NEW ISSUE Book-Entry Only **See "RATINGS" herein**

In the opinion of Kutak Rock LLP, Special Tax Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Series 2008 Bonds is excluded from gross income for federal income tax purposes, except for interest on any Series 2008 Bond for any period during which such Series 2008 Bond is held by a "substantial user" of the facilities financed and refinanced by the Series 2008 Bonds or a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended. Special Tax Counsel is further of the opinion that interest on the Series 2008 Bonds is a specific preference item for purposes of the federal alternative minimum tax. Special Tax Counsel is further of the opinion that interest on the Series 2008 Bonds is exempt from New Mexico state income taxes. See "TAX MATTERS" herein.

$13,640,000
CITY OF ALBUQUERQUE, NEW MEXICO
Airport Refunding Revenue Bonds
Series 2008

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

The City of Albuquerque, New Mexico Airport Refunding Revenue Bonds, Series 2008 (the "Series 2008 Bonds"), are being issued as fully registered bonds to be sold in denominations of $5,000 or any integral multiple thereof. The Depository Trust Company ("DTC") will act as securities depository for the Series 2008 Bonds through its nominee, Cede & Co. One fully registered bond equal to the principal amount of each maturity of the Series 2008 Bonds will be registered in the name of Cede & Co. Individual purchases of Series 2008 Bonds will be made in book-entry form only and beneficial owners of the Series 2008 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 2008 Bonds.

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

See Inside Cover Page for Maturities, Principal Amounts, Interest Rates and Prices or Yields

---

The Series 2008 Bonds will not be subject to optional or mandatory sinking fund redemption but are subject to extraordinary redemption as described herein.

The Series 2008 Bonds are being issued for the purpose of partially refunding the City's outstanding Airport Refunding Revenue Bonds, Series 1997. **The Series 2008 Bonds are special, limited obligations of the City, payable solely from and secured by a pledge of the Gross Airport Revenues less Operation and Maintenance Expenses (the "Net Revenues"). "Gross Airport Revenues" include substantially all of the income and revenues directly or indirectly derived by the City from the operation of the Airport System, which is comprised of the Albuquerque International Sunport ("ABQ Airport") and Double Eagle II Airport. The City generates Gross Airport Revenues primarily by assessing fees and charges payable by air carriers, general aviation operations, concessionaires and other users of ABQ Airport, including but not limited to revenues from the operation of parking facilities at ABQ Airport. The Series 2008 Bonds are also secured by amounts on deposit in any funds and accounts which may be established and held under the Bond Ordinance relating to the Series 2008 Bonds. The Series 2008 Bonds will not constitute indebtedness within the meaning of any constitutional, charter or statutory provision or limitation, nor will they be considered or held to be general obligations of the City.**

The scheduled payment of principal of and interest on the Series 2008 Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series 2008 Bonds by FINANCIAL SECURITY ASSURANCE INC. See "BOND INSURANCE" herein.

FSA

In connection with the issuance of the Series 2008 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."

This Cover Page, including the inside cover page, contains information for convenient and quick reference only. It is not a summary of this Official Statement. Investors must read this entire Official Statement to obtain information essential and material to the making of an informed investment decision, paying particular attention to the matters discussed under the caption "CERTAIN INVESTMENT CONSIDERATIONS."

Approval of certain legal matters will be passed on by Brownstein Hyatt Farber Schreck, LLP, Albuquerque, New Mexico, as Bond Counsel. Certain tax matters will be passed on by Kutak Rock LLP, Denver, Colorado, as Special Tax 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., Albuquerque, New Mexico, Disclosure Counsel. The Underwriters are being represented by Hogan & Hartson LLP, Denver, Colorado. It is expected that the Series 2008 Bonds will be delivered to DTC in New York, New York on or about March 11, 2008.

Citi

JPMorgan **UBS Investment Bank** **RBC Capital Markets**

February 4, 2008

MATURITY SCHEDULES

$13,640,000
CITY OF ALBUQUERQUE, NEW MEXICO
Airport Refunding Revenue Bonds
Series 2008

Maturity Date (July 1)	Principal Amount	Interest Rate	Yield	Cusip No.
2009	$320,000	3.00%	2.450%	013538HW6
2010	330,000	3.00%	2.820%	013538HX4
2011	340,000	3.50%	3.050%	013538HY2
2012	350,000	3.50%	3.260%	013538HZ9
2013	1,820,000	3.50%	3.490%	013538JA2
2014	1,890,000	5.00%	3.660%	013538JB0
2015	2,000,000	5.00%	3.790%	013538JC8
2016	2,100,000	5.00%	3.920%	013538JD6
2017	2,190,000	5.00%	4.040%	013538JE4
2018	2,300,000	5.00%	4.170%	013538JF1

No dealer, salesman, or other person has been authorized to give any information or to make any representation, other than the information contained in this Official Statement, in connection with the offering of the Series 2008 Bonds, and, if given or made, such information or representations must not be relied upon as having been authorized by the City or the Underwriters. This Official Statement does not constitute an offer or solicitation in any jurisdiction in which such offer or solicitation is not authorized or in which any person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation.

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

The order and placement of materials in this Official Statement, including the appendices, are not to be deemed a determination of relevance, materiality or importance, and this Official Statement, including the appendices, must be considered in its entirety. The caption and headings in this Official Statement are for convenience only and in no way define, limit or describe the scope or intent, or affect the meaning or construction, of any provisions or sections of this Official Statement. The offering of the Series 2008 Bonds is made only by means of this Official Statement.

THE PRICES AT WHICH THE SERIES 2008 BONDS ARE OFFERED TO THE PUBLIC BY THE UNDERWRITERS (AND THE YIELDS RESULTING THEREFROM) MAY VARY FROM THE INITIAL PUBLIC OFFERING PRICES APPEARING ON THE INSIDE COVER PAGE HEREOF. IN ADDITION, THE UNDERWRITERS MAY ALLOW CONCESSIONS OR DISCOUNTS FROM SUCH INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS. IN CONNECTION WITH THE OFFERING OF THE SERIES 2008 BONDS, THE UNDERWRITERS MAY EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2008 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The Series 2008 Bonds have not been registered under the Securities Act of 1933, nor has the Bond Ordinance been qualified under the Trust Indenture Act of 1939, in reliance upon exemptions contained in such Acts. The registration and qualification of the Series 2008 Bonds in accordance with applicable provisions of the securities laws of the states in which the Series 2008 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 2008 Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

Other than with respect to information concerning Financial Security Assurance Inc. ("Financial Security") contained under the caption "BOND INSURANCE" and Appendix D "SPECIMEN MUNICIPAL BOND INSURANCE POLICY AND SPECIMEN MUNICIPAL BOND DEBT

SERVICE RESERVE INSURANCE POLICY" herein, none of the information in this Official Statement has been supplied or verified by Financial Security and Financial Security makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Series 2008 Bonds; or (iii) the tax exempt status of the interest on the Series 2008 Bonds.

THIS PRELIMINARY OFFICIAL STATEMENT IS MADE AVAILABLE TO PROSPECTIVE PURCHASERS OF THE SERIES 2008 BONDS FOR REVIEW PRIOR TO PURCHASE AND IS IN A FORM DEEMED FINAL BY THE CITY AS OF ITS DATE (EXCEPT FOR PERMITTED OMISSIONS) FOR PURPOSES OF PARAGRAPH (b)(1) OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2–12, BUT IS SUBJECT TO REVISION, AMENDMENT AND COMPLETION.

CITY OF ALBUQUERQUE

MAYOR
Martin J. Chavez

CITY COUNCIL

Ken Sanchez	District 1
M. Debbie O'Malley (Vice President)	District 2
Isaac Benton	District 3
Brad Winter (President)	District 4
Michael Cadigan	District 5
Rey Garduño	District 6
Sally Mayer	District 7
Trudy Jones	District 8
Don Harris	District 9

ADMINISTRATION
Bruce J. Perlman, PhD., Chief Administrative Officer
Anna Lamberson, PhD., Acting Chief Financial Officer
Ed Adams, PE, Chief Operations Officer
Randy M. Autio, Esq., Interim City Clerk

DEPARTMENT OF FINANCE AND ADMINISTRATIVE SERVICES
Tanda Meadors, Director
Cilia Aglialoro, CTP, Acting Treasurer
Christopher Daniel, CTP, CPA, Assistant Treasurer-Cash Management
Greg Stricklin, CPA, Accounting Officer

OFFICE OF MANAGEMENT AND BUDGET
Mark Sandoval, Acting Budget Officer
Jacques Blair, PhD., City Economist

AIRPORT STAFF
Nick Bakas, Director of Aviation
Pam White, Director of Finance
Dennis A. Parker, Director of Planning and Development
N. David Norman, Director of Operations

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

BOND COUNSEL
Brownstein Hyatt Farber Schreck, LLP, Albuquerque, New Mexico

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

SPECIAL TAX COUNSEL
Kutak Rock LLP, Denver, Colorado

(THIS PAGE INTENTIONALLY LEFT BLANK)

TABLE OF CONTENTS

PAGE

$13,640,000
CITY OF ALBUQUERQUE, NEW MEXICO
Airport Refunding Revenue Bonds, Series 2008

INTRODUCTION

Generally

This Official Statement, which includes the cover pages and appendices hereto, provides certain information in connection with the offer and sale by the City of Albuquerque, New Mexico (the "City") of its Airport Refunding Revenue Bonds, Series 2008 (the "Series 2008 Bonds") in the original principal amount of $13,640,000. Capitalized terms used herein and not defined have the meanings specified in City Ordinance Seventeenth Council Bill No. F/S O-08-8 adopted by the City on February 4, 2008 (the "Bond Ordinance"). See Appendix B - "SUMMARY OF CERTAIN PROVISIONS OF BOND ORDINANCE."

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 pages 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 2008 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. Department of Commerce, Bureau of the Census, Population Division, the City has a population of approximately 503,500 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" and "FINANCIAL INFORMATION" in Appendix A. The City's Fiscal Year ends June 30 and is referred to in this Official Statement as the "Fiscal Year."

Albuquerque International Sunport

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

Albuquerque is classified as a medium hub by the Federal Aviation Administration (the "FAA"). According to City records, for the fiscal year ended June, 30 2007, 3,263,210 million passengers enplaned at the Airport.

The Refunding

Proceeds from the sale of the Series 2008 Bonds, together with other legally available funds of the City, will be used to refund $14,565,000 aggregate principal amount of the City's Airport Refunding Revenue Bonds, Series 1997 maturing on July 1, 2015 and July 1, 2018 (the "Refunded Bonds"). The Refunded Bonds will be redeemed on the date the Series 2008 Bonds are issued. The partial refunding of the Refunded Bonds is referred to in this Official Statement as the "Refunding." See "PLAN OF FINANCING - The Refunding."

Authority for Issuance

The Series 2008 Bonds are being issued under the authority of and pursuant to the Constitution and laws of the State of New Mexico, including Sections 3-31-1 through 3-31-12 and 3-39-1 through 3-39-15, NMSA 1978, as amended, the powers of the City as a home rule city under authority given by the Constitution of the State and the City Charter and all enactments of the City Council relating to the issuance of the Series 2008 Bonds, including the Bond Ordinance.

Sources of Payment for the Series 2008 Bonds

Special Limited Obligations

The Series 2008 Bonds will be special, limited obligations of the City, payable, collectible or reimbursable solely from Net Revenues and Series 2008 Bond proceeds and the earnings thereon. Payment of the principal of and interest on the Series 2008 Bonds when due will be insured by a Municipal Bond Insurance Policy to be issued by Financial Security Assurance Inc. ("Financial Security" or "Series 2008 Bond Insurer") simultaneously with the delivery of the Series 2008 Bonds as described in "BOND INSURANCE" under this caption. A debt service reserve fund for the Series 2008 Bonds will also be established and will be funded with a Municipal Bond Debt Service Reserve Insurance Policy to be issued by Financial Security. See "SECURITY AND SOURCES OF PAYMENT" and "BOND INSURANCE."

Net Revenues

Net Revenues are defined by the Bond Ordinance to mean the Gross Airport Revenues less Operation and Maintenance Expenses. "Gross Airport Revenues" include substantially all of the income and revenues directly or indirectly derived by the City from the operation of the Airport System. The City generates Gross Airport Revenues primarily by assessing fees and charges payable by air carriers, general aviation operations, concessionaires and other users of the Airport System, including but not limited to revenues from the operation of parking facilities at ABQ Airport. **The land and facilities comprising the Airport System will not be pledged to secure payment of the Series 2008 Bonds or any other Airport Obligations.** "Operation and Maintenance Expenses" include substantially all of the reasonable and necessary current expenses of the City, paid or accrued, related to operating, maintaining and repairing the Airport System. See "PLAN OF FINANCING," "SECURITY AND SOURCES OF PAYMENT," "ALBUQUERQUE AIRPORT SYSTEM" and Appendix B - "SUMMARY OF CERTAIN PROVISIONS OF THE BOND ORDINANCE."

Bond Insurance

For information concerning Financial Security and its Municipal Bond Insurance Policy and Municipal Bond Debt Service Reserve Insurance Policy to be issued in connection with the Series 2008 Bonds, see "BOND INSURANCE" and Appendix D – "SPECIMEN MUNICIPAL BOND INSURANCE POLICY AND SPECIMEN MUNICIPAL BOND DEBT SERVICE RESERVE INSURANCE POLICY."

Terms of the Series 2008 Bonds

Payments

The Series 2008 Bonds will be dated their date of delivery. Interest on the Series 2008 Bonds is payable on January 1 and July 1, commencing July 1, 2008. The Series 2008 Bonds will be issued in the aggregate principal amounts and will mature on the dates and in the amounts shown on the inside of the cover page of this Official Statement. Payments on the Series 2008 Bonds will be made by the Director of the City's Department of Finance and Administration, the initial Paying Agent and Registrar for the Series 2008 Bonds (the "Fiscal Agent").

Denominations

The Series 2008 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 2008 Bonds will not receive physical delivery of bond certificates except as more fully described herein. Payments of principal of and interest on the Series 2008 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 DTC participants for subsequent disbursement to the beneficial owners of the Series 2008 Bonds, all as more fully described in Appendix F - "Book-Entry Only System."

In reading this Official Statement, it should be understood that while the Series 2008 Bonds are in book-entry only form, references in other sections of this Official Statement to owners of the Series 2008 Bonds should be read to include the person for whom the Participant (as hereinafter defined) and indirect participants acquire an interest in the Series 2008 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.

Redemption

The Series 2008 Bonds will not be subject to optional redemption or mandatory sinking fund redemption prior to maturity but will be subject to extraordinary redemption as provided herein. See "THE SERIES 2008 BONDS–Redemption Prior to Maturity" and Appendix B - "Summary of Certain Provisions of the Bond Ordinance."

Outstanding Obligations

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

The Series 2008 Bonds will be issued with a lien on Net Revenues on a parity with the lien on Net Revenues of the City's Senior Parity Obligations. As of the date of this Official Statement, the City has the following Senior Parity Obligations outstanding in the total aggregate principal amount of $113,090,000: Airport Refunding Revenue Bonds, Series 1997; Airport Refunding Revenue Bonds, Series 1998; Airport Refunding Revenue Bonds, Series 2001; and Airport Improvement Revenue Bonds, Series 2004B.

As of the date of this Official Statement the City has the following Subordinate Parity Obligations outstanding in the total aggregate principal amount of $77,310,000: Airport Subordinate Lien Adjustable Tender Refunding Revenue Bonds, Series 1995; Subordinate Lien Adjustable Rate Airport Revenue Bonds, Series 2000A; Subordinate Lien Adjustable Rate Airport Revenue Bonds, Series 2000B; and Taxable Airport Refunding Revenue Bonds, Series 2004A. The City has also entered into an interest rate exchange agreement with AIG-FP in connection with the Series 1995 Refunding Bonds (the "Exchange Agreement"). The City's periodic interest payments and termination payment, if any, under the Exchange Agreement are also Subordinate Parity Obligations. See "SECURITY AND SOURCES OF PAYMENT – Outstanding Airport Obligations."

As of the date of this Official Statement the City has no Junior Lien Obligations outstanding. The City has authorized, but not issued $55,000,000 of its Third Lien Airport Revenue Commercial Paper Notes Series A, B and C. It is anticipated that notes will be issued in spring 2008.

Additional Obligations

The Bond Ordinance permits the issuance of additional obligations of the Airport System with a lien on Net Revenues. The City must meet certain tests prior to the issuance of additional obligations with a lien on Net Revenues on a parity with the lien of the Series 2008 Bonds. No obligations may be issued with a lien on Net Revenues senior to the lien thereon of the Series 2008 Bonds. See "SECURITY AND SOURCES OF PAYMENT – Additional Airport Obligations." Existing and future obligations of the Airport System are referred to in this Official Statement as "Airport Obligations" or "Parity Obligations."

Commitment to Provide Continuing Disclosure

The City will agree for the benefit of the owners of the Series 2008 Bonds that, so long as the Series 2008 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, as amended, and will file notice of certain specific material events with the Municipal Securities Rulemaking Board, as described in "CONTINUING DISCLOSURE UNDERTAKING" and Appendix E hereto.

Forward-Looking Statements

This Official Statement contains statements relating to future results that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimate," "anticipate," "forecast," "project," "intend," "propose," "plan," "expect" and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

Professionals Involved in the Offering

At the time of the issuance and sale of the Series 2008 Bonds, Brownstein Hyatt Farber Schreck, LLP, Albuquerque, New Mexico, as Bond Counsel, will deliver a bond opinion and Kutak Rock LLP, Denver, Colorado, as Special Tax Counsel, will deliver a tax opinion, the forms of which are included in Appendix C hereto. Certain legal matters will be passed upon for the City by the City Attorney and by Modrall, Sperling, Roehl, Harris & Sisk, P.A., Albuquerque, New Mexico, as Disclosure Counsel. See "LEGAL MATTERS." The Underwriters are being represented in connection with their purchase of the Series 2008 Bonds by Hogan & Hartson LLP, Denver, Colorado.

Offering and Delivery of the Series 2008 Bonds

The Series 2008 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. It is anticipated that a single certificate for each maturity of each series of the Series 2008 Bonds will be delivered to DTC in New York, New York on or about March 11, 2008.

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: Acting Treasurer.

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 2008 Bonds.

The purchase of the Series 2008 Bonds involves special risks and the Series 2008 Bonds may not be appropriate investments for all types of investors. Each prospective investor is encouraged to read this Official Statement in its entirety and to give particular attention to the factors described under "CERTAIN INVESTMENT CONSIDERATIONS", which, among other factors discussed herein, could affect the payment of debt service on the Series 2008 Bonds and could affect the market price of the Series 2008 Bonds to an extent that cannot be determined at this time.

PLAN OF FINANCING

Sources and Uses of Funds

The estimated sources and uses of funds to be available in connection with the sale of the Series 2008 Bonds are set forth below.

	Estimated Amount
SOURCES OF FUNDS:	
Par Amount of Bonds	$13,640,000.00
Reoffering Premium	786,211.80
Release from Series 1997 Debt Service Account	238,605.32
City Contribution	963,711.85
TOTAL SOURCES OF FUNDS	$15,628,528.97
USES OF FUNDS:	
Deposit for Refunding	$15,041,881.91
Underwriters' Discount[1]	106,001.40
Costs of Issuance[2]	480,645.66
TOTAL USES OF BOND FUNDS	$15,628,528.97

(1) See "Underwriting."
(2) The costs of issuance of the Series 2008 Bonds include legal and accounting fees, printing, bond insurance premium, surety policy premium, rating fees, and other miscellaneous costs.

The Refunding

Purpose

The Series 2008 Bonds are being issued to provide funds to redeem the Refunded Bonds at the redemption price of 102% of the par amount thereof plus accrued interest to the redemption date on the date of issuance of the Series 2008 Bonds.

Bonds to be Refunded

The Series 1997 Bonds maturing on July 1, 2015 and July 1, 2018 will be refunded with the proceeds of the Series 2008 Bonds and certain available moneys to be contributed by the City.

SUMMARY OF REFUNDED BONDS

Maturity July 1	Principal Refunded	Interest Rate	Redemption Date	Redemption Premium
2015	$6,595,000	6.375%	March 11, 2008	102%
2018	$7,970,000	6.700%	March 11, 2008	102%

THE SERIES 2008 BONDS

Generally

The Series 2008 Bonds will bear interest at the rates and mature on the dates set forth on the inside cover page of this Official Statement. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Series 2008 Bonds will be dated their date of delivery, and will bear interest from that date payable semi-annually on January 1 and July 1 of each year, commencing July 1, 2008 (each an "Interest Payment Date"). The Series 2008 Bonds will bear interest from the most recent date to which interest has been paid or provided, or if no interest has been paid or provided for, from their date until maturity.

The Series 2008 Bonds will be issued in denominations of $5,000 or integral multiples thereof, will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of DTC. DTC will act as securities depository for the Series 2008 Bonds. Individual purchases may be made in book-entry form only. Purchasers will not receive certificates representing their interest in the Series 2008 Bonds purchased. So long as Cede & Co., as nominee of DTC, is the registered owner of the Series 2008 Bonds, references herein to the Bondholders, owners or registered owners shall mean Cede & Co. and shall not mean the beneficial owners of the Series 2008 Bonds.

So long as Cede & Co. is the registered owner of the Series 2008 Bonds, principal of and interest on the Series 2008 Bonds are payable by wire transfer by the Fiscal Agent to Cede & Co., as nominee for DTC, which is required, in turn, to remit such amounts to the DTC Participants. See Appendix F - "BOOK-ENTRY ONLY SYSTEM."

Redemption Prior to Maturity

No Optional and Mandatory Sinking Fund Redemption

The Series 2008 Bonds will not be subject to optional or mandatory sinking fund redemption prior to their respective maturity dates.

Extraordinary Redemption

The Series 2008 Bonds are subject to extraordinary redemption, in whole or in part, at any time, at a redemption price equal to one hundred percent (100%) of the principal amount (payable solely from insurance and eminent domain proceeds pursuant to the Bond Ordinance) of the Series 2008 Bonds to be redeemed plus accrued interest to the redemption date upon the occurrence of any of the following events under the circumstances and using the priorities set forth in the Bond Ordinance.

(1) If the Airport System shall have been damaged or destroyed; or

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

The Series 2008 Bonds shall be redeemed from proceeds of insurance and eminent domain proceeds not used to replace, repair, rebuild and restore the Airport, under the conditions set forth in the Bond Ordinance, only if (i) the Airport System has been restored to substantially the same condition as prior to such damage, destruction or taking; or (ii) the City has determined that the portion of the Airport System damaged, destroyed or taken is not necessary to the operation of the Airport System and that the failure of the City to repair or restore the same will not impair or otherwise adversely affect the revenue-producing capability of the Airport System; or (iii) the Airport Consultant has been unable to make a statement to the effect that proceeds, together with other funds made available or to be made available by the City, are projected to be sufficient to pay the costs of the replacement, repair, rebuilding or restoration of the Airport System. Such proceeds are to be applied first to the redemption of all series of outstanding Senior Parity Obligations on a pro rata basis measured with respect to the ratio of the principal amount of outstanding Senior Parity Obligations of each series to the total principal amount of Senior Parity Obligations outstanding. Any remaining proceeds are to be applied, first, to the redemption of each series of outstanding Subordinate Parity Obligations and, second, to the redemption of each series of outstanding Junior Lien Obligations, in each case on a pro rata basis measured with respect to the ratio of the principal amount of outstanding Subordinate Parity Obligations or Junior Lien Obligations, respectively, of each series outstanding to the total principal amount of all Subordinate Parity Obligations or Junior Lien Obligations, respectively, outstanding.

Order of Redemption

If less than all of the Outstanding Series 2008 Bonds are to be redeemed, the maturity dates of the Series 2008 Bonds to be redeemed shall be selected by the City. If less than all Series 2008 Bonds of a given maturity date are redeemed, the Series 2008 Bonds of that maturity redeemed shall be selected by lot in such manner as determined by the Fiscal Agent. However, the portion of any Series 2008 Bonds to be redeemed and the portion of any Series 2008 Bond not redeemed shall both be in the amount of $5,000 or any integral multiple thereof. If, as indicated in a certificate of an Authorized Officer delivered to the Fiscal Agent, the City has offered to purchase all Series 2008 Bonds then Outstanding and less than all of the Series 2008 Bonds have been tendered to the City for purchase, the Fiscal Agent, at the direction of an Authorized Officer, shall select for redemption all, or any part designated by the City, of the Series 2008 Bonds which have not been tendered.

Notice of Redemption

Notice of redemption of Series 2008 Bonds shall be given by the Fiscal Agent by sending a copy of such notice by registered or certified first class, postage prepaid mail not less than 30 days prior to the redemption date to the Series 2008 Bond Insurer, if any, of the Series 2008 Bonds being redeemed, to all Depositories, to one or more Information Services and to the Owner of each Series 2008 Bond, or portion thereof, to be redeemed at the address shown as of the fifth day prior to the mailing of notice on the Bond Register. The City shall give the Fiscal Agent for the Series 2008 Bonds being redeemed notice of the redemption date and the series, maturities and the principal amounts of each maturity of Series 2008 Bonds to be called for redemption at least five Business Days prior to the date that the Fiscal Agent is required to give Owners notice of redemption specifying the principal amount, series and maturities of Series 2008 Bonds to be called for redemption and the redemption date. Neither the City's failure to give such notice, the Fiscal Agent's failure to give such notice to the Series 2008 Bond Insurer, any Depository (other than as the Owner of Series 2008 Bonds being redeemed), or the registered Owner of any Series 2008 Bonds to be redeemed, or any defect therein, nor the failure of the Depository to notify a Participant or any Participant or Indirect Participant to notify a Beneficial Owner of any such redemption, shall affect the validity of the proceedings for the redemption of any Series 2008 Bonds for which proper notice was given.

The official notice of redemption to Owners shall state:

(1) the CUSIP numbers of the Series 2008 Bonds to be redeemed,
(2) the redemption date,
(3) the redemption price,
(4) the Series 2008 Bonds to be redeemed,
(5) if less than all Outstanding Series 2008 Bonds are to be redeemed, the bond numbers and maturity dates of the Series 2008 Bonds to be redeemed and, in the case of a partial redemption of a Series 2008 Bond, the principal amount to be redeemed,
(6) that, subject to the provisions of the Bond Ordinance, on the redemption date, the redemption price will become due and payable on each Series 2008 Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after that date, and
(7) the place where such Series 2008 Bonds are to be surrendered for payment of the redemption price, the name of a contact person (if the book-entry system is in effect) and the phone number at the office of the Paying Agent.

The Paying Agent shall comply with any other terms regarding redemption and notice of redemption, as are required by any agreement with a Depository.

Notice having been given in the manner provided above, the Series 2008 Bonds or part thereof called for redemption shall become due and payable on the redemption date designated and the Series 2008 Bonds, or part thereof to be redeemed, for which the redemption price is on deposit with the Fiscal Agent shall not be deemed to be Outstanding and shall cease to bear or accrue interest from and after such redemption date. Upon presentation of a Series 2008 Bond to be redeemed at the office of the Fiscal Agent on or after the redemption date, or, so long as the book-entry system is used for determining beneficial ownership of the Series 2008 Bond being redeemed, upon satisfaction of the terms of any other arrangement between the Fiscal Agent and the Depository, the Fiscal Agent will pay such Series 2008 Bonds or portion thereof called for redemption.

Effect of Redemption

On the date designated for redemption, notice having been given in the manner and under the conditions provided herein and moneys for payment of the redemption price being held by the Fiscal Agent to pay the redemption price, the Series 2008 Bonds called for redemption will become and be due and payable on the redemption date, interest on such Series 2008 Bonds will cease to accrue from and after the redemption date, such Series 2008 Bonds will cease to be entitled to any lien, benefit or security under the Bond Ordinance and the Owners of such Series 2008 Bonds will have no rights in respect thereof except to receive payment of the redemption price. Series 2008 Bonds which have been duly called for redemption and for the payment of the redemption price of which moneys are on deposit with the Fiscal Agent shall not be deemed to be Outstanding under the provisions of the Bond Ordinance.

SECURITY AND SOURCES OF PAYMENT

Special Limited Obligations

The Series 2008 Bonds will be Senior Parity Obligations and will be secured by an irrevocable lien on, and a security interest in, Net Revenues for the payment of the principal of and interest on the Series 2008 Bonds, on a parity with the lien thereon of other Senior Parity Obligations and senior to the lien thereon of Subordinate Parity Obligations and Junior Lien Obligations, which includes the Third Lien Parity Obligations. See "Outstanding Airport Obligations" under this caption. Under the Bond Ordinance, "Net Revenues" for any period means Gross Airport Revenues less Operation and Maintenance Expenses. See Appendix B - "Summary of Certain Provisions of the Bond Ordinance" for the definitions of Gross Airport Revenues and Operation and Maintenance Expenses. See also "Gross Airport Revenues" under this caption and "AIRPORT FINANCIAL OPERATIONS -Historical Financial Results." **The land and facilities comprising the Airport System will not be pledged to secure payment of the Series 2008 Bonds or any other Airport Obligations.**

The Series 2008 Bonds will be special limited obligations of the City. The principal of and interest on the Series 2008 Bonds will be payable from Net Revenues and will not be payable from any funds of the City except the designated special funds and accounts pledged to the Series 2008 Bonds. **The Series 2008 Bonds shall not constitute indebtedness or a debt of the City within the meaning of any constitutional, charter or statutory provision or limitation, nor shall they be considered or held to be general obligations of the City. Neither the credit nor the taxing power of the City is pledged for the payment of the principal of and interest on the Series 2008 Bonds and no Owner has the right to compel the exercise of the taxing power of the City or the forfeiture of any of its property in connection with any default under the Bond Ordinance.**

Except as described above, the Owners may not look to any general or other municipal fund for payment of the principal of and interest on the Series 2008 Bonds. The Series 2008 Bonds do not constitute a general obligation of the City and the Owners have no right to have any taxes levied for the payment therefor.

Bond Insurance for the Series 2008 Bonds

Payment of the principal of and interest on the Series 2008 Bonds when due will be insured by a Municipal Bond Insurance Policy to be issued by Financial Security simultaneously with the delivery of the Series 2008 Bonds. See "BOND INSURANCE" and Appendix D – "SPECIMEN MUNICIPAL BOND INSURANCE POLICY AND SPECIMEN MUNICIPAL BOND DEBT SERVICE RESERVE INSURANCE POLICY."

Gross Airport Revenues

Generally

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

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

Pledge of Net Revenues

Under the Bond Ordinance, the City has irrevocably pledged the Net Revenues to the payment of the Series 2008 Bonds. See "Special Limited Obligations" under this caption.

Rate Covenant

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

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

"ALBUQUERQUE AIRPORT SYSTEM."

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

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

Reserve Account

The Reserve Requirement for the Series 2008 Bonds will be funded with a Municipal Bond Debt Service Reserve Insurance Policy to be provided by Financial Security. The Municipal Bond Debt Service Reserve Insurance Policy will be deposited to the Debt Service Reserve Fund (as defined in the Bond Ordinance) of the Series 2008 Bonds in an amount equal to the Reserve Requirement which is defined in the Bond Ordinance as an amount, computed on the Closing Date (as defined in the Bond Ordinance) and recomputed on or after any date on which principal is paid on the Series 2008 Bonds, equal to the least of: (i) 125% of the average annual Debt Service Requirements (as defined in the Bond Ordinance) on the Series 2008 Bonds; (ii) 10% of the proceeds of the Series 2008 Bonds as the term "proceeds" is used in Section 148(d)(1) of the Code; or (iii) the maximum annual Debt Service Requirement on the Series 2008 Bonds. On the issuance date of the Series 2008 Bonds the Reserve Requirement will be $1,442,621.18. The Municipal Bond Debt Service Reserve Insurance Policy will be delivered by the Bond Insurer on the date of issuance of the Series 2008 Bonds in the amount of $1,442,621.18. See "BOND INSURANCE", Appendix B – "Summary of Certain Provisions of the Bond Ordinance" and Appendix D – "SPECIMEN MUNICIPAL BOND INSURANCE POLICY AND SPECIMEN MUNICIPAL BOND DEBT SERVICE RESERVE INSURANCE POLICY."

Outstanding Airport Obligations

Senior Parity Obligations

The Series 2008 Bonds will be issued with a lien on Net Revenues that is on parity with the lien on Net Revenues of the Senior Parity Obligations of the City outstanding as of the date of this Official Statement in the following amounts: Series 1997 Bonds, which are to be partially refunded by the Series 2008 Bonds, issued in an aggregate principal amount of $33,310,000 and outstanding in the aggregate principal amount of $23,105,000; Series 1998 Bonds issued in an aggregate principal amount of $42,685,000 and outstanding in the aggregate principal amount of $31,855,000; Series 2001 Bonds issued in the aggregate principal amount of $42,550,000 and outstanding as of the date of this Official Statement in the aggregate principal amount of

$29,800,000; and the Series 2004B Bonds issued in the aggregate principal amount of $30,000,000 and outstanding as of the date of this Official Statement in the aggregate principal amount of $28,330,000. The total aggregate principal amount of the Outstanding Senior Parity Obligations as of the date of this Official Statement is $113,090,000.

Subordinate Parity Obligations

The Series 2008 Bonds will be issued with a lien on Net Revenues that is superior to the lien on Net Revenues of the Subordinate Parity Obligations of the City outstanding as of the date of this Official Statement in the following amounts: the Series 1995 Refunding Bonds issued in a principal amount of $67,000,000 and outstanding in the aggregate principal amount of $36,900,000; the Series 2000A Bonds and Series 2000B Bonds issued in an aggregate principal amount of $47,200,000 and outstanding in the aggregate principal amount of $22,200,000; and the Series 2004A Bonds issued in an aggregate principal amount of $20,610,000 and outstanding in the aggregate principal amount of $18,210,000. The City entered into an interest rate exchange agreement in connection with its approval of the issuance of the Series 1995 Refunding Bonds which, in effect, allows the City to pay a fixed rate of interest on the Series 1995 Refunding Bonds over the life of the agreement. The City's periodic interest payments and termination payment, if any, under the Exchange Agreement are also Subordinate Parity Obligations. Under certain circumstances, the Exchange Agreement may be terminated prior to the maturity of the Series 1995 Refunding Bonds and if terminated under certain market conditions, the City may owe a termination payment to AIG-FP which could be substantial. The total aggregate principal amount of the Outstanding Subordinate Parity Obligations as of the date of this Official Statement is $77,310,000.

Junior Lien Obligations

There are no Junior Lien Obligations currently outstanding. The City has authorized, but not issued $55,000,000 of its Third Lien Airport Revenue Commercial Paper Notes Series A, B and C. It is anticipated that notes will be issued in spring 2008.

Additional Obligations

Senior Parity Obligations

The Series 2008 Bonds will be Senior Parity Obligations. Except with respect to certain refunding bonds which are Senior Parity Obligations, the City must meet the tests set forth in the Bond Ordinance prior to the issuance of additional Senior Parity Obligations:

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

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

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

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

(a) the Net Revenues, for the Fiscal Year immediately preceding the date of the issuance of the proposed Senior Parity Obligations or for any period of 12 consecutive calendar months out of the 18 calendar months next preceding the delivery of the additional Senior Parity Obligations, have been sufficient to pay an amount representing at least (i) 120% of the maximum annual Debt Service Requirements of the Outstanding Senior Parity Obligations and the Senior Parity Obligations proposed to be issued ("the 120% Test") and (ii) together with investment income on any other debt service fund and debt service reserve fund or account relating to Outstanding Subordinate Parity Obligations and Junior Lien Obligations, 110% of the maximum annual Debt Service Requirements of all Airport Obligations (the "110% Test") (with a written certificate or opinion of an independent accountant stating that the Net Revenues and applicable investment income are sufficient to pay the amounts required as described by this subparagraph being conclusively presumed to be accurate in determining the right of the City to authorize, issue, sell and deliver Senior Parity Obligations); or

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

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

Subordinate Parity Obligations

Except with respect to certain refunding bonds which are Subordinate Parity Obligations, the City must meet the following tests prior to the issuance of additional Subordinate Parity Obligations:

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

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

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

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

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

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

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

Superior Obligations Prohibited

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

Completion Bonds

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

Refunding Parity Obligations

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

Junior Lien Obligations

The Bond Ordinance permits the City to issue or incur Junior Lien Obligations with a lien on the Net Revenues subordinate to the Senior Parity Obligations and the Subordinate Parity Obligations without satisfying any coverage tests. The City has authorized, but not issued $55,000,000 of its Third Lien Airport Revenue Commercial Paper Notes Series A, B and C, which are Junior Lien Obligations.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Series 2008 Bonds, Financial Security Assurance Inc. ("Financial Security") will issue its Municipal Bond Insurance Policy for the Series 2008 Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Series 2008 Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Financial Security Assurance Inc.

Financial Security is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. ("Holdings"). Holdings is an indirect subsidiary of Dexia, S.A., a publicly held Belgian corporation, and of Dexia Credit Local, a direct wholly-owned subsidiary of Dexia, S.A. Dexia, S.A., through its bank subsidiaries, is primarily engaged in the business of public finance, banking and asset management in France, Belgium and other European countries. No shareholder of Holdings or Financial Security is liable for the obligations of Financial Security.

At September 30, 2007, Financial Security's combined policyholders' surplus and contingency reserves were approximately $2,691,965,000 and its total net unearned premium reserve was approximately $2,201,808,000 in accordance with statutory accounting principles. At September 30, 2007, Financial Security's consolidated shareholder's equity was approximately $2,975,654,000 and its total net unearned premium reserve was approximately $1,721,678,000 in accordance with generally accepted accounting principles.

The consolidated financial statements of Financial Security included in, or as exhibits to, the annual and quarterly reports filed after December 31, 2006 by Holdings with the Securities and Exchange Commission are hereby incorporated by reference into this Official Statement. All financial statements of Financial Security included in, or as exhibits to, documents filed by Holdings pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 after the date of this Official Statement and before the termination of the offering of the Series 2008 Bonds shall be deemed incorporated by reference into this Official Statement. Copies of materials incorporated by reference will be provided upon request to Financial Security Assurance Inc.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

The Policy does not protect investors against changes in market value of the Series 2008 Bonds, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. Financial Security makes no representation regarding the Series 2008 Bonds or the advisability of investing in the Series 2008 Bonds. Financial Security makes no representation regarding the Official Statement, nor has it participated in the preparation thereof, except that Financial Security has provided to the City the information presented under this caption for inclusion in the Official Statement.

ANNUAL DEBT SERVICE REQUIRMENTS AND COVERAGE

Annual Debt Service Requirements for the Series 2008 Bonds

The following schedule shows the annual debt service requirements to be paid on the Series 2008 Bonds.

For the Year Ended July 1	Series 2008 Bonds		
	Principal	Interest	Total
2008	--	$192,913	$192,913
2009	$320,000	631,350	951,350
2010	330,000	621,750	951,750
2011	340,000	611,850	951,850
2012	350,000	599,950	949,950
2013	1,820,000	587,700	2,407,700
2014	1,890,000	524,000	2,414,000
2015	2,000,000	429,500	2,429,500
2016	2,100,000	329,500	2,429,500
2017	2,190,000	224,500	2,414,500
2018	2,300,000	115,000	2,415,000

Estimated Total Combined Debt Service

The Series 2008 Bonds constitute Senior Parity Obligations. The following table sets forth the estimated combined debt service for the outstanding Airport Obligations upon issuance of the Series 2008 Bonds, taking into account the Refunding and the issuance of the Series 2008 Bonds.

	Outstanding Senior Parity Obligations						Outstanding Subordinate Parity Obligations				
Calendar Year	Series 1997 Bonds	Series 1998 Bonds	Series 2001 Bonds	Series 2004B Bonds	Series 2008 Bonds	Total Senior Parity Obligations	Series 1995 Bonds[1]	Series 2000A & B Bonds[2]	Series 2004A Bonds	Total Subordinate Parity Obligations	Estimated Total Combined Requirements
2008	$1,786,350	$2,807,117	$4,222,100	$2,276,720	$ 192,913	$11,285,200	$5,390,578	$3,393,000	$1,559,045	$10,342,622	$21,627,822
2009	2,075,200	3,579,474	4,790,200	2,843,778	951,350	14,240,000	6,694,360	5,225,000	2,241,174	14,160,534	28,400,535
2010	2,067,200	3,568,399	4,994,040	2,798,688	951,750	14,380,076	6,786,580	4,989,000	2,213,614	13,989,194	28,369,270
2011	2,057,450	3,571,279	3,769,350	2,715,188	951,850	13,065,116	6,850,820	4,641,000	2,245,254	13,737,074	26,802,190
2012	2,065,613	3,568,748	3,770,463	2,665,088	949,950	13,019,860	6,887,080	4,793,000	2,208,474	13,888,554	26,908,414
2013		3,578,323	3,768,513	2,576,588	2,407,700	12,331,123	6,995,360	4,570,000	2,206,891	13,772,251	26,103,373
2014		3,575,683	3,768,231	2,493,338	2,414,000	12,251,251	7,168,665	4,317,000	2,214,338	13,700,003	25,951,254
2015		3,575,945	3,769,081	2,410,088	2,429,500	12,184,614		2,334,000	2,211,970	4,545,970	16,730,584
2016		3,573,500	3,760,525	2,326,838	2,429,500	12,090,363		676,000	2,173,466	2,849,466	14,939,829
2017		3,571,500		2,260,238	2,414,500	8,246,238		628,000	2,170,667	2,798,667	11,044,905
2018		3,572,250		2,193,638	2,415,000	8,180,888		680,000	1,881,469	2,561,469	10,742,357
2019		3,575,250		2,110,388		5,685,638		620,000		620,000	6,305,638
2020				2,027,138		2,027,138		560,000		560,000	2,587,138
2021				1,956,375		1,956,375					1,956,375
2022				1,885,613		1,885,613					1,885,613
2023				1,814,850		1,814,850					1,814,850
2024				1,739,925		1,739,925					1,739,925
Total	$10,051,813	$42,117,466	$36,612,503	$39,094,473	$18,508,013	$146,384,266	$46,773,443	$37,426,000	$23,326,360	$107,525,803	$253,910,069

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

(1) The interest rate payable by the City for the Subordinate Series 1995 Bonds has been calculated at 6.685% per annum pursuant to the interest rate exchange agreement entered into by the City in connection with its issuance of the Subordinate Series 1995 Bonds.

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

Estimated Coverage Ratios

In the ordinances pursuant to which the City's Airport revenue obligations have been issued, the City has agreed to charge all users of the Airport reasonable rates sufficient to produce net revenues (as adjusted in accordance with the ordinances) annually to pay 120% of the debt service requirements on all outstanding Senior Parity Obligations ("Test No. 1") and 110% of the debt service requirements on all outstanding Airport Obligations ("Test No. 2"). The unaudited net revenues of the Airport for Fiscal Year 2007 were $40,351,145 (Test No. 1) and $40,648,938 (Test No. 2). The maximum estimated calendar year combined debt service requirements for all outstanding Senior Parity Obligations, assuming issuance of the Series 2008 Bonds and refunding of the Refunded Bonds, are estimated to be $14,380,076 (occurring in calendar year 2010). With respect to Test No. 1, the coverage ratio of the unaudited net revenues for the Airport for Fiscal Year 2007 ($40,351,145) to such maximum estimated calendar year debt service requirements is 2.81x. The maximum calendar year combined debt service requirements for all outstanding Airport Obligations, assuming issuance of the Series 2008 Bonds and refunding of the Refunded Bonds, are estimated to be $28,400,535 (occurring in calendar year 2009). With respect to Test No. 2, the coverage ratio of the unaudited net revenues of the Airport for Fiscal Year 2007 ($40,648,938) to such maximum estimated calendar year debt service requirements is 1.43x (occurring in calendar year 2009). For Fiscal Year 2007, the actual debt service ratio for Test No. 1 is equal 2.77x, and the ratio for Test No. 2 is equal to 1.59x.

ALBUQUERQUE AIRPORT SYSTEM

Generally

Definitions. The following definitions are applicable to the discussion of the City's Airport System.

"ABQ Airport" is defined as the Albuquerque International Sunport which is located five miles southeast of downtown Albuquerque, about six miles from the City's center of population and is adjacent to Kirtland Air Force Base, an active United States Air Force ("USAF") installation.

"Airport" is defined as all of the City's existing and future Airport Facilities, and any interest of the City therein, including, without limitation, the Airport System, all land, buildings, structures, roadways and facilities thereof or related thereto of whatsoever character and wheresoever situated, within or without the boundaries of the City, and all enlargements, additions, substitutions, improvements, extensions and equipment appertaining thereto, including, but not limited to, any parking facility for automobiles and other motor vehicles located at any Airport Facility and any industrial or commercial property located on land constituting a part of the Airport property; but excluding any special facility or related revenues until there has been defeasance of all special facilities obligations payable from such special facility or the lessees or operators thereof.

"Airport Facilities" is defined as the property comprising the Airport, including, without limitation, runways, terminals and other aircraft parking facilities, taxiways, aprons, approach and clear zones, safety areas, infield areas, landing and navigational aids, terminal and other buildings and any other facilities and land areas used in connection with the use and operation of any such facility.

"Airport Obligations" is defined as all bonds, notes or other instruments which evidence a borrowing payable from and secured by net revenues of the Airport, now outstanding or hereafter issued or incurred, including Airport bonds designated as Senior Parity Obligations, Subordinate Parity Obligations and Junior Lien Obligations, including Third Lien Parity Obligations.

"Airport System" is defined as ABQ Airport and Double Eagle II Airport.

"Double Eagle II Airport" is defined as the general aviation reliever airport owned and operated by the City.

In General. ABQ Airport is the principal air carrier airport serving the Albuquerque Metropolitan Area and the State, and provides the only major air carrier service to the State. ABQ Airport is owned by the City and operated by the City's Aviation Department.

ABQ Airport is classified as a "medium hub" airport by the FAA. According to the Airports Council International-North America records, in 2006, ABQ Airport ranked as the 57th largest passenger airport in the United States and in 2005 ABQ Airport ranked as the 58th largest passenger airport in the United States. ABQ Airport serves primarily an "origination/destination" ("O&D") air traffic market. In Fiscal Year 2007, O&D comprised 88% of the total domestic emplaned passengers at ABQ Airport. See "Airport Service Area" under this caption. In addition to ABQ Airport, the City also owns and operates Double Eagle II Airport, a general aviation reliever airport.

ABQ Airport has three principal runways for air carrier use: Runway 8-26, the primary air carrier/military runway, is 13,793 feet long and 150 feet wide; Runway 3-21, an air carrier runway, is 10,000 feet long and 150 feet wide; and Runway 17-35, a crosswind runway, is 10,000 feet long and 150 feet wide. Runway 12-30 is a crosswind runway used by general aviation traffic and is 6,000 feet in length and 150 feet in width.

ABQ Airport is served by nine major national airlines as well as regional and commuter airlines. Southwest Airlines, American Airlines, Delta Airlines, US Airways, Continental and United Airlines, accounted for 51.6%, 12.0%, 6.3%, 6.3%, 5.6% and 4.3%, respectively, of the enplaned passengers at ABQ Airport in Fiscal Year 2007. See "Airlines Serving ABQ Airport" below.

Terminal Complex

The major carrier passenger facilities at ABQ Airport include the 543,000 square foot main terminal complex (the "Terminal Complex") with 23 air carrier aircraft gates. The air carrier gates are situated in a linear east-west concourse, parallel to the Terminal Complex and connected to it via a terminal-concourse connector. In addition, there is one commuter gate, serving two commuter airlines with six aircraft parking positions. The Terminal Complex area includes a two-level terminal loop roadway system, a 3,400 space automobile parking structure, and a 500 space surface parking lot.

The airfield, land and facilities at ABQ Airport (the “Airfield”) were deeded to the City by the United States Air Force (the “USAF”) in 1962. The USAF currently shares the use of the Airfield with the City under a lease agreement for an annual payment by the USAF of $50,000. The deed contains a reverter clause, which will be effective if the City does not continue to use the Airfield as an airport and the U.S. Government has a right of re-entry if the City does not comply with the covenants and restrictions in the deed and the lease agreement. The agreement requires that the USAF provide aircraft rescue and fire fighting services at ABQ Airport.

The present Terminal Complex was built in 1965, and was expanded in 1987 to add a new concourse, security office, passenger screening area, baggage claim area, and additional restrooms. In 2006, ABQ Airport completed the construction of a new 35,000 square foot passenger security screening checkpoint with eight screening lanes.

Airport Service Area

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

The ABQ Airport also serves a secondary area consisting of the remainder of the State. The limits of a secondary area are generally defined by the range and quality of airline service at other air carrier airports. There are seven air carrier airports in the surrounding states of Arizona, Colorado, Texas and Utah that provide airline service and together define the limits of the secondary area, including Amarillo International Airport to the east, Denver International Airport to the north, El Paso International Airport to the south, Lubbock International Airport to the southeast, Dallas/Ft. Worth International Airport to the southeast, Phoenix Sky Harbor International Airport to the southwest and Salt Lake City International Airport to the northwest. There are also seven other airports in the State that provided scheduled commuter airline service during Fiscal Year 2007.

Airlines Serving the ABQ Airport

ABQ Airport is served by the following major carriers (the “Signatory Airlines”):

American Airlines	Northwest Airlines
Continental Airlines	Southwest Airlines
Delta Air Lines	United Airlines
Frontier Airlines	US Airways
Express Jet[1]	

Each of the major carriers listed above has entered into a five (5) year Scheduled Airline Operating Agreement and Terminal Building Lease with the City with an effective date of July 1, 2006 (the “Airline Agreements”). On April 30, 2007, Delta Airlines emerged from bankruptcy, and Northwest Airlines emerged from bankruptcy in May 2007. Collectively, these Signatory Airlines lease approximately 75% of the available exclusive and preferential use space in the Terminal Complex.

[1] Express Jet is also an Affiliate Airline for certain Continental Airline flights at ABQ Airport.

In addition to these major national airlines and their affiliate regional carriers, Great Lakes Airlines and New Mexico Airlines provide commuter flights throughout New Mexico, West Texas and Southern Colorado. Three Air Cargo Airlines DHL/ABX, Federal Express and UPS (the “Air Cargo Airlines”) provide air cargo service at ABQ Airport. The Air Cargo Airlines have all entered into a scheduled Air Cargo Airline Operating Agreement and Air Cargo Building Lease with the City (the “Air Cargo Airline Agreements”) and all operate as signatory Air Cargo Airlines. See “Agreements with the Airlines - Agreements with Air Cargo Airlines” under this caption.

Events Affecting the Air Transportation Industry and the Airport

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

Additional Baggage Screening Requirements

Under ATSA, all airline checked baggage must be screened for explosives by the TSA. At the ABQ Airport, the screening of bags is performed using a combination of explosive detection system (“EDS”) and explosive trace detection equipment for all airlines.

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

Security Checkpoint Reconfiguration and Meeter/Greeter Area Addition

Due to congestion and delay resulting from heightened security at the ABQ Airport and new restrictions on public access to the concourses, a new security checkpoint was constructed as well as a new area for the "meeters and greeters" of arriving passengers. Development of the meeter/greeter area was done in conjunction with, and adjacent to, the expanded and reconfigured security checkpoint area. Construction of the project was completed in the third quarter of Fiscal Year 2006 at a total cost of approximately $14 million. In 2007, explosive detection equipment was installed in the security checkpoint area.

Historical Airline Traffic

During Fiscal Year 2007, there were approximately 200,218 aircraft operations (landings and takeoffs) at the ABQ Airport, which is a decrease from 209,005 in Fiscal Year 2006. The decreased aircraft operations are due primarily to activity resulting from the major national carriers using larger aircraft to full passenger capacity. The following table presents the number of airline enplaned passengers for major national airlines at the ABQ Airport from Fiscal Year 1998 through Fiscal Year 2007.

Historical Airline Traffic Activity
ABQ Airport

Enplaned Passengers

Fiscal Year	Number	Percent Increase (Decrease)
1998	3,109,915	(5.0)
1999	3,093,853	(0.5)
2000	3,160,245	2.1
2001	3,151,608	(0.3)
2002	3,043,775	(3.4)
2003	3,010,471	(1.1)
2004	3,121,162	3.7
2005	3,189,886	2.3
2006	3,299,021	3.4
2007	3.263,210	(1.1)

Source: City of Albuquerque, Department of Aviation.

The total number of enplaned passengers at the ABQ Airport increased at an average annual rate of 0.53% per year between Fiscal Years 1998 and 2007. In Fiscal Year 2002, the number of enplaned passengers at the ABQ Airport decreased 3.4%, principally as a result of the September 11 Events, the national economic downturn, and resulting decreases in airline service. Since Fiscal Year 2003, the ABQ Airport has experienced an upward trend prior to a slight decrease in Fiscal Year 2007.

In Fiscal Year 2007, the number of enplaned passengers decreased by 1.1% due primarily to increases in airfare in Fiscal Years 2006 and 2007, due primarily to a rise in jet fuel costs, and other local and national economic factors. In Fiscal Year 2006, the number of enplaned passengers at the ABQ Airport increased approximately 3.4% from Fiscal Year 2005 and Fiscal Year 2005 increased 2.3% from Fiscal Year 2004. This increase is a direct result of additional regional jet air carriers as well as continued economic improvement. In 2004, the number of enplaned passengers increased by 3.7%, principally as a result of the return of travelers' confidence in air travel and improved economic conditions in New Mexico and nationally. It should be noted that the average decrease in enplaned passengers at the ABQ Airport between 2001 and 2003 (2.3% per year) was at a lesser rate than experienced nationally. The FAA reported that enplaned passengers nationally decreased 6.6% between 2001 and 2002 (the most recent year for which data is available). Low-fare airlines such as Southwest Airlines and US Airways have continued to maintain or increase service at the ABQ Airport. The ABQ Airport has recovered from the impacts of the September 11 Events at a faster rate than other United States airports.

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

Airline Market Shares. In Fiscal Years 2003 through 2007, Southwest Airlines and American Airlines combined, accounted for at least 63.6% of enplanements. In Fiscal Year 2007, Southwest Airlines ranked first in number of enplaned passengers at ABQ Airport (51.6%) with American Airlines, Delta Airlines, US Airways, Continental Airlines and United Airlines ranked second, third, fourth, fifth and sixth respectively, comprising 34.5%.

The market share of enplaned passengers by commuter airlines at ABQ Airport increased from 5.8% in Fiscal Year 2003 to 9.5% in Fiscal Year 2007. The number of passengers enplaned by commuter airlines increased from 228,868 in Fiscal Year 2003 to 287,671 in Fiscal Year 2005 and decreased to 279,282 in Fiscal Year 2006 and increased again to 313,256 for Fiscal Year 2007.

The following table presents the percentage shares of enplaned passengers for the airlines serving the ABQ Airport in the Fiscal Years 2003 through 2007:

ABQ Airport
Airline Market Shares

Fiscal Years 2003-2007	**FY 2003**	**FY2004**	**FY2005**	**FY2006**	**FY2007**
	% Share Enplaned Passengers	% Share Enplaned Passengers	% Share Enplaned Passengers	% Share Enplaned Passengers	% Share Enplaned Passengers
Major/National:					
Southwest Airlines	53.1	53.2	51.6	51.4	51.6
American Airlines	11.3	11.2	11.6	12.3	12.0
Delta Airlines	7.5	7.6	8.1	7.4	6.3
America West Airlines	6.6	5.8	6.1	6.4	6.3
United Airlines	6.1	6.0	5.6	4.3	4.3
Continental Airlines	4.9	4.9	4.9	5.1	5.6
Northwest Airlines	3.0	2.8	2.8	2.6	2.5
Frontier Airlines	1.6	1.5	0.3	1.8	1.6
Subtotal	94.2	93.0	91.0	91.3	90.5
Regional and Commuter:					
Mesa Airlines	1.3	1.9	1.4	0.9	0.6
Skywest	3.0	4.1	4.5	5.5	6.1
Other	1.4	1.0	3.1	2.3	2.8
Subtotal	5.8	7.0	9.0	8.7	9.5
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%

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

Airport Administration

Mr. Nick Bakas is the Director of Aviation. Mr. Bakas was appointed to this position by Mayor Martin Chavez on August 6, 2007. He is a career civil servant, and has served in Santa Fe, New Mexico as Cabinet Secretary of the Department of Public Safety for the State of New Mexico. Prior to the Aviation Director appointment, he was the Chief Public Safety Officer for the City of Albuquerque, overseeing the Police Department, Fire Department, Corrections Department, and Emergency Management.

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

Mr. N. David Norman is the Director of Operations, responsible for the Operations Division, including Airfield Operations, Airport Communications Center, Facilities

Maintenance, Custodial Services, Aviation Police, Airfield Maintenance and the Double Eagle II Airport. Following retirement from the United States Air Force in 1996, Mr. Norman joined the City's Aviation Department as an Airfield Operations Duty Officer until 2005, at which time he was employed as an Airport Operations Duty Manager with Metropolitan Washington Airports Authority. Mr. Norman assumed his current position in November 2006.

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

Airport Financial Information; Airport Fund

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

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

Airport
Historical Financial Information
Fiscal Years 2003-2007
($000)

	2003	**2004**	**2005**	**2006**	**2007**
Total operating revenues	$51,134	$52,744	$55,759	$60,186	$60,156
Non-operating revenues (expenses):					
Interest	708	237	815	1,650	1,907
Passenger Facility Charge	8,155	7,900	7,930	8,231	8,303
Other	182	8	35	(658)	(1,535)
Gain (loss) on disposition of Property & Equipment	(22)	185	(81)	(1,884)	51
Total adjusted revenues	$60,157	$61,074	$64,458	$67,525	$68,882
Total operating expenses (excluding interest expense)	$49,905	$52,779	$46,049	$49,184	$53,262
Less:					
Depreciation	(27,846)	(27,631)	(21,897)	(23,741)	(25,460)
Amortization	--	(860)	(334)	(294)	(289)
Total adjusted operating expenses	$22,059	$24,288	$23,818	$25,189	$27,513
Net revenues, all funds combined	$38,098	$36,786	$40,640	$42,376	$41,369

Sources: City's Comprehensive Annual Financial Report for the years ending June 30, 2003 through June 30, 2007. Fiscal Year 2007 numbers are unaudited.

Historical Gross Airport Revenues
(Fiscal Year 2003-2007)
($000)

	2003		2004		2005		2006		2007[1]	
	$	%	$	%	$	%	$	%	$	%
Airline revenues	25,863	43.3	26,351	43.3	28,192	43.9	29,322	44.1	26,352	38.6
Non-Airline Revenues:										
Terminal Complex	10,538	17.6	11,173	17.6	10,886	17.0	12,680	19.1	13,460	19.8
PFCs	8,155	13.6	7,899	13.6	7,929	13.6	8,230	12.3	8,303	12.1
CFCs	3,651	6.1	3,795	6.1	4,100	6.4	4,354	6.5	5,375	7.9
Parking area - Passengers	6449	10.8	6,882	10.8	7,059	11.0	7,694	11.6	7,998	11.7
Miscellaneous	5,095	8.5	5,100	8.5	6,265	9.3	4,232	6.4	6,722	9.9
TOTAL	59,750	100.0	61,200	100.0	64,330	100.0	66,512	100.0	68,209	100.0

(1) Unaudited.

Source: City of Albuquerque, Department of Aviation.

Airline Revenues. Airline revenues include revenues from the Signatory Airlines, Affiliate Airlines, commuter airlines and Air Cargo Airlines. Components of Airline revenues include Terminal Complex space rentals, loading bridge fees, baggage claim device charges, landing fees and, at the option of the City, Passenger Facility Charges (“PFCs”). Air Cargo Airlines are required to pay landing fees, ramp use fees and cargo building space rental fees, as appropriate. See “Agreements with the Airlines” under this caption.

Amounts to be paid by the Signatory/Affiliate Airlines pursuant to the Airline Agreements constitute a major source of revenues to the Airport. In the aggregate, according to estimates of the City, the Signatory Airlines represented approximately 90.4% of commercial enplaned passengers at ABQ Airport in Fiscal Year 2007. For Fiscal Year 2006, payments from Signatory Airlines represented approximately 44.0%, and was 38.6% for Fiscal Year 2007 (unaudited), of the total Gross Airport Revenues.

Passenger Facility Charges (PFC). In March 1996 the FAA approved the City’s application to collect a total of $49,638,000 over a period of approximately six years by imposing a $3.00 PFC on each enplaning revenue passenger at ABQ Airport. An amendment to the original amount of PFCs authorized to be collected allowed the collection of an additional $135,870. In June 2002, the City received approval from the FAA to continue to collect the $3.00 PFC at ABQ Airport for a total additional amount of $44,483,079 over a period of approximately five and a half years, which has been amended and will expire February 2008. The City has been approved for a third PFC in the amount of $66,066,726, to run through May 2015, to supplement the terminal expansion, terminal apron reconstruction, communication upgrades, passenger screening checkpoint reimbursement, and roadway projects. For purposes of determining Net Revenues, PFC revenues are included by the City as part of Gross Airport Revenues. PFC revenues are available to pay Airport Obligations issued to finance eligible projects, to the extent directed by a designated officer of the City, and have been and will be used to reimburse the City for investments made by the City in eligible projects.

The following table sets forth the annual collections of PFCs from Fiscal Year 2003 through Fiscal Year 2007.

City Annual Collections of PFCs
(2003 – 2007)
($000s)

Fiscal Year	PFCs Collected
2003	$8,155[(1)]
2004	7,899[(2)]
2005	7,929
2006	8,231
2007[(3)]	8,302

(1) The Fiscal Year 2003 revenue is overstated by $657,383 due to an understatement in the same amount in Fiscal Year 2002.
(2) As of May 1, 2004, the airlines are retaining an additional $.03 per PFC fee collected.
(3) Unaudited.

Source: City of Albuquerque Department of Aviation.

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

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

For certain classes of airports, which include the ABQ Airport, Federal Airport Improvement Program (AIP) entitlement funds have been reduced by 50% following the imposition of a PFC of $3.00 or less and are to be reduced by 75% following the imposition of a PFC greater than $3.00.

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

Rental Car Facility Revenues. In connection with the March 2001 opening of the Rental Car Facility, the eight On-Airport Rental Car Companies entered into five-year lease agreements, which have been extended an additional five years, with the City for use and lease of counter space at the customer service building and parking spaces in the ready/return parking area. Pursuant to these agreements, the City receives: (a) privilege fees in the amount of 9% of gross receipts against a minimum annual guarantee; (b) a monthly fee for use of the ready/return parking space; and (c) reimbursement for any Airport operating expenses allocated to the customer service building. In addition, the City has executed 20-year leases with the On-Airport Rental Car Companies for use and lease of the service center facilities and vehicle storage areas. Under the agreements, the On-Airport Rental Car Companies are required to collect a Customer Facility Charge ("CFC") per rental car contract day to be used for the operation of the rental car shuttle bus system and to pay debt allocated to the rental car facility and associated roadways. Revenues from the CFCs and all rentals, fees and charges imposed by the City and collected from the rental car companies accounted for approximately 22.0% of Gross Airport Revenues in Fiscal Year 2006 and 23.1% in Fiscal Year 2007.

Terminal Complex Concession Revenues. Non-airline Terminal Complex concession revenues are generated under agreements (the "Food and Beverage Concession Agreements") with three food and beverage operators including Delaware North Companies Travel Hospitality Services, Inc., Fresquez Concessions, Inc., and Black Mesa Coffee Company to provide food and beverage services within the Terminal Complex, and five Retail Concession operators including Avila Retail Development & Management, El Mercado del Sol, Inc., Page Industries, Hudson-Garza, and Sweet Tooth, LLC. These five Retail Concession operators offer a variety of retail merchandise including newspapers, magazines, books, Native American art and jewelry, southwest apparel and New Mexico souvenirs. Under the terms of the agreements, each operator is required to pay the City the larger of (i) a percentage of gross revenues or (ii) a minimum annual guaranteed ("MAG") amount. The MAG amount is to be adjusted each year to equal 85% of the prior years' percentage rent payable to the City, but the MAG amount in any year will not be less than the first full contract year. The Food and Beverage Concession Agreements expired in May 2007 and all concessionaires are currently on month to month agreements. The City has issued a Request for Proposal for food and beverage operators, and is reviewing those responses with an anticipated award date in Fall 2008. The Retail Concession Agreements expire January 1, 2010 with two one-year options to extend, upon the mutual agreement of the operators and the City.

Parking Area Revenues. The Aviation Department operates the parking facilities at ABQ Airport. Public parking facilities include a garage with 3,400 spaces for short-term parking and a surface lot north of the parking garage with 534 spaces for long-term parking. The Aviation Department anticipates opening an additional parking lot in spring 2008 with approximately 357 parking spaces. Parking facilities at ABQ Airport also include three employee lots, which together provide approximately 600 spaces. Parking rates are as follows: $1.00 for the first half-hour (increasing to a maximum rate of $7.00 per day, $10.00 per day after 72 hours) in the short-term lot and $6.00/day ($8.00/day after 72 hours) in the long-term lot. The parking facilities generated a total of $7,693,778 plus $72,602 in employee parking, totaling $7,766,380 in Fiscal Year 2006 and increased to $7,997,467 plus $82,609 in employee parking, totaling $8,080,076 in Fiscal Year 2007.

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

Double Eagle II Airport. With respect to revenues generated at Double Eagle II Airport, the City has one agreement with a fixed base operator to provide general aviation services at that airport.

The presence of Eclipse Aviation Corporation ("Eclipse") at ABQ Airport, the 2006 relocation of American Utilicraft Corporation to Double Eagle II Airport, and the expected 2009 relocation of the Eclipse manufacturing facilities to Double Eagle II Airport, represent future potential for increased revenues for the Airport System. Eclipse currently operates a pilot training facility in a 50,000 square foot facility at Double Eagle II Airport that opened in September 2007. Eclipse will continue to keep its headquarters, sales and showroom at the ABQ Airport. The infrastructure development plan, business development and property management plan, and the parallel marketing efforts for an Aerospace Technology Park are intended to provide a solid foundation for future revenue generating opportunities.

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

Revenues from Other Areas. These revenues principally include leased site and building rentals which are part of Gross Airport Revenues. Included are other governmental agency facility leases, and various other Aviation Department property leases. The major sources of leased site rental revenues are the Albuquerque Grand Airport Hotel, rental car service areas, rental car ready/return lot space rentals, general aviation fixed base operators and air cargo building rentals. The Albuquerque Grand Airport Hotel, located at ABQ Airport, pays a percentage of gross receipts for alcoholic beverages, room rentals and other miscellaneous categories against minimum annual guarantees. The Albuquerque Grand Airport Hotel lease runs through December 18, 2023. The City is currently negotiating an extension of the lease with the Albuquerque Grand Airport Hotel to 2063, and the Hotel is preparing for a $6.5 million renovation.

The Transportation Security Administration ("TSA") began leasing the refurbished, historic terminal building to the west of the main Terminal Complex in October 2002. Under the lease agreement, TSA is leasing approximately 11,000 square feet for a term of ten years.

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

FAA funding includes entitlements and discretionary moneys to be used for the AIP grants. Between Fiscal Year 1996 and Fiscal Year 2007, the City received a total of $54,237,718 in AIP grants and entitlement/discretionary funds. In 2008, the ABQ Airport has received $5.5 million for the rehabilitation of Taxiway E and is programmed to receive $10.6 million for Terminal Apron – Phase 2. Between Fiscal Year 2005 and 2006, the City received $6,459,349 in AIP entitlement/discretionary grants, which were used primarily for the master plan, midfield development and Runway 17/35 for the Double Eagle II Airport. In 2008, Double Eagle II Airport received $950,000 in AIP Grants for Taxiway A, Taxiway B and Runway 4/22.

Since Fiscal Year 2000, the Double Eagle II Airport has received grants from various agencies such as U.S. Department of Housing and Urban Development, Corps of Engineers, Department of Energy, Economic Development Administration, Federal Highway Administration (FHWA), and New Mexico Department of Transportation. The grants funds total approximately $4.2 million. In addition, a $14 million project is currently underway to reconstruct and widen the highway (2-lane to 4-lane) from Interstate 40 to Double Eagle II Airport. The road project is funded primarily by the Federal Highway Administration.

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

Agreements with the Airlines

Signatory Airline Agreements. The Signatory Airlines have each entered into a Signatory Airline Agreement with the City for the use and lease of certain facilities at ABQ Airport. The following is only a brief summary of certain provisions of the Airline Agreements.

The term of the Airline Agreements extends five (5) years, from July 1, 2006 to June 30, 2011. Under the Airline Agreements, rental rates are calculated according to a commercial compensatory method, after allowing credit for a portion of the net concession revenues generated in the Terminal Complex. A portion of the profits from Terminal Complex concession revenues is credited against airline Terminal Complex rentals based on the ratio of Signatory Airline rented space to total rentable space in the Terminal Complex. Ticket counter, hold room and certain other space is leased to Signatory Airlines on a per square foot basis while the costs of passenger circulation areas are to be recovered under a joint use formula. Under the Airline Agreement, the cost of the terminal apron is included in the Airfield cost center and recovered through monthly landing fees. Through the term of the new Airline Agreement, however, the City has agreed to allocate PFC revenues to the Airfield cost center to fully mitigate the cost of the terminal apron. Loading bridge charges are a combination of a fixed charge per gate to recover debt service requirements and amortization charges on investments made from the Capital Fund and a variable charge per flight is to recover operating costs.

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

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

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

If in any given Fiscal Year, the City decides to fund additional improvements to the ABQ Airport from the proceeds of additional Airport revenue bonds or the Capital Fund, and if the funding would cause a projected increase in airline rental rates or landing fees of more than 10%, the City is required to notify the Signatory Airlines. Within 60 days of the City's notice, the Signatory Airlines are required to meet and provide the City with concurrence or non-concurrence with respect to the proposed capital improvement. Concurrence will be deemed to have been received unless concurrence is specifically withheld by the Signatory Airlines. If concurrence is specifically withheld by Signatory Airlines representing a majority-in-interest (66.7% or more of the rents or landing fees paid to the City), then the City shall not include additional annual debt service for bonds nor include amortization for such capital improvement in the recalculation of Signatory Airline rents, fees and charges.

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

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

<u>Agreements with Affiliate Airlines</u>. Other passenger airlines, which do not qualify as Signatory Airlines, but instead operate under an Affiliate Airline Agreement with the City, include Skywest Airlines, Republic Airways, Trans States Airlines and Shuttle America. These Affiliate Airline Agreements are on a continuing month-to-month basis and commit the airlines to pay certain fees in connection with their use of the Airport Facilities.

<u>Agreements with Commuter Airlines</u>. Mesa Airlines, Great Lakes Airline, and New Mexico Airlines have agreements with the City on a continuing month-to-month basis. They provide commuter service throughout New Mexico, as well as West Texas and Southern Colorado.

<u>Agreements with Air Cargo Airlines</u>. The Air Cargo Airlines, which serve ABQ Airport, DHL/ABX, Federal Express and UPS, have all entered into an Air Cargo Airline Agreement with the City concerning their use of the air cargo facilities at ABQ Airport. The term of the

Agreements extends five (5) years, from July 1, 2006 to June 30, 2011. Under the current Air Cargo Airline Agreements, each of the signatory Air Cargo Airlines leases exclusive-use space in ABQ Airport's air cargo building and receives preferential-use apron parking spaces at the air cargo apron.

Rental Car Facility - Customer Facility Charges

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

Customer Facility Charges ("CFC") are calculated to recover: (i) the costs of providing, operating and maintaining the common rental car shuttle bus system, which transports rental car customers to and from the Terminal Complex and Rental Car Facility; (ii) debt service requirements on bonds issued to finance the Rental Car Facility and which may be issued in the future for the Rental Car Facility; and (iii) other allocable costs associated with the customer service building, passenger pick-up and drop-off areas and canopies at the customer service building, and roadways used by the shuttle buses. The City may adjust fees and charges imposed by the agreements with the On-Airport Rental Car Companies from time to time. The City may recalculate the fee at least annually based on the projected number of rental car contract days and costs associated with the elements of the Rental Car Facility discussed above. The CFC was limited to $1.53 per rental car contract day for the first year in which the facility was open but has been increased to $2.90 per contract day to cover the increased operating costs of the shuttle bus fleet and other expenses.

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

The Rental Car Facility is located on approximately 76 acres of Airport property southwest of the Terminal Complex and is served from the primary ABQ Airport access roadway, Sunport Boulevard, via University Boulevard. The Rental Care Facility is expected to accommodate eight rental car companies for a period of 20 years. All rental car companies serving the ABQ Airport are required to transport their customers between the customer service building and the Terminal Complex on a common rental car shuttle bus system. There were 1,155 ready return spaces and during the fourth quarter of Fiscal Year 2007 an additional 114 spaces were constructed, which brings the total ready return spaces to 1,269.

Airport System Capital Program

The Aviation Department, as part of a City-wide effort, is in the process of developing a sustainability program for the Airport System which will put the Airport System on the leading edge of the effort to make the Airport carbon neutral by the year 2030. The program will incorporate LEED certification for sites and buildings, “green” practices and policy making and pursuit of innovative technologies related to water, energy, construction and the indoor and outdoor environments. This is a long-term planning and implementation effort, which will require additional capital expenditure in the near term but will be offset by reduced operating and maintenance costs in the future.

The Capital Program for the Airport System for Fiscal Years 2008 through 2012 includes approximately $136.7 million of planned projects and another $54.9 million of demand-responsive projects. Demand-responsive projects are those which will be undertaken if predetermined thresholds of passenger activity are met and the City receives Airline support. The City at this time does not anticipate the need to provide funding for the demand-responsive projects during the period 2008 to 2012.

The City recently completed an expansion of the passenger screening checkpoint and improvements to the outbound baggage screening system in the terminal complex at ABQ Airport. Additional planned improvements to the terminal and concourses include extensive refurbishment to ABQ Airport, as well as expansion and renovation to public areas to accommodate increased passenger dwell times in the terminal. This will optimize the terminal operations in the short term (5 year period) and delay the need to build a new Terminal Complex, which is anticipated in the master plan. Demand-responsive projects include the implementation of a centralized in-line explosives detection system (EDS), screening for all checked baggage and expansion of the existing terminal to provide additional gates on Concourse B.

ABQ Airport has a planned project to reconstruct the terminal apron in Fiscal Years 2007 through 2009. The planned projects for the Airfield at ABQ Airport are the rehabilitation of the south general aviation apron and reconstruction of Taxiway E in Fiscal Year 2008 and Fiscal Year 2009; the air cargo expansion is scheduled to begin in Fiscal Year 2008. The demand-responsive project for the Airfield is the extension of Runway 3-21 and air cargo development, and construction of a new airfield maintenance complex.

Planned projects for Double Eagle II Airport are to make various infrastructure investments between Fiscal Years 2008 and 2011 to support planned commercial and industrial development at Double Eagle II Airport. Planned projects for Fiscal Year 2008 include completion of a contract control tower, completion of the reconstruction of Runway 17-35, Taxiway B, Taxiway A and Runway 422, midfield development, and the beginning of an environmental assessment for extension of the runways and reconfiguration of the roadways. The City also anticipates construction of a fire station at Double Eagle II Airport during calendar year 2008.

AIRPORT ENVIRONMENTAL MATTERS

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

Airport Noise Monitoring Program

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

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

Storm Water Pollution Prevention Plan

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

Underground Fuel Tanks

Under Federal and State regulations, all existing underground storage tanks must comply with certain requirements with regard to spill, overfill and corrosion protection. All underground storage tanks owned and operated by the City of Albuquerque Aviation Department have gone through a formal closure process or have been upgraded to meet the Federal and State regulations. The Sunport has one bulk fuel storage facility for aircraft fueling.

Commercial passenger and cargo aircraft fueling is performed by ASII from bulk fuel storage tanks that hold approximately 100,000 gallons of fuel (the "ASII Fuel Facility"). The fuel storage tanks and associated systems and facilities are owned by the City and operated and managed by ASII pursuant to a management agreement with ABQ Fuel Company LLC. The City does not know of and has not performed any studies to determine if any environmental contamination exists at the ASII Fuel Facility.

In October, 2007, ASII completed the removal of all bulk fuel storage vessels at its old fuel farm facility. Soil testing was conducted pre and post removal of the vessels, and test results indicated no contamination of soil or adjacent areas. The area was covered with an asphalt overlay after all equipment, above and below grade, was removed. All waste was disposed of in accordance with local, state and federal guidelines.

In May, 2007, the City's Aviation Department removed underground storage tanks commonly referred to as the TWA Tank Farm. Some remediation was required due to lead paint, residual fuel (Jet A) and sludge. After remediation, the area was covered with soil and seeded. All waste was disposed of in accordance with local, state and federal guidelines.

CERTAIN INVESTMENT CONSIDERATIONS

General

There follows a discussion of some, but not necessarily all, of the possible risk factors which should be carefully evaluated by prospective purchasers of the Series 2008 Bonds prior to purchasing any Series 2008 Bonds. The Series 2008 Bonds may not be suitable investments for all persons, and prospective purchasers should be able to evaluate the risks and merits of an investment in the Series 2008 Bonds, and should confer with their own legal and financial advisors before deciding to purchase the Series 2008 Bonds.

General Factors Affecting Airport and Airline Revenues and Activity

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

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

Operating Results and Financial Conditions of Airlines

The Airport System derives a substantial portion of its operating revenues from landing and facility rental fees. The financial strength and stability of the airlines using the Airport System, together with numerous other factors, influence the level of aviation activity at the Airport System.

The City cannot predict the likelihood of future air transportation disruptions or the impact of these events on any of the airlines using the Airport System. A terrorist incident aimed at aviation would have an immediate and significant impact on the demand for aviation services, including services at ABQ Airport. For further information regarding the financial condition and effect on operations of the airlines, including further information regarding the airlines' reported load and capacity factors, reference is made to the statements and reports filed periodically by the airlines with the Securities and Exchange Commission.

Airlines Subject To Airline Agreements

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

Dominance of Southwest Airlines at the Airport

Southwest Airlines is the dominant air carrier operating at the Airport, which serves as a connecting point in Southwest Airlines' route system, and currently leases six of the existing twenty-three full service jet gates at the Airport under the Airline Agreement. In Fiscal Year 2007, Southwest Airlines accounted for approximately 51.6% of passenger enplanements at the Airport, and approximately 21% of the signatory airline rentals, fees and charges component of the Airport's operating gross revenues. No other airline accounted for more than 12% of passenger enplanements at the Airport in 2007. No airline other than Southwest Airlines accounted for over 56.1% of the airline rentals, fees and charges component of the Airport's operating revenues in Fiscal Year 2007.

The City has no information regarding the financial condition of Southwest Airlines, Inc., other than from SEC filings and press releases made by Southwest Airlines, Inc. No assurances can be given concerning the present or future financial viability of Southwest Airlines, Inc. or Southwest Airlines.

Passenger Facility Charges

The principal and interest on the Series 2008 Bonds are payable, in part, from PFC revenues. There is no assurance that the authorizing federal legislation for imposed PFCs will not be repealed or amended, or that the related regulations will not be amended in a manner which adversely affects the City's ability to collect PFC revenues, and consequently negatively impacts the City's ability to pay principal and interest on the Series 2008 Bonds.

Cost of Aviation Fuel

The price of fuel is a significant factor affecting the airline industry today. The average price of jet fuel was $0.81 per gallon in 2000 compared to $1.97 in 2006. According to the Air Transport Association, every one-cent increase in the price per gallon increases annual airline operating expenses by approximately $190 million to $200 million. Also according to the Air Transport Association, U.S. airline fuel expense increased from $16.4 billion in 2000 to $38 billion in 2006, a compound annual growth rate of 15.0 percent during this period. The airline industry paid $7.5 billion more for fuel in 2004 than in 2003, $10.4 billion more in 2005 than in 2004, and $4.9 billion more in 2006 than in 2005. According to the Air Transport Association's airline cost index for the third quarter of 2006, fuel has overtaken labor as the industry's top cost (27.4 percent of industry expenditures compared to 23.6 percent for labor). There can be no assurance that jet fuel costs will not continue to rise substantially in the future.

Rate Covenant

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

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

Bond Insurer

In the event that the City fails to make regularly scheduled payments of the principal of and interest on any Series 2008 Bonds when the same become due, any owner of such Series 2008 Bonds shall have recourse against the Series 2008 Bond Insurer for such payments. There can be no assurance that the Series 2008 Bond Insurer will have sufficient revenues to enable it to make timely payments on such Series 2008 Bonds.

In the event the Series 2008 Bond Insurer is unable to make payments of principal and interest on the Series 2008 Bonds as such payments become due, such Series 2008 Bonds will be payable solely from the Net Revenues generated by the Airport System.

The City has no information to believe that the Series 2008 Bond Insurer will be unable to make payments of principal and interest on the Series 2008 Bonds should the City seek payment under the Municipal Bond Insurance Policy.

Bond Ratings

There is no assurance that the ratings assigned to the Series 2008 Bonds will not be lowered or withdrawn at any time, the effect of which could adversely affect the market price or the marketability of the Series 2008 Bonds. See the information herein under the caption "RATINGS."

No Acceleration

Events of Default under the Bond Ordinance and related remedies are described in the summary of certain provisions of the Bond Ordinance attached as Appendix B. The occurrence of an Event of Default does not grant any right to accelerate payment of the Series 2008 Bonds. If there is an Event of Default, payments, if any, on the Series 2008 Bonds will be made after payments of Operation and Maintenance Expenses.

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 material to the Series 2008 Bonds or the security for the Series 2008 Bonds; (ii) seeking to restrain or enjoin the issuance, sale, execution or delivery of, or the performance by the City of its obligations under, the Series 2008 Bonds; (iii) in any way contesting or affecting (A) the issuance, sale, execution or delivery of the Series 2008 Bonds or (B) the validity or enforceability of the Series 2008 Bonds, any of the documents relating to the Series 2008 Bonds or any action contemplated by or pursuant to any of the foregoing; (iv) which, except as and to the extent disclosed below may result, either individually or in the aggregate, in final judgments against the City materially adversely affecting its financial condition; or (v) asserting that the Preliminary Official Statement or the Official Statement contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. On the Closing Date, the City will deliver a no-litigation certificate as to the foregoing.

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 as a result of the decision in these cases.

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 such a judgment.

TAX MATTERS

General

In the opinion of Kutak Rock LLP, Special Tax Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Series 2008 Bonds is excluded from gross income for federal income tax purposes, except for interest on any Series 2008 Bond for any period during which such Series 2008 Bond is held by a "substantial user" of the facilities financed or refinanced by the Series 2008 Bonds or by a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"). Special Tax Counsel is further of the opinion that interest on the Series 2008 Bonds is a specific preference item for purposes of the federal alternative minimum tax. The opinion described in the preceding sentences assumes the accuracy of certain representations and compliance by the City with covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Series 2008 Bonds. Failure to comply with such requirements could cause interest on the Series 2008 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2008 Bonds. The City will covenant to comply with such requirements. Special Tax Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Series 2008 Bonds.

In the opinion of Special Tax Counsel interest on the Series 2008 Bonds is exempt from New Mexico state income taxes.

The accrual or receipt of interest on the Series 2008 Bonds may otherwise affect the federal income tax liability of the owners of the Series 2008 Bonds. The extent of these other tax consequences will depend upon such owner's particular tax status and other items of income or deduction. Special Tax Counsel has expressed no opinion regarding any such consequences. Purchasers of the Series 2008 Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers otherwise entitled to claim the earned income credit, or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Series 2008 Bonds.

Backup Withholding

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 2008 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 2008 Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the Congress and in the various state legislatures that, if enacted, could alter or amend federal and state tax matters referred to above or adversely affect the market value of the Series 2008 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series 2008 Bonds. An example of such litigation is the case of Davis v. Kentucky Department of Revenue, 197 S.W.3d 557 (2006), the oral argument for which was heard by the U.S. Supreme Court on November 5, 2007 with a decision expected to be rendered in the spring of 2008, challenging Kentucky's taxation of bonds issued by other states and their political subdivisions differently than it taxes bonds issued by Kentucky and its political subdivisions. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2008 Bonds or the market value thereof would be impacted thereby. Purchasers of the Series 2008 Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Special Tax Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series

2008 Bonds and Special Tax Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

Tax Treatment of Original Issue Premium

The Series 2008 Bonds are being sold at a premium. An amount equal to the excess of the issue price of a Series 2008 Bond over its stated redemption price at maturity constitutes premium on such Series 2008 Bond. An initial purchaser of a Series 2008 Bond must amortize any premium over such Series 2008 Bond's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Series 2008 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 the call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser's basis in such Series 2008 Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Series 2008 Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Series 2008 Bonds should consult with their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Series 2008 Bond.

CONTINUING DISCLOSURE UNDERTAKING

In connection with its issuance of the Series 2008 Bonds, the City will execute a Continuing Disclosure Undertaking, a form of which is attached as Appendix E hereto, under which it will agree for the benefit of the owners of Series 2008 Bonds (i) to provide audited annual financial statements of the City when available after the end of each Fiscal Year, including Fiscal Year 2007, and to provide certain annual financial information and operating data relating to the City by not later than 270 days after the end of each Fiscal Year, and (ii) to provide timely notice of certain enumerated events, if material. Pursuant to its prior continuing disclosure undertakings relating to Airport revenue bonds, the City is required to file its annual audited financial statements for each Fiscal Year ended June 30, no later than 180 days after the end of each Fiscal Year. Because year end audits by its independent certified accountant have not been received by the City in time to make such filings, the audited financial statements have been filed when available after the end of the Fiscal Year. The City anticipates that this problem will continue because of the delay in receiving audited financial information. Other than the delay in filing such audited financial statements, the City is currently in compliance with all of the requirements of its previous continuing disclosure undertakings.

LEGAL MATTERS

In connection with the issuance and sale of the Series 2008 Bonds, Brownstein Hyatt Farber Schreck, LLP, Albuquerque, New Mexico, as Bond Counsel, and Kutak Rock LLP, Denver, Colorado, as Special Tax Counsel, expect to deliver the respective opinions attached in Appendix C hereto. Certain legal matters relating to the Series 2008 Bonds will be passed upon for the City by its Disclosure Counsel, Modrall, Sperling, Roehl, Harris & Sisk, P.A., Albuquerque, New Mexico. The underwriters are being represented in connection with their purchase of the Series 2008 Bonds by Hogan & Hartson LLP, Denver, Colorado. Disclosure Counsel, Bond Counsel, Special Tax Counsel and Underwriters' Counsel have not participated in any independent verification of the information concerning the financial condition of the City or the Airport contained in this Official Statement. Additionally, Bond Counsel, Special Tax Counsel and Underwriters' Counsel have not undertaken any responsibility for the accuracy, completeness or fairness of this Official Statement or other offering materials relating to the Series 2008 Bonds and express no opinion relating thereto.

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

INDEPENDENT ACCOUNTANTS

Moss Adams LLP audited the financial statements of the City as of and for the year ended June 30, 2006 and delivered their report to the New Mexico State Auditor and the City. The complete 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 is a public document and is available from the New Mexico State Auditor and on the City website at http://www.cabq.gov. The City's financial statements as of and for the years ended June 30, 2005 and 2004 were audited by Neff + Ricci LLP, who combined with Moss Adams LLP as of January 1, 2006. An excerpt from the 2006 audit is included in APPENDIX A to this Official Statement. Moss Adams LLP has not been engaged to perform, and has not performed since June 30, 2006, any procedures on the financial statements shown in the excerpt. Further, Moss Adams LLP has not been engaged to perform and has not performed any procedures relating to financial information or any other information contained in this Official Statement.

UNDERWRITING

The underwriters (the "Underwriters") have agreed to purchase the Series 2008 Bonds from the City pursuant to a Bond Purchase Agreement dated February 4, 2008 (the "Bond Purchase Agreement"), for $14,426,211.80 (being the par amount of the Series 2008 Bonds, plus an original issue premium of $786,211.80). Pursuant to the provisions of the Bond Purchase Agreement, the City will pay the Underwriters an underwriting discount of $106,001.40 at the time of delivery of the Series 2008 Bonds. The Bond Purchase Agreement provides that the Underwriters will purchase all of the Series 2008 Bonds if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in the Bond Purchase Agreement, including the approval of certain legal matters by counsel and certain other conditions. The price at which the Series 2008 Bonds are offered to the public (and the yield resulting therefrom) may vary from the initial public offering price appearing on the inside cover page of this Official Statement. In addition, the Underwriters may allow commissions or discounts from such initial offering prices to dealers and others.

RATINGS

It is expected that, upon issuance of the Series 2008 Bonds, the Series 2008 Bonds will receive a rating of "Aaa" from Moody's Investors Service, Inc. ("Moody's"), "AAA" from Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies ("S&P") and

“AAA” from Fitch Ratings ("Fitch") (each a “Rating Agency” and collectively, the “Rating Agencies”), with the understanding that upon delivery of the Series 2008 Bonds, an insurance policy insuring the payment when due of the principal of and interest on the Series 2008 Bonds will be issued by Financial Security. The following underlying ratings have also been assigned to the Series 2008 Bonds: Moody’s has assigned the Series 2008 Bonds an underlying rating of “Aa3”; S&P has assigned the Series 2008 Bonds an underlying rating of “A+”; and Fitch has assigned the Series 2008 Bonds an underlying rating of “A+”. It is expected that all of the Series 2008 Bonds will be covered by the Municipal Bond Insurance Policy at the time of delivery.

Ratings reflect only the views of the respective rating agencies, and the City makes no representation as to the appropriateness of any rating. An explanation of the significance of the ratings may be obtained from the respective rating agencies. The City has furnished to each rating agency certain information and materials relating to the Series 2008 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 2008 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. The City undertakes no responsibility to oppose any such revision or withdrawal. Any downward change in or withdrawal of a rating may have an adverse effect on the marketability and/or market price of the Series 2008 Bonds.

Each of the Rating Agencies has recently released statements on the potential effects of downturns in the market for structured finance instruments, including collateralized debt obligations and residential mortgage backed securities, on the claims-paying ability of the bond insurance companies. In various releases, the Rating Agencies have each outlined the processes that they intend to follow in evaluating the effect of this risk on their respective ratings of financial guarantors. For some financial guarantors, the result of such evaluations could be a ratings affirmation, a change in rating outlook, a review for downgrade, or a downgrade. Potential investors are directed to the Rating Agencies for additional information on their respective evaluations of the financial guaranty industry and individual financial guarantors, including Financial Security.

In a December 14, 2007 announcement, Moody’s affirmed Financial Security’s “Aaa” insurance financial strength rating with a stable outlook. On January 17, 2008, S & P announced that Financial Security’s financial strength, financial enhancement and issuer credit rating was affirmed at “AAA/Stable Outlook”. On January 24, 2008, Fitch Ratings announced that Financial Security’s Insurer financial strength rating was affirmed at “AAA” with a Stable Rating Outlook. There can be no assurance that the views expressed in those documents represent the current views of the rating agencies or that those views will not change in the future.

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: Acting Treasurer.

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 2008 Bonds.

APPROVAL BY THE CITY

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

CITY OF ALBUQUERQUE, NEW MEXICO

By: /s/ Martin J. Chavez
Mayor

K:\dox\client\80159\137\W0796171.DOC

APPENDIX A

ECONOMIC, DEMOGRAPHIC AND FINANCIAL INFORMATION

ECONOMIC AND DEMOGRAPHIC INFORMATION

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

The City and Metropolitan Area

Albuquerque is the largest city in the State, 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	181.70
June 30, 2001	184.80
June 30, 2002	187.00
June 30, 2003	187.50
June 30, 2004	188.50
June 30, 2005	188.70
June 30, 2006	188.80
June 30, 2007	188.80

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
2007[4]	511,008[4]	623,095	829,880	1,969,915

(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) Estimates provided by the City of Albuquerque Planning Department.

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 the period Fiscal Year 1998 to 2007 grew at an average of 1.67% a year. This growth was limited due, in part, to the decline in employment experienced in 2002 and nominal employment growth in 2003. In Fiscal Year 2006 annual employment growth was 3.1% and 2.67% in Fiscal Year 2007.

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 1998-2007" under the heading "Major Industries" in Appendix A.

Nonagricultural Employment
(000s Omitted)

	Albuquerque MSA		New Mexico		United States	
Calendar Year	Employment	% Chg.	Employment	% Chg.	Employment	% Chg.
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%
2007	397.9	1.6%	847.2	1.7%	137,994	1.3%

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**
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%
2007	407,809	393,468	14,341	3.52%	3.59%	4.61%

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 2007. Albuquerque Public Schools, 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	7,624	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 Material 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
Bank of America	1,600	0.4%	Financial Institution
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

(1) 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 (5,100) for a total of 404,635 employees (estimated by the Bureau of Business and Economic Research (for-UNM) in May 2007.

Source: Albuquerque Economic Development, Inc.

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 2007 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 1998-2007" provides detailed information regarding employment growth within key sectors of the economy for that period.

Trade, Transportation and Utilities. This sector is composed of retail trade, wholesale trade, transportation, and utilities and constitutes approximately 17% of Albuquerque MSA employment. As a whole the employment increased by an annual average of only 0.3% from Fiscal Year 1998 to 2007. Wholesale trade lost employment and utilities had limited growth of 0.8%, but declined in Fiscal Years 2004 and 2005. In the same period retail grew by approximately 0.8%. 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 Albuquerque 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 one of the fastest growing categories in the Albuquerque MSA economy. From Fiscal Year 1998 to 2007 the average annual growth was 3.7%. The sector now makes up 12.3% 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 4,088 hotel rooms were issued. From June 2003 to June 2006, ten hotels with a total of 1,073 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. The second half of 2007 saw three permits for 439 additional rooms added. Occupancy at Albuquerque hotels continues to be a problem. Occupancy has averaged around 60% for the past five years. 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%, 10.7% in Fiscal Year 2006 and 8.2% in Fiscal Year 2007.

Professional and Business Services. This sub-sector includes temporary employment agencies and some of Albuquerque's back-office operations, Sandia National Labs ("SNL") and other scientific and research facilities. This sector had average annual growth of approximately 2% from Fiscal Year 1998 to Fiscal Year 2007. In the past three fiscal years growth has averaged 3.3%. 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. SNL reported approximately 7,719 employees in Albuquerque in federal Fiscal Year 2005, and for Fiscal Year 2006, SNL reported 7,624. On December 12, 2007, the Albuquerque Journal reported that SNL's total national employment was down 384 jobs from the Fiscal Year 2005 level (SNL's Albuquerque operation has averaged around 85% of SNL's total nationwide lab employment). The article also notes that approximately 65 workers may lose their jobs in the coming months. SNL also expects to reduce the size of its workforce by an additional 600 jobs by 2011. This reduction of 600 jobs is expected to be met by normal attrition and no additional layoffs will be needed. 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 2007. 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 and Fiscal Year 2007 there was an increase of 1,366 jobs in the sector. 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, laid off an estimated 1,100 employees in the second half of calendar year 2007 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 relocation of Eclipse manufacturing at the Double Eagle II Airport in 2009 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 could potentially employ approximately 2,000 workers.

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

Information. This sector includes businesses in publishing, broadcasting, telecommunications and internet service establishments. The sector had a modest annual increase of 1.8% from Fiscal Year 1998 to Fiscal Year 2007. 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 approximately 2,600 jobs. The largest declines came when MCI and QWEST closed their call centers, resulting in a total loss of 1,110 jobs. In December 2006, the closure of the AOL call center resulted in a loss of approximately 900 jobs. Convergys, a global staffing company, took over the space from AOL creating 500 jobs. The film industry is also included in this sector and there has been significant activity in this sector due to tax credits given by the State of New Mexico to the film industry. In addition to movies being filmed in Albuquerque, a large sound studio (Albuquerque Studios) has been built at Mesa del Sol, and Sony Imageworks is building a studio adjacent to Albuquerque Studios with 200 jobs expected in late 2008.

Government. Over the past ten years government employment (comprised of federal, state and local employees) has had a relatively constant share of employment. "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 5,100 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) and its approximately 7,624 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 5,100 in 2007. The general downtrend of military jobs since 1998 reflects the decision of the military to replace military jobs with civilians where possible.

Federal government employment increased by approximately 433 jobs from Fiscal Year 1998 to Fiscal Year 2007. 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.

From July 1998 to July 2007 federal government employment was growing slowly, but local government employment increased by almost 8,600 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. 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 0.5% per year from Fiscal Year 1998 to Fiscal Year 2007, despite consolidations in the banking industry and a 2.7% decline in Fiscal Year 2002. The sector rebounded with growth in the insurance carrier industry, including approximately 500 jobs created in 2002 and 2003 by Blue Cross. In Fiscal Year 2007, employment in this sector declined by a net of 125 jobs.

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 large decreases upon completion of such projects. The number of jobs declined in Fiscal Years 2002 and 2003, with completion of major projects at Intel and the Big-I interchange. By the end of 2003 the number of jobs started increasing and the increase continued into 2006. Fiscal Year 2007 had employment of 29,583, a new maximum for this sector, an increase of 8.8% or 2,383 jobs from Fiscal Year 2005.

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%. This slowdown has continued; the number of single family permits issued through November 2007 was 36.7% below the same period in 2006. Single family construction in Rio Rancho has gone down a similar amount. Multifamily construction was slow in the period 2003-2005, but the number of units permitted in 2006 was nearly double 2005. In 2007, multifamily construction continued to grow. The 649 units permitted through November 2007 was 11% above the same period in 2006.

The commercial sector offset some of this slowdown with the value of new permits increasing by 39% and additions and alterations increasing by 11%. Even so, the total value of permits issued through October 2007 was 12.7% below the same period in 2006.

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
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
2007[2]	2,023	373,294,066	649	16	51,606316	126	194,186,533	6	9,761,230	196,779,157	825,627,302
Growth 06-07	(36.7)%	(32.9)%	10.8%	60.0%	(4.6)%	3.3%	39.1%	20.0%	(47.9)%	11.1%	(12.7)%

(1) Figures do not include manufactured housing.
(2) Through November

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 (2001-2007)	33,825	28,637	5,188	N/A
Estimated Units as of October 2007	232,539	155,280	68,473	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 1998-2007
($000 omitted)

Category		1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2006 to 2007	Annual Average Growth 1998 to 2007
Total Nonagricultural		340,442	343,508	352,008	361,783	361,150	362,417	366,058	373,492	385,225	395,267	2.61%	1.67%
Natural Resources and Mining and Construction		21,725	21,025	22,267	24,875	24,058	23,500	24,783	27,200	30,408	31,050	2.11%	4.05%
Manufacturing		28,342	26,808	26,892	28,058	25,567	24,133	22,783	22,750	23,425	24,108	2.92%	(1.78)%
Computer and Electronics Manufacturing		13,017	11,525	11,450	12,350	11,258	10,408	9,592	9,267	9,350	N/A	N/A	N/A
Trade Transportation and Utilities		66,033	65,950	65,608	66,500	65,642	65,924	65,858	66,466	67,209	68,025	1.21%	0.33%
Wholesale Trade		14,858	14,533	14,133	14,075	13,592	13,233	12,908	12,808	13,100	13,475	2.86%	(1.08)%
Retail Trade		41,350	41,050	40,925	41,800	41,492	42,083	42,425	43,275	43,692	43,992	0.69%	0.69%
Transportation, Warehousing and Utilities		9,825	10,367	10,550	10,625	10,558	10,608	10,525	10,383	10,417	10,558	1.35%	0.80%
Information		8,233	9,617	10,875	11,233	11,400	10,542	9,900	8,992	9,008	9,658	7.22%	1.79%
Financial Activities		18,467	19,400	19,483	19,625	19,117	18,850	18,950	19,192	19,417	19,292	(0.64)%	0.49%
Professional, Scientific and Technical Services		26,042	25,917	26,592	26,858	26,958	27,767	28,242	29,292	61,983	64,050	3.33%	2.01%
Management/Administration/Support		27,492	29,033	31,142	32,225	31,000	29,892	29,825	30,675	29,842	N/A	N/A	N/A
Educational and Health Services		34,975	35,667	36,983	38,025	40,392	42,042	43,758	45,717	31,292	N/A	N/A	N/A
Leisure and Hospitality		32,267	32,225	32,900	34,025	34,392	35,308	36,200	36,008	47,092	48,575	3.15%	3.72%
Food Services and Drinking Places		24,933	24,667	25,375	26,225	26,675	27,383	28,125	27,708	36,933	39,033	5.69%	2.14%
Other Services		10,683	10,750	10,792	11,050	11,242	11,608	11,733	11,825	28,317	N/A	N/A%	N/A
Government		66,183	67,117	68,475	69,308	71,383	72,850	74,025	75,375	12,000	12,242	2.02%	1.53%
Federal Government		30,725	31,808	32,433	33,175	34,792	35,567	36,133	37,050	77,283	79,233	2.52%	2.02%
State Government		21,358	21,308	21,917	22,333	22,658	23,133	23,850	24,258	38,075	39,325	3.28%	2.78%
Local Government		14,100	14,000	14,125	13,800	13,933	14,150	14,042	14,067	24,800	25,375	2.32%	1.93%

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
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 gross receipts tax ("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 2008-2012 was presented to the Council in January 2008. This forecast was used to help develop the Fiscal Year 2009 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 2007 and 2008.

<u>Actual Fiscal Year 2007 Revenues.</u>

Revenues in Fiscal Year 2007 outperformed previous estimates. The revenues for Fiscal Year 2007 are actual results for the General Fund. Total Revenues were $473 million, $3.5 million above the estimated and $21.8 million above the Fiscal Year 2007 Budget. It represents an increase above Fiscal Year 2006 of 5.7%. Strengths were in gross receipts taxes, charges for services, interest earnings and fines. Weaknesses were primarily in revenues to pay for CIP funded positions and indirect overhead charged to other City funds. The CIP funded positions are directly offset by expenditures that did not 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>. The GRT revenues for Fiscal Year 2006 were stronger than anticipated pushing up the base for Fiscal Year 2007. There were also increases in the growth in GRT in Fiscal Year 2007. The underlying growth in GRT in the Fiscal Year 2007 budget was 3.3%. During the Fiscal Year 2008 proposed budget process the forecast was pushed up to 7.5% taking into account the strong growth in the first half of the fiscal year. The underlying growth ended at 8.4% in Fiscal Year 2007. The total growth in GRT was only 6% due to the $1/8^{th}$ cent reduction in GRT that took place in January 2007, but was not included in the Fiscal Year 2007 budget. In total GRT was $13.8 million above the approved budget and $2.9 million above the estimated actual calculations.

<u>Local Taxes other than GRT</u>. Property taxes revenues were stronger than estimated, with growth of 8% above Fiscal Year 2006. Franchise taxes in total for Fiscal Year 2007 were close to the estimate and the approved budget. The QWEST telecommunications franchise was stronger than anticipated, but the other franchises which include other telecommunications companies were weaker. Natural gas was a little below estimate as natural gas prices were not quite as strong as originally anticipated. The cable franchise revenues continue to be strong and more

than offset the weakness in natural gas. 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, which began 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.

Payment in lieu of taxes revenues were above the estimate and had strong growth due to increases in revenue for the enterprise funds.

Licenses and Permits. Building permit revenues in Fiscal Year 2007 were $281,000 below the approved Fiscal Year 2007 budget. Revenues were 16.7% below the Fiscal Year 2006 revenues. The reduction is primarily due to the slowdown in single family housing.

Revenues from other permits and licenses were $70,000 below the budget. Business licenses, restaurants and food inspections all showed increases. Animal license revenues declined due to changes in procedures.

Intergovernmental Revenues Other Than GRT. Intergovernmental revenues, other than GRT distributions, includes state shared revenues (excluding GRT), grants and county shared revenues. This category has declined in recent years due to changes in state policy and the manner in which grant revenue is received. Revenues were $11,000 above estimated and $340,000 above the approved Fiscal Year 2007 budget. Revenue from the municipal gasoline tax was $150,000 above budget. Other revenues, primarily grants, were lower than expectations.

Charges for Services. Direct charges for services were relatively weak due to the slowdown in 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 $1.1 million below 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 were larger than anticipated, mostly based on larger than expected fund balances.

Other Miscellaneous. The largest source of other miscellaneous revenue in Fiscal Year 2007 was from STOP traffic photo enforcement ordinance, where civil fines are imposed for running a red light. Revenue in Fiscal Year 2007 was $9 million.

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.

Appropriations for Fiscal Year 2007 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.

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.

<u>Gross Receipts Taxes</u>. 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.

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 have increased solely because of a reduction in expected revenues in Fiscal Year 2008.

Miscellaneous Revenues. Interest earnings are expected to increase 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 and drivers start adjusting their behavior in response to the STOP program.

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.

Revenue Outlook for 2008

Gross receipts tax revenue that was expected to increase at 4.3% in Fiscal Year 2008 only increased 0.4% for the first half of the fiscal year compared to the same period in Fiscal Year 2007. The decline in revenues is in large part related to the slowdown in construction and also by layoffs at Intel and the general economic slowdown nationally. In the five-year forecast, revenues for Fiscal Year 2008 were adjusted down $11.4 million. Gross receipts tax revenues were decreased by $7.6 million, building permit revenues were decreased $1.3 million, charges for services (primarily construction related charges) decreased $1.4 million, and a $4.7 million decrease for photo enforcement program net revenues. The photo enforcement program also had a similar amount of expenditures transferred to the new photo enforcement fund. These declines were partially offset by unexpected growth in property tax revenue. Estimated property tax revenues were increased $3 million. The outlook for Fiscal Year 2009 is for a decrease in revenues due to an anticipated gross receipts tax cut of 1/8th cent that will take place in July of 2008 and slow growth due to continued weakness in the economy.

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%.

Fiscal Year 2008 Budget Update; Revenues and Expenditures. The revenue and expenditure outlook for Fiscal Year 2008 have changed since the Approved Fiscal Year 2008 Budget was prepared. Appropriations for Fiscal Year 2008 are up $12 million, though $8.4 million of this is from encumbrances rolled forward from the Fiscal Year 2007 fund balance. Council and administration appropriations, as well as appropriation adjustments for the Photo Enforcement Fund, account for the difference. In the Five-Year Forecast it is estimated that due to revenue slowdown and changes in appropriations the general fund will have a negative available fund balance of $5.6 million at the end of Fiscal Year 2008. The City administration is taking action to address this by not filling vacant positions and reducing expenditures where possible. The challenge will continue into Fiscal Year 2009 where it will be necessary to adjust appropriations to account for the revenue slowdown and a $17.5 million cut in gross receipts tax.

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 and Fiscal Year 2008 budgets can be found on the City website at http://www.cabq.gov/budget/.

General Fund Balances

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

General Fund Revenues, Expenditures and Fund Balances
Fiscal Years 2003-2007
($000)

	Actual	**Actual**	**Actual**	**Actual**	**Approved Budget**	**Estimated Actual**	**Unaudited Actual**	**Approved Budget**	**Annual Chg**	**Compound Annual Chg**
REVENUES	**2003**	**2004**	**2005**	**2006**	**2007**	**2007**	**2007**	**2008**	**07 - 08**	**03 - 08**
Taxes:										
Property Tax	$16,498	$24,734	$26,153	$28,605	$29,663	$30,032	$30,883	$30,782	2.5%	13.3%
Gross Receipts Tax	93,173	101,663	134,936	147,742	150,146	151,194	152,823	146,555	(3.1%)	9.5%
Other Taxes	17,457	17,695	17,953	18,752	18,776	19,029	18,909	19,966	4.9%	2.7%
Water Authority PILOT/Franchise	4,779	5,111	4,770	5,203	5,172	5,172	5,112	5,195	0.4%	1.7%
Payment in lieu of taxes	834	925	1,122	1,465	1,510	1,510	1,609	1,570	4.0%	13.5%
Total Taxes	132,741	150,128	184,934	201,766	205,267	206,937	209,337	204,068	(1.4%)	9.0%
Licenses & Permits	12,279	13,716	15,026	15,203	13,318	13,530	13,253	13,591	0.5%	2.1%
Intergovernmental Revenue:										
State and Federal Grants	46	370	145	1,060	-	-	216			(100.0%)
State Shared Revenue:										
Gross Receipts Tax	142,840	156,138	162,583	173,955	177,242	187,001	188,323	195,042	4.3%	6.4%
Other State Shared	4,233	4,256	4,791	4,868	4,727	4,919	4,747	4,322	(12.1%)	0.4%
County	242	201	332	562	281	418	385	258	(38.3%)	1.3%
Total Intergovernmental Revenue	147,361	160,965	167,851	180,444	182,250	192,338	193,671	199,622	3.8%	6.3%
Charges for Services	37,770	40,429	41,287	41,680	42,162	41,012	39,591	44,401	8.3%	3.3%
Miscellaneous	1,249	3,898	2,598	6,059	5,535	13,076	14,118	9,629	(26.4%)	50.5%
Other Transfers	1,509	1,927	2,112	2,140	2,606	2,609	3,024	3,987	52.8%	21.4%
TOTAL REVENUES	332,909	371,063	413,807	447,293	451,138	469,502	472,993	475,298	1.2%	7.4%
Beginning Fund Balance	36,600	43,124	64,786	85,424	72,156	87,350	87,350	67,941		13.2%
TOTAL RESOURCES	369,508	414,188	478,593	532,718	523,294	556,852	560,343	543,237	(2.4%)	8.0%
EXPENDITURES										
General government	43,802	59,417	58,613	62,600	63,686	64,890	70,772	73,645	13.5%	11.0%
Public safety	130,107	139,621	163,130	203,897	212,430	213,586	207,679	222,927	4.4%	11.4%
Cultural and recreation	48,653	49,171	57,242	65,591	72,516	70,701	67,767	60,057	(15.1%)	4.3%
Public works	6,161	8,037	8,444	-	2,913	2,623	-			
Municipal Development(1)	-	-	-	24,800	25,687	25,603	27,314	34,293	33.9%	
Highways and Streets	12,374	8,107	9,817	-	-	-	-			
Health	6,557	6,906	8,699	9,951	13,341	13,127	12,751	14,637	11.5%	17.4%
Human services	27,146	27,385	31,903	28,409	39,694	41,137	31,047	44,233	7.5%	10.3%
Other transfers out	51,584	50,757	55,320	50,118	46,413	57,244	58,367	47,169	(17.6%)	(1.8%)
TOTAL EXPENDITURES	326,384	349,401	393,168	445,3670	476,680	488,911	475,697	496,961	1.6%	8.8%
ENDING FUND BALANCE	43,124	64,786	85,424	87,350	46,614	67,941	84,646	46,276		
TOTAL ADJUSTMENTS(2)	(502)	(1,197)	(3,935)	(5,645)	29	(287)	(8,368)	(287)		
Reserves	27,758	29,477	38,239	47,411	46,585	42,055	49,084	45,009		
AVAILABLE FUND BALANCE	14,864	34,112	43,250	34,294	58	25,599	27,194	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.

<u>Local Option Gross Receipts Taxes</u>. 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.

<u>Real Property Tax</u>. 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.

<u>Charges for Services</u>. 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 2007 (Fiscal Year 2008) 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 2007 (Fiscal Year 2008) 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 Obligations
as of July 1, 2007

	Currently Outstanding	Other Authorized Unissued
General Obligation Bonds:		
General Purpose G. O. Bonds (Subject to 4% debt limitation)	$170,435,000	0
Storm Sewer G.O. Bonds (Secured by Ad Valorem taxes)	$42,185,000	0
TOTAL GENERAL OBLIGATION BONDS	$212,620,000	0
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	0
TOTAL G.O. AND REVENUE BONDS	$594,190,863	0

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

4% Assessed Value of $10,949,766,038	$437,990,642
Outstanding (General Purpose subject to 4% limitation):	170,435,000
Available for Future Issues	$267,555,642

* See the table below entitled "Assessed Valuation County Tax Year 2007 (Fiscal Year 2008)."

City of Albuquerque
Assessed Valuation
(County Tax Year[1] 2007 - Fiscal Year 2008)

Market Value of Property Assessed	$39,677,196,711
(1/3 Market Value)	$12,491,293,575
Less Exemptions	(1,908,746,868)
Plus Centrally Assessed (Corporate)	367,219,331
Certified Net Tax Base[2]	$10,949,766,038[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 October 1, 2007

Gross G.O. Bonded Debt	$212,620,000[1]
Less G.O. Sinking Fund Balance (October 1, 2007)	(10,184,677)[2]
Net G.O. Bonded Debt	$202,435,323

	G.O. Debt	**Tax Year 2006 Assessed Valuation**	**% Applicable to City**	**Net Overlapping**
City of Albuquerque	$202,435,323	$10,949,766,038	100.00%	$202,435,323
Albuquerque Public Schools	131,800,000	13,182,532,511	83.06%	109,476,625
Albuquerque Metropolitan Arroyo Flood Control Authority	30,000,000	12,672,275,357	86.41%	25,922,178
Central New Mexico Community College	39,700,000	13,115,229,73661	83.49%	33,145,108
Bernalillo County	88,580,000	13,191,112,431	83.01%	73,529,074
State of New Mexico	362,735,000	46,914,958,823	23.34%	84,660,916
Total Direct and Overlapping G.O. Debt				$529,169,224

Ratios	
Direct and Overlapping G.O. Debt as Percent of Taxable Assessed Valuation	4.83%
Direct and Overlapping G.O. Debt as Percent of Actual Market Valuation	1.337%
Assessed Valuation Per Capita (2006 Estimated Population 511,008) [3]	$21,427.78
Direct and Overlapping G.O. Debt Per Capita	$ 1,035.54

(1) Amount does not include any bonds which have been advance refunded and fully defeased by an escrow containing cash and securities.

(2) The cash balance as of October 1, 2007 was $11,981,973. The amount properly attributable to principal reduction is 85% 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 2008, County Tax Year 2007)

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
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	6,856,281	152,825	24,832	127,993	1.87%	285.31
2001	454,015	6,900,667	138,180	10,707	127,473	1.85%	280.77
2002	460,464	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
2007	511,008	9,858,169	236,765	8,139	227,626	2.31%	445.45

(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.

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 October 1, 2007

Fiscal Year	Principal	Interest	Total Debt Service
2008	$37,625,000	$11,806,240	$49,432,240
2009	35,250,000	7,995,950	43,245,950
2010	33,250,000	6,446,350	39,696,350
2011	31,045,000	4,931,838	35,976,838
2012	24,030,000	3,475,038	27,505,038
2013	24,030,000	2,420,238	26,450,238
2014	16,700,000	1,257,613	17,957,613
2015	5,345,000	507,775	5,852,775
2016	5,345,000	240,525	5,585,525
	$212,620,000	$39,081,565	$251,701,565

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)
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%
2007	71,270,000	8,869,510	80,139,510	475,697,255[2]	16.8%

(1) Includes transfers and other financing uses.
(2) Unaudited.

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
1998[2]	$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%
2007	10,175,391,552	367,219,331	407,155,155	10,949,766,038	11.07%

(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 2007 (Fiscal Year 2008)[1]

Name of Taxpayer	Taxable Value[2] 2007 Assessed	Tax Amount[3]	Percentage of Total City Assessed Valuation[3]
Qwest (US West)	$97,062,812	$4,703,502	0.886%
PNM Electric	91,937,229	4,445,076	0.840
PNM Gas Services	20,176,901	970,592	0.184
Southwest Airlines	20,191,079	945,044	0.184
Simon Property Group Ltd (Cottonwood Mall)	16,041,762	750,835	0.147
Comcast Cablevision of New Mexico	15,805,635	739,783	0.144
HUB Albuquerque LLC/HRPT Properties	14,261,640	702,398	0.130
Heitman Properties of NM (part of Coronado Shopping Mall)	14,771,490	691,380	0.135
T-Mobile Texas LP	13,881,352	649,717	0.127
Verizon Wireless (VAW) LLC	12,775,431	597,954	0.117
AHS Albuquerque Regional Medical Center	12,049,903	563,991	0.110
GEB Lobos LLC	10,904,680	559,822	0.100
Albuquerque Plaza Office Investment LLC	10,029,330	519,168	0.092
Skywest Airlines Inc.	10,780,249	504,570	0.098
Albuquerque Plaza Associates	9,407,793	486,994	0.086
	$370,077,286	$17,830,825	3.400%

(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 2007 represents only 3.52% of the total net taxable value of the City for 2007. 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
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%
2007	109,792,820	106,845,546	97.32%	2,374,766	109,220,312	99.48%	77,749,060	70.8%

(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
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
2007	44.766	11.148	8.575	1.291	8.489	3.489	0.936	6.487	4.655

Source: Bernalillo County Treasurer's Office.

EXCERPT FROM THE 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

CITY OF ALBUQUERQUE

Mayor Martin J. Chávez

COMPREHENSIVE ANNUAL FINANCIAL REPORT

JULY 1, 2005 THROUGH JUNE 30, 2006
ALBUQUERQUE, NEW MEXICO USA

The City of Albuquerque acknowledges its continuing commitment to protecting individuals rights and privileges. In accordance with this commitment, the City prohibits Discrimination in the operations of Government on the basis of race, color, religion, national origin or ancestry, physical/mental disability, age, gender, Vietnam era or disabled Veteran status, marital status, sexual orientation, pregnancy or medical condition.

CITY OF ALBUQUERQUE, NEW MEXICO
Comprehensive Annual Financial Report
Year ended June 30, 2006

TABLE OF CONTENTS

TABLE OF CONTENTS

TABLE OF CONTENTS

TABLE OF CONTENTS

Page

STATE COMPLIANCE AND OPERATIONAL FINDINGS

INTRODUCTORY SECTION

(THIS PAGE INTENTIONALLY LEFT BLANK)

June 11, 2007

Honorable Mayor and City Council
City of Albuquerque, New Mexico

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Albuquerque, New Mexico, (City), for the fiscal year ended June 30, 2006. New Mexico State Statute 12-6-3, NMSA 1978 mandates that the financial affairs of the City's records be thoroughly examined and audited each year by independent public accountants. Federal law also requires that a single audit be performed for federal grant funds in conformance with the provisions of the Single Audit Act of 1984 and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." All information related to the single audit, including the schedule of expenditures of federal awards, findings and recommendations, and the independent auditors' reports on the internal control structure and compliance with applicable laws and regulations are included in the Single Audit Section.

This report was prepared by the Department of Finance and Administrative Services with the assistance of various other City departments. The City management assumes full responsibility for the accuracy of the data presented and the completeness and fairness of presentation, including all disclosures, based upon a comprehensive framework of internal control that has been established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather that absolute, assurance that the financial statements are free of any material misstatements. Moss Adams, Certified Public Accountants, have issued an unqualified opinion on the City's comprehensive annual financial report for the year ended June 30, 2006. As indicated by the opinion of our independent auditors, the report fairly presents the financial position and results of operations of the City as measured by the financial activity of its various funds. The report has been set forth in a manner that will give the reader a broad understanding of the City's financial affairs. It includes disclosures necessary for the reader to gain an understanding of the City's financial activities. The independent auditors' report is located at the front of the financial statements.

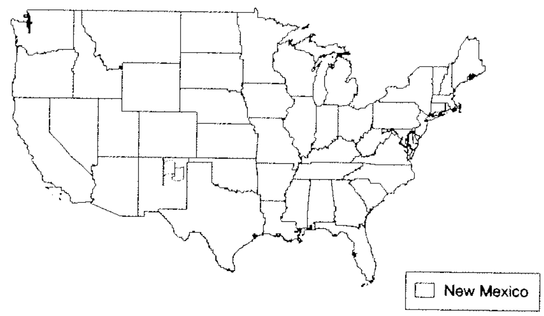
Management's Discussion & Analysis (MD&A) immediately follows the independent auditors report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

Profile of the City

The City of Albuquerque, New Mexico (City) is located in the central region of the state and is the economic and population hub of New Mexico. With an estimated population of almost 500,000 in 2006, Albuquerque ranks 33rd in population of the nation's cities and is the largest city in New Mexico with roughly one-quarter of the state's population. In 2006, *Forbes* List of "Best Places for Business and Careers," the Albuquerque MSA placed 1st out of the 200 largest metro areas in the Country. In May 2006, *Kiplinger Personal Finance* ranked Albuquerque as the 3rd smartest cities to live in with a resort-town ambience, boomtown economy, and a low cost of living.

The 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, storm drainage, and refuse collection. In addition, the City operates parking facilities, a transit system, an international airport, corrections and detention facilities, and a housing authority, as well as water and sewer services on behalf of another government agency.

The CAFR of the City includes all government activities, organizations and functions for which the City is financially accountable. The criteria used to determine financial accountability are based on, and consistent with, the pronouncements of the Governmental Accounting Standards Board, which sets criteria for defining the financial reporting entity. Effective July 1, 2003 water and sewer services that used to be provided by the City are now provided by the Albuquerque-Bernalillo County Water Utility Authority, which is operated by the City under the terms of a Memorandum of Understanding with the Authority. The City does not have relationships with any other organizations not included in this CAFR of such nature and significance that exclusion would render the City's financial statements incomplete or misleading.



Summary of Local Economy

Albuquerque is the major commercial, trade, service and financial center of the state. It is located in the central part of the state, at the intersection of two major interstate highways, and served by both rail and air. The Albuquerque Metropolitan Statistical Area (MSA) includes Bernalillo, Sandoval, Torrance and Valencia Counties. The City has a population of approximately 500,000 and the MSA approximately 800,000. The largest employers in the Albuquerque area are the University of New Mexico, Albuquerque Public Schools, Sandia National Labs (SNL), and Kirtland Air Force Base.

The Albuquerque economy has an industry composition not unlike that of the U.S. as a whole. Manufacturing, while a smaller part of the Albuquerque economy, has not declined in importance as in the U.S. where manufacturing has declined substantially since the 1960s.

Albuquerque MSA Employment in Thousands

	Employment FY/06	*Share of FY/06 Employment*	*Growth FY/05 to FY/06*	*Compound Annual Average FY/00 to FY/06*
NAICS CATEGORY				
Total Nonfarm Employment (does not include military)	382.87	100%	2.5%	1.4%
Natural Resources and Mining and Construction	29.58	8%	8.8%	4.8%
Manufacturing	23.19	6%	1.9%	-2.4%
Trade, Transportation, and Utilities	67.93	18%	2.2%	0.6%
Information	8.73	2%	-2.9%	-3.6%
Financial Activities	19.34	5%	0.8%	-0.1%
Aggregate of Services	157.27	41%	2.4%	2.2%
Professional and Business Services	61.13	16%	1.9%	1.0%
Educational and Health Services	47.16	12%	3.2%	4.1%
Leisure and Hospitality	36.93	10%	2.6%	1.9%
Other Services	12.04	3%	1.8%	1.8%
Government	76.83	20%	1.9%	1.9%
MILITARY	6.759	NA	1%	0.6%

In the near term, Albuquerque is benefiting from strong growth, increased tourism and a construction boom. Unemployment rates remain low and averaged 4.7% in FY/06. Several large manufacturing firms have recently moved to Albuquerque and/or expanded. The broadening of the industrial base to include aviation will help Albuquerque continue to grow and prosper. The City believes it is well positioned to attract new investment by suppliers, customers, and other producers. The national labs are another strength in the Albuquerque economy. Sandia National Laboratories (SNL) has devoted a great deal of research to terrorism and homeland security and the mission to protect the nuclear weapons arsenal. The micro-systems technology, or nano-technology, for which SNL is well known, may provide many novel and inexpensive answers to medical and materials sciences. The labs expertise and technology is also becoming more readily available to the private sector.

Additional historic economic information is presented in the statistical section of this report.

Long-term financial planning

As a matter of City policy, the General Fund is required to maintain an operating reserve equal to one-twelfth of the total annual appropriation level. This standard is more conservative than the State's standard as it includes transfers and nonrecurring appropriations. This reserve is "funded" annually as part of the annual budget process and is modified as necessary, if material, throughout the year to reflect changes in appropriations. Annually, the budget process begins with the development and publication of a Five-Year Forecast which estimates future revenues and expenditures for the General Fund and the subsidized funds. The purpose of this report is to identify key trends in revenues and expenditures and to provide information about the financial challenges anticipated over the next few years. The City's Forecasting Advisory Committee, including experts from within and outside government, reviews the forecasts and revenue projections prepared by City staff. Revenues are monitored monthly and expenditures are reviewed quarterly.

The City also develops a Decade Plan that guides the capital improvements program (CIP) and forms the basis for the general obligation bond program which is presented to and voted on by the public in odd-numbered years. This process allows for long-term planning for both initial construction costs as well as additional operating costs to staff, operate and maintain new facilities required in the community.

The City is committed to performance-based budgeting which drives the development of both operating and capital budgets.

Relevant Financial Policies

Historically, the City has been conservative in its approach to financial matters, minimizing long-term debt cycles to control interest costs and stringently monitoring and controlling the use of both recurring and non-recurring operating revenues. Department directors are held responsible for the fiscal performance of their units, as well as the programmatic performance of their units.

The City Council passed, and the Mayor signed, O-06-20, the Albuquerque Minimum Wage Ordinance, in April, 2006. The ordinance requires all employers within the municipal limits of the City, including specifically the City of Albuquerque, to pay a specified minimum wage for each hour worked by an employee within the municipal limits. The ordinance establishes two different minimum wage rates depending on whether the employer provides healthcare and or child care benefits. The minimum wage rates established by the ordinance are as follows:

Beginning	Minimum Wage if No Benefits are Provided	Minimum Wage if Benefits are Provided
January 1, 2007	$6.75 per hour	$5.75 per hour
January 1, 2008	$7.15 per hour	$6.15 per hour
January 1, 2009	$7.50 per hour	$6.50 per hour

Analysis indicated that it is employees who are not eligible for healthcare benefits, primarily seasonal employees and, to a far lesser degree, temporary employees, who will need to have pay adjustments to bring the City into compliance with the minimum wage ordinance over the next three years.

Major Initiatives

Operation of the Metropolitan Detention Center (MDC) will be transferred back to Bernalillo County on July 1, 2007. The City has operated the MDC under the terms of a Joint Powers Agreement (JPA) with the County since 2002, paying 50% of the operating costs of the MDC. In April, 2005, the Mayor notified the County that the JPA would be terminated pursuant to its terms effective the end of June, 2006. Because the City would no longer be incurring this operating cost, and because the County imposed an additional one-eighth cent gross receipts tax for county corrections operations, the City repealed a one-eighth cent gross receipts tax to hold City residents "harmless".

The City has a long history of commitment to both our natural and built environment. In future years, there will be more attention and resources devoted to the creation and maintenance of a "sustainable" community. The City is in the process of converting its fleet to alternative fuels, which we expect to take a number of years. Management of the waste stream, energy efficiency, and both regular and e-waste recycling will receive attention. Estimated costs have not been determined at this time, but it is expected that both capital and operating funding will be used.

Although the Albuquerque Public School District (APS) is a totally separate governmental entity from City government, the City in FY/06 provided almost $15 million in direct and indirect programmatic funding support to APS. For FY/07, the City will be hiring an education coordinator to help establish a more responsive partnership between APS and the City, and to focus on education-based outcomes to enhance the educational attainment of City students.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Albuquerque for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2005. The City has received this prestigious award every year since 1980. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, the contents of which conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City also received the GFOA's Award for Distinguished Budget Presentation for its annual appropriated budget for the fiscal year beginning July 1, 2005. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications medium.

The preparation of this report could not have been accomplished without the dedicated services of the staff of the Department of Finance and Administrative Services. We wish to express our sincere appreciation to all members of the Department who contributed to its preparation and recognize the major effort of the Accounting Division and its Financial Reporting Section in administering the City's accounting system and in preparing this report. We also wish to thank each of you for your interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

Tanda L Meadors

Tanda Meadors, Director
Department of Finance & Administrative Services

Gregory Stricklin

Gregory Stricklin, CPA
Accounting Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Albuquerque New Mexico

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

GOVERNMENT FINANCE OFFICERS ASSOCIATION

Distinguished Budget Presentation Award

PRESENTED TO

City of Albuquerque

New Mexico

For the Fiscal Year Beginning

July 1, 2005

President

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to **City of Albuquerque, New Mexico** for its annual budget for the fiscal year beginning **July 1, 2005**. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as a financial plan, as an operations guide, and as communications device.

CITY OF ALBUQUERQUE

PRINCIPAL OFFICIALS

June 30, 2006

MAYOR

MARTIN J. CHÁVEZ

CITY COUNCIL

KEN SANCHEZ	District 1
DEBBIE O'MALLEY	District 2
ISAAC BENTON	District 3
BRAD WINTER,	District 4
MICHAEL J. CADIGAN	District 5
MARTIN HEINRICH, PRESIDENT	District 6
SALLY MAYER	District 7
CRAIG LOY	District 8
DON HARRIS	District 9

CHIEF ADMINISTRATIVE OFFICE

BRUCE J. PERLMAN, PhD.

DEPUTY CHIEF ADMINISTRATIVE OFFICERS

GAIL D. REESE, CHIEF FINANCIAL OFFICER
ED ADAMS, CHIEF OPERATING OFFICER
NICHOLAS S. BAKAS, CHIEF PUBLIC SAFETY OFFICER

DEPARTMENT OF FINANCE AND ADMINISTRATIVE SERVICES

TANDA L. MEADORS, DIRECTOR

City of Albuquerque

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

The People of Albuquerque

- **Mayor** — Martin J. Chavez
  - Chief Administrative Officer — Bruce J. Perlman, Ph. D.
    - Chief of Staff — J. Barry Bitzer
      - Constituent Services
      - Boards & Commission – Tony Pedroncelli
      - Legislation – Scott Forrester
    - Chief Financial Officer — Gail D. Reese
      - Office of OMB/OMOI — Anna Lamberson
      - Finance & Administrative Services — Tanda Meadors
      - Human Resources — Patricia Miller
        - Office of Employee Relations — Lawrence Torres
    - Economic Development Department — Fred Mondragon
      - Legal — Robert White
      - City Clerk — Millie Santillanes
      - Office of Police Oversight — Jay A. Rowland
      - Municipal Development — John Castillo
      - Office of Education Coordinator — Paul Broom
    - Chief Operations Officer — Ed Adams
      - Aviation — John D. "Mike" Rice
      - Cultural Services — Velia Silva
      - Environmental Health — Alfredo Santistevan
      - Family & Community Svcs — Valorie Vigil
      - Parks & Recreation — Jay Hart
      - Planning — Richard Dineen
      - Senior Affairs — Blanca Hise
      - Solid Waste — Leonard Garcia
      - Transit — Greg Payne
    - Chief Public Safety Officer — Nicholas S. Bakas
      - Emergency Preparedness — Jim Hunter
      - Police — Ray Schultz
      - Fire — Robert Ortega
- **City Council** — Director of Council Services — Laura Mason
  - Office of Internal Audit & Investigations — Carmen Kavelman, Director

Gail D. Reese, CPA
Chief Financial Officer

Tanda L. Meadors, Director
Department of Finance & Administrative Services

Accounting Personnel

Gregory L. M. Stricklin, CPA,
Accounting Officer
Stephanie Yara, CPA, CGFM, MBA
Assistant Accounting Officer
Debbie Dombroski, CPA, MBA
Accounting Manager
Ruth Lott
Accounting System Coordinator
Garrick Maez
Accounting System Coordinator
Barbara Burns, MBA
Principal Accountant
Elizabeth Barreras, CPA
Principal Accountant
Michelle Hayden
Principal Accountant
Elaine Padilla
Principal Accountant
V. O. Shynkar, CPA
Principal Accountant

Office of Management Budget

Ann Lamberson,
Budget Officer
Mark Sandoval
Executive Budget Analyst
Patsy Pino
Executive Budget Analyst
Jane Aranda
Executive Budget Analyst
Kari Powles
Executive Budget Analyst
Karen Lopez
Executive Budget Analyst
Dee Dickson
Executive Budget Analyst
Jacques Blair
City Economist

City Fiscal Managers

Angela Ekofo, CPA, MBD
Aviation
Steve Faulk, CPA
Solid Waste Management
Jan Gibson, MA
Human Resources
Dolores Gomez
Department of Municipal Development
Beverly Hoover
Environmental Health Department
Gerald Romero
Family and Community Services
Terry Suarez, CPA
Dept. of Finance and Administration Svcs.
Roberta Duran
Legal Department
Patricia Latter
Fire Department
Aubrey Thompson, CPA
Police Department
Thomas Torres, CPA
Risk Management
Nela Wilkinson, CPA
Transit Authority
Gary Young
Parks and Recreation

Albuquerque Bernalillo County Water Authority

Stan Allred
Fiscal Manager
Cliff Wintrode
Budget Analyst

(THIS PAGE INTENTIONALLY LEFT BLANK)

FINANCIAL SECTION

MOSS-ADAMS LLP

CERTIFIED PUBLIC ACCOUNTANTS | BUSINESS CONSULTANTS

www.mossadams.com

T 505-830-6200
F 505-830-6282

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

6100 Uptown Blvd NE, Suite 400
Albuquerque, NM 87110

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

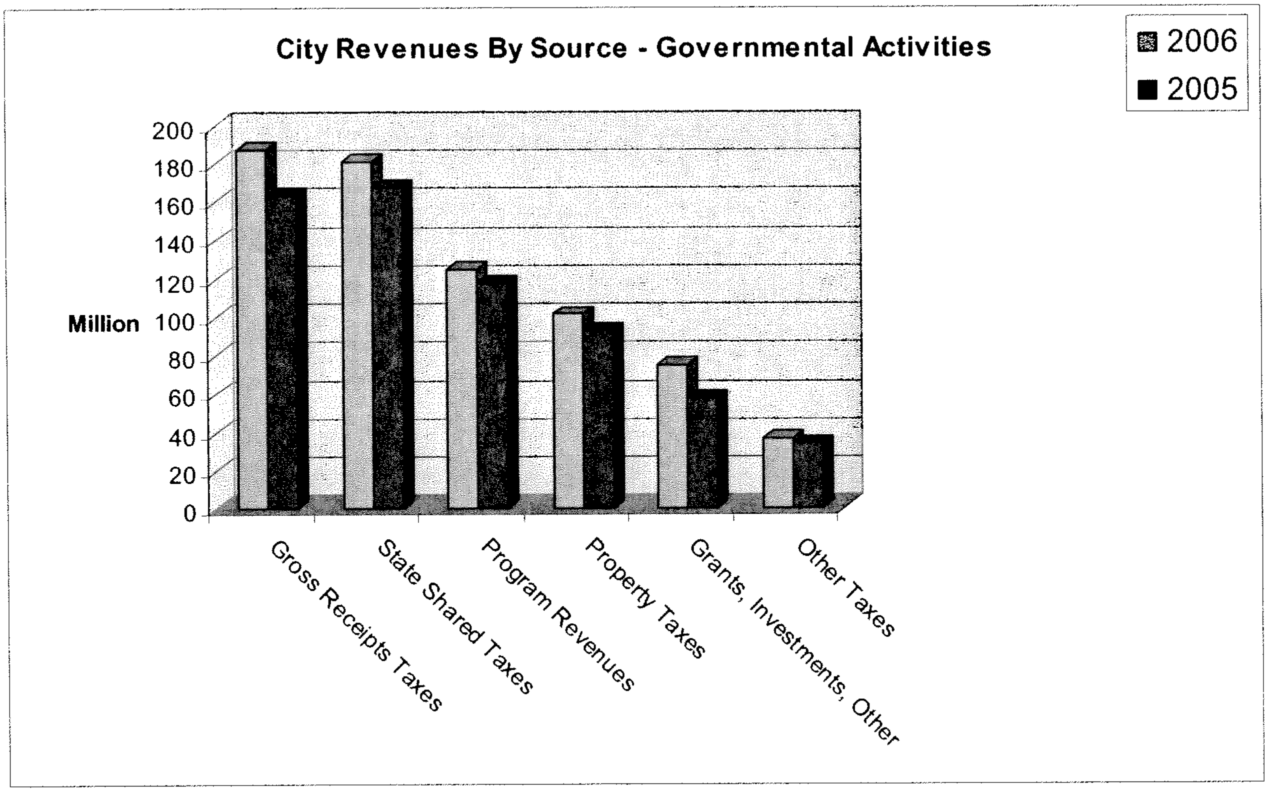
As noted earlier, net assets may serve as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by $3.2 billion at the close of the year. The largest portion of the City's net assets (90.6%) reflects its investment of $2.8 billion in capital assets (e.g. land,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

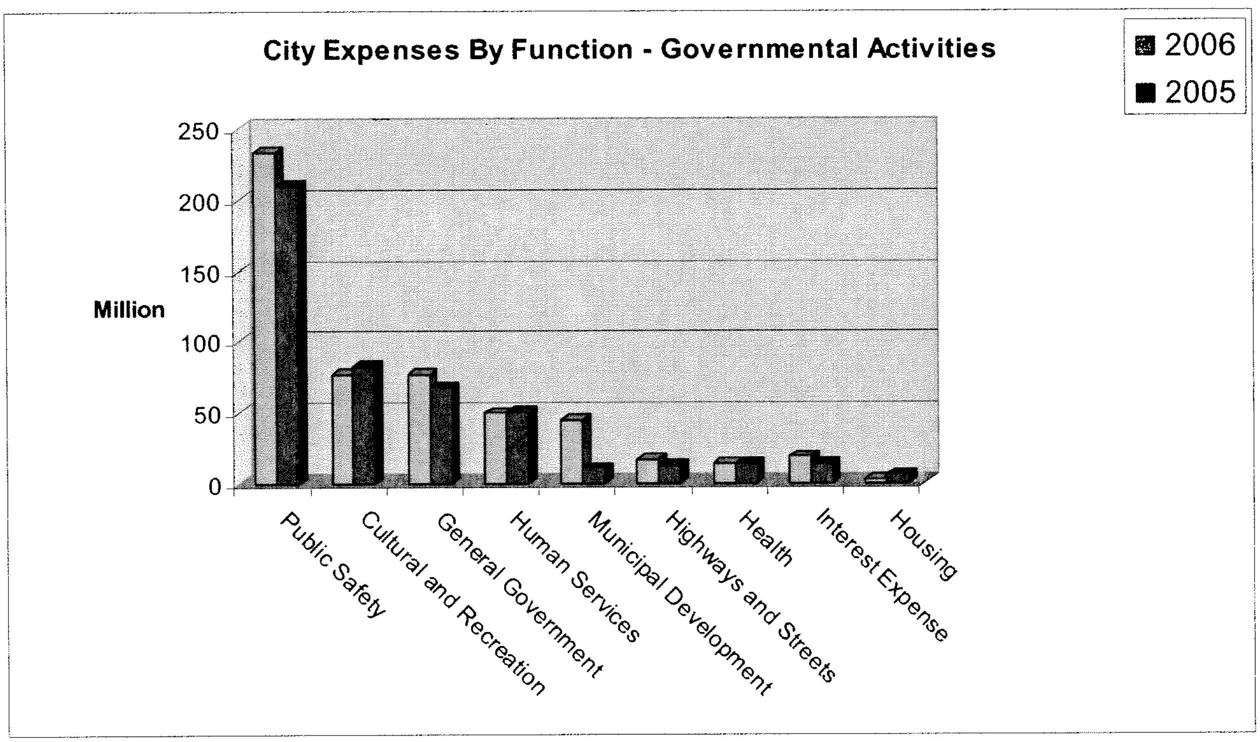
CHANGE IN NET ASSETS
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percent Change
	2006	2005	2006	2005	2006	2005	
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.





<u>Governmental activities</u>. 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

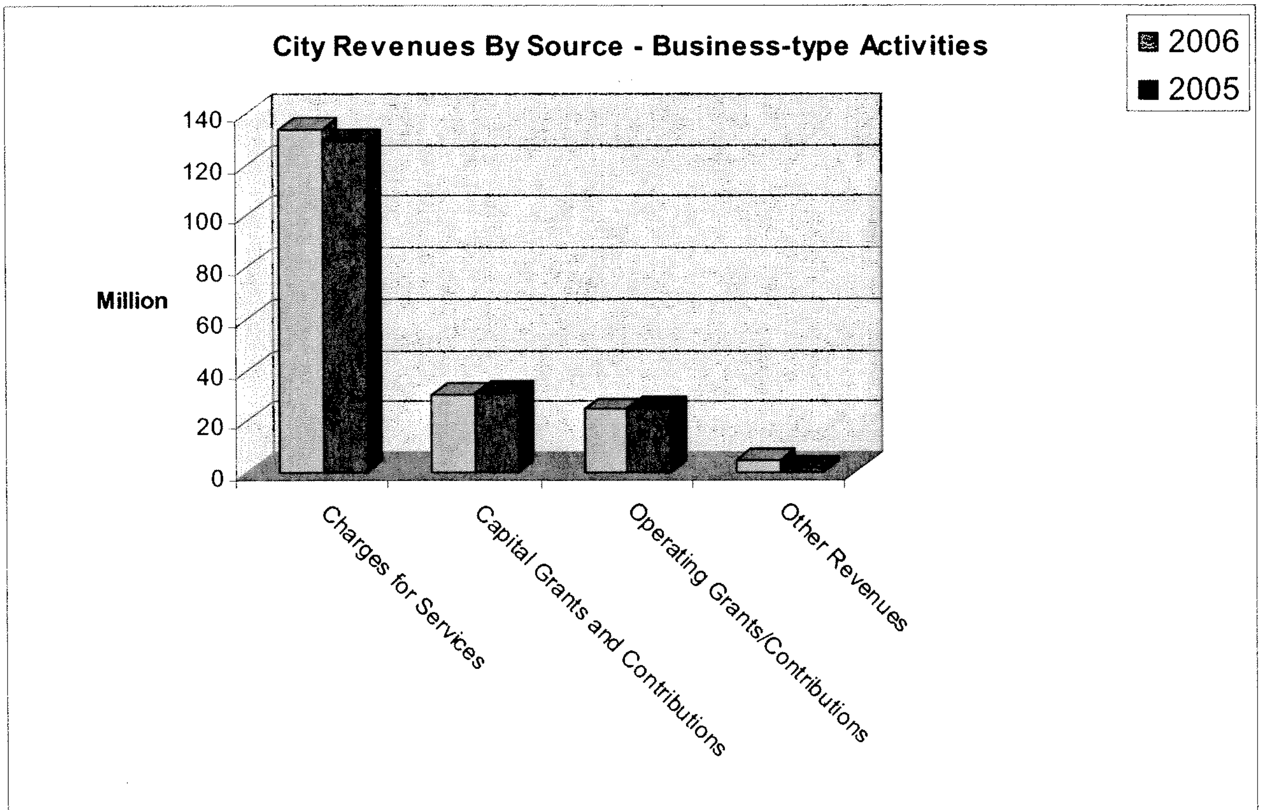
11.2% from prior year. In the 2006 processing period, the New Mexico Department of Taxation and Revenue reported $13.2 billion in taxable gross receipts for the City of Albuquerque as compared to $12.7 billion in 2005, a 3.9% increase. A portion of the remaining percentage increase in the gross receipts 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.

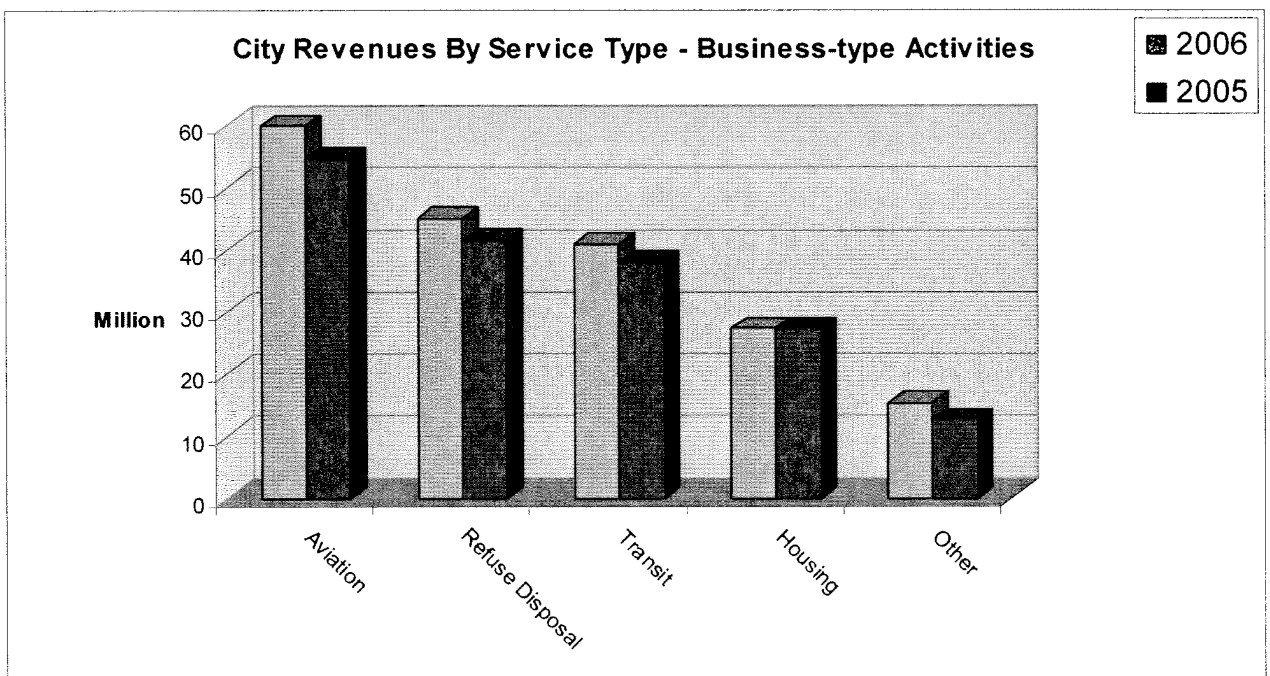
- Program revenues consisting of charges for services, operating and capital grants and contributions, which account for approximately 17.7% of the City's governmental activities revenues, were slightly higher than the previous year and increased by $7.5 million from $117.3 million to $124.8 million, 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.

(THIS PAGE INTENTIONALLY LEFT BLANK)

FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

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

The accompanying notes are an integral part of these financial statements

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

The accompanying notes are an integral part of these financial statements

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 29).	$ 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 25)	$ 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

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended June 30, 2006

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 32)	$	(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 27)	$	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

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

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			Governmental Activities - Internal Service Funds
Transit Fund	Other Enterprise Funds	Totals	
$ 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			Governmental Activities - Internal Service Fund
Transit Fund	Other Enterprise Funds	Totals	
$ -	$ 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			Governmental Activities - Internal Service Funds
Transit Fund	Other Enterprise Funds	Totals	
$ 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			Governmental Activities - Internal Service Funds
	Transit Fund	Other Enterprise Funds	Totals	
	$ (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	-
	-	-	-	-

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2006

	Agency Funds
ASSETS	
Cash, investements, and accrued interest	$ 12,662,471
Receivables	233,457
Total assets	$ 12,895,928
LIABILITIES	
Accounts payable	$ 401,457
Funds held for others	12,494,471
Total liabilities	$ 12,895,928

The accompanying notes are an integral part of these financial statements

CITY OF ALBUQUERQUE, NEW MEXICO
CONTENTS
NOTES TO THE FINANCIAL STATEMENTS

CONTENTS

NOTES TO THE 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:

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

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

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

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

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

Checking accounts - at insured financial institutions.

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

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 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		Bank of America	Wells Fargo Bank	Compass Bank	Bank 1st	Union Bank	NM Bank & Trust
	(Water)	(Housing)						
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%	July1, 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:

Sales Tax Revenue Bonds March 7, 1995

Remarketing Agent	Citigroup
Terms of "Take-Out" Agreement:	
Purchaser	Bank of America
Method of Purchase	Direct Pay Letter of Credit
Expiration Date	November 27, 2007
Annual Fee	.45% on the stated amount of the letter of credit
Stated Amount at Time of Issuance	$2,018,220 (Principal outstanding plus 295 days of interest at 15%)
Bonds Outstanding at 6/30/2006	$1,300,000
Annual Debt Service Requirements	$60,000. Final payment of $1,300,000 due July 1, 2023

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

Remarketing Agent	Citigroup
Terms of "Take-Out" Agreement:	
Purchaser	AIG Liquidity Corporation
Method of Purchase	Direct Pay Letter of Credit
Expiration Date	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

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

Remarketing Agent	Dain Rauscher, Inc.
Insured by	Ambac Assurance Inc.
Terms of "Take-Out" Agreement:	
Purchaser	JP Morgan Chase Bank, N.A.
Method of Purchase	Liquidity Facility
Expiration Date	May 3, 2010
Annual Fee	.175% on the stated amount of the liquidity facility
Stated Amount at Time of Issuance	$47,858,193 (Principal outstanding plus 35 days of interest at 12% for 2000A and 15% for Series 2000B)
Bonds Outstanding at 6/30/2006	$23,800,000
Annual Debt Service Requirements	Range of payment is from $560,000 to $5,200,000

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

Remarketing Agent	Dain Rauscher, Inc.
Insured by	MBIA Insurance Corporation
Terms of "Take-Out" Agreement:	
Purchaser	Bank of America, N.A.
Method of Purchase	Liquidity Facility
Expiration Date	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.

CITY OF ALBUQUERQUE, NEW MEXICO
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
BUDGET AND ACTUAL - AIRPORT FUND
YEAR ENDED JUNE 30, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues:				
Charges for services	$ 54,065,000	$ 54,065,000	$ 60,186,114	$ 6,121,114
Passenger Facility Charge	7,800,000	7,800,000	8,230,593	430,593
Interest on investments	545,000	545,000	1,178,646	633,646
restricted for debt service	19,600,000	19,600,000	19,600,000	-
Total revenues	82,010,000	82,010,000	89,195,353	7,185,353
Expenses:				
Aviation operations	25,644,000	25,644,000	24,546,466	1,097,534
Airport capital and deferred maintenance	18,300,000	18,300,000	18,300,000	-
Economic Development	30,000	30,000	31,931	(1,931)
Payments for General Fund services	1,084,000	1,084,000	1,022,117	61,883
Transfer from non-restricted cash to cash				
restricted for debt service	19,600,000	19,600,000	19,600,000	-
Debt service	23,454,000	23,454,000	22,641,799	812,201
Total expenses	88,112,000	88,112,000	86,142,313	1,969,687
Excess of revenues over (under) expenses	$ (6,102,000)	$ (6,102,000)	3,053,040	$ 9,155,040
Revenues (expenses) not budgeted:				
Interest on investments of restricted assets			53,785	
Depreciation			(23,740,756)	
Amortization			(752,246)	
Loss on disposition of property and equipment			(1,883,656)	
Unrealized gain on investments			417,702	
Miscellaneous revenue			24,000	
Miscellaneous expense			(681,853)	
Capital fund non-capitalized items			157,706	
Charges to conform to generally accepted accounting principles:				
Principal payment on bonds			11,150,000	
Transfer from non-restricted cash to cash restricted				
for acquisition of property and equipment			18,300,000	
Capital contributions			14,524,337	
Capitalized interest on long-term debt			4,064,655	
Change in net assets			$ 24,686,714	

CITY OF ALBUQUERQUE, NEW MEXICO
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
AIRPORT FUND
June 30, 2006

Year ending June 30	Principal	Interest *	Total
Revenue Bonds			
2007	$ 11,150,000	$ 10,594,126	$ 21,744,126
2008	14,770,000	9,951,279	24,721,279
2009	15,840,000	9,223,886	25,063,886
2010	17,145,000	8,443,619	25,588,619
2011	18,105,000	7,589,426	25,694,426
2012 - 2016	92,435,000	23,323,437	115,758,437
2017 - 2021	40,115,000	5,152,258	45,267,258
2022 - 2026	6,660,000	591,076	7,251,076
	216,220,000	74,869,107	291,089,107
Total bonds	$ 216,220,000	$ 74,869,107	$ 291,089,107

* including interest on variable rate bonds at 2.75 percent

APPENDIX B

Summary of Certain Provisions of the Bond Ordinance

The following includes certain provisions of the Bond Ordinance. This summary does not purport to be complete and reference is made to the Bond Ordinance for a full and complete statement of its provisions.

Selected Definitions

"*Act*" means the general laws of the State, including Sections 3-39-1 to 3-39-15 NMSA 1978, as amended and supplemented, the Home Rule Powers, the Charter of the City, and all enactments of the Council, including the Bond Ordinance, relating to the issuance of the Series 2008 Bonds.

"*AIG Exchange Agreement*" means the Interest Rate Swap Agreement dated as of October 1, 1992 (which is a Qualified Exchange Agreement), including supplements and amendments thereto, relating to the Series 1995 Refunding Bonds between the City and AIG Financial Products Corp.

"*Airport*" means all of the City's existing and future Airport Facilities, and any interest of the City therein, including, without limitation, all land, buildings, structures, roadways and facilities thereof or related thereto of whatsoever character and wheresoever situated, within or without the boundaries of the City, and all enlargements, additions, substitutions, improvements, extensions and equipment appertaining thereto, including, but not limited to, any parking facility for automobiles and other motor vehicles, located at any Airport Facility and any industrial or commercial property located on land constituting a part of the Airport property; but excluding any Special Facility or related revenues until there has been defeasance of all Special Facilities Obligations payable from such Special Facility or the lessees or operators thereof.

"*Airport Consultant*" the person or firm appointed by, and who is not an employee or officer of, the City which has a favorable national reputation for skill and experience in the management, operation and financial affairs of municipal airports.

"*Airport Facilities*" means the property comprising the Airport, including, without limitation, runways, terminals and other aircraft parking facilities, taxiways, aprons, approach and clear zones, safety areas, infield areas, landing and navigational aids, terminal and other buildings and any other facilities and land areas used in connection with the use and operation of any such facility.

"*Airport Obligations*" means Senior Parity Obligations, Subordinate Parity Obligations, Junior Lien Obligations (including any Third Lien Airport Revenue Commercial Paper Note, Series A, Series B or Series C) and any other bonds, notes or other instruments which evidence a borrowing payable from and secured by Net Revenues, now Outstanding or hereafter issued or incurred.

"*Bond Insurance Policy*" means any policy of municipal bond insurance with respect to a series of Airport Obligations insuring the payment, when due, of the principal of and interest on all or part of that series.

"*Bond Ordinance*" means the City Ordinance Seventeenth Council Bill No. F/S O-07-108, as amended or supplemented from time to time.

"*Business Day*" means any day other than (i) a Saturday or Sunday or (ii) any day on which the offices of the City and banks located in the cities in which the principal offices of the Series 2008 Bond Insurer Paying Agent and Registrar are located are authorized or required to remain closed or (iii) a day on which the New York Stock Exchange is closed.

"*City Engineer*" means an engineer in the regular control and employ of the City.

"*Code*" means the Internal Revenue Code of 1986, as amended from time to time. Each reference to a section of the Code in the Bond Ordinance shall be deemed to include the final and temporary United States Treasury regulations thereunder, as the same may be in effect from time to time, to the extent the same are applicable, unless the context clearly requires otherwise.

"*Consulting Engineer*" means the City Engineer or any registered or licensed professional engineer, or any firm of such engineers, having a favorable reputation for skill and experience in the field of designing, preparing plans and specifications for, and supervising construction of, airports and airport facilities, entitled to practice and practicing as such under the laws of the State, retained and compensated by the City, but (except for the City Engineer) not in the regular employ of the City.

"*Debt Service Requirements*" means, for any period, the sum of: (i) the amount required to pay the interest, or to make reimbursements for payments of interest, becoming due on the applicable Airport Obligations during such period; plus (ii) the amount required to pay the principal or accreted value, or to make reimbursements for the payment of principal or accreted value, becoming due on the applicable Airport Obligations during that period, whether at maturity, an accretion term date or upon mandatory sinking fund redemption dates, plus (iii) any net periodic payments on a notional amount required to be made by the City pursuant to a Qualified Exchange Agreement minus (iv) any net periodic payments on a notional amount to be received by the City pursuant to a Qualified Exchange Agreement. For purposes of calculating Debt Service Requirements:

(1) No payments required on Airport Obligations which may occur because of the exercise of an option by the City, or which may otherwise become due by reason of any other circumstance or contingency, including acceleration, which constitute other than regularly scheduled payments of principal, accreted value, interest or other regularly scheduled payments on Airport Obligations shall be included in any computation of Debt Service Requirements for any computation period prior to the maturity or other certain due dates thereof.

(2) (a) Debt Service Requirements required to be made pursuant to a Qualified Exchange Agreement shall be based upon the actual amount required to be paid by the City, if any, to the Qualified Counterparty. In determining that amount, any payments required to be made by either party to the Qualified Exchange Agreement at a Variable Interest Rate shall be computed, in determining the obligation of the City under the Qualified Exchange Agreement, using the procedures set forth in paragraph (6) of this definition.

(b) Exchange Termination Payments shall be considered as part of Debt Service Requirements on the date of computation only if those Exchange Termination Payments have become due and remain unpaid at the time of computation in accordance with the terms of the applicable Qualified Exchange Agreement.

(3) Unless, at the time of computation of Debt Service Requirements, payments on Airport Obligations are owed to, or Airport Obligations are owned or held by, the provider of a credit or liquidity facility pursuant to the provisions of that facility, the computation of interest for the purposes of this definition shall be made without considering the interest rate payable pursuant to a facility.

(4) For the purpose of the definition of Debt Service Requirements, the accreted value of capital appreciation bonds shall be included in the calculation of interest and principal only for the applicable year during which the accreted value becomes payable.

(5) In any computation of Debt Service Requirements relating to the issuance of additional Airport Obligations and the Rate Covenant, there shall be deducted from that computation of Debt Service Requirements amounts and investments which are irrevocably committed to make designated payments on Airport Obligations included as part of the computation during the applicable period, including, without limitation: (i) money on deposit in any debt service account, (ii) money on deposit in any debt service reserve account, (iii) amounts on deposit in an escrow account, (iv) proceeds of a series of Airport Obligations deposited to the credit of an account for the payment of capitalized interest on Airport Obligations included as part of the computation and (v) earnings on such investments which are payable and required to be used, or which are used, for the payment of Debt Service Requirements during the applicable period.

(6) To determine Debt Service Requirements for Airport Obligations with a Variable Interest Rate, the City shall use the procedures set forth in the following subparagraphs to determine the amount of interest or other payments to be paid by the City on those Airport Obligations and the amount of credit against Debt Service Requirements for payments to be received by the City based upon Variable Interest Rates to be made by a Qualified Counterparty or otherwise.

(a) During any Historic Test Period for which the actual Variable Interest Rates are determinable, the actual Variable Interest Rates shall be used. During any Historic Test Period when the actual Variable Interest Rate is not determinable, the Variable Interest Rate shall, for the purpose of determining Debt Service Requirements, be deemed to be the higher of:

(i) The actual Variable Interest Rate, if any, at the time of computation; or

(ii) A fixed annual rate equal to the prevailing Variable Interest Rate on the date of computation as certified by the City's financial advisor, another investment banker designated by the City from time to time or a Qualified Counterparty.

(b) Prospective computations of Variable Interest Rates on Airport Obligations other than a Qualified Exchange Agreement shall be made on the assumption that the applicable Airport Obligations bear interest at a fixed annual rate equal to:

(i) the average of the daily rates of such Airport Obligations during the 365 consecutive days (or any lesser period such Airport Obligations have been Outstanding) next preceding the date of computation which shall not be more than 60 days prior to the date of the issuance of the additional Airport Obligations; or

(ii) with respect to Airport Obligations initially issued or incurred as or being converted to Variable Interest Rate Airport Obligations, the estimated initial rate of interest (which shall be no less than the initial rate of interest) on such Airport Obligations on the date of issuance, exchange or conversion as certified by the City's financial advisor, another investment banker designated by the City from time to time or a Qualified Counterparty.

(c) Prospective computations of Variable Interest Rates for a Qualified Exchange Agreement shall be based upon:

(i) the actual interest rate used to compute the net amount most recently paid, as of the date of computation, by the City to the Qualified Counterparty or (expressed as a negative number) by the Qualified Counterparty to the City; or

(ii) if no such payment has been made under the pertinent Qualified Exchange Agreement, the interest rate used to determine the estimated initial net payment obligation on such Qualified Exchange Agreement on the computation date as certified by the City's financial advisor, another investment banker designated by the City from time to time or a Qualified Counterparty.

(7) The purchase or tender price of Airport Obligations resulting from the optional or mandatory tender or presentment for purchase of those Airport Obligations shall not be included in any computation of Debt Service Requirements.

(8) With respect to any commercial paper program which has been authorized and the terms thereof approved by an ordinance adopted by the Council and not then terminated, the principal and interest thereon shall be calculated as if the entire available authorized amount of such commercial paper program were to be amortized over a term of 30 years commencing in the year in which such commercial paper program is authorized and with substantially level annual debt service payments; the interest rate used for such computation shall

be that rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by The Bond Buyer, or if that index is no longer published, another similar index selected by the City, or if the City fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed-rate Third Lien Parity Obligations of a corresponding term issued under Ordinance No. F/S O-06-33 on the date of such calculation, with no credit enhancement and taking into consideration whether such Third Lien Parity Obligations bear interest which is or is not excluded from gross income for federal income taxes purposes.

The City shall comply with all requirements relating to the computation of Debt Service Requirements relating to Outstanding Parity Obligations set forth in any ordinance or resolution of the City adopted prior to the date of the Bond Ordinance.

"*Defeasance Obligations*" means the following obligations which are not redeemable at the option of the issuer:

(1) Government Obligations; and

(2) if permitted by law, obligations described in Section 103(a) of the Code, (a) provisions for the payment of the principal of, premium, if any, and interest on which (i) shall have been made by the irrevocable deposit with a bank or trust company acting as a trustee, escrow agent or holder of such obligations, securities described in clause (1) of this definition, the maturing principal of and interest on which, when due and payable, without further investment or reinvestment thereof, will provide sufficient money to pay when due the principal of, premium, if any, and interest on such obligations, and (ii) which securities described in clause (1) of this definition are not available to satisfy any other claim, including any claim of such trustee or escrow agent or of any person claiming through such trustee or escrow agent or to whom such trustee or escrow agent may be obligated, including claims in the event of insolvency of such trustee or escrow agent or proceedings arising out of such insolvency or (b) rated in its highest rating category (without regard to any refinement or gradation thereof by numerical modifier or otherwise) by S&P, Fitch or Moody's.

"*Exchange Termination Payment*" means the net amount payable pursuant to a Qualified Exchange Agreement by the City or a Qualified Counterparty to compensate the other party for any losses and costs that such other party may incur as a result of the early termination of the obligations, in whole or in part, of the parties under that Qualified Exchange Agreement.

"*Existing Airport Obligations*" means the Airport Obligations Outstanding on the date of the adoption of the Bond Ordinance, being the Series 2004A Bonds, the Series 2004B Bonds, the Series 2001 Bonds, the Series 2000A Bonds, the Series 2000B Bonds, the Series 1998 Bonds, the Series 1997 Bonds, the Series 1995 Bonds, and the AIG Exchange Agreement.

"*Expenses*" means the reasonable and necessary fees, costs and expenses incurred by the City in connection with the issuance of Airport Obligations including, without limitation: (i) costs of advertising and publication of legislation relating to the Airport Obligations; (ii) costs of printing certificates for the Airport Obligations and any disclosure documents; (iii) legal fees and expenses; (iv) fees and expenses of any (a) fiscal service providers, (b) underwriter (including underwriter's discount), (c) placement agent, (d) Independent Accountant, (e) Qualified Counterparty and (f) Airport Consultant; (v) the initial premium payable to any Insurer; (vi) disclosure matters pertaining or allocable to, the Airport Obligations; (vii) costs relating to the initial purchase of Defeasance Obligations, if any; (viii) the premium payable in respect of the Series 2008 Surety Bond; and (ix) all reasonable and necessary fees and administrative costs of the City relating to the foregoing. Expenses shall not include liabilities incurred by the City as the result of negligence in the operation of the Airport and any payments made to the City's general fund as payments in lieu of franchise or other City taxes.

"*Fiscal Year*" means the twelve-month period commencing on the first day of July of each year and ending on the 30th day of June of the next succeeding year, or any other twelve-month period which the City establishes as the fiscal year for the City.

"*Government Obligations*" means direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America or certificates or receipts established by the United States Government or its agencies or instrumentalities representing direct ownership of future interests or principal payments on direct obligations of, or obligations fully guaranteed by, the United States of America or any of its agencies or instrumentalities, the obligations of which are backed by the full faith and credit of the United States, which obligations are held by a custodian in safekeeping on behalf of the holders of such receipts, and rated or assessed in its highest Rating Category by S&P, Fitch and Moody's, if then rating the Airport Obligations to be issued pursuant to the Bond Ordinance.

"*Gross Airport Revenues*" means all income and revenues derived directly or indirectly by the City from the operation of the Airport, or any part of the Airport, including income and revenues resulting from improvements, extensions, enlargements, repairs or betterments or additions to the Airport. The term Gross Airport Revenues also includes: (i) unencumbered funds from Net Revenues of prior Fiscal Years (including amounts from the Capital Fund) deposited in or credited to the Revenue Fund but in an amount not to exceed 20% of the Debt Service Requirements of Airport Obligations for the Fiscal Year in which the deposit is made, to the extent directed by the City's Director of Finance and Administrative Services, or his or her successor in function; (ii) all revenues received by the City from the Airport, including, without limitation, all rentals, fees, passenger taxes (except as provided in clause (y) of this definition), rates or other charges for the use of the Airport, or for any service rendered by the City in the operation thereof; (iii) all income or revenue derived from any motor vehicle parking lot or other parking facility now owned or hereafter acquired or constructed by the City located at the Airport; (iv) all income derived from the investment of any money in the Revenue Fund and all interest income credited or transferred to the Revenue Fund; and (v) the proceeds of use and occupancy insurance, if any, carried by the City for the Airport. The term Gross Airport Revenues also includes revenues from passenger facility charges or other similar charges or taxes available to pay applicable Airport Obligations to the extent directed by the City's Director of Finance and Administrative Services, or his successor in function. The term Gross Airport Revenues does not include: (x) rents (other than ground rents and other money paid to the City in lieu of ground rents) derived from any Special Facility until there has been defeasance of all Special Facilities Obligations payable from such Special Facility or related revenues or the lessees or operators thereof; (y) any money received as grants or gifts from the United States of America, the State or other sources, or the proceeds of any charge or tax intended as a replacement therefor (except to the extent directed otherwise by the City's Director of Finance and Administrative Services, or his successor in function, with respect to revenues from passenger facility charges or other similar charges or taxes available to pay applicable Airport Obligations) or other capital contributions from any source; and (z) condemnation proceeds or the proceeds of any insurance policy, except any insurance proceeds derived in respect of loss of use or business interruption.

"*Home Rule Powers*" means the powers of the City as a home rule city under authority given by Article X, Section 6 of the Constitution of the State and the City Charter.

"*Independent Accountant*" means any certified public accountant, registered accountant, or firm of such accountants duly licensed to practice and practicing as such under the laws of the State, appointed and paid by the City who (i) is, in fact, independent and not under the domination of the City, (ii) does not have any substantial interest, direct or indirect, with the City, and (iii) is not connected with the City as an officer or employee of the City, but who may be regularly retained to make annual or similar audits of the books or records of the City.

"*Insurer*" means any insurer or insurers issuing a Bond Insurance Policy or Surety Bond, or both, for Airport Obligations.

"*Junior Lien Obligations*" means all Airport Obligations, including Third Lien Parity Obligations, now or hereafter issued or incurred with a lien on the Net Revenues subordinate to the lien of Subordinate Parity Obligations on Net Revenues.

"*Net Rent Lease*" means a lease of airport property or facilities relating to Special Facilities entered into by the City pursuant to which the lessee agrees to pay to the City rentals during the term of the lease, and to pay all expenses of operation and maintenance relating to a Special Facility, including without limitation any insurance, property taxes, assessments, excise taxes and service charges now or hereafter lawfully levied, as provided in Section 26(B) of the Bond Ordinance.

"*Operation and Maintenance Expenses*" means all reasonable and necessary current expenses of the City, paid or accrued, of operating, maintaining and repairing the Airport and, with respect to Senior Parity Obligations, all amounts required to make timely and adequate rebate payments or payments of alternative amounts in lieu of rebate to the federal government. At the City's option (except as limited by law), Operation and Maintenance Expenses may include, without limiting the generality of the foregoing, legal and overhead expenses of the various City departments directly related and reasonably allocable to the administration of the Airport, insurance premiums of insurance policies relating to the Airport, salaries and administrative expenses, labor, the cost of material and supplies used for current operation of the Airport and ongoing administrative costs relating to Airport Obligations. If charged as an Operation and Maintenance Expense by the City, legal and overhead charges shall be determined in accordance with the City-wide administrative cost allocation plan then in effect. The term Operation and Maintenance Expenses shall not include: (i) any allowance for depreciation, payments in lieu of taxes, liabilities incurred by the City as a result of its negligence in the operation or construction of the Airport or any Airport Facility or any other ground of legal liability not based on contract; (ii) the costs of improvements, extensions, enlargements or betterments to the Airport; (iii) any reserves for capital replacements; (iv) any expenses incurred by lessees or licensees under Net Rent Leases; (v) any liability incurred with respect to the acquisition or improvement of the Airport; or (vi) any operation and maintenance expenses pertaining to Special Facilities.

"*Operation and Maintenance Reserve Requirement*" means an amount equal to one-sixth (1/6) of the total annual budgeted Operation and Maintenance Expenses as approved by the Council for each Fiscal Year.

"*Parity Obligations*" means Senior Parity Obligations, Subordinate Parity Obligations, Third Lien Parity Obligations, or any or all of them.

"*Permitted Investments*" means any of the following which at the time are legal investments for the City for the money to be invested:

(1) Government Obligations;

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

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

(4) Certificates of deposit, time deposits and banker's acceptances of any bank or savings and loan association, the short-term obligations of which are rated in the highest Rating Categories by S&P, Fitch and Moody's, if then rating the Series 2008 Bonds, provided that such deposits must be fully secured by securities designated in paragraphs (1), (2), (3) and (9) of this definition and held in safe-keeping for, or on behalf of, or held in book-entry form in the name of, the City;

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

(6) Obligations the interest on which is excluded from gross income of the recipient for federal income tax purposes which are rated in the highest Rating Category by S&P, Fitch and Moody's, if then rating the Series 2008 Bonds;

(7) Money market instruments and other securities of commercial banks, broker-dealers or recognized financial investors, which securities or institutions are rated in the highest Rating Category by S&P, Fitch and Moody's, if then rating the Series 2008 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, Fitch and Moody's, if then rating the Series 2008 Bonds, including, without limitation, securities of, or other interests in, any open-end or closed-end management type investment company or investment trust registered under the provisions of 15 U.S.C. Sections 80(a)-1 et. seq., which invest only in, or whose securities are secured only by, obligations of the type set forth in paragraphs (1), (2), (3) and (9) of this definition;

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

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

(10) Repurchase agreements involving the purchase and sale of, and guaranteed investment contracts, the par value of which is collateralized by a perfected first pledge of, or security interest in, or the payments of which are unconditionally guaranteed by, securities described in paragraphs (1), (2), (3) and (9) of this definition, which collateral is held by the City, or for the benefit of the City, by a party other than the provider of the guaranteed investment contract or repurchase agreement, with a collateralized value of at least 102% of the par value of such repurchase agreement or guaranteed investment contract or 102% of the market value thereof, valued at intervals of no less than monthly and which collateral is not subject to any other pledge or security interest; and

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

(12) Agreements which permit the City to require a commercial bank, broker-dealer or recognized financial institution to purchase from the City at a fixed price obligations described in paragraphs (1), (2), (3) and (9) of this definition; provided that, if required by law, the contract relating to such agreement is approved by resolution of the Council and all other requirements of law relating to any such investment are satisfied and provided further that such institution, or the guarantor of such institution or agreement, shall be rated in

one of the top two Rating Categories by S&P, Fitch and Moody's, if then rating the Series 2008 Bonds, or by another national rating agency.

"*Qualified Counterparty*" means any Person entering into a Qualified Exchange Agreement with the City, its successors and assigns, or any substitute Qualified Counterparty, appointed or consented to from time to time by an Authorized Officer.

"*Qualified Exchange Agreement*" means any financial arrangement between the City and a Qualified Counterparty which satisfies the requirements of the Exchange Act at the time the agreement is entered into.

"*Rating Category*" means a generic securities rating category, without regard, in the case of a long-term rating category, to any refinement or gradation of such long-term rating category by a numerical modifier or otherwise.

"*Record Date*" means the fifteenth day of the calendar month immediately preceding each Interest Payment Date.

"*Revenue Fund*" means the "City of Albuquerque Airport Revenue Fund" continued in the Section 16 (formerly designated as the "City of Albuquerque, New Mexico, Metropolitan Airport Gross Income Fund" under Section 18 of Ordinance No. 2287). The Revenue Fund is the fund from which Gross Airport Revenues are withdrawn to pay Airport Obligations.

"*Senior Parity Obligations*" means the Series 2004B Bonds, the Series 2001 Bonds, the Series 1998 Bonds, the Series 1997 Bonds, and any other Airport Obligations issued or incurred after the adoption of the Bond Ordinance payable from the Net Revenues, including the Series 2008 Bonds, and issued with a lien on the Net Revenues on a parity with the lien on Net Revenues of the Series 2008 Bonds and prior to the lien on Net Revenues of Subordinate Parity Obligations.

"*Series 1995 Bonds*" means the "City of Albuquerque, New Mexico Airport Subordinate Lien Adjustable Tender Refunding Revenue Bonds, Series 1995."

"*Series 1997 Bonds*" means the "City of Albuquerque, New Mexico Airport Refunding Revenue Bonds, Series 1997."

"*Series 1998 Bonds*" means the "City of Albuquerque, New Mexico Governmental Purpose Airport Refunding Revenue Bonds, Series 1998."

"*Series 2000A Bonds*" means the "City of Albuquerque, New Mexico Subordinate Lien Adjustable Rate Governmental Purpose Airport Revenue Bonds, Series 2000A"

"*Series 2000B Bonds*" means the "City of Albuquerque, New Mexico Subordinate Lien Adjustable Rate Taxable Airport Revenue Bonds, Series 2000B."

"Series 2001 Bonds". The "City of Albuquerque, New Mexico Airport Refunding Revenue Bonds, Series 2001."

"Series 2004A Bonds". The "City of Albuquerque, New Mexico Subordinate Lien Taxable Refunding Bonds, Series 2004A."

"Series 2004B Bonds". The "City of Albuquerque, New Mexico Senior Lien Improvement Bonds, Series 2004B (AMT)."

"*Special Facilities*" means hangars, aircraft overhaul, maintenance and repair shops, storage facilities, garages, and other buildings, structures, hotels and other commercial or industrial enterprises owned by Persons other than the City, facilities and appurtenances, being a part of or related to the Airport, now or hereafter constructed, purchased or otherwise acquired, and financed wholly or in part with the proceeds of Special Facilities Obligations.

"Special Facilities Obligations" means bonds or other obligations payable solely from all or a portion of the rentals received from any one or more Net Rent Leases appertaining to Special Facilities including, without limitations, bonds issued by the City in accordance with Section 103(a) and Sections 141 through 150 of the Code or any successor thereto.

"*Subordinate Parity Obligations*" means (i) the Series 2004A Bonds, the Series 2000A Bonds, the Series 2000B Bonds, and the Series 1995 Bonds; (ii) any fixed exchange rate payments and exchange termination payments (when due and payable) required to be made by the City under the terms of the AIG Exchange Agreement; and (iii) any other Airport Obligations issued or incurred after the adoption of the Bond Ordinance payable from the Net Revenues and issued with a lien on the Net Revenues on a parity with the lien on Net Revenues of the Series 2004A Bonds, the Series 2000A Bonds, the Series 2000B Bonds, and the Series 1995 Bonds.

"*Surety Bond*" means any policy of insurance or surety bond with respect to a series of Airport Obligations guaranteeing certain payments into the Debt Service Reserve Fund with respect to that series of Airport Obligations, purchased to satisfy, in whole or in part, the reserve requirement for that series or to replace any money on deposit in a Debt Service Reserve Account. Each reference to a Surety Bond with respect to the Series 2008 Bonds in the Bond Ordinance refers to the Surety Bond relating to such Bonds issued by Financial Security Assurance.

Registration, Transfer, Exchange and Ownership

The City shall cause books for registration, transfer and exchange of the Series 2008 Bonds to be kept at the principal office of the Registrar. Upon surrender for transfer or exchange of any Series 2008 Bonds at the principal office of the Registrar duly endorsed by the Owner or his attorney duly authorized in writing, or accompanied by a written instrument or instruments of transfer or exchange in form satisfactory to the Registrar and properly executed, the City shall execute and the Registrar shall authenticate and deliver in the name of the transferee or Owner a new Series 2008 Bond or Bonds of the same maturity, interest rate and same aggregate principal amount in Authorized Denominations.

The person in whose name any Series 2008 Bond is registered shall be deemed and regarded as its absolute Owner for all purposes, except as may otherwise be provided with respect to the payment of interest on Series 2008 Bonds in Section 5(C) of the Bond Ordinance. Payment of the principal on any Series 2008 Bonds shall be made only to or upon the order of its Owner or his legal representative. All such payments will be valid and effectual to satisfy and discharge the liability on Series 2008 Bonds to the extent of the amount paid.

If any Series 2008 Bond is lost, stolen, destroyed or mutilated, the Registrar, upon receipt of that Series 2008 Bond if mutilated, and evidence, information or indemnity which the Registrar may reasonably require, is to authenticate and deliver a replacement Series 2008 Bond or Bonds of the same aggregate principal amount, maturity and interest rate, bearing a number or numbers not then outstanding. If any lost, stolen, destroyed or mutilated Series 2008 Bond has matured or been called for redemption, the Registrar may direct the Paying Agent to pay that Series 2008 Bond in lieu of replacement.

Exchanges and transfers of Series 2008 Bonds are to be made without charge to the Owner or any transferee except that the Registrar may make a charge sufficient to reimburse the Registrar for any tax, fee or other governmental charge required to be paid with respect to that transfer or exchange.

The Fiscal Agent will not be required to transfer or exchange (a) any Series 2008 Bonds during the five-day period preceding the mailing of notice calling Series 2008 Bonds for redemption and (b) any Series 2008 Bonds called for redemption.

Funds and Accounts

The Bond Ordinance continues or creates the following funds and accounts, all of which are held by the City: the Revenue Fund (including the Operation and Maintenance Reserve Account), the Senior Debt Service Fund (and creates within the Senior Debt Service Fund a separate Interest Account, Principal Account, Redemption Account and Reserve Account for the Series 2008 Bonds), and the Capital Fund.

Debt Service Reserve Accounts

Amounts available in the Revenue Fund may be deposited in each Debt Service Reserve Account for Senior Parity Obligations to fund, and shall be deposited to replenish, the debt service reserve requirement of any series of Senior Parity Obligations. Any amount transferred from any such Debt Service Reserve Account for the payment of Debt Service Requirements on a series of Senior Parity Obligations is to be reimbursed or replaced from amounts available in the Revenue Fund no later than the end of the next full Fiscal Year, or within such other period of time as set forth in the ordinance or resolution of the City authorizing the issuance of the applicable series of Senior Parity Obligations.

Application of Gross Airport Revenues

All Gross Airport Revenues, upon their receipt from time to time by the City, are to be set aside and credited immediately to the Revenue Fund. Gross Airport Revenues shall first be used by the City to pay Operation and Maintenance Expenses, including timely and adequate rebate payments or alternative amounts in lieu of rebate to the federal government for each series of Senior Parity Obligations.

So long as any Senior Parity Obligations are outstanding, the Net Revenues are to be paid or credited to the Senior Debt Service Fund, to be used for payment of the following amounts in the following order of priority and at the following times:

(i) prior to each Interest Payment Date, to the Interest Account for each series of Outstanding Senior Parity Obligations, the amount necessary to pay the next maturing installment of interest;

(ii) with the same priority as payments to the Interest Accounts, prior to each principal payment date, to the Principal Account for each series of Outstanding Senior Parity Obligations, the amount necessary to pay the next regularly scheduled installment of principal, whether at maturity or a mandatory sinking fund redemption date;

(iii) with the same priority as payments to the Interest Accounts and the Principal Accounts, prior to the respective due dates, to the Principal Accounts and the Interest Accounts for the applicable series of Senior Parity Obligations, the amounts necessary to pay or reimburse the provider of a credit or liquidity facility for payments of Debt Service Requirements (but not the tender price) on Senior Parity Obligations made by their facility provider;

(iv) no later than the end of the next full Fiscal Year, to each Debt Service Reserve Account for Senior Parity Obligations, amounts sufficient to replenish the debt service reserve requirement of any series of Senior Parity Obligations;

(v) to the extent not required to be paid pursuant to any other provision described in (i) - (iv) above, amounts on deposit in the Revenue Fund shall be used, as necessary, to pay (A) obligations owed by the City to the provider of a credit or liquidity facility for Senior Parity Obligations, including the tender price of, and certain interest payments on, Senior Parity Obligations paid by that facility provider and (B) fees, expenses and interest owed by the City to any other provider of fiscal services for a series of Senior Parity Obligations. Amounts from the Revenue Fund to be used to pay interest as described in this paragraph (v) are to be deposited by the City into a separate account maintained by the City on or before the due date thereof.

As long as any Subordinate Parity Obligations are Outstanding, amounts on deposit in the Revenue Fund shall be paid or credited to the Subordinate Debt Service Fund, or used for payment of the amounts and with the priority set forth in Section 31(C) of City Ordinance Enactment No. 61-1995 or, after all obligations of the City payable pursuant to that ordinance have been paid or are deemed to be paid as set forth therein, shall be paid using the priority set forth in any subsequent ordinance of the City authorizing the issuance of Subordinate Parity Obligations.

After making the payments described above, as long as any Junior Lien Obligations are Outstanding, amounts on deposit in the Revenue Fund shall be used, as necessary, to pay Debt Service Requirements, costs, expenses, reserve requirements and other payments on, or relating to, Junior Lien Obligations as set forth in City ordinances authorizing the issuance of the Junior Lien Obligations.

The City shall accumulate and maintain in the Operation and Maintenance Reserve Account an amount equal to the Operation and Maintenance Reserve Requirement. The City shall continue to credit to the Operation and Maintenance Reserve Account annually while any Parity Obligations are outstanding until the Operation and Maintenance Reserve Requirement has been met, an amount not less than 1/3 of the then current Operation and Maintenance Reserve Requirement. Any deficiency in the Operation and Maintenance Reserve Account is to be replenished from amounts available for that purpose in the Revenue Fund.

Any money remaining in the Revenue Fund after making or crediting the payments referred to above shall be deposited in the Capital Fund and shall be used only for payment of Operation and Maintenance Expenses, payment of Debt Service Requirements, the purchase price and the redemption price of Airport Obligations, the payment of expenses relating to the Airport and Airport Obligations, to fund necessary reserves relating to the Airport and Airport Obligations, to finance or pay for Airport improvements and for other Airport purposes.

General Administration of Funds

Certain funds created or continued in the Bond Ordinance are to be administered as follows:

Investment of Money

Any money in any account created or continued in Section 16 of the Bond Ordinance, other than the Capital Fund, shall be invested in Permitted Investments. Money on deposit in the Capital Fund may be invested as determined by the City in compliance with applicable law. Investments purchased using money in any such fund or account shall be deemed at all times to be part of that fund or account. Interest accruing thereon and any profit realized therefrom are to be credited as follows:

(i) Revenue Fund, including the Operation and Maintenance Reserve Account, to the Revenue Fund;

(ii) Rebate Fund, remains in the Rebate Fund as set forth in the ordinance authorizing the issuance of Airport Obligations;

(iii) unless otherwise required by ordinance or resolution of the City relating to a series of Parity Obligations, Interest Account, Principal Account and Redemption Account for a series of Parity Obligations, to the Revenue Fund;

(iv) unless otherwise required by ordinance or resolution of the City relating to a series of Parity Obligations, Debt Service Reserve Account, to the extent the amount on deposit in that account is in excess of the reserve requirement, if any for that series, to the Principal Account or Interest Account for that series of Parity Obligations to be used to pay the Debt Service Requirements next becoming due on that series;

(v) Capital Fund, remains in the Capital Fund.

Any loss resulting from such investment is to be charged to the applicable fund or account. The City Treasurer is to present for redemption or sale on the prevailing market any obligations purchased as an investment of money in the applicable fund or account whenever it shall be necessary to do so in order to provide money to meet any payment or transfer from such fund or account. Neither the City Treasurer nor any other officer of the City shall be liable or responsible for any loss resulting from any such investment made in accordance with the Bond Ordinance.

Deposits of Funds and Valuation

The money and investments deposited in the funds and accounts created or continued in Section 16 of the Bond Ordinance shall be maintained and kept in one or more Insured Banks. Each payment shall be made into and credited to the proper fund or account at the designated time, except that when the designated time is not a Business Day, then such payment is to be made on the next succeeding Business Day. Nothing herein shall prevent the establishment of one or more such funds or accounts in Insured Banks for all of the accounts designated in Section 16 of the Bond Ordinance. The “value” of Permitted Investments is to be determined at least every six months in accordance with the Bond Ordinance.

Protective Covenants

The City has covenanted and agreed in the Bond Ordinance to certain matters, including the following:

Records and Right to Inspect

So long as any Parity Obligations remain Outstanding, proper books of record and account will be kept by the City, separate and apart from all other records and accounts, showing complete and correct entries of all transactions relating to the Airport. Any Owner of Parity Obligations and the Insurer, or any duly authorized agent or agents of such Owner or the Insurer, will have the right at all reasonable times to inspect all records, accounts and data relating to Parity Obligations and to inspect the Airport and all properties comprising the Airport.

Competent Management

The City will at all times endeavor to employ in connection with the operation of the Airport in executive and managerial capacities only persons competent therefor by reason of training and experience. The City's Director of Aviation must be certified as an Accredited Airport Executive (AAE) by the American Association of Airport Executives, or must have similar accreditation from a successor or similar organization in function, if any, or must otherwise possess the expertise, by reason of skill and experience, necessary to efficiently manage and operate municipal airports similar to the Airport. The City will administer the Airport in accordance with sound business principles. Unless an Authorized Officer determines in writing that it is not in the best interest of the City and the Airport to do so, the City will also, insofar as it may legally do so, maintain, preserve, keep and operate the Airport, or cause the Airport to be maintained, preserved, kept and operated in such manner as will qualify the Airport to receive maximum financial aid from the United States Government, or any department or agency thereof, which aid it will seek and procure if available on fair and reasonable terms which are not inconsistent with the provisions of the Bond Ordinance and which promote the overall financial interests of the Airport.

Insurance and Eminent Domain Proceeds

The City in its operation of the Airport will carry fire and extended coverage insurance and all insurance on the Airport which is customarily maintained with respect to facilities of like character against accident to, loss of or damage to the Airport with insurers of recognized responsibility, licensed or permitted to do business in the State of New Mexico. The City will also maintain, as provided by law, insurance or a self-insurance fund to cover worker's compensation and public liability insurance. The cost of such insurance shall be considered one of the Operation and Maintenance Expenses. The City may provide the coverage required through a program of self-insurance, or insurance maintained by the City, in compliance with the requirements of applicable State and City law. Proceeds of fire and extended coverage insurance and proceeds resulting from eminent domain proceedings will be, at the election of the City, applied to promptly replace, repair, rebuild or restore the Airport to substantially the same condition as that which existed prior to such damage, destruction or taking, with such alterations and additions as the City may determine and as will not adversely affect the City's ability to comply with the Rate Covenant, provided that prior to the commencement of such replacement, repair, rebuilding or restoration, the City shall obtain a report of an Airport Consultant setting forth (a) an estimate of the total cost the same, (b) the estimated date upon which such replacement, repair, rebuilding or restoration will be substantially complete, and (c) a statement to the effect that proceeds, together with other funds made available or to be made available by the City, are projected to be sufficient to pay the costs of the replacement, repair, rebuilding, or restoration of the Airport; or

If (a) the Airport has been restored to substantially the same condition as prior to such damage, destruction or taking or (b) the City has determined that the portion of the Airport damaged, destroyed or taken is not necessary to the operation of the Airport and that the failure of the City to repair or restore the same will not impair or otherwise adversely affect the revenue-producing capability of the Airport; or (c) the Airport Consultant has been unable to make the statement required by clause (c) of the preceding subparagraph, then the City shall deposit any proceeds not used for the purposes stated in subparagraph above in the redemption account established for each series of Outstanding Senior Parity Obligations and the proceeds shall be used to redeem Parity Bonds in accordance with Section 6.(C) of the Bond Ordinance. Such proceeds will be applied first to the redemption of all series of Outstanding Senior Parity Obligations on a pro rata basis measured with respect to the ratio of the principal amount of Senior Parity Obligations outstanding. Any remaining proceeds will be applied to the redemption of each series of Outstanding Subordinate Parity Obligations on a pro rata basis measured with respect to the ratio of the principal amount of Outstanding Subordinate Parity Obligations of each series Outstanding to the total principal amount of all Subordinate Parity Obligations Outstanding. Any remaining proceeds will be applied to the redemption of each series of Outstanding Junior Lien Obligations on a pro rata basis measured with respect to the ratio of the principal amount of Outstanding Junior Lien Obligations, of each series Outstanding to the total principal amount of all Junior Lien Obligations Outstanding.

Alienation of Airport

The City will not sell, lease, mortgage, pledge or otherwise encumber, or in any manner dispose of, or otherwise alienate, the Airport, or any part thereof, including any and all extensions and additions that may be made thereto until all Series 2008 Bonds have been paid in full or unless provision has been made therefor. However, the City may lease any part of the Airport for Airport purposes or purposes related to the Airport, the City may lease Special Facilities financed with the proceeds of Special Facilities Obligations and may sell or lease any portion of the Airport property which has been replaced by other property of at least equal value, or which ceases to be necessary for the efficient operation of the Airport, but in no manner nor to such extent as might prejudice the security for the payment of the Series 2008 Bonds. In the event of any such disposition, the proceeds thereof will be deposited in or credited to the Revenue Fund or, at the option of the City, first, in the Redemption Account for any series of Senior Parity Obligations and used to redeem Senior Parity Obligation at the option of the City and second, in the Redemption Account for any series of Subordinate Parity Obligations and used to redeem Subordinate Parity Obligations at the option of the City, on the same pro rata basis as set forth in subparagraph (I)(2) of Section 25 of the Bond Ordinance, and third, in the Redemption Account for any series of Junior Lien Obligations and used to redeem Junior Lien Obligations at the option of the City on the same pro rata basis as set forth in subparagraph (I)(2) of Section 25 of the Bond Ordinance. Any such permitted sale or lease shall not adversely affect any exclusion of interest on tax-exempt Airport Obligations from gross income for federal income tax purposes pursuant to Section 103(a) of the Code.

Payment of Taxes, Assessments and Other Charges

As part of the Operation and Maintenance Expenses, the City will pay when due all taxes and assessments or other municipal or governmental charges, if any, lawfully levied or assessed upon or in respect to the Airport, or any part thereof, or upon any Gross Airport Revenues. The City will duly observe and comply with all valid requirements of any municipal or governmental authority relative to the Airport, or to any part thereof. The City will not create or permit any lien or charge on the Airport or on the Gross Airport Revenues, except existing liens and charges set forth in the Bond Ordinance and the liens for and charges of the Airport Obligations authorized to be issued pursuant to Sections 23 and 24 of the Bond Ordinance. The City will make adequate provision to satisfy and discharge, within sixty (60) days after the same accrue, all lawful claims and demands for labor, materials, supplies or other objects which, if unpaid, might by law become a lien upon the Airport or upon the Gross Airport Revenues. However, the City will not be required to pay or cause to be discharged or to make provision for any such tax, assessment, lien or charge before the time when payment thereon is due, or as long as the validity thereof is contested in good faith by appropriate legal proceedings.

Governmental Approval

The City will maintain and operate the Airport at required governmental standards in order that the Airport may be approved by the proper federal governmental authority for the landing and departure of aircraft operating in scheduled service, or otherwise, and as a terminal point for the City for the receipt and dispatch of passengers, property and mail by aircraft.

Operation and Maintenance Expenses of Airport

The City, as far as it may legally do so, will operate the Airport in a sound and economical manner and will maintain and preserve the Airport, or cause the Airport (and Special Facilities) to be maintained and preserved, in good repair, working order and sanitary condition, free from obstructions, in a manner suitable for air transport operations. The City will also, from time to time, make or cause to be made all necessary and proper repairs, replacements, and renewals so that at all times the operation of the Airport may be properly and advantageously conducted in conformity with standards customarily followed by municipalities operating airport facilities of like size and character.

Events of Default and Remedies

Each of the following events is an “event of default” under the Ordinance: (i) failure of the City to pay Parity Obligations when the same become due and payable; (ii) the City shall for any reason be rendered incapable of performing its obligations under the Bond Ordinance; and (iii) default by the City in the due and punctual performance of its covenants or conditions, agreements and provisions contained in the Series 2008 Bonds or the Bond Ordinance, and the continuance of such default (other than a default set forth in (i) and (ii) for 60 days after written notice specifying such default and requiring the same to be remedied has been given to the City by the Owners of 25% in aggregate principal amount of the Series 2008 Bonds then Outstanding or by the Insurer.

Upon the happening and continuance of any Event of Default, the Insurer or the Owners of not less than 25% in aggregate principal amount of the Series 2008 Bonds then Outstanding affected by the Event of Default, including but not limited to a trustee or trustees therefor, with the consent of the Insurer may proceed against the City, the Council, and its agents, officers and employees to:

(i) protect and enforce the rights of the Owners by mandamus or other suit, action or special proceedings in equity or at law, in any court of competent jurisdiction, either for the appointment of a receiver or for the specific performance of any covenant or agreement contained in the Bond Ordinance or for the enforcement or any proper legal or equitable remedy as those Owners or the Insurer may deem necessary or desirable to protect and enforce their respective rights,

(ii) enjoin any act or thing which may be unlawful or in violation of any right of any Owner,

(iii) require the Council to act as if it were the trustee of an express trust, or

(iv) any combination of those remedies.

All proceedings are to be instituted and maintained for the equal benefit of all Owners of the Series 2008 Bonds then Outstanding. The failure of the Insurer or an Owner to exercise any right granted by the Bond Ordinance shall not relieve the City of any obligation to perform any duty. Each right or privilege of the Insurer or any such Owner (or trustee or receiver therefor) is in addition and cumulative to any other right or privilege and the exercise of any right or privilege by or on behalf of the Insurer or any Owner shall not be deemed a waiver of any other right or privilege of the Insurer or such Owner.

No remedy in the Bond Ordinance is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative, and shall be in addition to every other remedy given under the Bond Ordinance or now or hereafter existing at law or in equity or by statute.

All rights, remedies and powers provided by the Bond Ordinance may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law, and all the provisions relating to an Event of Default or the exercise of remedies upon the occurrence of an Event of Default are intended to be subject to all applicable provisions of law which may be controlling and to be limited to the extent necessary so that they will not render the Bond Ordinance invalid or unenforceable under the provisions of any applicable law.

Upon the happening of any Event of Default, the City will do and perform all proper acts on behalf of and for the Owners to protect and preserve the security created for the payment of the Series 2008 Bonds and Payment Obligations and to insure the payment of the Debt Service Requirements promptly as the same become due. The Owners of not less than 25% in aggregate principal amount of the Outstanding Series 2008 Bonds, after written demand, may proceed to protect and enforce the rights provided by Section 29 of the Bond Ordinance.

Application of Money

All money received with respect to any right given or action taken under the provisions of the Bond Ordinance after the occurrence, and during the continuance of an Event of Default with respect to the Series 2008 Bonds, except as otherwise specified in the Bond Ordinance, after payment of the costs, fees and expenses of the proceeding resulting in the collection of such money, are to be deposited in the Series 2008 Bond Principal Account and Series 2008 Bond Interest Account and applied to the payment of such Series 2008 Bonds. The proceeds of any Series 2008 Bond Insurance Policy and of any Series 2008 Surety Bond shall be used only to pay Debt Service Requirements on the Series 2008 Bonds.

Whenever money is to be applied after the occurrence and during the continuance of an Event of Default with respect to the Series 2008 Bonds, it shall be applied at such times, and from time to time, as the Paying Agent determines, having due regard to the amount of money available for application and the likelihood of additional money becoming available in the future. Whenever the Paying Agent determines to apply such money, that Paying Agent shall fix a Special Record Date and the date (which shall be an Interest Payment Date unless that Paying Agent deems another date more suitable) upon which payment is to be made and on such date interest on the amounts of principal to be paid on such dates shall cease to accrue. That Paying Agent is to give notice to the Owners of the deposit of any such money and of the fixing of any such date, and will not be required to make payment of principal to the Owner of any Series 2008 Bonds until presented to the Paying Agent for appropriate endorsement or for cancellation if fully paid.

Bonds Not Presented When Due

If any Series 2008 Bonds are not duly presented for payment when due at maturity or on the redemption date thereof, and if money sufficient to pay such Series 2008 Bonds is on deposit with the Paying Agent for the benefit of the Owners of such Series 2008 Bonds, and in the case of Series 2008 Bonds to be redeemed, if notice of redemption has been given as provided in the Bond Ordinance, all liability of the City to such Owners for the payments of such Series 2008 Bonds will be completely discharged, such Series 2008 Bonds will not be deemed to be outstanding and it will be the duty of the Paying Agent to segregate and to hold such moneys in trust, without liability for interest thereon, for the benefit of the Owners of such Series 2008 Bonds.

Amendment of Bond Ordinance

Limitations upon Amendments

Prior to any Series 2008 Bonds being issued, the Bond Ordinance may be amended by ordinance or resolution of the Council. After the Series 2008 Bonds have been issued, the Bond Ordinance may be amended by ordinance or resolution of the Council without the consent of Owners but with the consent of the Insurer if not in default in its respective payment obligations under or relating to the Bond Insurance Policy or Surety Bond:

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

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

(iii) To obtain or maintain a rating or shadow rating on any Series 2008 Bonds from any rating agency which amendment, in the judgment of Bond Counsel, does not materially adversely affect the Owners;

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

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

(vi) To make changes in procedural matters relating to any Bond Insurance Policy or Surety Bond.

Additional Amendments

Except as provided above, the Bond Ordinance may only be amended or supplemented by ordinance adopted by the Council, without receipt of the City or any additional consideration, but with the written consent of the Owners of a majority of the principal amount of the Outstanding Series 2008 Bonds which are affected by the amendment or supplement (not including Series 2008 Bonds which are then owned by or for the account of the City) and of the Insurer, if not in default in its payment obligations under the Bond Insurance Policy or Surety Bond. However, no such ordinance shall have the effect of permitting:

(i) An extension of the maturity of any Series 2008 Bonds; or

(ii) A reduction in the principal amount of, premium, if any, or interest rate on any Series 2008 Bonds; or

(iii) The creation of a lien on or a pledge of Net Revenues ranking prior to the lien or pledge of Senior Parity Obligations on Net Revenues; or

(iv) A reduction of the principal amount of Series 2008 Bonds required for consent to such amendment or supplement.

Notice of Amendment

Notice of a proposed amendment requiring the consent of the Owners shall be mailed to the Insurer, if not in default in its payment obligations under the Series 2008 Bond Insurance Policy or Series 2008 Surety Bond and the Owners of the Series 2008 Bonds then Outstanding affected by the amendment at their addresses as the same last appear in the registration books kept by the Registrar. Such notice is to briefly set forth the nature of the proposed amendment and shall state that copies of the instrument pertaining to such amendment are on file at the principal corporate office of the Registrar for inspection by all Owners. If, within 60 days or such longer period as shall be prescribed by the City following the giving of such notice, the requisite percentage of Owners affected by the amendment and the Insurer have consented to and approved the amendment, the amendment shall become effective and no Owner will have any right to object to such amendment, or the operation thereof.

Defeasance

If, when all Series 2008 Bonds become due and payable in accordance with their terms or otherwise as provided in the Bond Ordinance and the entire amount of the principal of, premium, if any, and interest due and payable on all the Series 2008 Bonds is paid or if provisions are made for the payment thereof when due and payable, and all other sums payable under the Bond Ordinance (including amounts owed to any Series 2008 Insurer) are paid, then all covenants, agreements and other obligations of the City to the Owners and the Insurer shall cease, terminate and become void and be discharged and satisfied. However, the covenants of the Bond Ordinance relating to the rebate requirements of Section 148(f) of the Code will survive until all applicable requirements have been satisfied.

When all principal, interest and prior redemption premium, if any, in connection with any Series 2008 Bond has been duly paid or provided for, the pledge and lien of the Bond Ordinance, and all obligations under the Bond Ordinance shall be discharged with respect to that Series 2008 Bond and that Series 2008 Bond will no longer be deemed to be Outstanding within the meaning of the Bond Ordinance. There shall be deemed to be such due payment or to be adequate provisions for the prompt and complete payment of a Series 2008 Bond when the City has placed in escrow and in trust with a commercial bank or trust company located within or without the state and exercising trust powers, an amount sufficient (including the known minimum yield from Defeasance Obligations in which such amount may be initially invested) to meet all requirements of principal, interest and prior redemption premium, if any, on that Series 2008 Bond as the same becomes due to its final maturity or upon the designated prior redemption date. The Defeasance Obligations must become due prior to the respective times at which the proceeds thereof shall be needed, in accordance with a schedule established and agreed upon between the City and such bank or trust company at the time of creation of the escrow, or the Defeasance Obligations shall be subject to redemption at the option of the owners thereof to assure such availability as so needed to meet such schedule.

APPENDIX C

FORM OF OPINIONS OF BOND COUNSEL AND SPECIAL TAX COUNSEL

FORM OF OPINION OF BOND COUNSEL

March 11, 2008

City of Albuquerque
Albuquerque, New Mexico

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Albuquerque, New Mexico (the "City") of its $13,640,000 Airport Refunding Revenue Bonds, Series 2008 (the "Series 2008 Bonds"). The proceeds of the Series 2008 Bonds, together with other legally available funds, will be used to partially refund the City of Albuquerque, New Mexico Airport Refunding Revenue Bonds, Series 1997.

The Bonds are issued pursuant to the Constitution and laws of the State of New Mexico (the "State"), the home rule powers of the City derived from the City Charter and the Constitution of the State, and City Ordinance Enactment No. F/S O-07-108 adopted February 4, 2008 (the "Bond Ordinance"). Capitalized terms used but not defined herein have the meanings attributed to them in the Bond Ordinance.

We have examined the Bond Ordinance and such other law and certified proceedings and other documents, including certifications of the City and others and including an opinion of the City Attorney, as we deem necessary to render this opinion.

Based on our examination, we are of the opinion that, under the law existing on the date of this opinion:

1. When issued, the Series 2008 Bonds will be valid and binding special and limited obligations of the City and will be issued in accordance with the Bond Ordinance and the City Charter.
2. The principal of, premium, if any, and interest on the Bonds will be payable or reimbursable solely from, and such payment is secured by, a pledge (but not an exclusive pledge) of the Gross Revenues, less Operation and Maintenance Expenses, and, to the extent stated in the Bond Ordinance, certain of the funds and accounts created or continued in the Bond Ordinance. The owners of the Bonds have no right to have taxes levied by the City for the payment of principal of or interest on the Bonds, and the Bonds do not represent or constitute a debt or a pledge of, or a charge against, the general credit of the City.
3. The Series 2008 Bonds are Senior Parity Obligations (as defined in the Bond Ordinance).

There are additional Senior Parity Obligations outstanding and there are Subordinate Parity Obligations outstanding. Upon satisfaction of the conditions set forth in the Bond Ordinance, additional Senior Parity Obligations, additional Subordinate Parity Obligations, and Junior Parity Obligations may be issued.

The binding effect and enforceability of the Bonds are subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, now or hereafter in effect, and to the exercise of judicial discretion and the application of other judicial or equitable remedies.

We express no opinion as to the excludability of interest on the Bonds from gross income for federal income tax purposes. In giving the above opinions, we have relied on the opinion of Kutak Rock LLP, dated the same date as the date of this opinion, as to the excludability of interest on the Series 2008 Bonds.

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. We do not express any opinion as to the laws of any other jurisdiction. 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. We call your attention to the fact that our opinions are an expression of professional judgment and not a guarantee of a result.

Very truly yours,

FORM OF OPINION OF SPECIAL TAX COUNSEL

[Closing Date]

City of Albuquerque
Albuquerque, New Mexico

$13,640,000
City of Albuquerque, New Mexico
Airport Refunding Revenue Bonds
Series 2008

Ladies and Gentlemen:

We have acted as Special Tax Counsel in connection with the issuance and sale by the City of Albuquerque, New Mexico (the "City") of $13,640,000 aggregate principal amount of its City of Albuquerque, New Mexico Airport Refunding Revenue Bonds Series 2008 (the "Series 2008 Bonds"). The proceeds of the Series 2008 Bonds, together with certain other available moneys of the City, are being used to (a) current refund and defease $14,565,000 aggregate principal amount of the City's outstanding Airport Refunding Revenue Bonds, Series 1997 and (b) finance certain costs of issuance of the Series 2008 Bonds.

In connection with the delivery of this opinion, we have examined the laws of the State of New Mexico and the Untied States of America relevant to the opinions herein; a certified copy of the record of the proceedings of the City with respect to the issuance of the Series 2008 Bonds, including a certified copy of City Council Bill No. F/S O-07-108, Ordinance Enactment No. ____________, adopted by the City Counsel of the City on February 4, 2008 (the "Bond Ordinance"); the Tax Compliance Certificate dated this date and executed by the City relating to the Series 2008 Bonds (the "Tax Certificate"); and such other documents as we deemed relevant and necessary in rendering this opinion.

We have assumed the accuracy and truthfulness of all public records and of all certifications, documents and other proceedings examined by us, and we have not independently verified the accuracy or truthfulness thereof. We have also assumed the genuineness of the signatures appearing upon such records, certifications, documents and proceedings.

From such examination, we are of the opinion that:

1. Under existing laws, regulations, rulings and judicial decisions, interest on the Series 2008 Bonds is excluded from gross income for federal income tax purposes; except that such exclusion does not apply with respect to interest on any Series 2008 Bonds for any period during which such Series 2008 Bonds are held by a person who is a "substantial user" of the facilities financed and refinanced by the Series 2008 Bonds or a person "related" to such substantial user within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Series 2008 Bonds constitutes an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations by the Code.

2. Under existing laws, regulations, rulings and judicial decisions, interest on the Series 2008 Bonds is exempt from New Mexico state income taxes.

The opinions set forth in paragraphs 1 and 2 above are given in reliance on the opinions of Brownstein Hyatt Farber Schreck, LLP, Bond Counsel, as to the valid issuance of the Series 2008 Bonds and assume the continued compliance by the City with certain requirements of the Code and certain covenants regarding federal tax law contained in the Bond Ordinance and the Tax Certificate that must be met subsequent to the issuance of the Series 2008 Bonds. Failure to comply with such covenants could cause interest on the Series 2008 Bonds to be included in gross income retroactive to the date of issue of the Series 2008 Bonds. Although we are of the opinion that interest on the Series 2008 Bonds is excluded from gross income for federal tax purposes, the accrual or receipt of interest on the Series 2008 Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences. We express no opinion regarding other federal or State of New Mexico tax consequences arising with respect to the Series 2008 Bonds.

We have not been engaged to prepare and have not assumed or undertaken responsibility for the preparation of the Official Statement for the Series 2008 Bonds. We have not performed an independent investigation to determine the accuracy, completeness or sufficiency of any information contained in the Official Statement. We have not been responsible for any description of the revenues or other sources of security for or other matters relating to any evaluation of the likelihood of payment of, or creditworthiness of, the Series 2008 Bonds or the adequacy of the security provided to owners of the Series 2008 Bonds. We also have not been engaged to review, and we did not review and do not opine on, the financial condition of the City, the Airport or any other party to the Series 2008 Bonds; the feasibility of the projects to be financed or refinanced with proceeds of the Series 2008 Bonds or the revenues or other sources of security for or other matters relating to an evaluation of the likelihood of payment of, or creditworthiness of the Series 2008 Bonds or the security provided to owners of the Series 2008 Bonds or the validity of the Series 2008 Bonds. We also have not been engaged to review, and we did not review and do not opine on, the validity of the Series 2008 Bonds or upon the validity of the pledge of Net Revenues securing the repayment of the Series 2008 Bonds.

The opinions expressed herein are based upon existing legislation as of the date hereof and we express no opinion as of any date subsequent hereto or with respect to any pending legislation.

This opinion is issued to and for the sole benefit of the above addressee and is issued for the sole purpose of the transaction specifically referred to herein. No person other than the above addressee may rely upon this opinion without our express prior written consent. This opinion may not be utilized by you for any other purpose whatsoever and may not be quoted by you without our express prior written consent. Our engagement with respect to the Series 2008 Bonds has concluded with their issuance. We assume no obligation to review or supplement this opinion subsequent to its date, whether by reason of a change in the current laws, by legislative or regulatory action, by judicial decision or for any other reason.

Very truly yours,

(THIS PAGE INTENTIONALLY LEFT BLANK)

APPENDIX D

SPECIMEN MUNICIPAL BOND INSURANCE POLICY
AND
SPECIMEN MUNICIPAL BOND DEBT SERVICE RESERVE INSURANCE POLICY

(THIS PAGE INTENTIONALLY LEFT BLANK)

FINANCIAL SECURITY ASSURANCE®

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS:

Policy No.: -N

Effective Date:

Premium: $

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of Financial Security, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, Financial Security will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by Financial Security, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in Financial Security. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, Financial Security shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

[Countersignature] FINANCIAL SECURITY ASSURANCE INC.

By ______________________ By ______________________
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd. (212) 826-0100
31 West 52nd Street, New York, N.Y. 10019

FINANCIAL SECURITY ASSURANCE®

MUNICIPAL BOND DEBT SERVICE RESERVE INSURANCE POLICY

ISSUER:

BONDS:

Policy No.: -R

Effective Date:

Premium: $

Termination Date:

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") as set forth in the documentation (the "Bond Document") providing for the issuance of and securing the Bonds, for the benefit of the Owners, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Financial Security will make payment as provided in this Policy to the Trustee or Paying Agent on the later of the Business Day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, in a form reasonably satisfactory to it. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Issuer, as appropriate, who may submit an amended Notice of Nonpayment. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy. Upon such payment, Financial Security shall become entitled to reimbursement of the amount so paid (together with interest and expenses) pursuant to the **[Bond Document] [Insurance Agreement]**.

The amount available under this Policy for payment shall not exceed the Policy Limit. The amount available at any particular time to be paid to the Trustee or Paying Agent under the terms of this Policy shall automatically be reduced by any payment under this Policy. However, after such payment, the amount available under this Policy shall be reinstated in full or in part, but only up to the Policy Limit, to the extent of the reimbursement of such payment (exclusive of interest and expenses) to Financial Security by or on behalf of the Issuer. Within three Business Days of such reimbursement, Financial Security shall provide the Trustee, the Paying Agent and the Issuer with notice of the reimbursement and reinstatement.

Payment under this Policy shall not be available with respect to (a) any Nonpayment that occurs prior to the Effective Date or after the Termination Date of this Policy or (b) Bonds that are not outstanding under the Bond Document. If the amount payable under this Policy is also payable under another insurance policy or surety bond insuring the Bonds, payment first shall be made under this Policy to the extent of the amount available under this Policy up to the Policy Limit. In no event shall Financial Security incur duplicate liability for the same amounts owing with respect to the Bonds that are covered under this Policy and any other insurance policy or surety bond that Financial Security has issued.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York are, or the Insurer's Fiscal Agent is, authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Insurance Agreement" means the Insurance Agreement dated as of the effective date hereof in respect of this Policy, as the same may be amended or supplemented from time to time. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer that has been recovered from such Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from the Issuer, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment of principal or interest thereunder, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds. "Policy Limit" shall be the dollar amount of the debt service reserve fund required to be maintained for the Bonds by the Bond Document from time to time (the "Debt Service Reserve Requirement"), but in no event shall the Policy Limit exceed $. The Policy Limit shall automatically and irrevocably be reduced from time to time by the amount of each reduction in the Debt Service Reserve Requirement, as provided in the Bond Document.

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be cancelled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

[Countersignature] FINANCIAL SECURITY ASSURANCE INC.

By ______________________ By ______________________
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd. (212) 826-0100
31 West 52nd Street, New York, N.Y. 10019

APPENDIX E

FORM OF CONTINUING DISCLOSURE UNDERTAKING

$13,640,000
CITY OF ALBUQUERQUE, NEW MEXICO
Airport Refunding Revenue Bonds
Series 2008

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 $13,640,000 Airport Refunding Revenue Bonds, Series 2008 (the "Series 2008 Bonds"). The Series 2008 Bonds are being issued pursuant to City Ordinance Seventeenth Council Bill No. O-07-108 (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 2008 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 2008 Bonds.

"Owners" means the registered owners of the Series 2008 Bonds, and so long as the Series 2008 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 2008 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 2008 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 2008 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 2008 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 2008 Bonds pursuant to the Bond Legislation.

(c) At any time the Series 2008 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. <u>Term</u>. This Disclosure Undertaking shall be in effect from and after the issuance and delivery of the Series 2008 Bonds and shall extend to the earliest of (a) the date all principal and interest on the Series 2008 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 2008 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 2008 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. <u>Amendment; Waiver</u>. 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 2008 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 2008 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 2008 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 2008 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 2008 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 2008 Bonds, and shall create no rights in any other person or entity.

Dated as of March 11, 2008.

CITY OF ALBUQUERQUE, NEW MEXICO

By: ___________________________________

Title: __________________________________

APPENDIX F

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 2008 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 2008 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 2008 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 2008 BONDS; (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNERS OF SERIES 2008 BONDS; OR (F) ANY OTHER MATTER REGARDING DTC.

General

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Series 2008 Bonds. The Series 2008 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 2008 Bond certificate will be issued for the Series 2008 Bonds, in the aggregate principal amount of such issue, 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 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 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, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, FICC 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 2008 Bonds under the DTC system must be made by or through Direct or Indirect Participants, which will receive a credit for the Series 2008 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2008 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 2008 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 2008 Bonds, except in the event that use of the book-entry system for the Series 2008 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2008 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 2008 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 2008 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2008 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 2008 Bonds are in the book-entry-only system, redemption notices will be sent to DTC. If less than all of the Series 2008 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 2008 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 2008 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2008 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 agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend 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 agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2008 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 2008 Bonds are required to be printed and delivered to DTC.

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 2008 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.

(THIS PAGE INTENTIONALLY LEFT BLANK)