NEW ISSUE Book Entry Only

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 described in "TAX MATTERS" herein, interest on the Series 2004A Bonds is excluded from gross income for federal income tax purposes. Special Tax Counsel is further of the opinion that interest on the Series 2004A Bonds is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for purposes of computing the federal alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings as described in "TAX MATTERS" herein. Interest on the Series 2004B Bonds is includible in gross income for federal income tax purposes. Under existing laws, regulations, rulings and judicial decisions, Special Tax Counsel is further of the opinion that interest on the Series 2004 Bonds is exempt from New Mexico state income taxes. See "TAX MATTERS" herein.

$60,880,000
CITY OF ALBUQUERQUE, NEW MEXICO
Gross Receipts Tax/Lodgers' Tax Refunding Revenue Bonds
Series 2004

$31,965,000	**$28,915,000**
Tax-Exempt Series 2004A	**Taxable Series 2004B**

Dated: Date of Delivery **Due: as shown on the inside cover page**

The City of Albuquerque, New Mexico Tax-Exempt Gross Receipts Tax/Lodgers' Tax Refunding Revenue Bonds, Series 2004A (the "Series 2004A Bonds") and Taxable Gross Receipts Tax/Lodgers' Tax Refunding Revenue Bonds, Series 2004B (the "Series 2004B Bonds" and collectively, the "Series 2004 Bonds") are being issued as fully registered bonds to be sold as two issues in denominations of $5,000 and any integral multiple thereof. The Depository Trust Company, New York, New York ("DTC") will act as securities depository for the Series 2004 Bonds through its nominee, Cede & Co. One fully registered bond equal to the principal amount of each maturity of each series of the Series 2004 Bonds will be registered in the name of Cede & Co. Individual purchases of Series 2004 Bonds will be made in book-entry form only and beneficial owners of the Series 2004 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 2004 Bonds.

Principal of and interest on the Series 2004 Bonds will be payable to DTC, or its nominee, as owner of the Series 2004 Bonds, by the Treasurer of the City of Albuquerque, New Mexico, as Paying Agent and Registrar. Interest on the Series 2004 Bonds will be payable semi-annually on each January 1, and July 1, commencing January 1, 2005.

See Inside Cover Page For Maturities, Principal Amounts, Interest Rates And Prices or Yields

---

The Series 2004 Bonds will be subject to optional and mandatory sinking fund redemption as described herein.

The Series 2004 Bonds are being issued for the purposes of refunding certain of the City's Outstanding Gross Receipts Tax/Lodgers' Tax Refunding and Improvement Revenue Bonds, Series 1991B, Gross Receipts Tax Refunding Revenue Bonds, Series 1996 and Gross Receipts Tax/Lodgers' Tax Refunding Revenue Bonds, Series 1999B. **The Series 2004 Bonds are special, limited obligations of the City, payable solely from and secured by: (i) the revenues received by the City from the State of New Mexico gross receipts tax which are equal to 1.225% (or such greater amounts as is hereafter provided to be remitted under applicable law) of the taxable gross receipts reported for the City for the month for which remittance is made and revenues received by the City in lieu of such gross receipts tax revenues; (ii) a pledge of 50% of the Lodgers' Tax Revenues (less certain related administrative costs); and (iii) amounts on deposit in any funds and accounts which may be established and held under the Bond Ordinance relating to the Series 2004 Bonds. The Series 2004 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 2004 Bonds when due will be guaranteed under insurance policies to be issued concurrently with the delivery of the Series 2004 Bonds by FINANCIAL SECURITY ASSURANCE INC.

FSA

In connection with the issuance of the Series 2004 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 contains information for convenient and quick reference only. It is not a summary of this issue. Investors must read this entire Official Statement to obtain information essential and material to the making of an informed investment decision.

Certain legal matters will be passed on by Brownstein Hyatt & Farber, P.C., 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 to the City. The underwriters are being represented by Hogan & Hartson, L.L.P., Denver, Colorado. It is expected that the Series 2004 Bonds will be delivered to DTC in New York, New York on or about October 6, 2004.

JPMorgan

RBC Dain Rauscher A.G. Edwards UBS Financial Services, Inc.

September 20, 2004

MATURITY SCHEDULES

$31,965,000 Tax-Exempt Series 2004A Bonds
(Cusip No. 01354M)

Maturity Date (July 1)	Principal Amount	Interest Rate	Yield	Cusip No.
2037	$1,150,000	4.750%	4.830%	DD0

$6,580,000 4.700% Term Bonds due July 1, 2031 - Price: 98.941% Cusip: DB4
$9,475,000 5.000% Term Bonds due July 1, 2033 - Price: 101.689% Cusip: DC2
$14,760,000 5.000% Term Bonds due July 1, 2037 - Price: 101.300% Cusip: DE8

$28,915,000 Taxable Series 2004B Bonds
(Cusip No. 01354M)

Maturity Date (July 1)	Principal Amount	Interest Rate	Yield	Cusip No.
2005	$ 50,000	2.390%	2.390%	DF5
2006	245,000	2.840	2.840	DG3
2007	225,000	3.250	3.250	DH1
2008	230,000	3.640	3.640	DJ7
2009	205,000	3.940	3.940	DK4
2010	205,000	4.160	4.160	DL2
2011	200,000	4.380	4.380	DM0
2012	225,000	4.570	4.570	DN8
2013	210,000	4.770	4.770	DP3
2014	235,000	4.900	4.900	DQ1

$4,110,000 5.390% Term Bonds due July 1, 2024 - Price: 100.000% Cusip: DR9
$22,775,000 5.540% Term Bonds due July 1, 2036 - Price: 100.000% Cusip: DS7

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 2004 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 PRICES AT WHICH THE SERIES 2004 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 2004 BONDS, THE UNDERWRITERS MAY EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2004 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 2004 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 2004 Bonds in accordance with applicable provisions of the securities laws of the states in which the Series 2004 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 2004 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" 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 2004 Bonds; or (iii) the tax exempt status of the interest on the Series 2004 Bonds.

(THIS PAGE INTENTIONALLY LEFT BLANK)

CITY OF ALBUQUERQUE

MAYOR
Martin J. Chavez

CITY COUNCIL

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

ADMINISTRATION
James B. Lewis, Chief Administrative Officer
Gail D. Reese, Chief Financial Officer
Diana Dorn-Jones, Chief Operations Officer
Nicholas Bakas, Chief Public Safety Officer
Judy N. Chavez, City Clerk

DEPARTMENT OF FINANCE AND ADMINISTRATIVE SERVICES
Sandra M. Doyle, CMA, Director
Lou D. Hoffman, CCM, City Treasurer
Cilia Aglialoro, Assistant Treasurer-Debt
William B. Smith, CCM, Assistant Treasurer-Cash

OFFICE OF MANAGEMENT AND BUDGET
Anna Lamberson, PhD., Budget Officer
Jacques Blair, PhD., City Economist
R. Cameron Hull, CPA, Accounting Officer

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

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

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

SPECIAL TAX COUNSEL
Kutak Rock LLP, Denver, Colorado

TABLE OF CONTENTS

INTRODUCTION 1
PLAN OF FINANCING 7
  Sources and Uses of Funds 7
  The Refunding 7
THE SERIES 2004 BONDS 10
  Generally 10
  Redemption Prior to Maturity 10
SECURITY AND SOURCES OF PAYMENT 14
  Special, Limited Obligations 14
  Bond Insurance for the Series 2004 Bonds 15
  State-Shared Gross Receipts Tax Revenues 15
  Taxing Authority and Payments 19
  The Lodgers' Tax 21
  Hospitality Fee 24
  Outstanding Obligations 24
  Additional Obligations 26
BOND INSURANCE 26
  Municipal Bond Insurance Policies 26
  Financial Security Assurance Inc. 27
ANNUAL DEBT SERVICE REQUIRMENTS AND COVERAGE 27
  Annual Debt Service Requirements for the Series 2004 Bonds 27
  Estimated Total Combined Debt Service 28
  Estimated Coverage Ratios 30
CERTAIN INVESTMENT CONSIDERATIONS 30
  Pledged Revenue Collections are Subject to Fluctuation; Growth May Not Continue 31
  State Legislative Modifications 31
  Bankruptcy and Foreclosure 33
  City Cannot Increase Distribution of Taxes 33
  Additional Bonds 33
  Secondary Market 33
LITIGATION 33
TAX MATTERS 34
  Series 2004A Bonds 35
  Series 2004B Bonds 37
CONTINUING DISCLOSURE UNDERTAKING 41
LEGAL MATTERS 41
INDEPENDENT ACCOUNTANTS 42
UNDERWRITING 42
RATINGS 42
VERIFICATION OF MATHEMETICAL CALCULATIONS 43
ADDITIONAL INFORMATION 43
APPROVAL BY THE CITY 44

Appendix A A-1
  Economic, Demographic and Financial Information, Including Audited Financial Information for Fiscal Year 2003
Appendix B B-1
  Description of Bond Legislation
Appendix C C-1
  Form of Opinions of Bond Counsel and Special Tax Counsel
Appendix D D-1
  Specimen Municipal Bond Insurance Policy
Appendix E E-1
  Form of Continuing Disclosure Undertaking
Appendix F F-1
  Book-Entry-Only System

OFFICIAL STATEMENT

$60,880,000
CITY OF ALBUQUERQUE, NEW MEXICO
Gross Receipts Tax/Lodgers' Tax
Refunding Revenue Bonds, Series 2004

$31,965,000	**$28,915,000**
Tax-Exempt Series 2004A	**Taxable Series 2004B**

INTRODUCTION

Generally

This Official Statement, which includes the cover page and appendices hereto, provides certain information in connection with the offer and sale by the City of Albuquerque, New Mexico (the “City”) of its Tax-Exempt Gross Receipts Tax/Lodgers' Tax Refunding Revenue Bonds, Series 2004A (the “Series 2004A Bonds”) in the original principal amount of $31,965,000 and its Taxable Gross Receipts Tax/Lodgers' Tax Refunding Revenue Bonds, Series 2004B (the “Series 2004B Bonds” and together with the Series 2004A Bonds, the “Series 2004 Bonds”) in the original principal amount of $28,915,000. Capitalized terms used herein and not defined have the meanings specified in City Ordinance Sixteenth Council Bill No. F/S O-04-47 adopted by the City on August 16, 2004 (the “Bond Ordinance”) and a resolution of the City Council (F/S R-04-120) adopted by the City on September 20, 2004 (the “Sale Resolution” and, together with the Bond Ordinance, the “Bond Legislation”). See Appendix B - “Description of Bond Legislation.”

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of Series 2004 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, which has a Mayor-Council form of government with a salaried full-time Mayor elected every four years. As reported by the Bureau of the Census in 2000, the City had a population of approximately 448,607 people and, as of September 30, 2003, spanned 189.66 square miles. For financial and other information concerning the City, see Appendix A - “Economic, Demographic, and Financial Information, Including Audited Financial Information for Fiscal Year 2003.” The City’s Fiscal Year ends June 30 and is referred to in this Official Statement as the “Fiscal Year.”

The Refunding

Proceeds from the sale of the Series 2004A Bonds, together with other legally available funds of the City, will be used to advance refund $30,945,000.00 principal amount of the City's Gross Receipts Tax/Lodgers' Tax Refunding Revenue Bonds, Series 1999B (the "Series 1999B Bonds").

Proceeds from the sale of the Series 2004B Bonds, together with other legally available funds of the City, will be used to advance refund: $2,155,000.00 principal amount of the Series 1999B Bonds; $5,510,000.00 principal amount of the City's Gross Receipts Tax Refunding Revenue Bonds, Series 1996 (the "Series 1996 Bonds"); and $17,361,297.50 accreted value as of October 6, 2004 of the City's Gross Receipts/Lodgers' Tax Refunding and Improvement Revenue Bonds, Series 1991B (the "Series 1991B Bonds" and, together with the Series 1999B Bonds and the Series 1996 Bonds, the "Refunded Bonds") The advance 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 2004 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 to 3-31-12 and 3-38-3 to 3-38-24, 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 2004 Bonds, including the Bond Legislation.

Sources of Payment for the Series 2004 Bonds

Special Limited Obligations

The Series 2004 Bonds will be special, limited obligations of the City, payable, collectible or reimbursable solely from Pledged Revenues (defined below), Series 2004A Bond proceeds and the earnings thereon (with respect to the Series 2004A Bonds) and Series 2004B Bond proceeds and the earnings thereon (with respect to the Series 2004B Bonds). See "SECURITY AND SOURCES OF PAYMENT."

Pledged Revenues

"Pledged Revenues" is defined by the Bond Ordinance to mean the Pledged Lodgers' Tax Revenues and the State-Shared Gross Receipts Tax Revenues. "Pledged Lodgers' Tax Revenues" is defined to mean fifty percent (50%) of the revenues received by the City from the Lodgers' Tax (defined below), less administrative costs pertaining to the Lodgers' Tax. "State-Shared Gross Receipts Tax Revenues" is defined generally to mean revenues from the State Gross Receipts Tax (defined below) derived pursuant to Section 7-9-4 NMSA 1978, imposed on persons engaging in business in the State, which revenues are equal to the greater of one and two hundred twenty-five thousandths percent (1.225%) of the taxable gross receipts reported to the City or if a greater amount of such gross receipts tax revenues are hereafter provided to be remitted to the City under applicable law, such additional amounts shall be included as State-Shared Gross Receipts Tax Revenues. State-Shared Gross Receipts Tax Revenues also includes distributions made by the State to the City in lieu of State-Shared Gross Receipts Tax Revenues. See "SECURITY AND SOURCES OF PAYMENT - State-Shared Gross Receipts Tax Revenues-Imposition of Tax."

The "State Gross Receipts Tax" is that tax authorized by the Gross Receipts and Compensating Tax Act (Sections 7-9-1 through 7-9-91, NMSA 1978, as amended), which authorizes the State to impose a gross receipts tax for the privilege of doing business in the State and is collected by the New Mexico Taxation and Revenue Department (the "Department"). The "Lodgers' Tax" is the occupancy tax imposed by City Ordinance Enactment No. 68-1984 on revenues on lodging within the City in an amount equal to five percent (5%) of the gross taxable rent paid for lodging (not including State or local gross receipts tax) collected by the City from persons furnishing such lodging.

See "SECURITY AND SOURCES OF PAYMENT" and Appendix B - "Description of Bond Legislation."

Bond Insurance

Payment of the principal of and interest on the Series 2004 Bonds when due will be insured by Municipal Bond Insurance Policies to be issued by Financial Security Assurance Inc. ("Financial Security") simultaneously with the delivery of the Series 2004 Bonds, as described in "BOND INSURANCE" under this caption. For information concerning Financial Security and the insurance policies (the "Municipal Bond Insurance Policies") to be issued in connection with the Series 2004 Bonds, see "BOND INSURANCE" and Appendix D - "Specimen Municipal Bond Insurance Policy".

Terms of the Series 2004 Bonds

Payments

The Series 2004 Bonds will be dated their date of delivery. Interest on the Series 2004 Bonds is payable on January 1 and July 1, commencing January 1, 2005. The Series 2004 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 2004 Bonds will be made by the City Treasurer, the initial Paying Agent and Registrar for the Series 2004 Bonds (the "Fiscal Agent").

Denominations

The Series 2004 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 2004 Bonds will not receive physical delivery of bond certificates except as more fully described herein. Payments of principal of and interest and redemption premium, if any, on the Series 2004 Bonds will be made directly to The Depository Trust Company, New York, New York

("DTC") or its nominee, Cede & Co., by the Fiscal Agent, so long as DTC or Cede & Co. is the sole registered owner. Upon receipt of such payments, DTC is to remit such payments to DTC participants ("Participants") for subsequent disbursement to the beneficial owners of the Series 2004 Bonds, all as more fully described in "THE SERIES 2004 BONDS - Generally" and Appendix F - "Book-Entry-Only System."

In reading this Official Statement, it should be understood that while the Series 2004 Bonds are in book-entry-only form, references in other sections of this Official Statement to Owners should be read to include the person for whom the Participant (as hereinafter defined) acquires an interest in the Series 2004 Bonds, but (i) all rights of ownership must be exercised through DTC and the book-entry-only system and (ii) notices that are to be given to Owners by the City or the Fiscal Agent will be given only to DTC.

Redemption

The Series 2004 Bonds will be subject to optional redemption and mandatory sinking fund redemption prior to maturity during the periods specifically described herein. See "THE SERIES 2004 BONDS–Redemption Prior to Maturity" and Appendix B - "Description of Bond Legislation."

Outstanding Obligations

The outstanding obligations on which the City pays debt service using Pledged Lodgers' Tax Revenues are its Series 1991B Bonds, Series 1999B Bonds, and its Gross Receipts/Lodgers' Tax Adjustable Tender Revenue Bonds, Series 1995 (the "Series 1995 Bonds" and together with the Series 1991B Bonds, and the Series 1999B Bonds, the "Lodgers' Tax Obligations"). The Lodgers' Tax Obligations are also secured by a pledge of State-Shared Gross Receipts Tax Revenues. The City's outstanding obligations secured by State-Shared Gross Receipts Tax Revenues (the "State-Shared Gross Receipts Tax Obligations"), are its Series 1991B Bonds; Series 1995 Bonds; Series 1996 Bonds; Series 1999B Bonds; Gross Receipts Tax Refunding Revenue Bonds, Series 1999C (the "Series 1999C Bonds"); Taxable Gross Receipts Tax Adjustable Tender Revenue Bonds, Series 2000A (the "Series 2000A Bonds"); and Taxable Golf Course Net Revenue/Gross Receipts Tax Revenue Bonds, Series 2001 (the "Series 2001 Bonds"). Also, the following loans payable, in whole or in part, from State-Shared Gross Receipts Tax Revenues are State-Shared Gross Receipts Tax Obligations: New Mexico Finance Authority Helicopter Loan; New Mexico Finance Authority Stadium Taxable Loan No. 1 (2002); and New Mexico Finance Authority Stadium Taxable Loan No. 2 (2002) (collectively the "NMFA Loans"). The outstanding Series 1991B Bonds, Series 1995 Bonds and Series 1996 Bonds are also referred to herein as the "Old Lien Tax Obligations." The outstanding Series 1999B Bonds, Series 1999C Bonds, Series 2000A Bonds, Series 2001 Bonds and the NMFA Loans are collectively referred to herein as the "New Lien Tax Obligations." See "SECURITY AND SOURCES OF PAYMENT – Outstanding Obligations."

The City has also pledged the State-Shared Gross Receipts Tax Revenues, on a basis subordinate to the outstanding State Gross Receipts Tax Obligations discussed above, to secure its payment obligations under a surety bond reimbursement agreement (the "Surety Bond Obligation") entered into by the City and MBIA Insurance Corporation in connection with the provision of a surety bond securing certain payments on the City's Affordable Housing Projects Refunding Revenue Bonds, Series 2000.

Additional Obligations

So long as the City is current in the accumulations required to be made pursuant to any ordinance or resolution authorizing the issuance of Parity Lodgers' Tax Obligations, the Bond Ordinance permits the City to issue bonds or incur obligations payable from the Pledged Lodgers' Tax Revenues on a parity with or subordinate to the lien thereon of the Series 2004 Bonds.

The Bond Ordinance permits the City to issue bonds or incur obligations payable from the State-Shared Gross Receipts Tax Revenues, upon meeting the requirements described in the Bond Ordinance. No obligations may be issued with a lien on State-Shared Gross Receipts Tax Revenues senior to the lien thereon of the Series 2004 Bonds. See "SECURITY AND SOURCES OF PAYMENT – Additional Obligations."

Commitment to Provide Continuing Disclosure

The City will agree for the benefit of the owners that, so long as the Series 2004 Bonds remain outstanding and as required by law, the City will provide its audited financial statements and other financial information and operating data to each nationally recognized municipal securities information repository approved in accordance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, and will file a notice of certain specific material events with the Municipal Securities Rulemaking Board. See "CONTINUING DISCLOSURE UNDERTAKING" and Appendix E - "Form of Continuing Disclosure Undertaking." Because certain of the previous year end audits by its independent certified accountant have not been received by the City in time to make filings within 180 days of the end of the City's Fiscal Year, audited financial statements have been filed late, but have been filed within 210 days of the end of the Fiscal Year. The City anticipates that this situation will continue because of the requisite timing for 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 disclosure undertakings.

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 2004 Bonds, Brownstein Hyatt & Farber, P.C., 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 its City Attorney or an Assistant 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 2004 Bonds by Hogan & Hartson, L.L.P., Denver, Colorado. The City's financial statements for the Fiscal Year ended June 30, 2003 included in Appendix A hereto have been audited by Neff & Ricci, LLP, independent certified public accountants, Albuquerque, New Mexico. See "INDEPENDENT ACCOUNTANTS."

Offering and Delivery of the Series 2004 Bonds

The Series 2004 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 2004 Bonds will be delivered to DTC in New York, New York on or about October 6, 2004.

Other Information

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

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

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or owners of any of the Series 2004 Bonds.

The purchase of the Series 2004 Bonds involves special risks and the Series 2004 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 2004 Bonds and could affect the market price of the Series 2004 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 2004 Bonds are set forth below.

	Estimated Amount
SOURCES OF FUNDS:	
Par Amount of Bonds	$60,880,000.00
Net Reoffering Premium	267,085.05
Other Legally Available Funds of the City (1)	978,471.88
TOTAL SOURCES OF FUNDS	$62,125,556.93
USES OF FUNDS:	
Deposit to Escrow Fund	$61,023,204.09
Underwriter's Discount(2)	419,068.33
Costs of Issuance(3)	683,284.51
TOTAL USES OF BOND FUNDS(1)	$62,125,556.93

(1) Such amounts are available to the City as a result of the Refunding. See "The Refunding" under this caption.
(2) See "Underwriting."
(3) The costs of issuance of the Series 2004 Bonds include legal and accounting fees, bond insurance premiums, rating fees, and other miscellaneous costs.

The Refunding

Purpose

The purpose of the Refunding is to restructure the debt service on the City's bonds and obligations payable from Pledged Lodgers' Tax Revenues so that the amount of debt service on such bonds paid by the City using State-Shared Gross Receipts Tax Revenues is substantially reduced or eliminated.

Bonds to be Refunded

The City intends to use certain proceeds of the Series 2004 Bonds, together with other funds legally available to the City as a result of the Refunding, to advance refund: $17,361,297.50 accreted value as of October 6, 2004 of the Series 1991B Bonds; $5,510,000 principal amount of the Series 1996 Bonds; and $33,100,000.00 principal amount of the Series 1999B Bonds.

Refunding and Defeasance

Certain proceeds of the Series 2004 Bonds, together with other funds legally available to the City, will be deposited into the Escrow Fund for the Refunded Bonds pursuant to an Escrow Agreement between the City, the City Treasurer, as paying agent, registrar and authenticating agent for the Refunded Bonds, and J.P. Morgan Trust Company, National Association, as Escrow Agent, in amounts sufficient, together with investment income thereon, to pay the principal of and interest on the Refunded Bonds, as set forth in the following Summary of Refunded Bonds.

SUMMARY OF REFUNDED BONDS

Tax-Exempt Series 2004A

Series 1999B Bonds

Maturity July 1	Interest Rate	Principal Refunded	Redemption Date
7/1/2012	4.600%	210,000.00	7/1/2009
7/1/2013	4.700%	345,000.00	7/1/2009
7/1/2014	4.750%	490,000.00	7/1/2009
7/1/2015	4.850%	650,000.00	7/1/2012
7/1/2016	4.900%	810,000.00	7/1/2016
7/1/2017	4.900%	990,000.00	7/1/2017
7/1/2018	5.000%	1,185,000.00	7/1/2018
7/1/2019	5.000%	2,760,000.00	7/1/2019
7/1/2020(1)	5.000%	3,640,000.00	7/1/2020
7/1/2021(2)	5.000%	4,025,000.00	7/1/2021
7/1/2022(1)	5.000%	4,360,000.00	7/1/2022
7/1/2023(1)	5.000%	950,000.00	7/1/2018
7/1/2024(1)	5.000%	5,035,000.00	7/1/2024
7/1/2025(2)	5.000%	5,495,000.00	7/1/2025
		30,945,000.00	

(1) Sinking Fund
(2) Final Term Bond Maturity

Taxable Series 2004B

Series 1991B Bonds

Maturity July 1	Accreted Value on Oct 6, 2004	Redemption Date
7/1/2005	1,138,404.80	7/1/2005
7/1/2006	1,211,950.40	7/1/2006
7/1/2007	1,278,332.65	7/1/2007
7/1/2008	1,328,075.65	7/1/2008
7/1/2009	1,381,072.00	7/1/2009
7/1/2010	1,427,013.00	7/1/2010
7/1/2011	1,339,218.00	7/1/2011
7/1/2012	1,397,702.60	7/1/2011
7/1/2013	1,282,888.50	7/1/2011
7/1/2014	1,193,937.90	7/1/2011
7/1/2015	1,106,375.40	7/1/2011
7/1/2016	1,058,280.00	7/1/2011
7/1/2017	984,895.85	7/1/2011
7/1/2018	916,612.80	7/1/2011
7/1/2019	316,537.95	7/1/2011
	17,361,297.50	

Series 1996 Bonds

Maturity July 1	Interest Rate	Principal Refunded	Redemption Date
7/1/2005	5.000%	800,000.00	7/1/2005
7/1/2006	5.000%	810,000.00	7/1/2006
7/1/2007	5.000%	800,000.00	7/1/2007
7/1/2008	5.000%	800,000.00	7/1/2007
7/1/2009	5.000%	775,000.00	7/1/2007
7/1/2010	5.000%	775,000.00	7/1/2007
7/1/2011	5.000%	750,000.00	7/1/2007
		5,510,000.00	

Series 1999B Bonds

Maturity July 1	Interest Rate	Principal Refunded	Redemption Date
7/1/2019	5.000%	90,000.00	7/1/2019
7/1/2020(1)	5.000%	365,000.00	7/1/2020
7/1/2021(2)	5.000%	400,000.00	7/1/2021
7/1/2022(1)	5.000%	400,000.00	7/1/2022
7/1/2024(1)	5.000%	400,000.00	7/1/2024
7/1/2025(2)	5.000%	500,000.00	7/1/2025
		2,155,000.00	

(1) Sinking Fund
(2) Final Term Bond Maturity

See “Sources and Uses of Funds” under this caption.

If all of the bonds of a maturity of a series of Refunded Bonds are not refunded and defeased, the bonds of that series and maturity to be refunded and defeased are to be selected by lot.

The accuracy of computations indicating that the respective amounts on deposit in the Escrow Accounts for the Refunded Bonds are sufficient to make the required payments in connection with the refunding of the Refunded Bonds will be verified by a firm of certified public accountants. See “VERIFICATION OF MATHEMATICAL CALCULATIONS.”

THE SERIES 2004 BONDS

Generally

The Series 2004 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 2004 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 January 1, 2005 (each an “Interest Payment Date”). Each series of Series 2004 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 2004 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 2004 Bonds. Individual purchases may be made in book-entry form only. Purchasers will not receive certificates representing their interest in the Series 2004 Bonds purchased. So long as Cede & Co., as nominee of DTC, is the registered owner of the Series 2004 Bonds, references herein to the Bondholders, owners or registered owners shall mean Cede & Co. and shall not mean the beneficial owners of the Series 2004 Bonds.

So long as Cede & Co. is the registered owner of the Series 2004 Bonds, principal of and interest on the Series 2004 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

Optional Redemption

The Series 2004A Bonds will be subject to redemption prior to their respective maturity dates, at the option of the City, in any order of maturity as determined by the City, on and after July 1, 2014, in whole or in part at any time, upon the payment of the redemption price equal to 100% of the principal amount of the Series 2004A Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption.

If the City receives an approving opinion of bond counsel or special tax counsel, the City may redeem the Series 2004B Bonds at any time, in whole or in part, in such order of maturity as the City shall determine at a redemption price equal to: (i) the unpaid principal amount of the Series 2004B Bonds to be redeemed, plus (ii) the interest on such principal amount accrued and unpaid through the date fixed for redemption, plus (iii) a Make-Whole Premium on such Series 2004B Bonds, if any.

"Make-Whole Premium" means a prepayment premium with respect to the Called Principal equal to the excess, if any, of the Discounted Value over the sum of (i) such Called Principal, plus (ii) interest accrued thereon as of (including interest due on) the redemption date with respect to such Called Principal. The Make-Whole Premium will in no event be less than zero. For purposes of this definition, the following terms are defined as follows:

(1) "Called Principal" means the principal amount of the Series 2004B Bonds being redeemed with respect to which a Make-Whole Premium is required to be paid;

(2) "Discounted Value" means the amount obtained by discounting all Remaining Scheduled Payments with respect to Called Principal from their respective scheduled due dates to the Settlement Date with respect to such Called Principal, in accordance with accepted financial practice and at a discount factor (applied on a semi-annual basis) equal to the Reinvestment Yield with respect to such Called Principal;

(3) "Reinvestment Yield" means, with respect to Called Principal, (i) the yield to maturity implied by the Treasury Constant Maturity Series yields reported, for the latest day for which such yields have been so reported as of the business day next preceding the Settlement Date with respect to such Called Principal, in Federal Reserve Statistical Release H.15 (519) (or any comparable successor publication) for actively traded United States Treasury securities having a constant maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date, plus (ii) 0.10%. Such implied yield will be determined, if necessary, by (1) converting U.S. Treasury bill quotations to bond equivalent yields in accordance with accepted financial practice and (2) interpolating linearly between (y) the actively traded U.S. Treasury security with the duration closest to and greater than the remaining term of the Series 2004B Bonds and (z) the actively traded U.S. Treasury security with the duration closest to and less than the remaining term of the Series 2004B Bonds;

(4) "Remaining Average Life" means, with respect to Called Principal the number of years (calculated to the nearest one-twelfth (1/12) year obtained by dividing (i) such Called Principal into (ii) the sum of the products obtained by multiplying (A) each Remaining Scheduled Payment of such Called Principal (but not of interest thereon) by (B) the number of years (calculated to the nearest one-twelfth (1/12) year) which will elapse between the Settlement Date with respect to such Called Principal and the scheduled due date of such Remaining Scheduled Payment;

(5) "Remaining Scheduled Payments" means, with respect to Called Principal, all payments of such Called Principal and interest thereon which would be due on or after the Settlement Date with respect to such Called Principal if no payment of such Called Principal were made prior to its scheduled due date; and

(6) "Settlement Date" means the date on which the Called Principal is prepaid.

Unless money sufficient to pay the principal of, premium, if any, and interest on the Series 2004 Bonds to be redeemed pursuant to the optional redemption provisions of the Bond Legislation herein is received by the Fiscal Agent prior to the giving of notice of redemption in accordance with the Bond Legislation, that notice is to state that the redemption is conditional upon the receipt of that money by the Fiscal Agent by 2:00 p.m. prevailing Mountain Time on the redemption date. If an amount sufficient to redeem all Series 2004 Bonds called for redemption is not received by that time, (i) the Fiscal Agent is to redeem only those Series 2004 Bonds for which the redemption price was received and the Series 2004 Bonds to be redeemed are to be selected in the manner set forth in the Bond Ordinance and (ii) the redemption notice will have no effect with respect to those Series 2004 Bonds for which the redemption price was not received and those Series 2004 Bonds will not be redeemed. The Fiscal Agent is to give notice to the owners of the Series 2004 Bonds which will not be redeemed in the manner in which the notice of redemption was given, identifying the Series 2004 Bonds previously called for redemption which will not be redeemed and stating that the redemption did not take place with respect to those Series 2004 Bonds, and the Fiscal Agent is to promptly return any such Series 2004 Bonds delivered by the owners thereof.

Money for payment of the principal of and interest, to the date fixed for redemption, on Series 2004 Bonds called for redemption which are not presented for payment on the date fixed for redemption shall be set aside by the Fiscal Agent in trust for the owners of such Series 2004 Bonds and held as set forth in the Bond Legislation. Interest on such Series 2004 Bonds shall cease to accrue on the date fixed for redemption.

Mandatory Sinking Fund Redemption

The Series 2004A Bonds maturing on July 1, 2031 are subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date on July 1 in the years and in the principal amounts stated below:

Series 2004A Bonds Due July 1, 2031

Year	Amount
2030	$2,300,000
2031[1]	4,280,000

(1) Final Maturity

The Series 2004A Bonds maturing on July 1, 2033 are subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date on July 1 in the years and in the principal amounts stated below:

Series 2004A Bonds Due July 1, 2033

Year	Amount
2032	$4,575,000
2033[1]	4,900,000

(1) Final Maturity

Series 2004A Bonds in the principal amount of $14,760,000 maturing on July 1, 2037 are subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date on July 1 in the years and in the principal amounts stated below:

Series 2004A Bonds Due July 1, 2037

Year	Amount
2034	$2,800,000
2035	5,605,000
2036	1,130,000
2037[1]	5,225,000

(1) Final Maturity

The Series 2004B Bonds maturing on July 1, 2024 are subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date on July 1 in the years and in the principal amounts stated below:

Series 2004B Bonds Due July 1, 2024

Year	Amount
2015	$ 245,000
2016	325,000
2017	350,000
2018	370,000
2019	405,000
2020	425,000
2021	450,000
2022	465,000
2023	545,000
2024[1]	530,000

(1) Final Maturity

The Series 2004B Bonds maturing on July 1, 2036 are subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date on July 1 in the years and in the principal amounts stated below:

Series 2004B Bonds Due July 1, 2036

Year	Amount
2025	$ 630,000
2026	2,905,000
2027	3,155,000
2028	3,415,000
2029	3,695,000
2030	1,685,000
2034	2,435,000
2036(1)	4,855,000

(1) Final Maturity

Notice of Redemption

Notice of redemption shall be given by the Fiscal Agent by mailing notice thereof to the registered owner of each Series 2004 Bond, or portion thereof, to be redeemed, at least 30 days prior to the redemption date at the address shown on the registration books of the Fiscal Agent as of the close of business on the fifth day prior to the mailing of notice and as otherwise required by law. Interest on any Series 2004 Bond called for redemption and redeemed shall cease to accrue on the redemption date designated in the notice.

Partial Redemption

If less than all of the Series 2004 Bonds subject to redemption are to be redeemed at any one time, the Series 2004 Bonds to be redeemed are to be selected by the Fiscal Agent in the manner and from the series and maturities designated by the City. If less than all of the Series 2004 Bonds of a series within a maturity are to be redeemed, the Series 2004 Bonds to be redeemed from that maturity are to be selected by lot in such manner as determined by the Fiscal Agent. However, the portion of any Series 2004 Bond to be redeemed and the portion of that Series 2004 Bond not to be redeemed are both to be in Authorized Denominations.

SECURITY AND SOURCES OF PAYMENT

Special, Limited Obligations

The Series 2004 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 or the interest and premium, if any, on the Series 2004 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 Legislation.

The Series 2004 Bonds are special, limited obligations of the City and are payable from the State-Shared Gross Receipts Tax Revenues, subordinate to the lien of the Old Lien Tax Obligations on the Old Lien Pledged Revenues defined below, on parity with the lien of the New Lien Tax Obligations on State-Shared Gross Receipts Tax Revenues and senior to the lien of the Surety Bond Obligation on State-Shared Gross Receipts Tax Revenues. In addition, the Series 2004 Bonds are payable from and secured by Pledged Lodgers' Tax Revenues, on parity with the lien of the outstanding Series 1991B Bonds, Series 1995 Bonds and the Series 1999B Bonds ("Parity Lodgers' Tax Obligations"). The Series 2004 Bonds are also secured by any amounts which may be on deposit in the funds and accounts established under the Bond Legislation. For a description of certain factors which may impact the State-Shared Gross Receipts Tax Revenues, see "State-Shared Gross Receipts Tax Revenues" under this caption. For a description of the Pledged Lodgers' Tax Revenues, see "The Lodgers' Tax" under this caption.

The Old Lien Tax Obligations are payable from and secured by a pledge of the revenues received by the City from the State Gross Receipts Tax (the "Old Lien Pledged Revenues") equal to one percent (1.0%) of the taxable State Gross Receipts Tax revenues reported to the City by the State plus other payments received by the City from the State in lieu of State Gross Receipts Tax revenues.

Bond Insurance for the Series 2004 Bonds

Payment of the principal of and interest on the Series 2004 Bonds when due will be insured by insurance policies to be issued by Financial Security simultaneously with the delivery of the Series 2004 Bonds. See "BOND INSURANCE."

State-Shared Gross Receipts Tax Revenues

Generally

The following section sets forth certain information relating to the State-Shared Gross Receipts Tax Revenues. It is important for prospective purchasers to analyze the historical State-Shared Gross Receipts Tax Revenues and factors which may impact future State-Shared Gross Receipts Tax Revenues. The City has assumed that the information obtained from sources other than the City is accurate without independently verifying it, but has no reason to believe that such information may be inaccurate. For certain information concerning the City generally, see Appendix A - "Economic, Demographic, and Financial Information, Including Audited Financial Information for Fiscal Year 2003." **The information in Appendix A is provided to prospective purchasers for purposes of analyzing the financial and overall status of the City, although the Series 2004 Bonds are payable only from the Pledged Revenues and otherwise as described under this caption.**

Imposition of Tax

The Gross Receipts and Compensating Tax Act (Sections 7-9-1 through 7-9-91, NMSA 1978, as amended), authorizes the State to impose the State Gross Receipts Tax which is levied by the State for the privilege of doing business in the State and is collected by the Department. The State Gross Receipts Tax is levied at 5.00% of taxable gross receipts. However, until

January 1, 2005, a credit of 0.50% will continue to be allowed taxpayers for municipal option gross receipt taxes and the State will actually collect a 4.50% tax within municipalities, including the City. Of the 4.50 cents collected per dollar of taxable gross receipts reported for a particular municipality, 1.35 cents had, prior to August 1992, been remitted back to the municipality by the State monthly, based on the prior month's filings. See “State-Shared Gross Receipts Tax Revenues-Manner of Collection and Distribution” under this caption. In 1991, legislation was enacted which, among other things, reduced the amount of State Gross Receipts Tax distribution to a municipality from 1.35% to 1.225% of the taxable gross receipts collected in that municipality. The reduction in the distribution was effective August 1, 1992.

Until July 1, 2004, businesses in the City paid a total 5.8125% gross receipts tax rate to the State, the County of Bernalillo (the “County”) and the City. On July 1, 2004, as a result of the City’s 0.25% public safety tax, the total gross receipts tax paid by businesses in the City was increased to 6.0625%. See Appendix A - “Economic, Demographic, and Financial Information, Including Audited Financial Information for Fiscal Year 2003.” On July 1, 2005, the total gross receipts tax will increase to 6.5625%. See the following paragraph.

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

Taxed Activities

For the privilege of engaging in business in the State, the State Gross Receipts Tax is imposed upon any person engaging in business in the State. “Gross Receipts” is defined in the Gross Receipts and Compensating Tax Act as the total amount of money or value of other consideration received from selling property in the State (including tangible personal property handled on consignment in the State), from leasing property employed in the State, from selling certain research and developmen t services performed outside the State the product of which is initially used in the State and from performing services in the State. The definition excludes cash discounts allowed and taken, the State Gross Receipts Tax payable on transactions for the reporting period and any county gross receipts tax, county fire protection excise tax, county and municipal gross receipts taxes, any type of time-price differential and certain gross receipts or gross receipts taxes imposed by an Indian tribe or pueblo. Unlike most other states, the State taxes sales and services, including legal services. For a description of the percentages of gross receipts tax revenues that have been historically received in various other sectors, see "State-Shared Gross Receipts Tax Revenues - Historical Taxable Gross Receipts" under this caption.

Exemptions

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

Administration of the Tax

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

Historical Revenues

The State-Shared Gross Receipts Tax Revenues received by the City for the past six Fiscal Years are as follows:

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

Fiscal Year	Revenues
1999	$124,241,610
2000	130,281,585
2001	135,830,834
2002	136,655,396
2003	142,840,456
2004	155,138,411[(1)]

(1) Amount the State distributed to the City in Fiscal Year 2004 (unaudited).

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

Historical Taxable Gross Receipts

The table which follows provides information about the City's taxable gross receipts by sector since 1994.

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

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	% of Total Shares by Sector 1994	% of Total Shares by Sector 2003
Construction	$ 668.5	$ 837.4	$1,007.7	$1,068.1	$1,000.8	$ 1,001.4	$ 1,098.7	$ 1,307.6	$ 1,250.6	$ 1,213.5	8%	11%
Manufacturing	256.7	272.9	278.3	281.0	320.1	324.2	319.4	308.6	283.7	233.7	3%	2%
Trans, Comm., & Pub Util.	560.4	563.6	562.3	600.9	616.1	615.1	611.1	650.0	565.2	569.1	7%	5%
Wholesale Trade	468.6	498.0	513.2	511.1	554.1	535.6	604.8	608.0	630.5	738.0	6%	6%
Retail Trade	3,157.2	3,417.2	3,634.0	3,759.6	3,882.4	3,963.1	4,158.7	4,367.6	4,345.0	4,652.6	40%	41%
Fin, Insur., & Real Estate	243.1	228.8	251.6	258.1	279.0	286.3	292.2	292.7	270.4	269.4	3%	2%
Services	2,517.3	2,688.8	2,902.6	3,001.2	3,103.6	3,276.2	3,379.2	3,406.2	3,550.8	3,740.7	32%	33%
Other	16.5	16.7	11.5	19.8	15.0	21.7	22.4	22.6	23.5	18.5	0%	0%
Interstate Comm.[2]	62.3	64.1	64.2	62.2	59.3	56.2	62.4	52.9	50.4	37.9	1%	0%
Total Taxable Gross Receipts [3]	$7,950.6	$8,588.2	$9,225.7	$9,562.0	$9,830.4	$10,079.7	$10,548.8	$11,016.1	$10,970.0	$11,473.0	100%	100%
Total Gross Receipts Reported	$13,881.0	$15,021.0	$15,784.0	$16,414.0	$17,096.8	$17,317.9	$18,294.2	$20,836.9	$20,708.3	$20,153.4		

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

(2) Taxable gross receipts from interstate telecommunications are subject to a special 4.25% tax from which the City receives a distribution, but that distribution is not pledged to the payment of the Series 2004 Bonds.

(3) Totals may not add due to rounding.

Source: New Mexico Taxation and Revenue Department.

Manner of Collection and Distribution

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

Remedies for Delinquent Taxes

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

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

Taxing Authority and Payments

The following table outlines the gross receipts taxes to be paid to the State, the City and County by businesses in the City. **Of the gross receipts taxes listed in the following table, the Series 2004 Bonds are payable only from the State-Shared Gross Receipts Tax Revenues.**

Fiscal Year 2004 Gross Receipts Tax (GRT) Paid
in the City of Albuquerque

Type of Tax & Purpose	Percentage Imposed
Municipal GRT[(1)]	1.2500%
Municipal Infrastructure GRT	0.0625
Bernalillo County GRT	0.2500
State-Shared GRT	5.0000
Credit on State GRT[(2)]	(0.5000)
Total[(2)]	6.0625%

(1) Municipal GRT may be imposed by the City in increments of 0.125%, and collections are assessed an administrative fee by the State of 5.0% on all local option revenues imposed above those derived from the initial 0.50% tax levied.
(2) Taxpayers receive a maximum of 0.50% credit against State Gross Receipts Tax. Effective January 1, 2005 the 0.5 % credit on State Gross Receipts Tax is to be eliminated and the total gross receipts taxes paid is to increase to 6.5625%.

Source: City of Albuquerque, Office of City Treasurer.

The following table describes the City's taxing authority and the percentage it currently imposes to generate gross receipts tax revenues to the City. **Of the gross receipts taxes listed in the following table, the Series 2004 Bonds are payable only from the State-Shared Gross Receipts Tax Revenues.**

City of Albuquerque
Fiscal Year 2004 Taxing Authority and Gross Receipts Tax (GRT) Imposed

Type of Tax & Purpose	Total Taxing Authority	Percentage Imposed	Unused Authority
Municipal GRT[(1)]	1.2500%		
Basic Services		0.2500%	
General Purposes[(2)]		0.5000%	
Transportation		0.2500%	
Public Safety		0.2500%	
Total Municipal GRT		1.2500%	
Municipal Infrastructure GRT[(3)]			
General Purpose	0.1250%	0.0625%	0.0625%
Econ. Dev. & Transit	0.1250%	0.0000%	0.1250%
Municipal Environmental GRT	0.0625%	0.0000%	0.0625%
Municipal Capital Outlay GRT[(4)]	0.2500%	0.0000%	0.2500%
Total Other GRT		0.0625%	0.5000%
Total Impositions by the City		1.3125%	0.5000%
State-Shared GRT[(5)]		1.2250%	--
Total Distribution to the City		2.5375%	0.5000%

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

Source: City of Albuquerque, Office of City Treasurer.

The Lodgers' Tax

Generally

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

The Pledged Lodgers' Tax Revenues represent fifty percent (50%) of the revenues produced by the City's imposition of the Lodgers' Tax, less administrative costs relating to the Lodgers' Tax to the extent permitted by the Lodgers' Tax Act. See "Lodgers' Tax Revenues-Historical Lodgers' Tax Revenues" under this caption. The remaining 50% of such Lodgers' Tax revenues will not be pledged to repayment of the Series 2004 Bonds. Under the Lodgers' Tax Act, a municipality located in a class A county, such as the City, imposing an occupancy tax (such as the Lodgers' Tax) of more than two percent (2%) is required to use not less than one-half of the proceeds derived from the tax for the purposes of advertising, publicizing, and promoting the convention center and certain other tourist facilities or attractions within the City. The City will satisfy this requirement with the remaining 50% of such Lodgers' Tax revenues.

Historical Lodgers' Tax Revenues

The gross taxable rent and the Lodgers' Tax revenues derived from the 5% Lodgers' Tax rate and collected by the City since Fiscal Year 1999 are as follows:

City of Albuquerque
Historical Lodgers' Tax Revenues

Fiscal Year	Gross Taxable Rent[1]	Lodgers' Tax Revenues	Estimated Pledged Lodgers' Tax Revenues[2]
1999	$161,836,220	$8,091,811	$4,045,905
2000	167,834,800	8,394,740	4,197,370
2001	169,762,360	8,488,118	4,244,059
2002	166,380,620	8,319,031	4,159,515
2003	166,521,380	8,326,069	4,163,034

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

(2) These amounts represent 50% of Lodgers' Tax revenues received in the respective Fiscal Years. Pursuant to the Lodgers' Tax Act, administrative costs pertaining to the Lodgers' Tax are to be deducted from the proceeds of the Lodgers' Tax. Since the City has not historically applied any administrative costs against such revenues, the estimate Pledged Lodgers' Tax Revenues indicated above does not reflect a deduction of administrative costs. The City may, in the future, choose to apply such costs and deduct them from such revenues.

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

The following table sets forth historical and future confirmed convention bookings in the City by number of individuals and room nights as of August 24, 2004 for Fiscal Years 2000-2009. While the numbers of future delegates and room nights are estimates based on historical convention history and therefore may be variable within a particular booking, cancellation of such confirmed future bookings is unlikely.

Confirmed Convention Center Bookings (1)
Fiscal Years 2000-2009

Fiscal Year	Delegates	Room Nights
2000	25,240	46,612
2001	49,720	107,252
2002	47,220	88,908
2003	46,345	83,053
2004	35,300	55,284
2005	8,870	19,729
2006	6,900	10,471
2007	21,250	46,774
2008	6,800	10,917
2009	5,900	10,056

(1) As of August 24, 2004. Represents national and international conventions only; it does not include sporting events, regional or State conventions and reunions.

Source: Albuquerque Convention and Visitors Bureau.

Prospective bookings and room nights associated with convention center bookings are quite low. Some of this is due to a general weakness in convention business nation wide. In January 2004, the City contracted with SMG to manage the Convention Center. The contract has performance clauses included that encourage SMG to increase revenues and bookings at the Convention Center. The hospitality fee (see "Hospitality Fee" below) will generate revenue to pay for certain capital improvements at the Convention Center that will help make the Convention Center a more desirable venue. In addition, the Albuquerque Convention and Visitors Bureau, which is responsible for bookings for large conventions, is revitalizing the Bureau and has completed a national search and hired a new president/chief executive officer.

Collection of the City's Lodgers' Tax

Every vendor or person providing lodging in the City is required to collect the Lodgers' Tax on behalf of the City and remit the proceeds on the 25th day of the month to the City accompanied by a sworn statement declaring the gross receipts of the business for the previous calendar month with the City Clerk. Any vendor who fails to remit the Lodgers' Tax due by the 10th day of the following month is to be penalized for such failure in the amount of 10% of the amount of tax due or an amount of $100, whichever is greater. After the amount of any Lodgers' Tax is determined, the amount of tax due constitutes a lien in favor of the City upon the personal and real property of the vendor providing lodging. The lien has priority over any lien or encumbrance, except a lien for state and county taxes. Violations of the Lodgers' Tax ordinance for failure to pay the tax, to remit the proceeds of the tax to the City or to account properly for any lodging and the associated tax proceeds shall be punished with a penalty not exceeding 90 days in jail or a $500 fine, or both.

Surplus Pledged Lodgers' Tax Revenues

The Bond Ordinance creates a Surplus Lodgers' Tax Revenues Reserve Fund (the "Surplus Fund"). To the extent that Pledged Lodgers' Tax Revenues are not required to be deposited or used for the payment of Parity Lodgers' Tax Obligations in any month, the amount not required for deposit or payment shall be deposited in the Surplus Fund and held in that fund and used, when practicable, to pay, redeem or defease Lodgers' Tax Obligations.

Hospitality Fee (Not Included as Part of Pledged Revenues)

The following information regarding the hospitality fee is provided to prospective purchasers for purposes of analyzing the additional revenues available to the City to finance improvements to the City's convention center and to advertise tourist-related attractions, facilities and events. The Series 2004 Bonds are not payable from the fees described under this caption.

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

Outstanding Obligations

Lodgers' Tax Obligations

Subsequent to the issuance of the Series 2004 Bonds, the then outstanding Series 1991B Bonds, Series 1995 Bonds, Series 1999B Bonds and the Series 2004 Bonds will be the only obligations of the City outstanding with a lien on Pledged Lodgers' Tax Revenues.

State-Shared Gross Receipts Tax Obligations

Subsequent to the issuance of the Series 2004 Bonds, the Series 1991B Bonds, the Series 1995 Bonds and the Series 1996 Bonds will be the only outstanding Old Lien Tax Obligations. The remaining outstanding obligations payable from State-Shared Gross Receipts Tax Obligations are New Lien Tax Obligations.

The following obligations of the City payable from State-Shared Gross Receipts Tax Revenues were outstanding on July 1, 2004.

City of Albuquerque
Outstanding State-Shared Gross Receipts Tax Obligations
as of July 1, 2004

Issue	Project Financed	Principal Amt. Of Original Issue	Outstanding Principal Amount	Amount to be Refunded by Series 2004 Bonds
Series 1991B Bonds	Refunding and Conventions Center	$20,095,587	$18,921,462[1]	$17,361,297.50[2]
Series 1995 Bonds	Convention Center; Plaza Improvements	6,700,000	1,300,000	N/A
Series 1996 Bonds	Refunding	18,315,000	9,200,000	5,510,000
Series 1999B Bonds	Refunding	45,335,000	45,335,000	33,100,000
Series 1999C Bonds	Refunding	27,130,000	27,130,000	N/A
Series 2000A Bonds	Parking Structures	25,600,000	23,500,000	N/A
Series 2001 Bonds [3]	Golf Course Facilities	2,420,000	1,885,000	N/A
New Mexico Finance Authority Helicopter Loan	Police Helicopter	700,000	297,116	N/A
New Mexico Finance Authority Stadium Taxable Loan No. 1 (2002)[4]	Baseball Stadium	6,000,000	5,859,786	N/A
New Mexico Finance Authority Stadium Taxable Loan No. 2 (2002)[5]	Baseball Stadium	9,000,000	8,760,294	N/A
Total Outstanding State Gross Receipts Tax Obligations				

(1) Accreted value as of July 1, 2004.
(2) Accreted value as of October 6, 2004.
(3) These bonds are also payable from net revenues of the City's golf courses.
(4) This loan is also payable from lease payments due to the City from the lessee of the baseball stadium.
(5) This loan is also payable from surcharges imposed on ticket sales, concessions and other goods and services sold at the baseball stadium.

The City has also pledged the State-Shared Gross Receipts Tax Revenues, on a basis subordinate to the outstanding State Gross Receipts Tax obligations described above, to secure certain payment obligations under the Surety Bond Obligation.

Additional Obligations

Additional New Lien Tax Obligations

The City may issue additional New Lien Tax Obligations (except with respect to certain refunding obligations), subject to the following requirements:

(a) the City must be current in the accumulations of principal and interest payments required to be made for the Old Lien Tax Obligations and New Lien Tax Obligations; and

(b) the State-Shared Gross Receipts Tax Revenues received by the City for either (i) the Fiscal Year or (ii) any twelve consecutive calendar months out of the eighteen calendar months immediately preceding the date of the issuance of such additional New Lien Tax Obligations shall have been sufficient to pay an amount representing two hundred and twenty-five percent (225%) of the combined maximum annual principal and interest payments (excluding any reserves therefore) coming due in any subsequent Fiscal Year on: (y) the then Outstanding Old Lien Tax Obligations and New Lien Tax Obligations, and (z) the New Lien Tax Obligations proposed to be issued.

The City is not permitted to issue bonds or incur obligations payable from the State-Shared Gross Receipts Tax Revenues having a lien thereon on parity with the Old Lien Tax Obligations or otherwise prior and superior to the lien of the Series 2004 Bonds and other Outstanding New Lien Tax Obligations on State-Shared Gross Receipts Tax Revenues. Obligations with a lien of State-Shared Gross Receipts Tax Revenues subordinate to the lien thereon of New Lien Tax Obligations may be issued.

Additional Lodgers' Tax Obligations

If the City is then current in the accumulations required to be made by any ordinance or resolution authorizing the issuance of Lodgers' Tax Obligations, the City is permitted without restriction (except for restrictions in any bank reimbursement agreement) to issue bonds or incur obligations payable from the Pledged Lodgers' Tax Revenues on a parity with or subordinate to the lien thereon of the Series 2004 Bonds.

BOND INSURANCE

Municipal Bond Insurance Policies

Concurrently with the issuance of the Series 2004 Bonds, Financial Security Assurance Inc. ("Financial Security") will issue separate Municipal Bond Insurance Policies for the Series 2004A Bonds and the Series 2004B Bonds. The Municipal Bond Insurance Policies guarantee the scheduled payment of principal of and interest on the Series 2004 Bonds when due as set forth in the form of the Municipal Bond Insurance Policies included in Appendix D – "Specimen Municipal Bond Insurance Policy".

The Municipal Bond Insurance Policies are 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 June 30, 2004, Financial Security's total policyholders' surplus and contingency reserves were approximately $2,212,545,000 and its total unearned premium reserve was approximately $1,501,280,000 in accordance with statutory accounting practices. At June 30, 2004, Financial Security's total shareholders' equity was approximately $2,438,206,000 and its total net unearned premium reserve was approximately $1,255,708,000 in accordance with generally accepted accounting principles.

The financial statements included as exhibits to the annual and quarterly reports filed by Holdings with the Securities and Exchange Commission are hereby incorporated herein by reference. Also incorporated herein by reference are any such financial statements so filed from the date of this Official Statement until the termination of the offering of the Series 2004 Bonds. Copies of materials incorporated by reference will be provided upon request to Financial Security Assurance Inc.: 350 Park Avenue, New York, New York 10022, Attention: Communications Department (telephone (212) 826-0100).

The Municipal Bond Insurance Policies do not protect investors against changes in market value of the Series 2004 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 2004 Bonds or the advisability of investing in the Series 2004 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 Issuer 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 2004 Bonds

The following schedule shows the annual debt service requirements to be paid on the Series 2004 Bonds.

	Series 2004A Bonds		Series 2004B Bonds		Series 2004 Bonds
July 1	**Principal**	**Interest**	**Principal**	**Interest**	**Total Debt Service**
2005	--	$1,159,842.43	$ 50,000.00	$1,151,484.63	$2,361,327.06
2006	--	1,575,635.00	245,000.00	1,563,086.00	3,383,721.00
2007	--	1,575,635.00	225,000.00	1,556,128.00	3,356,763.00
2008	--	1,575,635.00	230,000.00	1,548,815.50	3,354,450.50
2009	--	1,575,635.00	205,000.00	1,540,443.50	3,321,078.50
2010	--	1,575,635.00	205,000.00	1,532,366.50	3,313,001.50
2011	--	1,575,635.00	200,000.00	1,523,838.50	3,299,473.50
2012	--	1,575,635.00	225,000.00	1,515,078.50	3,315,713.50
2013	--	1,575,635.00	210,000.00	1,504,796.00	3,290,431.00
2014	--	1,575,635.00	235,000.00	1,494,779.00	3,305,414.00
2015	--	1,575,635.00	245,000.00	1,483,264.00	3,303,899.00
2016	--	1,575,635.00	325,000.00	1,470,058.50	3,370,693.50
2017	--	1,575,635.00	350,000.00	1,452,541.00	3,378,176.00
2018	--	1,575,635.00	370,000.00	1,433,676.00	3,379,311.00
2019	--	1,575,635.00	405,000.00	1,413,733.00	3,394,368.00
2020	--	1,575,635.00	425,000.00	1,391,903.50	3,392,538.50
2021	--	1,575,635.00	450,000.00	1,368,996.00	3,394,631.00
2022	--	1,575,635.00	465,000.00	1,344,741.00	3,385,376.00
2023	--	1,575,635.00	545,000.00	1,319,677.50	3,440,312.50
2024	--	1,575,635.00	530,000.00	1,290,302.00	3,395,937.00
2025	--	1,575,635.00	630,000.00	1,261,735.00	3,467,370.00
2026	--	1,575,635.00	2,905,000.00	1,226,833.00	5,707,468.00
2027	--	1,575,635.00	3,155,000.00	1,065,896.00	5,796,531.00
2028	--	1,575,635.00	3,415,000.00	891,109.00	5,881,744.00
2029	--	1,575,635.00	3,695,000.00	701,918.00	5,972,553.00
2030	$2,300,000.00	1,575,635.00	1,685,000.00	497,215.00	6,057,850.00
2031	4,280,000.00	1,467,535.00	--	403,866.00	6,151,401.00
2032	4,575,000.00	1,266,375.00	--	403,866.00	6,245,241.00
2033	4,900,000.00	1,037,625.00	--	403,866.00	6,341,491.00
2034	2,800,000.00	792,625.00	2,435,000.00	403,866.00	6,431,491.00
2035	5,605,000.00	652,625.00	--	268,967.00	6,526,592.00
2036	1,130,000.00	372,375.00	4,855,000.00	268,967.00	6,626,342.00
2037	6,375,000.00	315,875.00	--	--	6,690,875.00

Estimated Total Combined Debt Service

The Series 2004 Bonds constitute New Lien Obligations. The following table sets forth the estimated combined debt service for the outstanding State-Shared Gross Receipts Tax Obligations upon issuance of the Series 2004 Bonds, taking into account the Refundings and the issuance of the Series 2004 Bonds.

Estimated Total Combined Debt Service
Outstanding Gross Receipts Tax Obligations[1]

	Old Lien Tax Obligations			New Lien Tax Obligations						
July 1	Unrefunded Series 1991B [2][4]	Series 1995 [3][4]	Unrefunded Series 1996	Unrefunded Series 1999B[4]	Series 1999C/D	Series 2000A[5]	Series 2001	NMFA Loans	Series 2004[4]	Estimated Total Combined Debt Service Requirements
2005	--	$195,000	$509,500	$609,005	$1,355,213	$4,825,000	$347,669	$1,318,901	$2,361,327	$11,521,614
2006	--	195,000	538,250	609,005	1,355,213	5,230,000	343,888	1,318,945	3,383,721	12,974,020
2007	--	195,000	594,750	609,005	1,355,213	5,145,000	344,200	1,161,826	3,356,763	12,761,757
2008	--	195,000	632,500	609,005	1,355,213	4,930,000	342,950	1,161,868	3,354,451	12,580,985
2009	--	195,000	702,250	609,005	1,355,213	4,700,000	345,460	1,161,915	3,321,079	12,389,921
2010	--	195,000	742,250	609,005	1,355,213	4,655,000	341,650	1,161,968	3,313,002	12,373,087
2011	--	195,000	813,750	609,005	1,355,213	4,265,000	346,775	1,162,024	3,299,474	12,046,240
2012	$560,000	195,000	--	709,005	1,355,213	4,075,000	--	1,162,085	3,315,714	11,372,016
2013	590,000	195,000	--	764,405	1,355,213	4,055,000	--	1,162,153	3,290,431	11,412,201
2014	585,000	195,000	--	826,885	1,855,213	2,875,000	--	1,162,224	3,305,414	10,804,735
2015	600,000	195,000	--	885,960	3,956,463	--	--	1,162,298	3,303,899	10,103,620
2016	540,000	195,000	--	951,410	4,533,650	--	--	1,162,379	3,370,694	10,753,132
2017	545,000	195,000	--	1,012,790	4,538,300	--	--	1,162,464	3,378,176	10,831,730
2018	550,000	195,000	--	1,080,250	4,533,500	--	--	1,162,555	3,379,311	10,900,616
2019	--	195,000	--	1,692,750	4,593,500	--	--	1,162,651	3,394,368	11,038,269
2020	--	195,000	--	1,768,250	4,606,250	--	--	1,162,755	3,392,539	11,124,794
2021	--	195,000	--	1,847,000	4,543,888	--	--	1,162,866	3,394,631	11,143,385
2022	--	195,000	--	1,933,500	1,105,113	--	--	1,162,984	3,385,376	7,781,972
2023	--	1,495,00	--	662,000	--	--	--	1,163,108	3,440,313	6,760,421
2024	--	--	--	2,145,000	--	--	--	1,163,242	3,395,937	6,704,179
2025	--	--	--	2,157,750	--	--	--	1,163,383	3,467,370	6,788,504
2026	--	--	--	--	--	--	--	1,163,535	5,707,468	6,871,003
2027	--	--	--	--	--	--	--	--	5,796,531	5,796,531
2028	--	--	--	--	--	--	--	--	5,881,744	5,881,744
2029	--	--	--	--	--	--	--	--	5,972,553	5,972,553
2030	--	--	--	--	--	--	--	--	6,057,850	6,057,850
2031	--	--	--	--	--	--	--	--	6,151,401	6,151,401
2032	--	--	--	--	--	--	--	--	6,245,241	6,245,241
2033	--	--	--	--	--	--	--	--	6,341,491	6,341,491
2034	--	--	--	--	--	--	--	--	6,431,491	6,431,491
2035	--	--	--	--	--	--	--	--	6,526,592	6,526,592
2036	--	--	--	--	--	--	--	--	6,626,342	6,626,342
2037	--	--	--	--	--	--	--	--	6,690,875	6,690,875

(1) This table does not include the Refunded Bonds.
(2) Accreted Values shown.
(3) Interest for the Series 1995 Bonds has been calculated at an assumed annual rate of 15%, the maximum bond interest rate under the bond ordinance pursuant to which the Series 1995 Bonds were issued, although the City expects the actual rates to be significantly lower than such maximum bond interest rate.
(4) Payable from both Pledged Gross Receipts Tax Revenues (to the extent of the Old Lien Pledged Revenues in the case of the Old Lien Tax Obligations) and Pledged Lodgers' Tax Revenues.
(5) Interest for the Series 2000A Bonds has been calculated at an assumed annual rate of 15%, the maximum bond interest rate under the bond ordinance pursuant to which the Series 2000A Bonds were issued, although the City expects than actual rates to be significantly lower than such maximum bond interest rate.

Estimated Coverage Ratios

The estimated State-Shared Gross Receipts Tax Revenues for Fiscal Year 2004 were $155,138,411. See "SECURITY AND SOURCES OF PAYMENT - State-Shared Gross Receipts Tax Revenues." The maximum estimated calendar year combined debt service requirements for the outstanding State-Shared Gross Receipts Tax Obligations, including the Series 2004 Bonds expected to be issued, as shown in the table entitled "Estimated Total Combined Debt Service Outstanding Gross Receipts Tax Obligations" under this caption are estimated to be $12,974,021. The coverage ratio of the estimated 2004 State-Shared Gross Receipts Tax Revenues ($155,138,411) to such maximum estimated calendar year combined debt service requirements ($12,974,021) would be 11.96x.

The following table shows the estimated coverage ratios for calendar years 2005-2009 of the estimated State-Shared Gross Receipts Tax Revenues produced in Fiscal Year 2004 (assuming the same amount is produced in each of those Fiscal Years) to the estimated calendar year combined debt service requirements of the Series 2004 Bonds and all other State-Shared Gross Receipts Tax Obligations which are currently outstanding, including the Series 2004 Bonds.

Estimated Coverage Ratios
Gross Receipts Tax Obligations

Calendar Year	Estimated State-Shared Gross Receipts Tax Revenues for Fiscal Year 2004 (1)	Estimated Combined Debt Service Requirements for Gross Receipts Tax Obligations (2)	Estimated Coverage Ratios (1)(2)
2005	$155,138,411	$11,521,614	13.46
2006	155,138,411	12,974,021	11.96
2007	155,138,411	12,761,757	12.16
2008	155,138,411	12,580,985	12.33
2009	155,138,411	12,389,921	12.52

(1) See "SECURITY AND SOURCES OF PAYMENT – State-Shared Gross Receipts Tax Revenues." This amount represents the full 1.225% of State-Shared Gross Receipts Tax Revenues presently received by the City. Only 1.00% of such State-Shared Gross Receipts Tax Revenues (which for Fiscal Year 2004 equaled approximately $124,110,728) has been pledged by the City to the Old Lien Tax Obligations.

(2) See "Estimated Total Combined Debt Service Outstanding Gross Receipts Tax Obligations" table above.

CERTAIN INVESTMENT CONSIDERATIONS

While the Municipal Bond Insurance Policies insure the payment of regular principal and interest on the Series 2004 Bonds, the obligations of Financial Security are based on that entity's general credit. If Financial Security becomes insolvent or defaults, Bondholders may become general unsecured creditors of Financial Security, and timely payment of principal and interest on the Series 2004 Bonds therefore would depend entirely on the ability of the City to make such payments from the Pledged Revenues. The City expects that the Pledged Revenues will at all times be sufficient to make such payments. A number of factors, however, may adversely affect the City's ability to make timely payments on the Series 2004 Bonds from the Pledged Revenues.

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 2004 Bonds prior to purchasing any Series 2004 Bonds. The Series 2004 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 2004 Bonds, and should confer with their own legal and financial advisors before deciding to purchase the Series 2004 Bonds.

Pledged Revenue Collections are Subject to Fluctuation; Growth May Not Continue

State Gross Receipts Tax collections are subject to the fluctuations in spending which determine the amount of gross receipts taxes collected. This causes State Gross Receipts Tax revenues to increase along with the increasing prices brought about by inflation, but also causes collections to be vulnerable to adverse economic conditions and reduced spending. Consequently, the State Gross Receipts Tax collections may be expected to correspond generally to economic cycles. The City's economic base and future collections in State-Shared Gross Receipts Tax Revenues and Pledged Lodgers' Tax Revenues are directly affected, in part, by tourism activities. Various circumstances and developments, most of which are beyond the control of the City, may have an adverse effect on the future level of State-Shared Gross Receipts Tax Revenues and Pledged Lodgers' Tax Revenues. Such circumstances may include, among others, adverse changes in national and local economic and financial conditions generally, reductions in the rates of employment and economic growth in the City, the State and the region, a decrease in rates of population growth and rates of residential and commercial development in the City, the County, the State and the region, the closure or reduction in mission of a military facility located near the City by the United States government and various other factors. Although the City currently does not expect a significant reduction in taxable sales or tourism activities, there can be no assurances that growth within the City will continue.

Other factors over which the City has no control may impact the collection of State Gross Receipts Tax revenues. These factors include, but are not limited to, increases in purchases made via the internet (which currently may not be taxed by local governments) and increases in purchases made via catalogue merchants (which generally do not impose local sales or gross receipts taxes on purchases). Other factors may include the construction of new shopping facilities in areas outside the City which may draw City residents and reduce the amount of gross receipts taxes collected within the City.

State Legislative Modifications

The State Legislature of the State of New Mexico (the "Legislature") may amend the laws relating to the levy, calculation and/or the distribution of, or otherwise impacting, Pledged Revenues. In some cases, the Legislature has made amendments which negatively impacted the amount of State-Shared Gross Receipts Tax Revenues received by local governments. For example, in 1991, the Legislature adopted legislation reducing the amount of State Gross Receipts Tax distributed to municipalities from 1.35% to the 1.225% and eliminated municipal water and sewer services from the State Gross Receipts Tax base.

In 1997, the Legislature adopted legislation requiring the Department to withhold higher amounts of administrative fees on all local option gross receipts tax distributions to finance the costs of developing and acquiring new computer software for statewide tax collections. As a result, the Department will withhold a 3.0% administrative fee until approximately 2006. Prior to adoption of this legislation, the Department withheld approximately 1.2% of the gross receipts tax distribution as administrative fees; consequently, the total amount of State-Shared Gross Receipts Tax Revenues has diminished slightly from the amount historically distributed to the City.

In 1998, the Legislature adopted legislation providing deductions from gross receipts for receipts from the sale of prescription drugs and for receipts from medical and other health services provided by medical doctors and osteopaths to Medicare beneficiaries. Those receipts historically have been subject to gross receipts taxation.

In 2004, the Legislature adopted legislation creating a deduction from State Gross Receipts Taxes for receipts from retail sales of food (not including restaurant sales and certain sales of prepared foods) as defined for federal food stamp program purposes, effective January 1, 2005. Retailers are required to report receipts from sales of such groceries and then claim the deduction. The statute provides for payments to be made from the State General Fund to reimburse local governments for revenues lost as a result of the new deduction. Those distributions are included as part of State-Shared Gross Receipts Tax Revenues.

Also, in 2004 the Legislature created a deduction from State Gross Receipts Tax for receipts of licensed medical care providers from Medicare Part C and managed health plans that by contract do not reimburse providers for gross receipts tax, effective January 1, 2005. This legislation includes provision for payments from the State general fund to reimburse local governments for revenues lost as a result of this deduction. Those distributions are included as part of State-Shared Gross Receipts Tax Revenues.

The Legislature also repealed the credit of one-half of one percent against the gross receipts tax imposed by the State that had previously been allowed to taxpayers within municipalities, including the City, which levy a municipal gross receipts tax of at least one-half of one percent.

Other amendments to State laws affecting taxed activities and distributions of gross receipts tax revenues could be proposed in the future by the Legislature. There is no assurance that any future amendments will not adversely affect activities now subject to the gross receipts tax or distribution of gross receipts tax revenues to the City. Notwithstanding the foregoing, the provisions of State law authorizing the issuance of revenue bonds (including gross receipts tax revenue bonds such as the Series 2004 Bonds) include a provision stating that any law which authorizes the pledge of revenues to the payment of revenue bonds, or which affects the pledged revenues "shall not be repealed or amended or otherwise directly or indirectly modified in such a manner as to impair adversely any such outstanding revenue bonds." The City makes a similar covenant in the Bond Ordinance, subject to provisions permitting amendment with consent of owners of a requisite percentage of Series 2004 Bonds.

Bankruptcy and Foreclosure

The ability and willingness of an owner or operator of property to remit gross receipts tax revenues and Lodgers' Tax Revenues may be adversely affected by the filing of a bankruptcy proceeding by the owner. The ability to collect delinquent gross receipts tax revenues and Lodgers' Tax Revenues using foreclosure and sale for non-payment of taxes may be forestalled or delayed by bankruptcy, reorganization, insolvency, or other similar proceedings of the owner of a taxed property. The federal bankruptcy laws provide for an automatic stay of foreclosure and sale proceedings, thereby delaying such proceedings, perhaps for an extended period. Delays in the exercise of remedies could result in lower Pledged Revenue collections.

City Cannot Increase Distribution of Taxes

The City has no control over the rate at which the State-Shared Gross Receipts Tax Revenues are distributed to the City; the rate of distribution can be increased only by action of the State Legislature. Although it is possible that the Legislature will increase the rate of distribution to the City, there is currently no Legislation proposed or pending to increase the rate of distribution to the City. If the Legislature were to raise the rate of distribution to the City, the Bond Ordinance provides that the increased revenues will be included as part of State-Shared Gross Receipts Tax Revenues.

Additional Bonds

Pursuant to the terms of the Bond Ordinance, the City has the right to issue one or more series of additional bonds and other types of securities and obligations payable wholly or in part from either Pledged Lodgers' Tax Revenues or State-Shared Gross Receipts Tax Revenues or both. See "SECURITY AND SOURCES OF PAYMENT – Additional Obligations." The issuance of such additional obligation may have an adverse affect on the ability of the City to pay debt service on the Series 2004 Bonds.

Secondary Market

Although the Underwriter expects to maintain a secondary market in the Series 2004 Bonds, at this time no guarantee can be made that a secondary market for the Series 2004 Bonds will be maintained by the Underwriter or others. Owners of Series 2004 Bonds should be prepared to hold their Series 2004 Bonds to maturity or prior redemption.

LITIGATION

According to the City, there is no action, suit, proceeding, inquiry, investigation or controversy of any nature pending, or to the City's knowledge threatened, involving the City (i) in any way questioning (A) the authority of any officer of the City to exercise the duties and responsibilities of his or her office or (B) the existence, powers or authority of the City material to the Series 2004 Bonds or the security for the Series 2004 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 2004 Bonds; (iii) in any way contesting or affecting (A) the issuance, sale, execution or delivery of the Series 2004 Bonds or (B) the validity or enforceability of the Series 2004 Bonds, any of the documents relating to the Series 2004 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

As to the status of the Risk Management Fund (an internal service fund) in which all losses and liabilities are recorded, as of June 30, 2001, the fund was in deficit by approximately $13 million. The Fund deficit as of June 30, 2002 was approximately $14.1 million and $12.7 million as of June 30, 2003. The balance for June 30, 2004 is yet to be determined. The balance, or deficit, in the Risk Management Fund generally represents: (i) cash and other assets in the Fund, less (ii) an amount determined by the City to be an appropriate reserve for unpaid claims and other potential liabilities (including pending litigation brought against the City which may or may not be resolved in the City's favor). The cash in the Fund is currently sufficient to pay all claims and judgments due and payable by the City for an average 16 month period. The City is in the third year of a five-year plan to eliminate the projected deficit. In addition, pursuant to Section 41-4-25(B) NMSA 1978, in the event of a judgment against the City in excess of $100,000, the City may levy a tax on real and personal property to provide for the payment of such excess amount.

TAX MATTERS

The following opinions expressed by Kutak Rock LLP, Special Tax Counsel, are based upon existing legislation as of the date of issuance and delivery of the Series 2004 Bonds, and Special Tax Counsel expresses no opinion as of any date subsequent thereto or with respect to any pending or future legislation.

Series 2004A Bonds

General

In the opinion of Kutak Rock LLP, Special Tax Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Series 2004A Bonds is excluded from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals and corporations. The opinion described in the preceding sentence assumes the accuracy of certain representations and continuing compliance by the City with covenants designed to satisfy the requirements of the Internal Revenue Code of 1986, as amended (the "Code") that must be met subsequent to the issuance of the Series 2004A Bonds. Failure to comply with these requirements could cause interest on such Series 2004A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2004A Bonds. The City has covenanted to comply with such requirements. Under existing laws, regulations, rulings and judicial decisions, Special Tax Counsel is of the opinion that interest on the Series 2004A Bonds is exempt from New Mexico state income taxes.

Notwithstanding Special Tax Counsel's opinion that interest on the Series 2004A Bonds is not a specific preference item for purposes of the federal alternative minimum tax, such interest will be included in adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of alternative minimum taxable income 75% of the excess of such corporation's adjusted current earnings over its alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses).

The accrual or receipt of interest on the Series 2004A Bonds may otherwise affect the federal income tax liability of the owners of the Series 2004A 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 2004A 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 2004A Bonds.

From time to time, there are legislative proposals in the Congress that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Series 2004A 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. Purchasers of the Series 2004A Bonds should consult their tax advisors regarding any pending or proposed tax legislation. The opinions expressed by Special Tax Counsel are based upon existing legislation as of the date of issuance and delivery of the Series 2004A Bonds and Special Tax Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation.

Tax Treatment of Original Issue Discount

The Series 2004A Term Bonds maturing in 2031 and the Series 2004A Serial Bonds maturing in 2037 are being sold at a discount (collectively, the "Discounted Obligations"). The difference between the initial public offering prices of the Discounted Obligations and their stated amounts to be paid at maturity or upon prior redemption, constitutes original issue discount treated as interest which is not includible in gross income for federal income tax purposes, subject to the caveats and provisions described above.

In the case of an owner of a Discounted Obligation, the amount of original issue discount which is treated as having accrued with respect to such Discounted Obligation is added to the cost basis of the owner in determining, for federal income tax purposes, gain or loss upon disposition of a Discounted Obligation (including its sale, redemption or payment at maturity). Amounts received upon disposition of a Discounted Obligation which are attributable to accrued original issue discount will be treated as tax exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discounted Obligation, on days which are determined by reference to the maturity date of such Discounted Obligation. The amount treated as original issue discount on a Discounted Obligation for a particular semiannual accrual period is equal to (a) the product of (i) the yield to maturity for such Discounted Obligation (determined by compounding at the close of each accrual period) and (ii) the amount which would have been the tax basis of such Discounted Obligation at the beginning of the particular accrual period if held by the original purchaser, (b) less the amount of any interest payable for such Discounted Obligation during the accrual period. The tax basis is determined by adding to the initial public offering price on such Discounted Obligation the sum of the amounts which have been treated as original issue discount for such purposes during all prior periods. If a Discounted Obligation is sold between semiannual compounding dates, original issue discount which would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

The Code contains additional provisions relating to the accrual of original issue discount in the case of owners of a Discounted Obligation who purchase such Discounted Obligations after the initial offering. Owners of Discounted Obligations including purchasers of the Discounted Obligations in the secondary market should consult their own tax advisors with respect to the determination for federal income tax purposes of original issue discount accrued with respect to such obligations as of any date and with respect to the state and local tax consequences of owning a Discounted Obligation.

Tax Treatment of Original Issue Premium

The Series 2004A Term Bonds maturing in 2033 and the Series 2004A Term Bonds maturing in 2037 are being sold at a premium (collectively, the "Premium Obligations"). An amount equal to the excess of the issue price of a Premium Obligation over its stated redemption price at maturity constitutes premium on such Premium Obligation. An initial purchaser of such Premium Obligation must amortize any premium over such Premium Obligation's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Premium Obligations callable prior to their maturity, by amortizing the premium to the call date, based upon the purchaser's yield to the call date and giving effect to any call premium). As premium is amortized, it offsets the interest allocable to the corresponding payment period and the purchaser's basis in such Premium Obligation 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 Premium Obligation prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of Premium Obligations should consult with their own tax advisors with respect to the determination and treatment of amortizable premium for federal income tax purposes and with respect to the state and local tax consequences of owning such Premium Obligation.

Series 2004B Bonds

General

Interest on the Series 2004B Bonds is included in gross income for federal income tax purposes. Under existing laws, regulations, rulings and judicial decisions, Special Tax Counsel is of the opinion that interest on the Series 2004B Bonds is exempt from New Mexico state income taxes.

The following is a summary of certain anticipated federal income tax consequences of the purchase, ownership and disposition of the Series 2004B Bonds under the Code, the Regulations (both final and proposed), the judicial and administrative rulings and court decisions now in effect, all of which are subject to change or possible differing interpretations. The summary does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances, nor certain types of investors subject to special treatment under the federal income tax laws. Potential purchasers of the Series 2004B Bonds should consult their own tax advisors in determining the federal, state or local tax consequences to them of the purchase, holding and disposition of the Series 2004B Bonds.

Although there are not any regulations, published rulings or judicial decisions involving the characterization for federal income tax purposes of securities with terms substantially the same as the Series 2004B Bonds, Special Tax Counsel has advised the City that the Series 2004B Bonds will be treated for federal income tax purposes as evidences of indebtedness of the City and not as an ownership interest in the collateral securing the Series 2004B Bonds; as an equity interest in the City or any other party or as a separate association taxable as a corporation.

Although the Series 2004B Bonds are issued by the City, interest on the Series 2004B Bonds (including any original issue discount, as discussed below) is not excludable from gross income for federal income tax purposes under Section 103 of the Code. Interest on the Series 2004B Bonds will be fully subject to federal income taxation. Thus, owners of the Series 2004B Bonds generally must include interest (including original issue discount) on the Series 2004B Bonds in gross income for federal income tax purposes. In general, interest paid on the Series 2004B Bonds (including any market discount discussed below) will be treated as ordinary income to the owners of the Series 2004B Bonds, and principal payments (excluding the portion of such payments, if any, characterized as market discount as discussed below) will be treated as a return of capital.

Series 2004B Bonds Purchased at a Discount

An investor that purchases a Series 2004B Bond in the initial offering at a price less than par or an investor that purchases a Series 2004B Bond in the secondary market at a price less than its adjusted issue price may be subject to the market discount rules of Sections 1276 through 1278 of the Code. Under these sections and the principles applied by the Regulations, "market discount" means (a) in the case of a Series 2004B Bond originally issued at an original issue discount, the amount by which the issue price of such Series 2004B Bond, increased by all accrued original issue discount (as if held since the issue date), exceeds the initial tax basis of the owner, less any prior payments that did not constitute payments of qualified stated interest; and (b) in the case of a Series 2004B Bond not originally issued at an original issue discount, the amount by which the stated redemption price of such Series 2004B Bond at maturity exceeds the initial tax basis of the owner. Under Section 1276 of the Code, the owner of such a Series 2004B Bond will generally be required (i) to allocate each principal payment on such a Series 2004B Bond to accrued market discount not previously included in income, to recognize ordinary income to that extent and to treat any gain upon sale or other disposition of such a bond as ordinary income to the extent of any remaining accrued market discount (as described under "Sales or Other Dispositions of Series 2004B Bonds" below) or (ii) to elect to include such market discount and income currently as it accrues on all market discount instruments required by such holder on or after the first day of the taxable year to which such election applies.

The Code authorizes the United States Treasury Department to issue Regulations providing for the method for accruing market discount on debt instruments the principal of which is payable in more than one installment. Until such time as Regulations are issued by the United States Treasury Department, certain rules described in the legislative history of the Code will apply. Under those rules, market discount will be included in income based either (a) on a constant interest basis or (b) in proportion to the accrual of stated interest or, in the case of a Series 2004B Bond with original issue discount, in proportion to the accrual of original issue discount.

An owner of a Series 2004B Bond who acquired such Series 2004B Bond at a market discount also may be required to defer, until the maturity date of such Series 2004B Bond, or its earlier disposition in a taxable transaction, the deduction of a portion of the amount of interest that the holder paid or accrued during the taxable year on indebtedness incurred or maintained to purchase or carry a Series 2004B Bond in excess of the aggregate amount of interest (including original issue discount) includable in such holder's gross income for the taxable year with respect to such Series 2004B Bond. The amount of such net interest expense deferred in a taxable year may not exceed the amount of market discount accrued on the Series 2004B Bond for the days during the taxable year in which the holder held the Series 2004B Bond and, in general, would be deductible when such market discount is includable in income. The amount of any remaining deferred deduction is to be taken into account in the taxable year in which the Series 2004B Bond matures or is disposed of in a taxable transaction. In the case of a disposition in which gain or loss is not recognized in whole or in part, any remaining deferred deduction will be allowed to the extent gain is recognized on the disposition. This deferral rule does not apply if the holder elects to include such market discount in income currently as it accrues on all market discount obligations acquired by such holder in that taxable year or thereafter.

Attention is called to the fact that Regulations implementing the market discount rules have not yet been issued. Therefore, investors should consult their own tax advisors regarding the application of these rules as well as the advisability of making any of the elections with respect thereto.

Sales or Other Dispositions of Series 2004B Bonds

If a Series 2004B Bond is sold or otherwise disposed of in a taxable transaction, gain or loss will be recognized in an amount equal to the difference between the amounts realized on the sale or other disposition, and the adjusted basis of the transferor in the Series 2004B Bond. The adjusted basis of a Series 2004B Bond generally will be equal to its costs, increased by any original issue discount or market discount included in the gross income of the transferor with respect to the Series 2004B Bond and reduced by any amortized bond premium under Section 171 of the Code and by the payments on the Series 2004B Bond (other than payments of qualified stated interest), if any, that have previously been received by the transferor. Except as provided in Section 582(c) of the Code, relating to certain financial institutions, or as discussed in the following paragraph, any such gain or loss will be a capital gain or loss if the Series 2004B Bond to which it is attributable is held as a "capital asset" and will be long term or short term depending on whether the Series 2004B Bond has been held for the long term capital gain holding period (generally more than 12 months). Currently, long term capital gains in the case of corporations are taxed at the same rate as ordinary income, but at a tax rate that does not exceed 35%. However, for taxpayers other than corporations, net capital gains are subject to a maximum marginal tax rate of 20% effective for sales of long term capital assets.

Gain on the sale or other disposition of a Series 2004B Bond that was acquired at a market discount will be taxable as ordinary income in an amount not exceeding the portion of such discount that accrued during the period that the Series 2004B Bond was held by the transferor (after reduction by any market discount includable in income by such transferor in accordance with the rules described above under "Series 2004B Bonds Purchased at a Discount").

Backup Withholding

Payments of principal and interest (including original issue discount) on the Series 2004B Bonds, as well as payments of proceeds from the sale of Series 2004B Bonds may be subject to the "backup withholding tax" under Section 3406 of the Code at a rate of 28% for tax years through 2010 and 31% for tax years 2011 and thereafter with respect to interest or original issue discount on the Series 2004B Bonds if recipients of such payments (other than foreign investors who have properly provided certifications described below) fail to furnish to the payor certain information, including their taxpayer identification numbers, or otherwise fail to establish an exemption from such tax. Any amounts deducted and withheld from a payment to a recipient would be allowed as a credit against the federal income tax of such recipient.

Foreign Investors

An owner of a Series 2004B Bond that is not a "United States person" (as defined below) and is not subject to federal income tax as a result of any direct or indirect connection to the United States of America in addition to its ownership of a Series 2004B Bond will generally not be subject to United States income or withholding tax in respect of a payment on a Series 2004B Bond, provided that the owner complies to the extent necessary with certain identification requirements (including delivery of a statement, signed by the owner under penalties of perjury, certifying that such owner is not a United States person and providing the name and address of such owner). For this purpose, the term "United States person" means a citizen or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States of America or any political subdivision thereof, or an estate or trust whose income from sources within the United States is includable in gross income for United States of America income tax purposes regardless of its connection with the conduct of a trade or business within the United States of America.

Except as explained in the preceding paragraph and subject to the provisions of any applicable tax treaty, a 30% United States withholding tax will apply to interest paid and original issue discount accruing on Series 2004B Bonds owned by foreign investors. In those instances in which payments of interest on the Series 2004B Bonds continue to be subject to withholding, special rules apply with respect to the withholding of tax on payments of interest on, or the sale or exchange of Series 2004B Bonds having original issue discount and held by foreign investors. Potential investors that are foreign persons should consult their own tax advisors regarding the specific tax consequences to them of owning a Series 2004B Bond.

ERISA Considerations

The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and the Code generally prohibit certain transactions between a qualified employee benefit plan under ERISA or tax qualified retirement plans and individual retirement accounts under the Code (collectively, the "Plans") and persons who, with respect to a Plan, are fiduciaries or other "parties in interest" within the meaning of ERISA or "disqualified persons" within the meaning of the Code. All fiduciaries of Plans, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in the Series 2004B Bonds.

Other Matters Affecting the Series 2004B Bonds

From time to time, there are legislative proposals in the United States Congress that, if enacted, could alter or amend the federal income tax consequences referred to above or could adversely affect the market value of the Series 2004B Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, any such proposal would apply to Series 2004B Bonds issued prior to enactment. Each purchaser of the Series 2004B Bonds should consult his or her own tax advisor regarding any pending or proposed federal tax legislation. Special Tax Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

PROSPECTIVE PURCHASERS OF THE SERIES 2004B BONDS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS PRIOR TO ANY PURCHASE OF THE SERIES 2004B BONDS AS TO THE IMPACT OF THE CODE UPON THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE SERIES 2004B BONDS.

CONTINUING DISCLOSURE UNDERTAKING

In connection with its issuance of the Series 2004 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 2004 Bonds (i) to provide audited annual financial statements of the City by not later than 270 days after the end of each Fiscal Year and to provide certain annual financial information and operating data relating to the City by not later than 270 days after the end of each Fiscal Year, and (ii) to provide timely notice of certain enumerated events, if material. Pursuant to its prior continuing disclosure undertakings relating to Gross Receipts Tax/Lodgers' Tax bonds, the City is required to file its annual audited financial statements for each Fiscal Year ended June 30, no later than 180 days after the end of each Fiscal Year. Because year end audits by its independent certified accountant have not been received by the City in time to make such filings, the audited financial statements have been filed within 210 days of the end of the Fiscal Year. The City anticipates that this problem will continue because of the delay in receiving audited financial information. Other than the delay in filing such audited financial statements, the City is currently in compliance with all of the requirements of its previous continuing disclosure undertakings.

LEGAL MATTERS

In connection with the issuance and sale of the Series 2004 Bonds, Brownstein Hyatt & Farber, P.C., 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 2004 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 2004 Bonds by Hogan & Hartson, L.L.P., 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 contained in this Official Statement. Additionally, Special Tax Counsel has not undertaken any responsibility for the accuracy, completeness or fairness of this Official Statement (except for the statements and information contained in this Official Statement on the cover page, under the caption "TAX MATTERS" and in the opinion of Special Tax Counsel contained in Appendix C relating to the taxability and tax exemption with respect to the Series 2004 Bonds) or other offering materials relating to the Series 2004 Bonds and expresses no opinion relating thereto.

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

INDEPENDENT ACCOUNTANTS

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, 2003" included in Appendix A of this Official Statement have been audited by Neff & Ricci LLP, independent certified public accountants, as set forth in their report thereon dated November 7, 2003 and are included herein in reliance on the expert status of Neff & Ricci LLP. Such financial statements represent the most current audited financial information available for the City.

UNDERWRITING

The underwriters listed on the cover page of this Official Statement (the "Underwriters") have agreed to purchase the Series 2004 Bonds from the City pursuant to a Bond Purchase Agreement dated September 15, 2004 (the "Bond Purchase Agreement"), for a purchase price of $60,728,016.72 (being the par amount of the Series 2004 Bonds less an Underwriters' discount of $419,068.33) plus a net original issue premium of $267,085.05. The Bond Purchase Agreement provides that the Underwriters will purchase all of the Series 2004 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 2004 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 2004 Bonds, the Series 2004 Bonds will receive a rating of "Aaa" from Moody's Investors Service, ("Moody's"), "AAA" from Standard & Poor's Credit Markets, a Division of The McGraw-Hill Companies, Inc. ("S&P") and "AAA" from Fitch, Inc. ("Fitch") (each a "Rating Agency" and collectively, the "Rating Agencies"), with the understanding that upon delivery of the Series 2004 Bonds, insurance policies insuring the payment when due of the principal of and interest on the Series 2004 Bonds will be issued by Financial Security. The following underlying ratings have also been assigned to the Series 2004 Bonds: Moody's has assigned the Series 2004 Bonds an underlying rating of "A1;" S&P has assigned the Series 2004 Bonds an underlying rating of "AA;" and Fitch has assigned the Series 2004 Bonds an underlying rating of "AA." It is expected that all of the Series 2004 Bonds will be covered by the Municipal Bond Insurance Policies at the time of delivery.

Ratings reflect only the respective views of the Rating Agencies, and the City makes no representation as to the appropriateness or meaning of any rating. An explanation of the significance of the ratings may be obtained from each Rating Agency. The City has furnished to each Rating Agency certain information and materials relating to the Series 2004 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 2004 Bonds, and there can be no assurance that a rating when assigned will continue for any given period of time or that it will not be lowered or withdrawn entirely by a Rating Agency if, in its judgment, circumstances so warrant. Any downward change in or withdrawal of a rating or ratings may have an adverse effect on the marketability and/or market price of the Series 2004 Bonds. The City has undertaken no responsibility to ensure the maintenance of the ratings or to oppose any revisions or withdrawals.

VERIFICATION OF MATHEMETICAL CALCULATIONS

Prior to the delivery of the Series 2004 Bonds, Causey Demgen & Moore Inc., Denver, Colorado, Certified Public Accountants & Consultants, will deliver a report on the mathematical accuracy of certain computations contained in schedules provided to them by the Underwriters relating to the adequacy of the maturing principal amounts of the United States governmental obligations held by the Escrow Agent and interest to be earned thereon to pay all the principal of, premium, if any, and interest on the Refunded Bonds when due.

Based on the mathematical computations of the accountants, the Tax-Exempt Escrow Account will be funded in an amount sufficient such that the Series 1999B Bonds to be refunded with proceeds of the Series 2004A Bonds will be deemed to have been paid and will no longer be outstanding as of the date of the establishment of the Tax-Exempt Escrow Account. See “PLAN OF FINANCING – The Refunding.”

Based on the mathematical computations of the accountants, the Taxable Escrow Account will be funded in an amount sufficient such that the Series 1991B Bonds, Series 1996 Bonds and Series 1999B Bonds to be refunded with proceeds of the 2004B Bonds will be deemed to have been paid and will no longer be outstanding as of the date of the establishment of the Taxable Escrow Account. See “PLAN OF FINANCING – The Refunding.”

ADDITIONAL INFORMATION

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

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or owners of any of the Series 2004 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/________________________
Mayor

APPENDIX A

ECONOMIC, DEMOGRAPHIC AND FINANCIAL INFORMATION, INCLUDING AUDITED FINANCIAL INFORMATION FOR FISCAL YEAR 2003

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	186.92
October 31, 2001	184.94
September 30, 2002	189.48
September 30, 2003	189.66

Source: City of Albuquerque Planning Department.

Population

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

Population

Year	City	Bernalillo County	Albuquerque MSA[1]	State
1960	201,189	262,199	292,500[2]	951,023
1970	244,501	315,774	353,800[2]	1,017,055
1980	332,920	420,262	485,500[2]	1,303,303
1990	384,736	480,577	589,131	1,515,069
2000 April[3]	448,607	556,678	712,738	1,819,046
2000 July[4]	449,765	557,545	714,618	1,821,544
2001 July[4]	454,139	562,375	721,951	1,829,110
2002 July[4]	463,341	572,597	735,747	1,852,044
2003 July[4]	471,856	581,442	748,067	1,874,614

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

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

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

(4) 2000-2003 data: U.S. Dept. of Commerce, Bureau of the Census, Population Estimates Program, Population Division. Data released July 10, 2003.

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

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

Age Distribution

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

2002 Population by Age Group

Age	% City	% County	% State	% U.S[1]
0-17	24.3[2]	24.8[2]	27.1	25.8
18-24	10.1	10.0	10.2	9.5
25-34	14.6	13.8	12.4	13.3
35-49	22.6	22.8	21.7	22.5
50 and Older	28.4	28.6	28.6	28.9

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

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

Source: 2002 Survey of Buying Power, Sales and Marketing Management Magazine. September 2003.

Employment

General

In 2002, nonagricultural employment in the Albuquerque MSA experienced a slight decline. Jobs were lost due to completion of the construction of the Big I project and of the Intel Facility expansion. Manufacturing jobs declined with the slowdown in the semiconductor industry and the national slowdown in the telecommunications area. On a monthly basis, Albuquerque MSA employment declined in the period from September 2001 to June 2002. When the Fiscal Year 2003 Budget was prepared, the Department of Labor had reported growth of about .5%. Beginning in July of 2002, employment growth turned positive and by June 2003 growth was 1.8% over the previous June. The rest of New Mexico had similar growth to the Albuquerque MSA at 1.8%. While this is not particularly strong growth, it ties New Mexico with Nevada as the fastest growing state in the U.S.

The information on nonagricultural employment for the State and the Albuquerque MSA reported in the following table represents estimates by the New Mexico Department of Labor. More detailed information on nonagricultural employment can be found in the table entitled "Estimated Nonagricultural Wage and Salary Employment for the Albuquerque MSA 1994-2003" under the heading "Major Industries" under this caption.

Nonagricultural Employment
(000s Omitted)

Calendar Year	Albuquerque MSA[1] Employment	Albuquerque MSA[1] % Chg.	New Mexico Employment	New Mexico % Chg.	United States Employment	United States % Chg.
1994	307.3	6.1%	657.2	5.0%	114,172	3.0%
1995	320.2	4.2	682.4	3.8	117,298	2.6
1996	326.3	1.9	694.9	1.8	119,708	2.1
1997	333.1	2.1	708.5	2.0	122,776	2.6
1998	338.5	1.6	720.0	1.6	125,930	2.6
1999	344.2	1.7	729.6	1.3	128,993	2.4
2000	354.9	3.1	744.9	2.1	131,785	2.2
2001	359.1	1.2	757.2	1.6	131,826	0.0
2002	358.4	(0.2)	766.1	1.2	130,343	(1.1)
2003[2]	360.6	0.6	775.5	1.2	129,937	(0.3)

(1) As of January 1, 1994, the Albuquerque MSA, which previously consisted solely of the County, was revised to include Sandoval and Valencia Counties.
(2) As of August, 2003.

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

Civilian Employment/Unemployment Rates

Calendar Year	Albuquerque MSA[1] Civilian Labor Force	Albuquerque MSA[1] Number Employed	Albuquerque MSA[1] Number Unemployed	Unemployment Rates Albuquerque MSA	Unemployment Rates New Mexico	Unemployment Rates United States
1994	334,564	319,783	14,781	4.4%	6.3%	6.0%
1995	342,879	328,926	13,953	4.1	6.3	5.6
1996	345,096	326,638	18,458	5.3	8.0	5.4
1997	357,648	342,244	15,404	4.3	6.4	4.9
1998	361,703	345,176	16,527	4.6	6.2	4.5
1999	353,395	339,447	13,948	3.9	5.6	4.2
2000	367,560	355,580	11,980	3.3	4.9	4.0
2001	370,845	357,377	13,468	3.6	4.8	4.8
2002	385,630	367,346	18,284	4.7	5.5	5.8
2003[2]	393,759	372,781	20,978	5.3	6.1	6.1

(1) As of January 1, 1994, the Albuquerque MSA, which previously consisted solely of the County, was revised to include Sandoval and Valencia Counties.
(2) As of August, 2003.

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

The following table lists the major employers in the Albuquerque area and their estimated number of full-time and part-time employees as of January 2003. As of that date, Kirtland Air Force Base, the University of New Mexico, Albuquerque Public Schools, Sandia National Laboratories ("SNL") and the City were the largest employers in the Albuquerque area.

Major Employers in the Albuquerque Area[1]
By Number of Employees-January 2003

Organization	Employees	% of Total Non-Agricultural & Military Employment[2]	Description
Kirtland Air Force Base (Civilian) [3]	17,046	4.80%	Aerospace
University of New Mexico	15,560	4.38%	Educational Institution
Albuquerque Public Schools	11,500	3.24%	Educational Institution
Sandia National Labs [3]	7,800	2.20%	Research Development
City of Albuquerque [4]	5,430	1.53%	Government
State of New Mexico	6,300	1.77%	Government
Presbyterian	5,800	1.63%	Hospital
Kirtland Air Force Base (Military) [5]	5,532	1.56%	Government
Lovelace Sandia Health Systems	5,500	1.55%	Hospital/Medical Services
Intel Corporation	5,200	1.46%	Semiconductor Manufacturer
UNM Hospital	4,330	1.22%	Hospital
US Post Office	2,200	0.62%	Government
Bernalillo County	1,855	0.52%	Government
PNM Electric & Gas Services	1,810	0.51%	Utilities Provider
Albuquerque Technical Vocational Institute	1,810	0.51%	Educational Institution
Veterans Affairs Medical Center	1,710	0.48%	Hospital
Qwest Communications [6]	1,500	0.42%	Telecommunications Provider
T-Mobile	1,450	0.41%	Customer Service Center
Sandia Casino	1,400	0.39%	Casino
CitiCard	1,300	0.37%	Casino
Los Lunas Public Schools	1,300	0.37%	Educational Institution
Isleta Gaming Palace	1,200	0.34%	Casino
Albuquerque Publishing Company	1,200	0.34%	Publisher
Rio Rancho Public Schools	1,180	0.33%	Educational Institution
Total Major Employers	**109,913**		

(1) Unless otherwise indicated, employment figures are from a telephone 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 (360,583) as reported by the New Mexico Department of Labor plus the number of military employees reported by Kirtland Air Force Base (5,532) a total of 355,051 employees.
(3) Full-time permanent employees.
(4) Includes both temporary and permanent employees.
(5) “Military” includes active duty personnel, reservists and National Guard. “Civilian” includes appropriated and contracted Civilians.
(6) Statewide employees.

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

Major Industries

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

NAICS Classifications

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

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

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

Leisure and Hospitality. This category includes eating and drinking establishments as well as hotels and other tourist related facilities. The hospitality industry is important to Albuquerque. Albuquerque has benefited from the interest in the Southwest and from efforts to promote the City and to attract major conventions to the Convention Center. The hotel stock in the City of Albuquerque has increased substantially in the past few years. From 1995 to June 2003, 4088 hotel room were permitted. Since June 2003, four hotels with a total of 544 rooms were permitted. The largest, the Embassy Suites Hotel near downtown, will have 261 rooms and large convention facilities and is under construction, with completion scheduled for the first half of 2005. Rocky Mountain Lodging Report reported occupancy of 72.8% in 1995. Occupancy has averaged around 60% for the past three years. Lodgers' Tax Revenues have shown similar trends. Growth in Lodgers' Tax Revenues was approximately 10% in the early 1990s, but after 1995 this growth slowed dramatically. In 2001, following the September 11th terrorist attacks, travel declined as did Lodgers' Tax Revenues. Growth in Fiscal Year 2001 was 1.3% followed by a decline of 2% in Fiscal Year 2002 and an increase in Fiscal Year 2003 of 1.5%.

The newest City venue is the rebuilt AAA baseball stadium. The new team - the Albuquerque Isotopes - had a very successful opening season. Their opening game was played on April 11, 2003 and an estimated 300-400 workers were hired for the season. The season was also a financial success for the team and the City, with attendance, sales of merchandise and refreshment revenues exceeding expectations. Attendance for the opening season, at 594,143, eclipsed the record attendance of 390,652 set in 1993 by the then Albuquerque Dukes. In 2004, the Isotopes attendance figures are very similar to the opening season.

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

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

A new manufacturer, Eclipse Aviation Corporation ("Eclipse"), has set up headquarters in the City with plans to manufacture a small two-engine jet following receipt of FAA approval of its jet. Current employment at Eclipse is 217 employees. Eclipse received authorization of Industrial Revenue Bonds from the City totaling $45 million for equipment and machinery at its current facilities at the Sunport International Airport. With this equipment Eclipse envisions approximately 300 additional jobs, by or before 2007. The presence of Eclipse at the Airport and the future (2009) location of Eclipse at the Double Eagle Airport would diversify the City's economy and represent current and future potential for increased revenues from general aviation users. The infrastructure development, business development and property management plan and the parallel marketing efforts for an Aerospace Technology Park for Eclipse support companies will complement this potential. Eclipse's first jets were scheduled to be produced in 2004. However, Eclipse has announced that the engine it intended to use in the jet would not provide sufficient thrust, and has negotiated another contract with Pratt & Whitney Canada.

Eclipse has reported that it moved forward with production and has made major contracts with a number of suppliers for building parts of the airplane including the tail and computer systems. The City is moving ahead in providing basic infrastructure for an aerospace tech park of 300 acres near the City's Double Eagle II airport. The bulk of the major infrastructure for the project is scheduled for completion by 2004, with roadway and storm drainage improvements by 2007-2008. Eclipse plans to move to Double Eagle in 2009. It is anticipated that Eclipse will use 150 acres of the park and eventually employ approximately 2000 workers.

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

Government. While it has declined in importance as a direct employer, in 2003 the government sector (comprised of federal, state and local employees) accounted for 19.9% of total nonagricultural employment in the Albuquerque MSA. "Government" (as defined by the New Mexico Department of Labor for purposes of reporting nonagricultural employment) does not include military employment; all military employment in the Albuquerque MSA represents approximately 6,500 jobs. In addition, "government" does not include employment at SNL. SNL is operated by a private contractor, although funded by the federal government (primarily the Department of Energy ("DOE")) and its approximately 7,700 jobs are counted in the business services sector. Several of the largest employers in the Albuquerque area are in the government sector, including the University of New Mexico, Albuquerque Public Schools, Kirtland Air Force Base ("Kirtland AFB"), and the City.

Kirtland AFB is a major military installation and home to over 150 different operations. Including private contractors, the largest of which is SNL, military and civilian employment on the base is approximately 24,040; approximately 5,500 of these employees are military and 19,000 are civilian. The Bureau of Business and Economic Research ("BBER") has estimated that total military employment in the Albuquerque MSA has declined from 6,946 in 1998 to approximately 6,500 in 2003. The general downtrend of military jobs since 1998 reflects the decision of the military to replace military jobs with civilians where possible. The Base Realignment and Closure Commission ("BRACC") process in 1995 left Kirtland AFB untouched but it had been on a list for closure. BRACC is planning to undergo another round of evaluation and closures in 2005. It is not known whether Kirtland AFB will be affected. New Mexico is continuing its substantial efforts to combat closures of bases in the State.

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

Federal government employment declined by approximately 370 jobs from 1996 to 2001, due to DOE reductions as well as the Bureau of Indian Affairs centralizing some of their functions. In 2002, the federal government increased employment as the Transportation Safety Administration took over baggage screening operations at the Albuquerque International Sunport. Total federal civilian employment increased by approximately 225 jobs. In Fiscal Year 2003 net federal government employment increased by 142 jobs.

While federal government employment was declining, local government employment increased by several thousand jobs. In large part this is due to the inclusion of Indian Casinos in this sector. Since early 1995 when gaming compacts were signed with the State, Indian casinos have grown substantially. Isleta Gaming Palace Casino and Resort opened at the end of 2000. Santa Ana Star Casino expanded its casino in the spring of 2001 by 33,000 square feet; however, approximately 200 employees at Santa Ana Star Casino were laid off in June 2002. In the spring of 2001, the Hyatt Tamaya resort hotel opened and the Sandia Pueblo opened a new casino and an amphitheater.

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

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

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

Construction Building Permits
Issued in Albuquerque

	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
1994	2,576	$251,689,190	1,823	8	$81,981,448	106	$ 70,568,139	11	$11,777,934	$106,611,217	$522,627,928
1995	2,674	247,796,639	1,801	13	78,548,666	120	143,204,347	4	17,627,000	101,462,026	588,638,678
1996	2,655	257,848,588	1,013	28	43,682,962	133	114,345,530	4	9,829,833	156,878,528	582,670,441
1997	2,529	244,770,431	1,061	29	73,690,868	119	118,174,223	7	10,206,611	92,812,699	539,654,832
1998	3,449	316,741,579	367	13	12,984,822	129	113,526,149	5	4,150,517	141,112,977	588,516,044
1999	3,601	341,061,779	390	21	18,144,931	102	88,001,238	9	31,258,900	126,411,527	604,878,375
2000	3,367	318,777,857	210	14	10,513,303	123	133,839,520	10	45,144,700	176,202,823	684,812,517
2001	4,138	389,087,259	792	47	36,509,058	121	113,707,767	11	9,848,356	149,130,782	698,283,222
2002	4,434	451,295,687	1,212	24	50,570,538	102	91,737,800	2	2,900,000	206,841,623	803,345,648
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
Growth 2003 over 2002	13.5%	23.0%	-40.6%	45.8%	-8.6%	15.7%	4.1%	250.0%	1046.9%	-20.9%	11.2%

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 (2000-2003)	19,912	16,978	2,934	Not available
Estimated Units as of December 2003	218,626	143,621	66,219	8,786

(1) Figures do not include manufactured housing.

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

Historical Employment by Sector

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

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

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

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

Income

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

Per Capita Personal Income[(1)]

Calendar Year	Albuquerque MSA[(2)]	New Mexico	United States
1993	$19,359	$16,959	$21,346
1994	20,475	17,631	22,172
1995	21,401	18,426	23,076
1996	22,172	19,029	24,175
1997	22,931	19,698	25,334
1998	23,894	20,656	26,883
1999	24,412	21,042	27,939
2000	25,848	22,134	29,847
2001	27,785	23,928	30,527
2002	28,471	24,823	30,906
2003	NA	25,541	31,632

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

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

Sources: Bureau of Economic Analysis, U.S. Department of Commerce, June 2004.

The following table presents data on non-farm earnings by industry for the Albuquerque MSA for 2001 and 2002 the only years available with the NAICS classification.

Albuquerque MSA
Estimated Earnings by NAICS Industry, 2001 and 2002[(1)]
($000s omitted)

	NAICS Category	2001	2002
	Farm earnings	$ 26,406	$ 24,330
	Nonfarm earnings	15,868,609	16,456,798
	Private earnings	12,412,941	12,721,911
200	Mining	33,199[(2)]	44,899[(2)]
300	Utilities	[(3)]	[(3)]
400	Construction	1,233,806	1,170,994
500	Manufacturing	1,545,005	1,435,892
600	Wholesale trade	688,334[(2)]	724,777[(2)]
700	Retail trade	1,234,757	1,283,920
800	Transportation and warehousing	443,212	459,998
900	Information	[(3)]	446,451[(2)]
1000	Finance and insurance	804,866	823,213
1100	Real estate and rental and leasing	326,865	366,330
1200	Professional and technical services	2,096,530[(2)]	2,215,478
1300	Management of companies and enterprises	237,163[(2)]	232,151[(2)]
1400	Administrative and waste services	719,382[(2)]	743,714[(2)]
1500	Educational services	105,727[(2)]	117,741[(2)]
1600	Health care and social assistance	1,345,898[(2)]	1,501,230[(2)]
1700	Arts, entertainment, and recreation	82,887	86,592[(2)]
1800	Accommodation and food services	471,966	489,706[(2)]
1900	Other services, except public administration	386,862[(2)]	441,292[(2)]
2000	Government and government enterprises	3,455,668	3,734,887
	Federal, civilian	1,041,355	1,097,395
	Military	319,017	354,358
	State government	851,592	914,552
	Local government	1,243,704	1,368,582

(1) In 2002 the North American Industrial Classification System replaced the Standard Industrial Classification. <u>See</u> "Major Industries - NAICS Classifications." Comparisons of the NAICS to the SIC are not readily made.
(2) The estimate shown here constitutes the major portion of the true estimate.
(3) Not shown to avoid disclosure of confidential information, but the estimates for this item are included in the totals.

The following two tables reflect Median Household Effective Buying Income ("EBI") (1993-2002) and the Percent of Households by EBI Groups 2002 as reported in the annual surveys of buying power in Sales and Marketing Management Magazine. EBI is defined as money income less personal tax and non-tax payments described below. Money income is the aggregate of wages and salaries, net farm and nonfarm self-employment income, interest, dividends, net rental and royalty income, Social Security and railroad retirement income, other retirement and disability income, public assistance income, unemployment compensation, Veterans Administration payments, alimony and child support, military family allotments, net winnings from gambling, and other periodic income. Deducted from this total money income are personal income taxes, personal contributions to social insurance (Social Security and federal retirement payroll deductions), and taxes on owner-occupied nonbusiness real estate. Receipts from the following sources are not included as money income: money received from the sale of property; the value of "in kind" income such as food stamps, public housing subsidies, and employer contributions for persons; withdrawal of bank deposits; money borrowed; tax refunds; exchange of money between relatives living in the same household; gifts and lump-sum inheritances, insurance payments, and other types of lump-sum receipts.

Median Household Effective Buying Income
(1993-2002)

Calendar Year	Bernalillo County	New Mexico	United States
1993	$32,162	$28,677	$35,056
1994	33,978	30,032	37,070
1995(1)	31,051	26,499	32,238
1996	32,226	27,503	33,482
1997	31,240	27,744	34,618
1998	33,505	28,795	35,377
1999	35,517	29,992	37,233
2000	35,712	30,322	39,129
2001	38,772	32,083	38,365
2002	36,381	32,291	38,035

(1) Beginning in 1995, EBI is based on "money income" rather than "personal income," and is not directly comparable with previous estimates. Money income does not include the value of "in-kind" income, such as food stamps and medical care, and does not include lump sum receipts, such as inheritances and tax refunds. For details, see the notes in the 2003 Survey of Buying Power referenced below.

Sources: 2003 Survey of Buying Power, Sales and Marketing Management Magazine, September 2003 and previous annual surveys from the same source.

Percent of Households by
Effective Buying Income Groups-2002

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

(1) United States percentages were calculated from the number of households.
(2) All figures for "Under $20,000" are residual percentages.

Source: 2003 Survey of Buying Power, Sales and Marketing Management Magazine, September 2003.

SELECTED FINANCIAL INFORMATION

General

The following financial information is provided to prospective purchasers for purposes of analyzing financial information of the City. The Series 2004 Bonds are not payable from or secured by revenues in the City's General Fund or Municipal Gross Receipts Tax revenues described below but are payable only from those revenues and sources described as Pledged Revenues in the Official Statement to which this Appendix is attached.

Taxes and Revenues

The City is a home rule charter municipality, chartered as a town in 1885. An election on the proposed unification of the City and County governments was held in November 2003. The question of unification was defeated at that election. The New Mexico Constitution (Article X, Section II) requires that another election on the question of unification be held within 12 months of the November 2003 election.

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

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

Budget Process - Operating Funds

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

Budget Process - Estimates, Forecasting and Revision of Revenues

In May or June of each year the City Council adopts a budget for the upcoming Fiscal Year (beginning July 1). The City prepares revenue forecasts for five-year periods (referred to as the "five-year forecast") each December and updates the budget year forecast prior to introduction of the Mayor's Proposed General Fund Budget. All revenue forecasts are prepared by the Office of Management and Budget. These forecasts make certain adjustments to revenue forecasts in the current budget based on events occurring since the preparation of the budget and provide a starting point for preparation of the next year's budget. The Forecast Advisory Committee, comprised of experts from City government, the University of New Mexico, State government and the private sector, reviews forecasts and makes recommendations. After incorporating any recommendations of the Advisory Committee, the five-year forecast is presented to the City Council. In response to changing conditions and revenue forecasts, the City may amend the budget at any time during the year.

In January 2003, a five-year forecast (the "2003 Forecast") was presented to the City Council and forecasted revenues for Fiscal Years 2003 through 2007, including a downward adjustment to revenues for Fiscal Year 2003 from that reflected in the Fiscal Year 2003 budget. The 2003 Forecast was used to develop the budget for Fiscal Year 2004, which was approved by City Council in May 2003 (the "2004 Budget"). The latest five-year forecast for Fiscal Years 2004-2008 was presented to the City Counsel in January 2004. This forecast was used to help develop the Fiscal Year 2005 budget that was approved by the City Council in May, 2004 (the "2005 Budget").

Budget Process - Capital Funds

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

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

The General Fund

General Fund Revenues

The General Fund is the City's primary operating fund and is used to account for the general operations of the City and for all financial resources, except those required to be accounted for in another fund. Set forth below are discussions of General Fund revenues in Fiscal Years 2004 and 2005.

Revised Fiscal Year 2004 Revenue Estimates. Total General Fund revenues for Fiscal Year 2004 are anticipated to be $361.7 million or $28.8 million above Fiscal Year 2003. This is an increase of 8.6% over Fiscal Year 2003 and is $12.1 million above the approved Fiscal Year 2004 budget. Recurring revenues are $6.9 million above the Fiscal Year 2004 budget. The strong growth is the result of several items. The increase above the approved budget is due to stronger than expected gross receipts tax revenues, stronger construction related revenues and an industrial revenue bond (IRB) settlement. The shift of one mill in property tax authority to operations also adds to the strong growth. Total non-recurring revenues are estimated at $8.5 million. This includes $4 million in gross receipts tax revenue from enhanced compliance efforts at the State and $2.2 million from the IRB settlement.

Approved Budget Revenue Estimates for Fiscal Year 2005. Estimated total General Fund revenues for Fiscal Year 2005 are $393.1 million representing growth of 8.7% or $31.4 million above the revised Fiscal Year 2004 estimate. Gross receipts tax revenues are expected to increase by $32.8 million, including $27.6 million from the quarter cent public safety tax. See "Selected Financial Information - Municipal Gross Receipts Taxes - Imposition of Tax" under this Appendix A. Non-recurring revenues are $2.7 million primarily from the quarter cent transportation tax transfer and additional one-time gross receipts tax revenues from enhanced compliance efforts by the state. Recurring revenues are $390.4 million, an increase of 10.5% above the revised Fiscal Year 2004 estimate. Details by category are discussed in the following text.

Gross Receipts Taxes. Gross receipts tax is reported as State shared revenues and municipal revenues. The State shared portion is 1.225% that is distributed to municipalities. The total municipal distribution to the general fund including, as of July 2004, the Quarter Cent Public Safety Tax is 1.0625%.

Gross receipts tax after experiencing weak growth of 0.2% in Fiscal Year 2002, increased by 4.6% in Fiscal Year 2003. Fiscal Year 2004 revenues in the Five-Year Forecast were adjusted up to reflect the increase in Fiscal Year 2003 as well as an increase in growth based on actual receipts. The forecast for Fiscal Year 2004 is estimated at $249.2 million with growth of

5.6%. It is estimated that about $4 million of this revenue is non-recurring. The recurring growth rate for Fiscal Year 2005 is 3.4%, but after taking out the large non-recurring portion the growth rate is only 2.1%. Additionally, the new Quarter Cent Public Safety Tax went into effect on July 1, 2004. This will yield eleven months of revenues to the City estimated at $27.6 million. Total gross receipts tax revenues are estimated at $282 million in Fiscal Year 2005.

Local Taxes Other Than Gross Receipts. Property tax revenues in Fiscal Year 2003 were $16.5 million. Beginning in Fiscal Year 2004 one mill of property tax levy was moved from the capital program to the operating program. This additional mill and growth in the base is expected to generate $24.3 million in Fiscal Year 2004 and with growth of 3%, an increase to $25 million in Fiscal Year 2005.

Franchise tax revenues totaled $17.5 million in Fiscal Year 2003 and are expected to be $17.25 million in Fiscal Year 2004. The primary source of decline is due to the one-time cable franchise revenue of $1.1 million in Fiscal Year 2003. Also, growth is reduced by a 4% electric rate reduction that went into effect in September 2003, and continued weakness in telecommunications. These weaknesses are offset in large part by rapid growth in natural gas and cable. In Fiscal Year 2003 the natural gas franchise had a full year at the new rate of 3% and high natural gas prices also increased the base. In Fiscal Year 2005, growth is estimated at 1%. Natural gas prices are expected to be slightly lower and electricity grows at 2%. The telephone franchise is expected to remain soft with competition from wireless continuing to erode the market. The Fiscal Year 2005 estimate for the natural gas franchise is $257 thousand above the 2003 Forecast due to the expectation that natural gas prices will be higher than expected when the Five-Year Forecast was prepared.

Payments in lieu of taxes (PILOT) are expected to increase due to increased enterprise revenue collections and property valuations. For Fiscal Year 2004 PILOT growth is estimated at 8% and 3% in Fiscal Year 2005. PILOT growth in Fiscal Year 2005 is limited by the creation of the Albuquerque-Bernalillo Water Utility Authority ("ABWUA"), where the total payments from the Authority to the City is limited to a franchise fee of 4% on gross revenues. This franchise fee is now the only component of the PILOT which in the past had included gross receipts and ad valorem components as well as a smaller franchise fee.

Licenses and Permits. Building permit inspection revenues in Fiscal Year 2003 increased due to an average increase in permit fees of 30% and growth in construction. The Fiscal Year 2004 budget anticipated a decline in revenues, but construction activity has remained strong. The Fiscal Year 2004 estimate was increased to the level of Fiscal Year 2003 in the Five-Year Forecast. Revenues are expected to decline as interest rates increase and the single family market softens in Fiscal Year 2005. For Fiscal Year 2005, permit revenues are anticipated to decline about 5% or $440 thousand.

License and permit receipts were $2.6 million in Fiscal Year 2003. Fiscal Year 2004 revenues show a modest increase and are estimated at $190 thousand above the approved budget. In Fiscal Year 2005, revenues are expected to be relatively flat with a gain of only $59 thousand.

Intergovernmental Revenues Other than Gross Receipts. In Fiscal Year 2004, these revenues are expected to be $873 thousand above revenues in Fiscal Year 2003. This is due to revenues from the state shared corrections fees, better than expected revenues from the state shared vehicle excise taxes, and a one time $358 thousand payment from Federal Emergency Management Agency to reimburse cost incurred by the City as a result of a bosque fire. In Fiscal Year 2005 the decrease of $63 thousand is due to one-time revenue in Fiscal Year 2004. Recurring growth is $295 thousand primarily due to a full year of the corrections fee and an increase of $41 thousand from Bernalillo County for household hazardous waste. The other sources of revenue such as shared gasoline and cigarette taxes are expected to remain flat.

Charges for Services. Total charges for services include four distinct categories of charges. The first category is generally called Direct Charges for Services and includes charges by the City for services provided directly to the public such as entrance fees to City facilities and services and legal assistance provided to other funds. The second category is charges to the Capital Implementation Program ("CIP") to fund positions for oversight and administration of capital projects. The third category, Internal Service Charges, such as office and building services. The last category, is Indirect Overhead; indirect charges to other funds for services such as accounting and payroll. The total charges for services increased from $38.9 million in Fiscal Year 2003 to $42.8 million in the approved Fiscal Year 2004 budget, but decreased to a revised estimate of 40.8 million in Fiscal Year 2004 and to $40.3 million in the Approved Budget for Fiscal Year 2005. The declines come from a reduced expectation of funding CIP funded positions and the reduction in revenues due to the private management of the Convention Center.

Direct Charges for Services were $17 million in Fiscal Year 2003 and in Fiscal Year 2004. Growth expected in the Fiscal Year 2004 approved budget was completely offset by the reductions in revenues from contracting out the management of the Convention Center and reduced visitation at the zoo. There was some offsetting growth including childcare and latchkey programs that had some fee increases and increases in popularity, legal fees where filling internal positions reduced the use of outside legal council for risk related cases, and the increased attendance at the museum, where the popular French impressionist exhibit gave a large boost to revenues. In Fiscal Year 2005 revenues are expected to decline by $767 thousand. The full year of Convention Center management expenses is the source of a $1.4 million reduction. With most revenues remaining flat, it is estimated that there will be revenue increases at the zoo for the opening of the Animals of Africa exhibit at $283 thousand, increases in library services for $217 thousand, legal fees at $109 thousand, and increase of $158 thousand as league play for softball and baseball increase due to the closing of other local private facilities.

Internal services charges have declined as the City has chosen not to provide certain services. Office service charges now total about $33 thousand per year. Building alteration charges were eliminated in Fiscal Year 2002. Engineering and inspection fees have declined from an average of $1.5 million in the 1990s to $175 thousand in Fiscal Year 2004 down $55 thousand from Fiscal Year 2003. In Fiscal Year 2005 revenues are expected to equal Fiscal Year 2004 revenues.

In Fiscal Year 2004, CIP funded positions are expected to result in $8.3 million in revenues. This is $900 thousand below the approved budget, as some projects were not started as soon as expected. The reductions were primarily due to delayed streets projects and special cultural projects such as Tingley Beach renovation. This has no net impact on the General Fund as there is an offsetting reduction in expenses. In Fiscal Year 2005, these revenues are estimated at $8.8 million. The increase is due to continuation of the work on Tingley Beach, the design and implementation of the customer service call center, and the utility billing system.

Indirect overhead revenues increased in Fiscal Year 2004. Part of this is due to filling positions in enterprise funds that were vacant in Fiscal Year 2003. In Fiscal Year 2005, indirect overhead revenues are expected to decline by $207 thousand primarily due to a $180 thousand reduction in the indirect overhead paid by the Albuquerque Bernalillo Water Utility Authority. The creation of the Authority reduces some of the indirect services the City provides.

<u>Miscellaneous Revenues</u>**.** In Fiscal Year 2004, the largest source of miscellaneous revenue is $2.2 million from an IRB settlement. Fines and forfeitures are expected to generate only $5 thousand in Fiscal Year 2004 and in Fiscal Year 2005. Air quality penalties have dropped from around $40 thousand per year to $5 thousand.

Estimated revenues from interest earnings in Fiscal Year 2004 are $1 million down from the approved budget. Fiscal Year 2005 revenues are at $1.9 million with expectations of increased interest rates and increases in the cash balances for the General Fund.

<u>Inter-Fund Transfers</u>. Incoming transfers from other funds in Fiscal Year 2004 are expected to be $2.1 million. In Fiscal Year 2005 revenues are anticipated at $2.1 million. Major changes include the loss of $115 thousand due to the Water Utility Authority phasing out the funding of three positions in environmental services for groundwater monitoring, a new transfer of $133 thousand from the Lodgers' Tax fund for the tourism strategy, a reduction of $100 thousand from the City/County Projects fund, and an increase of $110 thousand for transfers from the water utility for the silvery minnow project. The silvery minnow project was directly paid by the Water Utility Authority in Fiscal Year 2004 and was not included as a transfer.

General Fund Appropriations

<u>Approved Fiscal Year 2005 Budget</u>. The Fiscal Year 2005 budget reflects both Administration and Council priorities.

The 2003 Forecast (five-year forecast) estimated future revenues and expenditures for the General Fund and the subsidized funds for Fiscal Year 2004, and for Fiscal Years 2005 through 2008. The 2003 Forecast projected the General Fund unreserved fund balance for the current fiscal year would be positive at $17.4 million (plus $2.2 million reserved from the IRB settlement) and recurring revenues would exceed recurring expenses by $5.8 million. Much of this was due to the improvement in revenues in Fiscal Year 2003 and Fiscal Year 2004 and reversions created by the efforts of City departments to reduce expenditures. In Fiscal Year 2005 the gap between General Fund recurring revenues and expenditures was projected to be $14.7 million, producing an unreserved fund balance of a negative $10.1 million.

The $10.1 million Fiscal Year 2005 projected gap had six major causes. First, the adopted recovery plans that worked well in Fiscal Year 2003 and Fiscal Year 2004 contained significant non-recurring portions. The suspension of a transfer to storm drainage projects provided General Fund capacity in Fiscal Year 2004, but had to be restored in Fiscal Year 2005. Positions frozen in prior years were filled and became recurring expenses in Fiscal Year 2005. Fund balances from Fiscal Year 2003 and Fiscal Year 2004 move forward to Fiscal Year 2005, but are not recurring. Fiscal Year 2004 also contains increases in one-time revenues, such as the IRB settlement. Second, Fiscal Year 2005 expenditures were assumed to significantly increase with the opening of new City facilities. The 2003 Forecast estimated costs of operating CIP coming-on-line in Fiscal Year 2005 was $15.5 million. This is an unusually large amount and was due in part from prior years' construction and opening delays as well as the need to purchase small capital items, such as furnishings. Third, the cost of the Administration's initiatives assumed in the forecast was $4 million, primarily in the Cultural, Environmental Health, Planning and Legal departments. Fourth, "catch-up" expenditures were projected to increase to pay for positions coming off of grants, particularly in the Albuquerque Police Department (APD), and to put police cruisers on a five-year replacement schedule. Fifth, the increase in APD officers funded by the quarter cent public safety tax was assumed to be in excess of the 1,000 officer target for Fiscal Year 2005. Sixth, there are several recurring costs that are growing faster than the rate of inflation, most notably employee healthcare and worker's compensation insurance.

Budget hearings revealed several areas that could be reduced to close the $10.1 million gap in the 2003 Forecast. Analysis of actual data from February 14, 2004 revealed a General Fund City employment vacancy rate of 7.75%, well above the Fiscal Year 2004 budgeted salary savings rate of 0.5%. The proposed Fiscal Year 2005 General Fund budget increases the salary savings rate to 3.5% for all departments except Fire, Police, Metropolitan Detention Center, Mayor, Chief Administrative Officer, Council Services, and Internal Audit which remain at 0.5% and Senior Affairs that is set at 1.5%. The increase in the salary savings rate created approximately $4.4 million in additional capacity. The cost of operating CIP coming-on-line was dramatically reduced to $7.8 million, creating a similar amount in savings from the 2003 Forecast level. The operating grants transfer was $505 thousand less than anticipated in the 2003 Forecast. Finally, the additional $5.6 million in General Fund appropriations to bring the APD fleet onto a five-year replacement schedule as assumed in the 2003 Forecast was eliminated. The savings was sufficient to not only close the projected $10.1 million Fiscal Year 2005 gap, but also to provide sufficient capacity to support raises for employees.

The budget is built on the assumption that available revenues will increase 8.7% over the estimated actual level for Fiscal Year 2004. Expenditures in the Fiscal Year 2005 general fund budget are 13.7% greater than the estimated actual spending level for Fiscal Year 2004. The growth in expenditures is supported by a large fund balance carried forward from Fiscal Year 2003.

The large growth rate in both revenues and expenditures is primarily the result of the passage of the quarter cent public safety tax. The new quarter cent GRT was implemented July 1, 2004 and is expected to produce $27.6 million in additional revenues dedicated to specific spending purposes. The underlying growth rates of revenues and expenditures are modest, with recurring revenues increasing at 2.7% and spending at 4.7%. Revenues from the new quarter cent tax is recurring and provides a basis for the final favorable balance in which recurring revenues exceed recurring expenditures by $4.7 million. All capital expenditures are considered non-recurring.

General Fund Revenues and Expenditures Aggregates

GENERAL FUND ($000;s)	APPROVED BUDGET Fiscal Year 2005	$ CHANGE From Fiscal Year 2004 EST. ACTUAL	% CHANGE From Fiscal Year 2004 EST. ACTUAL
REVENUES	$393,124	$31,421	8.7%
Total Recurring	390,438	37,207	10.5%
1/4 Cent	27,600	27,600	
Recurring minus 1/4 Cent	362,838	9,607	2.7%
Nonrecurring	2,686	(5,786)	
EXPENDITURES	$401,803	$48,563	13.7%
Total Recurring	385,768	40,898	11.9%
1/4 Cent	24,549	24,549	
Recurring minus 1/4 Cent	361,219	16,349	4.7%
Nonrecurring	16,035	7,665	
RECURRING REVENUES – RECURRING EXPENDITURES	$4,670		

The voters' approval of the Quarter Cent Public Safety Tax will add about $27.6 million in new money, designated specifically for enhancement of public safety services and social services directed to crime prevention and intervention. This new stream of funding will allow the City to further increase the size of the forces and better equip police officers and firefighters. The proposed budget reflects the consensus spending plan for the incremental social service dollars developed over the last several months with the guidance of Council.

The budget for many departments is a maintenance-of-effort budget, increased only by costs over which the departments have little or no control. By modestly increasing each department's salary savings rate to more accurately reflect the vacancy rate observed in Fiscal Year 2004 and seeking out other cost-saving opportunities, funding has been identified for a number of incremental program efforts and rate increases were avoided in all but one of the City enterprise funds. Golf established a new single fee schedule in order to raise sufficient funds to cover the cost of golf operations and meet required debt service coverage for new facilities. This year the Joint Water and Sewer Utility was not budgeted by the City of Albuquerque, but rather by the ABWUA. The ABWUA was created by law in the 2003 Regular Session of the New Mexico Legislature and the City has transferred functions, appropriations, money records, equipment and other real and personal property pertaining to the Water/Sewer system to the ABWUA.

After years of planning, the City will begin operation of the Bus Rapid Transit demonstration project along Central Avenue between the east side and west side of town. Increased funding for animal services will allow us the City to implement the majority of the

HSUS recommendations, improve humane operations, and focus on increasing the number of live exits of adoptable animals from the City's animal shelters. Funding will allow the City to prepare for our 300th birthday celebration, continue negotiations to acquire a panda at our renowned zoo and add hours at many City libraries. Funding for the second annual Music Festival is also included. Additional funding is provided for the work of the Safe City Strike Force to allow them to address more private properties that have become public nuisances. Funding for expanded street sweeping to improve the appearance of the City and minimize the harmful impacts of storm sewer effluent on the Rio Grande River is included as well as funding for highway litter control, seven day per week operations at convenience centers and restoration of weekly curbside collection of recyclables.

The budget also includes funding for a number of capital improvement projects coming on line in Fiscal Year 2005. The Erna Fergusson Library, which opened several months ago, is funded for a full year of operations. Additional staff is funded for the Phase I expansion of the Albuquerque Museum, as well as the opening of the Period Farm at the BioPark. Operating funds for the Taylor Ranch Community Center, the La Mesa Child Development Center and the Manzano Mesa Child Development Center are budgeted. As a successful proof of concept ends, this budget funds the relationship management center to provide City information, answers and services, as well as relieve pressure on the 911 call center, through local 311 service in mid-Fiscal Year 2005. This represents a dramatic increase in the quality of municipal services. Additional funds for reclaiming and protecting the ecosystem of Albuquerque's incomparable Bosque is also included in our open space program.

Although employee compensation is subject to negotiation, Council approval and Mayoral signature, the Fiscal Year 2005 budget contains funding for the City to absorb 83% of the cost of employee health and dental insurance, in addition to increases in base compensation for all permanent City employees. In total $17 million is provided to support increased insurance costs, a 3.9% increase for APD, opens space and aviation police, and a 3.2% increase for all other permanent employees.

As in Fiscal Year 2004, the transfer to storm drainage is suspended as the program has unspent balances of twice the annual transfer level. In addition, $2 million is set aside to meet computer security and replacement demands for the many employees who continue to work on significantly aged and dated equipment that reduces their potential productivity.

Finally, a General Fund reserve equal to 1/12th of the appropriation level is established, along with a $1.5 million reserve from the settlement of an IRB in Fiscal Year 2004. In addition, $1.5 million from the Quarter Cent Public Safety Tax designated for a centralized booking and processing center for MDC is reserved while plans are under consideration to resolve this situation. Fiscal Year 2004 resources were reserved to fund nuisance abatement acquisitions expected to be incurred in Fiscal Year 2005. Another $600,000 is reserved for the City's Tricentennial pending approval of a plan. Finally, a $2 million reserve was established by City Council action.

Close cooperation of the Administration and the City Council during the budget preparation, public hearings and development of the Committee Substitute for the General Fund appropriation legislation has resulted in significant improvements in the alignment of priorities and funding.

General Fund Balances

The following table shows actual revenues, expenditures and fund balances for the General Fund in Fiscal Years 1999-2003, an estimate of actual balances for Fiscal Year 2004 and also shows the approved budget amounts for Fiscal Years 2004 and 2005.

In 2004 the fund balance policy was changed. The reserve is now 1/12 (8.33%) of expenses rather than 5% of recurring revenues.

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

REVENUES	Actual 1999	Actual 2000	Actual 2001	Actual 2002	Actual 2003	Approved Budget 2004	Estimated Actual 2004	Approved Budget 2005	Compound Annual Chg 99 - 05
Taxes:									
Property Tax	$13,530	14,267	15,429	15,880	16,498	24,316	24,316	25,046	9.2%
Gross Receipts Tax	81,027	84,166	88,353	89,068	93,173	93,830	98,391	128,037	6.8%
Other Taxes	14,161	13,581	15,626	15,369	17,457	16,303	17,249	17,423	3.0%
Payment in lieu of taxes	4,890	4,842	5,117	5,450	5,613	6,062	6,062	6,257	3.6%
Total Taxes	113,608	116,855	124,525	125,766	132,741	140,511	146,018	176,763	6.5%
Licenses & Permits	8,136	8,011	8,723	8,643	12,279	10,385	12,398	12,017	5.7%
Intergovernmental Revenue:									
State Grants	73	270	20	22	46	-	-	-	-100.0%
State Shared Revenue:									
Gross Receipts Tax	125,538	130,282	135,831	136,655	142,840	146,229	150,839	154,006	3.0%
Other State Shared	9,522	4,739	4,114	4,672	4,233	4,848	5,156	5,052	-8.7%
County	250	210	220	169	242	202	238	279	1.6%
Total Intergovernmental Revenue	135,382	135,501	140,185	141,519	147,361	151,279	156,233	159,337	2.4%
Charges for Services	35,758	35,539	36,719	36,638	37,770	42,979	40,830	40,383	1.8%
Miscellaneous	2,960	2,710	3,748	1,580	1,249	2,105	4,147	2,498	-2.4%
Other Transfers	1,398	1,468	3,663	3,436	1,509	2,307	2,077	2,126	6.2%
TOTAL REVENUES	297,243	300,084	317,563	317,581	332,909	349,566	361,703	393,124	4.1%
Beginning Fund Balance	44,739	44,142	43,403	40,183	36,599	31,753	43,125	51,587	2.1%
TOTAL RESOURCES	341,982	344,226	360,966	357,764	369,508	381,319	404,828	444,711	3.8%
EXPENDITURES									
General government	42,081	43,979	44,444	43,375	43,775	49,921			
Public safety	111,039	116,909	122,153	127,469	130,107	140,552			
Cultural and recreation	47,466	46,791	50,408	49,152	48,653	51,952			
Public works	14,842	14,425	9,223	8,571	6,161	6,219			
Highways and streets	13,947	9,520	11,872	12,898	12,373	12,708			
Health	5,796	5,774	6,134	6,288	6,557	7,086			
Human services	18,523	22,104	29,264	26,795	27,146	30,418			
Other transfers out	44,147	41,321	47,284	46,616	49,113	51,950			
TOTAL EXPENDITURES	297,841	300,823	320,782	321,164	323,886	350,806	353,241	401,803	4.4%
ENDING FUND BALANCE	44,141	43,403	40,183	36,599	45,622	30,513	51,587	42,908	
TOTAL ADJUSTMENTS(1)(2)(3)	(24,880)	(23,229)	(24,485)	(18,525)	(502)	(678)	(486)	(486)	
TOTAL RESERVES(4)	14,686	14,879	15,549	16,161	27,758	29,811	32,698	40,078	
AVAILABLE FUND BALANCE	4,575	5,295	149	1,913	17,362	24	18,403	2,344	
Ending fund balance as percent of recurring revenue(5)	6.5%	6.78%	5.00%	5.75%					
Ending fund balance as percent of total expenditure(5)					8.57%	8.50%	9.26%	9.97%	
Recurring revenues	296,524	297,584	314,044	314,330	329,259	346,617	353,231	390,438	4.0%
Recurring expenditures	296,565	294,892	319,546	317,399	322,331	347,699	344,871	385,768	3.8%

(1) Adjustments reflect increases in reserves for encumbrances and designation for future appropriations.
(2) Fund balance for Fiscal Year 2000 changed due to an accounting change from modified to full accrual for franchise fees.
(3) The Fiscal Year 2002 adjustment includes a $1.2 million reserve for corrections.
(4) A reserve of $275 thousand for the transfer to transit is included in the Approved Fiscal Year 2004 Budget.
(5) The reserve policy change is, as of Fiscal Year 2003, 8.33% of total expenditures. In prior years the reserve policy was 5% of recurring revenue

The General Fund currently anticipates a significant fund balance in excess of the required reserve level and available for appropriation. Because Fiscal Year 2003 revenues were stronger than anticipated ($4.5 million above the third quarter estimate) and Fiscal Year 2004 revenues are performing better than anticipated when the budget was approved, combined with an unanticipated reversion from spending below the budgeted level in Fiscal Year 2003, available fund balance in Fiscal Year 2004 is significantly improved. Even after passage of the employee bonus plan, available fund balance was estimated at $12.7 million. Approximately $2.2 million of the increase is attributable to the settlement of an industrial revenue bond lease.

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

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

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

(1) Revenues are projected, actual revenues may vary.

Revenues

Municipally Determined Revenues

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

Local Option Gross Receipts Taxes. The City has authority under the Municipal Gross Receipts Tax Act (Sections 7-19-1, *et seq*. NMSA 1978 as amended) to impose up to 1.25% municipal gross receipts tax on the gross receipts of any person engaging in business in the City. The municipal gross receipts tax currently imposed by the City is the full 1.25%. The City has also imposed a 0.0625% municipal infrastructure gross receipts tax for general purposes and has authority to impose a second 0.0625% municipal infrastructure gross receipts tax for general purposes without a referendum. The City may impose an additional 0.125% municipal infrastructure gross receipts tax for general municipal purposes, infrastructure, regional transit and/or economic development, a 0.0625% municipal environmental gross receipts tax and an additional 0.25% municipal capital outlay gross receipts tax for municipal infrastructure purposes. Effective July 1, 2005 if the City becomes a member of a regional transit district, upon request from the district, the City, after an election approving the tax, shall impose a municipal regional transit gross receipts tax of up to 0.5% for a public transit system or public transit projects or services for the district.

See "Selected Financial Information - Municipal Gross Receipts Taxes" under this Appendix A.

Real Property Tax. The City is authorized to impose a maximum levy of 7.650 mills for City operations. In Fiscal Year 2004, only 3.014 mills imposed on residential property and 3.544 mills imposed on commercial property are used by the City for operations and are subject to yield control. See "Property Taxes" below.

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

Intergovernmental Revenues

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

Municipal Gross Receipts Taxes

Imposition of Tax

In addition to receiving a distribution from the State, the Municipal Local Option Gross Receipts Tax Act (Section 7-19D-1 through 7-19D-12 NMSA 1978, as amended) authorizes the City under State law to impose up to 1.25% municipal gross receipts tax in increments of oneeighth of one percent on the gross receipts of any person engaging in business in the City. The City is imposing the full 1.25%. One quarter of one percent (0.25%) of the City's municipal gross receipts tax is dedicated to specific "basic services" programs and the proceeds are deposited in the City's General Fund. One half of one percent (.50%) is used for general purposes and the revenues are deposited into a fund pledged to secure certain outstanding municipal gross receipts tax bonds of the City. An additional 0.25% municipal gross receipts tax is imposed to provide for street maintenance, roadway improvements, an increase in the level of services provided by the public transit system, and construction of a bikeway system. In October 2003, the final 0.25% increment of municipal gross receipts tax was approved by the City electors with the proceeds to be used for public safety, a variety of social-service programs and jail expenses. The tax was imposed effective July 1, 2004. The City has also imposed a 0.0625% municipal infrastructure gross receipts tax for general purposes. The City has authority to impose a second 0.0625% municipal infrastructure gross receipts tax without a referendum, but has not exercised this authority. In addition, the State Legislature in 1998 passed legislation allowing the City to impose an additional 0.125% municipal infrastructure tax for general municipal purposes, infrastructure, regional transit and/or economic development. The City has not used this authority to date, and a positive referendum will be required to impose such tax. The City also has authority under State law to impose a 0.0625% municipal environmental gross receipts tax but thus far has not used this authority. The State Legislature in 2001 passed legislation allowing the City to impose an additional 0.25% municipal capital outlay gross receipts tax for municipal infrastructure purposes, including the payment of debt service on certain bonds. The municipal capital outlay gross receipts tax must be imposed prior to July 1, 2005, under current state law, and may be imposed only after all increments of municipal infrastructure gross receipts tax and the municipal environmental gross receipts tax have been imposed and after a positive referendum is held. The State Legislature in 2004 passed legislation, which becomes effective on July 1, 2005, authorizing a municipal regional transit gross receipts tax. If the City is a member of a regional transit district, upon a request from the district, the City, after an election approving the tax, shall impose a municipal regional transit gross receipts tax of up to 0.5% for a public transit system or public transit projects or services for the district. The tax may be imposed in increments of 0.0625%.

Of the total 6.0625% gross receipts tax rate that businesses in the City currently pay to the State, the County, and the City on their taxable gross receipts, 1.25% represents the municipal gross receipts tax and 0.0625% represents the municipal infrastructure tax.

Property Taxes

Generally

The State Constitution limits the rate of real property taxes which all taxing jurisdictions can levy for operations to a maximum of 20 mills ($20.00 per $1,000 of assessed valuation). Commencing in Fiscal Year 1987, pursuant to Section 7-37-7 NMSA 1978, as amended, the maximum levy for City operations was increased from 2.225 to 7.650 mills. Beginning in Tax Year 2003, of the 7.650 mills authorized, only 3.014 mills imposed on residential property and 3.544 mills imposed on commercial property is used by the City for operations (referred to as the "operational levy") and is subject to yield control. The yield control provisions of Section 7-37-7.1 NMSA 1978, as amended, require that the Local Government Division of the New Mexico

Department of Finance and Administration annually adjust operational mill levies subject to yield control after the reassessment to prevent revenues on locally assessed residential and non-residential properties from increasing by no more than the sum of 5% for inflation plus the growth in the tax base due to new value. In cases in which a rate is set for a governmental unit that is imposing a newly authorized rate pursuant to Section 7-37-7 NMSA 1978, the rate must be at a level that will produce in the first year of imposition revenue no greater than that which would have been produced if the valuation of property subject to the imposition had been the valuation in the Tax Year in which the increased rate was authorized by the taxing district. The yield control provisions do not apply to the general obligation debt service levy.

An amendment to the State Constitution was passed by voters in November 1998. This amendment allowed the State Legislature to enact legislation providing for the assessment of residential properties at levels different than the current estimated market value of a home on the basis of age, income, or home ownership. Section 7-36-21.2 NMSA 1978, as amended, limits increases in the value of residential property for taxation purposes beginning with the Tax Year 2001. The section provides that, with respect to properties within a county assessing properties in the aggregate at or greater than 85% of their market value, a property's new valuation shall not exceed 103% of the previous year's valuation or 106.1% of the valuation two years prior to the Tax Year in which the property is being valued. This does not apply to residential properties in their first year of valuation, physical improvements made to the property or instances where the owner or the zoning of the property has changed in the year prior to the Tax Year for which the value of the property is being determined. For Tax Year 2001 (Fiscal Year 2002) the City was below the 85% ratio of assessment to market value, therefore the limitation did not apply and property was reassessed for Tax Year 2002. After reassessment for Tax Year 2002, the City exceeded the 85% ratio of assessment to market value and the limitation on new valuation increases will apply to future valuations. Section 7-36-21.3 NMSA 1978, as amended, freezes the property tax valuation for single family dwellings owned and occupied by persons 65 or older and whose taxable gross income does not exceed $18,000. The valuation is frozen at the level of the 2001 Tax Year, if the person is already 65, or frozen in the year the person has his or her 65th birthday, if that is after 2001. New Mexico House Bill 73, signed into law on March 21, 2003, freezes the property tax valuation for single family dwellings owned and occupied by a person who is disabled and whose taxable gross income does not exceed $18,000. The valuation is frozen at the level of the 2003 Tax Year, if the person is then determined to be disabled, or in the year is which the person is determined to be disabled, if that is after 2003.

Rates

The rates for City property taxes in effect for Tax Year 2003 (Fiscal Year 2004) are 10.990 mills for residential and 11.520 mills for commercial property. These rates are down from 21.327 mills on both residential and commercial property in Tax Year 1985 (Fiscal Year 1986) due to the reassessments of all property within the County. As set by the State Department of Finance and Administration, the general obligation bond debt service levy for Tax Year 2003 (Fiscal Year 2004) is 7.976 mills and the operational levy is 3.014 mills on residential property and 3.544 mills on commercial property.

Purpose of Property Tax	Total Taxing Authority	Levy Imposed	Unused Authority
Operations:	7.650 mills		
Residential		3.014 mills	4.636 mills
Commercial		3.544 mills	4.106 mills
Debt Service[(1)]	12.000 mills[(2)]		
Residential		7.976 mills	4.024 mills
Commercial		7.976 mills	4.024 mills

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

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

Source: City of Albuquerque, Office of City Treasurer.

Prior to 1986 it was the policy of the City for more than ten years to maintain a stable tax rate totaling approximately 20 mills for all general obligation bond debt service. Capacity to issue bonds in future years was calculated by using a tax production at 20 mills and assumed that new issues would have approximately equal annual principal payments for a ten-year retirement. Other than utilities and other centrally assessed properties, locally assessed residential and non-residential properties were valued at 1975 market values. State law mandated a statewide reassessment of properties in 1986 (Fiscal Year 1987), when 1980 market values became the basis for determining assessed valuation. Subsequent statewide reassessments were conducted in 1990, 1991, 1993, 1995, 1997, 1999, 2001 and 2003, each of which brought valuations in line with the market value of two years prior to such reassessment. It is anticipated that the State will continue the policy of biennial reassessments to maintain valuation at current and correct value, as required by statute. The reassessments have required a change in the 20 mill tax policy. The general obligation debt service tax rate was reduced to 12 mills for Tax Year 1986 (Fiscal Year 1987) and would have been just over 10 mills for Tax Year 1988 (Fiscal Year 1989) except for surplus fund balances that made possible a one-time reduction in the debt service levy. (An offsetting increase in the operating levy enabled a replenishment of the General Fund operating reserve.) The debt service levy for Fiscal Years 1991 and 1992 was 9.786 mills. For Fiscal Year 1993 only, the debt service levy was reduced to 9.277. A 9.581 mill debt service levy was in place for Fiscal Year 1994, but the levy was increased to 9.786 mills for Fiscal Year 1995. The close to 17% increase in valuation due to the 1995 reassessment exceeded planning assumptions and made possible a reduction in the debt service levy to 9.468 mills for Fiscal Year 1996. In Fiscal Year 1997, the debt service levy was decreased to 8.976 mills. In Fiscal Year 2004 the debt service levy was decreased to 7.976 mills.

Limits Regarding General Obligation Indebtedness

The aggregate amount of general obligation indebtedness of the City under the State Constitution is limited for general purposes to 4% of, and the single debt limitation to 12 mills on, the assessed value of taxable property within the City (excepting the construction or purchase of a water or sewer system with general obligation indebtedness, which has no limit). Schools are limited to 6% of the assessed valuation and counties are limited to 4% of the assessed valuation. The only special purpose district overlapping the City is the Albuquerque Metropolitan Arroyo Flood Control Authority ("AMAFCA"), which is limited by State statute as to the amount of bonded debt which can be issued. The current limit for AMAFCA is $40,000,000, of which $24,350,000 is outstanding, with $20,741,350 payable from taxable property within the City.

City of Albuquerque
Summary of Authorized and Outstanding Obligations
As of August 1, 2004

	Currently Issued	Other Authorized Unissued
General Obligation Bonds:		
General Purpose G. O. Bonds (Subject to 4% debt limitation)	$157,775,000	$58,084,597
Water, Sewer and Storm Sewer G.O. Bonds (Secured by Ad Valorem taxes)	46,610,000	11,576,370
TOTAL GENERAL OBLIGATION BONDS	204,385,000	69,660,967
Revenue Bonds:		
State Shared GRT	76,632,196	
State Shared GRT/Lodgers' Tax [1]	66,214,016	
Municipal Gross Receipts Tax	8,550,000	
Airport Revenue	226,030,000	
Refuse Removal and Disposal	33,620,000	
Special Assessment Districts	14,378,483	
TOTAL REVENUE BONDS[2]	425,424,695	
TOTAL G.O. AND REVENUE BONDS	629,809,695	

(1) The Series 2004 Bonds are not included.

(2) A Joint Water and Sewer System was owned by the City and operated by its Public Works Department until 2004 (the "Water/Sewer System"), and additional revenue bond debt of the City relating to the Water/Sewer System was outstanding. In 2003, the New Mexico Legislature adopted Laws 2003, Chapter 437 (Section 72-1-10, NMSA 1978) which created the Albuquerque-Bernalillo Water Utility Authority ("ABWUA") and provided that all functions, appropriations, money, records, equipment and other real and personal property pertaining to the Water/Sewer System would be transferred to the ABWUA. The legislation also provides that the debts of the City payable from net revenues of the Water/Sewer System shall be debts of ABWUA and that ABWUA shall not impair the rights of any bondholders of outstanding debts of the Water/Sewer System. The legislation also required that the New Mexico Public Regulation Commission would audit the Water/Sewer System prior to the transfer of money, assets and debts of the Water/Sewer System; the audit was completed December 28, 2003. The policy-making functions of the Water/Sewer System have been transferred to ABWUA. ABWUA and the City entered into a Memorandum of Understanding dated January 21, 2004, as amended April 7, 2004, under which the City continues to operate the Water/Sewer System, in exchange for the payment of a franchise fee to the City.

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

4% of Assessed Value of $7,883,833,602[1]	$315,353,344
Outstanding (General Purpose subject to 4% limitation)	$157,775,000
Available for Future Issues	$157,578,344[2]

(1) See the table below entitled "Assessed Valuation County Tax Year 2003 (Fiscal Year 2004)."
(2) Does not include the Series 2004 Bonds.

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

Market Value of Property Assessed	$27,888,182,373
Taxable Value of Property Assessed	
(1/3 Market Value)	$8,963,320,227
Less Exemptions	(1,412,227,189)
Plus Centrally Assessed (Corporate)	332,740,564
Certified Net Tax Base [2]	$7,883,833,602[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 August 1, 2004

Gross G.O. Bonded Debt [1]	$204,385,000
Less G.O. Sinking Fund Balance (June 30, 2004)	(38,846,527)[2]
Net G.O. Bonded Debt	$165,538,473

	G.O. Debt	Tax Year 2003 Assessed Valuation	% Applicable to City	Net Overlapping
City of Albuquerque	$165,538,473	$7,883,833,602	100.00%	$165,538,473
Albuquerque Public Schools	134,850,000	9,774,231,061	80.66%	108,769,166
Albuquerque Metropolitan Arroyo Flood Control Authority	18,550,000	9,255,489,611	85.18%	15,800,905
Albuquerque Technical-Vocational Institute	25,430,000	9,609,030,639	82.05%	20,864,320
Bernalillo County	83,915,000	9,660,815,811	81.61%	68,479,920
State of New Mexico	272,380,000	29,057,135,331	27.13%	73,902,626
Total Direct and Overlapping G.O. Debt				$453,355,410

Ratios:

Direct and Overlapping G.O. Debt as Percent of Taxable Assessed Valuation	5.75%
Direct and Overlapping G.O. Debt as Percent of Actual Market Valuation	1.63%
Assessed Valuation Per Capita (2003 Estimated Population 471,856)[3]	$16,708.13
Direct and Overlapping G.O. Debt Per Capita	$981.64

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

(2) The cash balance as of June 30, 2004 was $46,300,986. The amount properly attributable to principal reduction is 83.9% of the cash balance.

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

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

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

General Obligation Debt

Fiscal Year	Population[1]	Taxable Value(000s)[2]	Total G.O. Debt (000s)	Debt Service Fund(000s)[3]	Net G.O. Debt (000s)	Ratio of Net G.O. Debt To Taxable Value	Net G. O. Debt Per Capita
1994	413,749	$ 4,248,391	$211,175	$ 4,796	$ 206,379	4.86%	$ 498.80
1995	418,839	4,312,210	176,315	3,970	172,345	4.00	411.48
1996	420,527	5,077,321	168,170	10,476	157,694	3.11	374.99
1997	420,907	5,184,693	172,155	7,849	164,306	3.17	390.36
1998	421,384	5,469,636	169,165	7,833	161,331	2.95	382.86
1999	420,578	5,656,901	152,825	12,114	140,711	2.49	334.57
2000	446,871[4]	6,856,281	138,180	24,832	113,348	1.65	253.65
2001	454,015[4]	6,900,701	117,440	10,707	106,733	1.55	235.09
2002	463,874[4]	7,419,130	209,865	18,230	191,635	2.58	413.12
2003	436,874[4]	7,619,421	160,055	45,493	114,562	1.50	246.92

(1) Population numbers provided by the U.S. Department of Commerce, Bureau of the Census unless otherwise noted.
(2) Assessment made by County Assessor. The taxable ratio by State statute is one-third of assessed value.
(3) Available for debt service.
(4) Estimated by City of Albuquerque Planning Division.

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

City of Albuquerque
Aggregate Debt Service
For Outstanding General Obligation Bonds
As of July 1, 2004

Fiscal Year	Principal	Interest	Total Debt Service
2005	$67,350,000	$7,745,851	$75,095,851
2006	28,090,000	6,080,965	34,170,965
2007	23,920,000	4,854,065	28,774,065
2008	20,920,000	3,766,916	24,686,916
2009	18,545,000	2,818,326	21,363,326
2010	16,545,000	1,990,425	18,535,425
2011	14,345,000	1,171,925	15,516,925
2012	7,335,000	550,125	7,885,125
2013	7,335,000	330,075	7,665,075
	$204,385,000	$29,308,672	$233,693,672

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

Tax Administration

The County is charged with the responsibility of administering the assessment and collection of property taxes for the City. Legislation passed in 1988 allows the County to collect a 1.0% assessment fee on all current collections. The State assesses corporate property such as utilities, pipelines and railroads which cross county lines.

Computer upgrades at the County for property tax assessments, collections and distributions resulted in a shortfall of property tax revenues distributed to the City in tax years 2001 and 2002. The County has advised that the problem has been resolved and has paid all shortfalls owing to the City. The County has advised the City that future distributions will be made at the proper levels, based on the actual collections for the then current year.

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

City of Albuquerque
Net Taxable Property Values

Tax Year(1)	Real Property	Corporate Property	Personal Property	Net Taxable Valuation
1994(2)	$3,849,868,672	$248,331,388	$214,009,607	$4,312,209,667
1995	4,606,364,061	256,310,880	214,646,353	5,077,321,294
1996	4,651,461,720	269,111,763	264,119,812	5,184,693,295
1997	4,918,412,659	241,257,015	309,966,061	5,469,635,735
1998	5,047,988,793	263,165,055	345,747,000	5,656,900,848
1999	6,234,946,669	281,059,652	340,275,027	6,856,281,348
2000	6,185,937,198	310,904,986	403,859,568	6,900,700,986
2001	6,657,462,354	347,858,674	413,809,882	7,419,129,910
2002	6,880,088,229	361,189,032	378,149,519	7,619,420,780
2003	7,132,035,544	332,740,564	419,057,494	7,883,833,602

(1) Tax Year begins November 1 and ends October 31.
(2) As of October in each year.

Source: Bernalillo County Treasurer's Office.

Top 15 Taxpayers for Tax Year 2003 (Fiscal Year 2004)(1)(2)

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

(1) As of November 1, 2003.
(2) Major taxpayers are those largest taxpayers that have a tax bill on a single piece of property of at least $50,000. In figuring the total tax bills for these taxpayers, only their properties with tax bills of $50,000 or more are included except Public Service Company (PNM), which has multiple tax bills. The list is compiled once a year, usually in November, and does not reflect final net taxable values. As a result of methodology, year to year comparisons may not be meaningful.
(3) The aggregate net taxable value of the top 15 taxpayers for Tax Year 2003 represents only 4.8% of the total net taxable value of the City for 2003. See the following table entitled "City of Albuquerque History of Property (Ad Valorem) Tax Levy and Collection."
(4) The tax amounts shown include assessments by jurisdictions other than the City.

Source: Bernalillo County Treasurer's Office.

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

Fiscal Year	Total Current Tax Levy[1]	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Total Collections as Percent of Current Levy	City Debt Service Collections	Percent of Total City Levy
1994	$49,061,241	$46,246,898	94.26%	$1,722,885	$47,969,783	97.78%	$40,385,850	82.3%
1995	50,634,041	47,792,810	94.39%	4,486,481	52,279,291	103.25%	42,235,640	83.4%
1996	56,500,991	55,170,428	97.65%	2,560,984	57,731,412	102.18%	46,812,632	82.9%
1997	58,414,008	55,266,156	94.61%	2,591,732	57,857,888	99.05%	45,646,455[2]	78.1%
1998	61,648,597	58,799,367	95.38%	2,747,266	61,546,632	99.83%	47,993,016	77.8%
1999	64,226,020	60,900,748	94.82%	4,384,879	65,285,627	101.6%	49,873,027	77.7%
2000	73,887,459	68,707,632	92.99%	1,164,751	69,872,383	94.57%	58,518,340	79.2%
2001	76,929,102	72,563,755	94.33%	4,365,348	76,929,102	100.00%	63,496,146	82.5%
2002	82,074,357	78,096,507	95.15%	800,726	78,897,233	96.13%	62,709,843	76.4%
2003	85,014,269	81,327,454	95.66%	4,084,547	85,412,001	100.46%	67,971,422	79.95%

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

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

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

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

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

Tax Year	Total Tax Levy	City	Bernalillo County	State of New Mexico	Schools	Technical Vocational Education	Flood Control Authority	Hospital	Conservancy District
1994	46.171	11.760	9.140	1.212	10.230	3.000	1.039	4.800	4.990
1995	43.036	11.236	8.618	1.276	8.851	2.702	1.000	4.151	5.202
1996	43.814	11.257	8.279	1.556	9.020	2.783	1.006	4.497	5.416
1997	48.132	11.362	9.070	1.347	11.888	2.935	1.050	4.565	5.915
1998	46.752	11.357	9.066	1.438	11.013	2.945	1.050	4.103	5.780
1999	42.498	11.080	8.270	1.482	8.505	2.578	.939	4.016	5.628
2000	43.700	11.166	8.558	1.529	8.527	3.179	.962	4.184	5.595
2001	45.571	11.161	8.635	1.765	8.503	1.628	.943	6.500	6.436
2002	44.696	11.153	8.532	1.123	7.883	3.174	.937	6.500	5.394
2003	46.668	11.154	9.549	1.52	8.497	3.175	.936	6.500	5.337

Source: Bernalillo County Treasurer's Office.

COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF ALBUQUERQUE - AUDITED GENERAL PURPOSE FINANCIAL STATEMENTS - AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NEFF + RICCI LLP

CERTIFIED PUBLIC ACCOUNTANTS
6100 UPTOWN BLVD. NE SUITE #400
ALBUQUERQUE, NM 87110

Independent Auditors' Report

The Honorable Martin Chavez, Mayor and
Members of City Council

We have audited the accompanying basic financial statements of the City of Albuquerque (the City), as of and for the year ended June 30, 2003. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Albuquerque, as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Neff + Ricci LLP

Albuquerque, New Mexico
November 7, 2003

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

This section of the City of Albuquerque's (City) Comprehensive Annual Financial Report (CAFR) presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2003. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

FINANCIAL HIGHLIGHTS

- **The assets of the City exceeded its liabilities at the close of the most recent fiscal year by $1.6 billion (net assets). Of this amount, $138.2 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors in subsequent accounting periods.**

- **The government's total net assets increased by $157.3 million during the year, but see Note No. 25 regarding a subsequent event that will have a negative impact on the government's total net assets in FY04.**

- **As of June 30, 2003, the City's governmental funds reported combined ending fund balances of $273.0 million. Approximately 66.6% of this amount, $181.9 million, is unreserved fund balance available for spending at the government's discretion. Of this amount, approximately $68.3 million is unreserved fund balance in the Capital Acquisition Fund.**

- **At the close of the current fiscal year, unreserved fund balance for the general fund was $15.0 million or 5.5% of the total general fund expenditures of $274.8 million.**

- **The City's total long-term debt decreased by $62.8 million (7.0%) during the current year. The key factors in this change were: 1) debt reduction payments and liquidations of accrued liabilities totaling $134.9 million, and 2) the issuance of $15.0 million notes payable for the construction of a new baseball stadium accompanied by additions to accrued vacation and sick leave pay and claims payable totaling $43.6 million.**

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS, continued

Fund Financial Statements

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

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

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

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

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

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

- ***Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operations of the Albuquerque International Airport, Joint Water and Sewer system, Refuse Disposal, and Housing Authority, which are considered major funds of the City. In addition the following nonmajor funds are reported: Apartments, Golf Course, Parking, Stadium, and Transit.**

- ***Internal Service funds* are used to report activities that provide supplies and services for certain City programs and activities. These funds account for inventory warehousing and issues; worker's compensation, tort and other claims insurance coverage; vehicle maintenance and motor pool services; and communication services to City departments. In addition, these funds provide health insurance coverage to City employees. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.**

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

OVERVIEW OF THE FINANCIAL STATEMENTS, continued

Notes to the Financial Statements

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

Required Supplementary Information (RSI)

The required budgetary comparison statements for the General Fund and the Corrections and Detention Fund are presented separately and in the basic financial statements. The city is not required to provide other information in the RSI and therefore, no information is presented there.

Combining Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This is the second year that the City has presented its financial statements under the new reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34), Basic Financial Statements - and Management's Discussion and Analysis (MD&A) - for State and Local Governments. In the first year under the new reporting model, the City did not restate prior fiscal years for the purpose of providing comparative information for the MD&A. Below is a comparative analysis of government-wide data for the most recently completed fiscal year and the prior fiscal year.

NET ASSETS
(in millions)

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

* Restated - see note 23

Analysis of Net Assets

As noted earlier, net assets may serve as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by $1.6 billion at the close of the year. The largest portion of the City's net assets (73.9%) reflects its investment of $1.16 billion in capital assets (e.g. land, buildings, and equipment less any related outstanding debt used to acquire these assets). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to pay this debt must come from other sources, since the capital assets cannot be liquidated for these liabilities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS, continued

Analysis of Net Assets, continued

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

Analysis of Changes in Net Assets

CHANGE IN NET ASSETS
(in millions of dollars)

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

* Restated see note 23

GOVERNMENT-WIDE FINANCIAL ANALYSIS, continued

Analysis of Changes in Net Assets, continued

The City's overall net assets were increased by $157.3 million during the current fiscal year. However, this does not include depreciation expense on infrastructure assets of governmental activities that have not been capitalized from fiscal years ending after June 30, 1980 through the fiscal year ended June 30, 2001. The increase in net assets is explained in the governmental and business-type activities discussion below.

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

Since the City has not capitalized infrastructure assets acquired prior to the fiscal year ending June 30, 2001, the change in net assets does not reflect depreciation expense on those assets. City staff estimates that the depreciation expense on roadways could exceed $40 million. The inclusion of that depreciation expense plus the amount to be recorded for storm sewers and bike trails could result in a very small positive change in net assets or possibly result in a negative change in net assets.

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

Due to a continued slow economy, the gross receipts tax revenue and state shared taxes grew modestly from those of the prior year.

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

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

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

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental funds

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $273.0 million, a decrease of $10.6 million in comparison with the prior year. Approximately 66.6% of this amount, $181.9 million, is unreserved fund balance available for spending at the government's discretion. Included in unreserved fund balance is $68.3 million in the Capital Acquisition Fund. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed: 1) to fund continued programs or projects in future fiscal periods ($27.8 million); 2) for acquisition and management of open space and urban enhancement ($33.3 million); and 3) to show the fund balance representing advances to other funds and other assets not available for spending ($30.1 million).

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

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

General Fund.

This is the City's chief operating fund. At the end of the current fiscal year, the total fund balance was $43.1 million, of which $15.0 million is available as an unreserved fund balance. The reserved fund balance of $28.2 million is designated: 1) for unanticipated expenditures ($27.8 million equaling 8.33% of recurring expenditures); and 2) to indicate that non-current financial resource assets of $0.4 million are unavailable to spend or already are committed for spending. Included in the unreserved fund balance is $0.1 million for unrealized gain on investments since the unrealized gains are not available until the underlying securities are sold. The net change in fund balance for the current fiscal year was an increase of $6.5 million. A change was made at fiscal year end to bring the City into compliance with the state recommended reserve policy. This change eliminated $17.8 million of unreserved fund balance designated for future appropriations at the beginning of fiscal year 2003 and changed the determination of the reserved fund balance designated for unanticipated expenditures from 5% of recurring revenues to 8.33% of recurring expenditures.

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

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

FINANCIAL ANALYSIS OF THE CITY'S FUNDS, continued

Proprietary funds

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

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

Airport Fund	$13.3
Joint Water and Sewer Fund	51.3
Refuse Disposal Fund	6.5
Housing Authority Fund	9.9
Nonmajor enterprise funds	6.9
Total	$87.9

Internal service funds which are used to account for certain governmental activities had deficit unrestricted net assets of $6.8 million. The Risk Management fund, an internal service fund, had deficit unrestricted net assets of $12.7 million resulting from unanticipated judgment awards and claims against the City in prior years. The City is currently in a five-year recovery plan to reduce the deficit unrestricted net assets to zero by the fiscal year ended June 30, 2007. All other internal service funds had positive unrestricted net assets.

Fiduciary funds

The only fund in this category is the City's Trust and Agency fund. This fund is used by the City to account for funds held for third parties.

General Fund budgetary highlights

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

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2003, amounts to $1.9 billion (net of accumulated depreciation). Capital assets include land, buildings, infrastructure, improvements other than buildings, and equipment. The total increase in the City's capital assets for the current fiscal year was $62.7 million or 3.4%.

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

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

* assets not depreciated

** restated - see note 23

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

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

- **In *business-type activities,* additions included water and sewer lines ($24.4 million) and new transit vehicles ($3.6 million). The construction work in progress increased by $7.1 million.**

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

Debt Administration

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION, continued

Debt Administration, continued

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

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

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

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

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

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

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

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

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

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

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

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

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

Economic Assumptions Underlying the Revenue Estimates
November 2002

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

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

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

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

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Director's office for the Department of Finance and Administrative Services of the City at Director's Office, DFAS, Room 11015, One Civic Plaza N.W., Albuquerque, New Mexico 87102.

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

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

See Notes to Financial Statements

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

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

See Notes to Financial Statements

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

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues: Charges for Services
Governmental Activities:			
General government	$ 53,021,966	$ (3,978,961)	$ 35,131,516
Public Safety			
Corrections	40,966,405	1,523,130	22,706,441
Fire	47,355,223	119,082	404,693
Police	97,884,238	914,660	3,247,777
Culture and recreation	71,782,754	315,537	7,865,001
Public works	9,018,564	22,865	-
Health	10,326,259	239,973	3,332,726
Human services	51,616,880	433,385	1,818,603
Housing	3,994,279	40	90,375
Highways and streets	22,197,881	410,289	1,184,406
Special assessments	838,613	-	-
Interest expense	15,275,693	-	-
Total governmental type activities	424,278,755	-	75,781,538
Business Type Activities:			
Airport	60,643,039	-	59,325,022
Joint Water and Sewer	109,545,515	-	136,252,062
Refuse Disposal	37,131,656	-	41,182,770
Housing Authority	25,796,567	-	1,698,469
Nonmajor enterprise funds	44,107,381	-	16,747,170
Total business type activities	277,224,158	-	255,205,493
Total primary government	$ 701,502,913	$ -	$ 330,987,031

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

Total general revenues, special items and transfers

Change in net assets

Net assets (deficit), July 1

Net assets (deficit), June 30

See Notes to Financial Statements

Program Revenues, continued		Net (Expense) Revenue and Changes in Net Assets		
Operating Grants and Contributions	Capital Grants and Contributions	Govern-mental Activities	Business Type Activities	Total
$ 197,026	$ 222,243	$ (13,492,220)	$ -	$ (13,492,220)
-	-	(19,783,094)	-	(19,783,094)
6,963	854,955	(46,207,694)	-	(46,207,694)
3,897,183	-	(91,653,938)	-	(91,653,938)
198,412	1,999,900	(62,034,978)	-	(62,034,978)
204,963	-	(8,836,466)	-	(8,836,466)
1,420,182	-	(5,813,324)	-	(5,813,324)
18,886,019	-	(31,345,643)	-	(31,345,643)
2,459,064	-	(1,444,880)	-	(1,444,880)
1,458,440	4,293,636	(15,671,688)	-	(15,671,688)
-	2,559,441	1,720,828	-	1,720,828
-	-	(15,275,693)	-	(15,275,693)
28,728,252	9,930,175	(309,838,790)	-	(309,838,790)
-	1,022,772	-	(295,245)	(295,245)
-	22,177,697	-	48,884,244	48,884,244
-	-	-	4,051,114	4,051,114
24,770,592	-	-	672,494	672,494
-	15,708,852	-	(11,651,359)	(11,651,359)
24,770,592	38,909,321	-	41,661,248	41,661,248
$ 53,498,844	$ 48,839,496	(309,838,790)	41,661,248	(268,177,542)
		121,984,293	-	121,984,293
		68,950,387	-	68,950,387
		17,130,608	-	17,130,608
		312,551	-	312,551
		18,119,767	-	18,119,767
		8,326,069	-	8,326,069
		152,505,829	-	152,505,829
		11,471,037	-	11,471,037
		8,594,542	2,506,826	11,101,368
		15,559,876	-	15,559,876
		(15,943,671)	15,943,671	-
		407,011,288	18,450,497	425,461,785
		97,172,498	60,111,745	157,284,243
		649,151,410	755,868,846	1,405,020,256
		$ 746,323,908	$ 815,980,591	$ 1,562,304,499

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

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

See Notes to Financial Statements

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

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

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

See Notes to Financial Statements

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

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

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

Total fund balance for governmental funds		$ 273,021,740
Total net assets reported for governmental activities in the statement of net assets is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets at June 30, 2003 consist of:		
Land	$ 209,261,294	
Construction in progress	206,052,859	
Buildings	119,428,378	
Infrastructure	55,342,445	
Improvements	319,201,809	
Equipment	148,479,596	
Accumulated depreciation	(312,007,978)	
Total capital assets		745,758,403
Long-term obligations applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities are reported in the statement of net assets. Balances at June 30, 2003 are:		
General Obligation bonds payable	(126,810,000)	
Sales tax revenue bonds and notes payable	(153,172,800)	
Special assessment debt with governmental commitment	(10,993,899)	
Unamortized bond issue costs	237,335	
Unamortized premiums and discounts	14,099,258	
Total bonds and notes payable, net of premiums, discounts and bond issue costs	(276,640,106)	
Accrued vacation and sick leave pay	(24,845,243)	
Accrued rebatable arbitrage payable reported as deferred credit	(1,142,836)	
		(302,628,185)
Internal service funds are used by the City to charge the cost of tort liability, workers compensation and employee health insurance to other individual funds. In addition, the cost of providing communications, fleet maintenance and supplies warehousing services are also charged. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. Internal service fund net assets (deficit) are:		(6,799,351)
Some of the City's taxes will be collected after year-end and amounts due on real estate contracts are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue in the funds. The amounts are:		
Gross receipts tax	29,811,560	
Property taxes	3,650,997	
Other taxes	728,425	
Amounts due on real estate contracts	2,618,564	
		36,809,546
Interest earned on loans receivable are not available for collection and are not included in the governmental fund financial statements. However, the accrued interest is reported in the government-wide financial statements.		161,755
Total net assets of governmental activities		$ 746,323,908

See Notes to Financial Statements

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

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

See Notes to Financial Statements

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

CITY OF ALBUQUERQUE, NEW MEXICO

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

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

Net change in fund balances - total governmental funds		$ (7,226,461)
The change in net assets reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay expenditures	$ 79,458,785	
Depreciation expense	(24,412,532)	
Gain (loss) on disposition of capital assets	934	
		55,047,187
Bond proceeds, premiums, discounts and bond issue costs are reported as financing sources or uses in governmental funds and contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term obligations and does not affect the statement of activities. Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.		
Principal repayments	44,763,499	
Amortization of premiums, discounts and bond issue costs	(846,013)	
Net adjustment		43,917,486
Internal service funds are used by the City to charge the cost of tort liability, workers compensation and employee health insurance to other individual funds. In addition, the cost of providing communications, fleet maintenance and supplies warehousing services are also charged. The net revenue (loss) of the internal service funds is reported with governmental activities.		1,675,232
Under the modified accrual basis of accounting used in the governmental funds, revenue is recognized when available to provide financing resources for the current period. Likewise, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, revenues and related receivable and expenses and related liabilities are reported regardless of when financial resources are available. This adjustment combines the net change of balances of the following:		
Revenue:		
Gross receipts tax	2,005,396	
Property tax	1,611,209	
Other taxes	(28,501)	
Collections on real estate contracts, net of deferred gains	(1,205,943)	
Interest on loans receivable	46,094	
Expenses:		
Accrued vacation and sick leave pay	491,428	
Rebatable arbitrage	839,371	
Net adjustment		3,759,054
Change in net assets of governmental activities		$ 97,172,498

See Notes to Financial Statements

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

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

See Notes to Financial Statements

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

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

See Notes to Financial Statements

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

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

See Notes to Financial Statements

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

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

See Notes to Financial Statements

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

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

See Notes to Financial Statements

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

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

See Notes to Financial Statements

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

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

See Notes to Financial Statements

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

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

See Notes to Financial Statements

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

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

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

See Notes to Financial Statements

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

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

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

See Notes to Financial Statements

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

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

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

See Notes to Financial Statements

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

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

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

See Notes to Financial Statements

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

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

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

See Notes to Financial Statements

NOTE 1 THE FINANCIAL REPORTING ENTITY

The City of Albuquerque, New Mexico (City), was founded in 1706, chartered as a town in 1885, and organized under territorial law as a city in 1891. The City became a charter city in 1917, and the voters approved a home rule amendment to the charter in 1971. In 1974, the electorate voted to establish a mayor-council form of government; the City Council consists of nine council members elected from districts. As a governmental entity, the City is not subject to Federal or State income taxes.

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

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

1. (a) appointment by the City of a majority of voting members of the governing body of an organization, and

   (b) ability of the City to impose its will on the daily operations of an organization such as the power to remove appointed members at will; to modify or approve budgets, rates or fees, or to make other substantive decisions; or

2. provision by the organization of specific financial benefits or burdens to the City; or

3. fiscal dependency by the organization on the City such as from the lack of authority to determine its budget or issue its own bonded debt without City approval.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

1. Government-wide Financial Statements:

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

The net assets of the City are reported in three categories: 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted. Restricted net assets result from constraints placed on the use of net assets when externally imposed by creditors, grantors, laws and regulations of other governments and imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

A. Basis of Presentation, continued

2. Fund Financial Statements:

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

Proprietary funds distinguish operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues, such as charges for services, result from exchange transactions in which each party receives and gives up essentially equal values. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues or expenses. These include operating subsidies, investment earnings, interest expense, and transactions that result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

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

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

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

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

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

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

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

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

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

The City reports the following fund types:

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

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

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

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

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

B. Measurement Focus, Basis of Accounting

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

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

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

2. Governmental Fund Financial Statements

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

Expenditures are recorded when the related fund liability is incurred, except for a) principal and interest payments on general long-term debt which are recorded when amounts have been accumulated in the debt service funds for the current debt service payments on July 1 in the following year and b) vacation and sick leave pay, which are recognized as expenditures only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

C. Statement of Cash Flows

For purposes of the statement of cash flows, all pooled cash and investments (including restricted assets) of the City are considered to be cash equivalents although there are investments with a maturity in excess of three months when purchased because they have the characteristics of demand deposits for each individual fund. Non-pooled investments with original maturities of three months or more are deducted from cash, investments, and accrued interest and changes therein are reported as cash flows from investing activities.

D. Estimated Amounts Reported in Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

E. Cash, Investments, and Accrued Interest

A significant portion of the cash and investments of funds of the City is pooled for investment purposes. The pooled cash investment program of the City is operated under the provisions of City ordinance and a specific City investment policy. The policy states that the City shall invest cash balances over the anticipated amount needed to meet operating requirements. Investments are recorded at fair value. The balance reported for each participating fund as "Cash, Investments, and Accrued Interest" represents the equity of that fund in the pooled cash, investments, and accrued interest. Interest earnings on pooled investments are allocated to the participating funds based on average daily balances.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

E. Cash, Investments, and Accrued Interest, continued

The investment policy states that the City will not commit any funds invested in the pool to maturities longer than three years from the date of purchase, except investments held to meet legal reserve requirements on bond indebtedness. The maturity date of these investments will not exceed the final maturity date of the bond issue to which they are pledged. Funds are invested on the basis of a minimum of three bids and/or offers. Certificates of deposit are based on competitive rates for specified maturities.

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

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

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

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

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

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

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

Checking accounts - at insured financial institutions.

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

F. Inventories of Supplies

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

G. Land Held for Sale

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

H. Capital Assets

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

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

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

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

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

I. Deferred Charges and Other Assets

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

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

Costs incurred in connection with the issuance of bonds are capitalized and are reported as deferred bond issuance costs. These costs are amortized over the remaining maturity period of the related bond issues under a method that approximates the level interest rate method.

J. Claims and Judgments

Liabilities for workers' compensation, tort and other claims as of June 30, 2002, were accrued based on actuarial estimates of the City's self-insurance programs. At June 30, 2003, liabilities were based on a case by case evaluation of the probable outcome of claims filed against the City, as well as an estimate of claims incurred but not reported. The long-term portion of the liability is discounted at 4.0% at June 30, 2003, and 5.5% for 2002, over the estimated payment period. Revenues consist primarily of charges to other funds, the amounts of which approximate the cost of claims and other risk management costs arising from the activities of those funds.

K. Accrued Vacation and Sick Leave Pay

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

K. Accrued Vacation and Sick Leave Pay, continued

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

L. Deferred Revenue

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

M. Special Assessments

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

N. Long-term Obligations

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

O. Fund Balance Reserves and Designations

The City records reserves to indicate that a portion of fund balance is legally restricted for a specific future use or is not available for appropriation and/or expenditure. At June 30, 2003, fund balances were reserved for:

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

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

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

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

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

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

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

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

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

P. Encumbrances

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

Q. Unbilled Revenues

Water, sewer, and refuse services are billed on a cycle basis; therefore, amounts for service provided but unbilled as of June 30, 2003 are not included in receivables or revenue of the enterprise funds. Such unbilled amounts are not material to the financial position and results of operations of the individual enterprise funds.

R. Interfund Transactions

Transactions that would be recorded as revenues, expenditures, or expenses if they involved organizations external to the City are similarly treated when involving other funds of the City. These transactions include charges for administrative services, building rental, risk management services, vehicle maintenance and motor pool services, inventory and office services, retirees' health care, and payments in lieu of taxes. Other authorized transfers between funds are recorded as operating transfers and are included in the determination of the results of operations in the governmental, proprietary, and fiduciary funds.

S. Budgets

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

The Mayor has the authority to change individual program appropriations by the lesser of five percent of the original appropriation or $100,000, provided that the total amount of appropriations for the fund as approved by the City Council does not change. Approved appropriations lapse at the end of the fiscal year to the extent that they have not been expended or encumbered except any appropriation continued by ordinance. During fiscal year 2003, several supplemental appropriations were necessary. Following are the programs with expenditures that exceeded their appropriations at the end of the fiscal year prior to any subsequent City Council action.

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

S. Budgets, continued

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

	Unreserved fund balance (deficit) - governmental funds					
	General	Corrections and Detention	GO Bond Debt Service	Capital Acquisition	Nonmajor Funds	Totals
Designated for:						
Unrealized gains	$ 97	$ (27)	$ 104	$ 162	$ 263	$ 599
Undesignated	14,864	2	45,390	68,119	52,949	181,324
Total Unrestricted	$ 14,961	$ (25)	$ 45,494	$ 68,281	$ 53,212	$ 181,923

	Unrestricted net assets (deficits) - enterprise funds					
	Airport	Joint Water and Sewer	Refuse Disposal	Housing Authority	Nonmajor Funds	Totals
Designated for:						
Unrealized gains	$ 155	$ 127	$ 42	$ (5)	$ 46	$ 365
Undesignated	13,177	51,187	6,439	9,938	6,881	87,622
Total Unrestricted	$ 13,332	$ 51,314	$ 6,481	$ 9,933	$ 6,927	$ 87,987

NOTE 3 RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Total fund balances of the City's governmental funds, $273,021,740, differs from net assets of governmental activities, $746,323,908, reported in the statement of net assets. The differences primarily result from the long-term economic focus in the statement of net assets versus the current financial resources focus in the governmental fund balance sheets. The differences (*in thousands*) are illustrated below:

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

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

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

The net change in fund balances for governmental funds, ($7,226,461), differs from the change in net assets for governmental activities, $97,172,498, reported in the statement of activities. The differences arise primarily from the long-term economic focus in the statement of activities versus the current financial resources focus in the governmental funds. The differences (*in thousands*) are illustrated below:

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

NOTE 4 CASH AND CASH EQUIVALENTS

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

The total cash, investments, accrued interest and cash with fiscal agents, net of cash overdrafts of the City at June 30, 2003, consist of the following:

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

NOTE 4 CASH AND CASH EQUIVALENTS, continued

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

The City's deposits and investments at June 30, 2003, are categorized below to indicate the level of risk assumed by the City:

1. Investment Categories of Credit Risk

(1) Insured or registered or securities held by the City or its agent in the City's name.

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

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

2. Deposit Categories of Credit Risk

(A) Insured or collateralized with securities held by the City or by its agent in the City's name.

(B) Collateralized with securities held by the pledging financial institution's trust department or by its agent in the City's name.

The reported amounts (in thousands) are as follows:

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

NOTE 4 CASH AND CASH EQUIVALENTS, continued

B. Pledged Collateral by Bank

The City is required to obtain from each bank that is a depository for public funds pledged collateral in an aggregate amount equal to one half of the public money in each account (Section 6-10-17 NMSA 1978). No security is required for the deposit of public money that is insured by the Federal Deposit Insurance Corporation (FDIC).

The pledged collateral by bank (in thousands) at June 30, 2003, consists of the following:

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

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

NOTE 5 TAXES, ACCOUNTS AND NOTES RECEIVABLE

A. Taxes receivable

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

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

The property taxes above include a receivable of $3,779,330 in the General Obligation Debt Service Fund, $1,017,259 in the General Fund, and $123,900 in the Metropolitan Redevelopment Fund.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied each year on July 1 on the taxable valuation of property located in the City as of the preceding January 1. The taxable valuations for the various classes of property are determined by the Bernalillo County Assessor and the State of New Mexico Department of Taxation and Revenue at one-third of assessed valuation. Property in the City for the fiscal year 2003 tax levy had a taxable value of $7,623,843,160. The rate of taxes for operating purposes for all taxing jurisdictions is limited by the State Constitution to 20 mills ($20 per $1000 assessed valuation), of which the City's portion, by state regulation, is limited to 2.225 mills. The 2003 weighted average residential and non-residential City rate for both operations and debt service was 11.153 mills. Taxes are payable in two equal installments on November 10 and April 10 and become delinquent after 30 days.

NOTE 5 TAXES, ACCOUNTS AND NOTES RECEIVABLE, continued

B. Accounts receivable and Allowance for uncollectible accounts

Included on Exhibit A-l, "Statement of Net Assets", are balances of receivables which are reported net of allowances for uncollectible accounts. The amounts of these receivables that have allowances as of June 30, 2003, are as follows:

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

C. Long Term And Notes Receivable

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

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

* Includes delinquent accounts of $257,443.

NOTE 6 INTERFUND RECEIVABLE AND PAYABLE

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

	Due from other funds	Due to other funds
Major governmental funds:		
General Fund	$ 9,158,860	$ -
Corrections and Detention	-	8,029,463
Nonmajor governmental funds	-	1,129,397
Total	$ 9,158,860	$ 9,158,860

NOTE 7 INTERFUND ADVANCES

Interfund advances to be repaid from revenues or proceeds from the sale of assets are as follows as of June 30, 2003.

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

* 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.

NOTE 8 CAPITAL ASSETS

Capital asset activity of the City for the year ended June 30, 2003, was as follows:

A. Governmental Activities

	Balance July 1	Additions	Deductions	Balance June 30
Assets not being depreciated:				
Land	$ 202,758,574	$ 6,786,562	$ -	$ 209,545,136
Construction work in progress	248,830,022	61,963,634	104,740,797	206,052,859
	451,588,596	68,750,196	104,740,797	415,597,995
Assets being depreciated:				
Buildings	81,193,940	38,640,439	-	119,834,379
Infrastructure	35,599,482	19,742,963	-	55,342,445
Improvements other than buildings	275,684,773	44,282,477	53	319,967,197
Equipment	143,755,836	12,796,339	6,418,604	150,133,571
	536,234,031	115,462,218	6,418,657	645,277,592
Less accumulated depreciation:				
Buildings	30,574,759	2,510,831	-	33,085,590
Infrastructure	593,325	1,515,699	-	2,109,024
Improvements other than buildings	151,825,817	9,758,156	-	161,583,973
Equipment	113,231,233	10,754,025	6,418,604	117,566,654
	296,225,134	24,538,711	6,418,604	314,345,241
Capital Assets being depreciated, net	240,008,897	90,923,507	53	330,932,351
Total capital assets, net	$ 691,597,493	$ 159,673,703	$ 104,740,850	$ 746,530,346

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

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

NOTE 8 CAPITAL ASSETS, continued

B. Business-type activities

	Balance July 1*	Increases	Decreases	Balance June 30
Assets not being depreciated:				
Land	$ 73,458,646	$ 842,869	$ 126,645	$ 74,174,870
Land and improvements acquired from the U.S. Air Force	7,630,077	-	-	7,630,077
Other	640,546	-	-	640,546
Construction work in progress	51,893,554	35,967,841	28,879,795	58,981,600
Total assets, not being depreciated	133,622,823	36,810,710	29,006,440	141,427,093
Assets being depreciated:				
Buildings and improvements	287,390,042	47,393,580	-	334,783,622
Runways and improvements	242,350,627	23,996	-	242,374,623
Improvements other than buildings and runways	1,314,448,390	27,891,582	-	1,342,339,972
Equipment	155,140,395	7,967,473	5,575,619	157,532,249
Total assets, being depreciated	1,999,329,454	83,276,631	5,575,619	2,077,030,466
Less accumulated depreciation:				
Buildings and improvements	133,496,742	9,296,860	-	142,793,602
Runways and improvements	124,355,577	12,262,796	-	136,618,373
Improvements other than buildings and runways	636,619,834	49,228,223	-	685,848,057
Equipment	102,351,430	12,350,354	5,387,826	109,313,958
Total accumulated depreciation	996,823,583	83,138,233	5,387,826	1,074,573,990
Capital assets being depreciated, net	1,002,505,871	138,398	187,793	1,002,456,476
Total capital assets, net	$ 1,136,128,694	$ 36,949,108	$ 29,194,233	$ 1,143,883,569

* Restated. See Note 23.

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

The construction work in progress increased by $7.1 million. The construction work in progress consists of expenditures made in connection with the Airport Fund, Joint Water and Sewer Fund, Refuse Disposal Fund, Transit Fund, Parking Facilities Fund, and Housing Authority Fund. The major amounts are for Water and Sewer System improvements, parking structures, renovation of old Albuquerque High School, and Solid Waste Disposal Facilities.

NOTE 8 CAPITAL ASSETS, continued

C. Depreciation expense

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

Governmental activities:		
General government	$	2,169,365
Public safety:		
Corrections		233,196
Fire protection		1,446,782
Police protection		6,309,385
Culture and recreation		10,250,465
Public works		1,063,218
Highways and streets		1,388,865
Health		496,881
Human services		1,054,375
Capital assets held by the City's internal service funds charged to the various functions on a prorated basis based on their usage of the assets		126,179
Total depreciation expense - governmental activities	$	24,538,711
Business-type activities:		
Major funds:		
Airport	$	27,845,671
Joint Water and Sewer		40,843,474
Refuse Disposal		4,782,031
Housing Authority		1,733,369
Nonmajor funds		7,933,688
Total depreciation expense - business-type activities	$	83,138,233

D. Capitalized interest

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

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

NOTE 9 RESTRICTED ASSETS

Restricted assets arise principally from legal restrictions on expenditures of proceeds from general obligations bonds or sales tax revenue bonds in the governmental activities or on expenditures of proceeds from revenue bonds of the enterprise funds. The amount of restricted assets reported in the statement of net assets at June 30, 2003 is as follows:

A. Governmental Activities

Capital Acquisitions Fund	$ 34,401,951

B. Business-type activities

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

NOTE 10 LONG-TERM OBLIGATIONS

A. Governmental activities

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

The changes in the long-term obligations of the governmental activities for the year ended June 30, 2003, are as follows:

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

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.

NOTE 10 LONG-TERM OBLIGATIONS, continued

A. Governmental activities, continued

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

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

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, 2003, based on the most recent assessed taxable valuation of $7,623,843,160, the City may issue an additional $192,068,000 of general purpose general obligation bonds. Included in the general obligation bonds outstanding at June 30, 2003, are Storm Sewer bonds in the amount of $47,170,000 that are not subject to the legal debt limit.

NOTE 10 LONG-TERM OBLIGATIONS, continued

A. Governmental activities, continued

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

Sales tax revenue bonds and notes outstanding at June 30, 2003, are as follows:

Issue	Amount	Interest Rate	Final Maturity	Call Provisions
November 18, 1991 B Refunding and Improvement	$ 35,305,000	6.60/7.10%	July 1, 2019	103% beginning July 1, 2011
May 1, 1992 Refunding	5,885,000	6.00/6.30%	July 1, 2007	102% beginning July 1, 2002
March 7, 1995	1,300,000	adjustable weekly	July 1, 2023	100% beginning March 7, 1995
October 15,1996 Refunding	10,885,000	5.00%	July 1,2011	100% beginning July 1, 2007
January 15, 1999 A Refunding	5,465,000	3.75/5.00%	July 1,2015	100% beginning July 1, 2009
January 15, 1999 B Refunding	45,335,000	4.60/5.00%	July 1,2025	100% beginning July 1, 2009
March 15, 1999 C Refunding	27,130,000	4.75/5.25%	July 1,2022	100% beginning July 1, 2009
January 20, 2000 A	24,600,000	adjustable weekly	July 1, 2014	100% beginning January 20, 2000
April 27, 2001, Note	573,688	3.02/3.62%	July 1, 2006	None
	$ 156,478,688			

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

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

B. Business-type activities

The changes in the Business-type activities obligations for the year ended June 30, 2003, are as follows:

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

NOTE 10 LONG-TERM OBLIGATIONS, continued

B. Business-type activities, continued

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

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

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

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

a - adjustable weekly

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

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

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

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

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

NOTE 10 LONG-TERM OBLIGATIONS, continued

B. Business-type activities, continued

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

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

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

Issue	Amount	Interest Rate	Final Maturity	Call Provisions
February 1, 2001	$ 2,295,000	5.70/6.70%	July 1, 2011	100% beginning July 1, 2007
Unamortized discounts	(4,547)			
Net outstanding	$ 2,290,453			

Joint Water and Sewer Revenue Bonds are secured by a pledge of net revenues derived from the operations of the joint water and sewer system. In ordinances pursuant to the issuance of these bonds, the City has agreed to charge all users of the system such reasonable rates as are sufficient to produce net revenues annually to pay 133% of the annual debt service requirements on all outstanding system obligations. The City met those requirements at the end of the fiscal year.

Joint Water and Sewer Revenue Bonds outstanding at June 30, 2003, are as follows:

Issue	Amount	Interest Rate	Final Maturity	Call Provisions
June 1, 1990 A	$ 32,580,000	6.00/7.20%	July 1, 2008	100% beginning July 1, 2000
January 1, 1994 A	27,375,000	2.75/5.50%	July 1, 2005	Not callable
August 1, 1995	22,360,000	3.625/6.00%	July 1, 2007	Not callable
June 15, 1997	34,670,000	4.75%	July 1, 2009	100% beginning July 1, 2006
January 1, 1999A	83,400,000	3.80/5.25%	July 1, 2011	Not callable
May 1, 2000A	19,735,000	5.00%	July 1, 2006	Not callable
December 1, 2001	29,900,000	3.00/4.50%	July 1, 2013	100% beginning July 1, 2010
Total outstanding	250,020,000			
Unamortized:				
premiums	3,718,156			
discounts	(7,573,860)			
deferred refunding costs	(3,226,631)			
Net outstanding	$ 242,937,665			

Included in the outstanding Joint Water and Sewer Revenue Bonds are the June 1, 1990A issue, capital appreciation bonds with a par amount of $32,580,000, net of original issue discount of $22,588,290. No payment of principal or interest is due on these bonds until July 1, 2003. In accordance with the bond agreement, the payment for these bonds is not provided for in the current revenue rate structure; however, interest in the amount of $15,014,430 has accreted as of June 30, 2003, and accordingly, the interest expense and related liability are included in the financial statements of the City. The accreted interest is included as a reduction of the unrestricted net assets.

Joint Water and Sewer Notes Payable and Loan Agreements

A Water Rights Contract with the United States Government was entered into by the City during the fiscal year ended June 30, 1963 to pay a portion of the construction, operation, and maintenance costs for the San Juan-Chama diversion project in return for a portion of the water rights resulting from the project.

NOTE 10 LONG-TERM OBLIGATIONS, continued

B. Business-type activities, continued

The contract provides for payment in fifty annual installments with final maturity in 2022, and has an interest rate of 3.046%. The amount of the contract outstanding at June 30, 2003, was $20,758,437 .

A line of credit agreement with the New Mexico Environment Department was entered into by the Fund on June 18, 2002. This agreement provides that the Fund may draw a total of $12,000,000 for the purpose of defraying the cost of extending, enlarging, bettering, and repairing and otherwise improving the waste water facilities of the City's municipal joint water and sewer system. Interest is 3.0 percent on funds drawn. At June 30, 2003, the Fund had drawn $3,484,446.

On October 1, 1994, the City executed a promissory note with the New Mexico Environment Department that converted an existing line of credit agreement of $7,907,582 to a long-term note payable with an interest rate of 5%. On March 12, 2001, the City refinanced the note payable, which lowered the interest rate to 3%. Annual payments are $567,926, with a final payment due on July 1, 2013. The balance due at June 30, 2003, was $4,844,525.

On October 5, 1995, the City executed a promissory note with the New Mexico Environment Department that converted an existing $4,000,000 line of credit agreement. The note payable of $2,521,846 (total draws on the line of credit at the time of project completion) had an interest rate of 5%. On March 12, 2001, the City refinanced the note payable, which lowered the interest rate to 3%. Final payment is due on July 1, 2008. The balance due at June 30, 2003, was $1,231,859.

On July 1, 1997, the City executed a promissory note with the New Mexico Environment Department that converted an existing line of credit agreement of $9,000,000 to a long-term note payable with an interest rate of 5%. On March 12, 2001, the City refinanced the note payable, which lowered the interest rate to 3%. Final payment is due on July 1, 2008. The balance due at June 30, 2003, was $4,396,274.

On June 14, 2000, the City executed a promissory note with the New Mexico Environment Department that converted an existing line of credit agreement of $15,000,000 to a long term note payable with an interest rate of 4% with annual payments of $1,587,627. Final payment is due on July 1, 2012. The balance due at June 30, 2003, was $11,804,536.

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

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

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

NOTE 10 LONG-TERM OBLIGATIONS, continued

B. Business-type activities, continued

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

Refuse Disposal Revenue Bonds outstanding at June 30, 2003, are as follows:

Issue	Amount	Interest Rate	Final Maturity	Call Provisions
September 1, 1992	$ 1,610,000	5.20/5.60%	July 1, 2005	102% beginning July 1, 2002
July 1, 1995	10,180,000	3.85/5.30%	July 1, 2009	Not callable
February 1, 1998	8,060,000	3.75/5.00%	July 1, 2013	100% beginning July 1, 2007
May 1, 2001A	2,965,000	4.00/4.10%	July 1, 2008	Not callable
May 1, 2001B	10,820,000	3.63/5.25%	July 1, 2012	Not callable
Total outstanding	33,635,000			
Unamortized premiums	246,383			
Deferred refunding costs	(482,272)			
Net outstanding	$ 33,399,111			

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

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

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

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

Housing Authority Debt. The U.S. Housing and Urban Development Department (HUD) guaranteed third party debt consisting of new Housing Authority (HA) revenue bonds and permanent notes payable to the Federal Financing Bank were issued to provide for the development and modernization of low rent housing units. These bonds and notes are payable by HUD and secured by annual contributions to the HA. HUD regulations state that the bonds and notes do not constitute a debt of the HA and, accordingly, these have not been reported in the accompanying financial statements. At June 30, 2003, the outstanding balance of the revenue bonds was $1,065,000 with annual payments required through 2013 and the outstanding balance of the permanent notes was $8,332,048 with annual payments required through 2017.

NOTE 10 LONG-TERM OBLIGATIONS, continued

C. Summary of Annual Debt Service Requirements

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

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

D. Arbitrage

Section 148 of the Internal Revenue Code provides generally that bonds issued by a municipality will be "arbitrage bonds", if any portion of the proceeds of the bonds are reasonably expected to be invested in obligations with a yield that is "materially higher" than the yield on the bonds. While municipalities are entitled to earn a certain amount of positive arbitrage during the period the bonds are outstanding, Section 148(f) generally requires that these earnings be paid to the Internal Revenue Service (IRS) at least every five years. As of June 30, 2003, the City has set aside an amount of $1,142,836 in arbitrage interest due the IRS in connection with future filings and payments to the IRS. This amount is reported as a deferred credit in the statement of net assets.

NOTE 11 DEMAND BONDS

Included in long-term debt (Notes 10A and 10B) is $139,255,000 of various demand bonds, the proceeds of which were used to (a) provide funds for certain capital improvements, (b) establish bond reserve funds in accordance with the trust agreements, (c) establish a construction period interest account, and (d) pay costs incurred to issue the bonds. The bonds are included in the summary of annual debt service requirements in Note 10C assuming retirement in accordance with the related mandatory sinking fund redemption requirements.

The holders of the bonds may demand payment at a price equal to principal plus accrued interest upon delivery to the City's remarketing agent. The remarketing agents are authorized to use their best efforts to sell the repurchased bonds at a price equal to 100% of the principal amount by adjusting the interest rate. If a remarketing agent is unable to resell any tendered bonds, the City has a non-cancelable "take out" agreement that would be exercised. The City is required to pay an annual fee for the "take out" agreements. The remarketing agent receives a fee for their services.

At June 30, 2003, no amounts were drawn on the "take out" agreements, which are as follows:

Sales Tax Revenue Bonds March 7, 1995	
Remarketing Agent	Citigroup
Terms of "Take-Out" Agreement:	
Purchaser	Bank of America
Method of Purchase	Direct Pay Letter of Credit
Expiration Date	November 27, 2004
Annual Fee	.45% on the stated amount of the letter of credit
Stated Amount at Time of Issuance	$2,018,220 (Principal outstanding plus 295 days of interest at 15%)
Bonds Outstanding at 6/30/2003	$1,300,000
Annual Debt Service Requirements	$195,000, Final payment of $1,300,000 due July 1, 2023

NOTE 11 DEMAND BONDS, continued

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

Remarketing Agent	Citigroup
Terms of "Take-Out" Agreement:	
Purchaser	Bayerische Hypo-und Vereinsbank, AG
Method of Purchase	Direct Pay Letter of Credit
Expiration Date	November 30, 2003
Annual Fee	.25% on the stated amount of the letter of credit
Stated Amount at Time of Issuance	$67,963,699 (Principal outstanding plus 35 days of interest at 15%)
Bonds Outstanding at 6/30/2003	$53,000,000
Annual Debt Service Requirements	Range of payment is from $622,500 to $5,025,000

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

Remarketing Agent	Dain Rauscher, Inc.
Insured by	Ambac Assurance Inc.
Terms of "Take-Out" Agreement:	
Purchaser	Morgan Guaranty Trust Company of New York
Method of Purchase	Liquidity Facility
Expiration Date	May 3, 2005
Annual Fee	.175% on the stated amount of the liquidity facility
Stated Amount at Time of Issuance	$47,858,193 (Principal outstanding plus 35 days of interest at 12% for 2000A and 15% for Series 2000B)
Bonds Outstanding at 6/30/2003	$46,300,000
Annual Debt Service Requirements	Range of payment is from $5,413,000 to $9,679,000

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

Remarketing Agent	Dain Rauscher, Inc.
Insured by	MBIA Insurance Corporation
Terms of "Take-Out" Agreement:	
Purchaser	Bank of America, N.A.
Method of Purchase	Liquidity Facility
Expiration Date	Jan 20, 2005
Annual Fee	.11% on the stated amount of the liquidity facility
Stated Amount at Time of Issuance	$27,733,333 (Principal outstanding plus 200 days of interest at 15%)
Bonds Outstanding at 6/30/2003	$24,600,000
Annual Debt Service Requirements	Range of payment is from $2,800,000 to $4,564,000

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

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

NOTE 12 REFUNDED BONDS

The City has refunded various bond issues by issuing refunding bonds, the proceeds of which have been placed in escrow and used to purchase securities of the United States Government and related agencies at various interest rates and maturities sufficient to meet all debt service requirements of the refunded debt. These assets are administered by trustees and are restricted to use for retirement of the refunded debt. The liability for the refunded bonds and the related securities and escrow accounts are not included in the accompanying general purpose financial statements as the City satisfied its obligation for payment of the refunded debt upon completion of the refunding transactions. Refunded debt outstanding at June 30, 2003, is as follows:

Sales Tax Revenue Bonds	$21,266,597

NOTE 13 CONDUIT BONDS

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

Industrial Revenue Bonds

As of June 30, 2003, there were seventy-four series of Industrial Revenue Bonds outstanding. The aggregate principal amount payable for the thirty-seven series issued after July 1, 1995, is $1.2 billion. The aggregate principal amount payable for the thirty-seven series issued prior to July 1, 1995, could not be determined; however, the original amount issued totaled $601.9 million.

Metropolitan Redevelopment Bonds

As of June 30, 2003, there were nine series of Metropolitan Redevelopment Bonds outstanding. The aggregate principal amount payable for the three series issued after July 1, 1995 is $5.42 million. The aggregate principal amount for the six series issued prior to July 1, 1995, could not be determined; however, the original amount issued totaled $24,875,000.

NOTE 14 DEFICIT FUND EQUITIES

Special Revenue Funds

The Community Development Fund at June 30, 2003 has a deficit unreserved fund balance of $478,480 and the deficit total fund balance is $478,480. The deficit results from expenditures made in anticipation of future revenue from sources other than grants.

Capital Projects Funds

While the total unreserved fund balance of the Capital Acquisition Fund is not in a deficit position, deficit unreserved fund balances for certain purposes result because capital expenditures and encumbrances are made prior to issuance of general obligation bonds. The resulting deficit fund balance of the Rio Grande Zoo purpose at June 30, 2003, is $1,555,580.

While the total unreserved fund balance of the Quality of Life Fund is not in a deficit position, deficit unreserved fund balances for certain purposes result because capital expenditures and encumbrances are made in anticipation of additional revenues and transfers. The resulting deficit unreserved fund balance of the Quarter Cent Storm Drain purpose at June 30, 2003, was $88,202 and the Rio Grande Bosque RR purpose was $260, at June 30, 2003

Internal Service Funds

The deficit fund net assets of the Risk Management Fund decreased to $12,651,150 at June 30, 2003 from the $14,109,749 deficit fund net assets at June 30, 2002. The City has implemented a five year recovery plan that will reduce the deficit net assets beginning in the fiscal year ending June 30, 2003 by increasing charges to other funds.

NOTE 15 INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2003, were as follows:

From	To	
General Fund	Corrections and Detention Fund	$ 20,766,000
General Fund	Capital Acquisition Fund	6,486,000
General Fund	Nonmajor Proprietary Funds	15,556,000
General Fund	Nonmajor Governmental Funds	8,776,352
Corrections Fund	Joint Water & Sewer Capital Fund	487,245
Capital Acquisition Fund	Nonmajor Proprietary Funds	639,299
Joint Water & Sewer Fund	General Fund	5,098,927
Refuse Disposal Fund	General Fund	1,061,791
Nonmajor Governmental Funds	General Fund	651,000
Nonmajor Proprietary Funds	General Fund	310,462
Nonmajor Governmental Funds	Nonmajor Governmental Funds	8,025,757
Nonmajor Governmental Funds	Nonmajor Proprietary Funds	5,732,307
Total transfers		$ 73,591,140

	Transfers In	Transfers Out
Exhibit A-4, "Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Funds	$ 51,176,289	$ 66,850,960
Exhibit A-8. "Statement of Revenues, Expenses, and Changes in Net Assets - All Proprietary Funds	22,414,851	6,740,180
Total transfers	$ 73,591,140	$ 73,591,140

The transfers from the General Fund to the other funds are for the purpose of: 1) providing a subsidy for the operations of the Transit and Parking Facilities nonmajor enterprise funds, 2) funding the City's share of the cost of operations of the Corrections and Detention Fund with Bernalillo County, 3) providing the City's local match for operating grants from federal and state agencies, 4) funding the purchase of police and fire vehicles, and various construction projects, and 5) transferring resources to debt service funds for the retirement of General Obligation and Sales Tax Refunding bonds.

The transfers to the General Fund from the major and nonmajor enterprise funds are primarily for payments in lieu of taxes.

Other transfers relating to funds within the nonmajor governmental funds type are: 1) for debt retirement and various other purposes, and 2) from permanent funds to the related expenditures governmental special revenue funds. The transfers from the nonmajor governmental fund to the nonmajor proprietary funds are for the transfer of a portion of the Infrastructure Tax Revenues to the Transit fund to be used for improvements to the local bus service.

NOTE 16 SEGMENT INFORMATION

Significant financial data for identifiable activities of major enterprise funds are reported in the statements for proprietary funds in the basic financial statements section. Significant financial data for identifiable activities of nonmajor enterprise funds as of and for the year ended June 30, 2003, (in thousands of dollars) is as follows:

	Golf Course Fund	Apart-ments Fund	Parking Facilities Fund	Stadium Fund	Transit Fund	Total
CONDENSED STATEMENT OF NET ASSETS						
Assets:						
Current assets	$ 330	$ 501	$ 336	$ 603	$ 4,985	$ 6,755
Restricted assets	2,362	3,980	7,302	398	9,805	23,847
Capital assets	5,744	15,608	28,686	22,618	41,175	113,831
Other assets	83	-	291	269	-	643
Total assets	8,519	20,089	36,615	23,888	55,965	145,076
Liabilities:						
Current liabilities	196	110	260	26	2,065	2,657
Liabilities payable from restricted assets	312	306	-	377	809	1,804
Bonds and other long-term liabilities	2,155	14,180	42	15,004	355	31,736
Advance from other funds	-	-	24,300	-	-	24,300
Total liabilities	2,663	14,596	24,602	15,407	3,229	60,497
Net assets:						
Invested in capital assets, net of related debt	4,570	1,807	10,023	7,886	41,175	65,461
Net assets restricted for:						
Debt service	52	-	823	22	-	897
Construction	1,164	-	1,134	-	8,995	11,293
Unrestricted net assets (deficit)	70	3,686	33	573	2,566	6,928
Total net assets	$ 5,856	$ 5,493	$ 12,013	$ 8,481	$ 52,736	$ 84,579
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS						
Operating revenues	$ 3,861	$ 3,067	$ 3,575	$ 705	$ 3,276	$ 14,484
Depreciation	(430)	(660)	(1,243)	(518)	(5,083)	(7,934)
Other operating expenses	(3,436)	(2,154)	(3,023)	(122)	(26,065)	(34,800)
Operating income (loss)	(5)	253	(691)	65	(27,872)	(28,250)
Nonoperating revenues (expenses):						
Investment earnings	51	114	(8)	6	259	422
Interest and other debt related expenses	(160)	(288)	(415)	(510)	-	(1,373)
Other	69	(19)	-	8	2,205	2,263
Capital contributions	-	-	(367)	8,912	7,163	15,708
Transfers in	-	-	-	-	21,928	21,928
Transfers out	(50)	-	(121)	-	(139)	(310)
Change in net assets	(95)	60	(1,602)	8,481	3,544	10,388
Beginning net assets	5,951	5,433	13,615	-	49,192	74,191
Ending net assets	$ 5,856	$ 5,493	$ 12,013	$ 8,481	$ 52,736	$ 84,579
CONDENSED STATEMENT OF CASH FLOWS						
Net cash provided (used) by:						
Operating activities	$ 450	$ 869	$ 633	$ 335	$ (21,902)	$ (19,615)
Noncapital financing activities	(50)	-	(1,933)	-	22,875	20,892
Capital and related financing activities	(337)	(1,026)	(2,832)	374	1,479	(2,342)
Investing activities	51	114	79	6	259	509
Net increase (decrease)	114	(43)	(4,053)	715	2,711	(556)
Beginning cash and cash equivalents	2,563	4,089	9,184	-	9,952	25,788
Ending cash and cash equivalents	$ 2,677	$ 4,046	$ 5,131	$ 715	$ 12,663	$ 25,232

NOTE 17 DEFINED BENEFIT PENSION PLAN

Substantially all of the City of Albuquerque's full-time employees participate in a defined benefit contributory retirement plan through the Public Employees' Retirement Association (PERA) of the State of New Mexico, a cost-sharing, multiple-employer public employee retirement plan. PERA provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. A publicly available financial report that includes financial statements and required supplementary financial information for PERA can be obtained by correspondence to Comptroller, Public Employees Retirement Association, P.O. Box 2123, Santa Fe, New Mexico, 87504-2123.

RETIREMENT ELIGIBILITY - An employee may retire when 25 or more years of service are attained at any age (20 years for Police and Fire) or under the following age options: age 60 with 20 or more years of service, age 61 with 17 or more years of service, age 62 with 14 or more years of service, age 63 with 11 or more years of service, age 64 with 8 or more years of service, or age 65 with 5 or more years of service.

RETIREMENT BENEFITS - An employee's retirement benefit is based on a formula which considers credit for years of service multiplied by a percentage factor and is then applied against the employee's average highest three-year salary. Retirement benefits are vested upon reaching five years of service. The plan also provides death and disability benefits. Benefits are established by State statute.

FUNDING POLICY - Covered employees are required by State statute to contribute a percentage of their gross salary; the City of Albuquerque is also required by State statute to contribute a certain percent depending on the type of plan. The following are the plans covered by the City, contribution requirements, and contributions actually made (in thousands of dollars) for the year ended June 30, 2003.

	Employee		Employer	
Group Covered	Percent	Amount	Percent	Amount
General - Management, Blue Collar and White Collar	3.29%	$ 4,871	19.01%	$ 28,172
General - Bus Drivers	13.15%	829	9.15%	577
General - Other	7.00%	156	7.00%	156
Police	16.30%	6,892	18.50%	7,822
Fire	15.20%	4,284	20.25%	5,620
		$ 17,032		$ 42,347

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

Fiscal year ended June 30	Employee	Employer
2002	$17,168	$43,344
2001	16,058	41,251

If a member's employment is terminated before the member is eligible for any other benefits under PERA, the member may receive a refund of the member's contribution and interest accrued based on rates established biannually by the retirement board.

The payroll for employees covered by PERA for the year ended June 30, 2003, was $225,441,020; the total payroll for all employees of the City of Albuquerque was $254,522,658.

NOTE 18 POST-EMPLOYMENT BENEFITS

In addition to providing pension benefits described in Note 17, the City provides certain health care and life insurance benefits for retired employees. Substantially all of the City's employees may become eligible for those benefits if they reach the normal retirement eligibility conditions while working for the City.

LIFE INSURANCE BENEFITS: Life insurance benefits authorized by the City's Merit System Ordinance and Personnel Rules and Regulations for eligible employees are reduced by 50%, not to exceed $25,000, upon retirement. Life insurance benefits are paid through premiums to an insurance company under an indemnity plan. The insurance company has the right to adjust the premiums based on claims paid. Historically, the claims paid in any one year have not exceeded the premiums. The City recognizes the cost of providing the life insurance benefits by charging the insurance premiums to expenditures. The life insurance costs for the fiscal year ended June 30, 2003, were approximately $139,605. The number of retired employees covered under the life insurance benefit was 2,974 at June 30, 2003, and the amount of life insurance coverage for these retired employees was $53,694,400.

NOTE 18 POST-EMPLOYMENT BENEFITS, continued

RETIREE HEALTH CARE ACT CONTRIBUTIONS: The Retiree Health Care Act (Sec 10-7C-1 to 10-7C-16, NMSA 1978) provides comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The purpose is to provide eligible retirees, their spouses, dependents, and surviving spouses and dependents with health insurance consisting of a plan, or optional plans, of benefits that can be purchased by funds flowing into the Retiree Health Care Fund and by co-payments or out-of-pocket payments by eligible retirees.

Monies flow to the Retiree Health Care Fund on a pay-as-you-go basis from eligible employers and eligible retirees. Eligible employers are institutions of higher education, school districts, or other entities participating in the public school insurance authority and state agencies, state courts, magistrate courts, municipalities or counties, which are affiliated under or covered by the Education Retirement Act, the Magistrate Retirement Act, or the Public Employees Retirement Act.

Eligible retirees are those who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the Retiree Health Care Act on the person's behalf.

Each participating employer makes contributions to the fund in the amount of 1.3 percent of each participating employee's annual salary. Each participating employee contributes to the fund an employee contribution in an amount equal to 0.65 percent of the employee's annual salary. Each participating retiree pays a monthly premium.

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

The Retiree Health Care Authority issues a separate, publicly available audited financial report that includes post employment benefit expenditures of premiums and claims paid, participant contributions (employer, employee, and retiree), and net expenditures for the fiscal year. The report may be obtained by writing to the Retiree Health Care Authority, 810 W. San Mateo, Santa Fe, New Mexico 87501.

The City of Albuquerque remitted $2,930,733 in employer contributions and $1,465,367 in employee contributions in the fiscal year ended June 30, 2003.

NOTE 19 DEFERRED COMPENSATION

The City of Albuquerque offers its employees three deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans, available to all City employees, permit employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The City does not make matching contributions to these plans. All plans comply with the provisions of the Internal Revenue Code which provides that all assets and income of the plan shall be held in trust for the exclusive benefit of the participants and their beneficiaries.

NOTE 20 LANDFILL CLOSURE AND POSTCLOSURE CARE COST

Federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post-closure care costs in the Refuse Disposal Fund (Enterprise) as an operating expense in each period based on landfill capacity used as of each balance sheet date. The $1,306,429 reported as other liabilities payable from restricted assets at June 30, 2003, represents the cumulative amount reported to date based on the use of 14.8% of the estimated capacity of the Cerro Colorado and South Broadway Landfills. The City will recognize the remaining estimated cost of closure and post-closure care of $6,941,400 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2003. The City expects to close the landfill in the year 2037. Actual cost may be higher due to inflation, change in technology, or change in regulations.

The City has set aside $1,623,275 for future post-closure costs. This amount is reported as a restricted asset on the balance sheet. The City expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate, or additional post-closure care requirements are determined (due to change in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

NOTE 21 RISK MANAGEMENT

The City is exposed to various risks of loss related to torts and civil rights (including law enforcement and employment related exposures); theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City uses the Risk Management Fund (an internal service fund) to account for and finance its uninsured risks of loss. Under this program, the Risk Management Fund provides coverage for up to a maximum of $500,000 for each worker's compensation incident, $1,050,000 for each tort liability claim, and $50,000 for each City real and contents damage claim. With the exception of the Corrections and Detention Center, the Risk Management Fund provides unlimited coverage for civil rights claims. The coverage on the Corrections and Detention Center was provided by private insurance with a limit of $1,000,000 per occurrence subject to a maximum of $2,000,000 with a $100,000 deductible on each claim. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. Effective July 1, 2003, there will be unlimited coverage for these claims.

The Risk Management Fund tracks claims on a fund by fund basis and assesses charges to each fund based on historical claims experience, and to establish a reserve for catastrophic losses. That reserve was $1,000,000 at June 30, 2003, and is included in the unrestricted net assets (deficit) of the Risk Management Fund. The claims liabilities reported in the Risk Management Fund are based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The amounts and change in the Fund's claims liability is reported in Note 10 – Long-term Obligations.

NOTE 22 NEW FUNDS

<u>Apartments Fund</u>

The City created this fund to report the assets, liabilities and net assets of its City-owned apartments. These apartments are provided for low income persons. For the fiscal year ended June 30, 2003, the operating revenue was $3.1 million while the operating expenses was $2.8 million. The non-operating revenues (expenses) was a net expense of $.2 million. Refer to Note 23 for more information.

<u>False Alarm Enforcement and Education Fund</u>

This fund was established to account for fees and fines collected under the newly revised Albuquerque Alarm System Ordinance (Enactment 8-2003). The purpose of the ordinance is to establish criteria governing the installation, use and maintenance of Alarm Systems within the City in order to reduce or eliminate the false alarms that consume public safety resources. The revenue collected from May 1st through June 30, 2003 was $276 thousand and will be used to fund the costs of enforcing this ordinance and to fund the purchase of equipment.

<u>Stadium Fund</u>

This fund was established to account for the operation and maintenance of the renovated baseball stadium for the local AAA baseball team. The City has entered into a twenty year lease contract with the Albuquerque Baseball Club, LLC.

The renovated baseball stadium was constructed using a combination of funding from General Obligation Taxable Baseball Bonds of $10.0 million and two loans from the New Mexico Finance Authority totaling $15.0 million. The General Obligation bonds are being re-paid from the G.O. Debt Service Fund using property taxes as its source of revenue.

The $23.1 million cost of renovating the stadium was recorded in the Capital Acquisition Fund. Upon completion, the cost of the stadium was transferred to the Stadium Fund and is reported as a capital asset. The capital contribution of $8.9 million results from the contribution of the $23.1 million renovation cost plus other ancillary costs that was offset by the assumption of the $15.0 million in loans. These loans will be repaid from the net earnings of this fund.

For fiscal year ended June 30, 2003, the fund reported total revenues of $705 thousand and expenses of $640 thousand including $518 thousand in depreciation expense. The fund also incurred debt service expenses of $510 thousand resulting in a negative change in net assets of $430 thousand before the capital contribution noted above.

NOTE 23 RESTATEMENT OF PRIOR PERIOD FUND BALANCES OR NET ASSETS

The Open Space Permanent Fund was restated to report the fund under the current financial resources measurement focus and on the modified accrual basis. The change resulted in a reduction of the reported fund balance by $3,824,507. In addition, the reported deferred revenue was increased by $3,824,507. The beginning fund balance reported in the Statement of Revenue, Expenditures, and Changes in Fund Balance - Governmental Funds (Exhibit A-4) has also been reduced by the same amount. However, since the City-Wide Statement of Net Assets (Exhibit A-1) is reported on a full economic resources measurement focus and on the full accrual basis, no change is required in the reported net assets of the City.

The City has determined that the City-owned apartments, previously reported only in trusts, should also be reported in the City's financial statements. Accordingly, the apartments are now being reported in the Apartments Fund. As a result, the beginning net assets as reported in the Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Funds (Exhibit A-8) has been increased by $5,432,548. In addition, the beginning net assets as reported in the City-wide Statement of Activities (Exhibit A-2) has been increased by the same amount. Refer to Note 22 for more information.

The City has determined that the receivable and revenue of a grant in the Operating Grants fund had been understated by $466,711. Accordingly, the beginning fund balance reported in the Statement of Revenue, Expenditures, and Changes in Fund Balance - Governmental Funds (Exhibit A-4) and the beginning net assets as reported in the City-wide Statement of Activities (Exhibit A-2) has been increased by that amount.

NOTE 24 COMMITMENTS AND CONTINGENT LIABILITIES

Encumbrances for purchase orders, contracts, and other commitments for expenditures are recorded in memorandum accounts of the City's governmental funds. Encumbrances lapse for budgetary purposes at the end of each fiscal year and the subsequent year's appropriations provide authority to complete these transactions. Accordingly, no reservation of fund balance has been created except in limited instances. These typically are for property purchases and will be re-appropriated in the ensuing year. Encumbrances that are outstanding, but not re-appropriated, are a commitment of the City and the outstanding amount is reported in the table below.

Government activities:	
Major Funds:	
General Fund	$ 629,026
Corrections Fund	151,138
Capital Acquisition Fund	33,335,977
Nonmajor Government Funds	23,167,746
Internal Service Funds	547,771
Total Government Funds	$ 57,831,658

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

Business-type activities:	
Major Funds:	
Aviation Fund	$ 13,214,996
Joint Water and Sewer Fund	33,901,258
Refuse Disposal Fund	6,726,452
Housing Authority Fund	54,725
Nonmajor Business-type Funds	6,503,729
Total Business Funds	$ 60,401,160

The City has various lease commitments for real property. The lease commitments are for one to three years, with most leases being for two years. About half of the leases have renewal options; the others do not. Lease expenses of $1,380,516 were incurred for the year ended June 30, 2003. Lease commitments for future years are as follows:

2004	$767,423
2005	659,816
2006	366,570
2007	268,273

NOTE 24 COMMITMENTS AND CONTINGENT LIABILITIES, continued

On March 2, 2002, the City entered into a long-term lease agreement with a lessee, who will manage a parking structure in the downtown area of the City. The lease is for a twenty year period. Lessee is to pay monthly a minimum rental fee that ranges from $120,578 in the first lease year to $562,599 per year beginning in the sixteenth year for the remaining term of the lease. As part of that lease, the lessee has the option to delay payment of up to six month's rent in any lease year. Interest will accrue for these delayed payments. The lessee is required to pay the deficiency for any lease month within thirty six months. No rental payments have been received by the City as of June 30, 2003. Lessee is required to maintain the parking structure in good condition. At the end of the lease term, the lessee will purchase the parking structure for the price of $11,251,926 plus all interest accrued on basic rent deficiencies plus all additional rents due as stipulated in the contract to cover certain costs including credit enhancement expenses and fiscal agent fees with respect to a bond issue used for the acquisition of the parking structure by the City. Furthermore, lessee has an option to purchase the parking structure beginning after the tenth anniversary of the lease. That purchase price is the sum of all of the minimum rents due through the date of option exercise plus all of the amounts due in a similar manner required for the purchase at the end of the twenty year period.

The City has incurred but has not recorded liabilities and expenditures in the amount of $128 thousand in connection with natural gas purchases from Enron Energy Services, Inc. (Enron) that has filed Chapter 11 Bankruptcy proceedings. As part of the Natural Gas Sales Agreement, Enron furnished a Supply/Performance Bond to the City. As a result of Enron's bankruptcy, the City incurred an additional $360 thousand in costs of acquiring natural gas. The City has filed Lawsuit against the Liberty Mutual Insurance Company (Liberty) under the performance bond petitioning the court to render judgment in favor of the City for Liberty to pay the City $360 thousand reduced by the $128 thousand due on the final billing from Enron.

In the normal course of business, the City is subject to certain contingent liabilities and unasserted claims. These contingencies are evaluated in light of their probability of being asserted and the estimability of the claims. Those claims that are probable and estimable have been accrued in the accompanying financial statements. Claims that are possible and/or not estimable are disclosed herein. Remote claims are monitored until such time as they are resolved, disclosed, or accrued. Except as discussed in the following paragraphs, it is the opinion of City management that the ultimate resolution of other litigation will not have a material effect on the financial position of the City.

The City has reached a settlement with the Isleta Pueblo and the Environmental Protection Agency (EPA) granting the City a permit to operate the Wastewater Treatment Plant. This settlement obligates the City to spend between $50 and $60 million for capital outlay costs necessary to modify the Treatment Plant to meet the water quality standards agreed upon. On November 21, 1994, the City Council approved an increase in water rates, part of which is to be used for these capital outlay costs. The City could face additional costs of $180 to $190 million if the suit regarding water quality standards currently on appeal in the Tenth Circuit Court is not decided in favor of the City.

The City is a defendant in a legal proceeding that does not fall under the New Mexico Tort Claims Act; this legal proceeding alleges that certain time incurred by some of the City of Albuquerque's police officers is subject to overtime compensation. The ultimate outcome of these legal proceedings cannot presently be determined. Accordingly, no provision for any additional liability that may result upon the ultimate outcome has been recognized in the accompanying general purpose financial statements and schedules.

The City is a defendant in a legal proceeding arising from the City's condemnation of property east of the Four Hills Subdivision. The property taken by the City is located between Four Hills and the property owned by claimants. As part of the condemnation, the claimants allege that the City had denied them access to their property from April, 1988 until February, 2002. The claimants seek approximately $20 million in damages. The claim is being vigorously defended, and the City expects that the award for damages will be significantly lower.

The City is a defendant in a legal proceeding arising from another condemnation of property by the City. The condemnation of property for the Westside Transit facility near the I-40 / Unser boulevard interchange was completed with the owner of the property. However, the owner of a billboard, with a lease that was vacated during the condemnation on that property, is seeking approximately one million dollars for the loss of income over the remaining thirty years of the lease. A portion of any damage claim will be covered by the Federal Transportation Agency. The City is vigorously defending its position of the claim and expects the award to the claimant to be significantly lower than the alleged damage to the owner.

The City has received a number of Federal and State grants for specific purposes. These grants are subject to audit that may result in requests for reimbursements to granting agencies for expenditures disallowed under the terms of the grants. Based on prior experience, City management believes that such disallowances, if any, will not be material.

NOTE 25 SUBSEQUENT EVENTS

City election - October 28, 2003:

The City's voters authorized the issuance of general obligation bonds for the following purposes:

Parks and Recreation	$	32,548,197
Public Facilities, Equipment and System Modernization		14,247,984
Zoo, Biological Park and Museum		12,758,384
Storm Sewer System		11,576,370
Senior, Family and Community Center		9,505,926
Police		8,585,360
Public Transportation		6,443,100
Fire Protection		6,039,565
Library		3,756,081
	$	105,460,967

The City's voters failed to authorize the issuance of general obligation bonds for Streets of $52,377,493. The City's voters also authorized the imposition of a one-quarter of one percent public safety gross receipts tax, which shall be dedicated to public safety.

Bond issues:

On July 11, 2003, the City issued $8,750,000 of General Obligation Equipment Bonds, Series 2003A. The proceeds of the Series 2003A bonds will be used to purchase equipment for fire, police, library, transit and street improvements.

On July 11, 2003, the City issued $81,805,000 of General Obligation General Purpose Bonds, Series 2003B. The proceeds of the Series 2003B bonds will be used for fire and police protection, citizens' centers, parks and recreational facilities, libraries, museums, transit facilities and street improvements.

Also on July 11, 2003, the City issued $9,440,000 of General Obligation Storm Sewer Bonds, Series 2003C. The Series 2003C bonds will be used to finance storm sewer improvements.

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

The City has been selected to undergo an audit by the New Mexico Taxation and Revenue Department. The audit will be a review of the City's reporting on the Gross Receipts and Compensating Tax programs. The fieldwork phase has not yet begun so there is no estimate of liability.

APPENDIX B

DESCRIPTION OF BOND LEGISLATION

(THIS PAGE INTENTIONALLY LEFT BLANK)

APPENDIX B
Description of Bond Legislation

The following is a summary and excerpts, supplementing the information in the body of the Official Statement, of certain provisions of the Bond Legislation which authorized the issuance of the Series 2004 Bonds. The summary and excerpts do not purport to be complete and reference is made to the Bond Legislation for a full and complete statement of such provisions. See "ADDITIONAL INFORMATION."

Selected Definitions

As used in the Bond Legislation, the following terms have the meanings specified, unless the context clearly requires otherwise:

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

Bond Counsel. An attorney at law or a firm of attorneys, designated by the City, of nationally recognized standing in matters pertaining to the issuance of bonds issued by states and their political subdivisions.

Business Day. Any day other than (i) a Saturday or Sunday, or (ii) any day in which the offices of the City or the offices of banks located in the State are authorized or required to remain closed.

Called Principal. The principal amount of the Series 2004B Bonds being redeemed with respect to which a Make-Whole Premium is required to be paid.

Code. The Internal Revenue Code of 1986, as amended from time to time. Each reference to a section of the Code in the Bond Legislation 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.

Council. The governing body in which is vested the legislative power of the City.

Credit Facility. A letter of credit, line of credit, Bond Insurance Policy or Reserve Fund Insurance Policy, guaranty or similar agreement provided by a Credit Source whose senior unsecured debt is rated no lower than the current rating on the applicable Tax Obligations and in any event no lower than "AAA" by Moody's, S&P and Fitch to the extent each such rating agency is then rating Lodgers' Tax Obligations or Tax Obligations to provide support to pay the purchase price of, or the payment when due of the principal of and interest on, Tax Obligations.

Credit Source. Any bank, insurance company or other financial institution which provides a Credit Facility for a series of Tax Obligations.

Debt Service Requirements. With respect to Tax Obligations, as applicable, and for any given period, the sum of: (1) the amount required to pay the interest, or to make reimbursements for payments of interest, becoming due on Tax Obligations during that period, plus (2) 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 Tax Obligations during that period, whether at maturity, an accretion term date or upon mandatory sinking fund redemption dates, plus (3) the periodic payments required to be made by the City pursuant to a qualified exchange agreement minus (4) the periodic payments to be received by the City pursuant to a qualified exchange agreement. No payments required for any Tax Obligations which may be tendered or otherwise presented for payment at the option or demand of the owners or holders of Tax Obligations, or 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 or exchange termination payments, which constitute other than regularly scheduled payments of principal, accreted value, interest or other regularly scheduled payments on Tax Obligations shall be included in any computation of Debt Service Requirements for that period.

Unless, at the time of computation of Debt Service Requirements, payments on Tax Obligations are owed to, or Tax Obligations are owned or held by, the provider of a Credit Facility pursuant to the provisions of that Credit Facility, the computation of interest for the purposes of this definition shall be made without considering the interest rate payable pursuant to a Credit Facility.

In any computation of Debt Service Requirements relating to the issuance of additional New Lien Tax Obligations, there shall be deducted from that computation of Debt Service Requirements amounts and investments which are irrevocably committed to make designated payments on the Tax Obligations during the applicable period, including, without limitation money on deposit in any debt service account, amounts on deposit in an escrow account irrevocably committed to make designated payments on the Tax Obligations, during the applicable period and earnings on such investments which are payable during the applicable period.

For the purpose of the definition of Debt Service Requirements, the accreted value of capital appreciation bonds becoming due shall be included in the calculation of accrued and unpaid and accruing interest and principal only from and after the date which is one year prior to the date on which the accreted value becomes payable.

Discounted Value. The amount obtained by discounting all Remaining Scheduled Payments with respect to Called Principal from their respective scheduled due dates to the Settlement Date with respect to such Called Principal, in accordance with accepted financial practice and at a discount factor (applied on a semi-annual basis) equal to the Reinvestment Yield with respect to such Called Principal.

Escrow Agreement. The escrow agreement relating to the Refunding among the City, the fiscal agent(s) for the Series 1999B Bonds, the Series 1996 Bonds, and the Series 1991B Bonds, and the Escrow Agent.

Escrow Fund. The fund created in the Bond Legislation and consisting of the Taxable Escrow Account and the Tax-Exempt Escrow Account.

Event of Default. Any of the events set forth in Section 29.

Fiscal Agent. Collectively, the Paying Agent and Registrar.

Fiscal Year. The twelve month period beginning on the first day of July of each year and ending on the last day of June of the next succeeding year, or any other twelve month period, which the City or other appropriate authority may establish as the fiscal year for the City.

Government Obligations. Direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America or certificates or receipts established by the United States Government or its agencies or instrumentalities representing direct ownership of future interests or principal payments on direct obligations of, or obligations fully guaranteed by, the United States of America or any of its agencies or instrumentalities the obligations of which are backed by the full faith and credit of the United States, which obligations are held by a custodian in safekeeping on behalf of the holders of such receipts, and rated or assessed in its highest Rating Category by S&P, if then rating the Series 2004 Bonds, Moody's, if then rating the Series 2004 Bonds, and Fitch, if then rating the Series 2004 Bonds.

Gross Receipts Tax Income Fund. The "City of Albuquerque Gross Receipts Tax Income Fund" continued in Section 16 of the Bond Legislation.

Insured Obligations. Any Tax Obligations insured by a Bond Insurance Policy or payable with the proceeds of another Credit Facility.

Interest Payment Date. January 1 and July 1 of each year (or if such day is not a Business Day, then the next succeeding Business Day.

Investment Bankers. Collectively, J.P. Morgan Securities, Inc., RBC Dain Rauscher Incorporated, UBS Financial Services, Inc., A.G. Edwards & Sons, Inc., and any other Investment Banker identified in the Sale Resolution.

Lodgers' Tax. The occupancy tax imposed by City Ordinance Enactment No. 68-1984 on revenues on lodging within the City in an amount (at the time of adoption of the Bond Ordinance) equal to five percent (5%) of the gross taxable rent paid for lodging (not including State or local gross receipts tax) collected by the City from persons furnishing such lodging.

Lodgers' Tax Obligations. Outstanding bonds and other obligations of the City secured by Pledged Lodgers' Tax Revenues, which as of the date of adoption of the Bond Ordinance are the Series 1991B Bonds, the Series 1995 Bonds, the Series 1999B Bonds, and obligations relating thereto, including obligations of the City to the provider of any Credit Facility relating to Lodgers' Tax Obligations.

Lodgers' Tax Revenue Fund. The "City of Albuquerque Lodgers' Tax Revenue Fund" continued in Section 16.

Make-Whole Premium. A prepayment premium with respect to the Called Principal equal to the excess, if any, of the Discounted Value over the sum of (i) such Called Principal, plus (ii) interest accrued thereon as of (including interest due on) the redemption date with respect to such Called Principal. The Make-Whole Premium will in no event be less than zero.

New Lien Tax Obligations. The Series 1999B Bonds, the Series 1999C Bonds, the Series 2000A Bonds, the Series 2001 Golf Bonds, the New Mexico Finance Authority Helicopter Loan, the New Mexico Finance Authority Surcharge Loan, the New Mexico Authority Stadium Lease Loan, and any other Tax Obligations issued or incurred after the adoption of the Bond Ordinance payable from the State-Shared Gross Receipts Tax Revenues, with a lien on the State-Shared Gross Receipts Tax Revenues on a parity with the lien on the State-Shared Gross Receipts Tax Revenues of the New Lien Tax Obligations, subordinate to the lien of the Old Lien Tax Obligations and prior to the lien of the Subordinate Tax Obligations.

New Mexico Finance Authority Helicopter Loan. The $700,000 Loan Agreement dated April 27, 2001 by and between the NMFA and the City.

New Mexico Finance Authority Stadium Lease Loan. The $6,000,000 Loan Agreement dated October 4, 2002 by and between the NMFA and the City.

New Mexico Finance Authority Surcharge Loan. The $9,000,000 Loan Agreement dated December 27, 2002 by and between the NMFA and the City.

NMFA. The New Mexico Finance Authority.

NMSA. New Mexico Statutes Annotated, 1978 Compilation, as amended and supplemented.

Old Lien Pledged Revenues. That portion of the State-Shared Gross Receipts Tax Revenues which is equal to one percent (1%) of the sum of taxable gross receipts, plus receipts which would have been taxable gross receipts but for the deductions provided by Sections 7-9-92 and 7-9-93 NMSA 1978, plus other receipts for which a distribution in lieu of Old Lien Pledged Revenues is made to the City, reported for the City for the month for which such remittance is made.

Old Lien Tax Obligations. The Series 1996 Bonds, the Series 1995 Bonds and the Series 1991B Bonds.

Outstanding. When used in reference to Tax Obligations, on any particular date, the aggregate of all Tax Obligations issued and delivered under the applicable City ordinance or resolution authorizing the issuance of Tax Obligations, except:

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

(2) those which have been paid or are deemed to be paid in accordance with the City ordinance or resolution authorizing the issuance of the applicable Tax Obligations or otherwise relating thereto, provided that the payment of Insured Obligations with the proceeds of a Bond Insurance Policy shall not result in those Insured Obligations ceasing to be Outstanding;

(3) in the case of Variable Rate Obligations, any Tax Obligations deemed tendered but not yet presented for payment; and

(4) those in lieu of or in exchange or substitution for which other Tax Obligations shall have been delivered, unless proof satisfactory to the City and the Paying Agent for the applicable Tax Obligations is presented that any Tax Obligations for which new Tax Obligations were issued or exchanged are held by a bona fide holder or in due course.

Owner. The registered owner of a Series 2004 Bond as shown, from time to time, on the registration books for the Series 2004 Bonds, from time to time, maintained by the relevant registrar for the City.

Parity Lodgers' Tax Obligations. The Series 1991B Bonds, the Series 1995 Bonds, the Series 1999B Bonds, and any other Lodgers' Tax Obligations issued or incurred after the adoption of the Bond Ordinance payable from the Pledged Lodgers' Tax Revenues, with a lien on the Pledged Lodgers' Tax Revenues on a parity with the lien on the Pledged Lodgers' Tax Revenues of the Series 2004 Bonds and prior to the lien on the Pledged Lodgers' Tax Revenues of Subordinate Lodgers' Tax Obligations.

Paying Agent. The City Treasurer or other agent for the City for the payment of the Series 2004 Bonds and any co-paying agent or successor paying agent which is a trust company, national or state banking association or financial institution appointed by resolution of the Council or by an Authorized Officer from time to time.

Permitted Investments. Any of the following which at the time of the investment are legal investments for the City for the money to be invested and any other investments which at the time of investment are legal investments of 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, Moody's or Fitch, 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, Moody's or Fitch;

(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, Moody's or Fitch, or which securities are guaranteed by a person or entity whose long term debt obligations are rated in the highest Rating Category by S&P, Moody's or Fitch, 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 N.M.S.A. 1978 or other similar pooled fund maintained by the State for the investment of public funds of local public bodies of the State;

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

(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 parts (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;

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

(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, Moody's or Fitch, or by another national rating agency.

Person. Any individual, corporation, partnership (in which case each partner shall be deemed a Person), joint venture, association, joint stock company, limited liability company, trust, unincorporated organization, or government or any agency or political subdivision of a government.

Pledged Lodgers' Tax Revenues. Fifty percent (50%) of the Lodgers' Tax Revenues received by the City, after deduction of the administrative costs pertaining to the Lodgers' Tax to the extent required by the Lodgers' Tax Act, provided that the City is not pledging, and the term "Lodgers' Tax Pledged Revenues" does not include, any of the Lodgers' Tax Revenues in excess of fifty percent (50%) thereof.

Pledged Revenues. The Pledged Lodgers' Tax Revenues and the State-Shared Gross Receipts Tax Revenues.

Record Date. The fifteenth day of the month immediately preceding each Interest Payment Date.

Refunded Bonds. Portions of the Series 1999B Bonds, the Series 1996 Bonds, and the Series 1991B Bonds, all as designated in the Sale Resolution.

Refunded Bonds Ordinance. With respect to the Series 1999B Bonds, City Bill No. F/S O-43, Ordinance Enactment No 7-1999, as supplemented and modified by City Resolution No. F/S R-163, Enactment No. 18-1999; with respect to the Series 1996 Bonds, City Bill No. F/S O-45, Ordinance Enactment No. 32-1996, as supplemented and modified by City Resolution No. F/S R-106, Enactment No. 113-1996, and with respect to the Series 1991B Bonds, City Bill No. F/S O-151, Ordinance Enactment No. 41-1991, as supplemented and modified by City Resolution Enactment No. 153-1991.

Refunding Project. The advance refunding of the portions of the Series 1999B Bonds, the Series 1996 Bonds, and the Series 1991B Bonds that are Refunded Bonds with proceeds of the Series 2004 Bonds and, to the extent necessary, other money of the City legally available for the purpose.

Registrar. The Treasurer or other agent for the City for the transfer and exchange of the Series 2004 Bonds and any co-registrar or successor registrar which is a trust company, national or state banking association or financial institution appointed by resolution of the Council or by an Authorized Officer from time to time.

Reinvestment Yield. With respect to Called Principal, (i) the yield to maturity implied by the Treasury Constant Maturity Series yields reported, for the latest day for which such yields have been so reported as of the business day next preceding the Settlement Date with respect to such Called Principal, in Federal Reserve Statistical Release H.15 (519) (or any comparable successor publication) for actively traded United States Treasury securities having a constant maturity equal to the Remaining Average Life of such Called Principal as of such Settlement

Date, plus (ii) 0.10%. Such implied yield will be determined, if necessary, by (1) converting U.S. Treasury bill quotations to bond equivalent yields in accordance with accepted financial practice and (2) interpolating linearly between (y) the actively traded U.S. Treasury security with the duration closest to and greater than the remaining term of the Series 2004B Bonds and (z) the actively traded U.S. Treasury security with the duration closest to and less than the remaining term of the Series 2004B Bonds.

Related Documents. The Bond Purchase Agreement, the Continuing Disclosure Undertaking, the Escrow Agreement, any Series 2004 Bond Insurance Policy and any other documents relating to that series identified and approved in the Bond Legislation.

Remaining Average Life. With respect to Called Principal the number of years (calculated to the nearest one-twelfth (1/12) year obtained by dividing (i) such Called Principal into (ii) the sum of the products obtained by multiplying (A) each Remaining Scheduled Payment of such Called Principal (but not of interest thereon) by (B) the number of years (calculated to the nearest one-twelfth (1/12) year) which will elapse between the Settlement Date with respect to such Called Principal and the scheduled due date of such Remaining Scheduled Payment.

Remaining Scheduled Payments. With respect to Called Principal, all payments of such Called Principal and interest thereon which would be due on or after the Settlement Date with respect to such Called Principal if no payment of such Called Principal were made prior to its scheduled due date.

Sale Resolution. The resolution, and all amendments thereto, of the Council setting and approving specific terms for the Series 2004 Bonds and the Refunding Project within the parameters set in the Bond Ordinance, and relating to the issuance, sale and administration of the Series 2004 Bonds.

Series 1991B Bonds. The "City of Albuquerque, New Mexico Gross Receipts/Lodgers' Tax Refunding and Improvement Revenue Bonds, Series 1991B."

Series 1995 Bonds. The "City of Albuquerque, New Mexico Gross Receipts/Lodgers' Tax Adjustable Tender Revenue Bonds, Series 1995."

Series 1996 Bonds. The "City of Albuquerque, New Mexico Gross Receipts Tax Refunding Revenue Bonds, Series 1996."

Series 1999B Bonds. The "City of Albuquerque, New Mexico Gross Receipts Tax/Lodgers' Tax Refunding Revenue Bonds, Series 1999B."

Series 1999C Bonds. The "City of Albuquerque, New Mexico Gross Receipts Tax Refunding Revenue Bonds, Series 1999C."

Series 2000 Surety Bond Provider Agreement. The obligation of the City resulting from the pledge of State-Shared Gross Receipts Tax Revenues pursuant to the Surety Bond Reimbursement Agreement dated as of July 1, 2000 between the City and MBIA Insurance

Corporation as a surety bond provider for the City of Albuquerque, New Mexico Affordable Housing Refunding Projects Refunding Revenue Bonds, Series 2000.

Series 2000A Bonds. The "City of Albuquerque, New Mexico Taxable Gross Receipts Tax Adjustable Tender Revenue Bonds, Series 2000A."

Series 2001 Golf Bonds. The "City of Albuquerque, New Mexico Taxable Golf Course Net Revenue/Gross Receipts Tax Revenue Bonds, Series 2001."

Series 2004 Bonds. The Series 2004A Bonds and the Series 2004B Bonds.

Series 2004 Insurance Policy. The insurance policy issued by the Series 2004 Insurer guaranteeing the scheduled payment of principal of and interest on the Series 2004 Bonds when due.

Series 2004 Insurer. Financial Security Assurance, Inc., a New York stock insurance company, or any successor thereto or assignee thereof.

Series 2004A Bonds. The "City of Albuquerque, New Mexico Tax-Exempt Gross Receipts Tax/Lodgers' Tax Refunding Revenue Bonds, Series 2004A."

Series 2004B Bonds. The "City of Albuquerque, New Mexico Taxable Gross Receipts Tax/Lodgers' Tax Refunding Revenue Bonds, Series 2004B."

Series 2004A Debt Service Fund. The "City of Albuquerque, New Mexico Tax-Exempt Gross Receipts Tax/Lodgers' Tax Refunding Revenue Bonds, Series 2004A Debt Service Fund" created in Section 16.

Series 2004B Debt Service Fund. The "City of Albuquerque, New Mexico Taxable Gross Receipts Tax/Lodgers' Tax Refunding Revenue Bonds, Series 2004B Debt Service Fund created in Section 16.

Settlement Date. The date on which the Called Principal is prepaid.

Special Record Date. A date established for payment of overdue interest on Series 2004 Bonds by the Paying Agent pursuant to Section 5.(B).

State-Shared Gross Receipts Tax Revenues. The revenues from the State gross receipts tax derived pursuant to Section 7-9-4 NMSA 1978, imposed on persons engaging in business in the State, which revenues are remitted monthly by the Revenue Division of the Taxation and Revenue Department of the State to the City as authorized by Sections 7-1-6.1 and 7-1-6.4 NMSA 1978, and which remittances as of the date of adoption of the Bond Ordinance are equal to one and two hundred twenty-five thousandths percent (1.225%) of the taxable gross receipts reported to the City for the month for which such remittance is made; provided that if a greater amount of such gross receipts tax revenues are hereafter provided to be remitted to the City under applicable law, such additional amounts shall be included as revenues pledged pursuant to the Bond Legislation; and provided further that the amount of revenues pledged pursuant to the Bond Legislation shall never be less than the greater of: (i) 1.225% of the taxable gross receipts remitted to the City as set forth above, or (ii) the maximum amount at any time provided hereinafter to be remitted to the City under applicable law; and provided further, the City intends that Section 3-31-6(C) NMSA 1978 applies expressly to the amount of revenues pledged pursuant to the Bond Legislation. State-Shared Gross Receipts Tax Revenues also includes (i) the portion of the gross receipts tax distribution to the City to be made pursuant to Chapter 116, Section 1, Session Laws 2004, which represents the amount of State-Shared Gross Receipts Tax Revenues set forth in the sentence above that would have been remitted to the City but for the deductions (to be effective January 1, 2005) provided by Sections 7-9-92 and 7-9-93 NMSA 1978 and (ii) any similar distributions made to the City in lieu of State-Shared Gross Receipts Tax Revenues, but State-Shared Gross Receipts Tax Revenues do not include any similar distributions in lieu of any municipal local option gross receipts tax revenues.

Subordinate Lodgers' Tax Obligations. Any Lodgers' Tax Obligations hereafter issued or incurred payable from the Lodgers' Tax Revenues and issued with a lien thereon junior and inferior to the lien thereon of the Bonds.

Subordinate Tax Obligations. All Tax Obligations, including the Series 2000 Surety Bond Provider Agreement, now outstanding or hereafter issued or incurred with a lien on the State-Shared Gross Receipts Tax Revenues and subordinate to the lien of New Lien Tax Obligations on the State-Shared Gross Receipts Tax Revenues or the lien of the Old Lien Tax Obligations on the Old Lien Pledged Revenues or with a lien on the Pledged Lodgers' Tax Revenues subordinate to the lien of the Lodgers' Tax Obligations.

Surplus Fund. The City of Albuquerque Surplus Lodgers' Tax Revenues Reserve Fund created in Section 16 of the Bond Ordinance.

Tax Obligations. New Lien Tax Obligations, Old Lien Tax Obligations, Lodgers' Tax Obligations and any other bonds, notes or other instruments which evidence a borrowing payable from and secured by (i) the Old Lien Pledged Revenues; (ii) the State-Shared Gross Receipts Tax Revenues, or (iii) the Pledged Lodgers' Tax Revenues, now Outstanding or hereafter issued or incurred.

Taxable Escrow Account. The City of Albuquerque, New Mexico Gross Receipts Tax Refunding Revenue Bonds, Taxable Escrow Account" within the Escrow Fund created in the Bond Legislation.

Tax-Exempt Escrow Account. The "City of Albuquerque, New Mexico Gross Receipts/Lodgers' Tax Refunding and Improvement Revenue Bonds Tax-Exempt Escrow Account" within the Escrow Fund created in the Bond Legislation.

Series 2004 Insurance Policy

The Scheduled payment of principal of and interest on the Series 2004 Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series 2004 Bonds by Financial Security Assurance, Inc.

Any provision of the Bond Legislation expressly recognizing or granting rights in or to the Series 2004 Insurer may not be amended in any manner which affects the rights of the Series 2004 Insurer without the prior written consent of the Series 2004 Insurer.

In determining whether the rights of the Owners will be adversely affected by any action taken pursuant to the terms and provisions of the Bond Legislation, the City shall consider the effect on such Owner as if there were no Bond Insurance Policy in effect.

The rights and obligations of the Series 2004 Insurer or Credit Source under any Credit Facility shall be as set forth in the Bond Legislation and shall not exceed any of the limitations included in the Bond Legislation. The City shall promptly notify any rating agency then rating the Series 2004 Bonds of changes to a Credit Facility.

Flow of Pledged Revenues

Funds

The following special and separate funds are created or continued by the Bond Legislation: (i) continues the Gross Receipts Tax Income Fund previously established and maintained by the City; (ii) continues the Lodgers' Tax Revenue Fund previously established and maintained by the City; (iii) creates the Series 2004A Debt Service Fund and the Series 2004B Debt Service Fund to be maintained by the City; (iv) creates the Surplus Fund to be maintained by the City; and (v) creates the Escrow Fund to be maintained by the Escrow Agent. The Escrow Agent may establish, as necessary, separate accounts as part of the Escrow Fund.

Deposit and Priorities for Use of Pledged Revenues

So long as any Series 2004 Bonds are Outstanding or other indebtedness is owed pursuant to the Related Documents, the Pledged Lodgers' Tax Revenues shall, immediately upon receipt thereof by the City, be set aside and deposited into the Lodgers' Tax Revenue Fund. All money deposited into the Lodgers' Tax Revenue Fund shall be held separate and apart from the City's general fund and applied only in accordance with the provisions of the Bond Legislation and any other City ordinance authorizing the issuance of Lodgers' Tax Obligations.

So long as any Series 2004 Bonds are Outstanding or other indebtedness is owed pursuant to the Related Documents, the State-Shared Gross Receipts Tax Revenues shall, immediately upon receipt thereof by the City, be set aside and deposited into the Gross Receipts Tax Income Fund. All money deposited into the Gross Receipts Tax Income Fund shall be held separate and apart from the City's general fund and applied only in accordance with the provisions of the Bond Legislation and any other City ordinance authorizing the issuance of Tax Obligations. The following payments shall be made:

(A) Debt Service Fund. As a first charge on the State-Shared Gross Receipts Tax Revenues, but only to the extent the State-Shared Gross Receipts Tax Revenues consist of Old Lien Pledged Revenues, the amounts necessary to pay the Debt Service Requirements on Old Lien Tax Obligations at the time Outstanding or to fund any debt service reserve account as required by the terms of any ordinance or resolution authorizing the issuance of such Old Lien

Tax Obligations shall be withdrawn from the Gross Receipts Tax Income Fund at the time prescribed in the ordinance or resolution of the City authorizing issuance of such Old Lien Tax Obligations and shall be paid or deposited in accordance with such ordinances and resolutions.

As a second charge on the State-Shared Gross Receipts Tax Revenues, the amounts necessary to pay the Debt Service Requirements on New Lien Tax Obligations at the time Outstanding shall be withdrawn from the Gross Receipts Tax Income Fund and shall be concurrently credited to the Series 2004A Debt Service Fund and the Series 2004B Debt Service Fund or any relevant debt service account, with the same priority and, if insufficient to pay all of the enumerated Debt Service Requirements, pro rated in proportion to the amounts of such Debt Service Requirements (monthly, in the case of the Series 2004 Bonds, in accordance with the Bond Legislation):

(1) Prior to each interest payment date, that amount necessary to pay or reimburse the next maturing installment of interest of each series of New Lien Tax Obligations then Outstanding.

(2) Prior to each principal payment date, that amount necessary to pay the next regularly scheduled installment of principal, whether at maturity or a mandatory sinking fund redemption date, of each series of New Lien Tax Obligations then Outstanding.

(3) Prior to their respective due dates, the amounts necessary to pay or reimburse the provider of a Credit Facility for payments of Debt Service Requirements (but not tender price) on New Lien Tax Obligations made by that Credit Source. The tender price of a series of New Lien Tax Obligations and any interest payment owed to any Credit Source which exceeds the amount of interest which would be payable at the maximum bond interest rate on that series, shall not be reimbursed from the Gross Receipts Tax Income Fund with the priority set forth in this paragraph (A) but shall be reimbursed with the priority set forth in paragraph (B) below.

As a first charge on the Pledged Lodgers' Tax Revenues, the amounts necessary to pay the Debt Service Requirements on Parity Lodgers' Tax Obligations at the time Outstanding or to fund any debt service reserve account as required by the terms of the Bond Legislation or any ordinance or resolution authorizing the issuance of such Parity Lodgers' Tax Obligations shall be withdrawn from the Lodgers' Tax Revenue Fund and shall be concurrently credited to the Debt Service Fund or any relevant debt service account, with the same priority and, if insufficient to pay all of the enumerated Debt Service Requirements, pro rated in proportion to the amounts of such Debt Service Requirements:

(a) Prior to each interest payment date, that amount necessary to pay the next maturing installment of interest of each series of Parity Lodgers' Tax Obligations then Outstanding.

(b) Prior to each principal payment date, that amount necessary to pay the next regularly scheduled installment of principal, whether at maturity or a mandatory sinking fund redemption date, of each series of Parity Lodgers' Tax Obligations then Outstanding.

(c) Prior to their respective due dates, the amounts necessary to pay or reimburse the Credit Source for payments of Debt Service Requirements (but not tender price) on Parity Lodgers' Tax Obligations made by that facility provider. The tender price of a series of Parity Lodgers' Tax Obligations and any interest payment owed to any Credit Source which exceeds the amount of interest which would be payable at the maximum bond interest rate on that series, shall not be reimbursed from the Lodgers' Tax Revenue Fund with the priority set forth in this paragraph (A) but shall be reimbursed with the priority set forth in paragraph (B) below.

The City may pay the Debt Service Requirements on the Series 2004 Bonds and, unless otherwise required under the ordinance or resolution under which they were issued, any other Tax Obligations that are New Lien Tax Obligations and Parity Lodgers' Tax Obligations from Pledged Revenues as described in this paragraph (A) in such order, in whole or in part, as to the use of State-Shared Gross Receipts Tax Revenues and Pledged Lodgers' Tax Revenues as the City may from time to time determine in its sole discretion.

(B) Other Parity Tax Obligations. To the extent not required to be deposited or paid pursuant to paragraph (A) above, (i) State-Shared Gross Receipts Tax Revenues available in the Gross Receipts Tax Income Fund shall be used, as necessary, to pay: (x) payment obligations owed by the City to the Credit Source for New Lien Tax Obligations, including the tender price of and certain interest payments on, New Lien Tax Obligations paid by that Credit Source; and (y) fees, expenses and interest owed by the City to any other provider of fiscal services for a series of New Lien Tax Obligations and (ii) Pledged Lodgers' Tax Revenues available in the Lodgers' Tax Revenue Fund shall be used, as necessary, to pay (x) payment obligations owed by the City to the Credit Source for Parity Lodgers' Tax Obligations, including the tender price of and certain interest payments on, Parity Lodgers' Tax Obligations paid by that Credit Source; and (y) fees, expenses and interest owed by the City to any other provider of fiscal services for a series of Parity Lodgers' Tax Obligations. Amounts from the Gross Receipts Tax Income Fund or the Lodgers' Tax Revenue Fund to be used to pay interest pursuant to this paragraph (B) shall be deposited by the City into a separate account maintained by the City on or before the due date thereof.

(C) Debt Service Reserve Requirements. To the extent not required to be deposited or paid pursuant to paragraphs (A) or (B) above, State-Shared Gross Receipts Tax Revenues available in the Gross Receipts Tax Income Fund shall be used, as necessary to pay any debt service reserve account as required by the terms of any ordinance or resolution authorizing the issuance of New Lien Tax Obligations.

(D) Subordinate Tax Obligations. To the extent not required to be deposited or paid pursuant to paragraphs (A), (B), or (C), (i) State-Shared Gross Receipts Tax Revenues available in the Gross Receipts Tax Income Fund shall be used, as necessary, to pay Debt Service Requirements on Subordinate Gross Receipts Tax Obligations as the same accrue; and (ii) Pledged Lodgers' Tax Revenues available in the Lodgers' Tax Revenue Fund shall be used, as necessary, to pay Debt Service Requirements on Subordinate Lodgers' Tax Obligations as the same accrue.

(E) Use of Surplus Pledged Lodgers' Tax Revenues. To the extent not required in any month to be deposited or paid pursuant to paragraphs (A), (B), (C) or (D) or any ordinance or resolution authorizing the issuance of any Parity Lodgers' Tax Obligations, any Pledged

Lodgers' Tax Revenues remaining in the Lodgers' Tax Revenue Fund shall be transferred from the Lodgers' Tax Revenue Fund to the Surplus Fund and held therein until such time as it is practicable to use such funds to pay, redeem or defease Lodgers' Tax Obligations and then shall be so used, subject to any limitations imposed by the Code.

(F) Use Of Surplus Pledged Gross Receipts Tax Revenues. To the extent not required in any month to be deposited or paid pursuant to Paragraphs (A), (B), (C), or (D) or any ordinance or resolution authorizing the issuance of any Old Lien Tax Obligations, any State–Shared Gross Receipt Tax Revenues remaining in the Gross Receipts Tax Income Fund may be transferred from the Gross Receipts Tax Income Fund and applied to any other lawful purpose or purposes authorized by applicable law, as determined by the City, subject to any limitations imposed by the Code.

General Administration of Funds

Any money in the Gross Receipts Tax Income Fund, the Lodgers' Tax Revenue Fund, the Series 2004A Debt Service Fund and the Series 2004B Debt Service Fund is to be invested as permitted by the applicable City ordinance relating thereto. All Series 2004 Bond proceeds are to be invested as permitted in the Bond Legislation and the Escrow Agreement. Unless otherwise provided in the Bond Legislation or in any other applicable City ordinance, the obligations purchased as an investment of money in any such fund or account will be deemed at all times to be part of such fund or account, and the interest accruing thereon and any profit realized therefrom will be credited to the fund or account (subject to withdrawal at any time as permitted by the Bond Legislation) and any loss resulting from such investment will be charged to the fund or account.

Selected Protective Covenants

Records. So long as any of the Series 2004 Bonds remain Outstanding, proper books of record and account are to 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 Pledged Revenues.

Duty to Impose Tax. If State law or the City Charter or any City ordinance or part thereof which affects the Pledged Revenues shall ever be held to be invalid or unenforceable, the City shall immediately take any action which is legally available to the City necessary to produce sufficient Pledged Revenues to comply with the obligations of the City under the Bond Legislation.

Impairment of Contract. In accordance with Section 3-31-6(C) NMSA 1978, no law, ordinance or resolution of the City which affects the Pledged Revenues or the Series 2004 Bonds shall be repealed or otherwise directly or indirectly modified in such a manner as to impair adversely Outstanding Series 2004 Bonds or obligations of the City under the Bond Legislation or any related Documents, unless the Series 2004 Bonds or obligations have been discharged in full or provision has been fully made therefor.

Collection of Lodgers' Tax. The City shall take whatever action is necessary to collect the Lodgers' Tax and to enforce collection thereof by all persons furnishing lodging to which such tax is applicable.

Bonds Not Presented for Payment

If any Series 2004 Bonds are not presented for payment when the principal becomes due either at maturity or at the date fixed for redemption thereof or otherwise, or if any check or draft mailed to an Owner in connection with a payment of interest on any Series 2004 Bonds is not cashed by an Owner, and an amount sufficient to pay those Series 2004 Bonds or interest is held by the Paying Agent for the benefit of the Owners, the Paying Agent shall segregate and hold such money in trust without liability for interest on that money to the Owners, for the benefit of the Owners of the applicable Series 2004 Bonds, who shall, except as provided in the following paragraph, then be restricted to only the amounts segregated for the satisfaction of any claim relating to that payment on such Series 2004 Bonds.

Any money which the Paying Agent segregates and holds in trust for the payment of the principal of, premium or interest on any Series 2004 Bonds which remains unclaimed for three years after such payment has become due will be paid to the City. After the payment of such unclaimed money to the City, the Owners may look only to the City for the payment of those Series 2004 Bonds.

Defeasance

If, when all Series 2004A Bonds become due and payable in accordance with their terms or otherwise as provided in the Bond Legislation and the entire amount of the principal of, premium, if any, and interest due and payable on all of the Series 2004A Bonds is paid or if provisions are made for the payment thereof when due and payable, and all other sums payable under the Bond Legislation (including amounts owed to any Series 2004A Bond Insurer) are paid, then all covenants, agreements and other obligations of the City to the Owners and any Series 2004A Bond Insurer shall cease, terminate and become void and be discharged and satisfied. However, the covenants of the Bond Legislation relating to the rebate requirements of Section 148(f) of the Code shall survive until all applicable requirements have been satisfied.

If, when all Series 2004B Bonds become due and payable in accordance with their terms or otherwise as provided in the Bond Legislation and the entire amount of the principal of, premium, if any, and interest due and payable on all of the Series 2004B Bonds is paid or if provisions are made for the payment thereof when due and payable, and all other sums payable under the Bond Legislation (including amounts owed to any Series 2004B Bond Insurer) are paid, then all covenants, agreements and other obligations of the City to the Owners and any Series 2004B Bond Insurer shall cease, terminate and become void and be discharged and satisfied.

When all principal, interest and prior redemption premium, if any, in connection with any Series 2004 Bond has been duly paid or provided for, the pledge and lien of the Bond Legislation, and all obligations under the Bond Legislation, shall be discharged with respect to that Series 2004 Bond and that Series 2004 Bond shall no longer be deemed to be Outstanding within the meaning of the Bond Legislation. There shall be deemed to be such due payment or to be adequate provisions for the prompt and complete payment of a Series 2004 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 2004 Bond as the same become due to its final maturity or upon the designated prior redemption date. The Defeasance Obligations shall 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 the 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.

If any Series 2004 Bonds are deemed to be paid and discharged, within 15 days after the date of defeasance, the City shall irrevocably direct the Fiscal Agent to give written notice to any Bond Insurer and each Owner of Series 2004 Bonds deemed paid and discharged at the address shown on the Bond Register on the date on which those Series 2004 Bonds are deemed paid and discharged. The notice shall state, to the extent applicable, the same information required by the Bond Legislation for the redemption of Series 2004 Bonds and shall describe the Defeasance Obligations.

Registration, Transfer, Exchange and Ownership of Bonds

Registration, Transfer and Exchange. The City shall cause books for the registration, transfer and exchange of the Series 2004 Bonds to be kept at the principal office of the Registrar. Upon surrender for transfer or exchange of any Series 2004 Bond 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 2004 Bond or Series 2004 Bonds of the same series and Maturity Date, interest rate and same aggregate principal amount, in Authorized Denominations.

Owner of Bonds. The person in whose name any Series 2004 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 2004 Bonds in the Bond Legislation. Payment of the principal on any Series 2004 Bonds shall be made only to or upon the order of its Owner or his legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability on Series 2004 Bonds to the extent of the amount paid.

Replacement of Bonds. If any Series 2004 Bond is lost, stolen, destroyed or mutilated, the Registrar shall, upon receipt of that Series 2004 Bond, if mutilated, and evidence, information or indemnity which the Registrar may reasonably require, authenticate and deliver a replacement Series 2004 Bond of the same aggregate principal amount, series, Maturity Date and interest rate, bearing a number or numbers not then outstanding. If any lost, stolen, destroyed or mutilated Series 2004 Bond has matured or been called for redemption, the Registrar may direct the Paying Agent to pay that Series 2004 Bond in lieu of replacement.

Charges. Exchanges and transfers of Series 2004 Bonds shall be made without charge to the Owners 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.

Bonds Called for Redemption. The Fiscal Agent shall not be required to transfer or exchange (a) any Series 2004A Bonds during the five-day period preceding the mailing of notice calling Series 2004A Bonds for redemption or any Series 2004B Bonds during the five-day period preceding the mailing of notice calling Series 2004B Bonds for redemption and (b) any Series 2004 Bond called for redemption.

Tax Compliance

The City covenants that it will use, and will restrict the use and investment of, the proceeds of the Series 2004A Bonds in such manner and to such extent as may be necessary so that (a) the Series 2004A Bonds will not (i) constitute private activity bonds, arbitrage bonds or hedge bonds under Sections 141, 148 or 149 of the Code or (ii) be treated other than as bonds to which Section 103(a) of the Code applies, and (b) the interest thereon will not be treated as a preference item under Section 57 of the Code.

The City further covenants (a) that it will take or cause to be taken such actions that may be required of it for the interest on the Series 2004A Bonds to be and to remain excluded from gross income for federal income tax purposes, (b) that it will not take or authorize to be taken any actions that would adversely affect that exclusion, and (c) that it, or persons acting for it, will, among other acts of compliance, (i) apply the proceeds of the Series 2004A Bonds to the governmental purposes of the borrowings, (ii) restrict the yield on investment property, (iii) make timely and adequate rebate payments or payments of alternative amounts in lieu of rebate to the federal government, (iv) maintain books and records and make calculations and reports, and (v) refrain from certain uses of those proceeds and, as applicable, of property financed with such proceeds, all in such manner to the extent necessary to assure such exclusion of that interest under the Code.

Events of Default

Each of the following events shall constitute an "Event of Default" as used under the Bond Legislation:

Nonpayment. The failure to pay the principal of or interest on the Series 2004 Bonds when due;

Inability to Perform. The City becomes incapable of performing its obligations under the Bond Legislation; or

Other Default. Default by the City in the due and punctual performance of its covenants and obligations or in the conditions, agreements and provisions contained in the Series 2004 Bonds or the Bond Legislation on its part to be performed and the continuance of such default (other than a default as described in "Nonpayment" or "Inability to Perform" immediately above) for 30 (or 60, with the prior written consent of the Series 2004 Bond Insurer) days after written notice specifying such default and requiring the same to be remedied has been given to the City by the Series 2004 Bond Insurer or the Owners of at least 25% in principal amount of the Series 2004A Bonds or Series 2004B Bonds then Outstanding.

Remedies on Events of Default

Upon the happening and during the continuance of an Event of Default, any Series 2004 Bond Insurer or the Owners of not less than 25% in aggregate principal amount of the Series 2004A Bonds then Outstanding or the Series 2004B Bonds then Outstanding affected by such Event of Default, including but not limited to a trustee or trustees therefor, with the consent of any Series 2004 Bond Insurer, may proceed against the City to:

(1) 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 Legislation or for the enforcement of any proper legal or equitable remedy as those Owners or the Series 2004 Bond Insurer, if any, may deem necessary or desirable to protect and enforce their rights;

(2) to enjoin any act or thing which may be unlawful or in violation of any right of any such Owner;

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

(4) any combination of those remedies.

All proceedings shall be instituted and maintained for the equal benefit of all Owners of the Series 2004 Bonds then Outstanding. The failure of an Owner or any Series 2004 Bond Insurer to exercise any right granted by the Bond Legislation shall not relieve the City of any obligation to perform any duty. Each right or privilege of any such Owner (or trustee or receiver therefor) or any Series 2004 Bond Insurer is in addition and cumulative to any other right or privilege and the exercise of any right or privilege by or on behalf of any Owner or any Series 2004 Bond Insurer shall not be deemed a waiver of any other right or privilege of any such Owner or Series 2004 Bond Insurer.

Notwithstanding the foregoing, the Series 2004 Bond Insurer shall be deemed to be the sole holder of the Series 2004 Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Series 2004 Bonds are entitled to take pursuant to the Bond Legislation.

Amendment of Bond Legislation

Limitations Upon Amendments. After Series 2004A Bonds and/or Series 2004B Bonds have been issued, the Bond Legislation may be amended by ordinance or resolution of the Council without the consent of the Owners, but with the consent of any Series 2004 Bond Insurer:

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

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

(3) to obtain or maintain a rating or shadow rating on any Series 2004 Bonds from any rating agency or to make any amendment, which amendment in the judgment of Bond Counsel, does not materially adversely affect the Owners;

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

(5) to make any other changes in the Bond Legislation which, in the opinion of Bond Counsel, are not materially adverse to the Owners; and

(6) to make changes in procedural matters relating to any Bond Insurance Policy.

Additional Amendments. Except as described above, the Bond Legislation may only be amended or supplemented by ordinance or resolution adopted by the Council, without receipt by the City of any additional consideration but with the written consent of the Owners of a majority of the outstanding principal amount of the Series 2004A Bonds or Series 2004B Bonds which are affected by the amendment or supplement (not including any Series 2004 Bonds which are then owned by or for the account of the City) and of the Series 2004A Bond Insurer or Series 2004B Bond Insurer, if any, provided, however, that no such ordinance shall have the effect of permitting:

(1) an extension of any maturity date of the Series 2004 Bonds; or

(2) a reduction in the principal amount of, premium, if any, or interest rate on the Series 2004 Bonds; or

(3) the creation or continuance of a lien on or pledge of Pledged Revenues ranking prior to the lien or pledge of Tax Obligations on the Pledged Revenues; or

(4) a reduction of the principal amount of the Series 2004A Bonds or Series 2004B Bonds required for consent to such amendment or supplement.

(THIS PAGE INTENTIONALLY LEFT BLANK)

APPENDIX C

FORM OF OPINIONS OF BOND COUNSEL AND SPECIAL TAX COUNSEL

(THIS PAGE INTENTIONALLY LEFT BLANK)

FORM OF OPINION OF BOND COUNSEL

October 6, 2004

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 $31,965,000 Gross Receipts Tax/Lodgers' Tax Refunding Revenue Bonds, Tax Exempt Series 2004A (the "Series 2004A Bonds") and its $28,915,000 Gross Receipts Tax/Lodgers' Tax Refunding Revenue Bonds Taxable Series 2004B (the "Series 2004B Bonds" and, together with the Series 2004A Bonds, the "Bonds").

The Bonds are issued pursuant to the Constitution and laws of the State of New Mexico (the "State") and the home rule powers of the City derived from the City Charter and the Constitution of the State and City Ordinance Sixteenth Council Bill No. C/S O-04-47 adopted August 16, 2004 and City Resolution Sixteenth Council Bill No. F/S R-04-120 adopted September 20, 2004 (collectively, the "Bond Legislation"). The Series 2004A Bonds are issued to advance refund a portion of the City's Gross Receipts Tax/Lodgers' Tax Refunding Revenue Bonds, Series 1999B (the "Series 1999B Bonds"). The Series 2004B Bonds are issued to advance refund a portion of the Series 1999B Bonds, a portion of the City's Gross Receipts Tax Refunding Revenue Bonds, Series 1996, and a portion of the City's Gross Receipts Tax/Lodgers' Tax Refunding and Improvement Revenue Bonds, Series 1991B.

We have examined the Bond Legislation and such other law and certified proceedings and other documents as we deem necessary to render this opinion. As to questions of fact material to our opinion, we have assumed the authenticity of and relied upon certified proceedings, affidavits and certificates furnished to us without undertaking to verify the same by independent investigation.

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

1. The Bonds are valid and binding special and limited obligations of the City, enforceable in accordance with their terms and provisions.

2. Bonds are payable or reimbursable solely from, and such payment is secured by, a pledge (but not an exclusive pledge) of the Pledged Revenues (as defined in the Bond

Legislation), the proceeds of a Municipal Bond Insurance Policy issued by Financial Security Assurance, Inc., and, to the extent stated in the Bond Legislation, certain of the funds and accounts created or continued in the Bond Legislation. 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 Bonds are Parity Lodgers' Tax Obligations and New Lien Tax Obligations, as those terms are defined in the Bond Legislation. There are additional New Lien Tax Obligations and Parity Lodgers' Tax Obligations outstanding. Upon satisfaction of the conditions set forth in the Bond Legislation, additional New Lien Tax Obligations and Parity Lodgers' Tax Obligations may be issued. No additional bonds may be issued or obligations incurred with a lien on Pledged Revenues senior to the lien thereon of the Bonds.

We express no opinion as to the excludability of interest on the Bonds from gross income for federal income tax purposes or any other tax consequences regarding the Bonds. 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 2004A Bonds from gross income for federal income tax purposes.

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.

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.

This opinion is limited to the matters expressly set forth above and no opinion is implied or may be inferred beyond the matters expressly stated. The opinions expressed herein are based on existing law as of the date hereof, and we express no opinion as of any subsequent date or with respect to any pending legislation. We undertake no responsibility to update this opinion in the future. This opinion is given to you solely for your benefit in connection with the issuance of the Bonds and may not be used by you for any other purpose and may not be circulated to or used by any other person for any purpose without our prior written consent.

The foregoing opinions are limited to matters involving the current laws of the State and we do not express any opinion as to the laws of any other jurisdiction. Further, we bring to your attention the fact that our legal opinions are an expression of professional judgment and are not a guarantee of any result.

Very truly yours,

FORM OF OPINION OF SPECIAL TAX COUNSEL

October 6, 2004

City of Albuquerque
Albuquerque, New Mexico

$31,965,000 City of Albuquerque, New Mexico Tax-Exempt Gross Receipts Tax/Lodgers' Tax Refunding Revenue Bonds Series 2004A	$28,915,000 City of Albuquerque, New Mexico Taxable Gross Receipts Tax/Lodgers' Tax Refunding Revenue Bonds Series 2004B

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 $31,965,000 aggregate principal amount of its City of Albuquerque, New Mexico Tax-Exempt Gross Receipts Tax/Lodgers' Tax Refunding Revenue Bonds Series 2004A (the "Series 2004A Bonds") and $28,915,000 aggregate principal amount of its City of Albuquerque, New Mexico Taxable Gross Receipts Tax/Lodgers' Tax Refunding Revenue Bonds Series 2004B (the "Series 2004B Bonds," and collectively, with the Series 2004A Bonds, the "Series 2004 Bonds"). The proceeds of the Series 2004A Bonds are being used to (a) advance refund $30,945,000 aggregate principal amount of the City's Gross Receipts Tax/Lodgers' Tax Refunding Revenue Bonds, Series 1999B and (b) finance certain costs of issuance of the Series 2004A Bonds. The proceeds of the Series 2004B Bonds are being used to (a) advance refund $2,155,000 aggregate principal amount of the City's Gross Receipts Tax/Lodgers' Tax Refunding Revenue Bonds, Series 1999B, (b) advance refund $5,510,000 aggregate principal amount of the City's Gross Receipts Tax Refunding Revenue Bonds, Series 1996, (c) advance refund $17,361,297.50 accreted value of the City's Gross Receipts/Lodgers' Tax Refunding and Improvement Revenue Bonds, Series 1991B, and (d) finance certain costs of issuance for the Series 2004B Bonds.

In connection with the issuance of the Series 2004 Bonds, 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 2004 Bonds; the representations and warranties contained in the Tax Compliance Certificate dated this date and executed by the City relating to the Series 2004A Bonds (the "Tax Certificate"); a copy of the escrow agreement and the verification report; 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 2004A Bonds is excluded from gross income for federal income tax purposes. Interest on the Series 2004A Bonds is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals and corporations, however, such interest is included in the federal alternative minimum taxable income of certain corporations which must be increased by 75% of the excess of the adjusted current earnings of such corporation over the federal alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses) of such corporations.

2. Under existing laws, regulations, rulings and judicial decisions, interest on the Series 2004 Bonds is exempt from New Mexico state income taxes.

The opinions set forth in the paragraphs 1 and 2 above are given in reliance on the opinions of Brownstein Hyatt & Farber, P.C., Bond Counsel, as to the valid issuance of the Series 2004 Bonds and assume the continued compliance by the City with certain requirements of the Code that must be met subsequent to the issuance of the Series 2004A Bonds. Failure to comply with such covenants could cause interest on the Series 2004A Bonds to be included in gross income retroactive to the date of issue of the Series 2004A Bonds. Although we are of the opinion that interest on the Series 2004A Bonds is excluded from gross income for federal tax purposes, the accrual or receipt of interest on the Series 2004A 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.

No opinion is expressed regarding the federal income tax treatment of the Series 2004B Bonds or regarding any impact of ownership of, receipt of interest on or disposition of the Series 2004B Bonds other than as expressly described in paragraph 2 above.

We have not been engaged to prepare and have not assumed or undertaken responsibility for the preparation of the Official Statement for the Series 2004 Bonds except for the preparation of the description therein of federal and State of New Mexico tax law pertinent to the tax treatment of interest paid on the Series 2004 Bonds. We have not performed an independent investigation to determine the accuracy, completeness or sufficiency of any other 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 2004 Bonds or the adequacy of the security provided to owners of the Series 2004 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 or any other party to the Series 2004 Bonds; the feasibility of the projects to be refinanced with proceeds of the Series 2004 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 2004 Bonds or the security provided to owners of the Series 2004 Bonds or the validity of the Series 2004 Bonds. We also have not been engaged to review, and we did not review and do not opine on, the validity of the Series 2004 Bonds or upon the validity of the pledge of Pledged Revenues securing the repayment of the Series 2004 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 2004 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

(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]

By ______________________

FINANCIAL SECURITY ASSURANCE INC.

By ______________________
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.
350 Park Avenue, New York, N.Y. 10022-6022

(212) 826-0100

APPENDIX E

FORM OF CONTINUING DISCLOSURE UNDERTAKING

(THIS PAGE INTENTIONALLY LEFT BLANK)

APPENDIX E

FORM OF CONTINUING DISCLOSURE UNDERTAKING

$60,880,000
CITY OF ALBUQUERQUE, NEW MEXICO
Gross Receipts Tax/Lodgers' Tax
Refunding Revenue Bonds, Series 2004

$31,965,000 **Tax-Exempt Series 2004A**	**$28,915,000** **Taxable Series 2004B**

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 $31,965,000 Tax-Exempt Gross Receipts Tax/Lodgers' Tax Refunding Revenue Bonds, Series 2004A and $28,915,000 Taxable Gross Receipts Tax/Lodgers' Tax Refunding Revenue Bonds, Series 2004B (collectively, the "Series 2004 Bonds"). The Series 2004 Bonds are being issued pursuant to City Ordinance Sixteenth Council Bill No. F/S O-04-47 and City Resolution Sixteenth Council Bill No. F/S R-04-120 (collectively, 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 2004 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 "SECURITY AND SOURCES OF PAYMENT" in the Official Statement and in Appendix A to the Official Statement.

"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 703-683-1930.

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

Bloomberg Municipal Repository, Skillman, NJ
DPC Data Inc., Fort Lee, NJ
FT Interactive Data, New York, NY
Standard & Poor's, 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 2004 Bonds.

"Owners" means the registered owners of the Series 2004 Bonds, and so long as the Series 2004 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 2004 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. The Audited Financial Statements will be provided when available but in no event later than 270 days after the end of each Fiscal Year.

(c) The City may provide Annual Financial Information and Audited Financial Statements with respect to the City by specific cross reference to other documents which have been submitted to each Repository or filed with the SEC. If the document so referenced is a final official statement within the meaning of Rule 15c2-12, such final official statement must also be available from the MSRB. The City shall clearly identify each 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 2004 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 2004 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 2004 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 2004 Bonds pursuant to the Bond Legislation.

(c) At any time the Series 2004 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 as specified in Section 3 hereof.

SECTION 5. Term. This Disclosure Undertaking shall be in effect from and after the issuance and delivery of the Series 2004 Bonds and shall extend to the earliest of (a) the date all principal and interest on the Series 2004 Bonds is 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 2004 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 2004 Bonds, the determination of (a), (b) or (c) herein to be made in any manner deemed appropriate by the City, including by an opinion of

Counsel experienced in federal securities laws selected by the City. The City shall file a notice of any such termination with each Repository and the MSRB.

SECTION 6. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Undertaking, the City may amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking may be waived, if (a) such amendment or waiver is consented to by the Owners of no less than a majority in aggregate principal amount of the Series 2004 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 2004 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 2004 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 2004 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 2004 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. Disclosure Information Cover Sheet. Attached to this Disclosure Certificate as Attachment 1 is a form of Municipal Secondary Market Disclosure Information Cover Sheet which may be used with submissions made to the MSRB and National Repositories whether the filing is voluntary or made pursuant to the Rule.

SECTION 10. 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 2004 Bonds, and shall create no rights in any other person or entity.

Dated as of ____________, 2004.

CITY OF ALBUQUERQUE, NEW MEXICO

By: ________________________________
Mayor

Attachment 1

Municipal Secondary Market
Disclosure Information Cover Sheet

This cover sheet should be sent with all submissions made to the Municipal Securities Rulemaking board, Nationally Recognized Municipal Securities Information Repositories, and any applicable State Information Depository, whether the filing is voluntary or made pursuant to Securities and Exchange Commission rule 15c2-12 or any analogous state statute.

See www.sec.gov/info/municipal/nrmsir.htm for list of current NRMSIRs and SIDS

IF THIS FILING RELATES TO A SINGLE BOND ISSUE:

Provide name of bond issue exactly as it appears on the cover of the Official Statement (please include name of state where Issuer is located):

____

____

____

____

____

Provide nine-digit CUSIP* numbers if available, to which the information relates:

________	________	________
________	________	________
________	________	________
________	________	________
________	________	________
________	________	________

IF THIS FILING RELATES TO ALL SECURITIES ISSUED BY THE ISSUER OR ALL SECURITIES OF A SPECIFIC CREDIT OR ISSUED UNDER A SINGLE INDENTURE:

Issuer's Name (please include name of state where Issuer is located):________________________________

Other Obligated Person's Name (if any);____
(Exactly as it appears on the Official Statement Cover)

Provide six-digit CUSIP* number(s), if available, of Issuer:____

*(Contact CUSIP's Municipal Discount Assistance Line at 212.438.6518 for assistance with obtaining the proper CUSIP numbers.)

TYPE OF FILING:

☐ Electronic (number of pages attached)______________________________ ☐ Paper (number of pages attached) __________________

If information is also available on the Internet, give URL:____

WHAT TYPE OF INFORMATION ARE YOU PROVIDING? (Check all that apply)

A. ☐ Annual Financial Information and Operating Data pursuant to Rule 15c2-12.
(Financial information and operating data should not be filed with the MSRB).

Fiscal Period Covered:____

B. ☐ Audited Financial Statements or CAFR pursuant to Rule 15c2-12

Fiscal Period Covered:____

C. ☐ Notice of a Material Event pursuant to Rule 15c2-2 (Check as appropriate)

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 security holders
8. ☐ Bond calls
9. ☐ Defeasances
10. ☐ Release, substitution, or sale of property securing repayment of the securities.
11. ☐ Rating changes

D. ☐ Notice of Failure to Provide Annual Financial Information as Required

E. ☐ Other Secondary Market Information (Specify):______________________________

I hereby request that I am authorized by the issuer or obligor or its agent to distribute this information publicly:
Issuer Contact:

Name ______________________________ Title _________________________

Employer ____

Address _________________________ City ____________ State _______ Zip Code _____

Telephone ____________________________ Fax __________________________

Email Address __________________________ Issuer Web Site Address _______________

Dissemination Agent Contact, if any:

Name ______________________________ Title _________________________

Employer ____

Address _________________________ City ____________ State _______ Zip Code _____

Telephone ____________________________ Fax __________________________

Email Address __________________________ Relationship to Issuer_________________

Obligor Contact, if any:

Name ______________________________ Title _________________________

Employer ____

Address _________________________ City ____________ State _______ Zip Code _____

Telephone ____________________________ Fax __________________________

Email Address __________________________ Obligor Web Site Address ______________

Investor Relations Contact, if any:

Name ______________________________ Title _________________________

Telephone ____________________________ Email address _____________________

(THIS PAGE INTENTIONALLY LEFT BLANK)

APPENDIX F

BOOK-ENTRY-ONLY SYSTEM

(THIS PAGE INTENTIONALLY LEFT BLANK)

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 2004 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 2004 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 2004 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 2004 BONDS; (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNERS OF SERIES 2004 BONDS; OR (F) ANY OTHER MATTER REGARDING DTC.

General

The Series 2004 Bonds will be delivered in book-entry-only form. DTC will act as securities depository for the Series 2004 Bonds. The Series 2004 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 2004 Bond certificate will be issued for each maturity of each series of the Series 2004 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, 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 DTC's 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 2004 Bonds under the DTC system must be made by or through Direct or Indirect Participants, which will receive a credit for the Series 2004 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2004 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 2004 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 2004 Bonds, except in the event that use of the book-entry system for the Series 2004 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2004 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 2004 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 2004 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2004 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 2004 Bonds are in the book-entry-only system, redemption notices will be sent to DTC. If less than all of the Series 2004 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 other DTC nominee) will consent or vote with respect to the Series 2004 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 2004 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2004 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Fiscal Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct and Indirect Participant and not of DTC, the Fiscal Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Fiscal Agent, disbursement of such payments to Direct Participants 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 2004 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 2004 Bonds are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates representing the Series 2004 Bonds will be printed and delivered to DTC.

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)