Fiscal Years 1997 to 2001, from Fiscal Year 2003 through Fiscal Year 2006 the sector had a net job loss of about 2,600 jobs. The largest declines came when MCI and QWEST closed their call centers, resulting in a total loss of 1,110 jobs. Not shown in the data is the December 2006 closure of the AOL call center which resulted in a loss of about 900 jobs. Convergys, a global staffing company, took over the space from AOL creating 500 jobs.

Government. Over the past ten years government employment (comprised of federal, state and local employees) has had a relatively constant share of employment. In Fiscal Year 2006 this sector accounted for 20.0% 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; 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 Albuquerque Public Schools, the University of New Mexico, 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 5,100 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 2006. 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 AFB.

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 CROs is to provide leadership, program management, cohesion and collaboration in the expansion of the industry clusters identified by the DOE-funded study. Due to lack of funding, Next Generation Economy Inc., closed at the end of December 2006.

Federal government employment increased by approximately 283 jobs from Fiscal Year 1997 to Fiscal Year 2006. In 2002, the federal government increased employment as the Transportation Safety Administration took over baggage screening operations at the Albuquerque Airport. Total federal civilian employment increased by approximately 225 jobs. In Fiscal Year 2003 net federal government employment increased by 217 jobs. The U.S. Forest Service created a regional office for financial services center, human resources and information technology (IT) personnel in the City. This consolidation resulted in transferring or filling approximately 700 positions. The net increase in Fiscal Year 2006 was 391 workers. In November 2006 it was announced that human resource services for most Forest Services Workers will now be located in the City, adding another 200 jobs by September 2007.

From July 1997 to July 2006 federal government employment was growing slowly, but local government employment increased by almost 8,000 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 on the Santa Ana Pueblo 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 resort hotel. This continues the efforts of certain 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 only 0.7% per year from Fiscal Year 1997 to Fiscal Year 2006, 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 is generally cyclical. There can be large increases in employment due to large road projects, commercial expansions, or strong residential construction and decreases after such large projects are completed. In 2000 and 2001 construction employment in the MSA increased as workers were added for two very large projects: the Intel expansion and the reconstruction of the Big-I interstate interchange. The number of jobs declined in Fiscal Years 2002 and 2003, with completion of these projects. By the end of 2003 the number of jobs started increasing and the increase has continued into 2006. Fiscal Year 2006 had employment of 29,583, a new maximum for this sector**,** an increase of 8.8% or 2,383 jobs from Fiscal Year 2005. The current growth in employment comes from a variety of projects including: road expansion, large public building projects such as the University of New Mexico Hospital, and from continued strong single family home construction in the MSA.

Single family housing construction in the City reached a peak in 2003 and in 2004 and 2005 remained near this high. Also, single family housing outside of the City, particularly in Rio Rancho, increased rapidly in this period. In 2006 single family housing in the City declined by nearly 29%. The slowest growth was in July through December 2006 where permitting is down approximately 50% compared to the same period in 2005. Multifamily construction was slow in the period 2003-2005, but the number of units permitted in 2006 was nearly double 2005.

The only category of permits that increased in value through October 2006 is "additions and alterations." This is typically dominated by public and commercial projects. New commercial construction also remains relatively strong with only a 2% decline in value.

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/commercial 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). By 2010 the plant is expected to employ 1,000 workers. Additional commercial ventures include Albuquerque Studios which has built 8 sound stages for movie and television production. Full time employment at the studios is probably limited to under 100 employees, but during production, there could be several thousand jobs. Sony Pictures Image Works has plans to move 300 employees to a 100,000 square foot building being built by Albuquerque Studios.

The first level master plan for development of Mesa Del Sol has been approved by the Council and more detailed plans have been submitted to the Council under a new tax increment funding plan. The Council approved formation of five tax increment financing districts in Mesa Del Sol in December 2006 and January 2007 for the purpose of financing a portion of the public infrastructure costs for the development.

Construction Building Permits
Issued in Albuquerque

	Single Residential[1]		Multi-Residential			Commercial Buildings		Public Buildings			
Year	# of Permits	$ Value	# of Units	# of Permits	$ Value	# of Permits	$ Value	# of Permits	$ Value	Additions & Alterations $ Value	Total Permits $ 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
2005	4,686	741,415,158	469	10	25,052,416	148	179,734,320	15	80,658,927	150,691,562	1,177,552,383
2006	3,347	584,012,539	884	20	77,119,478	124	157,948,170	6	63,901,069	195,999,123	1,078,980,379
Growth 05-06	-28.6%	-21.2%	88.5%	100.0%	207.8%	-16.2%	-12.1%	-60.0%	-20.8%	30.1%	-8.4%

(1) Figures do not include manufactured housing.

Total Housing Units in the City of Albuquerque:	**Total Units**	**Single Family**	**Multi Family**	**Mobile Homes & Other**
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 (2001-2006)	33,748	29,633	4,115	N/A
Estimated Units as of October 2006	232,462	156,276	67,400	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 for Fiscal Years 1997-2006.

Estimated Nonagricultural Wage and Salary Employment for the Albuquerque MSA Fiscal Years 1997-2006

Category	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2005 to 2006	Annual Average Growth 1997 to 2006
Total Nonagricultural	332,942	340,442	343,508	352,008	361,783	361,150	362,417	366,058	373,492	382,867	2.5%	1.6%
Natural Resources and Mining and Construction	22,367	21,725	21,025	22,267	24,875	24,058	23,500	24,783	27,200	29,583	8.8%	3.2%
Manufacturing	27,650	28,342	26,808	26,892	28,058	25,567	24,133	22,783	22,750	23,192	1.9%	-1.9%
Computer and Electronics Manufacturing	12,492	13,017	11,525	11,450	12,350	11,258	10,408	9,592	9,267	9,350	0.9%	-3.2%
Trade Transportation and Utilities	64,283	66,033	65,950	65,608	66,500	65,642	65,924	65,858	66,466	67,925	2.2%	0.6%
Wholesale Trade	14,650	14,858	14,533	14,133	14,075	13,592	13,233	12,908	12,808	13,000	1.5%	-1.3%
Retail Trade	40,133	41,350	41,050	40,925	41,800	41,492	42,083	42,425	43,275	44,500	2.8%	1.2%
Transportation, Warehousing and Utilities	9,500	9,825	10,367	10,550	10,625	10,558	10,608	10,525	10,383	10,425	0.4%	1.0%
Information	7,217	8,233	9,617	10,875	11,233	11,400	10,542	9,900	8,992	8,733	-2.9%	2.1%
Financial Activities	18,150	18,467	19,400	19,483	19,625	19,117	18,850	18,950	19,192	19,342	0.8%	0.7%
Professional, Scientific and Technical Services	26,300	26,042	25,917	26,592	26,858	26,958	27,767	28,242	29,292	29,842	1.9%	1.4%
Management/Administration/Support	26,358	27,492	29,033	31,142	32,225	31,000	29,892	29,825	30,675	31,292	2.0%	1.9%
Educational and Health Services	33,642	34,975	35,667	36,983	38,025	40,392	42,042	43,758	45,717	47,158	3.2%	3.8%
Leisure and Hospitality	31,967	32,267	32,225	32,900	34,025	34,392	35,308	36,200	36,008	36,933	2.6%	1.6%
Food Services and Drinking Places	25,050	24,933	24,667	25,375	26,225	26,675	27,383	28,125	27,708	28,317	2.2%	1.4%
Other Services	10,625	10,683	10,750	10,792	11,050	11,242	11,608	11,733	11,825	12,042	1.8%	1.4%
Government	64,383	66,183	67,117	68,475	69,308	71,383	72,850	74,025	75,375	76,825	1.9%	2.0%
Federal Government	29,600	30,725	31,808	32,433	33,175	34,792	35,567	36,133	37,050	37,575	1.4%	2.7%
State Government	20,608	21,358	21,308	21,917	22,333	22,658	23,133	23,850	24,258	24,792	2.2%	2.1%
Local Government	14,175	14,100	14,000	14,125	13,800	13,933	14,150	14,042	14,067	14,458	2.8%	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. The Bureau of Economic Analysis defines "earnings" as including wages and salaries, proprietor's income and other labor income (such as bonuses).

Per Capita Personal Income [1]

Calendar Year	Albuquerque MSA	New Mexico	United States
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	25,846	22,133	29,843
2001	27,982	24,083	30,562
2002	27,853	24,247	30,795
2003	28,250	24,846	31,466
2004	29,836	26,679	33,090
2005	30,884	27,889	34,471
2006	Not Available	29,673	36,276

(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 2005, the latest available to the City.

Albuquerque MSA
Estimated Earnings by NAICS Industry, 2001-2005[1]
($000s omitted)

NAICS Category	2001	2002	2003	2004	2005
Farm earnings	$25,630	$12,106	$16,105	$28,439	$13,748
Nonfarm earnings	15,970,429	16,389,464	17,019,271	18,092,908	19,151,506
Private earnings	12,520,332	12,630,848	13,059,490	13,797,093	14,655,522
Mining	54,281[2]	44,758[2]	45,115[2]	44,779[2]	57,849
Utilities	[3]	49,281[2]	[3]	[3]	[3]
Construction	1,239,397	1,147,682	1,201,973	1,314,559	1,527,982
Manufacturing	1,556,027	1,441,864	1,471,456	1,487,334	1,553,845
Wholesale trade	687,670[2]	722,645[2]	702,976[2]	759,767(2)	792,921[2]
Retail trade	1,238,880	1,262,678	1,290,602	1,363,141	1,424,145
Transportation and warehousing	438,587	459,654	466,996	[3]	516,904
Information	[3]	467,517[2]	466,678[2]	529,376[2]	536,645
Finance and insurance	839,520	865,480	853,728	855,191[2]	873846[2]
Real estate and rental and leasing	323,402	319,292	347,767	356,428[2]	392,312[2]
Professional and technical services	2,075,313[2]	2,128,192	2,293,733	2,412,489	2,547,593[2]
Management of companies and enterprises	235,848[2]	229,610[2]	203,383[2]	211,311[2]	239,828
Administrative and waste services	727,097[2]	767,661[2]	767,658[2]	828,781[2]	869,555[2]
Educational services	111,012[2]	120,809[2]	134,483[2]	159,697	163,997[2]
Health care and social assistance	1,357,454[2]	1,490,691[2]	1,577,169[2]	1,749,096	1,874,783[2]
Arts, entertainment, and recreation	93,009	86,668[2]	90,789[2]	93,569[2]	98,032[2]
Accommodation and food services	476,051	493,300[2]	525,585[2]	555,158[2]	575,253[2]
Other services, except public administration	391,118[2]	442,869[2]	465,327[2]	480,945[2]	504,902
Government and government enterprises	3,450,097	3,758,616	3,959,781	4,295,815	4,495,984
Federal, civilian	1,041,616	1,111,182	1,146,070	1,252,746	1,304,582
Military	316,985	380,690	419,768	451,658	467,961
State government	866,008	945,075	1,030,038	1,103,907	1,164,419
Local government	1,225,488	1,321,669	1,363,905	1,487,504	1,559,022

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

Percent of Households by
Effective Buying Income Groups-2006

Effective Buying Income Group	Bernalillo County	New Mexico	United States
Under $25,000	26.02%	29.90%	23.90%
$25,000-$34,999	12.47%	12.70%	11.10%
$35,000-$49,999	16.83%	16.60%	15.60%
$50,000 and over	44.68%	40.80%	49.40%
2006 Est. Median Household Income	$45,256	$41,045	$48,775
2007 Est. Median Household Income	$46,582	$41,569	$49,314

Source: Claritas, Inc., June 2007

FINANCIAL INFORMATION

General

Taxes and Revenues

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

The general policy of the City is to charge for services where those who benefit from the services are easily identified and charged according to their use and benefit. Thus, refuse, golf and airport services are 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 Council on or before April 1 of each year. Budget data is prepared on the modified accrual basis, consistent with the City's basis of accounting. Governmental funds, expendable trust funds, and agency funds use the modified accrual basis of accounting, while enterprise and nonexpendable trust funds are on an accrual basis. Transactions are recorded in individual funds and each is treated as a separate entity. The Council is required to hold at least three public hearings and must adopt 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 Council, except that the Mayor has authority to adjust program budgets up to 5% or $100,000, whichever is less, provided that no such adjustment shall result in a change in the total expenditures authorized in the budget for City government as a whole.

Budget Process - Estimates, Forecasting and Revision of Revenues

In May or June of each year the Council adopts a budget for the upcoming Fiscal Year (beginning July 1). The City prepares revenue forecasts for five-year periods (referred to as the "Five-Year Forecast") each December and updates the budget year forecast prior to introduction of the Mayor's Proposed General Fund Budget. All revenue forecasts are prepared by the Office of Management and Budget. These forecasts make certain adjustments to revenue forecasts in the current budget based on events occurring since the preparation of the budget and provide a starting point for preparation of the next year's budget. The Forecast Advisory Committee, comprised of 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 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 2007-2011 was presented to the Council in December 2006. This forecast was used to help develop the Fiscal Year 2008 budget.

Budget Process - Capital Funds

The budget amounts of the capital project funds and certain of the special revenue funds are individual project budgets authorized by the Council for the entire length of the project which are not necessarily the same as the Fiscal Year of the City. Pursuant to City ordinance, the Mayor develops a capital implementation program ("CIP"), which consists of a ten-year plan of capital expenditures, including a more detailed two-year CIP budget, and submits it to the Council by January 23 of each odd-numbered year. See "Capital Implementation Program" below. The Council is required to hold at least one public hearing and must approve the budget as proposed or as the Council amends it within 60 days after the submission date. The Mayor may change the amount designated for a specific capital project in a CIP budget without Council approval, if the total change does not exceed 20% of the original amount designated for the project.

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

The General Fund

General Fund Revenues

The General Fund is the City's primary operating fund and is used to account for the general operations of the City and for all financial resources, except those required to be accounted for in another fund. Set forth below are discussions of General Fund revenues in Fiscal Years 2006 and 2007.

<u>Actual Fiscal Year 2006 Revenues.</u> Revenues in Fiscal Year 2006 substantially outperformed any of the estimates.

The revenues for Fiscal Year 2006 are actual audited results for the General Fund. Total Revenues were $447.3 million, $8.7 million above estimate, and an increase above Fiscal Year 2005 of 8.0%. Strengths were in gross receipts taxes, charges for services, interest earnings and fines. Weaknesses were 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 the fund balance. The following describes each sector in more detail.

<u>Gross Receipts Tax</u>. GRT revenues were above the estimates by $6.3 million, or 2%. Growth in the GRT tax base for Fiscal Year 2006 over 2005 was a strong 7.1%, well above historical averages. The growth for the quarter cent public safety tax was stronger than this, as Fiscal Year 2005 only included 11 months of that tax.

<u>Local Taxes other than GRT</u>. Property taxes revenues were as estimated, a strong 9.4% above Fiscal Year 2005. Franchise tax revenues totaled $24 million. Revenues from the telephone franchise with QWEST declined again in Fiscal Year 2006. 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 franchise agreement 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 prior years, the City water utility, as predecessor to the Water Authority, made payments 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.

PILOT revenues in Fiscal Year 2006 were slightly above the estimated amounts at $1.5 million.

Licenses and Permits. Building permit revenues in Fiscal Year 2006 were $263,198 above the amount estimated. Although single-family construction began to slow in Fiscal Year 2006, revenues were 2.8% above 2005.

Revenues from other permits and licenses were $117,000 below the estimate. Business licenses, restaurants and food inspections all showed increases. Animal license revenues declined due to changes in procedures and some one-time revenues received in Fiscal Year 2005.

Intergovernmental Revenues Other Than GRT For Fiscal Year 2006. Intergovernmental revenues, other than GRT distributions, were $1.05 million above the estimate and were 23.2% above Fiscal Year 2005. Gains were primarily due to one-time revenues of $896,000 from the Federal Emergency Management Agency for compensation to the City for services provided to hurricane victims.

Charges for Services. Direct charges for services were strong, due to revenues from construction related fees for engineering, zoning fees, and records search fees.

Internal services include charges for services provided to other City funds. This includes landscaping maintenance by the Parks and Recreation Department for the Albuquerque Airport, provision of special legal counsel to other funds, engineering and surveying for the department of municipal development. 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 close to the amount anticipated.

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 jumped as the Federal Reserve Bank increased short term interest rates. Revenues were approximately $700,000 above the estimate and are nearly double the amount received in Fiscal Year 2005.

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

Revised Revenue Estimates for Fiscal Year 2007

Total General Fund revenues for Fiscal Year 2007 are anticipated to be $469.5 million or $22.2 million above Fiscal Year 2006. This is an increase of 5% over Fiscal Year 2006 and is $18.4 million above the approved Fiscal Year 2007 budget. There are several reasons for the strong growth. The increase above the approved budget is due to stronger than expected Gross Receipts Tax (GRT) revenues in Fiscal Year 2006 and stronger than anticipated growth in Fiscal Year 2007. This was somewhat offset by the .0125% tax decrease effective in January 2007. The City loses only five months of revenues, due to the one month delay in receiving GRT revenues. Non-recurring revenues are estimated in Fiscal Year 2007 at $18.2 million, including $10.6 million in GRT revenues received prior to the .0125% tax cut, $3.5 million (of the estimated $9 million) in STOP (traffic photo enforcement) program revenues, the revenues for Transportation Infrastructure Tax CIP funded positions and other one time grants and transfers.

Approved Budget Revenue Estimates for Fiscal Year 2008

The Fiscal Year 2008 Approved Budget revenues are $475.3 million. This represents an increase of only 1.2% or $5.6 million. The limited growth is due to the full year impact of the .0125% reduction in GRT revenues. Details by category are discussed in the following text.

Gross Receipts Taxes. GRT distributed to the City is reported as state shared revenues and municipal revenues. The state shared portion that is distributed to municipalities is 1.225% of GRT.

Gross Receipts Tax revenues, after experiencing weak growth of 0.2% in Fiscal Year 2002, increased by 4.6% in Fiscal Year 2003, 9.2% in Fiscal Year 2004, 4.2% in Fiscal Year 2005 and 7.3% in Fiscal Year 2006. In Fiscal Year 2007, growth is expected to be 7.5%. The revenue estimate for Fiscal Year 2007 was adjusted for the effect of the half year tax cut of .0125% that went into effect in January 2007. Growth in the Fiscal Year 2008 is estimated at 4.3%. The tax cut reduces growth in the total GRT revenues to 5.1% in Fiscal Year 2007 and 1% in Fiscal Year 2008.

Until July 1, 2004, the total GRT rate (State, County and City) imposed in the City was 5.8125%. Because of various rate increases, the total GRT rate imposed during Fiscal Year 2006 was 6.7500%. The County increased its GRT rate by 0.125% on July 1, 2006 increasing the rate imposed in the City to 6.875%. Although the County increased its GRT rate by another 0.125% on January 1, 2007, the City reduced its GRT by 0.125% on the same date and on January 1, 2007 the total GRT rate imposed in the City remained at 6.875%.

Local Taxes Other Than Gross Receipts. Growth in property tax revenues for Fiscal Year 2008 is expected to be 2.5% with revenues of $30.7 million. Franchise fee revenues are expected at $25.2 million an increase of 4%. Growth comes primarily from expected increases in the price of natural gas and general population growth for the other franchises. Telecommunications franchises are expected to again remain flat as cell phones continue to limit growth. PILOT revenues are anticipated to increase $60,000 from Fiscal Year 2007, an increase of 4%.

Licenses and Permits. Permit revenues are expected to remain relatively flat. Building permit revenues after substantial decline in Fiscal Year 2007 are expected to maintain that level for Fiscal Year 2008. Other permit and license revenues are expected to grow 2% with general growth in the City.

Intergovernmental Revenues Other than Gross Receipts. Intergovernmental revenues are expected to decline in Fiscal Year 2008 because of a reduction of $660,000 in one-time grants received in Fiscal Year 2007. Gasoline tax revenues and vehicle license revenues are expected to show little growth and cigarette tax revenues are expected to continue their decline.

Charges for Services. Charges for City services sold to the public such as zoo and bio park admissions are expected to show modest growth of about 4%.

Indirect overhead revenues in Fiscal Year 2008 are expected to increase 3.6%, about the expected increase in wages and salaries.

Internal Services are expected to increase substantially as the City Parks Department has a new contract with the Albuquerque Airport to maintain additional grass at the airport and car rental facility. This is an increase of $715,000, but there are also increased expenses that offset these charges.

Charges for positions funded by the CIP program are up $1.3 million, but these revenues are completely offset by expenses. CIP charges are up only due to a reduction in expected revenues in Fiscal Year 2007.

Miscellaneous Revenues. Interest earnings are expected to be up slightly from the Fiscal Year 2007 level, as interest rates are expected to remain relatively flat. Revenues from the STOP (traffic photo enforcement) program are expected to decline from Fiscal Year 2007 as the number of intersections with photo enforcement stops growing.

Inter-Fund Transfers. Inter fund transfers are expected to grow with the costs of programs and a one-time transfer of $1 million from police evidence funds.

General Fund Appropriations and Expenditures

Fiscal Year 2006 Year End Report. The Fiscal Year ended with a substantial fund balance above the City's 1/12th reserve. Because of increases and uncertainties about fuel costs, a reserve for fuels was set aside in mid-year for 2006. After appropriating the fuel reserve as planned, no City department overspent its total appropriation. The General Fund produced a significant fund balance and only four other funds required clean-up from their existing fund balance.

General Fund programs and actual revenues exceed the revised budget estimate by $13.1 million. Encumbrances totaled $5.2 million. Of the available fund balance of $34.5 million in Fiscal Year 2006, $20.4 million was carried forward and appropriated in the Fiscal Year 2007 budget.

There were 108 General Fund Fiscal Year 2006 programs. Only three programs had expenses that exceeded their budget by the lesser of 5% or $100,000.

Fiscal Year 2007 Revised Estimate. Revenue estimates were revised upward by a total of $18.4 million from the Approved Budget for Fiscal Year 2007. This was primarily due to the strong growth in GRT and increases in one-time revenues from the STOP red light photo enforcement program. Revenues were also reduced by the .0125% GRT reduction approved after the budget was completed. Appropriations for the Fiscal Year were increased by $12.3 million over the original approved budget. There were $19 million in one-time appropriations such as increased expenditures for the photo enforcement program (covered by increased revenue), reserve for purchase of rail yard buildings, additional police vehicles, initiatives for community planning, and substance abuse treatment. Recurring expenses were reduced by $7.5 million representing reversions, primarily in salary savings.

The available fund balance, above the 1/12th reserve, is $25.1 million and the estimate of recurring revenues exceeded recurring expenses by $23.3 million. Much of this available fund balance was used for non-recurring expenses in the Fiscal Year 2008 budget.

Fiscal Year 2008 Budget Synopsis; Revenues and Expenditures. The approved Fiscal Year 2008 budget was built on the assumption that total revenues will increase 5.4% over the Fiscal Year 2007 budgeted revenues. This growth in revenues supports the total growth of expenditures in the budget of 4.3% above the original budget level for Fiscal Year 2007. The estimated Fiscal Year 2008 revenues of $475.3 million is an increase of 1.2% or $5.8 million above the Fiscal Year 2007 estimated actual revenue level. The increase is small due to the full year impact of the .0125% decrease in GRT that was in effect for only five months in Fiscal Year 2007.

The Fiscal Year 2008 Budget represents primarily maintenance of effort, with salary increases for employees which are a continuance of the increases negotiated in Fiscal Year 2007. These increases were 3.5% for most employees and 4.5% for police and fire fighters. New or expanded programs include: enhancement of 911 services, added hours at City libraries, and a Family Advocacy Center. The fund balance from Fiscal Year 2007 will be used for non-recurring events such as one-time funding to Bernalillo County for the Metropolitan Detention Center, snow removal and officer retention efforts.

Total recurring revenues exceed recurring appropriations by $977,000 in the Fiscal Year 2008 approved budget. In comparison, the original approved 2007 growth in recurring revenues is 2.68%, while recurring appropriations increased 3.84%.

General Fund

($000's)	Original Budget FY 2007	Estimate Expenditures FY 2007	$ Change	% Change	Approved Budget FY 2008	Change Original FY 2007 & FY 2008	% Change Approved
Revenue:							
Recurring	$441,300	$451,264	$9,964	2.26%	$453,106	$27,124	2.68%
Nonrecurring	9,838	18,238	8,400	85.38%	22,192	1,589	125.57%
TOTAL	$451,138	$469,502	$18,364	4.07%	$475,298	$28,713	5.36%
Appropriations:							
Recurring	$435,410	$427,918	($7,492)	-1.72%	$452,129	$21,241	3.84%
Nonrecurring	41,270	60,993	19,723	47.79%	44,832	8,932	8.63%
TOTAL	$476,680	$488,911	$12,231	2.57%	$496,961	$30,173	4.25%
Recurring Balance	$5,890	$23,346			$977		

Details on the Fiscal Year 2007 budget can be found on the City website at http://www.cabq.gov/budget/. For Fiscal Year 2008, the proposed budget is available on the City website and the approved budget will be available in August 2007.

General Fund Balances

The following table shows actual revenues, expenditures and fund balances for the General Fund in Fiscal Years 2003 through 2006, the City's approved budget for 2007 and the approved budget for Fiscal Year 2008.

General Fund Revenues, Expenditures and Fund Balances
Fiscal Years 2002-2007
($000)

REVENUES	Actual 2003	Actual 2004	Actual 2005	Actual 2006	Approved Budget 2007	Estimated Actual 2007	Approved Budget 2008	Compound Annual Chg 03 - 08
Taxes:								
Property Tax	$16,498	$24,734	$26,153	$28,605	$29,663	$30,032	$30,782	13.3%
Gross Receipts Tax	93,173	101,663	134,936	147,742	150,146	151,194	146,555	9.5%
Other Taxes	17,457	17,695	17,953	18,752	18,776	19,029	19,966	2.7%
Water Authority PILOT/Franchise	4,779	5,111	4,770	5,203	5,172	5,172	5,195	1.7%
Payment in lieu of taxes	834	925	1,122	1,465	1,510	1,510	1,570	13.5%
Total Taxes	132,741	150,128	184,934	201,766	205,267	206,937	204,068	9.0%
Licenses & Permits	12,279	13,716	15,026	15,203	13,318	13,530	13,591	2.1%
Intergovernmental Revenue:								
State and Federal Grants	46	370	145	1,060	-	-		-100.0%
State Shared Revenue:								
Gross Receipts Tax	142,840	156,138	162,583	173,955	177,242	187,001	195,042	6.4%
Other State Shared	4,233	4,256	4,791	4,868	4,727	4,919	4,322	0.4%
County	242	201	332	562	281	418	258	1.3%
Total Intergovernmental Revenue	147,361	160,965	167,851	180,444	182,250	192,338	199,622	6.3%
Charges for Services	37,770	40,429	41,287	41,680	42,162	41,012	44,401	3.3%
Miscellaneous	1,249	3,898	2,598	6,059	5,535	13,076	9,629	50.5%
Other Transfers	1,509	1,927	2,112	2,140	2,606	2,609	3,987	21.4%
TOTAL REVENUES	332,909	371,063	413,807	447,293	451,138	469,502	475,298	7.4%
Beginning Fund Balance	36,600	43,124	64,786	85,424	72,156	87,350	67,941	13.2%
TOTAL RESOURCES	369,508	414,188	478,593	532,718	523,294	556,852	543,239	8.0%
EXPENDITURES								
General government	43,802	59,417	58,613	62,600	63,686	64,890	73,645	11.0%
Public safety	130,107	139,621	163,130	203,897	212,430	213,586	222,927	11.4%
Cultural and recreation	48,653	49,171	57,242	65,591	72,516	70,701	60,057	
Public works	6,161	8,037	8,444	-	2,913	2,623		
Municipal Development(1)	-	-	-	24,800	25,687	25,603	34,293	13.1%
Highways and Streets	12,374	8,107	9,817	-	-	-		
Health	6,557	6,906	8,699	9,951	13,341	13,127	14,637	17.4%
Human services	27,146	27,385	31,903	28,409	39,694	41,137	44,233	10.3%
Other transfers out	51,584	50,757	55,320	50,118	46,413	57,244	47,169	(1.8%)
TOTAL EXPENDITURES	326,384	349,401	393,168	445,3670	476,680	488,911	496,961	8.8%
ENDING FUND BALANCE	43,124	64,786	85,424	87,350	46,614	67,941	46,278	
TOTAL ADJUSTMENTS(2)	(502)	(1,197)	(3,935)	(5,645)	29	(287)	(287)	
Reserves	27,758	29,477	38,239	47,411	46,585	42,055	45,009	
AVAILABLE FUND BALANCE	14,864	34,112	43,250	34,294	58	25,599	982	
Ending fund balance as percent of recurring revenues (3)								
Ending fund balance as percent of total expenditure (3)	13.2%	18.5%	21.7%	19.6%	9.8%	13.9%	9.3%	
Recurring revenues	329,710	360,542	400,827	438,531	441,300	447,368	453,106	6.6%
Recurring expenditures	324,829	341,032	372,032	413,212	435,410	436,103	452,129	6.8%

(1) Beginning in Fiscal Year 2006, the categories Public Works and Highways and Streets were included in Municipal Development.
(2) Adjustments reflect changes in reserves for encumbrances and other accounting adjustments. The adjustments for the designation for future appropriations are not made following the change in reserve policy in Fiscal Year 2003.
(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 revenues.

Revenues

Municipally Determined Revenues

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

Local Option Gross Receipts Taxes. The City has authority under the Municipal Local Option Gross Receipts Taxes Act (Sections 7-19D-1, *et seq*. NMSA 1978 as amended) to impose up to 1.50% municipal GRT on the gross receipts of any person engaging in business in the City. The municipal GRT imposed by the City on July 1, 2006 was 1.25%. However, effective January 1, 2007, the City reduced its GRT by 0.125%. The City has also imposed a 0.0625% municipal infrastructure GRT for general purposes and has authority to impose a second 0.0625% municipal infrastructure GRT for general purposes without a referendum. The City may impose, with voter approval, an additional 0.125% municipal infrastructure GRT for general municipal purposes, infrastructure, regional transit and/or economic development; a 0.0625% municipal environmental services GRT and an additional 0.25% municipal capital outlay GRT for municipal infrastructure and other purposes. Effective July 1, 2007 the City was given authority to impose an additional 0.25% for general purposes without a referendum. 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 GRT 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 2006 and Fiscal Year 2007, 3.012 mills were imposed on residential property and 3.544 mills were imposed on commercial property. These revenues are subject to yield control. See "Property Taxes" below.

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

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 GRT. In 1992, the State GRT distribution to a municipality was reduced from 1.35% to 1.225% of the gross receipts collected in that municipality. In addition to the 1.225% GRT 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). Beginning Fiscal Year 1987, the maximum levy for City operations (the "operational levy") has been 7.650 mills. The operational levy is subject to yield control. The yield control provisions of Section 7-37-7.1 NMSA 1978, as amended, require that the Local Government Division of the New Mexico Department of Finance and Administration annually adjust operational mill levies subject to yield control after the reassessment of property to prevent revenues on locally assessed residential and non-residential properties from increasing by 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.

A 1998 amendment to the State Constitution allows the State Legislature to enact legislation providing for the assessment of residential properties at levels different than the current estimated market value of a home on the basis of age, income, or home ownership. Section 7-36-21.2 NMSA 1978, as amended, limits increases in the value of residential property for taxation purposes beginning with the Tax Year 2001. The section provides that, with respect to properties within a county assessing properties in the aggregate at or greater than 85% of their market value, a property's new valuation shall not exceed 103% of the previous year's valuation or 106.1% of the valuation two years prior to the Tax Year in which the property is being valued. This does not apply to residential properties in their first year of valuation, physical improvements made to the property or instances where the owner or the zoning of the property has changed in the year prior to the Tax Year for which the value of the property is being determined. After reassessment for Tax Year 2002, the City exceeded the 85% ratio of assessment to market value and the limitation on new valuation increases was applied for Tax Year 2003. Section 7-36-21.3 NMSA 1978, as amended, freezes the property tax valuation for single family dwellings owned and occupied by persons 65 or older and whose taxable gross income does not exceed $18,000. The valuation is frozen at the level of the 2001 Tax Year, if the person was then 65, or frozen in the subsequent year in which the person has his or her 65th birthday. Section 7-36-21.3 NMSA 1978, freezes the property tax valuation for single family dwellings owned and occupied by persons who are disabled and whose taxable gross income does not exceed $18,000. The valuation is frozen at the level of the 2003 Tax Year, if the person was then determined to be disabled, or in the subsequent year in which the person is determined to be disabled.

Rates

The total rates for City property taxes in effect for Tax Year 2006 (Fiscal Year 2007) are 10.988 mills for residential and 11.520 mills for commercial property. As set by the State

Department of Finance and Administration, the general obligation bond debt service levy for Tax Year 2006 (Fiscal Year 2007) is 7.976 mills and the operational levy is 3.012 mills on residential property and 3.544 mills on commercial property.

Purpose of Property Tax	**Total Taxing Authority**	**Levy Imposed**	**Unused Authority**
Operations:	7.650 mills		
Residential		3.012 mills	4.638 mills
Commercial		3.544 mills	4.106 mills
Debt Service[1]	12.000 mills[2]		
Residential		7.976 mills	4.024 mills
Commercial		7.976 mills	4.024 mills

(1) Debt service levy is a function of assessed value and bonds outstanding authorized in City general elections every two years.
(2) The City is authorized to contract debt, after an election, and is required to levy a tax, not exceeding 12 mills on the dollar, for payment of the debt from such election.

Source: City of Albuquerque, Office of City Treasurer.

State law mandated a statewide reassessment of properties in 1986 (Fiscal Year 1987), when 1980 market values became the basis for determining assessed valuation. Subsequent statewide reassessments were conducted in 1990 and odd numbered years thereafter each of which brought valuations in line with the market value of two years prior to such reassessment. It is anticipated that the State will continue the policy of biennial reassessments to maintain valuation at current and correct value, as required by statute. The debt service levy has varied over the last 20 years and the close to 17% increase in valuation due to the 1995 reassessment made possible a reduction in the debt service levy to 9.468 mills for Fiscal Year 1996. In Fiscal Year 2004 the debt service levy was decreased to 7.976 mills, where it remained on January 1, 2007.

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 which is currently $40,000,000, of which $22,250,000 is outstanding, with $20,282,553 payable from taxable property within the City.

City of Albuquerque
Summary of Authorized and Outstanding General Obligations
as of July 1, 2007

	Currently Outstanding	Other Authorized Unissued
General Obligation Bonds:		
General Purpose G. O. Bonds (Subject to 4% debt limitation)	$127,390,000[1]	$43,045,000
Storm Sewer G.O. Bonds (Secured by Ad Valorem taxes)	$37,105,000[1]	$5,080,000
TOTAL GENERAL OBLIGATION BONDS	$164,495,000[1]	$48,125,000
Revenue Bonds:		
State Shared GRT	$62,466,523	0
State Shared GRT/Lodgers	74,743,699	0
Municipal Gross Receipts Tax	3,730,000	0
Airport Revenue	190,400,000	0
Transit Bus Lease	20,000,000	0
Refuse Removal and Disposal	22,222,636	0
Special Assessment Districts	3,738,005	0
Hospitality Fee	4,270,000	0
TOTAL REVENUE BONDS	$381,570,863	
TOTAL G.O. AND REVENUE BONDS	$546,065,863	$48,125,000

(1) The Series 2007 Bonds, to be issued in the amount of $48,125,000, are not included.

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

4% Assessed Value of $9,858,168,778	$394,326,751
Outstanding (General Purpose subject to 4% limitation):	127,390,000
Available for Future Issues	$266,936,751

* See the table below entitled "Assessed Valuation County Tax Year 2006 (Fiscal Year 2007)."

City of Albuquerque
Assessed Valuation
(County Tax Year[1] 2006 - Fiscal Year 2007)

Market Value of Property Assessed	$34,348,325,418
(1/3 Market Value)	$11,107,040,498
Less Exemptions	(1,591,273,028)
Plus Centrally Assessed (Corporate)	342,401,308
Certified Net Tax Base[2]	$9,858,168,778[3]

(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 June 30, 2007

Gross G.O. Bonded Debt	$164,495,000 (1)
Less G.O. Sinking Fund Balance (June 30, 2007)	(5,982,120) (2)
Net G.O. Bonded Debt	$158,512,880

	G.O. Debt	Tax Year 2006 Assessed Valuation	% Applicable to City	Net Overlapping
City of Albuquerque	$ 158,512,880	$9,858,168,778	100.00%	$158,512,880
Albuquerque Public Schools	163,490,000	13,148,008,854	74.98%	122,582,212
Albuquerque Metropolitan Arroyo Flood Control Authority	36,200,000	11,399,814,221	86.48%	31,304,520
Central New Mexico Community College	39,700,000	11,803,725,436	83.52%	33,156,422
Bernalillo County	88,580,000	11,868,673,831	83.06%	73,574,908
State of New Mexico	$362,735,000	$32,194,252,218	30.62%	$111,072,710
Total Direct and Overlapping G.O. Debt				$530,203,653

Ratios	
Direct and Overlapping G.O. Debt as Percent of Taxable Assessed Valuation	5.38%
Direct and Overlapping G.O. Debt as Percent of Actual Market Valuation	1.54%
Assessed Valuation Per Capita (2006 Estimated Population 500,661) (3)	$ 19,579.28
Direct and Overlapping G.O. Debt Per Capita	$ 1,053.04

(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 June 30, 2007 was $6,876,000. The amount properly attributable to principal reduction is 87% 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
(Fiscal Year 2006, County Tax Year 2005)

General Obligation Debt

Fiscal Year	Population[1]	Taxable Value(000s)[2]	Total G.O. Debt (000s)	Debt Service Fund(000s)[3]	Net G.O. Debt (000s)	Ratio of Net G.O. Debt To Taxable Value	Net G. O. Debt Per Capita
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 [4]	6,856,281	152,825	24,832	127,993	1.87%	285.31
2001	454,015 [4]	6,900,667	138,180	10,707	127,473	1.85%	280.77
2002	460,464 [4]	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
2006	500,661	9,307,581	276,205	9,977	266,228	2.86%	531.75

(1) Population is estimated for all years except for June 30, 2000 which is based on Bureau of Census data. Estimates provided by City of Albuquerque Planning Department.
(2) Assessment made by County Assessor. The taxable ratio by State statute is one-third of assessed value.
(3) Available for debt service.
(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 July 1, 2007[1]

Fiscal Year	Principal	Interest	Total Debt Service
2008	$32,275,000	$7,286,715	$39,561,715
2009	29,900,000	5,883,925	35,783,925
2010	27,900,000	4,601,825	32,501,825
2011	25,695,000	3,354,813	29,049,813
2012	18,685,000	2,165,513	20,850,513
2013	18,685,000	1,377,963	20,062,963
2014	11,355,000	482,588	11,837,588
	$164,495,000	$25,153,340	$189,648,340

(1) The Series 2007 Bonds to be issued in the amount of $48,125,000 are not included.

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

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

Fiscal Year	Principal	Interest	Total Debt Service	Total General Fund Expenditures (Excluding GO Debt Service)(1)	Debt Service as a % of Total General Fund Expenditures (Excluding GO Debt Service)
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%
2006	76,440,000	10,562,178	87,002,178	445,366,856	19.5%

(1) Includes transfers and other financing uses.

Sources: City of Albuquerque Comprehensive Annual Financial Reports.

Tax Administration

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

City of Albuquerque
Net Taxable Property Values

Tax Year[1]	Real Property	Corporate Property	Personal Property	Net Taxable Valuation	Percent (%) Growth Per Year
1997[2]	$4,651,461,720	$269,111,763	$264,119,812	$5,184,693,295	2.11%
1998	4,918,412,659	241,257,015	309,966,061	5,469,635,735	5.50%
1999	5,047,988,793	263,165,055	345,747,000	5,656,900,848	3.42%
2000	6,234,946,669	281,059,652	340,275,027	6,856,281,348	21.20%
2001	6,657,462,354	347,858,674	413,809,882	7,419,130,910	8.21%
2002	6,880,088,229	361,189,032	378,149,519	7,619,426,780	2.70%
2003	7,132,035,544	332,740,564	419,057,494	7,883,833,602	3.47%
2004	7,582,619,605	314,998,373	387,875,178	8,285,493,156	5.09%
2005	8,602,349,098	324,655,661	380,575,833	9,307,580,592	12.34%
2006	9,133,223,501	342,401,308	382,543,969	9,858,168,778	5.92%

(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 2006 (Fiscal Year 2007)[1]

Name of Taxpayer	Taxable Value[2] 2006 Assessed	Tax Amount[3]	Percentage of Total City Assessed Valuation[3]
Qwest (US West)	$98,381,250	$4,579,877	0.998%
PNM Electric	78,242,575	3,640,027	0.794%
PNM Gas Services	21,179,074	868,578	0.215%
Southwest Airlines	19,210,731	859,661	0.195%
Crescent Real Estate (Hyatt Hotel)	18,726,794	939,317	0.190%
Comcast Cablevision of New Mexico	16,396,478	733,726	0.166%
Simon Property Group Ltd. (Cottonwood Mall)	15,960,737	714,227	0.162%
Heitman Properties of NM (part of Coronado Shopping Mall)	15,688,598	702,049	0.159%
Voicestream PSC II Corporation	13,826,083	618,703	0.140%
Verizon Wireless (VAW) LLC.	11,121,035	497,655	0.113%
Alltel Communications Inc.	9,788,097	438,008	0.099%
AHS Albuquerque Regional Medical Center	8,314,168	372,051	0.084%
HUB Albuquerque LLC/HRPT Properties	6,832,950	342,734	0.069%
DI Albuquerque Funding Com Inc.	6,940,973	310,602	0.070%
Winrock Property (Winrock Mall)	6,520,159	291,771	0.066%
	$347,129,702	$15,908,986	3.5%

(1) 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.
(2) The aggregate net taxable value of the top 15 taxpayers for Tax Year 2006 represents only 3.52% of the total net taxable value of the City for 2006. See the following table entitled "City of Albuquerque History of Property (Ad Valorem) Tax Levy and Collection."
(3) The tax amounts shown include assessments by jurisdictions other than the City.

Source: Bernalillo County Treasurer's Office.

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

Fiscal Year	Total Current Tax Levy (1)	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Total Collections as Percent of Current Levy	City Debt Service Collections	Percent of Total City Levy
1997	$58,414,008	$55,266,156	94.61%	$2,591,732	$57,857,888	99.05%	$45,646,455	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	101.60%	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 (2)	71.8%
2005	92,559,948	88,965,021	96.12%	3,234,797	92,199,818	99.61%	66,046,681	71.4%
2006	102,290,447	99,100,903	96.88%	3,189,545	102,290,447	100.00%	75,054,147	73.4%

(1) Includes both operating and debt service levies. Reported each January by the County Treasurer based on tax bills, including those under protest.
(2) Since debt service mill levy decreased from 8.976 mills in Fiscal Year 2003 to 7.976 mills in Fiscal Year 2004, City debt service collections decreased slightly.

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

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

Tax Year	Total Tax Levy	City	Bernalillo County	State of New Mexico	Schools	Technical Vocational Education	Flood Control Authority	Hospital	Conservancy District
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	0.924	6.310	4.975
2006	44.710	11.144	8.543	1.291	8.483	3.181	0.934	6.487	4.647

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 GRT which is levied by the State for the privilege of doing business in the State and is collected by the Department of Taxation and Revenue (the "Department"). The State GRT is levied at 5.00% of taxable gross receipts. Effective January 1, 2005, a State 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 but legislation reduced the amount of State GRT distribution to a municipality from 1.35% to 1.225%, effective August 1, 1992.

Until July 1, 2004, the total GRT rate (State, County and City) imposed in the City was 5.8125%. Because of various rate increases, the total GRT rate during Fiscal Year 2006 increased to 6.7500%. The County increased its GRT rate by 0.125% on July 1, 2006 increasing the rate imposed in the City to 6.875%. Although the County increased its GRT rate by another 0.125% on January 1, 2007, the City reduced its GRT by 0.125% on the same date and on January 1, 2007 the total GRT rate imposed in the City remained at 6.875%.

On January 1, 2005 a number of changes to the State gross receipts tax laws became effective. The GRT 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 GRT. The legislation creates a deduction for State GRT 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 GRT 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 GRT 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 GRT revenues. The definition of State GRT revenues includes payments received from the State in lieu of GRT revenues.

Taxed Activities. For the privilege of engaging in business in the State, the State GRT 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 GRT payable on transactions for the reporting period and any county GRT, county fire protection excise tax, county and municipal GRT, 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 GRT 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 GRT, many by virtue of their taxation under other laws. Exemptions include but are not limited to receipts of governmental agencies and certain organizations (some of which are taxable by the State, with no local distribution), receipts from the sale of vehicles, occasional sales of property or services, wages, certain agricultural products, dividends, receipts from the sale of prescription drugs and certain federal government paid medical expenses and interest and receipts from the sale of or leasing of natural gas, oil or mineral interests. Various deductions are also allowed, including, but not limited to, receipts from various types of sales or leases of tangible personal property or services, receipts from sales to governmental agencies or certain organizations, receipts from processing certain agricultural products, receipts from certain publication sales, certain receipts from interstate commerce transactions and receipts from the sale of certain food and certain medical services. See “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 GRT.

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 GRT revenues and of receipts from local option gross receipts taxes.

Historical Revenues. The State GRT 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)

Fiscal Year	Revenues
2002	$136,655,396
2003	142,840,456
2004	156,137,731
2005	162,583,140
2006	176,647,546

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

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

Municipal and Other Gross Receipts Taxes

Imposition of Tax. In addition to receiving a distribution from the State, the Municipal Local Option Gross Receipts Taxes Act (Sections 7-19D-1 through 7-19D-13 NMSA 1978, as amended) authorizes the City under State law to impose up to 1.50% municipal GRT in increments of one-eighth of one percent on the gross receipts of any person engaging in business in the City. On July 1, 2006, the City imposed 1.25%. However, the Council repealed 0.125% of the general purpose tax effective January 1, 2007. 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 GRT bonds of the City. An additional 0.25% municipal GRT is imposed to provide for street maintenance, roadway improvements, an increase in the level of services provided by the public transit system, and construction of a bikeway system. A 0.25% increment of municipal GRT 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 GRT for general purposes. The City has authority to impose, but has not imposed: a second 0.0625% municipal infrastructure GRT, without a referendum; an additional 0.125% municipal infrastructure tax for general municipal purposes, infrastructure, regional transit and/or economic development, with a positive referendum; a 0.25% municipal capital outlay GRT for municipal infrastructure and other purposes, with a positive referendum; and a 0.0625% municipal environmental services GRT. Legislation, which became effective on July 1, 2005, authorizes a municipal regional transit GRT. Effective July 1, 2007 the City was given authority to impose an additional 0.25% for general purposes without a referendum. 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 GRT of up to 0.5% for a public transit system or public transit projects or services for the district. The tax may be imposed in increments of 0.0625%.

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

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

City of Albuquerque
Historical Municipal Gross Receipts Tax Revenues

Fiscal Year	Revenues
2002	$55,034,047
2003	57,569,166
2004	62,778,208
2005	63,333,003
2006	73,857,522

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 2006 Gross Receipts Tax (GRT) Paid in the City of Albuquerque July 1, 2007

Type of Tax & Purpose	Percentage Imposed
Municipal GRT(1) (2)	1.1250%
Municipal Infrastructure GRT	0.0625
Bernalillo County GRT(3)	0.6875
State GRT	5.0000
Total	6.8750%

(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.
(2) The Council repealed 0.125% of GRT tax effective January 1, 2007.
(3) The County imposed a 0.125% of GRT tax effective July 1, 2006 and an additional 0.125% of GRT tax effective January 1, 2007.

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 GRT revenues to the City:

City of Albuquerque
Fiscal Year 2006 Taxing Authority and Gross Receipts Tax (GRT) Imposed

Type of Tax & Purpose	Total Taxing Authority	Percentage Imposed	Unused Authority
Municipal GRT(1)			
General Purposes(2)	0.5000%	0.5000%	
General Purposes(3)	0.5000%	0.1250%	0.3750%
Transportation	0.2500%	0.2500%	
Public Safety	0.2500%	0.2500%	
Total Municipal GRT	1.5000%	1.1250%	0.3750%
Municipal Infrastructure GRT(4)			
General Purpose	0.1250%	0.0625%	0.0625%
Econ. Dev. & Transit	0.1250%	0.0000%	0.1250%
Municipal Environmental GRT	0.0625%	0.0000%	0.0625%
Municipal Capital Outlay GRT(5)	0.2500%	0.0000%	0.2500%
Regional Transit GRT(6)	0.5000%	0.0000%	0.5000%
Total Other GRT	1.0625%	0.0625%	1.0000%
Total Impositions by the City		1.1875%	
State GRT		1.2250%	
Total Distribution to the City		2.4125%	

(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 GRT pledged by the City to secure certain outstanding bonds.
(3) Represents the municipal GRT not pledged by the City to secure outstanding bonds.
(4) A positive referendum is required to impose any amount of the municipal infrastructure GRT: (i) in excess of 0.1250%; or (ii) for the purpose of economic development. The tax may be imposed in increments of 0.0625%.
(5) A positive referendum is required to impose any amount of the municipal capital outlay GRT and it may be imposed only after all other local option gross receipts taxes have been imposed.
(6) A positive referendum is required to impose any amount of the regional transit GRT 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%.

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 1997.

City of Albuquerque
Taxable Gross Receipts By Sector and Total Gross Receipts [1]
Fiscal Years 1997-2006 ($000,000s omitted)

Selected Sectors by Standard Industrial Classification

	1997	1998	1999	2000	2001	2002	2003	2004[3]	2005	2006	% of Total Shares by Sector 1997	% of Total Shares by Sector 2006
Construction	$1,068.10	$1,000.80	$1,001.40	$1,098.70	$1,307.60	$1,250.60	$1,213.50	$1,354.50	$1,555.74	$1,888.23	11.17%	13.36%
Manufacturing	281.00	320.10	324.20	319.40	308.60	283.70	233.70	275.00	265.80	282.48	2.94%	2.00%
Wholesale Trade	511.10	554.10	535.60	604.80	608.00	630.50	738.00	855.45	902.63	930.10	5.35%	6.58%
Retail Trade	3,759.60	3,882.40	3,963.10	4,158.70	4,367.60	4,345.00	4,652.60	5,036.70	4,915.43	5,510.35	39.32%	38.99%
Fin, Insur., & Real Estate	258.10	279.00	286.30	292.20	292.70	270.40	269.40	284.75	289.02	340.13	2.70%	2.41%
All Other Sectors	3,684.10	3,794.00	3,969.10	4,075.00	4,131.60	4,189.80	4,365.80	4,696.13	5,192.52	5,181.22	38.53%	36.66%
Total Taxable Gross Receipts [2]	$9,562.00	$9,830.40	$10,079.70	$10,548.80	$11,016.10	$10,970.00	$11,473.00	$12,502.52	$13,121.14	$14,132.51	100.00%	100.00%
Total Gross Receipts Reported	$16,414.00	$17,096.80	$17,317.90	$18,294.20	$20,836.90	$20,708.30	$20,153.40	$22,406.90	$24,666.20	$27,088.36		

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

(2) Totals may not add due to rounding.

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

Source: New Mexico Taxation and Revenue Department.

Manner of Collection and Distribution

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

Remedies for Delinquent Taxes

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

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

Lodgers' Tax and Hospitality Fee

Generally

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

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

Fiscal Year	Gross Taxable Rent[1]	Lodgers' Tax Revenues
2002	$166,380,620	$8,319,031
2003	166,521,380	8,326,069
2004	174,606,940	8,739,899
2005	180,207,820	9,019,206
2006	199,914,580	9,995,729

(1) Defined by the Lodgers' Tax Act to mean "the total amount of rent paid for lodging, not including the State GRT 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. Hospitality fee revenues, in an amount equal to fifty percent (50%) of the revenues produced by the City's imposition of the fee, less certain administrative costs, are pledged to the payment of the City's Hospitality Fee New Mexico Finance Authority loan dated September 9, 2004 in the principal amount of $4,270,000. Fees collected under the Hospitality Fee Act were $1,784,476 in Fiscal Year 2005 and $1,995,823 in Fiscal Year 2006.

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.

Employee Contracts

There were 6,201 full-time employment positions funded by the City for Fiscal Year 2007. As of January 1, 2007, 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, 2008, are as follows: Albuquerque Officers' Association (A.F.S.C.M.E. Local 1888, AFL-CIO); Clerical and Technical Employees (A.F.S.C.M.E. Local

2962, AFL-CIO); United Transportation Union; Blue Collar workers (A.F.S.C.M.E. Local 624, AFL-CIO); Albuquerque Area Firefighters Union; Albuquerque Police Officers' Association; and Management Union (A.F.S.C.M.E. Local 3022, AFL-CIO).

Retirement Plan

The employees of the City are members of the State Public Employees Retirement Association. The City contributes to the plan amounts which vary from 7.0% to 33.4% of eligible employees' salaries.

The last actuarial valuation attesting to the availability of funds to cover the obligations of the plan is as of June 30, 2006. A copy of the certification letter prepared by Gabriel, Roeder, Smith & Company, Actuaries and Consultants, is on file and is available from the State Public Employees Retirement Association, upon request. The City has no unfunded liabilities with respect to the availability of funds to cover the obligations of the retirement plan.

Capital Implementation Program

General

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

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 issuance of $113,045,000 general purpose general obligation bonds and $8,080,000 storm sewer system general obligation bonds. The Series 2007 Bonds represent the remaining amount of $48,125,000 general obligation bonds authorized at the October 4, 2005 election which have not been issued.

Impact Fees

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

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

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

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

Total Impact Fees – Fiscal Year 2006

Location	Amount	Location	Amount
Academy Northwest	$65,163	Southwest Mesa	$731,794
Foothills/Southwest	7,011	I-25 Corridor	309,038
North Albuquerque	10,069	Far Northeast	42,560
North Valley/I-25	19,200	Northwest Mesa	6,499,901
Southwest Mesa	304,199	West Mesa	348,809
Northwest Mesa.Volcano	174,472	Total Roadways	$1,972,102
Trails	17,472		
Open Space	285,251	Southwest	$192,751
Total Parks, Open Space and Trails	$882,377	Tijeras	4,897
		Far Northeast	108,584
Fire/Westside	$160,299	Northwest	218,531
Fire/Eastside	67,534	Total Drainage	$524,763
Police/Citywide	130,317		
Police/Westside	42,655	Grand Total Impact Fees	$3,791,949
Police/Westside	11,902		
Total Public Safety	$412,707		

Source: City of Albuquerque, Planning Department.

FORWARD LOOKING STATEMENTS

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

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

LITIGATION

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

On September 14, 2005, Delta Airlines, a Signatory Airline and party to an Airline Agreement, commenced a Chapter 11 Bankruptcy proceeding. The City filed a Proof of Claim and an amended Proof of Claim. Delta Airlines filed a "Disclosure Statement for Debtors' Joint Plan of Reorganization" on or about December 19, 2006.

On September 14, 2005, Northwest Airlines, which has been a Signatory Airline and party to an Airline Agreement, commenced a Chapter 11 Bankruptcy proceeding. The City filed its Proof of Claim and an amended Proof of Claim. Northwest Airlines Corporation filed its "Joint Consolidated Plan of Reorganization" effective January 12, 2007.

In the spring of 2007, the bankruptcy court approved both Delta Airlines and Northwest Airlines reorganization plans. As they emerge from bankruptcy, they are making payments to creditors pursuant to their respective plans. Delta paid to the City the amount of the City's Proof of Claim, $348,968.50. Northwest currently owes the City $57,829.11.

Risk Management

Based on historical data, the City believes the Risk Management Fund (an internal service fund) is adequately funded. 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. The cash balance grew by $9,746,534 during Fiscal Year 2007 and the City has completed the five year plan to address a deficit in the Risk Management Fund. The fund is no longer in a deficit. In Fiscal Year 2007, a comprehensive actuarial study was initiated to again validate the fund's adequacy and the results are still pending. Moreover, pursuant to Section 41-4-25(B) NMSA 1978, in the event of a judgment against the City in excess of $1,000,000 the City, with Council approval, may levy a tax on real property to provide for the payment of catastrophic losses.

TAX MATTERS

The Internal Revenue Code of 1986 (the "Code") imposes certain requirements that must be met subsequent to the issuance and delivery of the Series 2007 Bonds for interest thereon to be excluded from gross income for Federal income tax purposes. Noncompliance with such requirements could cause the interest on the Series 2007 Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issue of the Series 2007 Bonds. The Issuer has covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Series 2007 Bonds from gross income for Federal income tax purposes.

In the opinion of Brownstein Hyatt Farber Schreck, P.C., Bond Counsel, under existing law and assuming compliance with the aforementioned covenant, interest on the Series 2007 Bonds is excluded from gross income for Federal income tax purposes. Bond Counsel is also of the opinion that the Series 2007 Bonds are not "specified private activity bonds" within the meaning of Section 57(a)(5) of the Code and, therefore, the interest on the Series 2007 Bonds will not be treated as a preference item for purposes of computing the alternative minimum tax imposed by Section 55 of the Code. Interest on the Series 2007 Bonds owned by corporations will, however, be taken into account in determining the alternative minimum tax imposed by Section 55 of the Code on 75 percent of the excess of adjusted current earnings over alternative minimum taxable income (determined without regard to this adjustment and the alternative tax net operating loss deduction). Bond Counsel is further of the opinion that under existing law interest on the Series 2007 Bonds is excluded from income for State of New Mexico income tax purposes under the Act. An opinion to those effects will be included idn the approving legal opinion.

In rendering its opinion, Bond Counsel will rely on, and will assume the accuracy of, certain representations and certifications, and compliance with certain covenants of the City. Bond Counsel will not independently verify the accuracy of the certifications and representations made by the City. In addition, Bond Counsel has not been engaged, and will not undertake, to monitor the City's compliance with the covenants or to inform any person as to whether the covenants are beig complied with; nor has Bond Counsel undertaken to determine or to inform any person as to whether any actions taken or not taken, or events occurring or not occurring, after the date of the issuance of the Bonds may affect the federal tax-exempt status of the interest on the Bonds.

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

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Series 2007 Bonds may affect the tax status of interest on the Series 2007 Bonds. No assurance can be given that future legislation, or amendments to the Code, if enacted into law, will not contain provisions which could directly or indirectly reduce the benefit of the exclusion of the interest on the Series 2007 Bonds from gross income for Federal income tax purposes. Furthermore, Bond Counsel expresses no opinion as to any Federal, State or local tax law consequences with respect to the Series 2007 Bonds, or the interest thereon, if any action is taken with respect to the Series 2007 Bonds or the proceeds thereof upon the advice or approval of bond counsel other than Bond Counsel.

Although Bond Counsel has rendered an opinion that interest on the Series 2007 Bonds is excluded from gross income for Federal income tax purposes, a Bondholder's Federal, State or local tax liability may otherwise be affected by the ownership or disposition of the Series 2007 Bonds. The nature and extent of these other tax consequences will depend upon the Bondholder's other items of income or deduction. Without limiting the generality of the foregoing, prospective purchasers of the Series 2007 Bonds should be aware that (i) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Series 2007 Bonds or, in the case of a financial institution, that portion of a holder's interest expense allocated to interest on the Series 2007 Bonds, (ii) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest on the Series 2007 Bonds, (iii) interest on the Series 2007 Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code, (iv) passive investment income, including interest on the Series 2007 Bonds, may be subject to Federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income and (v) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining the taxability of such benefits, receipts or accruals of interest on the Series 2007 Bonds. Bond Counsel has expressed no opinion regarding any such other tax consequences.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. As one example, on May 21, 2007, the United States Supreme Court agreed to hear an appeal from a Kentucky state court which ruled that the United States Constitution prohibited the state from providing a tax exemption for interest on bonds issued by the state and its political subdivisions but taxing interest on obligations issued by other states and their political subdivisions. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisers regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Unless separately engaged, Bond Counsel is not obligated to defend the Issuer or the bondholders regarding the tax-exempt status of the Series 2007 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Issuer and its respective appointed counsel, including the bondholders, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of the IRS positions with which the Issuer legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2007 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2007 Bonds, and may cause the Issuer or the bondholders to incur significant expense.

As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Series 2007 Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments made after March 31, 2007 to any bondholder who fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The new reporting requirement does not in and of itself affect or alter the excludability of interest on the Series 2007 Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE

PURCHASE OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE SERIES 2007 BONDS.

CONTINUING DISCLOSURE UNDERTAKING

In connection with its issuance of the Series 2007 Bonds, the City will execute a Continuing Disclosure Undertaking, a form of which is attached as Appendix D hereto, wherein it will agree for the benefit of the Owners of Series 2007 Bonds (i) to provide certain annual financial information and operating data relating to the City by not later than 270 days after the end of each Fiscal Year and to provide audited annual financial statements of the City with the annual financial information or when otherwise available and (ii) to provide timely notice of certain enumerated events, if material. Pursuant to certain of its prior Disclosure Undertakings relating to general obligation bonds, the City is required to file its annual audited financial statements for each Fiscal Year ended June 30, no later than 180 days after the end of each Fiscal Year. In recent years, the City’s year end audits have not been released by the State Auditor in time for the City to make filings of its audited annual financial statements within the time required by certain of its Disclosure Undertakings and in 2006, key personnel changes within the City’s accounting division, together with a change in the packaged software used by the City for financial statement preparation, resulted in delays in the filing of the City’s audited financial statements for Fiscal Year 2006. Other than the delay in filing its audited financial statements, the City has been in compliance with the requirements of its Disclosure Undertakings.

LEGAL MATTERS

In connection with the issuance and sale of the Series 2007 Bonds, Brownstein Hyatt Farber Schreck, P.C., as Bond Counsel, will deliver the bond opinion included in Appendix C hereto. Certain legal matters relating to the Series 2007 Bonds will be passed upon for the City by its Disclosure Counsel, Modrall, Sperling, Roehl, Harris & Sisk, P.A. Neither Disclosure Counsel nor Bond Counsel has participated in any independent verification of the information concerning the financial condition of the City contained in this Official Statement.

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

RATINGS

It is expected that, upon issuance, the Series 2007 Bonds maturing on July 1, 2008 through July 1, 2010 will receive a rating of "Aa3" from Moody's Investors Service, Inc. ("Moody's"), a rating of "AA" from Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies ("S&P") and a rating of "AA" from Fitch Ratings ("Fitch").

It is expected that, upon issuance, the Insured Bonds will receive a rating of "Aaa" from Moody's, a rating of "AAA" from S&P and a rating of "AAA" from Fitch with the understanding that, upon delivery of the Insured Bonds, the Financial Guaranty Insurance Policy insuring the payments when due of the principal of and interest on the Insured Bonds will be issued by MBIA Insurance Corporation. The following underlying ratings have also been assigned to the Insured Bonds: Moody’s has assigned the Insured Bonds an underlying rating of “Aa3”; S&P has assigned the Insured Bonds an underlying rating of “AA”; and Fitch has assigned the Insured

Bonds an underlying rating of “AA”. It is expected that all of the Insured Bonds will be covered by the Financial Guaranty Insurance Policy at the time of delivery.

Ratings reflect only the respective views of the rating agencies, and the City makes no representation as to the appropriateness of any rating. An explanation of the significance of the ratings may only be obtained from the respective rating agencies. The City has furnished to each rating agency certain information and materials relating to the Series 2007 Bonds and the City, some of which may not have been included in this Official Statement. Generally, rating agencies base their ratings on such information and materials and on investigation, studies and assumptions by the rating agencies. The respective ratings are not a recommendation to buy, sell or hold the Series 2007 Bonds, and there can be no assurance that a rating when assigned will continue for any given period of time or that it will not be lowered or withdrawn entirely by a rating agency if, in its judgment, circumstances so warrant. Any downward change in or withdrawal of a rating may have an adverse effect on the marketability and/or market price of the Series 2007 Bonds.

ADDITIONAL INFORMATION

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

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or owners of any of the Series 2007 Bonds.

APROVAL BY THE CITY

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

CITY OF ALBUQUERQUE, NEW MEXICO

By:__________________________________
Mayor

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APPENDIX A

COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF ALBUQUERQUE - AUDITED GENERAL PURPOSE FINANCIAL STATEMENTS - AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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Mayor Martin J. Chávez

Independent Auditors' Report

The Honorable Martin Chavez, Mayor and
Members of City Council and
Mr. Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Albuquerque, New Mexico (City), as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. We have also audited the budgetary comparisons, and financial statements of each of the City's nonmajor governmental, nonmajor enterprise, internal service funds, and fiduciary funds presented in the accompanying combining financial statements and information in the other supplementary schedules, as of and for the year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof, and the budgetary comparison for the major governmental funds, for the year ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental, nonmajor enterprise, internal service, and fiduciary fund of the City, as of June 30, 2006, and the

The Honorable Martin Chavez, Mayor and
Members of City Council and
Mr. Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico

respective changes in the financial position and cash flows, where applicable, and respective budgetary comparisons thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated July 2, 2007, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of out testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Audit Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statement. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is not a required part of the basic financial statements. The accompanying Financial Data Schedule, as required by the U.S. Department of Housing and Urban Development, *Guidelines for Public Housing Authorities and Independent Auditors under Uniform Financial Reporting Standards for Public Housing Authorities,* the other supplementary schedules, and the schedules of deposits and investments, and pledged collateral by financial institutions and schedule of joint powers agreements are presented for purposes of additional analysis and are not required parts of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The accompanying introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Moss Adams LLP

Albuquerque, New Mexico
July 2, 2007

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, 2006. 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 $3.2 billion (net assets). Of this amount, $60.6 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors in subsequent accounting periods.

- The City's total net assets increased by $176.6 million during the year after a restatement of $1.7 billion (net of accumulated depreciation) for infrastructure and other capital assets.

- As of June 30, 2006, the City's governmental funds reported combined ending fund balances of $329.2 million. Approximately 79.2% of this amount, $260.9 million, is unreserved fund balance available for spending at the government's discretion. Included in this amount is approximately $110.5 million in the Capital Acquisition Fund.

- At the close of the current fiscal year, unreserved fund balance for the general fund was $82.0 million or 22.0% of the total general fund expenditures of $372.1 million. $47.4 million or 12.7% of the total general fund expenditures is unreserved designated for subsequent years' operations.

- The City's governmental activities long-term obligations decreased by $47.7 million during the current year. The key factors in this change were the issuance of bonds and notes payable, accompanied by additions to accrued vacation and sick leave pay and claims totaling $64.5 million and debt reduction payments and liquidations of accrued liabilities totaling $112.2 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

The City has determined that the Albuquerque Bernalillo County Water Utility Authority (Authority), created with an effective date of July 1, 2003, is 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, 2012. 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 Authority's Comprehensive Annual Financial Report as of and for the year ended June 30, 2006 is available by contacting the Authority at the following address: Fifth floor, P.O. Box 1293, Albuquerque, NM 87103.

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.

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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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)

	Governmental Activities		Business-type Activities		Total		Total Percent
	2006	2005*	2006	2005*	2006	2005*	Change
Assets:							
Current and other assets	$ 583.0	$ 602.8	$166.5	$182.8	$ 749.5	$ 785.6	-4.6%
Capital Assets	2,830.2	2,711.1	526.3	486.0	3,356.5	3,197.1	4.9%
Total assets	3,413.2	3,313.9	692.8	668.8	4,106.0	3,982.7	3.1%
Liabilities:							
Long-term liabilities outstanding	381.2	439.7	260.1	276.5	641.3	716.2	-10.5%
Other liabilities	197.6	178.6	39.6	36.7	237.2	215.3	10.1%
Total Liabilities	578.8	618.3	299.7	313.2	878.5	931.5	-5.6%
Net assets:							
Invested in capital assets, Net of related debt	2,634.1	2,411.5	296.1	237.1	2,930.2	2,648.6	10.6%
Restricted	165.2	181.0	71.5	83.4	236.7	264.4	-10.7%
Unrestricted	35.1	103.1	25.5	35.1	60.6	138.2	-56.1%
Total net assets	$2,834.4	$2,695.6	$393.1	$355.6	$3,227.5	$3,051.2	5.7%

* Restated

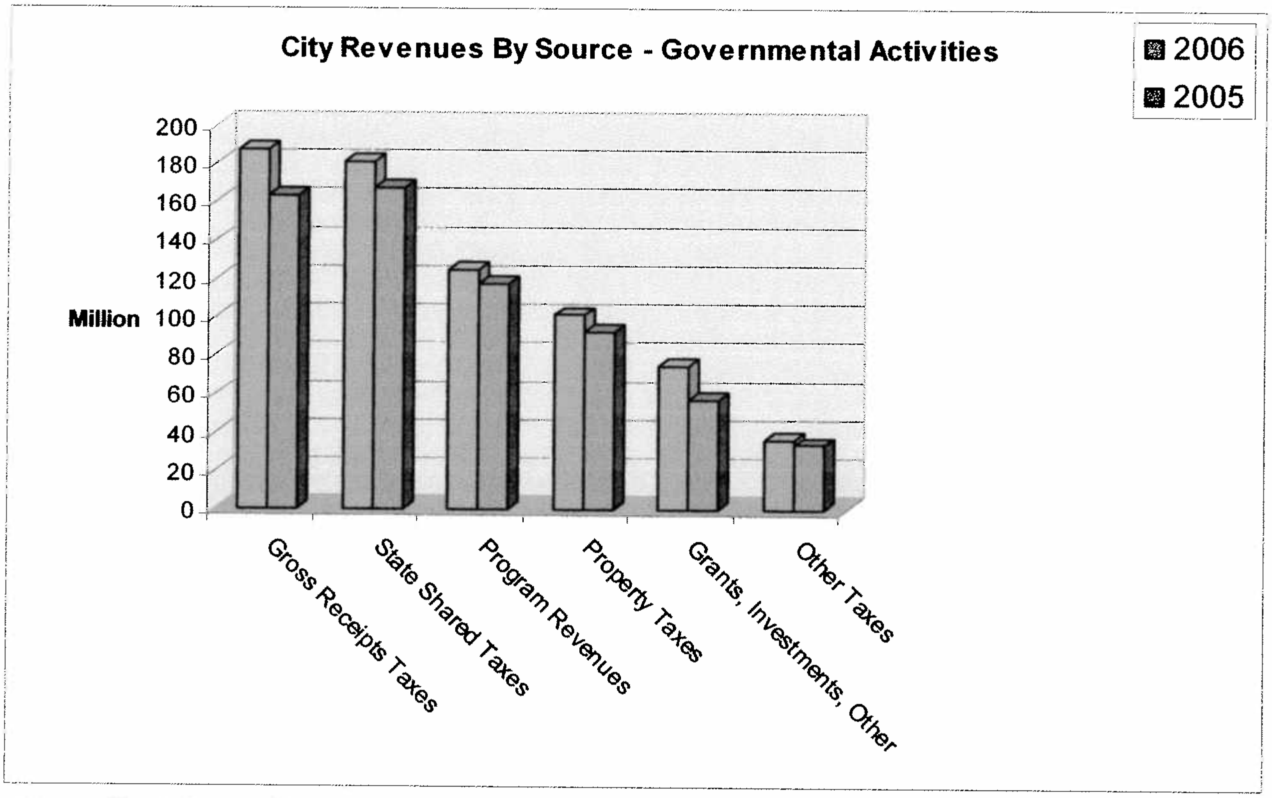
As noted earlier, net assets may serve as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by $3.2 billion at the close of the year. The largest portion of the City's net assets (90.6%) reflects its investment of $2.8 billion in capital assets (e.g. land, buildings, infrastructure, 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

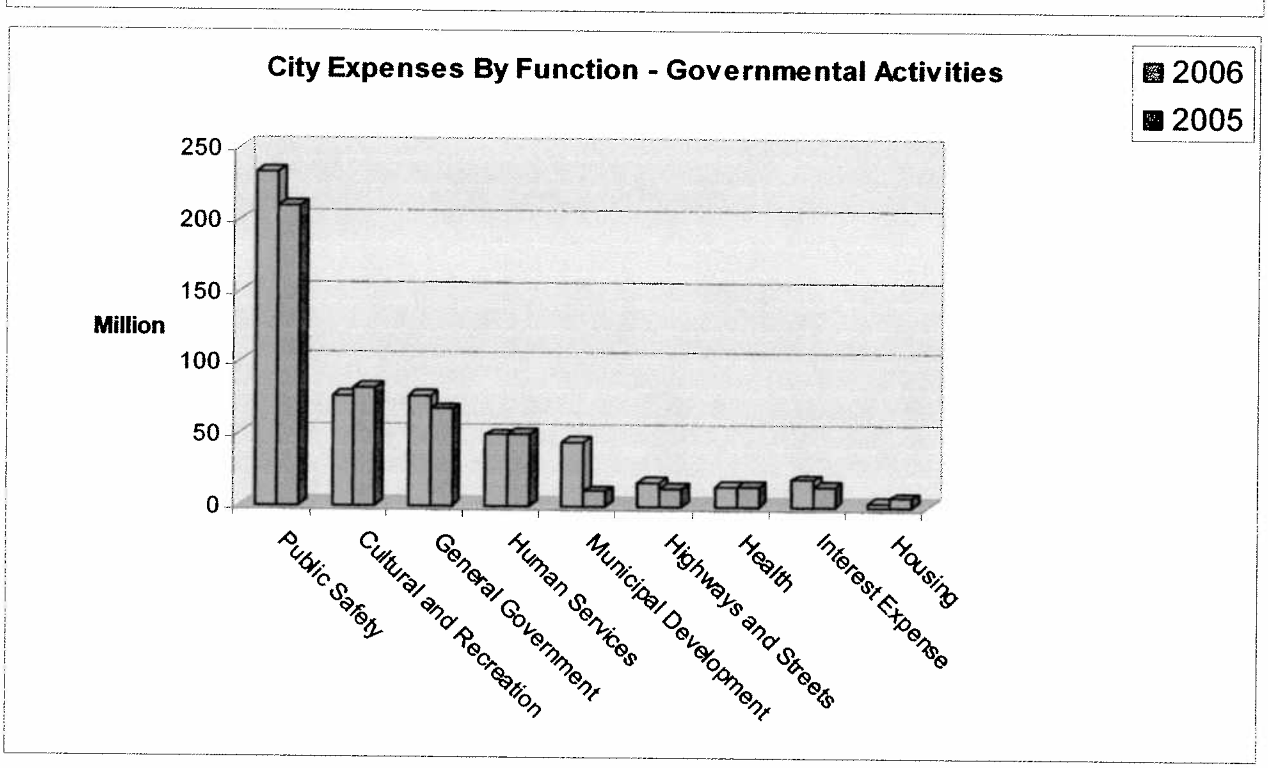
CHANGE IN NET ASSETS
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percent
	2006	2005	2006	2005	2006	2005	Change
Revenues:							
Program revenues:							
Charges for services	$ 86.6	$ 87.1	$133.7	$129.1	$220.3	$216.2	1.9%
Operating grants and contributions	37.1	29.7	24.4	24.8	61.5	54.7	12.4%
Capital grants and contributions	1.1	1.0	30.4	29.9	31.5	30.9	1.9%
General revenues:							
Gross receipts taxes	187.3	163.3	-	-	187.3	163.3	14.6%
Property taxes	101.6	92.6	-	-	101.6	92.6	9.7%
Other taxes	36.5	33.9	-	-	36.5	33.9	7.6%
State shared taxes and fees	180.9	167.9	-	-	180.9	167.9	7.7%
Grants, investment income, and other	75.2	57.5	4.8	1.7	80.0	59.2	35.1%
Total revenues	706.3	633.2	193.3	185.5	899.6	818.7	9.8%
Expenses:							
General government	77.1	70.9	-	-	77.1	70.9	8.7%
Public safety	233.4	209.9	-	-	233.4	209.9	11.1%
Cultural and recreation	77.3	82.1	-	-	77.3	82.1	-5.8%
Municipal Development (Public works)	39.1	10.4	-	-	39.1	10.4	275.9%
Health	14.2	13.4	-	-	14.2	13.4	5.9%
Human services	49.7	50.6	-	-	49.7	50.6	-0.2%
Housing	3.1	6.2	-	-	3.1	6.2	-50.0%
Highways and streets	21.5	12.0	-	-	21.5	12.0	79.1%
Interest expense	18.9	13.8	-	-	18.9	13.8	36.9%
Airport	-	-	59.9	54.6	59.9	54.6	9.7%
Refuse disposal	-	-	45.1	41.4	45.1	41.4	8.9%
Transit	-	-	41.0	37.9	41.0	37.9	8.1%
Non major enterprise funds	-	-	42.7	41.9	42.7	41.9	1.9%
Total expenses	534.3	469.3	188.7	175.8	723.0	645.1	12.1%
Excess (deficiency) before transfers	172.0	163.9	4.6	9.7	176.6	173.6	1.7%
Write off of Capital Assets	-	(45.4)	-	(1.3)	-	(46.7)	
Transfers	(33.3)	(25.9)	33.3	25.9	-	-	
Increase (decrease) in net assets	$138.7	$ 92.6	$37.9	$34.3	$176.6	$126.9	39.1%

be liquidated for these liabilities. Restricted net assets in the amount of $236.7 million represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, $60.6 million, may be used to meet the City's ongoing obligations to its citizens and creditors. 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 governmental and business-type activities.

The City's overall net assets increased by $176.6 million during the current fiscal year. The increase in net assets is explained in the governmental and business-type activities discussion.





Governmental activities. Governmental activities increased the City's net assets by $138.7 million. Governmental activities revenue increased by $73.1 million, or 11.5% from $633.2 million in fiscal year 2005 to $706.3 million in fiscal year 2006. Key elements in the growth of the City's governmental activities revenues are as follows:

- Gross receipts tax revenue and state shared taxes and fees, which together account for approximately 52% of the City's governmental activities revenue, grew by $37.0 million from $331.2 million to $368.2 million, or by

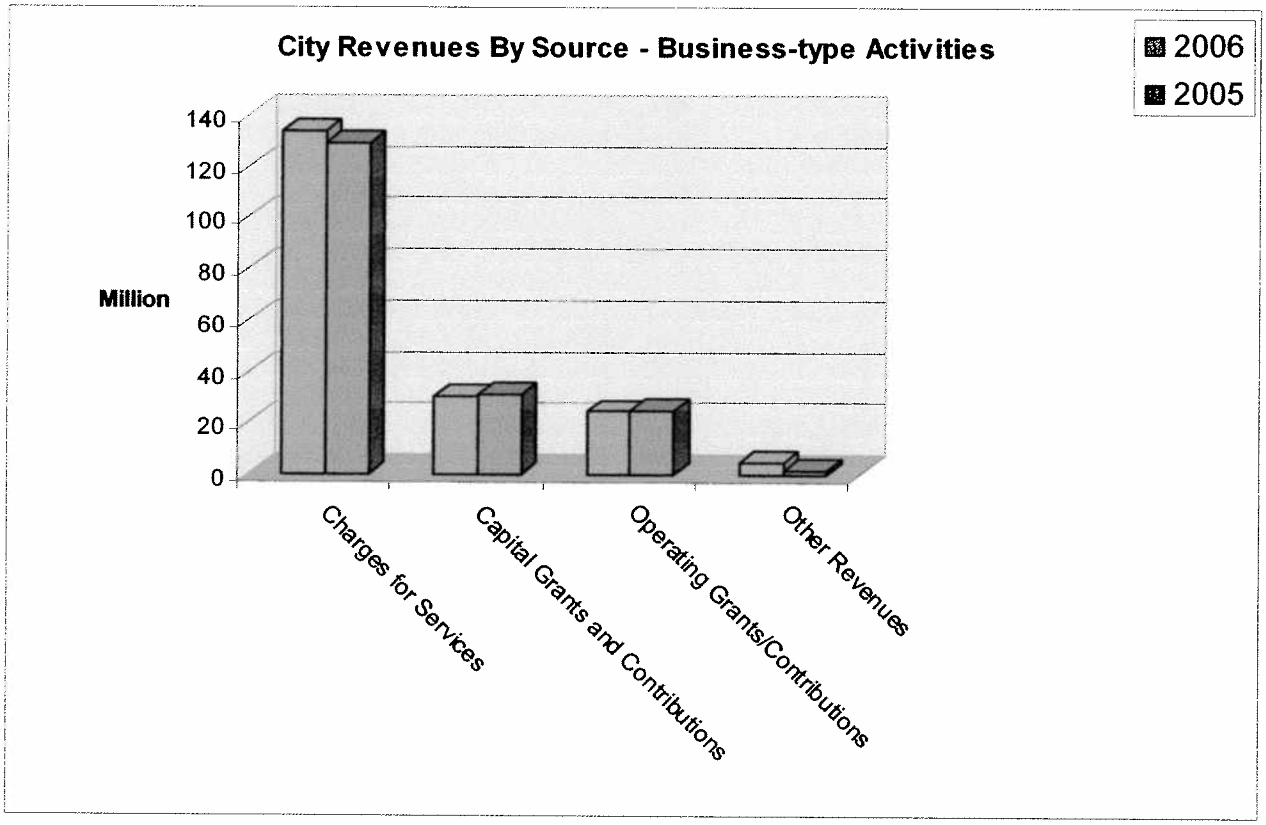
11.2% from prior year. In the 2006 processing period, the New Mexico Department of Taxation and Revenue reported $13.2 billion in taxable gross receipts for the City of Albuquerque as compared to $12.7 billion in 2005, a 3.9% increase. A portion of the remaining percentage increase in the gross receipts tax revenues is attributed to a General Fund Public Safety quarter cent gross receipt tax rate increase that was implemented by the City July 1, 2004. The effect from this rate increase was not fully realized in fiscal year 2005 due to the three month time lag between the receipt, collection, and distribution of the tax revenue.

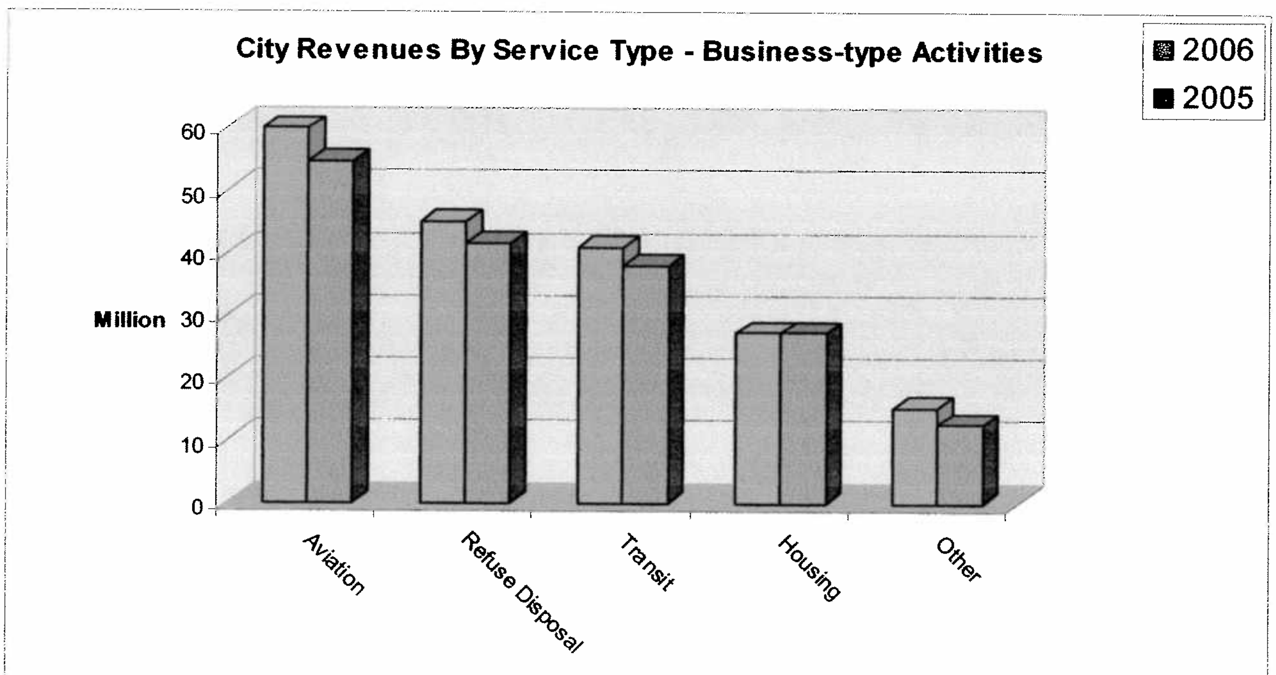
- Program revenues consisting of charges for services, operating and capital grants and contributions, which account for approximately 17.7% of the City's governmental activities revenues, were slightly higher than the previous year and increased by $7.5 million from $117.3 million to $124.8 million, or by 6.3%. A significant portion of the $7.5 million dollar increase is attributed to $7.2 million in fiscal year 2006 grant revenues for the Trumbull Redevelopment project.

- Property taxes which account for approximately 14.3% of the City's governmental activities revenues, increased by $9.0 million from $92.6 million to $101.6 million, or by 9.8%. In fiscal year 2006 (tax year 2005), property valuation within the City increased $1.0 billion from $8.3 billion to $9.3 billion, or by 12.3%. The increase in property valuation was slightly offset by a decrease in the City's direct property tax mill levy rate from 11.49 in fiscal year 2005 to 11.08 in fiscal year 2006. The decrease in property tax rate was slightly offset by an increase in the current property tax collection rate from 96.31% in fiscal year 2005 to 96.53% in fiscal year 2006.

- Grants, Investments, and Other Revenues, which account for approximately 10.6% of the City's governmental activities revenues, increased by $17.7 million from $57.5 million in fiscal 2005 to $75.2 million in fiscal year 2006, or by 30.7%. A significant part of the change in other revenues was attributed to an increase in development fees in the Capital Acquisition Fund which increased from $2.6 million in fiscal year 2005 to $10.3 million in fiscal year 2006. This is reflective of the strong construction economy that occurred in fiscal year 2006. In fiscal year 2006, the City implemented impact fee enhancements which generated an additional $3.8 million in revenue. Investment earnings were increased from $12.5 million in fiscal year ended June 30, 2005 to $14.2 million in the current year.

- Other taxes such as Franchise, Hospitality, Lodgers, and Payments in lieu of taxes increased by $2.6 from $33.9 million in fiscal year 2005 to $36.5 million in fiscal year 2006, or by 7.6%. More detail comparison of other taxes can be found on Schedule 3 in the Statistical Section of this report.





Business-type activities. Business-type activities increased the City's net assets by $37.9 million in fiscal year 2006. Business-type activities revenues increased $7.8 million from $185.5 in fiscal year 2005 to $193.3 million in fiscal year 2006, or by 4.1%. Key factors for the increases in the Charges for Services category are as follows:

The Airport fund attributed to the largest growth in the business-type activities during the year and had an increase in net assets of $24.6 million in fiscal year 2006 compared to a $16.0 million increase in 2005. The significant portion in the increase in net assets was the addition of $14.5 million in capital contributions related to the terminal expansion at the International Sunport which included $11.3 for the reconfiguration of the security checkpoint and $2.8 for the Double Eagle Control Tower project. The passenger facilities charges (PFCs) increased slightly from $7.9 million to $8.2 million in fiscal year 2006, and after four years of impacted growth, has finally reached the pre-September 11, 2001 level of $8.2 million. For the Refuse Disposal fund, the reported change in net assets of $2.2 million was slightly higher than the increased of $2.0 million in fiscal year 2005. For the Transit Fund, the current year change in net assets was $11.9 million compared to $16.3 million for the prior year. The amount of capital assets purchased or constructed decreased from $23.7 million in fiscal year 2005 to $13.4 million in fiscal year 2006. The decrease in capital contribution was offset by the operating subsidy transfer from the General Fund that was increased from $25.3 million in fiscal year 2005 to $33.0 million in fiscal year 2006. The changes in the net assets of the other business-type activities amount to an accumulated net decrease of $944,092.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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 $329.2 million, a decrease of ($43.0 million) in comparison with the prior year. Approximately 79.2% of this amount, $260.9 million, is unreserved fund balance available for spending at the government's discretion of which $213.4 million is unreserved, undesignated and $47.4 million is unreserved, designated for subsequent years' operations. Included in unreserved fund balance is $110.5 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) $14.5 million to pay debt service; 2) $22.2 million for acquisition and management of open space and urban enhancement; 3) $20.3 million to show the fund balance representing advances to other funds and other assets not available for spending; and 4) $11.3 million for various other restricted purposes.

Revenues for governmental funds overall totaled approximately $706.7 million in the fiscal year ended June 30, 2006, which represents an increase of $66.8 million from the previous year total of $639.9 million. The major causes for the increase were: 1) tax revenues increased by $34.1 million; 2) intergovernmental revenues increased by $20.4 million caused by an increase of state shared gross receipts tax; and 3) charges for services revenues increased by $2.8 million.

Expenditures for governmental funds of $753.7 million increased by $22.1 million from the previous year total of $731.6 million. The primary cause was increased expenditures of $22.6 million for public safety and $8.2 million for culture and recreation. These increases in expenditures generally reflect a rise in demand and need for public services. The increase in public safety expenditures is attributed in part to the dedication of public safety quarter cent tax revenues to the Albuquerque Police Department projects, correction and detention, emergency preparedness, and crime prevention and intervention initiatives.

General Fund. This is the City's chief operating fund. At the end of the current fiscal year, the total fund balance was $87.3 million, of which $82.0 million is available as an unreserved fund balance. $47.4 million of the unreserved fund balance is designated for subsequent years' operations. The remaining fund balance is reserved to indicate that non-current financial resource assets of $5.3 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 $1.9 million. The total revenues of $444.3 million for the current fiscal year were $33.0 million greater than for the previous fiscal year. The increase largely resulted from an increase of $16.5 million in tax revenues, $12.6 million in intergovernmental revenues, and $1.4 million in interest revenues.

Total expenditures of $372.1 million represent an increase of $35.1 million over the previous fiscal year. A significant portion of this increase was $17.6 million for police and fire protection programs due to an increased emphasis on public safety. Additional increases in expenditures from the previous fiscal year are $10.1 million for culture and recreation and $4.0 million for general government expenditures. In 2006, the City reorganized additional programs and activities into the Department of Municipal Development that was created in fiscal year 2004. The City now reports this functional category in lieu of the traditional Public Works category. See the General Fund budgetary highlights for an analysis with respect to budgets.

G.O. Bond Debt Service Fund. This fund is used to accumulate resources for the repayment of the City's General obligation bonds. G.O. bonds are backed by the full faith and credit of the City and may be used to finance any capital improvement approved by the voters. G.O. bonds may be redeemed by any regular City funding, but by policy, are generally redeemed by property taxes paid to the City. The City's General Obligation Debt Service fund balance decreased $12.6 million from $22.6 million in fiscal year 2005 to $9.9 million in fiscal year 2006 as the result of principal and interest debt payments exceeding dedicated revenues. Property tax revenues dedicated to the repayment of GO Bonds increased by $7.4 million from $66.0 million in fiscal year 2005 to $73.4 million in fiscal year 2006, or by 11.2%. The percentage increase is consistent with the overall percentage increase for the assessed taxable value of property within the City for 2006 which increased 12.3%. Interest earned in the GO Bond Debt Service Fund increase to $1.6 million from $1.1 million in the previous year. The City's property tax rates have remained constant for well over a decade and no tax rate increase has been required to fund the G.O. bond program of capital improvements.

Capital Acquisition Fund. This fund is used to accumulate resources for the acquisition of Capital. Capital is defined as tangible property with a life beyond a one year budget cycle. Land, infrastructure, equipment, buildings as well as the services required to build or install these assets may be classified as capital. Capital acquisition is primarily funded by bond proceeds, but recurring and non-recurring revenue may be used. Major capital improvements for the City are funded primarily with general obligation and enterprise fund revenue bonds. In many cases, these bond funds are matched with Federal and/or State contributions and private assessments. During the 2006 fiscal year, the Capital Acquisition Fund unreserved fund balance decreased by $45.7 million from $156.2 million in fiscal year 2005 to $110.4 million in fiscal year 2006. The decrease in fund balance during the year is attributed to the expenditure of capital outlay in the amount of $140.8 million exceeding new debt proceeds of $37.0 million, intergovernmental revenues of $33.5, net transfers in of $9.4 million, and other revenue sources of $10.7 million.

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

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

Airport Fund	$	18.7
Refuse Disposal Fund		6.1
Transit Fund		6.6
Nonmajor enterprise funds		(6.0)
	$	25.4

Internal Service Funds. Internal Service Funds are used to account for certain governmental activities, and had unrestricted net assets of $8.3 million in fiscal 2006 as compared to a deficit unrestricted net assets of ($3.3 million) in fiscal year 2005. In fiscal year 2005, 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. In fiscal year 2006, the Risk Management fund net asset had unrestricted fund balance of $723,384 which increased from ($8.6 million) in fiscal year 2005. The change in the Risk Management fund balance is due to a five-year recovery plan implemented by the City to reduce the deficit unrestricted net assets to zero. 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. There were no significant changes during the year.

General Fund budgetary highlights

The City's final fiscal year 2006 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. During the year, the City's General Fund original budget of $446.5 increased by $13.8 million to $460.4, or by 3.1%. Significant changes between the original budget and final amended budget are summarized as follows. Appropriations for Public Safety – Police Department were increased from $119.7 million to $122.1 million for the following programs: $1,224,000 for central support services, $748,000 was for neighborhood policing, $220,000 for prisoner transport and $174,000 for investigative services. Appropriations for Public Safety – Fire Department were increased from $62.9

million to $64.9 million to fund the following programs: $890,000 for logistics support and $579,000 emergency response and various other operations. Appropriations for General Government – City Support function were increased by $852,000 for Katrina relief efforts that were provided to victims of the Hurricane. Appropriated transfers from the General Fund to the Transit fund were increased by $1.5 to fund ongoing operating costs. Appropriations for Culture and recreation – Family and Community Services were increased from $32.7 million to $35.3 million to fund the following programs: $1.5 mental health services, $550,000 emergency shelter services, and $400,000 for substance abuse. All General Fund departments continue to answer the call for budgetary responsibility by carefully controlling their expenses and returning funds. These actions resulted in actual expenditures being $10.8 million less than the final budget.

Revenues continued to be 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 growth has continued. Revenues were $24.7 million greater than anticipated in the original budget. Gross receipts tax (local option and state shared) a major component of the City's operating revenue came in at $13.3 million more than the original budget. Property tax revenues were $2.0 million higher expected as the result of 12.3% increase in assessed taxable property values within the City. Revenues were weaker than budgeted in indirect overhead ($2.1 million). Revenues from licenses and permits were $3.2 million higher than projected as a result of continued strength in the construction area as well as substantial state and federal government road construction within the City.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The City's capital assets for its governmental and business-type activities as of June 30, 2006, amount to $3.4 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 $159.3 million or 4.9% from fiscal year 2005.

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

	Governmental Activities		Business-type Activities		Total		Total Percent
	2006	2005*	2006	2005	2006	2005*	Change
Land and Right of Way	$1,281.8	$1,274.5	$ 61.0	$ 59.5	$1,342.8	$1,334.0	0.6%
Other	1.0	1.8	0.7	0.7	1.7	2.5	-32.0%
Buildings and improvements	153.2	133.8	238.9	214.6	392.1	348.4	12.5%
Runways and improvements	-	-	89.6	97.1	89.6	97.1	-7.7%
Improvements other than buildings and runways	157.5	146.3	69.3	41.8	226.8	188.1	20.5%
Equipment	42.1	35.6	42.7	43.7	84.8	79.3	6.9%
Infrastructure	785.7	751.7	2.5	-	788.2	751.7	4.8%
Construction in progress	408.9	367.4	21.6	28.5	430.5	395.9	8.7%
Total	$2,830.2	$2,711.1	$ 526.3	$ 485.9	$3,356.5	$3,197.0	4.9%

* Restated

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

In *governmental activities*, a significant portion of the increase is attributed to the restatement of $1.7 billion (net value) in infrastructure from prior year's activity which included $455.7 million of streets, $692.9 of storm, and $1 billion of road Right of Way. The restatement was recorded in compliance with GASB statement 34 infrastructure reporting under a timely implementation. In Fiscal year 2006, $50 million of street infrastructure was placed into service along with $10.5 million of storm infrastructure, $7.2 million for parks and recreation community centers and swimming pools, $10.7 million for Senior Citizen Community Center buildings, $4.5 million on law enforcement vehicles, $2.2 million on vehicles for the fire department, and $11 million of parks and recreation improvements. The construction work in progress balance consists of expenditures made in connection with the Capital Acquisition, Infrastructure Tax, and Quality of Life Funds which have not been completed or placed into service. The construction work in progress increased by $41.5 million primarily due to streets and park development.

In *business-type activities*, the additions to buildings were for the Aviation Fund security checkpoint reconfiguration ($11.4 million) and Double Eagle II Control Tower ($2.8 million); the Golf Fund clubhouse replacement ($1.8 million);

the Transit Fund west-side transit facility ($13.1 million) and ATC Depot ($5.2 million). The additions to runways were for the Aviation Fund ($3.3 million). The additions to improvements were for the Aviation Fund for fuel farm ($13.7 million), terminal optimization ($12.3 million), landscape modification ($3 million) and parking structure development ($1 million). The additions to equipment were to the Transit Fund for buses ($2 million), and the Refuse Fund for heavy equipment and refuse disposal vehicles ($8 million) and a billing system ($1 million). The construction work in progress decreased by $7 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 which have not been completed or placed into service. The major amounts are for improvements to the Sunport and Transit Fund's new West Side Facility and ATC Depot. More detailed information may be found in Section IV Note C Capital Assets of the accompanying financial statements.

Debt Administration.At the end of the current fiscal year, the City had total long-term obligations of $785.9 million, of which $145.9 million is due within the next fiscal year. The total bonded debt (net of unamortized discounts and deferred amounts on refunding and including unamortized premiums) is $674.8 million. The remaining debt is for loans, accrued vacation and sick leave pay, and claims payable. During the fiscal year ended June 30, 2006 the City issued $37.0 million in short term general obligation bonds. Bond proceeds were deposited into the Capital Acquisition Fund to finance projects relating to fire protection ($3.2 million), citizens' centers ($3.5 million), parks and other recreational equipment ($8.5 million), facilities and equipment ($2.4 million), public library ($1.7 million), public transit facilities ($4.2 million), zoo ($1.5 million), storm sewer ($3.0 million), streets ($8.0 million) and museums ($1.0 million).

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 2.97 of the $9.3 billion taxable value of property within the City's boundaries. The City currently may issue up to an additional $148.5 million of general obligation bonds. It has $223.7 million of general obligation debt outstanding subject to the legal debt limit at June 30, 2006. The net general bonded debt per capita is $557.61. The highest per capita amount in the last five fiscal years was $599.29 in the fiscal year ended June 30, 2005 and the lowest per capita amount was $338.22 in the fiscal year ended June 20, 2003.

The City's ratings on uninsured general obligation bonds remained unchanged from the prior year, and as of June 30, 2006 were:

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

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2007 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 weaker national economy, but a somewhat stronger local economy in terms of total employment. Construction employment in the area has remained unusually high, but is expected to slow fiscal year 2007. This slowdown is expected to decrease the Gross Receipts Tax revenue from construction projects.

Charges for entry into City venues remained unchanged in the fiscal year 2007 budget. However, the budget does include revenues from new City venues such as the opening of a new Olympic pool on the Westside, revenue from operations of the Albuquerque Golf Academy, and the opening of two animal adoption centers. A change in fee the City charges for records searches is the only fee increase in the General Fund for fiscal year 2007.

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. In the October 2005 general municipal election, the voters passed a bond issue of $121.1 million. The infrastructure program is expected to have only modest impact on the City's operating budget.

Effective July 1, 2006 the City turned over operations of the Metropolitan Detention Center to Bernalillo County. Although not included in the fiscal year 2007 budget, the City cut taxes by 0.125% effective January 1, 2007. This was to offset the same increase in taxes imposed by Bernalillo County to operate the Detention Center. The following table presents the underlying assumptions used in the budget process:

Economic Variables Underlying the Forecast by Fiscal Year
January 2006

	2005	2006	2007
National Variables			
Real GDP Growth	3.70%	3.60%	3.00%
Federal Funds Rate	2.20%	4.20%	4.80%
10 U.S. Bonds	4.20%	4.60%	5.20%
CPI U	3.00%	3.60%	1.80%
Unemployment Rate(U.S.)	5.30%	4.90%	4.90%
Employment(Total non-farm)	1.60%	1.50%	1.50%
Employment (Manufacturing)	0.00%	-0.30%	-1.00%
Consumer sentiment index--University of Michigan	93.4	87.8	93.2
Exchange Rates	0.82	0.84	0.78
Current Trade Account	-751.8	-866.8	-927.7
Wage	2.40%	2.50%	3.10%
Output per hour	2.50%	3.00%	2.10%
Albuquerque Variables			
Employment Growth and Unemployment in Albuquerque MSA			
Total Non-Ag ABQ	2.20%	2.10%	2.70%
Private-Non Construction	1.60%	1.70%	2.70%
Construction Employment (growth)	7.90%	6.90%	2.70%
Manufacturing(ABQ)	-0.70%	2.80%	6.70%
Unemployment Rate (Alb.)	5.20%	5.10%	5.00%
Construction Units Permitted in City of Albuquerque			
Single-Family Permits	4,953	4,271	3,591
Multi-Family Permits	466	274	408
Total Residential Permits	5,419	4,545	3,999

Source Global Insight and FOR-UNM January 2006 Baseline Forecasts

The total original General Fund appropriation for fiscal year 2007 is $476.7 million before interfund eliminations and $434.4 million after eliminations. Total appropriation increased by $30.2 million, which is a 6.76% increase over the original fiscal year 2006 budget. Recurring appropriations increased by 5.1%, while non-recurring appropriations increased by 27.6%, 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 and sustained high prices of oil and natural gas, bring concern about the effects it will have on the City's 2007 budget. Costs for items such as fleet and building operations are escalating or remain high. These increased prices also may 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.

Request 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 87103.

CITY OF ALBUQUERQUE, NEW MEXICO

STATEMENT OF NET ASSETS

JUNE 30, 2006

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit
ASSETS				
Current Assets:				
Cash, investments, and accrued interest	$ 287,248,732	$ 36,874,902	$ 324,123,634	$ 26,766,770
Cash with fiscal agents held for debt service	89,859,792	20,378,761	110,238,553	39,461,690
Cash held by others	-	1,407,913	1,407,913	-
Taxes receivable	72,958,957	-	72,958,957	-
Accounts receivable, net of allowance for uncollectibles	3,498,895	8,345,942	11,844,837	10,226,675
Notes receivable, current portion	-	-	-	1,213,410
Due from other governments	20,492,509	4,623,295	25,115,804	1,991,554
Deposits	100,000	-	100,000	-
Internal balances	20,851,584	(20,851,584)	-	-
Inventories	2,455,668	2,391,927	4,847,595	-
Prepaid expenses	419,790	32,789	452,579	-
Total current assets	497,885,927	53,203,945	551,089,872	79,660,099
Noncurrent Assets:				
Long-term accounts and notes receivable	14,467,967	-	14,467,967	7,705,710
Restricted assets:				
Cash, investments and accrued interest	64,163,803	106,792,041	170,955,844	91,339,646
Investment with fiscal agents	-	-	-	1,337,211
Accounts receivable - developers	-	2,515,312	2,515,312	-
Accounts receivable from bond escrow agent	-	1,446,214	1,446,214	-
Escrow deposits	-	475,373	475,373	146,492
Total restricted assets:	64,163,803	111,228,940	175,392,743	92,823,349
Capital assets:				
Land and construction in progress	1,691,711,059	83,333,681	1,775,044,740	202,743,326
Capital assets being depreciated	1,895,465,707	944,803,421	2,840,269,128	1,576,186,105
Accumulated depreciation	(757,008,021)	(501,774,615)	(1,258,782,636)	(790,394,721)
Capital assets, net of depreciation	2,830,168,745	526,362,487	3,356,531,232	988,534,710
Other:				
Purchased water rights, net of accumulated amortization	-	-	-	29,073,663
Capitalized bond issue costs	-	2,053,490	2,053,490	2,457,503
Deferred charges and other assets	6,443,017	-	6,443,017	-
Total other	6,443,017	2,053,490	8,496,507	31,531,166
Total noncurrent assets	2,915,243,532	639,644,917	3,554,888,449	1,120,594,935
Total assets	3,413,129,459	692,848,862	4,105,978,321	1,200,255,034

CITY OF ALBUQUERQUE, NEW MEXICO

STATEMENT OF NET ASSETS

JUNE 30, 2006

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	19,496,462	1,074,792	20,571,254	2,125,897
Accrued employee compensation and benefits	35,008,349	5,299,499	40,307,848	2,469,592
Accrued interest payable	8,394,609	-	8,394,609	466,562
Deposits	1,215,178	623,254	1,838,432	701,627
Unearned revenue	18,739,791	2,791,688	21,531,479	-
Due to other governments	999,850	30,800	1,030,650	-
Payable from restricted assets:				
Contracts, claims, and other payable	34,421,723	8,778,835	43,200,558	23,260,967
Current portion:				
Bonds and notes payable	79,291,299	15,868,506	95,159,805	35,375,416
Water rights and loan agreements	-	-	-	502,526
Accrued interest	-	5,098,586	5,098,586	8,177,630
Total current liabilities	197,567,261	39,565,960	237,133,221	73,080,217
Noncurrent liabilities:				
Liabilities payable from restricted assets:				
Landfill closure costs	-	1,367,903	1,367,903	-
Other	-	193,213	193,213	-
Total liabilities payable from restricted assets	-	1,561,116	1,561,116	-
Long-term payable:				
Bonds and notes payable, net of current portion, discounts and premiums	346,655,574	257,168,339	603,823,913	257,608,339
Water rights contract and loan agreements	-	-	-	173,819,516
Total long-term payable	346,655,574	257,168,339	603,823,913	431,427,855
Other:				
Accrued vacation, sick leave and claims	33,438,599	1,407,148	34,845,747	653,124
Deferred credits and other liabilities	1,076,701	-	1,076,701	877,107
Total other	34,515,300	1,407,148	35,922,448	1,530,231
Total noncurrent liabilities	381,170,874	260,136,603	641,307,477	432,958,086
Total liabilities	578,738,135	299,702,563	878,440,698	506,038,303
NET ASSETS				
Invested in capital assets, net of related debt	2,634,062,347	296,141,191	2,930,203,538	609,954,619
Restricted for:				
Debt service	34,760,399	12,018,603	46,779,002	12,919,005
Construction	87,776,730	59,525,189	147,301,918	5,539,537
Housing & economic development	14,820,886	-	14,820,886	-
Federal & state funded programs	2,870,321	-	2,870,321	-
Open space and urban enhancement				
Expendable	1,338,939	-	1,338,939	-
Nonexpendable	23,608,107	-	23,608,107	-
Unrestricted	35,153,595	25,461,317	60,614,912	65,803,570
Total net assets	$ 2,834,391,324	$ 393,146,299	$ 3,227,537,623	$ 694,216,731

The accompanying notes are an integral part of these financial statements

CITY OF ALBUQUERQUE, NEW MEXICO

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2006

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions
Primary government:				
Governmental activities:				
General government	$ 77,107,681	$ (3,752,615)	$ 42,539,075	$ 1,951,947
Public safety	233,410,622	2,175,807	29,001,098	4,894,938
Culture and recreation	77,297,628	241,122	7,186,809	37,468
Public works/Municipal Development	37,768,785	577,315	-	2,060,028
Health and welfare	14,436,353	245,186	6,213,544	925,470
Human services	49,466,579	513,185	385,537	20,670,083
Housing	3,071,733	-	-	1,742,202
Highways and streets	22,803,534	-	1,254,769	4,833,012
Interest and other charges	18,970,735	-	-	-
Total governmental activities	534,333,650	-	86,580,832	37,115,148
Business-like activities:				
Airport	59,904,463	-	68,416,707	-
Refuse disposal	45,080,158	-	46,541,085	-
Transit	40,960,678	-	4,033,249	-
Golf course	3,820,060	-	4,212,915	-
Apartments	3,368,112	-	2,980,068	-
Housing authority	27,296,856	-	1,755,436	24,092,042
Parking facilities	5,769,860	-	4,038,097	256,733
Stadium	2,466,617	-	1,724,548	-
Total business-like activities	188,666,804	-	133,702,105	24,348,775
Total primary government	$ 723,000,454	$ -	$ 220,282,937	$ 61,463,923
Component Unit:				
Albuquerque Bernalillo County Water Utility Authority	$ 125,421,713	$ -	$ 155,759,008	$ -

General Revenues:

Taxes:

Property taxes

Franchise taxes

Hospitality taxes

Lodgers' taxes

Gross receipts taxes, local option

Payments in lieu of taxes

NM shared taxes and fees not restricted to specific programs

Grants and contributions not restricted to specific programs

Miscellaneous revenue

Unrestricted investment earnings

Transfers

Total general revenues and transfers

Change in net assets

Net assets, July 1

Retroactive reporting of GASB Statement No. 34 Infrastructure

Restatement

Net assets, July 1, as restated

Net assets, June 30

The accompanying notes are an integral part of these financial statements

Program Revenues, cont.	Net (Expenses) Revenue and Changes in Net Assets			
Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Unit
$ -	$ (28,864,044)	$ -	$ (28,864,044)	
1,097,787	(200,592,606)	-	(200,592,606)	
-	(70,314,473)	-	(70,314,473)	
-	(36,286,072)	-	(36,286,072)	
-	(7,542,525)	-	(7,542,525)	
-	(28,924,144)	-	(28,924,144)	
-	(1,329,531)	-	(1,329,531)	
-	(16,715,753)	-	(16,715,753)	
-	(18,970,735)	-	(18,970,735)	
1,097,787	(409,539,883)	-	(409,539,883)	
14,524,337	-	23,036,581	23,036,581	
-	-	1,460,927	1,460,927	
15,798,789	-	(21,128,640)	(21,128,640)	
10,410	-	403,265	403,265	
-	-	(388,044)	(388,044)	
-	-	(1,449,378)	(1,449,378)	
-	-	(1,475,030)	(1,475,030)	
74,315	-	(667,754)	(667,754)	
30,407,851	-	(208,073)	(208,073)	
$ 31,505,638	$ (409,539,883)	$ (208,073)	$ (409,747,956)	
$ 16,853,909				$ 47,191,204
	101,600,383	-	101,600,383	-
	19,290,495	-	19,290,495	-
	1,995,823	-	1,995,823	-
	9,995,729	-	9,995,729	-
	184,643,805	-	184,643,805	-
	5,202,860	-	5,202,860	-
	180,991,062	-	180,991,062	-
	34,041,732	-	34,041,732	-
	27,167,545	1,724,197	28,891,742	-
	16,718,450	3,051,453	19,769,903	5,019,000
	(33,346,329)	33,346,329	-	-
	548,301,555	38,121,979	586,423,534	5,019,000
	138,761,672	37,913,906	176,675,578	52,210,204
	938,261,578	355,232,393	1,293,493,971	642,006,527
	1,719,741,647	-	1,719,741,647	-
	37,626,427	-	37,626,427	-
	2,695,629,652	355,232,393	3,050,862,045	642,006,527
	$ 2,834,391,324	$ 393,146,299	$ 3,227,537,623	$ 694,216,731

CITY OF ALBUQUERQUE, NEW MEXICO
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

	General Fund	GO Bond Debt Service Fund
ASSETS		
Cash, investments, and accrued interest	$ 75,821,977	$ 8,620,107
Cash with fiscal agents	-	81,722,581
Investments with fiscal agents	-	-
Taxes receivable, net of allowance for uncollectible:	61,765,981	3,575,389
Other receivables, net of allowance for uncollectible	1,607,925	-
Due from other governments	249,494	-
Due from other funds	543,681	-
Advances to other funds	-	-
Inventories of supplies	96,839	-
Prepaid items	72,856	-
Land held for sale	-	-
Total assets	$ 140,158,753	$ 93,918,077
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	$ 9,192,547	$ 13,745
Contracts and retainage payable	-	-
Accrued employee compensation and benefits	8,452,331	-
Due to other funds	864,237	-
Due to other governments	-	-
Advances from other funds	-	-
Deferred revenue	33,318,515	2,204,639
Deposits	980,552	-
Matured bonds and interest payable	-	81,722,581
Total Liabilities	52,808,182	83,940,965
Fund Balances:		
Reserved for:		
Encumbrances	5,164,191	-
Inventories of supplies	96,839	-
Prepaid items	72,855	-
Land held for resale	-	-
Advances to other funds	-	-
Transfer to capital acquisition fund	-	-
Acquisition and management of open space land	-	-
Urban enhancement	-	-
Debt service funds	-	9,977,112
Unreserved, designated for		
Subsequent years' operations	47,411,000	-
Unreserved undesignated report in:		
General Fund	34,605,686	-
Special Revenue funds	-	-
Capital projects funds	-	-
Total fund balances	87,350,571	9,977,112
Total liabilities and fund balances	$ 140,158,753	$ 93,918,077

The accompanying notes are an integral part of these financial statements

CITY OF ALBUQUERQUE, NEW MEXICO
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

Capital Acquisition Fund	Nonmajor Funds	Total
$ 112,011,002	$ 98,780,797	$ 295,233,883
-	6,958,411	88,680,992
717,785	461,015	1,178,800
-	7,617,587	72,958,957
1,369,663	14,989,274	17,966,862
12,888,523	7,290,215	20,428,232
-	-	543,681
-	20,300,000	20,300,000
-	191,583	288,422
-	-	72,856
-	4,470,382	4,470,382
$ 126,986,973	$ 161,059,264	$ 522,123,067
$ 3,687,928	$ 4,874,979	$ 17,769,199
9,510,852	2,994,871	12,505,723
53,098	939,887	9,445,316
-	301,179	1,165,416
-	999,850	999,850
1,299,000	-	1,299,000
1,960,389	22,278,162	59,761,705
-	234,626	1,215,178
-	7,029,785	88,752,366
16,511,267	39,653,339	192,913,753
-	1,187,804	6,351,995
-	-	96,839
-	-	72,855
-	4,470,382	4,470,382
-	20,300,000	20,300,000
-	353,368	353,368
-	12,798,271	12,798,271
-	9,436,067	9,436,067
-	4,483,287	14,460,399
-	-	47,411,000
-	-	34,605,686
-	26,911,919	26,911,919
110,475,706	41,464,827	151,940,533
110,475,706	121,405,925	329,209,314
$ 126,986,973	$ 161,059,264	$ 522,123,067

The accompanying notes are an integral part of these financial statements

CITY OF ALBUQUERQUE, NEW MEXICO
BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006

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

Total Fund Balance Governmental Funds (page 21).	$	329,209,314
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		2,830,168,745
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 expenditures when due. All liabilities are reported in the statement of net assets.		(374,834,096)
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 additions, 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.		8,977,133
Other deferred and accrued charges that are not financial uses and resources and, therefore, are not reported in the funds.		478,666
Interest earned on loans receivable are not available for collections and are not included in the governmental fund financial statements. However, the accrued interest is reported in the governmental-wide financial statements.		38,110
Capital assets included in both Internal Service fund and capital asset reconciliation balances.		(630,352)
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.		40,983,804
Total net assets of governmental activities (page 17)	$	2,834,391,324

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, 2006

	General Fund	GO Bond Debt Service Fund
Revenues:		
Taxes	$ 200,301,935	$ 73,461,617
Licenses and permits	15,203,198	-
Intergovernmental	180,444,108	-
Charges for services	43,813,352	-
Fines and forfeits	297,621	-
Interest	3,014,166	1,592,530
Special Assessments	-	-
Collections on real estate contracts receivable	-	-
Miscellaneous	1,242,475	-
Total revenues	444,316,855	75,054,147
Expenditures:		
Current		
General Government	60,152,981	-
Public safety	171,032,391	-
Culture and recreation	62,450,750	-
Municipal Development\Public works	23,194,402	-
Highways and streets	-	-
Health	9,223,109	-
Human services	27,753,723	-
Housing	-	-
Debt service		
Principal	-	76,440,000
Interest	-	10,562,178
Fiscal agent fees and other fees	-	734,760
Capital Outlay	18,283,442	-
Total expenditures	372,090,798	87,736,938
Excess (deficiency) of revenues over expenditures	72,226,057	(12,682,791)
Other financing sources (uses):		
Transfers in	2,976,557	-
Transfers out	(73,276,058)	-
Bond issued	-	-
Total other financing sources (uses)	(70,299,501)	-
Net change in fund balances	1,926,556	(12,682,791)
Fund balances , July 1	85,424,015	22,659,903
Fund balances, June 30	$ 87,350,571	$ 9,977,112

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, 2006

Capital Acquisition Fund	Nonmajor Funds	Total
$ 538,714	$ 46,420,925	$ 320,723,191
-	2,564,742	17,767,940
33,124,771	58,458,215	272,027,094
-	10,405,881	54,219,233
-	1,076,941	1,374,562
4,335,635	4,126,702	13,069,033
-	3,818,055	3,818,055
-	1,231,970	1,231,970
10,701,222	10,581,450	22,525,147
48,700,342	138,684,881	706,756,225
-	11,399,355	71,552,336
-	57,820,243	228,852,634
-	5,999,854	68,450,604
-	1,696,885	24,891,287
-	5,925,967	5,925,967
-	4,910,036	14,133,145
-	24,084,589	51,838,312
-	3,073,404	3,073,404
-	8,181,272	84,621,272
-	7,181,971	17,744,149
-	154,592	889,352
140,898,929	22,595,801	181,778,172
140,898,929	153,023,969	753,750,634
(92,198,587)	(14,339,088)	(46,994,409)
12,184,426	45,006,091	60,167,074
(2,760,710)	(17,207,635)	(93,244,403)
37,000,000	-	37,000,000
46,423,716	27,798,456	3,922,671
(45,774,871)	13,459,368	(43,071,738)
156,250,577	107,946,557	372,281,052
$ 110,475,706	$ 121,405,925	$ 329,209,314

The accompanying notes are an integral part of these financial statements

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

Net change in fund balances – total governmental funds (page 24)	$	(43,071,738)
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 in the current period. This is the amount by which capital outlays exceeded depreciation in the current period.		119,093,429
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 transactions, 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.		49,401,674
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 of the internal service funds is reported with governmental activities.		11,567,857
Internal Service funds capital outlay additions net of depreciation which are included in the governmental capital outlay expenditure reconciliation amount.		71,789
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.		4,139,020
Interest earned on loans receivable are not available for collections and are not included in the governmental fund financial statements. However, the accrued interest is reported in the governmental-wide financial statements.		11,806
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(2,452,165)
Change in net assets of governmental activities (page 19)	$	138,761,672

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, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes:				
Current property tax	$ 25,664,000	$ 25,664,000	$ 27,668,726	$ 2,004,726
Delinquent property tax	762,000	762,000	936,497	174,497
Franchise taxes:				
Telephone	4,169,000	4,169,000	3,241,614	(927,386)
Electric	5,904,000	5,904,000	5,886,870	(17,130)
Gas	4,321,000	4,321,000	5,493,835	1,172,835
Cable television	3,468,000	3,468,000	3,357,527	(110,473)
New Mexico Utility	220,000	220,000	233,055	13,055
Telecommunications	-	-	538,880	538,880
Payments in lieu of Taxes	5,141,000	5,141,000	5,202,860	61,860
Gross receipts tax-local option	141,364,000	141,364,000	147,742,071	6,378,071
Total taxes	191,013,000	191,013,000	200,301,935	9,288,935
Licenses and permits:				
Liquor licenses	214,000	214,000	208,062	(5,938)
Building permits	3,767,000	3,767,000	5,200,750	1,433,750
Plumbing/mechanical permits	1,470,000	1,470,000	1,920,850	450,850
Electrical/refrigeration permits	1,002,000	1,002,000	1,307,593	305,593
Plan checking permits	2,472,000	2,472,000	3,524,890	1,052,890
Flood plain certification	320,000	320,000	245,550	(74,450)
Reroofing permits	29,000	29,000	43,772	14,772
Restaurant inspections	746,000	746,000	605,759	(140,241)
Food retailers inspections	-	-	161,749	161,749
Swimming pool inspections	120,000	120,000	120,314	314
Animal licenses	275,000	275,000	274,115	(885)
Right of way usage permits	176,000	176,000	195,267	19,267
Loading zone permits	-	-	9,617	9,617
Solicitation permits	6,000	6,000	1,706	(4,294)
Business registration fees	1,212,000	1,212,000	1,166,904	(45,096)
Other licenses and permits	194,000	194,000	216,300	22,300
Total licenses and permits	12,003,000	12,003,000	15,203,198	3,200,198
Intergovernmental:				
State shared:				
Gross receipts tax	167,050,000	167,050,000	173,954,746	6,904,746
Cigarette tax	560,000	560,000	506,209	(53,791)
Motor vehicle license distribution	1,364,000	1,364,000	1,397,097	33,097
Municipal road - gas tax	2,300,000	2,300,000	2,571,308	271,308
DWI Fines	400,000	400,000	355,299	(44,701)
Grants:				
Other	14,000	318,000	1,097,787	779,787
Local administered grants:				
Bernalillo County-shared operations	264,000	318,000	561,662	243,662
Total intergovernmental	171,952,000	172,310,000	180,444,108	8,134,108

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, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues (continued):				
Charges for services:				
General government:				
Photocopying	153,000	153,000	161,842	8,842
Engineering fees	1,600,000	1,600,000	2,731,083	1,131,083
Filing of plats and subdivisions	432,000	432,000	351,600	(80,400)
Sign fees	84,000	84,000	121,930	37,930
Zoning fence permit fees	188,000	188,000	213,207	25,207
Sale of maps and publications	5,000	5,000	9,352	4,352
Records search fees	350,000	350,000	518,085	168,085
Jury duty and witness fees	13,000	13,000	3,747	(9,253)
Planning services	32,000	32,000	31,329	(671)
Shooting range fees	220,000	220,000	228,256	8,256
Grounds maintenance	521,000	521,000	520,987	(13)
Office services	35,000	35,000	37,126	2,126
Real property services	70,000	70,000	64,018	(5,982)
Material testing lab	-	-	15,291	15,291
Engineering inspections	-	-	219,882	219,882
Engineering surveying	-	-	19,851	19,851
Legal services	2,194,000	2,194,000	2,226,704	32,704
Administrative fees	48,000	48,000	183,877	135,877
Administrative charges to other funds	24,090,000	24,090,000	22,131,742	(1,958,258)
Other	825,000	825,000	922,268	97,268
Public safety:				
Police services	2,170,000	2,170,000	4,074,339	1,904,339
Fire services	326,000	326,000	360,465	34,465
Culture and recreation:				
Community centers	32,000	32,000	27,391	(4,609)
Swimming pools	510,000	510,000	595,507	85,507
Outdoor recreation fees	-	-	290,732	290,732
Sports programs	576,000	576,000	439,987	(136,013)
Other recreation charges	251,000	251,000	1,830	(249,170)
Tournament/field rental	80,000	80,000	103,807	23,807
Latch key program	770,000	770,000	714,439	(55,561)
Museum charges	526,000	526,000	198,784	(327,216)
Zoo admissions	1,829,000	1,829,000	1,962,955	133,955
Other zoo charges	51,000	51,000	100,202	49,202
Albuquerque aquarium and gardens	986,000	986,000	1,120,432	134,432
Cultural affairs	1,390,000	1,390,000	1,097,424	(292,576)

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, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues (continued):				
Charges for services:				
Highways and streets:				
Compaction tests	180,000	180,000	206,100	26,100
Excavation permits	360,000	360,000	354,104	(5,896)
Other street division charges	434,000	434,000	499,298	65,298
Health:				
Animal control charges	400,000	400,000	567,843	167,843
Human services:				
Meal programs	160,000	160,000	155,872	(4,128)
Memberships	94,000	94,000	121,523	27,523
Coffee	14,000	14,000	16,659	2,659
Dances	31,000	31,000	40,399	9,399
DSA Route #2	28,000	28,000	20,379	(7,621)
Other	19,000	19,000	30,704	11,704
Total charges for services	42,077,000	42,077,000	43,813,352	1,736,352
Fines and forfeits:				
Air quality penalties	5,000	5,000	297,621	292,621
Total fines and forfeits	5,000	5,000	297,621	292,621
Interest:				
Interest on investments	1,800,000	1,800,000	3,014,166	1,214,166
Miscellaneous:				
Rental of City property	140,000	140,000	176,987	36,987
Community center rentals	270,000	270,000	315,171	45,171
Revenue sharing agreement	-	-	255,823	255,823
Sales of real property	-	-	91,742	91,742
Contributions and donations	20,000	20,000	22,276	2,276
Cash discounts earned	-	-	38,871	38,871
Other miscellaneous	328,000	328,000	341,605	13,605
Total miscellaneous	758,000	758,000	1,242,475	484,475
Total revenues	419,608,000	419,966,000	444,316,855	24,350,855

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, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Expenditures:				
Current:				
General Government:				
Accounting	2,915,000	2,928,000	2,875,408	52,592
Chief Administrative Officer	1,759,000	1,916,000	1,817,632	98,368
City buildings	6,596,000	6,668,000	6,535,038	132,962
City wide financial support	667,000	667,000	625,944	41,056
City/County building rental	2,789,000	2,789,000	2,789,000	-
Community revitalization	2,135,000	2,468,000	1,683,523	784,477
Compensation in lieu of sick leave	350,000	350,000	261,430	88,570
Council services	2,105,000	2,320,000	2,106,306	213,694
DFAS - Strategic support	351,000	351,000	341,444	9,556
Dues and memberships	456,000	387,000	363,407	23,593
Early retirement	7,000,000	7,000,000	6,129,449	870,551
Economic development	50,000	50,000	50,000	-
Information systems	7,793,000	7,895,000	7,731,641	163,359
Inspector general	250,000	250,000	638	249,362
International trade	248,000	248,000	235,100	12,900
ISD CIP funded	334,000	334,000	168,346	165,654
Katrina Relief	-	852,000	843,309	8,691
Legal services	5,048,000	5,164,000	4,935,145	228,855
Legislative coordinator	224,000	224,000	245,500	(21,500)
Mayor's office	812,000	872,000	765,730	106,270
Office of city clerk	1,555,000	1,949,000	1,834,776	114,224
Office of economic development	1,152,000	1,202,000	1,098,515	103,485
Office of internal audit	953,000	953,000	781,124	171,876
Office of management and budget	1,242,000	1,257,000	1,154,835	102,165
One stop shop	6,372,000	6,372,000	6,241,582	130,418
Personnel services	2,287,000	2,312,000	2,195,699	116,301
Planning & development review	1,331,000	1,361,000	1,231,757	129,243
Planning - Strategic support	973,000	973,000	972,920	80
Plaza del Sol building	1,291,000	1,291,000	1,291,000	-
Purchasing	1,098,000	1,098,000	1,010,039	87,961
Real property	498,000	498,000	470,229	27,771
Risk five year recovery plan	1,494,000	1,494,000	1,494,000	-
Treasury	1,402,000	1,402,000	1,380,305	21,695
Safe city strike force	947,000	985,000	939,050	45,950
Total general government	64,477,000	66,880,000	62,599,821	4,280,179

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, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Expenditures (continued):				
Current:				
Public safety:				
Police Department:				
Central support services	30,125,000	31,349,000	29,346,357	2,002,643
Investigative services	22,981,000	23,155,000	21,923,116	1,231,884
Neighborhood Policing	65,596,000	66,344,000	66,179,369	164,631
Off duty police overtime	1,072,000	1,072,000	1,071,047	953
Prisoner transport	-	220,000	-	220,000
Fire Department:				
AFD headquarters	4,749,000	2,721,000	2,531,243	189,757
Dispatch	2,924,000	2,927,000	2,925,522	1,478
Fire dept/CIP funded employees	-	-	-	-
Fire prevention/fire marshal's office	3,237,000	3,240,000	3,195,204	44,796
Fire emergency response	45,174,000	45,753,000	45,728,574	24,426
Fire training and safety	1,746,000	1,836,000	1,825,056	10,944
Logistics	4,756,000	5,646,000	5,628,610	17,390
Paramedic rescue	-	-	-	-
Culture and recreation:				
Biological park	11,321,000	11,463,000	11,441,759	21,241
CIP Biopark	1,993,000	1,993,000	1,769,551	223,449
CIP library	52,000	52,000	52,525	(525)
Citizen Services	3,626,000	3,626,000	3,397,409	228,591
Community events	2,939,000	3,267,000	3,047,210	219,790
Convention center	-	-	-	-
Explora Science Center	1,300,000	1,300,000	1,300,185	(185)
Museum	5,119,000	5,515,000	5,513,710	1,290
Quality parks & trails system	-	-	-	-
Strategic support - CS	1,052,000	1,052,000	1,029,994	22,006
Strategic support - Senior Affairs	1,362,000	1,370,000	1,309,149	60,851
Strategic support - PR	916,000	916,000	923,531	(7,531)
Parks land management	12,506,000	12,701,000	12,653,570	47,430
Promote safe use of firearms	295,000	295,000	273,922	21,078
Provide community recreation	6,340,000	6,424,000	6,327,511	96,489
Provide quality recreation	4,507,000	4,580,000	4,547,888	32,112
Public library	10,083,000	10,105,000	10,099,409	5,591
Tourism - convention center	1,878,000	2,021,000	1,884,754	136,246
Special events parking	19,000	19,000	18,972	28
Total culture and recreation	65,308,000	66,699,000	65,591,049	1,107,951
Municipal Development				
Code administration	2,724,000	2,724,000	2,534,073	189,927
Construction management	2,622,000	2,622,000	2,230,065	391,935
Design - municipal devlp	611,000	611,000	464,106	146,894
Design recovered - municipal devlp	1,679,000	1,679,000	1,511,780	167,220
Design recovery - Parks & CIP	3,306,000	3,306,000	2,905,399	400,601
GF street services	9,241,000	9,241,000	9,147,982	93,018
Strategic support	-	-	-	-
Street CIP trans infrastructure tx	2,652,000	2,652,000	2,395,018	256,982
Storm drainage/maintenance	2,184,000	2,225,000	2,133,920	91,080
Total municipal development	26,554,000	26,621,000	24,800,412	1,820,588

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, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Expenditures (continued):				
Current:				
Health:				
Albuq. Care & control	6,284,000	6,641,000	6,737,650	(96,650)
Bio disease management	394,000	394,000	360,553	33,447
Clean city section	-	-	-	-
Environmental services	1,402,000	1,402,000	1,253,752	148,248
Program support	538,000	538,000	528,307	9,693
Total health	9,697,000	10,054,000	9,951,332	102,668
Human services:				
Access to basic services	145,000	145,000	108,079	36,921
Develop affordable housing	74,000	74,000	73,800	200
Plan and coordinate	2,159,000	2,159,000	2,095,034	63,966
Offer health & social services	3,640,000	3,640,000	2,935,395	704,605
Partner with public education	5,263,000	5,263,000	5,060,855	202,145
Prevent and reduce youth gangs	1,221,000	1,246,000	1,234,012	11,988
Neighborhood crime reduction	142,000	142,000	142,000	-
Provide early childhood education	5,018,000	5,018,000	4,763,196	254,804
Provide emergency shelter	170,000	720,000	686,744	33,256
Provide mental health	2,689,000	4,208,000	2,106,546	2,101,454
Provide transitional housing	163,000	163,000	162,500	500
Substance abuse treatment/prevention	5,657,000	6,057,000	5,559,518	497,482
Supportive services to homeless	180,000	180,000	175,910	4,090
Train lower income persons	47,000	47,000	41,121	5,879
Well-being	3,382,000	3,382,000	3,264,387	117,613
Total human services	29,950,000	32,444,000	28,409,097	4,034,903
Total expenditures	378,744,000	387,359,000	372,090,798	15,268,202
Excess of revenues over expenditures	40,864,000	32,607,000	72,226,057	39,619,057
Other financing sources (uses):				
Transfers in	2,817,000	2,817,000	2,976,557	159,557
Transfers out	(67,763,000)	(72,985,000)	(73,276,058)	(291,058)
Total other financing sources and uses	(64,946,000)	(70,168,000)	(70,299,501)	(131,501)
Net change in fund balance	(24,082,000)	(37,561,000)	1,926,556	39,487,556
Fund balance, July 1	85,424,015	85,424,015	85,424,015	-
Fund balance, June 30	$ 61,342,015	$ 47,863,015	$ 87,350,571	$ 39,487,556

The accompanying notes are an integral part of these financial statements.

CITY OF ALBUQUERQUE, NEW MEXICO

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

June 30, 2006

ASSETS	Airport Fund	Refuse Disposal Fund
Current assets:		
Cash, investments, and accrued interest	$ 13,382,376	$ 5,596,077
Cash with fiscal agents held for debt service	14,840,232	4,467,099
Cash held by others	-	-
Accounts receivable, net of allowance for uncollectible accounts	4,194,661	3,313,127
Due from other funds	-	-
Prepaid expenses	-	-
Due from other governments	-	-
Deposits	-	-
Inventories of supplies	584,206	658,853
Total current assets	33,001,475	14,035,156
Noncurrent assets:		
Restricted assets:		
Cash, investments, and accrued interest	88,495,528	5,873,517
Account receivable from bond escrow agent	1,446,214	-
Accounts receivable - developers	-	-
Escrow deposits	-	-
Total restricted assets	89,941,742	5,873,517
Capital assets:		
Land	34,570,170	5,165,504
Land and improvements acquired from U.S. Air Force	7,630,077	-
Buildings and improvements	162,214,330	39,806,572
Runways and other improvements	249,880,802	-
Infrastructure	-	2,508,663
Improvements other than buildings	147,306,904	-
Machinery and equipment	8,930,251	62,089,391
Other	647,096	-
Total	611,179,630	109,570,130
Less accumulated depreciation and amortization	329,526,267	49,697,628
Capital assets, net of depreciation	281,653,363	59,872,502
Construction work in progress	17,966,649	899,335
Total capital assets	299,620,012	60,771,837
Other:		
Capitalized bond issuance costs	1,343,282	52,074
Advance from other funds	-	-
Land - acquired under claim settlement	-	-
Total other assets	1,343,282	52,074
Total noncurrent assets	390,905,036	66,697,428
Total assets	$ 423,906,511	$ 80,732,584

The accompanying notes are an integral part of these financial statements

Business-type Activities - Enterprise Funds Transit Fund	Other Enterprise Funds	Totals	Governmental Activities - Internal Service Funds
$ 4,862,530	$ 13,033,919	$ 36,874,902	$ 56,178,652
-	1,071,430	20,378,761	-
-	1,407,913	1,407,913	-
154,159	683,995	8,345,942	-
-	-	-	864,237
-	32,789	32,789	346,934
4,562,157	61,138	4,623,295	64,277
-	-	-	100,000
1,020,844	128,024	2,391,927	2,167,246
10,599,690	16,419,208	74,055,529	59,721,346
4,776,977	7,646,019	106,792,041	-
-	-	1,446,214	-
272,936	2,242,376	2,515,312	-
-	475,373	475,373	-
5,049,913	10,363,768	111,228,940	-
4,768,660	8,875,432	53,379,766	283,842
-	-	7,630,077	-
65,065,544	140,265,457	407,351,903	406,001
-	-	249,880,802	-
-	-	2,508,663	-
-	-	147,306,904	765,388
62,148,017	4,587,490	137,755,149	1,439,459
-	100,904	748,000	-
131,982,221	153,829,283	1,006,561,264	2,894,690
52,172,378	70,378,342	501,774,615	2,264,339
79,809,843	83,450,941	504,786,649	630,351
1,080,823	1,629,031	21,575,838	-
80,890,666	85,079,972	526,362,487	630,351
-	658,134	2,053,490	-
-	-	-	1,608,082
-	-	-	417,268
-	658,134	2,053,490	2,025,350
85,940,579	96,101,874	639,644,917	2,655,701
$ 96,540,269	$ 112,521,082	$ 713,700,446	$ 62,377,047

The accompanying notes are an integral part of these financial statements

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006

LIABILITIES	Airport Fund	Refuse Disposal Fund
Current liabilities:		
Accounts payable	$ 3,036	$ 692,371
Accrued payroll	260,020	435,105
Accrued vacation and sick leave pay	820,785	1,365,282
Accrued fuel cleanup costs	-	-
Fare tokens outstanding	-	-
Deposits	231,129	66,982
Due to other funds	-	-
Due to other governments	30,800	-
Current portion of claims and judgments payable	-	-
Liabilities payable from restricted assets:		
Construction contracts and miscellaneous payable	6,455,800	9,857
Deferred revenue	2,046,938	-
Current portion - revenue bonds payable	11,150,000	3,800,052
Accrued interest	3,947,191	695,494
Total current liabilities	24,945,699	7,065,143
Noncurrent liabilities:		
Liabilities payable from restricted assets:		
Accrued landfill closure costs	-	1,367,903
Other	-	-
Total	-	1,367,903
Revenue bonds, notes payable and capital leases, net of current portion and unamortized discounts	201,719,180	26,252,500
Other:		
Claims and judgments payable	-	-
Accrued vacation and sick leave pay	379,361	970,982
Advances from other funds	-	309,082
Total	379,361	1,280,064
Total noncurrent liabilities:	202,098,541	28,900,467
Total liabilities	227,044,240	35,965,610
NET ASSETS		
Invested in capital assets, net of related debt	121,434,113	36,402,691
Restricted for:		
Debt service	10,436,058	263,846
Construction	46,290,243	1,934,778
Unrestricted (deficit)	18,701,857	6,165,659
Total net assets	$ 196,862,271	$ 44,766,974

The accompanying notes are an integral part of these financial statements

Business-type Activities - Enterprise Funds: Transit Fund	Other Enterprise Funds	Totals	Governmental Activities - Internal Service Fund
$ -	$ 379,385	$ 1,074,792	$ 1,727,262
462,851	135,259	1,293,235	112,901
1,414,908	405,289	4,006,264	469,108
-	-	-	31,841
83,934	-	83,934	-
-	241,209	539,320	-
-	242,502	242,502	-
-	-	30,800	-
-	-	-	21,916,000
2,313,178	-	8,778,835	-
-	744,750	2,791,688	-
-	918,454	15,868,506	-
-	455,901	5,098,586	-
4,274,871	3,522,749	39,808,462	24,257,112
-	-	1,367,903	-
-	193,213	193,213	-
-	193,213	1,561,116	-
-	29,196,659	257,168,339	-
-	-	-	29,034,991
-	56,805	1,407,148	107,811
-	20,300,000	20,609,082	-
-	20,356,805	22,016,230	29,142,802
-	49,746,677	280,745,685	29,142,802
4,274,871	53,269,426	320,554,147	53,399,914
80,890,666	57,413,721	296,141,191	630,351
-	1,318,699	12,018,603	-
4,776,977	6,523,191	59,525,189	-
6,597,755	(6,003,954)	25,461,317	8,346,782
$ 92,265,398	$ 59,251,656	$ 393,146,299	$ 8,977,133

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, 2006

	Airport Fund	Refuse Disposal Fund
Operating revenues:		
Charges for services	$ 60,186,114	$ 46,541,085
Operating expenses:		
Salaries and fringe benefits	13,125,972	21,579,667
Professional services	401,421	-
Utilities	2,295,674	401,719
Supplies	605,721	1,051,786
Travel	46,578	10,699
Fuels, repairs and maintenance	2,829,629	7,005,564
Contractual services	3,760,093	1,663,916
Claims and judgments	-	-
Insurance premiums	-	-
Other operating expenses	2,377,720	6,050,774
Depreciation	23,740,756	6,378,025
Bad debt expense	-	-
Total operating expenses	49,183,564	44,142,150
Operating income (loss)	11,002,550	2,398,935
Non-operating revenues (expenses):		
Interest on investments	1,650,133	357,292
Federal housing grants	-	-
Housing assistance payments	-	-
Passenger facilities charges	8,230,593	-
Gain (loss) on disposition of property and equipment	(1,883,656)	144,607
Interest and other debt service expenses	(8,117,464)	(916,498)
Bond issue costs	(61,926)	(21,510)
Other	(657,853)	1,101,447
Total non-operating revenues (expenses)	(840,173)	665,338
Income (loss) before capital contributions and transfers	10,162,377	3,064,273
Capital contributions	14,524,337	-
Transfers in	-	700,000
Transfers out	-	(1,587,010)
Change in net assets	24,686,714	2,177,263
Net assets (deficit), July 1	172,175,557	42,589,711
Net assets, June 30	$ 196,862,271	$ 44,766,974

The accompanying notes are an integral part of these financial statements

Business-type Activities - Enterprise Funds Transit Fund	Other Enterprise Funds	Totals	Governmental Activities - Internal Service Funds
$ 4,033,249	$ 14,711,064	$ 125,471,512	$ 96,693,619
22,660,857	6,772,553	64,139,049	5,902,522
295,123	69,500	766,044	1,270,727
693,631	2,574,592	5,965,616	160,294
560,045	130,803	2,348,355	1,256,487
15,414	2,866	75,557	7,365
5,662,310	2,389,706	17,887,209	6,187,766
1,253,628	767,607	7,445,244	2,376,434
-	-	-	22,684,682
-	-	-	45,066,578
3,949,056	3,117,381	15,494,931	1,707,351
5,849,463	4,968,385	40,936,629	114,725
-	95,485	95,485	-
40,939,527	20,888,878	155,154,119	86,734,931
(36,906,278)	(6,177,814)	(29,682,607)	9,958,688
313,261	730,767	3,051,453	1,857,210
-	24,092,042	24,092,042	-
-	(19,086,450)	(19,086,450)	-
-	-	8,230,593	-
(21,151)	-	(1,760,200)	1,242
-	(2,249,730)	(11,283,692)	-
-	(105,628)	(189,064)	-
2,305,418	478,216	3,227,228	19,717
2,597,528	3,859,217	6,281,910	1,878,169
(34,308,750)	(2,318,597)	(23,400,697)	11,836,857
13,493,371	(49,434)	27,968,274	-
33,010,886	2,185,000	35,895,886	-
(201,486)	(761,061)	(2,549,557)	(269,000)
11,994,021	(944,092)	37,913,906	11,567,857
80,271,377	60,195,748	355,232,393	(2,590,724)
$ 92,265,398	$ 59,251,656	$ 393,146,299	$ 8,977,133

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, 2006

	Airport Fund	Refuse Disposal Fund
Cash flows from operating activities:		
Cash received from customers	$ 58,063,131	$ 45,762,674
Cash received from other funds for goods and services	-	-
Cash payments to employees for services	(12,967,668)	(21,214,701)
Cash payments to suppliers for goods and services	(8,124,298)	(16,977,534)
Cash payments to other funds for goods and services	(2,295,674)	(401,719)
Cash payments to claimants and beneficiaries	-	-
Miscellaneous cash received	-	1,331,532
Miscellaneous cash paid	(657,853)	(230,085)
Net cash provided by (used for) operating activities	34,017,638	8,270,167
Cash flow from noncapital financing activities:		
Operating grants received	14,524,337	-
Housing assistance payments	-	-
Principal paid on advance from other funds	-	309,082
Interest paid on advance from other funds	-	-
Transfers-in from other funds	-	700,000
Transfers-out to other funds	-	(1,587,010)
Net cash provided by (used for) noncapital financing activities	14,524,337	(577,928)
Cash flows from capital and related financing activities:		
Proceeds from sale of revenue and refunding bonds	-	-
Proceeds from notes payable	-	-
Principal paid on revenue bond maturities and refunded bonds	(9,351,806)	(3,625,433)
Interest and other expenses paid on revenue bond maturities	(8,054,832)	(957,716)
Principal paid on notes payable	-	-
Interest paid on notes payable	-	-
Acquisition and construction of capital assets	(54,503,793)	(9,187,586)
Cash payments to other funds for goods and services	-	-
Capital grants received	-	-
Receipts in anticipation of future land sale	-	-
Passenger facilities charges	8,230,593	-
Proceeds from sale (retirement) of property and equipment	22,073	247,994
Net cash used for capital and related financing activities	(63,657,765)	(13,522,741)
Cash flows from investing activities:		
Interest received on investments	1,650,133	357,292
Net cash provided by investing activities	1,650,133	357,292
Net increase (decrease) in cash and cash equivalents	(13,465,657)	(5,473,210)
Cash and cash equivalents, July 1	130,183,793	21,409,903
Cash and cash equivalents, June 30	$ 116,718,136	$ 15,936,693

The accompanying notes are an integral part of these financial statements

Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
Transit Fund	Other Enterprise Funds	Totals	
$ 1,888,566	$ 16,779,139	$ 122,493,510	$ 96,697,239
-	-	-	(168,835)
(22,543,593)	(6,545,139)	(63,271,101)	(5,904,775)
(7,403,503)	(7,867,460)	(40,372,795)	(17,690,593)
(4,642,687)	(2,574,592)	(9,914,672)	(160,294)
-	-	-	(65,445,490)
1,304,848	827,608	3,463,988	19,719
(51,234)	(675)	(939,847)	(2)
(31,447,603)	618,881	11,459,083	7,346,969
1,046,712	24,092,042	39,663,091	-
-	(19,086,450)	(19,086,450)	-
-	(1,900,000)	(1,590,918)	-
-	-	-	-
33,010,886	3,053,000	36,763,886	-
(201,486)	(1,629,061)	(3,417,557)	(269,000)
33,856,112	4,529,531	52,332,052	(269,000)
-	-	-	-
-	-	-	-
-	(1,185,862)	(14,163,101)	-
-	(2,237,037)	(11,249,585)	-
-	-	-	-
-	-	-	-
(17,508,541)	(1,806,725)	(83,006,645)	(42,935)
-	(176,477)	(176,477)	-
13,348,172	-	13,348,172	-
-	-	-	-
-	-	8,230,593	-
430	-	270,497	1,313,974
(4,159,939)	(5,406,101)	(86,746,546)	1,271,039
313,261	730,767	3,051,453	1,857,210
313,261	730,767	3,051,453	1,857,210
(1,438,169)	473,078	(19,903,958)	10,206,218
11,077,676	23,161,576	185,832,948	45,972,434
$ 9,639,507	$ 23,634,654	$ 165,928,990	$ 56,178,652

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, 2006

	Airport Fund	Refuse Disposal Fund
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	$ 11,002,550	$ 2,398,935
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	23,740,756	6,378,025
Miscellaneous cash received (paid)	(657,853)	1,101,447
Provision for claims and judgments	-	-
Fiscal agent fees	-	(13,177)
Bad debt expense	-	-
Decrease (increase) in assets:		
Receivables	(1,439,005)	(778,345)
Due from other governments	-	-
Due from other funds	-	-
Inventories of supplies	33,943	84,798
Prepaid expenses	-	-
Deposits		
Increase (decrease) in liabilities:		
Accounts payable	(267,388)	151,259
Customer deposits	(12,624)	(66)
Accrued landfill closure costs and fuels cleanup	-	(147,274)
Accrued employee compensation and benefits	158,304	364,966
Fare tokens outstanding and deposits	-	-
Due to other funds	-	-
Construction and miscellaneous accounts payable	2,112,133	(1,270,401)
Escrow liability	-	-
Deferred revenue	(683,978)	-
Due to other governments	30,800	-
Net cash provided by (used for) operating activities	$ 34,017,638	$ 8,270,167
Cash and cash equivalents at June 30 consist of:		
Current assets:		
Cash, investments, and accrued interest	$ 13,382,376	5,596,077
Cash with fiscal agents	14,840,232	4,467,099
Cash held by others	-	-
Restricted assets:		
Cash, investments, and accrued interest	88,495,528	5,873,517
Escrow deposits	-	-
Total cash and cash equivalents, June 30	$ 116,718,136	$ 15,936,693
Non cash transactions:		
Unrealized gains (losses) on investments	$ 417,702	$ 71,232
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

Business-type Activities - Enterprise Funds: Transit Fund	Business-type Activities - Enterprise Funds: Other Enterprise Funds	Business-type Activities - Enterprise Funds: Totals	Governmental Activities - Internal Service Funds
$ (36,906,278)	$ (6,177,814)	$ (29,682,607)	$ 9,958,688
5,849,463	4,968,385	40,936,629	114,725
1,253,614	700,699	2,397,907	19,717
-	-	-	572,227
-	(221,085)	(234,262)	-
-	95,485	95,485	-
(229,090)	1,290,664	(1,155,776)	-
(1,933,762)	130,416	(1,803,346)	3,620
-	-	-	(168,835)
(382,591)	35,344	(228,506)	(70,758)
-	5,577	5,577	(66,224)
-		-	12,679
(330,652)	(1,095,017)	(1,541,798)	(2,942,226)
-	(7,968)	(20,658)	-
-	-	(147,274)	(84,391)
117,264	(14,218)	626,316	(2,253)
18,169	-	18,169	-
-	242,502	242,502	-
1,096,260	-	1,937,992	-
-	-	-	-
-	744,750	60,772	-
-	(78,839)	(48,039)	-
$ (31,447,603)	$ 618,881	$ 11,459,083	$ 7,346,969
$ 4,862,530	$ 13,033,919	$ 36,874,902	$ 56,178,652
-	1,071,430	20,378,761	-
-	1,407,913	1,407,913	-
4,776,977	7,646,019	106,792,041	-
-	475,373	475,373	-
$ 9,639,507	$ 23,634,654	$ 165,928,990	$ 56,178,652
$ 34,917	$ 28,247	$ 552,098	$ 112,390
23,565	180,325	203,890	-
-	-	-	-

The accompanying notes are an integral part of these financial statements

I. Summary of significant accounting policies

The financial statements of the City of Albuquerque, New Mexico (City) have been prepared in conformity with generally accepted accounting principles as applied to governmental entities. The significant governmental accounting policies are described below.

A. Reporting entity

The City of Albuquerque, New Mexico (City), was founded in 1706, chartered as a town in 1885, and organized under territorial law as a city in 1891. The City became a charter city in 1917, and 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.

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body, and either it is able to impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens, on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, activities, or level of services performed or provided by the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Some organizations are included as component units because of their fiscal dependency on the primary government if they are unable to adopt a budget, levy taxes or set rates or charges, or issue bonded debt without approval by the primary government. 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 IV Q.

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.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities,* which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities,* which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or a segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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 the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues.*

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and business-type (enterprise) funds are aggregated and reported as nonmajor funds.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting,* as are the proprietary fund financial statements. The agency fund is reported on the *accrual basis of accounting* and have no measurement focus. 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 have been satisfied.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized as soon as they are both measurable and available. 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, motor vehicle taxes, cigarette taxes, gasoline taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Derived gross receipts tax revenue is recognized when the underlying exchange transaction takes place. A small portion of the gross receipts tax revenue is derived from an estimate of delinquent taxes not yet collected and available. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

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. 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.

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.

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 Fund. This fund accounts for monies held by the City in a custodial capacity on behalf of third parties or other agencies.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). All governmental and business-type activities of the City follow the Financial Accounting Standards Board (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. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow FASB Statements and interpretations issued after November 30, 1989.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's risk management and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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 modified accrual basis of accounting is followed by the governmental fund types for financial statement purposes. Under the modified accrual basis of accounting, revenues and other governmental fund financial resource increments are recognized in the accounting period in which they become measurable and available to pay liabilities of the current period. The City considers revenue available if amounts are collected within one month after year-end.

Those revenues susceptible to accrual are property taxes, gross receipts taxes, investment income and charges for services. Grant revenues are recognized as revenues when the related costs are incurred. All other revenues are recognized when they are received and are not susceptible to accrual, because they are usually not measurable until payment is actually received. Expenditures are recorded as liabilities when they are incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

The accrual basis of accounting is utilized by proprietary and agency fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The City reports unearned revenue on its combined balance sheet. Unearned revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the City before it has legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods when both revenue recognition criteria methods are met or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. 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.

The City enters into interest rate swap agreements to modify interest rates on the Airport Refunding Series 95 Revenue Bond debt. Other than the net interest expenditures resulting from these agreements, no amounts are recorded in the financial statements.

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

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 (LGIP) are valued at fair value based on quoted market prices as of the valuation date in accordance with GASB Statement No. 31. The State Treasurer LGIP in not SEC registered. The State Treasurer is authorized to invest the short-term investment funds, with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10 I through 6-10-10 P and Sections 6-10-10.1A and E, NMSA 1978. The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the LGIP is voluntary. 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:

<u>Repurchase Agreements</u> - 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>U.S. Treasury Obligations</u> - bills, notes, and bonds.

<u>Obligations of Federal Agencies or Instrumentalities</u> - interest bearing or discount form.

<u>Municipal Bonds</u> - 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:

<u>Checking accounts</u> - at insured financial institutions.

<u>Certificates of Deposit</u> - 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).

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year that are expected to be paid back within the year are referred to as "due to/from other funds." Lending/borrowing arrangements not expected to be paid back within the year are referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. All property tax receivables are shown net of an allowance for uncollectibles.

3. Inventories and prepaid items

The inventories in the general fund consist of fuel, vehicle parts, and fluids. Inventories of supplies are valued at average cost. Expenditures in governmental funds and expenses in proprietary funds are recorded as inventory items and expensed when consumed. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. 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, as 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.

5. 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. State of New Mexico Administrative Code requires state and local governmental agencies to capitalize fixed assets costing in excess of $5,000. Currently, the City defines capital assets as assets with an initial, individual cost of more than $1,000 and estimated useful life in excess of one year. The City expects to implement the new $5,000 capitalization threshold in fiscal year 2007. 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 that 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.

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.

Infrastructure assets consist of the streets network: landscaped medians, roadways, right of ways, bridges, signals, beacons, trails, and trail bridges; and the storm network: easements, drainage pipes, lift stations, bridges, dams, detention basins right of ways, and arroyo easements right of ways. Streetlights managed by the local electric utility, sidewalks, traffic signs, dirt roads and milling roads are not considered infrastructure.

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	35 - 50 years
Improvements other than buildings and runways	15 - 20 years
Machinery and equipment	3 - 13 years

6. *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.

7. *Claims and judgments*

Liabilities for workers' compensation, tort and other claims as of June 30, 2006, 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, 2006, and 5.0% for 2005, 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.

8. *Compensated absences*

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.

9. 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.

10. 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.

11. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. 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.

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

12. Net assets

The government-wide and business-type activities fund financial statements utilize a net assets presentation. Net assets are categorized as follows:

Investment in capital assets, net of related debt – This category reflects the portion of net assets that are associated with capital assets less outstanding capital asset related debt.

Restricted net assets – 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.

Unrestricted net assets – This category reflects net assets of the City, not restricted for any project or other purpose.

13. Fund equity reservation and designations

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted. Designations represent tentative managerial plans that are subject to change. 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.

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.

Debt service – amounts legally restricted for the payment of debt.

Operations – a portion of the fund balance of the General Fund designated by Administrative Instruction No. 2-13-1A (Revised) from expenditure, except by specific appropriation, for the purpose of maintaining existing levels of government services to the public.

Unreserved, undesignated – Amounts, which have not been reserved or designated for any purpose. These funds are available for unrestricted usage by the City.

14. 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.

15. 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.

The Albuquerque Bernalillo County Water Utility Authority bills for City refuse services on the same invoice for water utility services. In prior fiscal years, the City estimated the refuse accounts receivable portion as a percentage of the total accounts receivable balance outstanding. In fiscal year 2006, the Water Authority implemented a new billing system and the City was able to determine that actual refuse accounts receivable balance at year end and no longer estimates this amount.

16. Bond premiums/issuance costs

In governmental fund types, bond premiums and issuance costs are recognized in the current period. Bond premiums are presented, separately as other financing sources.

17. Unbilled revenues

Refuse services are billed on a cycle basis; therefore, amounts for services provided but unbilled as of June 30, 2006 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.

18. 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 operating transfers and are included in the determination of the results of operations in the governmental, proprietary, and fiduciary funds.

19. New accounting pronouncements

The city implemented GASB Statement No. 42 Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries and GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section* (GASB 44), for the fiscal year ended June 30, 2006. The adoption of GASB 44 requires some additional information and schedules in the statistical section of the Comprehensive Annual Financial Report (CAFR). There was no impact to the financial statements. See the Statistical Section. The City also implemented GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation- An Amendment of GASB Statement No. 34*. Enabling legislation authorizes the raising of new revenue that contains a legally enforceable law. There were no such new restrictions for the fiscal year ended June 30, 2006. In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB 45). This Statement addresses how state and local governments should account for and report their costs and obligations related to postemployment healthcare and other non-pension benefits that are commonly referred to as other postemployment benefits, or OPEB. This Statement requires that state and local governmental employers account for and report the annual cost of OPEB and the outstanding obligations and commitment related to OPEB in their basic financial statements. The City is currently evaluating the impact this Statement will have on the financial statements. The City will adopt this Statement for fiscal year ending June 30, 2008.

II. 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

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net assets –governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this difference are as follows:

Bonds and bond anticipation notes payable	$ (199,765,000)
Sales tax revenue bonds and notes payable	(138,705,000)
Special assessment debt with governmental commitment	(6,608,361)
Deferred refunding costs	5,098,275
Unamortized bond premiums	1,821,301
Unamortized bond discounts	(7,430,331)
Compensated absences	(29,244,980)
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	$ (374,834,096)

Unamortized bond issue costs	$ 1,555,367
Accrued rebatable arbitrage payable reported as deferred credit	(1,076,701)
	$ 478,666

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	$	35,727,396
Property taxes		2,899,041
Gasoline taxes		481,337
Cigarette taxes		64,293
Amounts due on real estate contracts		1,811,737
Net adjustment to increase fund balance – total governmental funds To arrive at net assets – governmental activities	$	40,983,804

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that, "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." The details of this difference are as follows:

Capital additions depreciated and non-depreciated	$ 242,285,496
Construction work in process and other reclassified to fixed assets	(63,172,424)
Depreciation expense	(58,354,162)
Net gain (loss) on disposition of capital assets	(1,665,481)
Net adjustment to decrease net changes in fund balances – total Governmental funds to arrive at changes in net assets of Governmental activities	$ 119,093,429

Another element of that reconciliation states that, "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. The
details of this difference are as follows:

Debt issued or incurred:	
Issuance of general obligation bonds	$ (37,000,000)
Deferred issuance costs	(205,509)
Bond premium	(144,285)
Discount	2,130,196
Principal repayments:	
General obligation bonds	76,440,000
Gross receipts tax revenue bonds	4,120,000
Gross receipts tax revenue note	631,299
Special assessment district bonds and notes	3,429,973
Net adjustment to decrease net changes in fund balances – Total governmental funds to arrive at changes in net assets of governmental activities	$ 49,401,674

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this difference are as follows:

Compensated absences	$ (2,114,931)
Rebatable arbitrage	32,512
Amortization of bond discounts	304,722
Net adjustment to decrease net changes in fund balances – total Governmental funds to arrive at changes in net assets of Governmental activities	$ (2,452,165)

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, 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.

Gross receipts taxes	$ 5,528,653
Property taxes	(829,952)
Gasoline taxes	(129,841)
Cigarette taxes	(1,254)
Collections on real estate contracts, net of deferred gains	(428,586)
Net adjustment to decrease net changes in fund balances – total Governmental funds to arrive at changes in net assets of Governmental activities	$ 4,139,020

III. Stewardship, compliance and accountability

A. Budgetary information

Budgetary information 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 I. C. 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 2006, 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.

B. Deficit fund equity

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, 2006 is as follows:

Capital Acquisition Fund		
Community Services Building	$	118,247
Rio Grande Zoo		317,075
Miscellaneous Capital Projects		1,602,671
	$	2,037,993
Quality of Life Fund		
Balloon Science Museum	$	35,524
Quarter Cent Storm Drain		109
Rio Grande Bosque RR		260
	$	35,893
Transportation Infrastructure Tax Fund		
Maintenance deficit	$	23,684,072
Streets		(44,264,208)
Trails		(4,485,577)
Transit		(6,277,289)
Unallocated deficit		2,267,453
Total unreserved fund balance	$	(28,725,546)

IV. Detailed notes on all funds

A. Cash and investments

The total cash, investments, accrued interest and cash with fiscal agents, net of cash overdrafts of the City at June 30, 2006, consist of the following:

	(In thousands of dollars)				
	Govern-mental Activities	Business-type Activities	Fiduciary Funds	Total	Component Unit
Cash, investments accrued interest and cash with fiscal agents, net of unamortized discounts and premiums:					
Repurchase agreements	$ 307,288	$ 119,533	$ 10,422	$ 437,244	$ 110,756
Obligations of federal agencies or instrumentalities	105,492	41,035	3,578	150,105	38,022
State of New Mexico investment council	28,092	-	-	28,092	-
State of New Mexico local government investment pool	-	7,173	-	7,173	-
Held in trust by New Mexico Bank and Trust U.S Treasury Fund	-	209	-	209	-
Held in trust by NM FA in State of New Mexico local government investment pool	-	-	-	-	1,295
Held in trust by Wells Fargo Bank in U.S. Treasury Fund	68	2,594	-	2,661	-
Held in trust by Bank of Albuquerque in U.S. Treasury Fund	1,179	-	-	1,179	42
Total investments	442,119	170,544	14,000	626,663	150,115
Certificate of deposit	200	-	-	200	-
Bank accounts at book balances	(1,936)	(6,753)	(1,359)	(10,048)	8,568
Total bank balances	(1,736)	(6,753)	(1,359)	(9,848)	8,568
Accrued interest receivable	642	240	21	903	222
Imprest cash funds	247	15	-	262	-
Total other	889	255	21	1,165	222
Total cash, investments, accrued interest and cash with fiscal agents	$ 441,272	$ 164,046	$ 12,662	$ 617,980	$ 158,905
Current cash, investments and accrued interest:					
Cash, investments and accrued interest	$ 287,248	$ 36,875	$ 11,019	$ 335,142	$ 26,767
Cash, investments with fiscal agents	89,860	20,379	-	110,239	39,461
Total current cash, investments and accrued interest	377,108	57,254	11,019	445,381	66,228
Restricted noncurrent cash, investments and accrued interest:					
Cash, investments and accrued interest	64,164	106,792	1,643	172,599	91,340
Cash and investments with fiscal agents	-	-	-	-	1,337
Total noncurrent cash, investments, accrued interest	64,164	106,792	1,643	172,599	92,677
Total cash, investments, accrued interest and cash with fiscal agents	$ 441,272	$ 164,046	$ 12,662	$ 617,980	$ 158,905

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, 2006, none of the City's bank balances of $11,803,219 was exposed to custodial credit risk.

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.

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, 2006 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.

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. 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 44.65%, 31.68% and 23.67% respectively of the non-repurchase agreement portfolio and 11.41%, 8.10% and 6.05% of the total portfolio.

At June 30, 2006 the City held investments issued by three Government Sponsored Entities (GSEs), as well as certificates of deposit (CDs) and overnight repurchase agreements (repos). Summarized information concerning the GSE investments is as follows:

U.S. Agency Investments (summarized by GSE)	Wtd. Avg. Days to Maturity	*Weighted Average Days to Call	Standard & Poors Rating	Moody's Rating
Federal Home Loan Banks	163.8	–	AAA	Aaa
Federal National Mortgage Association	175.5	–	AAA	Aaa
Federal Home Loan Mortgage Corporation	95.7	–	AAA	Aaa

*Call provisions on all callable securities were expired at June 30, 2006.

The two CDs were fully insured by the Federal Deposit Insurance Corporation. Repo holdings (collateral) consisted of U.S. Agency securities permitted under Section 6-10-10 N.M.S.A. 1978, and by the City's investment policy.

At June 30, 2006, the City had funds invested in the State LGIP. As a government investment pool, the LGIP is exempt from disclosing concentration risk. Summarized information regarding the pool's credit risk and interest rate risk is as follows:

New MexiGROW LGIP	AAAm rated	$7,172,781	24-day WAM

The City's investments held outside of its internal investment pool in the State of New Mexico Investment Council Core Bond Pool were not rated.

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, 2006 was 40.21 days. The weighted average days to call of the same portfolio was 2.23 days.

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, 2006 consists of the following:

	First Community (Water)	First Community (Housing)	Bank of America	Wells Fargo Bank	Compass Bank	Bank 1st	Union Bank	NM Bank & Trust
Total amount on deposit	$ 1,045	$ 6,238	$ 1,857	$ 2,159	$ 6	$ 100	$ 100	$ 93
Less FDIC coverage	100	100	100	100	6	100	100	100
Total uninsured public funds	945	6,138	1,757	2,059	-	-	-	
50% collateral requirement	472	3,069	879	1,030	-	-	-	
Pledged securities, fair value	1,944	7,258	3,076	2,689	-	-	-	396
Pledged in excess of Requirement	$ 1,472	$ 4,189	$ 2,197	$ 1,659	$ -	$ -	$ -	$ 396

B. Receivables

Taxes receivable at June 30, 2006 are from the following sources:

Gross receipts tax	$ 64,223,026
Property tax	5,008,511
Lodgers tax	906,570
Hospitality tax	364,098
Other taxes	2,456,752
Total	$ 72,958,957

The property taxes above include a receivable of $3,575,389 in the General Obligation Debt Service Fund, $1,232,627 in the General Fund, and $200,495 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 2006 tax levy had a taxable value of $9,307,580,592. 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 2006 weighted average residential and non-residential City rate for both operations and debt service was 11.080 mills. Taxes are payable in two equal installments on November 10 and April 10 and become delinquent after 30 days.

Accounts receivable and Allowance for uncollectible accounts

Included on page 24, "Statement of Net Assets", are balances of receivables which are reported net of allowances for uncollectible accounts. The amounts of these receivables and allowances as of June 30, 2006, are as follows:

Current Portion of Accounts and Notes Receivable:

	Total Receivables	Allowance for Uncollectible Accounts	Net Receivables
Governmental activities:			
Major funds:			
General Fund	$ 2,151,959	$ 544,034	$ 1,607,925
Capital Acquisition Fund	1,388,565	18,902	1,369,663
Nonmajor government activity funds	963,002	441,695	521,307
Total governmental activities	$ 4,503,526	$ 1,004,631	$ 3,498,895
Business-type activities:			
Major funds:			
Airport	$ 5,340,090	$ 1,145,429	$ 4,194,661
Refuse Disposal	3,842,377	529,250	3,313,127
Transit	157,943	3,784	154,159
Nonmajor enterprise funds	1,314,132	630,137	683,995
Total business-type activities	$ 10,654,542	$ 2,308,600	$ 8,345,942

Long-term Accounts and Notes Receivable:

	Total receivables	Allowance for Uncollectible Accounts	Net Receivables
Governmental activities:			
Nonmajor funds:			
Rehabilitation loans	$ 2,307,082	$ 763,338	$ 1,543,744
Notes receivable	24,166	-	24,166
Developer loans	2,455,640	-	2,455,640
Special assessments debt service*	8,304,820	-	8,304,820
Real estate contracts	2,139,597	-	2,139,597
Total governmental activities	$ 15,231,305	$ 763,338	$ 14,467,967

C. Capital assets

Capital asset activity of the City for the year ended June 30, 2006, was as follows:

Governmental Activities	Balance July 1*	Restatement	Additions	Deductions	Balance June 30*
Assets not being depreciated:					
Land	$ 231,794,012	$ -	$ 8,356,763	$ 1,021,042	$ 239,129,733
Construction work in progress	367,375,951	-	103,716,813	62,186,168	408,906,596
Right of way	-	1,042,691,667	-	-	1,042,691,667
Other	1,838,392	-	130,927	986,256	983,063
	601,008,355	1,042,691,667	112,204,503	64,193,466	1,691,711,059
Assets being depreciated:					
Buildings	174,830,372	-	24,062,256	-	198,892,628
Infrastructure	77,207,261	1,071,365,527	61,743,986	-	1,210,316,774
Improvements	329,252,362	-	22,242,895	-	351,495,257
Equipment	122,170,696	(2,188,240)	22,031,856	7,253,264	134,761,048
	703,460,691	1,069,177,287	130,080,993	7,253,264	1,895,465,707
Less accumulated depreciation:					
Buildings	41,070,894	-	4,669,514	-	45,740,408
Infrastructure	6,964,479	389,894,275	27,713,754	-	424,572,508
Improvements	182,963,321	44,792	11,009,479	-	194,017,592
Equipment	119,763,110	(35,438,187)	14,961,415	6,608,825	92,677,513
	350,761,804	354,500,880	58,354,162	6,608,825	757,008,021
Capital assets being depreciated, net	352,698,887	714,676,407	71,726,831	644,439	1,138,457,686
Total capital assets, net	$ 953,707,242	$ 1,757,368,074	$ 183,931,334	$ 64,837,905	$ 2,830,168,745

*Includes Internal Service Funds

In 2006, a significant portion of the increase is attributed to the restatement of $1.7 billion (net value) in infrastructure from prior year's activity which included $214.8 million of streets, $514.9 million of storm, and $1 billion of Right of Way. In Fiscal year 2006, $43 million of street infrastructure was placed into service along with $10.5 million of storm infrastructure, $7.2 million for parks and recreation community centers and swimming pools, $10.7 million for Senior Citizen Community Center buildings, $4.5 million on law enforcement vehicles, and $2.2 million on vehicles for the fire department, and $11 million of parks and recreation improvements. 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 $53.8 million primarily due to streets and park development.

Business-type activities

	Balance July 1*	Increases	Decreases	Balance June 30
Assets not being depreciated:				
Land	$ 51,866,896	$ 1,512,870	$ -	$ 53,379,766
Land and improvements acquired from the U.S Air Force	7,630,077	-	-	7,630,077
Other	748,000	-	-	748,000
Construction work in progress	28,540,257	56,364,955	63,329,374	21,575,838
Total assets, not being depreciated	88,785,230	57,877,825	63,329,374	83,333,681
Assets being depreciated:				
Buildings and improvements	371,168,125	36,182,862	2,867	407,348,120
Runways and improvements	246,511,046	3,369,756	-	249,880,802
Infrastructure	-	2,508,663	-	2,508,663
Improvements other than buildings and runways	112,748,804	34,561,884	-	147,310,688
Equipment	141,256,492	12,112,538	15,675,799	137,755,148
Total assets, being depreciated	871,684,467	88,735,703	15,678,666	944,803,421
Less accumulated depreciation:				
Buildings and improvements	156,575,059	11,844,225	-	168,419,284
Runways and improvements	149,368,993	10,940,716	-	160,309,709
Infrastructure	-	37,630	-	37,630
Improvements other than buildings and runways	70,938,985	7,071,251	-	78,010,236
Equipment	97,534,337	11,042,807	13,641,305	94,997,756
Total accumulated depreciation	474,417,374	40,936,629	13,641,305	501,774,615
Capital assets being depreciated, net	397,267,093	47,799,074	2,037,361	443,028,806
Total capital assets, net	$ 486,052,323	$ 105,676,899	$ 65,366,735	$ 526,362,487

In 2006 the additions to buildings were for the Aviation Fund security checkpoint reconfiguration ($11.4 million) and Double Eagle II Control Tower ($2.8 million); the Golf Fund clubhouse replacement ($1.8 million); and the Transit Fund west-side transit facility ($13.1 million) and ATC Depot ($5.2 million). The additions to runways were for the Aviation Fund ($3.3 million). The additions to improvements were for the Aviation Fund for fuel farm ($13.7 million), terminal optimization ($12.3 million), landscape modification ($3 million) and parking structure development ($1 million). The additions to equipment were to the Transit Fund for buses ($2 million) and the Refuse Fund for heavy equipment and refuse disposal vehicles ($8 million) and a billing system ($1 million).

The construction work in progress decreased by $7 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 and ATC Depot.

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

Governmental activities:		
General government	$	2,375,433
Public Safety:		
Corrections		213,174
Fire protection		3,118,087
Police protection		8,339,302
Culture and recreation		13,148,855
Public works		14,067,611
Highways and streets		14,335,108
Health		759,995
Human services		1,577,030
Municipal Development		304,844
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		114,723
Total depreciation expense – governmental activities	$	58,354,162
Business-type activities:		
Major funds:		
Airport	$	23,740,756
Refuse Disposal		6,378,025
Transit		5,849,463
Nonmajor funds:		4,986,385
Total depreciation expense – business-type activities	$	40,936,629

Capitalized interest

Changes to the capital assets for the business-type activities for 2006 include the following amounts of capitalized interest:

		Total Interest		Interest Related to Tax-Exempt Borrowing		Net
Interest expense	$	14,927,886	$	4,563,422	$	10,364,464
Interest income		5,761,032		2,913,200		2,847,832
Capitalized interest			$	1,650,222		

D. Interfund receivables, payables, and transfers

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, 2006, consists of the following:

	Due from other funds	Due to other funds
Major governmental funds:		
General Fund	$ 543,681	$ 864,237
Nonmajor governmental funds	-	301,179
Nonmajor proprietary funds	-	242,502
Internal service funds	864,237	-
Total	$ 1,407,918	$ 1,407,918

Interfund advances not expected to be repaid within one year are to be repaid from revenues or proceeds from the sale of assets are as follows as of June 30, 2006.

Receivable Fund	Payable Fund	Amount
Risk Management Fund	Capital Acquisition Fund	$ 1,299,000
Risk Management Fund	Refuse Disposal Fund	309,082
Nonmajor governmental fund*	Nonmajor proprietary fund*	20,300,000
Total advances		$ 21,908,082

*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.

Interfund transfers for the year ended June 30, 2006, were as follows:

From	To	
General Fund	Capital Acquisition Fund	$ 11,377,000
General Fund	Refuse Disposal Fund	700,000
General Fund	Transit Fund	23,437,000
General Fund	Nonmajor Proprietary Funds	2,185,000
General Fund	Nonmajor Governmental Funds	35,577,058
Capital Acquisition Fund	Transit Fund	2,760,710
Refuse Disposal Fund	General Fund	1,587,010
Transit Fund	General Fund	201,486
Nonmajor Governmental Funds	Capital Acquisition Fund	357,426
Nonmajor Governmental Funds	Transit Fund	6,813,176
Nonmajor Governmental Funds	General Fund	642,000
Nonmajor Governmental Funds	Nonmajor Governmental Funds	9,395,033
Nonmajor Proprietary Funds	General Fund	277,061
Nonmajor Proprietary Funds	Capital Acquisition Fund	450,000
Nonmajor Proprietary Funds	Nonmajor Governmental Funds	34,000
Internal Service Funds	General Fund	269,000
Total transfers		$ 96,062,960

	Transfers In	Transfers Out
"Statement of Revenues, Expenditures, and Changes in Fund Balances – All Governmental Funds"	$ 93,244,403	$ 60,167,074
"Statement of Revenues, Expenses, and Changes in Net Assets – All Proprietary Funds"		
Enterprise funds	2,549,557	35,895,886
Internal Service funds	269,000	-
Total transfers	$ 96,062,960	$ 96,062,960

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 Refuse Disposal funds, 2) providing the City's local match for operating grants from federal and state agencies, 3) funding the purchase of police and fire vehicles, and various construction projects, and 4) 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.

E. Leases

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 $435,744 were incurred for the year ended June 30, 2006. Lease commitments for future years are as follows:

Fiscal Year		Amount
2007	$	494,109
2008		399,744
2009		399,744
2010		399,744
2011		90,324
Total	$	1,783,665

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, 2006 the outstanding balance of the capital lease is $847,746. Amortization expense is included with depreciation expense on the Statement of Revenues, Expenses and Changes in Fund Net Assets.

The assets acquired through capital leases are as follows:

Equipment and Improvements	$	944,458
Less: Accumulated amortizations		(175,297)
Total	$	769,161

The future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2006 are as follows:

Year Ending June 30		Principal and Interest
2007	$	116,842
2008		116,842
2009		116,842
2010		116,842
2011		116,842
2012-2016		438,162
Total minimum lease payment		1,022,372
Less amount representing interest		(174,626)
Present value of minimum lease payments	$	847,746

F. 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, 2006 is as follows:

Governmental Activities		
Capital Acquisition Fund	$	64,163,803
Business-type activities		
Airport Fund	$	89,941,742
Refuse Disposal Fund		5,873,517
Transit Fund		5,049,913
Nonmajor Enterprise Funds		10,363,768
Totals	$	111,228,940

G. Short-term and long-term obligations

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 are 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, 2006, are as follows:

	July 1*	Increases	Decreases	June 30	Payable in one year
General Obligation Bonds	$ 276,555,000	$ -	$ 37,350,000	$ 239,205,000	$ 39,440,000
Sales Tax Revenue Bonds	141,255,000	-	5,090,000	136,165,000	2,220,000
Sales Tax Revenue Note	5,997,116	-	605,817	5,391,299	631,299
Special Assessment Bonds and Notes With Governmental Commitment	12,655,943	-	4,981,124	7,674,819	
Accrued vacation and sick leave pay	27,724,207	41,797,429	39,699,736	29,821,900	24,852,600
Accrued claims payable	50,378,764	22,684,682	22,678,147	50,385,299	21,916,000
Less deferred amounts:					
Deferred refunding costs	(5,303,784)	-	(205,509)	(5,098,275)	-
Unamortized bond premiums	(1,965,586)	-	(144,285)	(1,821,301)	-
Unamortized bond discounts	9,560,527	-	2,130,196	7,430,331	-
	516,857,187	64,482,111	112,185,226	469,154,072	89,059,899
Current Portion of	(78,228,083)	-	10,831,816	(89,059,899)	
Long-term obligations	$ 438,629,104	$ 64,482,111	$123,017,042	$ 380,094,173	$ 89,059,899

* $20,005,917 reclassified as short-term

Total interest cost incurred for governmental activities for the year ended June 30, 2006 was $17,744,149, all of which was charged to expense.

Short-term debt activity for governmental activities. In a regular municipal election held October 4, 2004 the issuance of $113,045,000 general purpose general obligation bonds and $8,080,000 storm sewer system general obligation bonds was approved. On June 30, 2006 the City issued $34,000,000 in general purpose bonds and $3,000,000 in storm sewer bonds. These bonds were repaid in July 2006.

	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006
Short-term General Obligation Bonds	$20,005,917	$37,000,000	$20,005,917	$37,000,000

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. General obligation bonds outstanding at June 30, 2006, are as follows:

Issue	Amount	Interest Rate	Final Maturity	Call Provision
January 1, 1997 Storm Sewer	$ 4,200,000	5.00%	July 1, 2006	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	2,000,000	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	8,000,000	4.50/4.75%	July 1, 2009	100% beginning July 1, 2007
July 1, 2000 Storm Sewer	6,000,000	5.00%	July 1, 2010	100% beginning July 1, 2008
September 1, 2001 General Purpose	21,350,000	4.00/5.00%	July 1, 2010	100% beginning July 1, 2009
September 1, 2001 Storm Sewer	4,510,000	4.38%	July 1, 2011	100% beginning July 1, 2009
December 1, 2001 Taxable Baseball Stadium	5,000,000	4.00/5.60%	July 1, 2010	Not callable
February 1, 2002 General Purpose	10,600,000	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	49,225,000	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 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, 2006 General Purpose	37,000,000	4.98%	July 1, 2007	Not callable
Total Outstanding	$ 276,205,000			

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, 2006, based on the most recent assessed taxable valuation of $9,307,580,595, the City may issue an additional $148,533,224 of general-purpose general obligation bonds. Included in the general obligation bonds outstanding at June 30, 2006, are Storm Sewer bonds in the amount of $52,435,000 that are not subject to the legal debt limit.

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, 2006, are as follows:

Issue	Amount	Interest Rate	Final Maturity	Call Provision
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	2,570,000	6.00/6.30%	July 1, 2007	102% beginning July 1, 2002
March 7, 1995 Refunding	1,300,000	Adjustable	July 1, 2023	100% beginning March 7, 1995
October 15, 1996 Refunding	3,365,000	5.00%	July 1, 2011	100% beginning July 1, 2007
January 15, 1999 A Refunding	4,465,000	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%	July1, 2022	100% beginning July 1, 2009
January 20, 2000 A	20,300,000	Adjustable	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	28,865,000	2.39/4.90%	July 1, 2014	100% beginning October 6, 2004
April 27, 2001, Note	151,299	3.02/3.62%	July 1, 2006	None
September 9, 2004 Note	5,240,000	1.26/3.67%	July 1, 2014	None
Total Outstanding	$ 141,556,299			

At June 30, 2006, the following general obligation bonds were authorized by voters on October 4, 2005 and unissued.

Voter Authorized Purpose		Amount
Fire, Police and Emergency Management	$	3,365,000
Senior, Family, Community Center and Enhancement		7,463,550
Parks and Recreation		22,177,235
Public Facilities, Equipment and System Modernization		6,766,000
Library		2,153,150
Streets		31,492,515
Public Transportation (Transit)		1,910,500
Storm Sewer System		5,080,000
Zoo and Biological Park		2,489,500
Museum		1,227,050
Total	$	84,125,000

Special Assessment Debt and Notes Payable with Governmental Commitment are 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 $7,674,819 are outstanding at June 30, 2006. Interest rates range from .94% to 7.10%, and maturities extend through January 1, 2015.

Business-type activities

The changes in the Business-type activities obligations for the year ended June 30, 2006, are as follows:

	Outstanding				
	July 1	Increases	Decreases	June 30	Payable in one year
Revenue bonds	$ 269,615,000	$ -	$ 13,645,000	$ 255,970,000	$ 14,850,000
Loans and notes payable	20,420,080	-	919,382	19,500,698	937,233
Accrued vacation and sick leave pay	5,073,124	6,469,194	6,134,571	5,407,747	4,000,600
Landfill closure costs	1,515,176	-	147,273	1,367,903	-
Less deferred amounts:					
Deferred refunding costs	(4,938,352)	-	(734,347)	(4,204,005)	-
Unamortized bond premiums	1,426,528	-	285,409	1,141,121	-
Unamortized bond discounts	(242,493)	-	(23,779)	(218,714)	-
	292,869,063	6,469,194	20,373,509	278,964,750	19,787,833
Capitalized leases	919,184		71,438	847,746	81,273
Subtotal	293,788,247	6,469,194	20,444,947	279,812,496	19,869,106
Current Portion	(17,503,498)	-	2,365,608	(19,869,106)	-
Business-type activities Long-term obligations	$ 276,284,749	$ 6,469,194	$ 22,810,555	$ 259,943,390	$ 19,869,106

Total interest cost incurred for business-type activities for the year ended June 30, 2006 was $14,927,886, of which $4,563,422 was capitalized and $10,364,464 was charged to expense. 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.

Airport Revenue Bonds are secured by pledges of net revenues of the airport. Airport Revenue bonds outstanding at June 30, 2006, are as follows:

Issue		Amount	Interest Rate	Final Maturity	Call Provision
May 3, 1995 Refunding	$	44,200,000	a*	July 1, 2014	100% on any interest payment date
April 3, 1997 Refunding		25,825,000	6.25/6.75%	July 1, 2018	102% beginning July 1, 2007
September 1, 1998 Refunding		35,660,000	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		18,300,000	a	July 1, 2020	100% on any interest payment date
August 1, 2001		36,760,000	3.20/4.75%	July 1, 2016	100% beginning July 1, 2012
March 23, 2004 A		19,975,000	1.63/5.11%	July 1, 2018	100% beginning July 1, 2005
March 23, 2004 B		30,000,000	2.0/4.5%	Julyl, 2024	100% beginning July 1, 2007
Total Outstanding		216,220,000			
Deferred refunding cost		(4,121,305)			
Unamortized premiums/discounts		770,485			
	$	212,869,180			

a – adjustable weekly

*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 Corporation ("AIG-FP"). Under the Exchange Agreement, the City is obligated to pay interest at the fixed interest rate of 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. 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. 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 of payments to AIG-FP are on a parity with the City's obligations to pay principal of and interest on the Subordinate Series 1995 Bonds. Under certain limited circumstances, the Exchange Agreement may be terminated prior to maturity of the Subordinate Series 1995 Bonds. 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. As of June 30, 2006, the estimated mark-to-market value of the Exchange Agreement is as follows:

Ref No.	Trade Date	Maturity Date	Value**	Without Accruals**
57927	10/30/92	07/02/14	$4,956,739	$4,869,807

** The estimated mark-to-market values should not be taken as the price or an indication of the price at which a firm would be prepared to unwind these types of Exchange Agreements or to transact similar types of trades.

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, 2006 and 2005 interest was being paid monthly. The average interest rate on the Series 2000 bonds for the years ended June 30, 2006 and 2005 was 2.88% and 1.75% respectively. The City has executed a standby bond purchase agreement, which expires July 20, 2014, 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 $13,380,000 is outstanding at June 30, 2006 and maturities extend through July 1, 2030.

Golf Course Revenue Bonds are secured by a pledge of net golf course revenues and a pledge of revenues received by the City from gross receipts tax revenues. Golf Course Revenue bonds outstanding at June 30, 2006 are as follows:

Issue		Amount	Interest Rate	Final Maturity	Call Provision
February 1, 2001	$	1,660,000	5.70/6.70%	July 1, 2011	100% beginning July 1, 2007
Unamortized discounts		(2,652)			
	$	1,657,348			

Refuse Disposal Revenue Bonds are secured by a pledge of net revenues from refuse disposal operations. Refuse Disposal Revenue Bonds outstanding at June 30, 2006, are as follows:

Issue		Amount	Interest Rate	Final Maturity	Call Provision
July 1, 1995	$	6,260,000	4.90/5.30%	July 1, 2009	Not callable
February 1, 1998		6,240,000	4.20/5.00%	July 1, 2013	100% July 1, 2007
May 1, 2001 A		1,535,000	4.00/4.10%	July 1, 2008	Not callable
May 1, 2001 B		10,675,000	3.63/5.25%	July 1, 2012	Not callable
Total outstanding		24,710,000			
Deferred refunding costs		(82,701)			
Unamortized premiums		154,575			
Net outstanding	$	24,781,874			

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, 2006 was $5,270,678.

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, 2006 was $5,714,934. 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, 2006 was $8,515,085. 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, 2006, the outstanding balance of the revenue bonds was $800,000 with annual payments required through 2013 and the outstanding balance of the permanent notes was $6,982,110 with annual payments required through 2017.

Summary of Annual Debt Service Requirements

The annual debt service requirements on the obligations outstanding at June 30, 2006 are as follows:

	Governmental activities		Business-type activities	
Year Ending June 30	Principal	Interest	Principal	Interest
2007	$ 79,291,299	$ 16,382,060	$ 15,868,506	$ 13,053,086
2008	40,543,366	14,509,453	19,579,216	12,203,059
2009	37,065,657	12,901,100	19,284,446	11,295,965
2010	34,830,052	11,427,559	23,509,344	10,243,951
2011	33,609,092	9,964,693	23,173,454	9,069,425
2012-2016	103,106,652	32,395,236	108,236,976	28,305,426
2017-2021	26,075,000	21,383,920	46,565,421	8,656,316
2022-2026	16,805,000	15,694,251	14,721,551	2,575,501
2027-2031	17,155,000	11,795,613	5,379,530	456,629
2032-2036	24,595,000	6,486,187	-	-
2037-2041	12,360,000	636,547	-	-
	$ 425,436,118	$ 153,576,618	$ 276,318,444	$ 95,859,358

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, 2006, the City has set aside an amount of $1,067,752 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.

H. Demand bonds

Included in long-term debt obligations (Note G.) is $104,580,000 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 G 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, 2006, no amounts were drawn on the "take out" agreements, which are as follows:

<u>Sales Tax Revenue Bonds March 7, 1995</u>

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 6/30/2006	$1,300,000
Annual Debt Service Requirements	$60,000. Final payment of $1,300,000 due July 1, 2023

<u>Airport Subordinate Lien Adjustable Tender Refunding Revenue Bonds May 3, 1995</u>

Remarketing Agent	Citigroup
Terms of "Take-Out" Agreement:	
Purchaser	AIG Liquidity Corporation
Method of Purchase	Direct Pay Letter of Credit
Expiration Date	July 1, 2014
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 6/30/2006	$44,200,000
Annual Debt Service Requirements	Range of payment is from $6,600,000 to $7,200,000

<u>Airport Subordinate Lien Adjustable Rate Revenue Bonds, Series 2000 A & B May 4, 2000</u>

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 6/30/2006	$23,800,000
Annual Debt Service Requirements	Range of payment is from $560,000 to $5,200,000

<u>Variable Rate Taxable Gross Receipts Tax Improvement Bonds, Series 2000A, January 20, 2000</u>

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 6/30/2006	$20,300,000
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 6/30/2006	$13,080,000
Annual Debt Service Requirements*	Range of payment is from $349,500 to $1,021,000

* Based on interest rate in effect on June 30, 2006.

I. 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, 2006, is as follows:

Sales Tax Revenue Bonds	$53,544,423

J. 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

In fiscal year 2006, the City issued an Industrial Revenue Bonds for Advent Solar, Inc. in the amount of $25,000,000 and for Ktech Corporation in the amount of $12,000,000. As of June 30, 2006, there were fifty-five series of Industrial Revenue Bonds outstanding with an original issuance cost of $1.9 billion. The remaining principal balance outstanding as of June 30, 2006 is not available.

Metropolitan Redevelopment Bonds

As of June 30, 2006, there were ten series of Metropolitan Redevelopment Bonds outstanding with an original issuance amount issued totaled $43.7 million. The remaining principal balance outstanding as of June 30, 2006 is not available.

K. 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, 2006, (in thousands of dollars) is as follows:

	Golf Course Fund	Apart-ments Fund	Parking Facilities Fund	Stadium Fund	Housing Fund	Total
CONDENSED STATEMENT OF NET ASSETS						
Assets:						
Current assets	$ 661	$ 1,456	$ 915	$ 1,138	$ 12,248	$ 16,418
Restricted assets	134	1,985	7,826	37	383	10,365
Capital assets	6,960	14,127	25,374	20,133	18,486	85,080
Other assets	28	316	182	132	-	658
Total assets	7,783	17,884	34,297	21,440	31,117	112,521
Liabilities:						
Current liabilities	458	357	189	796	1,722	3,522
Liabilities payable from restricted assets	-	91	-	-	103	194
Bonds, notes payable, and other long-term liabilities	1,479	13,180	20,300	13,828	767	49,554
Advance from other funds	-	-	-	-	-	-
Total liabilities	1,937	13,628	20,489	14,624	2,592	53,270
Net assets:						
Invested in capital assets, net of related debt	5,672	1,263	25,556	6,437	18,486	57,414
Net assets restricted for:						
Debt service	44	-	1,238	37	-	1,319
Construction	49	-	6,474	-	-	6,638
Unrestricted net assets (deficit)	81	2,993	(19,460)	342	10,039	(6,005)
Total net assets	$ 5,846	$ 4,256	$ 13,808	$ 6,816	$ 28,525	$ 59,251
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS						
Operating revenues	$ 4,213	$ 2,980	$ 4,038	$ 1,724	$ 1,755	$ 14,710
Depreciation	(296)	(616)	(1,275)	(1,057)	(1,724)	(4,968)
Other operating expenses	(3,484)	(2,184)	(3,184)	(612)	(6,457)	(15,921)
Operating income (loss)	433	180	(421)	55	(6,426)	(6,179)
Nonoperating revenues (expenses):						
Investment earnings	24	86	204	35	382	731
Interest and other debt related expenses	(40)	(568)	(1,177)	(797)	(29)	(2,611)
Federal housing grants	-	-	-	-	24,092	24,092
Housing assistance payments	-	-	-	-	(19,087)	(19,087)
Other	-	257	71	-	407	735
Capital contributions	10	-	(134)	74	-	(50)
Transfers in	-	-	2,185	-	-	2,185
Transfers out	(93)	(34)	(184)	(450)	-	(761)
Change in net assets	334	(79)	544	(1,083)	(661)	(945)
Beginning net assets	5,512	4,335	13,264	7,899	29,186	60,196
Ending net assets	$ 5,846	$ 4,256	$ 13,808	$ 6,816	$ 28,525	$ 59,251
CONDENSED STATEMENT OF CASH FLOWS						
Net cash provided (used) by:						
Operating activities	$ 361	$ 972	2086	1,064	(3,864)	619
Noncapital financing activities	(93)	(34)	101	(450)	5,005	4,529
Capital and related financing activities	(465)	(1,008)	(1,548)	(1,121)	(1,264)	(5,406)
Investing activities	24	86	204	35	382	731
Net increase (decrease)	(173)	16	843	(472)	259	473
Beginning cash and cash equivalents	952	3,376	5,514	1,411	11,908	23,161
Ending cash and cash equivalents	$ 779	$ 3,392	$ 6,357	$ 939	$ 12,167	$ 23,634

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.

L. 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 – The contribution requirements of plan members and the City are established under Chapter 10, Article 11 NMSA 1978. 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, 2006.

	Employee		Employer	
Group Covered	Percent	Amount	Percent	Amount
General – Management, Blue Collar and White Collar	13.15%	$ 20,365	9.15%	$ 14,239
General – Bus Drivers	13.15%	938	9.15%	653
General – Other	7.00%	188	7.00%	220
Corrections	16.65%	1,680	16.65%	1,680
Police	16.30%	7,883	18.50%	9,038
Fire	16.30%	5,038	21.25%	6,608
		$ 36,092		$ 32,438

In accordance with Chapter 10, Article 11, Section 5 NMSA 1978, the City has elected to make a percentage of the employee's contributions. The percentage of the employee's contribution paid by the City's varies according to the specific plan type. The City's employer contribution to PERA for the years ending June 30, 2006, 2005, and 2004 were $32,438,165, $30,299,240 and $27,734,993 respectively.

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, 2006, $255,938,628; the total payroll for all employees of the City of Albuquerque was $301,785,882.

M. 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, 2006, were approximately $204,272.85. The number of retired employees covered under the life insurance benefit was 3,316 at June 30, 2006, and the amount of life insurance coverage for these retired employees was $67,001,900.

RETIREE HEALTH CARE ACT CONTRIBUTIONS: The Retiree Health Care Act (Act) (Chapter 10, Article 7C NMSA 1978) provides comprehensive core group health insurance for persons who have retired from certain public services in New Mexico. The Retiree Health Care Authority is the administrator of the plan. 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 of 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 consist of institutions of higher education, school districts, or other entities participating in the Public School Insurance Authority, state agencies, state courts, magistrate courts, municipalities or counties, which are affiliated under or covered by the Educational Retirement Act, Public Employees Retirement Act, Volunteer Firefighters Retirement Act, Judicial Retirement Act, or the Magistrate 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 for contributions becomes the time between the employer's effective date and the date of retirement; or (2) retirees defined by the Act who retired prior to July 1, 1990; and former legislators who served at least two years.

Each participating employer makes contributions to the fund in the amount of 1.3 percent of each participating employee's annual salary. Each participating employee contributes to the fund an employee contribution equal to .65 percent of the employee's annual 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 NMRCHA effective date or is a former legislator and made no contributions to the plan.

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

The Retiree Health Care Authority issues a separate, publicly available audited financial report that includes post employment benefit expenditures of premiums and claims paid, participant contributions (employer, employee, and retiree), and net expenditures for the fiscal year. The report also includes the approximate number of retirees participating in the plan. That report may be obtained by writing to the Retiree Health Care Authority, 4308 Carlisle Blvd, NE, Suite 104, Albuquerque, New Mexico 87109.

The City of Albuquerque remitted $3,233,989 in employer contributions and $1,616,994 in employee contributions in the fiscal year ended June 30, 2006.

N. 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 $1,367,903 reported as other liabilities payable from restricted assets at June 30, 2006, represents the cumulative amount reported to date based on the use of 18.7% 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 $5,600,107 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 2006. 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 $1,833,756 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.

O. 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. he 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, 2006, 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. Based on historical data, the City believes the Risk Management Fund (an internal service fund) is adequately funded. 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. The cash balance grew by $9,908,414 during Fiscal Year 2006 and the City is in the final year of a five year plan to address a deficit in the Risk Management Fund. In Fiscal Year 2007, a comprehensive actuarial study will be initiated to again validate the fund's adequacy. Moreover, pursuant to Section 41-4-25(B) NMSA 1978, in the event of a judgment against the City in excess of $1,000,000 the City, with Council approval, may levy a tax on real property to provide for the payment of catastrophic losses. In addition, the City started Fiscal Year 2006 with $42,717,703 available in the General Fund balance.

Finally, the City has reserve amounts created by the City's policy to reserve one-twelfth of the General Fund budgeted amount. The amounts and change in the Fund's claims liability in fiscal year 2006 and 2005 were:

	2006	2005
Claims liability at July 1	$ 50,378,764	$ 47,578,248
Current year claims and change in estimates	22,684,682	23,682,795
Claims liquidated	(22,678,147)	(20,882,279)
Claims liability at June 30	$ 50,385,299	$ 50,378,764
The components of the claims liability at June 30 are:		
Current portion	$ 21,916,000	$ 17,503,500
Noncurrent portion	28,385,299	32,875,264
Total claims liability	$ 50,385,299	$ 50,378,764

P. Changes to prior period fund balances or net assets

Implementation of GASB Statement No. 34. In fiscal year 2006, the City completed implementation of the GASB Statement No. 34. The retroactive effect of implementing GASB Statement No. 34 was an increase of $1,719,741,647 to the City's net assets.

Errors in Prior Periods. A restatement of $37,626,427 was made to the Governmental Activities net assets resulting from the correction of errors in prior periods. Also, during fiscal year 2005, a cash transfer of $330,492 was made to the Acquisition and Management of Open Space Expenditures Fund from the Acquisition and Management of Open Space Permanent Fund in error. Aggregately, this restatement had a zero net affect on the Business-type Activities net asset balance.

A summary of the effect of the retroactive implementation of GASB Statement No. 34 and from the restatements resulting from the correction of errors in prior periods on the net assets of the Governmental Activities and Business-type Activities restated as of June 30, 2005 is as follows:

	Governmental Activities	Business-type Activities
Net assets as previously reported	$ 938,261,578	$ 355,232,393
Restatement for:		
1. Retroactive reporting of GASB Statement No. 34 Infrastructure	1,719,741,647	-
2. Equipment restatement	37,626,427	-
3. Acquisition and Management of Open Space transfer	-	-
Restated balances	$ 2,695,629,652	$ 355,232,393

Q. 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:

Payment in lieu of taxes	$	5,202,840
Administrative indirect overhead, including accounting and other central services		2,312,680
Warehouse		2,057,584
Fleet Management Services		1,751,645
Telephone		233,646
Office services and parking		74,619
Total	$	11,633,014
The City paid the Authority for water and sewer services in the amount of	$	6,114,567

The Authority's Comprehensive Annual Financial Report as of and for the year ended June 30, 2006 is available by contacting the Authority at the following address; Fifth floor, P.O. Box 1293, Albuquerque, NM 87103.

R. 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	$	5,164,191
Nonmajor Government Funds		1,187,804
Total Governmental Funds	$	6,351,995

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

Business-type activities:		
Major Funds:		
Airport Fund	$	46,290,243
Refuse Disposal Fund		1,934,778
Transit Operating Fund		4,776,977
Nonmajor Business-type Funds		6,523,191
Total Business-type Funds	$	59,525,189

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 estimatability of the claims. Those claims that are probable and estimable have been accrued in the accompanying financial statements. Claims that are possible and/or not estimable are disclosed herein. Remote claims are monitored until such time as they are resolved, disclosed, or accrued. Except as discussed in the following paragraphs, it is the opinion of City management that the ultimate resolution of other litigation will not have a material effect on the financial position of the City.

The City is a defendant in a legal preceding 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.

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.

S. Budget violation

In violation of City ordinance Section 2-11-12 ROA 1994, the City overspent the budget at the following program and fund levels. The City produces quarterly expenditure reports and provides this information to City Departments in an effort to prevent future violations.

Fund/Program	Final Budget	Actual	Variance
General Fund – Legislator Coordinator	$ 224,000	$ 245,000	$ (21,500)
General Fund – Explora Science Center	1,300,000	1,300,185	(185)
General Fund – Strategic Support PR	916,000	923,531	(7,531)
General Fund – CIP Library	52,000	52,525	(525)
General Fund – Albuquerque Care & Control	6,641,000	6,737,650	(96,650)
Fire Fund	1,100,000	1,140,236	(40,236)
Open Space and Acquisition and Management Fund	2,610,000	2,791,434	(181,434)
Urban Enhancement Trust Fund	588,740	672,513	(83,773)

VI. Significant effects of subsequent events

Metropolitan Detention Center

On July 1, 2006 Bernalillo County became the sole operator of the Metropolitan Detention Center (MDC). For the past thirty years, under a Joint Powers Agreement, the City of Albuquerque was responsible for the daily operations of the facility and both the City and the County shared equally in the operating costs.

Aviation

The City has authorized in October 2006 its Third Lien Airport Revenue Commercial Papers Note Series A, B and C. It is anticipated that the notes will be issued in early summer of 2007.

Transit

In August 2006 the City Transit Department entered into a lease purchase agreement for $20,000,000 to acquire hybrid electric buses. The lease will be payable solely from amounts received from the City's share of Federal Transit Administration Section 5307 Urbanized Area Formula Funds.

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APPENDIX B

Description of Bond Ordinance

The following are excerpts or summaries of provisions of City Ordinance Seventeenth Council Bill No. O-07-97 which authorizes the issuance and sale of the Series 2007 Bonds. This Appendix B is qualified by reference to the Bond Ordinance on file with the City Clerk.

Certain Definitions

ACT. Sections 3-30-1 to 3-30-9, 6-15-1 to 6-15-10, 6-15-21 and 6-15-22, the Public Securities Short-Term Interest Rate Act, being Sections 6-18-1 to 6-18-16 NMSA 1978, as amended, the City Charter, the Home Rule Powers and the Bond Ordinance.

AUTHORIZED DENOMINATIONS. Denominations of $5,000 or integral multiples of $5,000.

AUTHORIZED OFFICER. The City's Mayor, Chief Administrative Officer, Director of Department of Finance and Administrative Services, Treasurer, or other officer or employee of the City when designated by a certificate signed by the Mayor of the City from time to time.

BEST BID. The following bid of the Purchaser for the Series 2007B Bonds and the Series 2007C Bonds:

(1) the principal amount of $48,125,000 for the Series 2007B Bonds and the Series 2007C Bonds, bearing interest at the rates set forth in the Bond Ordinance; plus

(2) a premium of $1,812,258.76.

The true interest cost for the Series 2007B Bonds and the Series 2007C Bonds stated as a percentage is 3.980175%; the total interest cost for the Series 2007B Bonds and the Series 2007C Bonds stated in dollars is $11,248,075.70; and the net effective interest rate on Series 2007B Bonds and the Series 2007C Bonds is less than 10% per annum.

BOND ORDINANCE. City Ordinance Seventeenth Council Bill No. O-07-97, as amended or supplemented from time to time.

BOND SCHEDULE. The schedule in the preambles to the Bond Ordinance specifying the aggregate of the indebtedness authorized at the 2005 Election and the indebtedness for each Series 2007 Bonds Project authorized at the 2005 Election.

DEFEASANCE OBLIGATIONS. (1) Government Obligations or; (2) if permitted by law, other obligations which would result in the defeased Series 2007 Bonds receiving the same rating from any national rating agency then rating those Series 2007 Bonds as would have been received if the obligations described in clause (1) of this definition had been used.

DEPOSITORIES. The following registered securities depository: The Depository Trust Company, attn: Call Notification Department, 55 Water Street, 50th Floor, New York, New York

10041-0099, FAX (212) 855-7232, 7234 or 7285; or, in accordance with then-current guidelines of the Securities and Exchange Commission, to such other address and/or such other securities depositories as an Authorized Officer of the City may designate.

FISCAL YEAR. The twelve-month period used by the City for its general accounting purposes as the same may be changed from time to time, presently being the period beginning July 1 of each year and ending June 30 of the next succeeding year.

GOVERNMENT OBLIGATIONS. Direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America or certificates or receipts established by the United States Government or its agencies or instrumentalities representing direct ownership of future interests or principal payments on direct obligations of, or obligations fully guaranteed by, the United States of America or any of its agencies or instrumentalities, the obligations of which are backed by the full faith and credit of the United States, which obligations are held by a custodian in safekeeping on behalf of the holders of such receipts, and rated or assessed in its highest Rating Category by S&P, Moody's and Fitch, if then rating the Series 2007 Bonds.

HOME RULE POWERS. The powers of the City as a home rule city to exercise legislative powers given pursuant to the City Charter adopted by the City pursuant to Article X, Section 6 of the State Constitution and all enactments of the Council relating to the issuance of the Series 2007 Bonds, including the Bond Ordinance.

INTEREST PAYMENT DATE. Each January 1 and July 1 in each year (or if such day is not a business day, then the next succeeding business day) beginning January 1, 2008.

OUTSTANDING. When used in reference to bonds, on any particular date, the aggregate of all such bonds issued and delivered under the applicable City ordinance authorizing the issuance of such bonds except:

(1) those cancelled at or prior to such date or delivered to or acquired by the City at or prior to such date for cancellation;

(2) those which have been paid or are deemed to be paid in accordance with the City ordinance or resolution authorizing the issuance of the applicable bonds or otherwise relating thereto;

(3) in the case of variable rate bonds, bonds deemed tendered, but not yet presented for payment; and

(4) those in lieu of or in exchange or substitution for which other bonds shall have been delivered, unless proof satisfactory to the City and the paying agent for the applicable bonds is presented that any bond for which a new bond was issued or exchanged is held by a bona fide holder or in due course.

As used in this definition, the term bond includes any evidence of debt.

OWNER. The registered owner or owners of any Series 200 Bond as shown on the registration books for the Series 2007 Bonds maintained by the Registrar.

PAYING AGENT. The City's Director of Finance and Administration, the City Treasurer or any trust company, national or state banking association or financial institution qualified to act and appointed as the paying agent for the Series 2007 Bonds by an Authorized Officer from time to time.

PERMITTED INVESTMENTS. Any of the following which at the time are legal investments for the City for the money to be invested:

(1) Cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with Government Obligations);

(2) Government Obligations;

(3) Obligations of, or obligations guaranteed as to principal and interest by any agency or instrumentality of the United States which are backed by the full faith and credit of the United States, including but not limited to: General Services Administration - participation certificates; Government National Mortgage Association (GNMA) - GNMA guaranteed mortgage-backed securities and GNMA guaranteed participation certificates; U.S. Department of Housing & Urban Development - local authority bonds; and U.S. Export-Import Bank - all fully guaranteed obligations;

(4) Obligations of the following government-sponsored agencies; Federal Home Loan Mortgage Corporation - participation certificates and senior debt obligations; Farm Credit System (formerly: Federal Land Banks and Banks for Cooperatives) - consolidated system-wide bonds and notes; Federal Home Loan Banks - consolidated debt obligations; Federal National Mortgage Association - senior debt obligations and mortgaged-backed securities (excluding stripped mortgage securities which are valued greater than par on the portion of unpaid principal); Student Loan Marketing Association - senior debt obligations (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date) and letter of credit backed issues; Financing Corporation - debt obligations; and Resolution Funding Corporation - debt obligations;

(5) Certificates of deposit, time deposits and banker's acceptances of any bank or savings and loan association, the short-term obligations of which are rated in the highest Rating Categories by S&P, Moody's and Fitch, if then rating the Series 2007 Bonds, provided that such deposits must be fully secured by securities designated in paragraphs (2), (3), (4) and (11) of this definition and held in safekeeping for, or on behalf of, or held in book-entry form in the name of, the City;

(6) Deposits which are fully insured by the Federal Deposit Insurance Corporation or which are secured by obligations described in paragraphs (2), (3), (4) and (11) of this definition, collateralized at 102%;

(7) Accounts with banks and savings and loan associations located in Bernalillo County, provided that the banks and savings and loan associations, and the collateral securing the investments permitted as described by this paragraph, satisfy the requirements of applicable State law.

(8) Obligations, the interest on which is excluded from gross income of the recipient for federal income tax purposes and which are rated in the highest Rating Category by S&P, Moody's and Fitch, if then rating the Series 2007 Bonds;

(9) Money market instruments and other securities of commercial banks, broker-dealers or recognized financial investors, which securities or institutions are rated in the highest Rating Category by S&P, Moody's and Fitch, if then rating the Series 2007 Bonds, or which securities are guaranteed by a person or entity whose long-term debt obligations are rated in the highest Rating Category by S&P, Moody's and Fitch, if then rating the Series 2007 Bonds, including, without limitation, securities of, or other interests in, any open-end or closed-end management type investment company or investment trust registered under the provisions of 15 U.S.C. Sections 80(a)-1 et seq., which invest only in, or whose securities are secured only by, obligations of the type set forth in paragraphs (2), (3), (4) and (11) of this definition;

(10) The "short-term investment fund" described in Section 6-10-10.1 N.M.S.A. 1978 or other similar pooled fund maintained by the State for the investment of public funds of local public bodies of the State.

(11) Stripped Securities: (i) U.S. Treasury STRIPS and (ii) REFCORP STRIPS (stripped by Federal Reserve Bank of New York);

(12) Repurchase agreements involving the purchase and sale of, and guaranteed investment contracts, the par value of which is collateralized by a perfected first pledge of, or security interest in, or the payments of which are unconditionally guaranteed by, securities described in parts (2), (3), (4) and (11) of this definition, which collateral is held by the City, or for the benefit of the City, by a party other than the provider of the guaranteed investment contract or repurchase agreement, with a collateralized value of at least 102% of the par value of such repurchase agreement or guaranteed investment contract of 102% of the market value thereof, valued at intervals of no less than monthly and which collateral is not subject to any other pledge or security interest; and

(13) Agreements which permit the City to require a commercial bank, broker-dealer or recognized financial institution to purchase from the City at a fixed price obligations described in paragraphs (2), (3), (4) and (11) of this definition; provided that, if required by law, the contract relating to such agreement is approved by resolution of the Council and all other requirements of law relating to any such investment are satisfied and provided further than such institution, or the guarantor of such institution or agreement, shall be rated in one of the top two Rating Categories of S&P, Moody's and Fitch, if then rating the Series 2007 Bonds, or by another national rating agency.

PURCHASER. Piper Jaffray and members of the purchasing syndicate for the Series 2007B Bonds and the Series 2007C Bonds.

RATING CATEGORY. A generic securities rating category, without regard, in the case of a long-term rating category, to any refinement or gradation of such long-term rating category by a numerical modifier or otherwise.

RECORD DATE. The twenty-fifth day of the calendar month preceding each Interest Payment Date.

REGISTRAR. The City's Director of Finance and Administration, the City Treasurer or any national trust company, national or state banking association or financial institution qualified to act and appointed as the registrar for the Series 2007 Bonds by an Authorized Officer from time to time.

SERIES 2007 BONDS. The Series 2007B Bonds and the Series 2007C Bonds, collectively, which consist of a portion of the 2005 Election Bonds.

SERIES 2007 BONDS PROJECTS. Collectively, the projects to be financed by the Series 2007B Bonds and the Series 2007C Bonds designated under the heading "Series 2007 Bond Projects" below.

SERIES 2007B BONDS. The Series 2007 Bonds in the original principal amount of $43,045,000 designated as the "City of Albuquerque, New Mexico General Purpose Bonds, Series 2007B" authorized to be issued and sold by the Bond Ordinance.

SERIES 2007C BONDS. The Series 2007 Bonds in the original principal amount of $5,080,000 designated as the "City of Albuquerque, New Mexico General Obligation Storm Sewer Bonds, Series 2007C" authorized to be issued and sold by the Bond Ordinance.

STATE. The State of New Mexico.

Series 2007 Bond Projects

Proceeds of the Series 2007 Bonds will be used for the following 2007 Bond Projects and to pay expenses relating to the issuance of the Series 2007 Bonds.

(1) $465,000 to design, develop, study, construct, modernize, automate, renovate, rehabilitate, recondition,, landscape, furnish, enhance, and otherwise improve, and to acquire land, vehicles, apparatus, and equipment for, the municipal office of emergency management;

(2) $1,738,550 to design, develop, construct, demolish, equip, renovate, rehabilitate, expand, repair, study, landscape, streetscape, enhance and otherwise improve, and to acquire land for, City-owned community centers including those for families, youth and senior citizens and for community enhancement projects;

(3) $627,050 to design, develop, construct, reconstruct, rehabilitate, renovate,

modernize, expand, enhance, upgrade, equip and furnish, and collect and acquire artifacts and exhibits, and otherwise improve City-owned and operated museums;

(4) $1,229,000 to equip, improve, acquire, design, survey, develop, construct, rehabilitate, renovate, modernize, expand, enhance, upgrade and otherwise improve public buildings, facilities and systems;

(5) $1,103,150 to design, develop, construct, reconstruct, renovate, rehabilitate, modernize, automate, upgrade, landscape and otherwise improve, and to acquire books, media and equipment for, public libraries;

(6) $13,177,235 to design, develop, construct, rehabilitate, renovate, expand, furnish, landscape, study, protect, enhance and otherwise improve, and to acquire land, vehicles and equipment for, park and recreational facilities, including public parks and facilities within those parks, swimming pools, tennis courts, open space, bikeways, bosque lands and trails;

(7) $1,289,500 to study, design, develop, construct, reconstruct, rehabilitate, renovate, repair, refurbish, modernize, expand, enhance and otherwise improve, and to acquire exhibits, furnishings and equipment for, the municipal zoo, botanic garden, and aquarium;

(8) $5,080,000 to design, develop, construct, reconstruct, rehabilitate, renovate, expand, enhance, monitor and otherwise improve, and acquire land for, the storm sewer system; and

(9) $23,415,515 to study, design, develop, construct, reconstruct, rehabilitate, renovate, automate, modernize, sign, enhance, landscape and otherwise improve, and to acquire land and equipment for, municipal streets and roads, interstate roadways and interchanges, trails, bikeways, walkways, sidewalks, railroad crossings and bridges.

Payment of Series 2007 Bonds

The principal of and premium, if any, on the Series 2007 Bonds shall be payable upon presentation and surrender of the Series 2007 Bonds at the principal office of the Paying Agent at or after their maturity. Interest on Series 2007 Bonds shall be payable by check or draft mailed to the Owners (or by such other arrangement as may be mutually agreed to by the Paying Agent and an Owner). An Owner shall be deemed to be that person or entity shown on the registration books for the Series 2007 Bonds maintained by the Registrar at the address appearing in the registration books at the close of business on the applicable Record Date. However, interest which is not timely paid or provided for shall cease to be payable to the Owners of the Series 2007 Bonds (or of one or more predecessor Series 2007 Bonds) as of the regular Record Date, but shall be payable to the Owners of those Series 2007 Bonds (or of one or more predecessor Series 2007 Bonds) at the close of business on a special record date for the payment of the overdue interest. The special record date shall be fixed by the Paying Agent and Registrar whenever money becomes available for payment of the overdue interest and notice of the special record date shall be given to the Owners of such Series 2007 Bonds not less than ten days prior to that date. Payment shall be made in the coin or currency of the United States of America that is at the time of payment legal tender for the payment of public and private debts. If the principal amount of any Series 2007 Bond presented for payment remains unpaid at maturity, the unpaid principal shall continue to bear interest at the rate designated in that Series 2007 Bond. Payments of Series 2007 Bonds shall be made without deduction for exchange or collection charges.

Registration, Transfer, Exchange and Ownership of Series 2007 Bonds

Registration, Transfer and Exchange

The City shall cause books for registration, transfer and exchange of the Series 2007 Bonds to be kept at the principal office of the Registrar. Upon surrender for transfer or exchange of any Series 2007 Bonds at the principal office of the Registrar duly endorsed by the Owner or his attorney duly authorized in writing, or accompanied by a written instrument or instruments of transfer or exchange in form satisfactory to the Registrar and property executed, the City shall execute and the Registrar shall authenticate and deliver in the name of the transferee or Owner, as appropriate, a new Series 2007 Bond or Series 2007 Bonds of the same series, maturity, interest rate and same aggregate principal amount in Authorized Denominations.

Owner of Series 2007 Bonds

The person in whose name any Series 2007 Bond is registered shall be deemed and regarded as its absolute Owner for all purposes, except as may otherwise be provided with respect to the payment of interest described above under the heading "Payment of Series 2007 Bonds." Payment of either the principal of or interest on any Series 2007 Bond shall be made only to or upon the order of its Owner or his legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability on Series 2007 Bonds to the extent of the amount paid.

Replacement of Series 2007 Bonds

If any Series 2007 Bond is lost, stolen, destroyed or mutilated, the Registrar shall, upon receipt of that Series 2007 Bond, if mutilated, and the evidence, information or indemnity which the Registrar and the City may reasonably require, authenticate and deliver a replacement Series 2007 Bond or Series 2007 Bonds of the same series, aggregate principal amount, maturity and interest rate, bearing a number or numbers not then outstanding. If any lost, stolen, destroyed or mutilated Series 2007 Bond has matured or been called for redemption, the Registrar may direct the Paying Agent to pay that Series 2007 Bond in lieu of replacement.

Charges

Exchanges and transfers of Series 2007 Bonds shall be made without charge to the Owner or any transferee except that the Registrar may make a charge sufficient to reimburse the Registrar for any tax, fee or other governmental charge required to be paid with respect to that transfer or exchange.

Book Accounts

The Series 2007 Bonds will be credited as follows: $465,000 for emergency management; $627,050 for museums; $13,177,235 for parks and recreational facilities; $1,229,000 for facilities and equipment; $1,103,150 for public libraries; $1,289,500 for the zoo, botanic garden and aquarium; $1,738,550 for citizens' centers; $5,080,000 for storm sewers; and $23,415,515 for streets.

General Administration of Funds

To the extent practicable, any money in any fund or account shall be invested in Permitted Investments within any limitations imposed by the Bond Ordinance. Obligations purchased as an investment of money in any fund or account shall be deemed at all times to be part of that fund or account, and the interest accruing and any profit realized on those investments shall be credited to that fund or account, unless otherwise stated in the Bond Ordinance (subject to withdrawal at any time for the uses directed and permitted for such money by the Bond Ordinance) and any loss resulting from such investment shall be charged to that fund or account. The City Treasurer shall present for redemption or sale on the prevailing market any Permitted Investment in a fund or account when necessary to provide money to meet a required payment or transfer from that fund or account.

Protective Covenants

The City covenants and agrees with the Owners:

(1) <u>Use of Series 2007 Bond Proceeds</u>. When issued, the City will proceed without unreasonable delay to use the proceeds of the Series 2007 Bonds for the acquisition and construction of the respective Series 2007 Bonds Projects for which the Series 2007 Bonds are issued in the amounts described under the caption "DESCRIPTION OF BOND ORDINANCE – Series 2007 Bonds Projects."

(2) <u>Payments</u>. The City will pay the principal of and the interest on every Series 2007 Bond at the place, on the date and in the manner described under the caption "DESCRIPTION OF BOND ORDINANCE – Payment of Series 2007 Bonds" and "The Series 2007 Bonds".

(3) <u>City's Existence</u>. The City will maintain its corporate identity and existence so long as any of the Series 2007 Bonds remain outstanding, unless another political subdivision by operation of law succeeds to the liabilities and rights of the City, without adversely affecting to any substantial degree the privileges and rights of any Owner. The City may annex and de-annex land.

(4) <u>Continuing Disclosure</u>. The City will execute, deliver and comply with the Continuing Disclosure Undertaking for the benefit of the Purchaser.

Series 2007 Bonds Not Presented When Due

If any Series 2007 Bonds are not duly presented for payment when due at maturity and if money sufficient to pay those Series 2007 Bonds is on deposit with the Paying Agent for the benefit of the Owners of those Series 2007 Bonds, all liability of the City to those owners for the payment of the Series 2007 Bonds shall be completely discharged, those Series 2007 Bonds shall not be deemed to be Outstanding and it shall be the duty of the Paying Agent to segregate and to hold the money received for payment in trust, without liability for interest to the Owners, for the benefit of those Owners.

Amendment of Bond Ordinance

Amendment

The Bond Ordinance may be amended by resolution or ordinance of the City Council without the consent of the Owners:

(1) To cure any ambiguity, or to cure, correct or supplement any defect or inconsistent provision contained in the Bond Ordinance;

(2) To grant to the Owners any additional rights, remedies, powers or authority that may lawfully be granted to them;

(3) To obtain or maintain a rating on the Series 2007 Bonds from any rating agency which amendment, in the judgment of Bond Counsel, does not materially adversely affect the Owners;

(4) To achieve compliance with federal securities or tax laws; and

(5) To make any other changes in the Bond Ordinance which, in the opinion of Bond Counsel, is not materially adverse to the Owners.

Additional Amendments

Except as provided above, the Bond Ordinance may only be amended or supplemented by ordinance adopted by the City Council in accordance with the laws of the State, without receipt by the City of any additional consideration, but with the written consent of the Owners of a majority of the principal amount of the Series 2007 Bonds affected by such amendment or supplement then Outstanding (not including Series 2007 Bonds which are then owned by or for the account of the City); provided, however, that no such ordinances shall be the effect of permitting:

(1) An extension of the maturity of any Series 2007 Bond; or

(2) A reduction in the principal amount of or interest rate on any Series 2007 Bond; or

(3) A reduction of the principal amount of Series 2007 Bonds required for consent to such amendment or supplement.

Defeasance

When all principal and interest in connection with all or any part of the Series 2007 Bonds have been paid or provided for, the pledge and lien and all obligations under the Bond Ordinance with respect to those Series 2007 Bonds shall be discharged and those Series 2007 Bonds shall no longer be deemed to be outstanding within the meaning of the Bond Ordinance.

Without limiting the preceding paragraph, there shall be deemed to be such payment when the City Council has caused to be placed in escrow and in trust with an escrow agent located within or without the State and exercising trust powers, an amount sufficient (including the known minimum yield from Defeasance Obligations in which such amount may be initially invested) to pay all requirements of principal and interest on the Series 2007 Bonds to be defeased as the same become due to their final maturities. The escrow agent shall have received evidence satisfactory to it that the cash and Defeasance Obligations delivered will be sufficient to provide for the payment of the Series 2007 Bonds to be defeased as stated above. Neither the Defeasance Obligations nor money deposited with the escrow agent shall be withdrawn or used for any purpose other than as provided in the escrow agreement relating thereto and the Defeasance Obligations and money shall be segregated and held in trust for the payment of the principal or redemption price of, and interest on the Series 2007 Bonds with respect to which such deposit has been made. The Defeasance Obligations shall become due prior to the respective times at which the proceeds are needed in accordance with a schedule established and agreed upon between the City and the escrow agent at the time of the creation of the escrow, or the Defeasance Obligations shall be subject to redemption only at the option of the holders or owners thereof to assure the availability of the proceeds as needed to meet the schedule.

If any Series 2007 Bonds are deemed to be paid and discharged pursuant to this section entitled “Defeasance,” then, within 15 days after the date of defeasance, the City shall cause a written notice to be given to each Owner of Series 2007 Bonds deemed paid and discharged at the address shown on the Series 2007 Bond register for the Series 2007 Bonds on the date on which those Series 2007 Bonds are deemed paid and discharged stating the numbers of the Series 2007 Bonds deemed paid and discharged (if less than all Series 2007 Bonds are deemed paid and discharged), describing the Defeasance Obligations and specifying any date or dates on which the Series 2007 Bonds defeased are to be paid.

APPENDIX C

Form of Opinion of Bond Counsel

September 11, 2007

City of Albuquerque
Albuquerque, New Mexico

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Albuquerque (the "City"), State of New Mexico of its $43,045,000 General Obligation General Purpose Bonds, Series 2007B and its $5,080,000 General Obligation Storm Sewer Bonds, Series 2007C (collectively, the "Bonds"). The Bonds are authorized to be issued pursuant to City Ordinance Seventeenth Council Bill No. O-07-97 ("Bond Legislation").

We have examined the Bond Legislation, the Tax Compliance Certificate of the City relating to the Bonds and such other laws, certified proceedings, documents and other matters, and have made such further inquiries and investigations, as we have considered necessary in rendering this opinion.

Based upon the foregoing, in our opinion, under existing law:

1. The Bonds are valid and binding general obligations of the City.

2. Principal of and interest on the Bonds, unless paid from other sources, are payable from the proceeds of the levy of general (ad valorem) taxes on all property within the City subject to ad valorem taxes levied by the City, which taxes are unlimited as to rate or amount.

3. The interest on the Bonds is excludable from gross income for federal income tax purposes under Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"), is not treated as an item of tax preference for purposes of the alternative minimum tax imposed by the Code on individuals and corporations and is not subject to the State of New Mexico income taxation so long as that interest is excluded from gross income for federal income tax purposes. We express no opinion regarding any other tax consequences regarding the Bonds.

In giving the foregoing opinions with respect to the treatment of interest on the Bonds and the status of the Bonds under federal tax laws, we have assumed and relied upon compliance with the City's covenants and the accuracy of the City's representations and certifications contained in the transcript of proceedings by the City relating to the issuance and sale of the Bonds. The accuracy of those representations and certifications, which we have not independently verified, and the City's compliance with those covenants may be necessary for the interest on the Bonds to be and to remain excludable from gross income for federal income tax purposes and for certain of the other tax effects stated above. Failure to comply with certain of those requirements subsequent to issuance of the Bonds could cause interest on the Bonds to be included in gross income for federal income tax purposes and to be subject to New Mexico state income tax retroactively to the date of issuance of the Bonds.

The rights of the holders of the Bonds and the enforceability thereof are subject to the provisions of the bankruptcy laws of the United States of America and other applicable bankruptcy, insolvency, reorganization and moratorium or similar laws relating to or affecting creditors' rights now or hereafter in effect, and their enforcement may be subject to the exercise of judicial discretion and to general equity principles.

The scope of our engagement has not extended beyond the examinations and the rendering of the opinions expressed herein, and we are not passing upon the accuracy or completeness of any information furnished to any person in connection with the offer or sale of the Bonds. The opinions expressed herein are based on existing law as of the date hereof and we express no opinion herein as of any subsequent date or with respect to any pending legislation or as to any other matters.

This letter is issued to and for the sole benefit of the above addressee and is issued for the sole purpose of the transaction specifically referred to herein. No person other than the above addressee may rely upon this letter without our express prior written consent. This letter may not be utilized by you for any other purpose whatsoever and may not be quoted by you without our express prior written consent, except that this opinion may be included in the transcript of proceedings relating to the issuance and sale of the Bonds. We assume no obligation to review or supplement this letter subsequent to its date, whether by reason of a change in the current law, legislative or regulatory action, judicial decision or for any other reason.

Very truly yours,

APPENDIX D

Form of Continuing Disclosure Undertaking

$48,125,000
CITY OF ALBUQUERQUE, NEW MEXICO
General Obligation Bonds

$43,045,000	**$5,080,000**
General Purpose Bonds,	**Storm Sewer Bonds,**
Series 2007B	**Series 2007C**

CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Disclosure Undertaking") is executed and delivered by the CITY OF ALBUQUERQUE, NEW MEXICO (the "City") in connection with the issuance of the City's $43,045,000 General Obligation General Purpose Bonds, Series 2007B, and $5,080,000 General Obligation Storm Sewer Bonds, Series 2007C (the "Series 2007 Bonds"). The Series 2007 Bonds are being issued pursuant to City Ordinance Seventeenth Council Bill No. O-07-97 (the "Bond Legislation").

The City covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Undertaking. This Disclosure Undertaking is being executed and delivered by the City for the benefit of the Owners of the Series 2007 Bonds and in order to allow the Participating Underwriters (as defined by Rule 15c2-12) to comply with Rule l5c2-12.

SECTION 2. Definitions. In addition to the definitions set forth in the Bond Legislation, which apply to any capitalized term used in this Disclosure Undertaking unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Financial Information" means the financial information or operating data with respect to the City, delivered at least annually pursuant to Section 3 hereof, of the type set forth in the Official Statement, including but not limited to, the type of financial information and operating data with respect to the City set forth in "FINANCIAL INFORMATION."

"Audited Financial Statements" means the annual financial statements for the City, prepared in accordance with generally accepted accounting principles consistently applied, as in effect from time to time, audited by a firm of certified public accountants.

"Events" means any of the events listed in Section 4(a) of this Disclosure Undertaking.

"Fiscal Year" means the Fiscal Year of the City, ending June 30.

"MRSB" means the Municipal Securities Rulemaking Board. The current address of the MRSB is 1900 Duke Street, Suite 600, Alexandria, Virginia 22314; fax 703-797-6700.

"National Repository" means any Nationally Recognized Municipal Securities Information Repository recognized by the SEC from time to time, for purposes of Rule 15c2-12. As of the date hereof, the following are National Repositories:

Bloomberg Municipal Repository, Skillman, NJ
DPC Data Inc., Fort Lee, NJ
Interactive Data Pricing and Reference Data, Inc., New York, NY
Standard & Poor's, Securities Evaluation, Inc., New York, NY

"Official Statement" means the final Official Statement delivered in connection with the original issue and sale of the Series 2007 Bonds.

"Owners" means the registered owners of the Series 2007 Bonds, and so long as the Series 2007 Bonds are subject to the book-entry system, any Beneficial Owner, as such term is defined in the Bond Legislation.

"Repository" shall mean each National Repository and the State Repository.

"Rule 15c2-12" shall mean Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"SEC" means the Securities and Exchange Commission.

"State Repository" shall mean any public or private repository or entity designated by the State of New Mexico as a state repository for the purpose of the Rule. As of the date hereof, there is no State Repository for the State of New Mexico.

SECTION 3. Provision of Annual Information.

(a) Annually while the Series 2007 Bonds remain outstanding, the City shall provide or cause to be provided to each Repository Annual Financial Information and Audited Financial Statements.

(b) Annual Financial Information shall be provided by the City not later than 270 days after the end of each Fiscal Year. If not filed with the Annual Financial Information, the Audited Financial Statements will be provided when available.

(c) The City may provide Annual Financial Information and Audited Financial Statements with respect to the City by specific cross reference to other documents which have been submitted to each Repository or filed with the SEC. If the document so referenced is a final official statement within the meaning of Rule 15c2-12, such final official statement must also be available from the MSRB. The City shall clearly identify each other document incorporated by cross reference.

SECTION 4. Reporting of Events.

(a) This Section 4 shall govern the giving of notices of the occurrence of any of the following Events with respect to the Series 2007 Bonds:

1. principal and interest payment delinquencies;
2. non payment related defaults;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions or events affecting the tax exempt status of the security;
7. modifications to the rights of the security holders;
8. bond calls (other than mandatory sinking fund redemption);
9. defeasances;
10. release, substitution or sale of property securing repayment of the securities; and
11. rating changes.

(b) At any time the Series 2007 Bonds are outstanding and the City obtains knowledge of the occurrence of an Event, the City shall file, in a timely manner, a notice of such occurrence with the MSRB and each State Repository, if the occurrence of such Event is material for Owners of the Series 2007 Bonds. Notwithstanding the foregoing, notice of Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying Event is given to Owners of affected Series 2007 Bonds pursuant to the Bond Legislation.

(c) At any time the Series 2007 Bonds are outstanding, the City shall provide, in a timely manner, to the MSRB and the State Repository, notice of any failure of the City to timely provide the Annual Financial Information and Audited Financial Statements as specified in Section 3 hereof.

SECTION 5. Term. This Disclosure Undertaking shall be in effect from and after the issuance and delivery of the Series 2007 Bonds and shall extend to the earliest of (a) the date all principal and interest on the Series 2007 Bonds are deemed paid or legally defeased pursuant to the terms of the Bond Legislation; (b) the date that the City is no longer an "obligated person" with respect to the Series 2007 Bonds within the meaning of Rule 15c2-12; and (c) the date on which those portions of Rule 15c2-12 which require this Disclosure Undertaking are determined to be invalid by a court of competent jurisdiction in a non-appealable action, have been repealed retroactively or otherwise do not apply to the Series 2007 Bonds, the determination of (a), (b) or (c) herein to be made in any manner deemed appropriate by the City, including by an opinion of Counsel experienced in federal securities laws selected by the City. The City shall file a notice of any such termination with each Repository and the MSRB.

SECTION 6. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Undertaking, the City may amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking may be waived, if (a) such amendment or waiver is consented to by the Owners of no less than a majority in aggregate principal amount of the Series 2007 Bonds obtained in the manner prescribed by the Bond Legislation or (b) if such amendment or waiver is otherwise consistent with Rule 15c2-12, as determined by an opinion of Counsel experienced in federal securities laws selected by the City. Written notice of any such amendment or waiver shall be provided by the City to each Repository and the MSRB, and the Annual Financial Information shall explain the reasons for the amendment and the impact of any change in the type of information being provided. If any amendment changes the accounting principles to be followed in preparing financial statements, the Annual Financial Information for the year in which the change is made will present a comparison between the financial statement or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The City shall provide notice of any such amendment or waiver to each Repository.

SECTION 7. Additional Information. Nothing in this Disclosure Undertaking shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other annual information or notice of occurrence of an event which is not an Event, in addition to that which is required by this Disclosure Undertaking; provided that the City shall not be required to do so. If the City chooses to include any annual information or notice of occurrence of an event in addition to that which is specifically required by this Disclosure Undertaking, the City shall have no obligation under this Disclosure Undertaking to update such information or include it in any future annual filing or notice of occurrence of an Event.

SECTION 8. Default and Enforcement. If the City fails to comply with any provision of this Disclosure Undertaking, any Owner of the Series 2007 Bonds may take action to seek specific performance by court order to compel the City to comply with its obligations under this Disclosure Undertaking; provided that any Owner of the Series 2007 Bonds seeking to require the City to so comply shall first provide at least 30 days' prior written notice to the City of the City's failure (giving reasonable details of such failure), following which notice the City shall have 30 days to comply and, provided further, that only the Owners of no less than a majority in aggregate principal amount of the Series 2007 Bonds may take action to seek specific performance in connection with a challenge to the adequacy of the information provided by the City in accordance with this Disclosure Undertaking, after notice and opportunity to comply as provided herein, and such action shall be taken only in a court of competent jurisdiction in the State of New Mexico. A DEFAULT UNDER THIS DISCLOSURE UNDERTAKING SHALL NOT BE DEEMED AN EVENT OF DEFAULT UNDER THE BOND LEGISLATION OR THE SERIES 2007 BONDS, AND THE SOLE REMEDY UNDER THIS DISCLOSURE UNDERTAKING IN THE EVENT OF ANY FAILURE OF THE CITY TO COMPLY WITH THIS DISCLOSURE UNDERTAKING SHALL BE AN ACTION TO COMPEL PERFORMANCE.

SECTION 9. Beneficiaries. The Disclosure Undertaking shall inure solely to the benefit of the City, the Participating Underwriters and Owners from time to time of the Series 2007 Bonds, and shall create no rights in any other person or entity.

Dated as of ________, 2007.

CITY OF ALBUQUERQUE, NEW MEXICO

By: ___________________________________

Title: _________________________________

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APPENDIX E

Book-Entry-Only System

Introduction

Unless otherwise noted, the information contained under the caption “General” below has been provided by DTC. Neither the City nor the Underwriters make any representations as to the accuracy or the completeness of such information. The Beneficial Owners of the Series 2007 Bonds should confirm the following information with DTC, the Direct Participants or the Indirect Participants.

NEITHER THE CITY NOR THE FISCAL AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (B) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SERIES 2007 BONDS UNDER THE BOND ORDINANCE, (C) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2007 BONDS; (D) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR INTEREST DUE WITH RESPECT TO THE OWNER OF THE SERIES 2007 BONDS; (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNERS OF SERIES 2007 BONDS; OR (F) ANY OTHER MATTER REGARDING DTC.

General

The Series 2007 Bonds will be delivered in book-entry-only form. DTC will act as securities depository for the Series 2007 Bonds. The Series 2007 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Series 2007 Bond certificate will be issued for each maturity of each series of the Series 2007 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: “AAA.” The DTC Rules applicable to Direct Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The City undertakes no responsibility for and makes no representations as to the accuracy or the completeness of the content of such material contained on that website as described in the preceding sentence including, but not limited to, updates of such information or links to other Internet sites accessed through the aforementioned website.

Purchases of the Series 2007 Bonds under the DTC system must be made by or through Direct or Indirect Participants, which will receive a credit for the Series 2007 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2007 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2007 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2007 Bonds, except in the event that use of the book-entry system for the Series 2007 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2007 Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2007 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2007 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2007 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

While the Series 2007 Bonds are in the book-entry-only system, redemption notices will be sent to DTC. If less than all of the Series 2007 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be prepaid.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2007 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2007 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2007 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Fiscal Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct and Indirect Participant and not of DTC, the Fiscal Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Fiscal Agent, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2007 Bonds at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor depository is not obtained, certificates representing the Series 2007 Bonds are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, certificates representing the Series 2007 Bonds will be printed and delivered.

The information in this Appendix concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but neither the City nor the Underwriters take any responsibility for the accuracy thereof.

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APPENDIX F

Form of Specimen Bond Insurance Policy

FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation
Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless the Insurer elects, in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation

____

President

SPECIMEN

Attest:______________________________

Assistant Secretary

W0735003.DOC