

# **CITY OF ALBUQUERQUE**



## **ANNUAL INFORMATION STATEMENT**

**DATED March 26, 2016**

**IN CONNECTION WITH BONDS AND  
OTHER OBLIGATIONS**

**CITY OF ALBUQUERQUE**

**MAYOR**

Richard J. Berry

**CITY COUNCIL**

|                                   |            |
|-----------------------------------|------------|
| Ken Sanchez                       | District 1 |
| Isaac Benton                      | District 2 |
| Klarissa J. Peña (Vice-President) | District 3 |
| Brad Winter                       | District 4 |
| Dan Lewis (President)             | District 5 |
| Pat Davis                         | District 6 |
| Diane G. Gibson                   | District 7 |
| Trudy Jones                       | District 8 |
| Don Harris                        | District 9 |

**ADMINISTRATION**

Robert J. Perry, Esq., Chief Administrative Officer  
Michael J. Riordan, P.E., Chief Operations Officer  
Natalie Howard, City Clerk

**DEPARTMENT OF FINANCE AND ADMINISTRATIVE SERVICES**

Lou D. Hoffman, CCM, P.E., Director  
Olivia Padilla Jackson, Deputy Director  
Cilia E. Aglialoro, CTP, Treasurer  
Christopher H. Daniel, CFA, CPA, CTP, Chief Investment Officer  
Pamela S. Fanelli, CMA, City Controller

**OFFICE OF MANAGEMENT AND BUDGET**

Gerald E. Romero, Budget Officer  
Jacques Blair, PhD., City Economist

**LEGAL DEPARTMENT**

Jessica Hernandez, City Attorney  
Blake Whitcomb, Esq., Assistant City Attorney

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## **INTRODUCTION**

This “Annual Information Statement Dated March 26, 2016 in Connection with Bonds and Other Obligations” (the “Annual Statement”) has been prepared by the City to provide certain financial and other information relating to the City, its various enterprise operations and its other projects, the revenues of which secure certain outstanding long-term obligations of the City. The Annual Statement also includes annual financial information and operating data which the City has agreed in certain continuing disclosure undertakings to provide on an annual basis for the benefit of its bondholders. See “CONTINUING DISCLOSURE UNDERTAKINGS.”

City Council (the “Council”) actions taken after January 1, 2016, including information relating to bonds, notes or other obligations of the City issued or incurred after that date, are not included in the Annual Statement. Other information contained in the Annual Statement is current as of January 1, 2016, unless specifically stated otherwise in the Annual Statement. The information in the Annual Statement is subject to change without notice and the delivery of the Annual Statement shall not create any implication that the affairs of the City have remained unchanged since the date of its delivery. The distribution of the Annual Statement by the City does not in any way imply that the City has obligated itself to update the information therein. All financial and other information presented in the Annual Statement has been provided by the City from its records, except for information expressly attributed to other sources believed to be reliable.

The City does not intend that the Annual Statement be relied on as specific offering information in connection with the primary offering and issuance by the City of bonds, notes or other obligations. The presentation of information, including tables of receipts from taxes, enterprise revenues and other information, is intended to show recent historical information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the City or its enterprises. No representation is made that past experiences, as might be shown by such financial and other information will necessarily continue in the future.

Questions regarding information contained in the Annual Statement should be directed to Cilia Agliodoro, Treasurer, City of Albuquerque, Albuquerque/Bernalillo County Government Center, One Civic Plaza, NW, Albuquerque, New Mexico 87102 (P.O. Box 1293, Albuquerque, New Mexico 87103), Telephone (505) 768-3309, Fax (505) 768-3447. Information about the City may also be obtained through the City’s web site, [www.cabq.gov](http://www.cabq.gov).

## **CONTINUING DISCLOSURE UNDERTAKINGS**

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

- (1) Airport Refunding and Improvement Revenue Bonds, Series 2004A;
- (2) Gross Receipts Tax/Lodgers’ Tax Taxable Refunding Revenue Bonds, Series 2004B;
- (3) General Obligation General Purpose Bonds, Series 2007B;
- (4) General Obligation Storm Sewer Bonds, Series 2007C;

- (5) Airport Refunding Revenue Bonds, Series 2008;
- (6) Airport Refunding Revenue Bonds, Series 2008B;
- (7) Airport Refunding Revenue Bonds, Series 2008C;
- (8) General Obligation General Purpose Bonds, Series 2008A;
- (9) General Obligation Storm Sewer Bonds, Series 2008B;
- (10) Gross Receipts Tax Refunding Revenue Bonds, Series 2008B;
- (11) General Obligation General Purpose Bonds, Series 2009A;
- (12) Gross Receipts Tax/Lodgers' Tax Refunding Revenue Bonds, Series 2009A;
- (13) Gross Receipts Tax Refunding Revenue Bonds, Series 2009B;
- (14) General Obligation General Purpose Bonds, Series 2011A;
- (15) Gross Receipts Tax Revenue Bonds, Series 2011A;
- (16) Gross Receipts Tax Revenue Bonds, Series 2011B;
- (17) General Obligation General Purpose Bonds, Series 2012A;
- (18) General Obligation Storm Sewer Bonds, Series 2012B;
- (19) Gross Receipts Tax Improvement Revenue Bonds, Series 2013;
- (20) General Obligation General Purpose Bonds, Series 2013A;
- (21) General Obligation Storm Sewer Bonds, Series 2013B;
- (22) Gross Receipts Tax/Lodgers' Tax Refunding and Improvement Revenue Bonds, Series 2014A;
- (23) General Obligation General Purpose Bonds, Series 2014A;
- (24) General Obligation Storm Sewer Bonds, Series 2014B;
- (25) General Obligation General Purpose Bonds, Series 2015A;
- (26) Gross Receipts Tax Improvement Revenue Bonds, Series 2015A;
- (27) Gross Receipts Tax Improvement Revenue Bonds, Taxable Series 2015B;
- (28) General Obligation Storm Sewer Bonds, Series 2015B.

In each of its Disclosure Undertakings, the City has agreed to file certain annual information with the Municipal Securities Rulemaking Board. Timely filing of the information provided in the Annual Statement, including the City's current audited financial statements, with the Municipal Securities Rulemaking Board satisfies the disclosure requirements set forth in the Disclosure Undertakings. In recent years (2010-2012), the City's annual audits have been delayed due to implementation of the City's accounting and human resources software and turnover in key City staff positions, thereby delaying the independent auditors review and preparation of the City's audit beyond the 180-day deadline and in the case of the audits for 2010-2011 beyond 270 days from the end of the fiscal year. The City provided notice of late audits in 2011 and 2012 at 210 days after the close of the fiscal year, a 30-day delay under the 180-day deadline. The City has made material progress with its internal procedures and the release date for its annual audit has improved over the past several years. The improvements relate to the City staff's increased mastery of the accounting and human resources software, as well as continuity in employment within the affected City departments. The City has timely filed Annual Financial Information, including audited financials for Fiscal Year 2013, 2014 and 2015 prior to the 270-day deadline. Additionally, in the past few years the City did not provide notice to the market, in addition to the notice provided to the market by Moody's and Fitch, of the adjustments in ratings calibrations used by Moody's Investors Services and Fitch Ratings. These rating modifications resulted in upgrades to certain outstanding City obligations. The City also did not provide notice to the market, in addition to the notice provided to the market by Assured Guaranty, of the downgrade of Assured Guaranty Municipal Corp. which insured certain

outstanding obligations of the City. The City intends to maintain compliance with its continuing disclosure undertakings in future years through the collective oversight and effort of current City finance staff and private consultants, all of whom have experience and knowledge related to the City's continuing disclosure obligations. Other than as described herein, the City believes it is in material compliance with its outstanding Disclosure Undertakings.

## **OUTSTANDING CITY OBLIGATIONS**

### **Summary of Outstanding Obligations**

The City has issued and there are outstanding certain general obligation bonds payable from property tax revenues and limited obligations payable from State and municipal gross receipts tax revenues, net revenues of various City enterprise operations, special property assessments, and certain single family and multifamily housing programs. These outstanding obligations are generally described below and certain terms of such obligations are summarized in the Comprehensive Audited Financial Report of the City of Albuquerque, Audited General Purpose Financial Statements as of and for the Fiscal Year ended June 30, 2015 ("CAFR"), a portion of which is attached hereto as Appendix A. Other information relating to the City's outstanding obligations, including information about debt service coverage ratios, can be obtained from the CAFR. The full CAFR can be viewed at and downloaded from the City's website, [www.cabq.gov](http://www.cabq.gov). Certain of these obligations are further secured by municipal bond insurance and other credit enhancement provided by various entities as described under the caption "Credit Enhancement." The CUSIP numbers for each maturity of the City's outstanding obligations, as applicable, are listed in Appendix B hereto.

### **Ratings of City Obligations**

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

### **Tax-Supported Obligations**

#### *General Obligation Debt*

Outstanding General Obligation Bonds. As of January 1, 2016, the City has outstanding general purpose general obligation bonds in an outstanding aggregate principal amount of \$316,025,000, and storm sewer general obligation bonds in an outstanding aggregate principal amount of \$27,470,000.

In a regular municipal election held October 6, 2015, the issuance of \$104,899,000 general purpose general obligation bonds and \$10,101,000 storm sewer general obligation bonds was approved. It is anticipated that the City will issue its General Purpose General Obligation Bonds, Series 2015A in the aggregate principal amount of \$39,970,000 and its Storm Sewer General Obligation Bonds, Series 2015B in the aggregate principal amount of \$4,726,000 on or about May 26, 2015 and its Series 2015C General Purpose General Obligation Bonds, Series 2015C in the aggregate principal amount of \$7,200,000.

**CITY OF ALBUQUERQUE**  
**Outstanding General Obligation Bonds**  
**As of January 1, 2016**

| Issue  | Principal Amount<br>Of Original Issue | Current<br>Outstanding      |
|--|---------------------------------------|-----------------------------|
| <b><u>General Purpose G.O. Bonds:</u></b>              |                                       |                             |
| September 2007   | \$43,045,000                          | \$2,805,000                 |
| June 2008  | 39,000,000                            | 5,575,000                   |
| June 2009  | 54,970,000                            | 18,310,000                  |
| February 2011  | 135,000,000                           | 85,600,000                  |
| May 2012   | 61,760,000                            | 49,045,000                  |
| May 2013   | 70,040,000                            | 61,505,000                  |
| May 2014   | 57,060,000                            | 52,255,000                  |
| May 2015   | <u>37,970,000</u>                     | <u>37,970,000</u>           |
| Total  | <u>\$498,845,000</u>                  | <u>\$313,065,000</u>        |
| <b><u>Water, Sewer and Storm Sewer G.O. Bonds:</u></b> |                                       |                             |
| September 2007   | \$5,080,000                           | \$2,540,000                 |
| June 2008  | 4,000,000                             | 4,000,000                   |
| May 2012   | 8,035,000                             | 8,035,000                   |
| May 2013   | 4,980,000                             | 4,980,000                   |
| May 2014   | 5,375,000                             | 5,375,000                   |
| May 2015   | <u>4,726,000</u>                      | <u>4,726,000</u>            |
| Total  | <u>\$32,196,000</u>                   | <u>\$29,656,000</u>         |
| <b><u>Total General Obligation Bonds</u></b>           | <b><u>\$531,041,000</u></b>           | <b><u>\$342,721,000</u></b> |

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

The Constitution of the State of New Mexico (the “State”) limits the amount of general purpose general obligation indebtedness of the City to 4% of the assessed value of taxable property within the City. Based on the most recent assessed value of real property in the City of \$12,228,594,690, as shown below, and the City’s outstanding general purpose general obligation debt of \$316,025,000, the City has the capacity to issue \$173,118,787 aggregate principal amount of general purpose general obligation bonds in the future.

**CITY OF ALBUQUERQUE**  
**Test for Maximum General Purpose General Obligation Bonds**

|   |               |
|---|---------------|
| 4% of Assessed Value of \$12,414,140,796:               | \$496,565,632 |
| Outstanding (General Purpose subject to 4% limitation): | \$313,065,000 |
| Available for Future Issues:                            | \$183,500,632 |

**CITY OF ALBUQUERQUE**  
**Assessed Valuation**  
**(County Tax Year<sup>(1)</sup> 2015)**

|                                     |                         |
|-------------------------------------|-------------------------|
| Market Value of Property Assessed   | \$45,623,854,032        |
| (1/3 Market Value)                  | 14,417,632,010          |
| Less Exemptions                     | (2,370,958,002)         |
| Plus Centrally Assessed (Corporate) | <u>367,466,788</u>      |
| Certified Net Tax Base              | <u>\$12,414,140,796</u> |

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(1) The County Tax Year (“Tax Year”) begins November 1 and ends October 31.

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 January 1, 2016<sup>(1)</sup>**

|                                |                              |
|--------------------------------|------------------------------|
| Gross G.O. Bonded Debt         | \$342,721,000 <sup>(2)</sup> |
| Less G.O. Sinking Fund Balance | <u>21,848,745</u>            |
| Net G.O. Bonded Debt           | <u>\$320,872,255</u>         |

|  | <u>G.O. Debt</u> | <u>Tax Year 2015<br/>Assessed<br/>Valuation</u> | <u>% Applicable<br/>to City</u> | <u>Gross<br/>Overlapping</u> |
|--|------------------|---|---------------------------------|------------------------------|
| City of Albuquerque  | \$342,721,000    | \$12,414,140,796                                | 100.00%                         | \$342,721,000                |
| Albuquerque Public Schools   | 559,575,000      | 15,374,633,946                                  | 80.74%                          | 451,824,925                  |
| Albuquerque Metropolitan<br>Arroyo Flood Control<br>Authority <sup>(3)</sup> | 438,550,000      | 14,561,281,085                                  | 85.25%                          | 32,865,592                   |
| Central New Mexico Community<br>College                                      | 71,310,000       | 17,264,617,270                                  | 71.91%                          | 51,275,529                   |
| Bernalillo County  | 114,336,000      | 15,119,077,244                                  | 82.11%                          | 93,880,280                   |
| State of New Mexico  | 389,270,000      | 58,412,964,620                                  | 21.25%                          | <u>82,729,110</u>            |
| Total Direct and Overlapping<br>G.O. Debt                                    |                  |   |                                 | <u>\$972,567,326</u>         |

**RATIOS**

|   |             |
|---|-------------|
| Direct and Overlapping G.O. Debt as Percent of Taxable Assessed Valuation | 7.834%      |
| Direct and Overlapping G.O. Debt as Percent of Actual Market Valuation    | 2.132%      |
| Assessed Valuation Per Capita (2010 Population 545,852) <sup>(4)</sup>    | \$22,742.69 |
| Direct and Overlapping G.O. Debt Per Capita                               | \$1,781.74  |

- 
- (1) The City anticipates issuing additional general obligation debt in the approximate amount of \$85 million in March 2016.  
(2) Amount does not include any bonds which have been advance refunded and fully defeased by an escrow containing cash and securities.  
(3) Statutory maximum of general obligation debt of \$80,000,000.  
(4) United States Census Bureau.

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

**CITY OF ALBUQUERQUE**  
**Ratio of Net General Obligation Debt to Taxable Value**  
**And Net General Obligation Debt Per Capita**

**GENERAL OBLIGATION DEBT**

| <b>Fiscal Year</b> | <b>Population<sup>(1)</sup></b> | <b>Taxable Value(000s)<sup>(2)</sup></b> | <b>Total G.O. Debt (000s)</b> | <b>Debt Service Fund (000s)<sup>(3)</sup></b> | <b>Net G.O. Debt (000s)</b> | <b>Ratio of Net G.O. Debt To Taxable Value</b> | <b>Net G.O. Debt Per Capita</b> |
|--------------------|---------------------------------|--|-------------------------------|---|-----------------------------|--|---------------------------------|
| 2005               | 495,531                         | \$8,285,493                              | \$296,555                     | \$19,487                                      | \$277,068                   | 3.34%  | \$559.13                        |
| 2006               | 506,384                         | 9,307,581                                | 276,205                       | 9,977   | 266,228                     | 2.86%  | 525.74                          |
| 2007               | 515,396                         | 9,858,169                                | 235,765                       | 8,139   | 227,626                     | 2.31%  | 441.65                          |
| 2008               | 521,999                         | 10,949,766                               | 292,620                       | 87,565  | 205,055                     | 1.87%  | 392.83                          |
| 2009               | 528,687                         | 11,581,011                               | 297,868                       | 69,834  | 228,034                     | 1.97%  | 431.32                          |
| 2010               | 543,302                         | 12,299,077                               | 257,880                       | 73,851  | 184,029                     | 1.50%  | 338.72                          |
| 2011               | 545,852                         | 11,920,466                               | 323,805                       | 8,588   | 315,217                     | 2.64%  | 577.48                          |
| 2012               | 552,180                         | 11,951,430                               | 349,260                       | 6,303   | 342,957                     | 2.87%  | 621.10                          |
| 2013               | 555,417                         | 11,876,389                               | 375,029                       | 5,948   | 369,081                     | 3.11%  | 664.51                          |
| 2014               | 556,495                         | 11,967,046                               | 354,380                       | 8,309   | 346,071                     | 2.89%  | 621.88                          |
| 2015               | 557,169                         | 12,207,368                               | 365,921                       | 8,695   | 357,226                     | 2.93%  | 641.15                          |

(1) United States Census Bureau.

(2) Assessment made by County Assessor. The taxable value by State statute is one-third of assessed value.

(3) Available for debt service.

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

**CITY OF ALBUQUERQUE**  
**Aggregate Debt Service**  
**For Outstanding General Obligation Bonds**  
**As of January 1, 2016<sup>(1)</sup>**

| <b>Fiscal Year</b> | <b>Principal</b>        | <b>Interest</b>        | <b>Total<br/>Debt Service</b> |
|--------------------|-------------------------|------------------------|-------------------------------|
| 2016               | \$46,755,000.00         | \$13,959,347.14        | \$60,714,347.14               |
| 2017               | 41,440,000.00           | 11,880,960.00          | 53,320,960.00                 |
| 2018               | 36,620,000.00           | 10,096,010.00          | 46,716,010.00                 |
| 2019               | 30,530,000.00           | 8,550,310.00           | 39,080,310.00                 |
| 2020               | 30,530,000.00           | 7,191,210.00           | 37,721,210.00                 |
| 2021               | 30,525,000.00           | 5,832,110.00           | 36,357,110.00                 |
| 2022               | 30,525,000.00           | 4,473,260.00           | 34,998,260.00                 |
| 2023               | 30,535,000.00           | 3,260,310.00           | 33,795,310.00                 |
| 2024               | 19,835,000.00           | 2,104,685.00           | 21,939,685.00                 |
| 2025               | 19,915,000.00           | 1,422,935.00           | 21,337,935.00                 |
| 2026               | 14,145,000.00           | 792,635.00             | 14,937,635.00                 |
| 2027               | 8,081,000.00            | 372,185.00             | 8,453,185.00                  |
| 2028               | 3,285,000.00            | 98,550.00              | 3,383,550.00                  |
| <b>TOTAL</b>       | <b>\$342,721,000.00</b> | <b>\$70,034,507.14</b> | <b>\$412,755,507.14</b>       |

(1) The City anticipates issuing additional general obligation debt on the approximate amount of \$85 million in April 2016.

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

**CITY OF ALBUQUERQUE**  
**Historical General Obligation Bond Debt Service**  
**As a Percent of Total General Fund Expenditures**

| <b>Fiscal Year</b> | <b>Principal</b> | <b>Interest</b> | <b>Total Debt Service</b> | <b>Total General Fund Expenditures (Excluding G.O. Debt Service)<sup>(1)</sup></b> | <b>Debt Service as a % of Total General Fund Expenditures (Excluding G.O. Debt Service)</b> |
|--------------------|------------------|-----------------|---------------------------|--|---|
| 2005               | \$87,355,917     | \$ 7,747,457    | \$95,103,374              | \$393,168,745  | 24.2%   |
| 2006               | 76,440,000       | 10,562,178      | 87,002,178                | 445,130,907  | 19.5%   |
| 2007               | 71,270,000       | 8,869,510       | 80,139,510                | 475,697,255  | 16.8%   |
| 2008               | 74,625,000       | 9,205,374       | 83,830,374                | 481,785,495  | 17.4%   |
| 2009               | 65,028,000       | 9,634,353       | 74,662,353                | 451,379,000  | 16.5%   |
| 2010               | 69,075,000       | 9,529,809       | 78,604,809                | 455,137,270  | 17.3%   |
| 2011               | 48,530,000       | 9,591,425       | 58,121,415                | 446,038,625  | 13.0%   |
| 2012               | 49,615,000       | 10,971,476      | 60,586,476                | 459,239,839  | 13.2%   |
| 2013               | 53,220,000       | 12,019,306      | 65,241,306                | 425,551,556  | 15.3%   |
| 2014               | 50,030,000       | 13,114,378      | 63,144,378                | 472,825,899  | 13.4%   |
| 2015               | 43,470,000       | 13,941,134      | 57,411,139                | 489,970,855  | 11.7%   |

(1) Includes transfers and other financing uses. Property taxes collected to pay debt service on outstanding general obligation bonds are accounted for in an internal fund other than the City's General Fund.

Sources: City of Albuquerque Comprehensive Annual Financial Reports.

Current Ratings of the General Obligation Bonds. The City's outstanding general obligation bonds are currently rated "Aa1" by Moody's Investors Service, Inc. ("Moody's"), "AAA" by Standard & Poor's Ratings Service ("S&P") and "AA+" by Fitch, Inc. ("Fitch").

*State Gross Receipts Tax Obligations*

Outstanding State Gross Receipts Tax Obligations. The City presently has outstanding the following series of special limited obligation bonds and loans secured by a pledge of revenues received by the City as a distribution from the State of the City's share of the State gross receipts tax as described in "FINANCIAL INFORMATION – Gross Receipts Taxes - State Gross Receipts Taxes."

**CITY OF ALBUQUERQUE**  
**Outstanding State Gross Receipts Tax Obligations**  
**As of January 1, 2016**

| <b>Issue</b>  | <b>Principal<br/>Amt. of<br/>Original Issue</b> | <b>Outstanding<br/>Principal Amount</b> |
|---|---|---|
| Taxable Gross Receipts Tax/Lodgers' Tax Refunding Revenue Bonds, Series 2004B <sup>(1)</sup>                            | \$28,915,000                                    | \$26,640,000                            |
| Gross Receipts Tax Refunding Revenue Bonds (Beach, Bluewater and Manzano Vista Projects), Series 2008B <sup>(2)</sup>   | 11,275,000                                      | 8,975,000                               |
| Gross Receipts Tax/Lodgers' Tax Refunding Revenue Bonds, Series 2009A <sup>(1)</sup>                                    | 10,535,000                                      | 10,100,000                              |
| Gross Receipts Tax Refunding Revenue Bonds, Series 2009B  | 28,305,000                                      | 22,625,000                              |
| Gross Receipts Tax/Lodgers' Tax/Hospitality Fee Improvement and Refunding Revenue Bonds, Series 2011A <sup>(1)(2)</sup> | 22,660,000                                      | 15,435,000                              |
| Gross Receipts Tax/Stadium Revenues Refunding Revenue Bonds, Taxable Series 2011B <sup>(3)</sup>                        | 11,650,000                                      | 8,965,000                               |
| Gross Receipts Tax Improvement Revenue Bonds, Series 2013   | 42,030,000                                      | 39,730,000                              |
| Gross Receipts Tax/Lodgers' Tax Refunding and Improvement Revenue Bonds, Series 2014A <sup>(1)</sup>                    | 36,960,000                                      | 36,845,000                              |
| Gross Receipts Tax Improvement Revenue Bonds, Series 2015A  | 39,085,000                                      | 39,085,000                              |
| Gross Receipts Tax Improvement Revenue Bonds, Series 2015B  | 10,110,000                                      | 10,110,000                              |
| Gross Receipts Tax Improvement Revenue Bonds, Series 2015C  | 2,080,000                                       | <u>2,080,000</u>                        |
| <b>Total</b>  |   | <b>\$220,590,000</b>                    |

(1) These Bonds are also secured by Lodgers' Tax revenues.

(2) These Bonds are also secured by the hospitality fees. The City's Hospitality Fee revenues in Fiscal Year 2013 were insufficient to cover debt service on the Series 2011A Bonds by approximately \$402,376 and the City relied on state-shared gross receipts tax revenues to cover the deficiency.

(3) These Bonds are also secured by a pledge of lease payments due to the City from the lease of the baseball stadium and from surcharges imposed on ticket sales, concessions and other goods and services sold at the baseball stadium.

Stadium Lease Payments and Surcharge. The City’s Gross Receipts Tax/Stadium Revenues Refunding Revenue Bonds, Taxable Series 2011B have a lien on certain lease and surcharge revenues related to the City’s minor league baseball stadium.

The pledged stadium lease revenues include all revenues derived by the City from the lease including (1) a base rent payment of \$700,000 per lease year, subject to rental adjustments as provided in the lease, (2) additional base rent not to exceed \$75,000 as set forth in the lease, (3) additional percentage rent, equal to 12.5% of the baseball team’s gross revenues in excess of \$5,500,000 per lease year or \$437,500, whichever is less, and (4) any parking revenues and other revenues due to the City pursuant to the lease.

The pledged surcharge revenues are calculated as equal to ten percent of the total amount of money or the value of other consideration paid to a vendor at the minor league baseball stadium by a user for property or services related to the stadium or related to activities occurring at the stadium, whether occurring at the stadium or not, including tickets, parking, souvenirs, concessions, programs, advertising, merchandise, corporate suites or boxes, and broadcast revenues.

The stadium lease revenues and surcharge revenues collected by the City for the last five Fiscal Years are as follows:

**Historical Stadium Lease and Surcharge Revenues**

| <u>Fiscal Year</u> | <u>Stadium Revenues</u> |
|--------------------|-------------------------|
| 2011               | \$1,810,281             |
| 2012               | 1,805,796               |
| 2013               | 1,803,473               |
| 2014               | 1,762,693               |
| 2015               | 1,795,720               |

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

Combined Debt Service. The following schedule shows, for each calendar year, the total combined debt service estimated for all outstanding bonds of the City payable from State gross receipts tax revenues. See “FINANCIAL INFORMATION - Gross Receipts Taxes - State Gross Receipts Taxes.”

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

| <b>Calendar Year</b> | <b>Series 2004B</b> | <b>Series 2008B</b> | <b>Series 2009A</b> | <b>Series 2009B</b> | <b>Series 2011A</b> | <b>Series 2011B</b> | <b>Series 2013</b>  | <b>Series 2014A</b> | <b>Series 2015A&amp;B</b> | <b>Series 2015C</b> | <b>Series 2016</b>  | <b>Combined Debt Service Requirements</b> |
|----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------------|---------------------|---------------------|---|
| 2016                 | \$1,795,059         | \$880,888           | \$745,019           | \$4,303,900         | \$2,177,813         | \$1,021,923         | \$2,995,763         | \$1,574,213         | \$3,467,632               | \$20,829            | \$756,557           | \$19,739,595                              |
| 2017                 | 1,802,541           | 880,138             | 806,019             | 4,309,900           | 2,110,813           | 1,024,673           | 2,999,513           | 1,573,213           | 4,426,453                 | 226,906             | 803,985             | 20,964,158                                |
| 2018                 | 1,803,676           | 878,388             | 873,269             | 4,302,650           | 2,043,813           | 1,020,148           | 2,997,163           | 1,572,063           | 4,429,193                 | 228,534             | 998,985             | 21,137,881                                |
| 2019                 | 1,818,733           | 880,638             | 1,485,669           | 4,362,400           | 1,410,313           | 1,023,398           | 2,998,513           | 1,570,763           | 4,426,958                 | 230,074             | 1,113,435           | 21,320,893                                |
| 2020                 | 1,816,904           | 881,638             | 1,562,169           | 4,375,400           | 1,338,813           | 1,025,148           | 2,998,513           | 1,574,313           | 4,430,558                 | 231,599             | 1,233,985           | 21,469,039                                |
| 2021                 | 1,818,996           | 881,388             | 1,642,169           | 4,313,400           | 1,258,188           | 1,022,248           | 2,996,113           | 1,572,563           | 4,428,708                 | 227,889             | 1,360,635           | 21,522,296                                |
| 2022                 | 1,809,741           | 879,888             | 1,725,169           | 874,650             | 1,199,388           | 1,026,848           | 2,996,313           | 1,570,663           | 2,929,430                 | 229,251             | 1,483,085           | 16,724,426                                |
| 2023                 | 1,864,678           | 877,138             | 453,706             | --                  | 1,196,388           | 1,023,448           | 2,999,700           | 1,573,613           | 2,933,450                 | 230,525             | 2,826,335           | 15,978,981                                |
| 2024                 | 1,820,302           | 877,413             | 1,936,806           | --                  | 1,196,838           | 1,022,766           | 2,995,500           | 1,576,263           | 2,929,088                 | 226,743             | 1,532,3635          | 16,105,353                                |
| 2025                 | 1,891,735           | 880,388             | 1,954,150           | --                  | 1,196,388           | 1,019,516           | 2,998,750           | 1,576,063           | 2,928,588                 | 227,896             | 1,573,135           | 16,246,608                                |
| 2026                 | 4,131,833           | 876,525             | --                  | --                  | 1,198,731           | 1,023,610           | 2,997,250           | 1,575,463           | 2,929,338                 | 228,992             | 1,425,385           | 16,387,127                                |
| 2027                 | 4,220,896           | 881,088             | --                  | --                  | 1,198,631           | --                  | 2,996,000           | 1,574,463           | 2,931,088                 | --                  | 1,481,235           | 15,283,400                                |
| 2028                 | 4,306,109           | 877,656             | --                  | --                  | 1,196,000           | --                  | 2,999,750           | 1,570,913           | 2,928,588                 | --                  | 1,544,685           | 15,423,701                                |
| 2029                 | 4,396,918           | 877,344             | --                  | --                  | --                  | --                  | 2,998,000           | 1,571,850           | 2,928,538                 | --                  | 1,599,460           | 14,372,109                                |
| 2030                 | 2,182,215           | 879,881             | --                  | --                  | --                  | --                  | 2,998,200           | 3,872,100           | 2,929,038                 | --                  | 1,665,540           | 14,526,974                                |
| 2031                 | 403,866             | --                  | --                  | --                  | --                  | --                  | 2,999,988           | 5,747,275           | 2,929,638                 | --                  | 1,722,260           | 13,803,027                                |
| 2032                 | 403,866             | --                  | --                  | --                  | --                  | --                  | 2,998,100           | 5,839,475           | 2,932,038                 | --                  | 1,789,590           | 13,963,069                                |
| 2033                 | 403,866             | --                  | --                  | --                  | --                  | --                  | 2,998,100           | 5,935,075           | 2,931,038                 | --                  | 1,856,815           | 14,124,894                                |
| 2034                 | 2,838,866           | --                  | --                  | --                  | --                  | --                  | 2,998,900           | 3,591,400           | 2,929,288                 | --                  | 1,928,535           | 14,286,989                                |
| 2035                 | 268,967             | --                  | --                  | --                  | --                  | --                  | 1,759,500           | 6,253,800           | 2,932,038                 | --                  | 2,004,150           | 13,218,455                                |
| 2036                 | 5,123,967           | --                  | --                  | --                  | --                  | --                  | --                  | 1,500,000           | 2,928,438                 | --                  | 1,953,900           | 11,506,305                                |
| 2037                 | --                  | --                  | --                  | --                  | --                  | --                  | --                  | 6,687,200           | 2,930,438                 | --                  | 2,060,455           | 11,678,093                                |
| 2038                 | --                  | --                  | --                  | --                  | --                  | --                  | --                  | --                  | 2,930,938                 | --                  | 1,470,185           | 4,401,123                                 |
| <b>Total</b>         | <b>\$46,923,734</b> | <b>\$13,190,394</b> | <b>\$13,184,145</b> | <b>\$26,842,300</b> | <b>\$18,722,117</b> | <b>\$11,253,726</b> | <b>\$58,719,629</b> | <b>\$61,452,744</b> | <b>\$75,420,492</b>       | <b>\$2,309,238</b>  | <b>\$36,165,967</b> | <b>\$359,783,363</b>                      |

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

The State gross receipts tax revenues of the City attributable to the 1.225% levy for Fiscal Year 2015 were \$187,090,628. The maximum calendar year combined debt service requirements for the outstanding State-Shared Tax Obligations of the City as shown in the preceding table are \$21,522,296 (occurring in calendar year 2021). The coverage ratio of the Fiscal Year 2015 State-Shared Gross Receipts Tax Revenues to such maximum calendar year combined debt service requirements is 8.69x. The City can make no assurances that State-Shared Gross Receipts Tax Revenues in future years will maintain the Fiscal Year 2015 levels.

Current Ratings of State Gross Receipts Tax Bonds. The City’s outstanding state gross receipts tax bonds are currently rated “Aa2” by Moody’s, “AAA” by S&P, and “AA+” by Fitch.

*2015 Debt Calculations for Tax-Supported Obligations*

The following table summarizes (i) the total outstanding obligations of the City as of January 1, 2015 payable from General Fund tax revenues, (ii) the property tax debt of certain overlapping jurisdictions and (iii) the per capita debt resulting from such aggregate outstanding amounts as of such date.

**CITY OF ALBUQUERQUE  
Debt Calculations for Tax-Supported Obligations  
Outstanding as of January 1, 2016**

| <b><u>GENERAL OBLIGATION DEBT</u></b> <sup>(1)</sup>                              | <b><u>Total<br/>Outstanding</u></b> | <b><u>Per Capita<br/>(Population of<br/>557,169)</u></b> |
|---|-------------------------------------|--|
| Direct G.O. Debt  | \$342,721,000                       | \$615.12   |
| Overlapping Jurisdiction G.O. Debt  | <u>629,846,326</u>                  | <u>1,130.44</u>  |
| Total Direct and Overlapping G.O. Debt  | <u>\$972,567,326</u>                | <u>\$1,745.56</u>  |
| <b>SPECIAL TAX OBLIGATIONS</b>  |                                     |  |
| State Gross Receipts/Lodgers’ Tax/Hospitality Fee/Stadium <sup>(2)</sup><br>Bonds | \$220,590,000                       | \$395.92   |
| <b>TOTAL OVERALL TAX-SUPPORTED OBLIGATIONS</b>                                    | <u>\$1,193,157,326</u>              | <u>\$2,141.48</u>  |

(1) See table entitled “City of Albuquerque Direct and Overlapping General Obligation Debt as of January 1, 2016” under this caption.

(2) See table entitled “City of Albuquerque Outstanding State Gross Receipts Tax Obligations as of January 1, 2016” under this caption.

## Enterprise Obligations

### *Airport Revenue Bonds*

Outstanding Airport Revenue Bonds. The City presently has outstanding the following special limited obligations secured by net revenues of the Albuquerque International Sunport and Double Eagle II Airport. See “ENTERPRISE OPERATIONS - Albuquerque Airport.”

### CITY OF ALBUQUERQUE Outstanding Airport Revenue Bonds as of January 1, 2016

| Issue  | Project<br>Financed | Principal<br>Amount of<br>Original Issue | Outstanding<br>Principal Amount | Reserve Fund<br>Balances | Optional Redemption<br>Provisions <sup>(1)</sup> |
|--|---------------------|--|---------------------------------|--------------------------|--|
| Subordinate Lien Taxable<br>Airport Refunding Revenue<br>Bonds, Series 2004A <sup>(2)(3)</sup> | Refunding           | \$20,610,000                             | \$5,660,000                     | MBIA surety              | 7/1/13 Make Whole Call                           |
| Airport Refunding<br>Revenue Bonds, Series<br>2008A <sup>(4)</sup>                             | Refunding           | 13,640,000                               | 6,590,000                       | FSA surety               | N/A  |
| Airport Refunding<br>Revenue Bonds, Series<br>2008B-C <sup>(4)</sup>                           | Refunding           | 21,290,000                               | 2,270,000                       | FSA surety               | 7/1/18 @ 100%<br>(Series C Bonds)                |
| Airport Refunding<br>Revenue Bonds, Series<br>2009A  | Refunding           | 26,080,000                               | 11,780,000                      | N/A                      | N/A  |
| Airport Refunding<br>Revenue Bonds, Series<br>20011A (AMT)                                     | Refunding           | 15,375,000                               | 3,270,000                       | N/A                      | N/A  |
| Airport Refunding<br>Revenue Note,<br>Series 2014A (AMT)                                       | Refunding           | 16,795,000                               | <u>14,980,000</u>               | N/A                      | 4/1/21 @ 100%                                    |
| Total Airport Revenue<br>Bonds/Notes   |                     |  | <u>\$44,550,000</u>             |                          |  |

- (1) These bonds are also subject to mandatory redemption at par on the dates and under certain circumstances relating to damage to or destruction of the Airport or condemnation of all or a part of the Airport as described in the bond documents relating to such bonds.
- (2) These bonds are payable from net revenues of the Airport on a subordinate lien basis to the other outstanding Airport revenue bonds, which are sometimes referred to herein as “Senior Parity Obligations.” See also “Credit Enhancement” under this caption for a description of certain credit enhancement relating to the Series 2004A Bonds.
- (3) National Public Finance Guaranty Corp. (formerly MBIA Insurance Corporation) has provided its bond insurance policy in connection with these bonds. See “Credit Enhancement” under this caption.
- (4) Financial Security Assurance Inc. (now known as Assured Guaranty Municipal Corp.) has provided its bond insurance policy in connection with these bonds. See “Credit Enhancement” under this caption.

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

**Total Combined Outstanding Debt Service of Airport Obligations**

| <b>Calendar Year</b> | <b>Series 2008A Bonds</b> | <b>Series 2008C Bonds</b> | <b>Series 2009A Bonds</b> | <b>Series 2011A Bonds</b> | <b>Series 2014A Note</b> | <b>Total Senior Parity Obligations</b> | <b>Series 2004A Bonds</b> | <b>Total Subordinate Obligations</b> | <b>Total Combined Requirements</b> |
|----------------------|---------------------------|---------------------------|---------------------------|---------------------------|--------------------------|--|---------------------------|--------------------------------------|------------------------------------|
| 2016                 | 2,429,500                 | 493,213                   | 3,253,825                 | 3,400,800                 | 2,169,480                | 11,746,818                             | 2,173,466                 | 2,173,466                            | 13,920,284                         |
| 2017                 | 2,414,500                 | 482,213                   | 3,249,975                 | -                         | 2,098,200                | 8,244,888                              | 2,170,667                 | 2,170,667                            | 10,415,555                         |
| 2018                 | 2,415,000                 | 556,013                   | 3,254,975                 | -                         | 2,032,570                | 8,258,558                              | 1,881,469                 | 1,881,469                            | 10,140,027                         |
| 2019                 | -                         | 531,213                   | 3,255,175                 | -                         | 1,952,460                | 5,738,848                              | -                         | -                                    | 5,738,848                          |
| 2020                 | -                         | 501,000                   | -                         | -                         | 1,868,260                | 2,369,260                              | -                         | -                                    | 2,369,260                          |
| 2021                 | -                         | -                         | -                         | -                         | 1,795,100                | 1,795,100                              | -                         | -                                    | 1,795,100                          |
| 2022                 | -                         | -                         | -                         | -                         | 1,727,720                | 1,727,720                              | -                         | -                                    | 1,727,720                          |
| 2023                 | -                         | -                         | -                         | -                         | 1,655,990                | 1,655,990                              | -                         | -                                    | 1,655,990                          |
| 2024                 | -                         | -                         | -                         | -                         | 1,580,040                | 1,580,040                              | -                         | -                                    | 1,580,040                          |
| <b>Total</b>         | <b>\$7,259,000</b>        | <b>\$2,563,650</b>        | <b>\$13,013,950</b>       | <b>\$3,400,800</b>        | <b>\$16,879,820</b>      | <b>\$43,117,220</b>                    | <b>\$6,225,602</b>        | <b>\$6,225,602</b>                   | <b>\$49,342,822</b>                |

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

In the ordinances pursuant to which the City’s Airport Obligations have been issued, the City has agreed to charge all users of the Airport reasonable rates sufficient to produce Net Revenues (as adjusted in accordance with the authorizing ordinances) annually to cover 120% of the debt service requirements on all outstanding Senior Parity Obligations (“Test No. 1”) and 110% of the debt service requirements on all Outstanding Airport Obligations (“Test No. 2”). The Revenues of the Airport for Fiscal Year 2015 were \$64,813,171. The maximum calendar year combined debt service requirements for all outstanding Senior Parity Obligations are \$13,084,866 (occurring in calendar year 2015). With respect to Test No. 1, the coverage ratio of the Net Revenues for the Airport for Fiscal Year 2015 (\$35,708,205) to such maximum estimated calendar year debt service requirements is 2.73x. The maximum calendar year combined debt service requirements for all Outstanding Airport Obligations is \$14,233,286 (occurring in calendar year 2015). With respect to Test No. 2, the coverage ratio of the Net Revenues of the Airport for Fiscal Year 2015, plus investment income from debt service funds (which is not included in Test No. 1) (\$35,803,288) to such maximum estimated calendar year debt service requirements is 2.52x.

Historical Debt Service Coverage. The following table sets forth historical debt service coverage for both Senior Parity Obligations and Subordinate Parity Obligations for the fiscal years shown.

|  | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|--|-------------|-------------|-------------|-------------|-------------|
| Airport Revenues <sup>(1)</sup>                            | \$65,508    | \$67,752    | \$66,933    | \$66,373    | \$64,813    |
| Less:  |             |             |             |             |             |
| Operation and Maintenance Expenses                         | 29,827      | 30,649      | 30,150      | 29,825      | 29,105      |
| Net Airport Revenues                                       | \$35,681    | \$37,103    | \$36,783    | \$36,548    | \$35,708    |
| Coverage Test One  |             |             |             |             |             |
| Senior Lien Debt Service Requirements                      | \$16,178    | \$15,962    | \$15,073    | \$15,286    | \$13,085    |
| Test One debt coverage ratio (1.2x)                        | 2.21        | 2.32        | 2.44        | 2.39        | 2.73        |
| Coverage Test Two  |             |             |             |             |             |
| Interest income from Debt Service Funds                    | \$114       | \$105       | \$60        | \$77        | \$95        |
| Net Airport Revenues plus interest income                  | \$35,795    | \$37,208    | \$36,843    | \$36,625    | \$35,803    |
| Total Debt Service Requirements                            | \$26,209    | \$25,053    | \$24,272    | \$24,315    | \$14,233    |
| Test Two debt service coverage ratio (1.1x) <sup>(2)</sup> | 1.37        | 1.49        | 1.52        | 1.51        | 2.52        |

(1) Dollars in thousands.

(2) The numbers herein, calculated consistent with requirements under applicable debt instruments for the City’s Airport Obligations, vary from the unaudited statistical information reported in tables appended to the City’s Comprehensive Annual Financial Report (“CAFR”) for prior fiscal years which was calculated pursuant to other accounting practices.

Source: City of Albuquerque.

Current Ratings of the Airport Revenue Bonds. Certain of the City’s outstanding Airport obligations are credit enhanced. However, in certain circumstances the underlying ratings on the respective bonds are currently higher than the current ratings for the respective bond insurers and, therefore, the underlying ratings, and not the credit-enhanced ratings, should be considered the ratings on the Airport obligations. In those instances, the underlying ratings are applicable. See “Credit Enhancement” under this caption. The following underlying ratings have been

assigned to the Senior Parity Obligations: “A1” by Moody’s, “A+” by S&P and “A+” by Fitch. The following underlying ratings have been assigned to the Subordinate Parity Obligations: “A2” by Moody’s, “A” by S&P and “A” by Fitch.

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

The joint water and sewer system was owned by the City and operated by its Public Works Department until December 17, 2003 (the “Water/Sewer System”), and revenue bond debt issued by the City relating to the Water/Sewer System continues to be outstanding. For more on the Water/Sewer System and the Albuquerque Bernalillo County Water Utility Authority, see “ENTERPRISE OPERATIONS – Joint Water and Sewer System.”

#### *Refuse Removal and Disposal System Revenues Bonds*

Outstanding Refuse System Revenue Bonds. As of January 1, 2016, the City has no outstanding special limited obligations secured by net revenues of the City’s refuse removal and disposal system.

### **Housing Obligations**

#### *Multifamily Revenue Bonds*

On December 16, 2008, the City issued its Gross Receipts Tax Revenue Refunding Bonds (Beach, Bluewater and Manzano Vista Projects) Series 2008B (the “Series 2008B Bonds”) in the original principal amount of \$11,275,000 for the purpose of refunding the City’s Affordable Housing Projects Refunding Revenue Bonds, Series 2000.

The Series 2008B Bonds are secured by a lien on, and payable from, State gross receipts tax revenues and the net revenues of the Beach Apartments Project, the Manzano Vista Apartments Project and the Bluewater Village Apartments Project and certain funds and accounts created under the ordinance authorizing issuance of the Series 2008B Bonds. See “OTHER PROJECTS OF THE CITY - Housing Projects.”

A Project Revenue Stabilization Fund was established which, as of March 1, 2016, had a balance of \$500,179. Also in connection with the refunding, a Repair and Replacement Fund was established for the benefit of the three projects which, as of March 1, 2016, had a balance of \$468,300.

### **Transit-Related Obligations**

On July 25, 2006, the City entered into a Lease-Purchase Agreement with BOSC, Inc. for the purchase of buses for the City’s Transit Department. The City pledged grant revenues it is scheduled to receive from the United States Federal Transit Authority (“FTA”) pursuant to 49 U.S.C. Section 5307 and FTA Regulations for repayment of the Lease-Purchase Agreement. The City has not pledged any ad valorem or gross receipts tax revenues toward repayment of the Lease-Purchase Agreement.

As of January 1, 2016, the City has no outstanding obligations payable under the above-referenced Lease Purchase Agreement.

**Fire Protection Fund**

In 2010, the City entered into a loan agreement with the New Mexico Finance Authority (the “Finance Authority”) evidencing a special, limited obligation of the City in the original principal amount of \$1,441,625 for the purpose of designing, constructing, equipping and furnishing of Fire Station No. 7 within the City. The loan is payable from fire protection fund revenues distributed to the City. Annual revenue from the fire protection fund is approximately \$1,700,000, and annual debt service is approximately \$101,000. Pursuant to an intercept agreement with the Finance Authority, funds are collected at the beginning of each fiscal year to facilitate the annual payment.

The loan is currently outstanding in the amount of \$1,274,388 and matures in 2031.

**Credit Enhancement**

The following table sets forth certain information concerning the providers of credit enhancement (including municipal bond insurance and letters of credit) supporting outstanding obligations of the City. Certain City bonds with municipal bond insurance have underlying ratings which are higher than the ratings of the respective municipal bond insurer. In those instances, the underlying rating on the bonds is applicable rather than the credit-enhanced ratings. The City makes no representation as to the financial status of or otherwise about any of such credit providers; investors should contact the respective provider for any such information.

**CITY OF ALBUQUERQUE  
Credit Enhancement Supporting Outstanding Obligations of the City**

| Name of<br>Credit Provider  | Outstanding<br>Aggregate Principal<br>Amount of<br>Obligations<br>Supported | Present Ratings of<br>Credit Provider <sup>(1)</sup> | Credit Enhanced Obligations  |
|---|---|--|--|
| Assured Guaranty<br>Municipal Corp.<br>(formerly Financial<br>Security Assurance)         | \$8,860,000   | S & P: AA (stable)<br>Moody’s: A2 (stable)           | · Airport Refunding Revenue Bonds, Series 2008A <sup>(3)</sup><br>· Airport Refunding Revenue Bonds, Series 2008B-C <sup>(3)</sup> |
| National Public<br>Finance Guarantee<br>Corp. (formerly<br>MBIA Insurance<br>Corporation) | \$5,660,000   | S & P: AA- (stable)<br>Moody’s: A3<br>(negative)     | · Subordinate Lien Taxable Airport Refunding Revenue<br>Bonds, Series 2004A <sup>(3)</sup>   |

(1) To the City’s knowledge as of March \_\_, 2016.

(2) On April 19, 2013, FGIC Corporation emerged from its Chapter 11 bankruptcy proceedings.

(3) Denotes bonds which have underlying ratings higher than the current ratings from both S&P and Moody’s, for the respective municipal bond insurer.

## ECONOMIC AND DEMOGRAPHIC INFORMATION

The statistics and other information 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

|                   | <u>Square Miles</u> |
|-------------------|---------------------|
| December 31, 1885 | 0.36                |
| December 31, 1940 | 11.15               |
| December 31, 1950 | 48.81               |
| December 31, 1960 | 61.94               |
| December 31, 1970 | 82.72               |
| December 31, 1980 | 100.31              |
| December 31, 1990 | 137.46              |
| January 1, 2000   | 181.70              |
| January 1, 2016   | 189.18              |

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Source: City of Albuquerque Planning Department.

## Population

The Albuquerque Metropolitan Statistical Area (“MSA”) includes Bernalillo, Sandoval, Torrance and Valencia Counties. The Census added Torrance County to the MSA in the 2000 Census.

### POPULATION

| <b>Year</b>         | <b>City</b> | <b>Bernalillo<br/>County</b> | <b>Albuquerque<br/>MSA</b> | <b>State</b> |
|---------------------|-------------|------------------------------|----------------------------|--------------|
| 1960                | 201,189     | 262,199                      | 292,500 <sup>(1)</sup>     | 951,023      |
| 1970                | 244,501     | 315,774                      | 353,800 <sup>(1)</sup>     | 1,017,055    |
| 1980                | 332,920     | 420,262                      | 485,500 <sup>(1)</sup>     | 1,303,303    |
| 1990                | 384,736     | 480,577                      | 589,131                    | 1,515,069    |
| 2000 <sup>(2)</sup> | 448,607     | 556,678                      | 729,649                    | 1,819,046    |
| 2005 <sup>(3)</sup> | 497,543     | 606,502                      | 797,146                    | 1,912,884    |
| 2010 <sup>(4)</sup> | 545,852     | 662,564                      | 887,077                    | 2,059,179    |
| 2011 <sup>(3)</sup> | 551,742     | 669,604                      | 897,091                    | 2,078,407    |
| 2012 <sup>(3)</sup> | 555,621     | 672,995                      | 901,016                    | 2,084,594    |
| 2013 <sup>(3)</sup> | 556,495     | 674,883                      | 903,345                    | 2,086,895    |
| 2014 <sup>(3)</sup> | 557,169     | 675,551                      | 904,587                    | 2,085,572    |

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

(2) April of 2000 is the month and year of the Census. It is reported as the benchmark; all other years are as of July of the year. The Census in 2000 expanded the Albuquerque MSA to include Torrance County, population of 16,911.

(3) U.S. Dept. of Commerce, Bureau of the Census, Population Division.

(4) 2010 decennial census U.S. Dept. of Commerce, Bureau of the Census.

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

Population in the City grew at a compounded annual rate of 1.97% during the 1960s, 3.13% during the 1970s, 1.46% during the 1980s, 1.55% during the 1990s and 2% annually for 2000 to 2010. The percentage of the State’s population in the City was 21.2% in 1960, 24.0% in 1970, 25.5% in 1980, 25.4% in 1990, 24.7% in 2000, and 26.5% in 2010.

## Age Distribution

The following table sets forth a comparative age distribution profile for the City, the State and the United States as of January 1, 2016.

### Population by Age Group

| Age          | City   | State  | United States |
|--------------|--------|--------|---------------|
| 0-17         | 23.18% | 24.19% | 22.97%        |
| 18-24        | 9.28   | 9.87   | 9.84          |
| 25-34        | 15.24  | 13.26  | 13.35         |
| 35-44        | 13.17  | 11.84  | 12.63         |
| 45-54        | 12.44  | 12.20  | 13.33         |
| 55-64        | 12.27  | 13.01  | 12.80         |
| 65-74        | 8.39   | 9.30   | 8.76          |
| 75 and Older | 6.02   | 6.34   | 6.31          |

Source: © 2016 The Nielsen Company.

## Employment

### *General*

Employment in the Albuquerque area in the period from Fiscal Year 2006 to Fiscal Year 2015 declined at an average of 0.1% a year. From Fiscal Year 2008 to Fiscal Year 2012 approximately 27,700 jobs were lost. In the following three fiscal years (2013 through 2015) the economy added just over 10,000 jobs. While Albuquerque is now recovering from the recession, the recovery has been slower than the nation as a whole. Employment in the nation reached its pre-recession peak in June 2014, while Albuquerque is still about 17,000 jobs short of its pre-recession peak.

The information on non-agricultural employment for the State and the Albuquerque MSA reported in the following table represents estimates by the New Mexico Department of Workforce Solutions and U.S. Bureau of Labor statistics. More detailed information on non-agricultural employment can be found below under “Historical Employment by Sector” in the table entitled “Estimated Non-Agricultural Wage and Salary Employment for the Albuquerque MSA Fiscal Years 2006-2015”.

**Non-Agricultural Employment  
(000s)**

| <b>Fiscal<br/>Year</b> | <b><u>ALBUQUERQUE MSA</u></b> |                      | <b><u>NEW MEXICO</u></b> |                      | <b><u>UNITED STATES</u></b> |                      |
|------------------------|-------------------------------|----------------------|--------------------------|----------------------|-----------------------------|----------------------|
|                        | <b><u>Employment</u></b>      | <b><u>% Chg.</u></b> | <b><u>Employment</u></b> | <b><u>% Chg.</u></b> | <b><u>Employment</u></b>    | <b><u>% Chg.</u></b> |
| 2006                   | 387.1                         | 3.2%                 | 821.0                    | 2.8%                 | 135,317                     | 1.9%                 |
| 2007                   | 396.5                         | 2.4                  | 838.5                    | 2.1                  | 137,295                     | 1.5                  |
| 2008                   | 397.9                         | 0.4                  | 847.4                    | 1.1                  | 138,084                     | 0.6                  |
| 2009                   | 389.0                         | (2.3)                | 831.8                    | (1.8)                | 134,299                     | (2.7)                |
| 2010                   | 375.7                         | (3.4)                | 805.4                    | (3.2)                | 130,090                     | (3.1)                |
| 2011                   | 373.2                         | (0.6)                | 803.0                    | (0.3)                | 130,912                     | 0.6                  |
| 2012                   | 370.2                         | (0.8)                | 803.9                    | 0.1                  | 133,003                     | 1.6                  |
| 2013                   | 373.2                         | 0.8                  | 811.1                    | 0.9                  | 135,184                     | 1.6                  |
| 2014                   | 375.4                         | (0.6)                | 815.3                    | (0.5)                | 137,604                     | 1.8                  |
| 2015                   | 380.3                         | 1.3                  | 826.0                    | 1.3                  | 140,561                     | 2.1                  |

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

**Civilian Employment/Unemployment Rates**

| <b>Fiscal<br/>Year</b> | <b>Civilian Labor<br/>Force</b> | <b>Number<br/>Employed</b> | <b><u>Unemployment Rates</u></b> |                       |                          |
|------------------------|---------------------------------|----------------------------|----------------------------------|-----------------------|--------------------------|
|                        |                                 |                            | <b>Albuquerque<br/>MSA</b>       | <b>New<br/>Mexico</b> | <b>United<br/>States</b> |
| 2006                   | 398,512                         | 381,462                    | 4.3%                             | 4.28%                 | 4.8%                     |
| 2007                   | 403,694                         | 388,349                    | 3.8                              | 3.80                  | 4.5                      |
| 2008                   | 405,568                         | 389,723                    | 3.9                              | 3.91                  | 4.9                      |
| 2009                   | 407,287                         | 381,530                    | 6.3                              | 6.32                  | 7.6                      |
| 2010                   | 413,500                         | 380,448                    | 8.0                              | 7.99                  | 9.8                      |
| 2011                   | 422,314                         | 389,558                    | 7.8                              | 7.76                  | 9.3                      |
| 2012                   | 418,739                         | 387,222                    | 7.5                              | 7.53                  | 8.5                      |
| 2013                   | 416,842                         | 387,925                    | 6.9                              | 6.94                  | 7.8                      |
| 2014                   | 413,153                         | 385,339                    | 6.7                              | 6.73                  | 6.8                      |
| 2015                   | 415,250                         | 390,306                    | 6.0                              | 6.01                  | 5.7                      |

Sources: New Mexico Department of Workforce Solutions and United States Department of Labor.

The following table lists the major employers in the Albuquerque area and their estimated number of full-time and part-time employees for 2015.

**MAJOR EMPLOYERS IN THE ALBUQUERQUE AREA <sup>(1)</sup>**  
**By Number of Employees – 2015**

| <b>Organization</b>                  | <b>Employees</b> | <b>Description</b>  |
|--------------------------------------|------------------|---|
| University of New Mexico             | 16,046           | Educational Institution                                   |
| Albuquerque Public Schools           | 15,463           | Public School District                                    |
| Presbyterian                         | 9,372            | Hospital/Medical Services                                 |
| Sandia National Labs                 | 8,746            | Science-Based Technologies that Support National Security |
| Kirtland Air Force Base (Civilian)   | 7,686            | Air Force Material Command                                |
| UNM Hospital                         | 6,825            | Hospital/Medical Services                                 |
| City of Albuquerque                  | 5,742            | Government  |
| State of New Mexico                  | 4,875            | Government  |
| Kirtland Air Force Base (Military)   | 4,184            | Air Force Material Command                                |
| Central New Mexico Community College | 3,324            | Educational Institution                                   |
| Veterans Hospital                    | 2,760            | Hospital/Medical Services                                 |
| Bernalillo County                    | 2,490            | Government  |
| Intel Corporation                    | 2,300            | Semiconductor Manufacturers                               |

(1) For a discussion regarding major employers and certain changes which may impact their number of employees, see “Major Industries” under this caption.

Source: City survey of employers.

**Major Industries**

The following narrative discusses the trends in each major sector of the Albuquerque economy. The latest information available to the City is for Fiscal Year 2015 (ending June 30, 2015) unless otherwise noted. The City makes no projections or representations, nor shall the provision of such information create any implication that there has been no change in the described employment sectors of the City or that any historical trends set forth herein will continue.

The industry composition of the Albuquerque economy is similar to the United States economy. The two material differences are that manufacturing makes up a smaller portion of the Albuquerque economy and government plays a bigger role. State government is a significant portion of the Albuquerque economy due to the University of New Mexico, and the federal government is significant due to civilian and military employment at Kirtland Air Force Base, and regional offices for the Veterans Administration, the United States Forest Service and Social Security Offices.

In general the Albuquerque economy has not recovered as well from the recession as the United States as a whole or the majority of other states or metropolitan areas. Albuquerque has shown growth the last three fiscal years, however, some of the growth is attributable to revisions of data. In Fiscal Year 2015, the changes in employment in the Albuquerque MSA were

generally positive, increasing 1.3% above Fiscal Year 2014. Employment for the same period increased 1.3% and 2.1% in the State of New Mexico and the United States, respectively.

Employment by the federal government in the Albuquerque MSA declined in Fiscal Years 2012 to 2015. The City believes the reductions in federal government employment in Fiscal Year 2012 were most likely due to federal agencies not filling vacancies in preparation for possible cuts through sequestration. On January 17, 2013, the United States Air Force put a hiring freeze on all civilian government employment to prepare for possible reductions. Kirtland Air Force Base has approximately 6,000 civilian employees.

The unemployment rates in both Albuquerque and the State remained below the United States unemployment rate from Fiscal Years 2000 to 2013. In Fiscal Years 2014 and 2015 the rate in Albuquerque exceeded the U.S. rate. The percentage changes in the unemployment rate in Albuquerque have increased or decreased by roughly the same percentages as the United States since 2008. Even though the unemployment rate has declined in the Albuquerque MSA, the decline has slowed and some of reduction is due to workers leaving the labor force and not being counted as unemployed.

Trade, Transportation and Utilities. This sector is composed of retail trade, wholesale trade, transportation and utilities and constitutes approximately 16.6% of Albuquerque MSA employment. As a whole, employment in this sector decreased by an annual average of 0.7% from Fiscal Year 2006 to Fiscal Year 2015. From Fiscal Year 2012 to 2015 the sector showed some limited growth with an annual average increase of 0.7%. Retail trade is the largest employment sector in this grouping with 10.9% of total employment and a trend in employment that is similar to the entire group. Retail trade is an important sector for the City and makes up approximately 36% of gross receipts tax revenues. Gross receipts tax revenues from retail trade were adversely affected during the recession with layoffs in this sector and have only recently shown any growth.

Educational and Health Services. Albuquerque is a major regional medical center. Presbyterian Healthcare Services is one of the largest employers in the area. This is the fastest growing category in the Albuquerque MSA economy. From Fiscal Year 2006 to Fiscal Year 2015, the average annual growth was 2.8%. The sector now makes up 15.9% of non-agricultural employment. Much of this growth initially was due to a change in Medicare policy that allows payment for home healthcare. The expansion of the Medicaid program due to the Affordable Care Act is also expected to have a positive impact on employment in this sector. Although the educational sector is small in comparison to the health services sector, the educational sector has also grown substantially in the past several years. In Fiscal Year 2013 and 2014, the growth of the health services and educational sectors slowed, but grew 3.6% in Fiscal Year 2015.

Leisure and Hospitality. This sector includes eating and drinking establishments as well as hotels and other tourist-related facilities. Employment for the sector showed average annual growth of 1.4% from Fiscal Year 2006 to Fiscal Year 2015. In Fiscal Year 2012 to Fiscal Year 2015, employment increased at an annual average rate of 2.9% making it the fastest growing sector for that time period. The sector comprises 11% of total non-agricultural employment. Gross Receipts tax revenues for this sector has increased in every fiscal year since 2011 making it one of the largest contributors to gross receipts tax.

Lodging accounts for approximately 10% of the total gross receipts tax revenues for this sector. Lodgers' tax revenues in Fiscal Year 2009 showed a decline of 11.2%, with an additional 2% decline in Fiscal Year 2010. Lodgers' tax revenues have generally increased since Fiscal Year 2010 with 5.2% growth in Fiscal year 2015, bringing revenue near the pre-recession peak.

Professional and Business Services. This sector includes temporary employment agencies, back-office operations, Sandia National Labs ("Sandia") and other scientific and research facilities. This sector had peak employment in Fiscal Year 2008 of 65,275 jobs, decreasing to 56,800 jobs in Fiscal Year 2012. Much of this decrease is due to declines in engineering and architectural services as construction slowed dramatically. The sector now accounts for 15.2% of non-agricultural employment in the Albuquerque MSA.

The budget for Sandia National Labs has remained about \$2.2 billion for Fiscal Years 2008 to 2010, and increased to approximately \$2.7 billion in the federal Fiscal Year 2014. The Sandia Science and Technology Park houses research facilities and/or manufacturing that benefit from the expertise available from Sandia. In addition to continued strength at Sandia, there have been major expansions and/or openings for Lowe's Fidelity Investments and Sitel. Both of these are customer support or call centers.

Manufacturing. This sector accounted for 4.3% of MSA employment in Fiscal Year 2014. Manufacturing employment has declined substantially with a loss of nearly 7,700 from Fiscal Year 2007 to Fiscal year 2015. Notably, events over the past few years include Schott Solar closing its manufacturing plant in June of 2012, resulting in a loss of 250 positions, and Bendix/King, a subsidiary of Honeywell Aerospace, moving its headquarters to Albuquerque with an estimated 140 jobs. United Poly Systems is taking over part of the former Shott Solar Plant and will manufacture plastic pipe and employ 25 individuals. Nova Corporation is using the remainder of the Shott plant for a data center, training and business incubator. They will use 133,000 square feet of space, but no estimate of employment was provided. The Flagship Food Group, a food manufacturer is expanding production and is expected to hire 125 workers, with expansion plans to employ 300 people. New Mexico Food Distributors is opening a freezer facility at Mesa del Sol that should allow them to create 80 new jobs.

Information. This sector includes businesses in publishing, broadcasting, telecommunications and internet service establishments. The sector had an average annual decline in employment of 1.9% from Fiscal Year 2005 to Fiscal Year 2015, in part due to closures of call centers for MCI, Comcast and QWEST (now Century Link). In Fiscal Year 2013 the sector posted a gain of 2.3% but this was more than offset by a loss of 6.9% in Fiscal Year 2014 and Fiscal Year 2015 was basically flat at 0.2%. Currently this sector makes up 2.0% of non-agricultural employment. The film industry is included in this sector and there has been significant activity in this sector in recent years in large part due to the State's film tax credits program. In addition to movies and television shows being filmed in Albuquerque, a large sound studio (Albuquerque Studios) has been built within the City. In August of 2014 Comcast announced that they will build a new call center with employment of 450 people, which is currently under construction.

Government. Over the past ten years government employment (comprised of federal, state and local employees) has increased its share of non-agricultural employment in the City

from 20.1% to 21.5%. However, the sector lost approximately 1,300 jobs in Fiscal Years 2011 and 2015 due to reductions in government funding and overall weakness in the economy. “Government,” as defined by the U.S. Department of Labor for purposes of reporting non-agricultural employment, does not include military employment, which represents approximately 4,860 jobs in the Albuquerque MSA. In addition, “government” does not include employment at Sandia which is operated by a private contractor, although funded by the federal government (primarily the Department of Energy), and its approximately 8,900 jobs are counted in the Professional and Business Services sector discussed above. Some of the largest employers in the Albuquerque MSA are in the government sector, including Albuquerque Public Schools, the University of New Mexico, Kirtland Air Force Base and the City.

Federal government employment in Albuquerque increased by approximately 158 jobs from Fiscal Year 2006 to Fiscal Year 2015, with many of these jobs with the U.S. Forest Service. However, from Fiscal Year 2011 through Fiscal Year 2015 there was a reduction of 1,550 federal jobs. State government employment has increased over the past several years and there were no years where State government reduced employment in Albuquerque. The majority of these jobs are at the University of New Mexico and the University of New Mexico Hospital. Local government employment from Fiscal Year 2005 to Fiscal Year 2015 increased by approximately 2,800 jobs but shed over 1,400 jobs from Fiscal Year 2011 to 2015. Local government includes tribal casinos in this sector, some of which have evolved into destination resorts. Several of these resorts are operated by private companies and employment is therefore included in the private sector. The largest portion of employment in the local government sector is the Albuquerque Public Schools.

Military. Federal military employment is not specifically categorized as a non-agricultural employment sector within the City. However, military employment is an important part of the Albuquerque economy. Kirtland Air Force Base is a major military installation and home to over 150 different operations. The University of New Mexico’s Bureau of Business and Economic Research estimated that total military employment in the Albuquerque MSA declined about 300 jobs between Fiscal Years 2006 and 2015. The general downtrend of military jobs reflects in part the decision of the military to replace some military jobs with civilians.

Financial Activities. This sector includes finance, insurance, credit intermediation and real estate. Currently, the Financial Activities sector comprises 4.7% of the non-agricultural employment in the City. Employment in this sector experienced 0.8% average annual decline from Fiscal Year 2005 to Fiscal Year 2015. From Fiscal Year 2006 to Fiscal Year 2012 the sector lost approximately 1,500 jobs. The job losses result primarily from the slowdown in the real estate market and the problems and consolidation of the financial sector in general. In Fiscal Year 2013 and 2014 the sector posted a small gain as real estate and banking improved. Employment in this sector was assisted when Fidelity Financial located in Mesa del Sol in 2008. Fidelity Financial currently employs at least 500 individuals.

Construction. Construction employment in the Albuquerque MSA is generally cyclical. There can be large increases in employment due to large road projects, commercial expansions or strong residential construction, and, conversely, large decreases upon completion of such projects. Fiscal Year 2007 had employment of 31,375, a new maximum for this sector. Employment fell steadily and in Fiscal Year 2012 employment was at 19,150 jobs. This

corresponds to a loss of approximately 12,000 jobs since the peak in Fiscal Year 2007 and is directly related to the slowdown in single family and commercial construction.

Between Fiscal Years 2003 through 2005, construction of single-family housing units peaked in the City with an annual average of 5,000 single-family housing permits. Single family permits began declining in 2006 and fell to only 436 permits in Fiscal Year 2009. Single family permits have generally increased since 2009, but only reached 923 in Fiscal Year 2013 and declined to 841 in Fiscal Year 2014 prior to partially rebounding to 871 in Fiscal year 2015. The value of new commercial permits has generally declined since 2008. Some of these declines in recent years were offset by public construction. In Fiscal Year 2012, despite a decrease in new commercial permit values, there was an increase of 6.7% overall in building permit values. While still at historically low levels, this was the first increase in total building permit values since Fiscal Year 2006. Permit values continued this upward trend with an increase in value of 29% in Fiscal Year 2013 followed by a 1.6% increase in Fiscal Year 2014. Fiscal Year 2015 showed a decline in the value of permits, mostly due to declines in multi-family construction and additions and alternations. New commercial building permit values slowed from Fiscal Year 2013 to 2015. Additions and alternations showed strong growth with Fiscal Year 2014 being one of the highest totals in the past ten years largely due to public projects. Mostly due to the decline in public projects in Fiscal Year 2015 there was a decline in alterations.

## BUILDING PERMITS ISSUED IN THE CITY OF ALBUQUERQUE

| Fiscal Year         | Single Family |               | Multi-Family |              | Commercial |               | Public  |              | Additions & Alterations | Total Permits   |
|---------------------|---------------|---------------|--------------|--------------|------------|---------------|---------|--------------|-------------------------|-----------------|
|                     | Permits       | \$ Value      | Units        | \$ Value     | Permits    | \$ Value      | Permits | \$ Value     | \$ Value                | \$ Value        |
| 2005                | 4,967         | \$720,890,242 | 470          | \$25,206,921 | 131        | \$113,672,827 | 16      | \$58,844,052 | \$166,695,983           | \$1,085,310,025 |
| 2006                | 4,373         | 731,846,449   | 389          | 32,917,627   | 156        | 213,525,989   | 9       | 43,710,103   | 154,431,159             | 1,176,431,317   |
| 2007                | 2,490         | 467,022,842   | 1,083        | 103,574,132  | 125        | 206,558,035   | 4       | 14,681,069   | 268,512,462             | 1,060,348,540   |
| 2008                | 1,214         | 222,075,316   | 638          | 45,836,909   | 124        | 220,788,429   | 10      | 79,282,230   | 225,299,537             | 793,282,421     |
| 2009                | 436           | 77,223,886    | 198          | 18,549,849   | 81         | 103,040,438   | 20      | 58,529,283   | 233,224,405             | 490,567,861     |
| 2010                | 876           | 140,369,408   | 168          | 14,763,081   | 34         | 26,197,123    | 8       | 18,076,792   | 209,624,603             | 409,031,007     |
| 2011                | 725           | 120,749,010   | 278          | 37,022,789   | 45         | 65,940,484    | 1       | 3,300,300    | 165,845,129             | 392,857,712     |
| 2012                | 846           | 153,465,589   | 350          | 32,509,563   | 36         | 46,257,090    | 4       | 31,907,654   | 165,883,476             | 430,023,373     |
| 2013                | 923           | 170,470,736   | 945          | 73,378,214   | 63         | 78,523,292    | 4       | 5,545,791    | 226,949,710             | 554,867,742     |
| 2014                | 841           | 163,980,975   | 898          | 81,296,532   | 152        | 103,214,914   | 7       | 16,859,014   | 198,430,162             | 563,781,597     |
| 2015                | 871           | 167,352,011   | 449          | 39,390,742   | 112        | 116,776,561   | 10      | 17,257,410   | 165,159,484             | 505,936,208     |
| Growth 2014 to 2015 | 3.6%          | 2.1%          | -50.0%       | -51.5%       | -26.3%     | 13.1%         | 42.9%   | 2.4%         | -16.8%                  | -10.3%          |

**Below**

| Total Housing Units in the City of Albuquerque | Total Units | Single Family | Multi-Family | Mobile Homes & Others |
|--|-------------|---------------|--------------|-----------------------|
| As of 1990 Census                              | 166,870     | 101,780       | 55,931       | 9,159                 |
| 1990-2000 Housing Units Added                  | 31,844      | 24,863        | 7,354        | (373)                 |
| As of 2000 Census                              | 198,714     | 126,643       | 63,285       | 8,786                 |
| 2000-2010 Housing Units Added                  | 40,452      | 35,858        | 3,554        | 1,040                 |
| As of 2010 Census                              | 239,166     | 162,501       | 66,839       | 9,826                 |
| 2011-2015 Housing Units Added (permitted)      | 7,126       | 4,206         | 2,920        | NA                    |
| Estimated Units as of July 2015                | 246,292     | 166,707       | 69,759       | 9,826                 |

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. **Estimated Nonagricultural Wage and Salary Employment for the Albuquerque MSA Fiscal Years 2006-2015**

|   | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2014 to</u><br><u>2015</u> | <u>Annual Average</u><br><u>Growth 2006-</u><br><u>2015</u> | <u>Sector Share</u><br><u>2015</u> |             |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------------------------|---|------------------------------------|-------------|
|   |             |             |             |             |             |             |             |             |             |             |                               |   | <u>ABQ</u>                         | <u>U.S.</u> |
| Total Nonagricultural                       | 387,075     | 396,508     | 397,933     | 388,950     | 375,650     | 373,233     | 370,167     | 373,183     | 375,417     | 380,250     | 1.3%                          | -0.2%   | 100.0%                             | 100.0%      |
| Natural Resources/Mining/Constr.            | 30,667      | 31,375      | 29,808      | 26,050      | 22,592      | 21,075      | 19,467      | 19,525      | 20,000      | 20,642      | 3.2                           | -4.3  | 5.4                                | 5.1         |
| Manufacturing                               | 23,433      | 24,133      | 22,883      | 20,250      | 17,517      | 17,650      | 17,775      | 17,617      | 16,917      | 16,467      | -2.7                          | -3.8  | 4.3                                | 8.7         |
| Trade Transportation and Utilities          | 67,617      | 68,675      | 69,550      | 66,017      | 62,792      | 62,292      | 61,883      | 62,250      | 63,058      | 63,258      | 0.3                           | -0.7  | 16.6                               | 19.0        |
| • Wholesale Trade                           | 13,433      | 13,692      | 13,692      | 12,700      | 12,217      | 11,817      | 11,717      | 11,783      | 11,767      | 11,883      | 1.0                           | -1.4  | 3.1                                | 4.2         |
| • Retail Trade                              | 43,683      | 44,167      | 44,825      | 43,025      | 41,125      | 40,942      | 40,650      | 40,775      | 41,558      | 41,592      | 0.1                           | -0.5  | 10.9                               | 11.0        |
| • Transportation, Warehousing and Utilities | 10,500      | 10,817      | 11,033      | 10,292      | 9,450       | 9,533       | 9,517       | 9,692       | 9,733       | 9,783       | 0.5                           | -0.8  | 2.6                                | 3.7         |
| Information                                 | 9,133       | 9,617       | 9,333       | 9,308       | 9,158       | 8,808       | 8,208       | 8,417       | 7,833       | 7,850       | 0.2                           | -1.7  | 2.1                                | 2.0         |
| Financial Activities                        | 19,558      | 19,367      | 19,092      | 18,500      | 18,292      | 17,642      | 17,658      | 17,775      | 17,942      | 17,900      | -0.2                          | -1.0  | 4.7                                | 5.7         |
| Professional and Business Services          | 62,775      | 64,367      | 65,275      | 63,658      | 59,008      | 58,308      | 56,800      | 56,875      | 57,225      | 58,483      | 2.2                           | -0.8  | 15.4                               | 13.8        |
| Educational and Health Services             | 47,208      | 48,642      | 49,942      | 52,725      | 54,175      | 55,192      | 56,033      | 57,308      | 58,408      | 60,483      | 3.6                           | 2.8   | 15.9                               | 15.5        |
| Leisure and Hospitality                     | 37,408      | 39,158      | 39,408      | 37,950      | 37,200      | 37,225      | 38,000      | 39,258      | 40,233      | 41,442      | 3.0                           | 1.1   | 10.9                               | 10.6        |
| Other Services                              | 11,992      | 12,183      | 12,308      | 12,292      | 11,817      | 11,842      | 11,817      | 11,775      | 11,692      | 11,867      | 1.5                           | -0.1  | 3.1                                | 4.0         |
| Government                                  | 77,283      | 78,992      | 80,333      | 82,200      | 83,100      | 83,200      | 82,525      | 82,383      | 82,108      | 81,858      | -0.3                          | 0.6   | 21.5                               | 15.6        |
| <b>LOCAL GOVERNMENT</b>                     | 38,075      | 39,067      | 40,225      | 41,625      | 41,617      | 41,342      | 40,708      | 40,683      | 40,467      | 39,925      | -1.3                          | 0.5   | 10.5                               | 10.0        |
| <b>STATE GOVERNMENT</b>                     | 24,800      | 25,375      | 25,625      | 25,658      | 25,850      | 26,083      | 26,342      | 26,800      | 27,308      | 27,708      | 1.5                           | 1.2   | 7.3                                | 3.6         |
| <b>FEDERAL GOVERNMENT</b>                   | 14,408      | 14,550      | 14,483      | 14,917      | 15,633      | 15,775      | 15,475      | 14,900      | 14,333      | 14,225      | -0.8                          | -0.1  | 3.7                                | 1.9         |

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

## Income

The following table sets forth annual per capita personal income levels for the Albuquerque MSA, the State and the United States. The Bureau of Economic Analysis defines “earnings” to include wages and salaries, proprietor’s income and other labor income (such as bonuses).

### Per Capita Personal Income

| <b>Calendar<br/>Year</b> | <b>Albuquerque<br/>MSA</b> | <b>New Mexico</b> | <b>United States</b> |
|--------------------------|----------------------------|-------------------|----------------------|
| 2005                     | \$31,390                   | \$29,005          | \$35,904             |
| 2006                     | 32,967                     | 30,497            | 38,144               |
| 2007                     | 33,888                     | 31,832            | 39,821               |
| 2008                     | 35,011                     | 33,374            | 41,082               |
| 2009                     | 34,077                     | 32,293            | 39,376               |
| 2010                     | 34,183                     | 33,019            | 40,277               |
| 2011                     | 35,426                     | 34,556            | 42,453               |
| 2012                     | 36,093                     | 35,585            | 44,266               |
| 2013                     | 35,881                     | 35,254            | 44,438               |
| 2014                     | 37,345                     | 37,091            | 46,049               |

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

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

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

| <b>Effective Buying<br/>Income Group</b> | <b>Albuquerque MSA</b> | <b>New Mexico</b> | <b>United States</b> |
|--|------------------------|-------------------|----------------------|
| Under \$25,000                           | 27.6%                  | 30.1%             | 24.8%                |
| \$25,000 - \$34,999                      | 12.9%                  | 13.3%             | 12.1%                |
| \$35,000 - \$49,999                      | 16.8%                  | 17.0%             | 16.7%                |
| \$50,000 - \$74,999                      | 19.9%                  | 18.5%             | 19.1%                |
| Over \$75,000                            | 22.7%                  | 21.2%             | 27.3%                |
| 2014 Est. Median<br>Household Income     | \$46,203               | \$44,292          | \$51,579             |
| 2015 Est. Median<br>Household Income     | \$48,234               | \$45,633          | \$53,706             |
| 2016 Est. Median<br>Household Income     | \$48,792               | \$45,445          | \$55,551             |

Source: © 2016 The Nielsen Company, *Sitereports*.

**FINANCIAL INFORMATION**

**General**

*Taxes and Revenues*

The City is a home rule charter municipality. No tax imposed by the governing body of a charter municipality, unless authorized by general law, becomes effective until approved at an election of its voters. Taxes authorized by general law that may be imposed without an election include a property tax for general purposes (up to a maximum of 7.65 mills), which is set by the State Department of Finance and Administration, and certain local-option gross receipts taxes, except that an election to impose certain local-option gross receipts taxes must be called if required by statute or if

the governing body provides in the ordinance that the tax shall not be effective until approved at an election or upon the filing of a petition meeting certain requirements requesting that an election be held. The City does not have the power to impose a tax on income.

The general policy of the City is to charge for services where those who benefit from the services are easily identified and charged according to their use and benefit. Thus, refuse, golf and airport services are intended to be 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 offset some of the costs of providing these services.

#### *Budget Process - Operating Funds*

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

#### *Budget Process - Estimates, Forecasting and Revision of Revenue Projections*

In May or June of each year the Council adopts a budget for the upcoming Fiscal Year (beginning July 1). The City prepares revenue forecasts for five-year periods (referred to as the "Five-Year Forecast") each December and updates the budget year forecast prior to introduction of the Mayor's proposed general fund budget. All revenue forecasts are prepared by the City 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 economists and others from City government, the University of New Mexico, State government and the private sector, reviews forecasts and makes recommendations. After incorporating any recommendations of the Advisory Committee, the Five-Year Forecast is presented to the Council. In response to changing conditions and revenue forecasts, the City may amend the budget at any time during the year.

### *Budget Process - Capital Funds*

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

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

### **The General Fund**

#### *General Fund Revenues.*

The General Fund is the City’s primary operating fund and is used to account for the general operations of the City and for all financial resources, except those required to be accounted for in another fund. The City has reserve accounts created by the City’s policy to reserve one-twelfth of the General Fund budgeted amount. Set forth below are discussions of General Fund revenues in Fiscal Year 2015, the approved Fiscal Year 2016 budget.

#### *Fiscal Year 2015 Approved Budget and Actual (Revenues).*

This section describes the Fiscal Year 2015 approved budget for revenues and the actual audited revenues.

The approved Fiscal Year 2015 budget for revenues were \$486.9 million, an increase of \$8.1 million or 1.7% above the estimated revenues for Fiscal Year 2014. The actual revenues are \$489.8 million. Although the actual revenues are \$2.9 million above budget, much of this increase was in one-time revenues. Recurring revenues were \$484.5 million, an increase of \$147 thousand from the original budget.

*Gross Receipts Taxes.* Gross receipts tax revenues were originally expected to increase 2.6% over Fiscal Year 2014 estimates. The increase was based on expected economic growth, but tempered by the fact that the Albuquerque economy continued to show little if any growth in jobs through the first eight months of Fiscal Year 2014. Total actual receipts were \$4.5 million, but \$1.7 million of this was a one-time distribution of funds recovered from previous years over payment to the Winrock Tax Increment District. Additionally, the state shared compensating tax and penalty and interest had one-time revenues of \$826 thousand.

*Local Tax Revenues.* Property tax revenues were originally expected to grow by 0.7%, and the final revenue was 1.2% or \$526 thousand above budget. Franchise fee revenues, including the Albuquerque Bernalillo County Water Authority (the “Water Authority”), were \$486 thousand above the budget, but this includes a \$559 thousand one-time accounting adjustment in franchise revenue from the Water Authority.

*Licenses and Permits.* Building permit revenues were originally expected to show relatively strong growth at 10% from the Fiscal Year 2014 estimate. Actual receipts for building permit revenue show a decline of 2% and are \$862 thousand below the budgeted revenue. Other permits revenues were below the budget by \$108 thousand due to a new sign permit fee that was not collected during the year.

*Charges for Services.* Charges for services are \$1.9 million below the budgeted level. Direct charges such as admission fees to City venues and charges to the public for services provided was \$308 thousand below budget. The indirect overhead charges to enterprise and capital funds were \$787 thousand below budget primarily due to lower than anticipated capital expenditures. The charges for direct management of capital projects were \$704 below the budget, but this has a direct offset in reduced general fund expenditures.

*Other Transfers.* Transfers from other funds were \$577 thousand above the budget due to a one-time revenue that was received from the operating grants fund.

#### *Fiscal Year 2016 Approved Budget (Revenues)*

This section describes the Fiscal Year 2016 approved budget for revenues. At the time of preparing the budget, the Fiscal Year 2015 revenues were estimated and not the actual numbers.

The approved Fiscal Year 2016 budget for revenues are \$499.3 million, an increase of \$9.5 million or 2.0% above the actual revenues for Fiscal Year 2015. Recurring revenues are budgeted to increase by 2.2% from the actual Fiscal Year 2015 revenues.

*Gross Receipts Taxes.* The recurring gross receipts tax revenues were expected to increase 2.5% over Fiscal Year 2015 estimates. There was \$1.7 million in one-time revenue in Fiscal Year 2015 from previous years over payment to the Winrock Tax Increment District. The increase was based on expected economic growth, but tempered by the first year of reductions in the food and medical hold harmless distribution estimated at \$2.2 million.

*Local Tax Revenues.* Property tax revenues were expected to grow by 1.2% and franchise fee revenues including the Water Authority are expected to be 1.2% above Fiscal Year 2015 levels.

*Licenses and Permits.* Building permit revenues were expected to show relatively strong growth at 5.7% from the Fiscal Year 2015 estimate. This estimate assumed that Fiscal Year 2015 was \$1.2 million below the original budget estimate and corresponds with the slower growth in building permit values. Other permits revenues show limited growth of approximately 1% and are tied to growth in population and the economy.

*Charges for Services.* Charges for services are expected to increase \$1.2 million from the estimate for Fiscal Year 2015. \$946 thousand of this increase is due to increases in the indirect overhead charges to other City funds.

*Other Transfers.* Transfers from other funds are expected to increase by \$1.7 million with \$1.6 million of this is due to one-time revenue that was received from the special assessments district fund as past projects were closed.

*Fiscal Year 2016 Approved Budget (Expenditures)*

The approved General Fund budget for Fiscal Year 2016 is \$504.5 million which reflects a 2.2% increase over the original Fiscal Year 2015 budget of \$493.4 million but less than a 1% increase over the revised budget that included mid-year appropriations of reserves for wage increases. The Fiscal Year 2016 budget includes \$10.8 million in non-recurring appropriations, mostly reverted dollars from the prior year.

Significant cost increases include employee pay adjustments targeted by collective bargaining units, transfers to debt service for new revenue bonds, and professional and contractual services for costs related the agreement between the US Department of Justice and APD.

Few but significant reductions were made in both directly funded capital purchases and transfers to other funds for capital purchases. Health care costs were held flat in part due to a successful wellness program and also due to a second year of Bernalillo County withdrawing from the City's pool of participants. The General Fund will not be subsidizing the Golf or Parking funds in Fiscal Year 2016, saving a few million dollars.

The City entered into another fuel hedge agreement for Fiscal Year 2016. Prices were locked in at \$2.58 per gallon for unleaded and \$2.81 per gallon for diesel, not including taxes. Both of these prices were pennies lower than the prices set for Fiscal Year 2015. By utilizing this financial tool, the City is able to create budget certainty in relation to fuel cost, allowing for available dollars to be re-allocated.

Less than one million was allocated for capital coming-on-line in this budget, primarily in Cultural Services for facilities being opened and in Municipal Development for new street lighting.

For the second straight year, one million is included in this budget to continue initiatives related to economic development. They include development of the Innovation District, collaboration with Sandia National Laboratories on commercialization of technology for job creation, expansion of international trade efforts, acceleration and development of graphic software businesses, education and mentorship of small business, as well as marketing Albuquerque as a place to move or expand businesses.

Revenues for Fiscal Year 2015 are re-estimated at \$488.9 million, \$2 million or 1% higher than the original Fiscal Year 2015 budget. The estimate for Fiscal Year 2016 is at \$499.4 million, \$10.4 million or 2.1% higher than the estimate for Fiscal Year 2015. GRT Revenue, which makes up 64% of General Fund Revenues, is anticipated to grow at 1.9% overall in Fiscal Year 2016 as compared to the estimated Fiscal Year 2015 amount. A detailed discussion of General Fund revenues is included in the "Revenue Analysis" section of this document.

Budgeted 2016 total General Fund reserves are at \$45.2 million. \$1.5 million of that is held for employee pay raises subject to negotiations through the collective bargaining process. The base reserve is \$42.1 million, representing 1/12 of appropriations as required by policy and state law. Beyond that, \$1 million is reserved for fiscal prudence. Other reserves include social service contracts and a runoff election at \$403 thousand and \$277 thousand, respectively.

The Fiscal Year 2016 General Fund budget reflects a 2.5% increase in revenue as compared to the original Fiscal Year 2015 budget and 2.1% increase as compared to the revised estimate for Fiscal Year 2015. Appropriations for the General Fund are 2.2% higher for Fiscal Year 2016 as compared to the original Fiscal Year 2015 budget, mostly the reflection of money appropriated from reserve for wage increases. Those wage increases were appropriated mid-year in Fiscal Year 2015 which is why the percentage increase is only 0.59% when comparing Fiscal Year 2016 to the estimated (revised) Fiscal Year 2015 column in the table below.

|                        | GENERAL FUND<br>in (\$000's) |                                      |  |  |  |                                      |   |
|------------------------|------------------------------|--------------------------------------|--|--|--|--------------------------------------|---|
|                        | ( <b>\$000's</b> )           | <b>Original<br/>Budget<br/>FY/15</b> | <b>Estimated<br/>Actual<br/>FY/ 15</b> | <b>Change<br/>Original<br/>FY/15 &amp;<br/>Est.<br/>FY/ 15</b> | <b>%<br/>Change<br/>Est. FY<br/>2015 to<br/>Original<br/>FY/15</b> | <b>Approved<br/>Budget<br/>FY/16</b> | <b>%<br/>Change<br/>Original<br/>FY/15 &amp;<br/>Appvd.<br/>FY/16</b> |
| <b>Revenue:</b>        |                              |                                      |  |  |  |                                      |   |
| Recurring              | \$484,643                    | \$484,496                            | (\$147)                                | -0.03%   | \$495,332  | 2.21%                                | 2.24%   |
| Non-recurring          | <u>2,233</u>                 | <u>4,392</u>                         | <u>2,159</u>                           | 96.69%   | <u>4,005</u>   | 79.36%                               | -8.81%  |
| TOTAL                  | \$486,876                    | \$488,888                            | \$2,012                                | 0.41%  | \$499,337  | 2.56%                                | 2.14%   |
| <b>Appropriations:</b> |                              |                                      |  |  |  |                                      |   |
| Recurring              | \$476,488                    | \$479,954                            | \$3,466                                | 0.73%  | \$493,635  | 3.60%                                | 2.85%   |
| Non-recurring          | <u>16,915</u>                | <u>21,565</u>                        | <u>4,650</u>                           | 27.49%   | <u>10,843</u>  | -35.90%                              | -49.72%   |
| TOTAL                  | \$493,403                    | \$501,519                            | \$8,116                                | 1.64%  | \$504,478  | 2.24%                                | 0.59%   |
| Recurring Balance      | \$8,155                      | \$4,542                              |  |  | \$1,697  |                                      |   |

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## General Fund Balances

The following table shows actual revenues, expenditures and fund balances for the General Fund in Fiscal Years 2011-2015 and the approved budget for Fiscal Year 2016.

|  | Actual<br>2011 | Actual<br>2012 | Actual<br>2013 | Actual<br>2014 | Actual<br>2015 | Approved<br>Budget<br>2016 | Average<br>Annual Chg<br>11-16 budget |
|--|----------------|----------------|----------------|----------------|----------------|----------------------------|---------------------------------------|
| <b>REVENUES</b>  |                |                |                |                |                |                            |                                       |
| Taxes:   |                |                |                |                |                |                            |                                       |
| Property Tax   | \$74,578       | \$76,802       | \$77,720       | \$78,282       | \$79,233       | \$80,320                   | 1.5%                                  |
| Gross Receipts Tax                                     | 114,789        | 116,721        | 117,955        | 120,695        | 125,628        | 127,101                    | 2.1%                                  |
| Other Taxes  | 18,186         | 20,321         | 19,563         | 19,764         | 19,397         | 19,996                     | 1.9%                                  |
| Water Authority PILOT/<br>Franchise                    | 5,323          | 5,900          | 6,006          | 5,513          | 7,065          | 7,384                      | 6.8%                                  |
| Payment in lieu of taxes                               | 1,741          | 1,756          | 1,706          | 1,714          | 1,847          | 1,756                      | 0.2%                                  |
| <b>Total Taxes</b>                                     | <b>214,617</b> | <b>221,501</b> | <b>222,950</b> | <b>225,968</b> | <b>233,170</b> | <b>236,557</b>             | <b>2.0%</b>                           |
| Licenses & Permits                                     | 9,629          | 10,370         | 11,342         | 11,705         | 11,307         | 11,314                     | 3.3%                                  |
| Intergovernmental Revenue:                             |                |                |                |                |                |                            |                                       |
| State and Federal Grants                               | 114            | 118            | 262            | 55             | --             | --                         | (100.0)%                              |
| State-Shared Revenue:                                  |                |                |                |                |                |                            |                                       |
| Gross Receipts Tax <sup>(1)</sup>                      | 173,587        | 176,610        | 178,753        | 182,859        | 190,912        | 192,892                    | 2.1%                                  |
| Other State-Shared                                     | 4,757          | 4,429          | 4,040          | 4,516          | 4,062          | 4,110                      | (2.9)%                                |
| County   | 308            | 290            | 448            | 238            | 264            | 257                        | (3.6)%                                |
| <b>Total Intergovernmental Revenue</b>                 | <b>178,766</b> | <b>181,447</b> | <b>183,503</b> | <b>187,667</b> | <b>195,239</b> | <b>197,259</b>             | <b>2.0%</b>                           |
| Charges for Services                                   | 41,162         | 45,558         | 44,088         | 46,036         | 45,848         | 48,274                     | 3.2%                                  |
| Miscellaneous  | 2,362          | 2,782          | 2,825          | 2,235          | 1,648          | 2,130                      | (2.0)%                                |
| Other Transfers  | 6,057          | 3,581          | 3,407          | 4,319          | 2,624          | 3,803                      | (8.9)%                                |
| <b>TOTAL REVENUES</b>                                  | <b>452,591</b> | <b>465,239</b> | <b>468,114</b> | <b>477,930</b> | <b>489,836</b> | <b>499,337</b>             | <b>2.0%</b>                           |
| Beginning Fund Balance                                 | 45,163         | 53,225         | 59,223         | 58,339         | 63,444         | 51,013                     | 2.5%                                  |
| <b>TOTAL RESOURCES</b>                                 | <b>497,754</b> | <b>518,464</b> | <b>527,338</b> | <b>536,269</b> | <b>553,280</b> | <b>550,350</b>             | <b>2.0%</b>                           |
| <b>EXPENDITURES</b>                                    |                |                |                |                |                |                            |                                       |
| General government                                     | 64,739         | 64,966         | 66,093         | 64,215         | 66,072         | NA                         |                                       |
| Public safety  | 218,142        | 220,378        | 219,690        | 217,958        | 229,495        | NA                         |                                       |
| Cultural and recreation                                | 67,623         | 68,121         | 68,892         | 71,129         | 70,082         | NA                         |                                       |
| Municipal Development (Public<br>Works and Streets)    | 23,899         | 24,507         | 25,338         | 24,110         | 29,477         | NA                         |                                       |
| Health   | 15,878         | 16,090         | 16,793         | 15,951         | 16,340         | NA                         |                                       |
| Human services   | 27,389         | 28,176         | 28,747         | 29,346         | 31,397         | NA                         |                                       |
| Other transfers out                                    | 28,362         | 37,002         | 43,447         | 50,118         | 47,108         | NA                         |                                       |
| <b>TOTAL EXPENDITURES</b>                              | <b>446,032</b> | <b>459,240</b> | <b>468,999</b> | <b>472,826</b> | <b>489,971</b> | <b>504,478</b>             | <b>2.5%</b>                           |
| <b>ENDING FUND BALANCE</b>                             | <b>51,723</b>  | <b>59,223</b>  | <b>58,339</b>  | <b>63,443</b>  | <b>63,309</b>  | <b>45,872</b>              | <b>(2.4)%</b>                         |
| <b>TOTAL ADJUSTMENTS</b>                               | <b>(2,879)</b> | <b>(2,994)</b> | <b>(2,185)</b> | <b>(3,249)</b> | <b>(3,470)</b> | <b>(72)</b>                |                                       |
| Reserves   | 37,961         | 41,094         | 41,454         | 44,935         | 42,842         | 45,207                     | 3.6%                                  |
| <b>AVAILABLE FUND BALANCE</b>                          | <b>10,883</b>  | <b>15,135</b>  | <b>14,700</b>  | <b>15,259</b>  | <b>16,997</b>  | <b>593</b>                 |                                       |
| Ending fund balance as percent of<br>total expenditure | 11.6%          | 12.9%          | 12.4%          | 13.4%          | --             | 9.1%                       |                                       |
| Recurring revenues                                     | 449,557        | 462,059        | 465,784        | 471,811        | 484,920        | 495,332                    | 2.0%                                  |
| Recurring expenditures                                 | 441,549        | 447,242        | 455,484        | 455,670        | 465,657        | 493,635                    | 2.3%                                  |

(1) Includes the municipal share of compensating tax and penalty and interest.

Sources: City of Albuquerque Comprehensive Annual Financial Reports; City of Albuquerque, Department of Finance and Administrative Services.

## Revenues

### *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. The State Gross Receipts Tax distribution to a municipality equals 1.225% of the gross receipts collected in that municipality, including a make-whole payment from the State to the City related to deductions for certain medical and food purchases. In addition to the 1.225% gross receipts tax distribution, intergovernmental revenues include distributions of gasoline tax revenues, motor vehicle fees, and a municipal share of the State compensating tax.

### *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 Local Option Gross Receipts Taxes Act (Sections 7-19D-1, et seq. NMSA 1978, as amended) to impose up to 1.50% municipal gross receipts tax on the gross receipts of any person engaging in business in the City. The municipal gross receipts tax imposed by the City on January 1, 2016 is 1.00%. The City is statutorily authorized to impose a municipal infrastructure gross receipts tax in the maximum amount of 0.25%. Currently, the City imposes a 0.0625% municipal infrastructure gross receipts tax for general purposes. The City has authority to impose an additional 0.0625% municipal infrastructure gross receipts tax for general purposes without a referendum and may impose, with voter approval, an additional 0.125% municipal infrastructure gross receipts tax for general municipal purposes, infrastructure, regional transit and/or economic development. The City has authority to impose a 0.0625% municipal environmental services gross receipts tax and a 0.25% municipal capital outlay gross receipts tax for municipal infrastructure and other purposes, but has not imposed these taxes.

Real Property Tax. The City is authorized to impose a maximum levy of 7.650 mills for City operations. In Fiscal Year 2015, 6.544 mills were imposed on residential property and 6.544 mills were imposed on commercial property. These revenues are subject to yield control. See "Property Taxes" below.

Charges for Services. Many services provided by the City's General Fund agencies are provided to the public or other governmental entities on a fee basis. Services for which fees are charged include engineering services, patching and paving, filings of plats and subdivisions, photocopying, sales of maps and publications, bio-park, museums, 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.

## **Property Taxes**

### *Generally*

The State Constitution limits the rate of real property taxes which all taxing jurisdictions can levy for operations to a maximum of 20 mills (\$20.00 per \$1,000 of assessed valuation). Beginning in Fiscal Year 1987, the maximum levy for City operations (the “operational levy”) has been 7.650 mills. The operational levy is subject to yield control. The yield control provisions of Section 7-37-7.1 NMSA 1978, as amended, require that the Local Government Division of the New Mexico Department of Finance and Administration annually adjust operational mill levies subject to yield control after the reassessment of property to prevent revenues on locally assessed residential and non-residential properties from increasing by more than the sum of 5% for inflation plus the growth in the tax base due to new value. In cases in which a rate is set for a governmental unit that is imposing a newly authorized rate pursuant to Section 7-37-7 NMSA 1978, the rate must be at a level that will produce in the first year of imposition revenues no greater than that which would have been produced if the valuation of property subject to the imposition had been the valuation in the Tax Year in which the increased rate was authorized by the taxing district. The yield control provisions do not apply to the property tax levy imposed to pay debt service on outstanding general obligation debt.

A 1998 amendment to the State Constitution allows the State Legislature to enact legislation providing for the assessment of residential properties at levels different than the current estimated market value of a home on the basis of age of the owner, 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 (“Statutory Valuation Cap”). 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. The constitutionality of the Statutory Valuation Cap has been challenged in a number of venues and the most recent challenge was certified to the New Mexico Court of Appeals. On March 28, 2012, the New Mexico Court of Appeals upheld the Statutory Valuation Cap and its application under Section 7-36-21.2 NMSA 1978. The New Mexico Supreme Court affirmed this decision on June 30, 2014. To the extent that judicial or legislative action is taken or a further constitutional amendment is passed amending the valuation provisions, it could have a material impact on the valuation of residential property.

*Rates*

The total rates for City property taxes in effect for Tax Year 2015 (Fiscal Year 2016) are 11.520 mills for residential and 11.520 mills for commercial property. As set by the State Department of Finance and Administration, the general obligation bond debt service levy for Tax Year 2015 (Fiscal Year 2016) is 4.976 mills and the operational levy is 6.544 mills residential and 6.544 mills non-residential.

| <b>Purpose of Property Tax</b> | <b>Total Taxing Authority</b> | <b>Levy Imposed</b> | <b>Unused Authority</b> |
|--------------------------------|-------------------------------|---------------------|-------------------------|
| Operations:                    |                               |                     |                         |
| Residential                    | 7.650 mills                   | 6.544 mills         | 1.106 mills             |
| Commercial                     |                               | 6.544 mills         | 1.106 mills             |
| Debt Service: <sup>(1)</sup>   | 12.000 mills <sup>(2)</sup>   |                     |                         |
| Residential                    |                               | 4.976 mills         | 7.024 mills             |
| Commercial                     |                               | 4.976 mills         | 7.024 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. The 12 mill limitation is applicable at the time of bond issuance and prohibits issuance of a general obligation bond if the anticipated mill levy necessary to satisfy debt service is greater than 12 mills. An existing general obligation can require imposition of the mill levy in excess of 12 mills if so required to meet debt service obligations.

Source: City of Albuquerque, Office of City Treasurer.

State law mandated a statewide reassessment of properties in 1986 (Fiscal Year 1987), when 1980 market values became the basis for determining assessed valuation. Subsequent statewide reassessments were conducted in 1990 and odd numbered years thereafter each of which brought valuations in line with the market value of two years prior to such reassessment. It is anticipated that the State, through County Assessor offices, will continue the policy of biennial reassessments to maintain valuation at current and correct value, as required by statute.

*Limits Regarding General Obligation Indebtedness*

The aggregate amount of general obligation indebtedness of the City for general purposes under the State Constitution is limited 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.

**CITY OF ALBUQUERQUE**  
**Summary of Outstanding Obligations**  
**as of January 1, 2016**

|   | <b><u>CURRENTLY<br/>OUTSTANDING</u></b> |
|---|---|
| <b>GENERAL OBLIGATION BONDS:</b>                              |   |
| General Purpose G.O. Bonds<br>(Subject to 4% debt limitation) | \$313,065,000                           |
| Storm Sewer G.O. Bonds<br>(Secured by Ad Valorem taxes)       | <u>29,656,000</u>                       |
| <b>TOTAL GENERAL OBLIGATION BONDS</b>                         | <b><u>\$342,721,000</u></b>             |
| <b>REVENUE BONDS:</b>   |   |
| State Shared GRT/Lodgers/Hospitality/Stadium                  | 220,590,000                             |
| Airport Revenue   | 44,550,000                              |
| Fire Protection Fund  | <u>1,213,967</u>                        |
| <b>TOTAL REVENUE BONDS</b>                                    | <b><u>\$266,353,967</u></b>             |
| <b>TOTAL G.O. AND REVENUE BONDS</b>                           | <b><u>\$609,074,967</u></b>             |

*Tax Administration*

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

**CITY OF ALBUQUERQUE**  
**Net Taxable Property Values**

| <b>Tax Year<sup>(1)</sup></b> | <b>Real Property</b> | <b>Corporate Property</b> | <b>Personal Property</b> | <b>Net Taxable Valuation</b> | <b>Percent (%) Growth Per Year</b> |
|-------------------------------|----------------------|---------------------------|--------------------------|------------------------------|------------------------------------|
| 2006                          | \$9,133,223,501      | \$342,401,308             | \$382,543,969            | \$9,858,168,778              | 5.92%                              |
| 2007                          | 10,175,391,552       | 367,219,331               | 407,155,155              | 10,949,766,038               | 11.07%                             |
| 2008                          | 10,767,888,832       | 374,068,647               | 439,054,344              | 11,581,011,823               | 5.76%                              |
| 2009                          | 11,535,490,917       | 325,907,636               | 437,678,107              | 12,299,076,660               | 6.20%                              |
| 2010                          | 11,125,742,821       | 383,474,990               | 411,248,499              | 11,920,466,310               | (3.08%)                            |
| 2011                          | 11,170,440,616       | 391,592,916               | 389,396,311              | 11,951,429,843               | 0.26%                              |
| 2012                          | 11,091,666,660       | 398,029,323               | 386,693,492              | 11,876,389,475               | (0.63%)                            |
| 2013                          | 11,221,053,442       | 364,457,735               | 381,535,217              | 11,967,046,394               | 0.76%                              |
| 2014                          | 11,449,353,201       | 384,857,648               | 394,383,841              | 12,228,594,690               | 2.19%                              |
| 2015                          | 11,639,318,991       | 367,466,788               | 407,355,017              | 12,414,140,796               | 1.52%                              |

(1) County Tax Year begins November 1 and ends October 31. Figures are as of October in each year.

Source: Bernalillo County Treasurer's Office.

**Principal Ad Valorem Taxpayers for Tax Year 2015 (Fiscal Year 2016)<sup>(1)</sup>**

| <b>Name of Taxpayer</b>                       | <b>Taxable Value<sup>(2)</sup><br/>2015 Assessed</b> | <b>Percentage of<br/>Total City<br/>Assessed<br/>Valuation</b> |
|---|--|--|
| Public Service Co. of New Mexico              | \$130,327,894  | 1.07%  |
| Qwest Communications                          | 53,132,831   | 0.44   |
| Gas Company of New Mexico                     | 29,380,758   | 0.24   |
| Comcast                                       | 29,314,993   | 0.24   |
| Southwest Airlines                            | 17,785,971   | 0.13   |
| Verizon                                       | 17,421,195   | 0.13   |
| Mall at Cottonwood LLC                        | 15,960,737   | 0.12   |
| Coronado Center LLC                           | 13,565,606   | 0.11   |
| AHS Medical Center                            | 12,049,803   | 0.10   |
| T-Mobile                                      | <u>11,567,459</u>                                    | <u>0.09</u>  |
| Top Ten Centrally and Locally Assessed Values | <u>\$330,507,247</u>                                 | <u>2.57%</u>   |

(1) Major taxpayers are those taxpayers that have a tax bill on a single piece of property of at least \$50,000. In figuring the total tax bills for these taxpayers, only their properties with tax bills of \$50,000 or more are included except Public Service Company (PNM), which has multiple tax bills. The list is compiled once a year, usually in November, and does not reflect final net taxable values. As a result of methodology, year to year comparisons may not be meaningful.

(2) The aggregate net taxable value of the top 10 taxpayers for Tax Year 2015 represents only 2.71% of the total net taxable value of the City for 2015. See the following table entitled "City of Albuquerque History of Property (Ad Valorem) Tax Levy and Collection."

Source: Bernalillo County Treasurer's Office.

**CITY OF ALBUQUERQUE**  
**History of Property (Ad Valorem) Tax Levy and Collection**

| <b>Fiscal Year</b> | <b>Total Current Tax Levy<sup>(1)</sup></b> | <b>Current Tax Collections</b> | <b>Percent of Levy Collected</b> | <b>Delinquent Tax Collections</b> | <b>Total Tax Collections</b> | <b>Total Collections as Percent of Current Levy</b> | <b>City Debt Service Collections</b> | <b>Percent of Total City Levy</b> |
|--------------------|---|--------------------------------|----------------------------------|-----------------------------------|------------------------------|---|--------------------------------------|-----------------------------------|
| 2006               | \$102,290,447                               | \$99,100,903                   | 96.88%                           | \$3,189,545                       | \$102,311,301                | 100.00%   | \$75,054,147                         | 73.4%                             |
| 2007               | 109,792,820                                 | 106,845,546                    | 97.32                            | 2,374,766                         | 109,220,312                  | 99.48   | 77,749,060                           | 70.8                              |
| 2008               | 121,288,852                                 | 117,075,560                    | 96.53                            | 4,107,018                         | 121,182,579                  | 99.53   | 86,949,406                           | 71.7                              |
| 2009               | 128,353,335                                 | 123,524,371                    | 96.24                            | 4,828,964                         | 125,672,518                  | 97.65   | 89,078,618                           | 69.4                              |
| 2010               | 135,374,474                                 | 129,018,014                    | 95.30                            | 6,356,460                         | 132,348,719                  | 96.17   | 59,720,924 <sup>(2)</sup>            | 43.4                              |
| 2011               | 133,928,778                                 | 128,514,900                    | 95.96                            | 4,345,808                         | 132,969,224                  | 97.76   | 58,388,075                           | 43.6                              |
| 2012               | 137,680,758                                 | 130,707,502                    | 94.94                            | 4,732,716                         | 135,440,218                  | 98.37   | 58,638,356                           | 42.6                              |
| 2013               | 136,815,825                                 | 132,352,911                    | 96.74                            | 4,535,781                         | 136,888,692                  | 100.05  | 59,168,200                           | 43.2                              |
| 2014               | 137,860,639                                 | 133,570,662                    | 96.89                            | 4,407,888                         | 137,978,550                  | 100.09  | 59,696,156                           | 43.3                              |
| 2015               | 140,181,218                                 | 135,987,851                    | 97.01                            | 4,014,171                         | 140,002,021                  | 99.87   | 60,768,736                           | 43.4                              |

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

(2) Decline in debt service collections due to shift in mill levy designation from debt service to operations.

Source: Bernalillo County Treasurer's Office.

**CITY OF ALBUQUERQUE**  
**Property Tax Rates**  
**Weighted Average Residential and Non-Residential**  
**Per \$1,000 Assessed Valuation**  
**All Overlapping Governmental**

| <b>Fiscal Year</b> | <b>Total Tax Levy</b> | <b>City</b> | <b>Bernalillo County</b> | <b>State of New Mexico</b> | <b>Abq. Public Schools</b> | <b>Central NM Community College</b> | <b>Flood Control Authority</b> | <b>UNM Hospital</b> | <b>Conservancy District</b> |
|--------------------|-----------------------|-------------|--------------------------|----------------------------|----------------------------|-------------------------------------|--------------------------------|---------------------|-----------------------------|
| 2006               | 44.367                | 11.080      | 8.369                    | 1.234                      | 8.415                      | 3.069                               | 0.920                          | 6.317               | 4.963                       |
| 2007               | 44.766                | 11.148      | 8.575                    | 1.291                      | 8.489                      | 3.489                               | 0.936                          | 6.487               | 4.655                       |
| 2008               | 46.169                | 11.112      | 8.464                    | 1.250                      | 10.582                     | 3.151                               | 0.926                          | 6.429               | 4.255                       |
| 2009               | 46.535                | 11.180      | 8.697                    | 1.150                      | 10.637                     | 3.187                               | 0.937                          | 6.500               | 4.247                       |
| 2010               | 46.958                | 11.410      | 8.500                    | 1.530                      | 10.656                     | 3.271                               | 0.931                          | 6.400               | 4.260                       |
| 2011               | 47.285                | 11.410      | 8.825                    | 1.530                      | 10.656                     | 3.273                               | 0.931                          | 6.400               | 4.260                       |
| 2012               | 42.831                | 11.520      | 8.907                    | 1.362                      | 10.645                     | 3.322                               | 0.934                          | 6.400               | 4.368                       |
| 2013               | 43.089                | 11.520      | 9.082                    | 1.360                      | 10.652                     | 3.400                               | 0.935                          | 6.400               | 4.313                       |
| 2014               | 44.232                | 11.520      | 9.511                    | 1.360                      | 10.653                     | 3.935                               | 0.935                          | 6.400               | 4.325                       |
| 2015               | 44.185                | 11.520      | 9.461                    | 1.360                      | 10.729                     | 3.423                               | 0.932                          | 6.357               | 4.536                       |

Source: Bernalillo County Treasurer's Office.

## **Gross Receipts Taxes**

### *State Gross Receipts Taxes*

Imposition of Tax. The Gross Receipts and Compensating Tax Act (Sections 7-9-1 through 7-9-91 NMSA 1978, as amended), authorizes the State to impose the State gross receipts tax, (the “State Gross Receipts Tax”) which is currently levied by the State for the privilege of doing business in the State and is collected by the State Taxation and Revenue Department (the “Department”). The State Gross Receipts Tax is currently levied at 5.125% of taxable gross receipts. Of the 5.125 cents collected per dollar of taxable gross receipts reported for a particular municipality, 1.225 cents are remitted monthly to each municipality based on the prior month’s filings. The total gross receipts tax rate imposed in the City effective on July 1, 2015 is 7.1875%.

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 the value of other consideration received from selling property in the State (including tangible personal property handled on consignment in the State), from leasing or licensing property employed in the State, from granting a right to use a franchise employed in the State, from selling services performed outside the State, the product of which is initially used in the State or from performing services in the State. The definition of gross receipts principally excludes cash discounts allowed and taken, governmental gross receipts tax, leased vehicle gross receipts tax, local option gross receipts tax and Indian nation sales taxes payable on transactions for the reporting period, any type of time-price differential, amounts received solely on behalf of another in a disclosed agency capacity and amounts received by a New Mexico florist from the sale of flowers under certain circumstances. Unlike most other states, the State taxes sales and services, including legal services, utilities and certain medical services. The tax rate for construction businesses is determined by the location of each construction project. The tax rate for utilities is determined by the location of the meter used to record the amount of service consumed by the customer or the location of the telephone set. For cellular service, it is the location of the customer’s place of primary use.

Exemptions. Some activities and industries are exempt from the Gross Receipts Tax Act, many by virtue of their taxation under other laws. Exemptions include but are not limited to receipts of governmental agencies and certain organizations, certain paid but unrefunded receipts from sales of gasoline or alternative fuel, and receipts from the sale of vehicles, occasional sales of property or services, wages, certain agricultural products, dividends and interest, receipts from the sale or leasing of natural gas, oil or mineral interests. Various deductions are 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 the sale of certain construction services, receipts from processing certain agricultural products, receipts from certain publication sales, and certain receipts from interstate commerce transactions. Deductions include sales or leases to manufacturing entities, entities intending to resell or lease, sales or leases to those in construction, prescription drugs, certain hospital receipts, sales of food, Medicare payments and certain software development services. There are numerous exemptions and deductions from gross receipts taxation. However, the

general presumption is that all receipts of a person engaging in business are subject to the Gross Receipts Tax Act.

Administration of the Tax. Businesses must make their payments of State Gross Receipts Tax on or before the twenty-fifth of each month for taxable events in the prior month. Collection of the State Gross Receipts tax is administered by the Revenue Division of the Department (the “Revenue Division”), pursuant to Section 7-1-6 NMSA 1978. 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 following disbursements to the municipalities in the State. The Revenue Division remits monthly to municipalities, including the City, an amount equal to the product of the quotient of 1.225% divided by the tax rate times the net receipts (total amount paid by taxpayers less any refunds disbursed) attributable to the gross receipts of businesses located in the municipality and other designated areas.

Remedies for Delinquent Taxes. The Revenue Division may assess State Gross Receipts Taxes to a taxpayer who has not paid the taxes due to the State. If any taxpayer to whom State Gross Receipts Taxes have been assessed or upon whom demand for payment has been made does not make payment thereof (or protest the assessment or demand for payment) within 30 days after the date of assessment or demand for payment, the taxpayer becomes a delinquent taxpayer. Such taxpayer remains delinquent until payment of all the taxes due, including interest and penalties, or until security is furnished for the payment thereof. The Revenue Division 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 tax from the first day following the day on which it is due at the rate of 15.0% per year, compiled on a daily basis, until paid, without regard to any installment agreement. However, if the State Gross Receipts Tax is paid within ten days after demand is made, no interest shall be imposed for the period after the date of demand.

The Revenue Division 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.

Historical Revenues. The state-shared gross receipts tax revenues received by the City for the past five fiscal years are as follows:

**Historical State Gross Receipts Tax Revenues**

| <b>Fiscal Year</b> | <b>Revenues<sup>(1)</sup></b> |
|--------------------|-------------------------------|
| 2010               | \$166,120,127                 |
| 2011               | 171,037,029                   |
| 2012               | 173,705,642                   |
| 2013               | 176,024,010                   |
| 2014               | 180,279,311                   |
| 2015               | 187,090,628                   |

(1) In the 2013 legislative session, legislation was adopted that begins reductions in Fiscal Year 2016 of payments from the State to municipalities, including the City, related to tax deductions for food and medical expenses. The payments, under Section 7-1-6.46 NMSA 1978, were implemented when the deductions became law and were designed to make the municipalities financially whole as related to those deductions. The legislation also authorizes additional local option tax authority for municipalities if they choose to enact them. The City does not currently have plans to impose any of this additional taxing authority. This legislation will negatively impact the City’s gross receipts tax revenues in the future.

Source: City of Albuquerque, Department of Finance and Administrative Services. Calculated based on reports from the New Mexico Taxation and Revenue Department.

Certain of the revenues received from this tax are pledged to the payment of gross receipts tax bonds of the City. Some of those bonds are also secured by other revenues of the City, such as lodgers’ taxes.

State Legislative Modifications Related to Pledged Gross Receipts Tax. Revisions to laws of the State affecting taxed activities and distributions of gross receipts tax revenues could be adopted in the future by the State Legislature. Proposals affecting taxed activities and distributions are frequently considered by the State Legislature. There is no assurance that any future revisions to State laws 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 include a provision stating that any law which authorizes the pledge of revenues to the payment of revenue bonds, or which affects the pledged revenue “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.”

In the 2004 Legislative Session, a bill was adopted by the Legislature and signed into law that relieved from gross receipts taxes (i) food or food products for home consumption sold at an establishment that sells food for home preparation and consumption and (ii) receipts from payments by a managed health care provider or health care insurer for commercial contract services or Medicare Part C services provided by a health care provider. See Section 7-1-6.46 NMSA 1978. The laws also provides, pursuant to Section 7-1-6.46 NMSA 1978, for distribution from the State general fund to municipalities to offset any reduced gross receipts tax distributions resulting from the food and health care services tax relief effected by Section 7-1-6.46 (the “Make-Whole Distributions”).

In the 2012 legislation session, the State Legislature amended the State Gross Receipts and Compensating Tax Act as related to certain manufacturing and construction gross receipts.

Specifically, the amendment expanded the gross receipts tax deductions for sales of tangible property to manufacturers to include property consumed in the process of manufacturing, excluding tools and equipment. Additionally, the definition of “construction services” was expanded thereby increasing the scope of the deduction for sale of construction services to persons engaged in the construction business. Both of these amendments are phased in over the next several fiscal years. The full year impact of both the manufacturing and construction deductions in Fiscal Year 2017 is estimated to be a reduction in State-Shared Gross Receipts Tax Revenues of approximately \$5 million. Additionally, it reduces the City’s expected growth in gross receipts tax by 1% in Fiscal Year 2015 declining to 0.3% a year by Fiscal Year 2017.

In the 2013 New Mexico legislative session, legislation was adopted that begins reductions in Make-Whole Distributions starting in Fiscal Year 2016 related to tax deductions for food and medical expenses. The Make-Whole Distributions, under Section 7-1-6.46 NMSA 1978, were implemented when the deductions became law and were designed to make the municipalities financially whole as related to those deductions. Historically, the Make-Whole Distributions represent approximately 10% of the City’s gross receipts tax distributions from the State. The Make-Whole Distributions will be reduced incrementally over a 15-year period. This legislation is projected to negatively impact the City’s gross receipts tax revenues with an estimated decrease of \$2.3 million in Fiscal Year 2016 for all gross receipts taxes, and negatively impact the City’s projected gross receipts tax growth rate by 0.7% over the life of the reductions. The negative impact on State-Shared Gross Receipts Tax Revenues is projected to be approximately \$1.4 million in Fiscal Year 2016. To offset the negative financial impact, the legislation also authorizes additional local option tax authority for municipalities, up to 0.375%, if they choose to enact it. The City does not currently have plans to impose any of this additional taxing authority.

Other amendments to State laws affecting taxed activities and distribution of gross receipts tax revenues have been proposed from time to time and 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.

#### *Municipal and Other Gross Receipts Taxes*

Imposition of Tax. In addition to receiving a distribution from the State, the Municipal Local Option Gross Receipts Taxes Act (Sections 7-19D-1 through 7-19D-16 NMSA 1978, as amended) authorizes the City under State law to impose up to 1.50% municipal gross receipts tax in increments of one-eighth of one percent on the gross receipts of any person engaging in business in the City. The City currently imposes 1.00% municipal gross receipts tax. One half of one percent (0.50%) is used for general purposes. 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. A 0.25% increment of municipal gross receipts tax is imposed to provide for public safety, a variety of social-service programs and detention facility expenses. The City has also imposed a 0.0625% municipal infrastructure gross receipts tax for general purposes. The City has authority to impose, but has not imposed a second 0.0625% municipal infrastructure gross receipts tax, without a referendum; an additional 0.125% municipal infrastructure tax for general municipal

purposes, infrastructure, regional transit and/or economic development, with a positive referendum; a 0.25% municipal capital outlay gross receipts tax for municipal infrastructure and other purposes, with a positive referendum; and a 0.0625% municipal environmental services gross receipts tax without a referendum. Also, under legislation passed in the 2013 State legislative session, the City is authorized to impose up to 0.375% in gross receipts taxes related to the reduction in hold-harmless payments from the State. The City has currently not elected to impose any of this taxing authority. If the City becomes a member of a regional transit district, upon request from the district, the City, after an election approving the tax, is required to impose a municipal regional transit gross receipts tax of up to 0.5% for a public transit system or public transit projects or services for the district. The tax may be imposed in increments of 0.0625%.

On December 18, 2006, the City Council formed five tax increment development districts (the “Districts”) for the Mesa del Sol project in southeast Albuquerque. Pursuant to the City Council’s action, 67% of certain gross receipts tax generated within the Districts will be available for payment of bonds, the proceeds of which will be used for construction of public infrastructure within the Districts by the developer of the project. The remaining 33% of applicable gross receipts tax revenues generated within the Districts but not dedicated to Mesa del Sol will flow to the City. It is anticipated that these tax increment revenues that the City has dedicated to the Districts will be pledged to future issuance of the Districts’ tax increment revenue bonds. The state began collecting tax revenues for the Districts in January 2008. On October 27, 2009, District No. 1 issued its Taxable Short-Term Revenue Bond, Series 2009A which was retired on October 28, 2009. On December 9, 2011, District No. 1 issued its Taxable Short-Term Revenue Bond, Series 2011 which was retired on December 12, 2011. On December 4, 2012, District No. 1 issued its Taxable Short-Term Revenue Bond, Series 2012 which was retired on December 5, 2012. On December 19, 2013, District No. 1 issued its Taxable Short-Term Revenue Bond, Series 2013 which was retired on December 20, 2013. On December 16, 2014, District No. 1 issued its Taxable Short-Term Revenue Bond, Series 2014 which was retired on December 17, 2014. On August 4, 2015, District No. 1 issued its Taxable Short-Term Tax Increment Revenue Bond, Series 2015 which was retired on August 5, 2015. The Districts’ obligations are not the obligations of the City.

On October 6, 2008, the City formed tax increment development districts for Winrock Town Center and Quorum at ABQ Uptown. In 2012, the City dissolved the Quorum at ABQ Uptown tax increment development district and is negotiating a rebate payment to the City from the developer. The Winrock Town Center Tax Increment Development District 1 (“Winrock District 1”) and the Winrock Town Center Tax Increment Development District 2 (collectively, the “Winrock Districts”) continue in existence. The City dedicated 70% of certain local option gross receipts tax increments and 75% of property tax increment generated within the Winrock Districts. On July 8, 2015, Winrock District 1 issued its Senior Lien Gross Receipts Tax Increment Bonds, Series 2015 in the aggregate principal amount of \$43,325,000. The tax increment revenues that the City dedicated to the Winrock Districts are pledged to such tax increment revenue bonds that are financing public infrastructure improvements that will ultimately be dedicated to the City.

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

**CITY OF ALBUQUERQUE**  
**Historical Municipally Imposed Gross Receipts Tax Revenues**

| <b>Fiscal Year</b> | <b>Revenues</b> |
|--------------------|-----------------|
| 2011               | \$144,543,941   |
| 2012               | 149,966,442     |
| 2013               | 143,258,103     |
| 2014               | 146,394,108     |
| 2015               | 151,903,863     |

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

*Taxing Authority and Payments*

The following table outlines the gross receipts taxes (“GRT”) imposed and to be paid to the State, the City and County by businesses in the City.

**Fiscal Year 2015 Gross Receipts Tax Rate**  
**(as of January 1, 2016)**

| <b>Type of Tax &amp; Purpose</b> | <b>Percentage Imposed</b> |
|----------------------------------|---------------------------|
| Municipal GRT                    | 1.0000%                   |
| Municipal Infrastructure GRT     | 0.0625                    |
| Bernalillo County GRT            | 1.0000                    |
| State-Shared GRT                 | 1.2250                    |
| State GRT                        | <u>3.9000</u>             |
| Total                            | <u>7.1875%</u>            |

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.

**Fiscal Year 2015 Taxing Authority and Gross Receipts Tax Imposed  
For the Benefit of the City of Albuquerque (as of January 1, 2016)**

| <b>Type of Tax<br/>&amp; Purpose</b> | <b>Total Taxing<br/>Authority</b> | <b>Percentage<br/>Imposed</b> | <b>Unused Authority</b> |
|--------------------------------------|-----------------------------------|-------------------------------|-------------------------|
| Municipal GRT                        |                                   |                               |                         |
| General Purposes                     | 0.5000%                           | 0.5000%                       | 0.0000%                 |
| Basic Services                       | 0.5000                            | 0.0000                        | 0.5000                  |
| Transportation                       | 0.2500                            | 0.2500                        | 0.0000                  |
| Public Safety                        | <u>0.2500</u>                     | <u>0.2500</u>                 | <u>0.0000</u>           |
| <i>Total Municipal GRT</i>           | <u>1.5000%</u>                    | <u>1.0000%</u>                | <u>0.5000%</u>          |
| Municipal Infrastructure GRT         |                                   |                               |                         |
| 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         | 0.2500                            | 0.0000                        | 0.2500                  |
| Quality of Life GRT                  | 0.2500                            | 0.0000                        | 0.2500                  |
| Hold Harmless GRT                    | 0.3750                            | 0.0000                        | 0.3750                  |
| <i>Total Other GRT</i>               | <u>1.1875%</u>                    | <u>0.0625%</u>                | <u>1.1250%</u>          |
| Total Impositions by the City        |                                   | <u>1.0625%</u>                |                         |
| State-Shared GRT                     |                                   | <u>1.2250%</u>                |                         |
| Total Distribution to the City       |                                   | <u>2.2875%</u>                |                         |

Source: City of Albuquerque, Office of City Treasurer.

*Historical Taxable Gross Receipts*

The table which follows provides information about the City's taxable gross receipts by sector since Fiscal Year 2006.

**CITY OF ALBUQUERQUE**  
**Taxable Gross Receipts by Sector and Total Gross Receipts<sup>(1)</sup>**  
**Fiscal Years 2006-2015 (\$000,000)**

| Category <sup>(2)</sup>                          | 2006       | 2007       | 2008       | 2009       | 2010       | 2011       | 2012       | 2013       | 2014       | 2015       | Share of     |              |
|--|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|--------------|--------------|
|  |            |            |            |            |            |            |            |            |            |            | 2006         | 2015         |
| Accommodation and Food Services                  | 989        | 1,185      | 1,237      | 1,206      | 1,204      | 1,267      | 1,309      | 1,310      | 1,341      | 1,431      | 7.68%        | 10.45%       |
| Admin and Support                                | 73         | 126        | 128        | 127        | 143        | 141        | 129        | 151        | 150        | 171        | 0.57%        | 1.25%        |
| Agriculture                                      | 12         | 7          | 7          | 7          | 4          | 4          | 4          | 5          | 7          | 9          | 0.09%        | 0.06%        |
| Arts Entertainment and Recreation                | 47         | 56         | 60         | 78         | 80         | 86         | 91         | 88         | 98         | 112        | 0.36%        | 0.82%        |
| Construction                                     | 1,797      | 1,934      | 1,562      | 1,446      | 1,080      | 1,014      | 1,008      | 1,080      | 1,122      | 1,154      | 13.95%       | 8.43%        |
| Educational Services                             | 65         | 81         | 95         | 91         | 112        | 143        | 123        | 99         | 111        | 103        | 0.50%        | 0.76%        |
| Finance and Insurance                            | 109        | 143        | 149        | 126        | 108        | 104        | 107        | 115        | 120        | 119        | 0.85%        | 0.87%        |
| Health Care                                      | 610        | 690        | 681        | 703        | 721        | 746        | 768        | 799        | 823        | 938        | 4.74%        | 6.85%        |
| Information and Cultural Industries              | 265        | 339        | 395        | 375        | 509        | 596        | 777        | 759        | 767        | 797        | 2.06%        | 5.82%        |
| Management of Companies                          | 12         | 1          | 18         | 17         | 17         | 15         | 10         | 20         | 23         | 24         | 0.09%        | 0.18%        |
| Manufacturing                                    | 278        | 319        | 312        | 264        | 218        | 262        | 283        | 289        | 333        | 350        | 2.16%        | 2.56%        |
| Mining   | 1          | 2          | 0          | 0          | (0)        | 1          | 1          | 1          | 5          | 8          | 0.01%        | 0.06%        |
| Other Services                                   | 1,517      | 1,611      | 1,653      | 1,624      | 1,355      | 1,421      | 1,299      | 1,414      | 1,400      | 1,374      | 11.78%       | 10.04%       |
| Professional Scientific and Technical Services   | 1,282      | 1,412      | 1,437      | 1,511      | 1,381      | 1,497      | 1,462      | 1,452      | 1,487      | 1,547      | 9.95%        | 11.30%       |
| Public Administration                            | 8          | 4          | 7          | 2          | 1          | 1          | 0          | 0          | 2          | 2          | 0.06%        | 0.02%        |
| Real Estate & Leasing                            | 199        | 244        | 219        | 186        | 177        | 194        | 232        | 249        | 276        | 310        | 1.55%        | 2.26%        |
| Retail Trade                                     | 3,856      | 4,151      | 4,309      | 4,005      | 3,884      | 3,833      | 3,950      | 4,023      | 3,966      | 4,040      | 29.94%       | 29.52%       |
| Transportation and Warehousing                   | 95         | 128        | 120        | 99         | 104        | 107        | 119        | 114        | 110        | 115        | 0.74%        | 0.84%        |
| Unclassified Establishments                      | 390        | 95         | 165        | 97         | 67         | 47         | 39         | 51         | 93         | 138        | 3.03%        | 1.01%        |
| Utilities  | 461        | 459        | 461        | 460        | 450        | 520        | 550        | 570        | 567        | 564        | 3.58%        | 4.12%        |
| Wholesale Trade                                  | <u>807</u> | <u>857</u> | <u>671</u> | <u>557</u> | <u>484</u> | <u>469</u> | <u>384</u> | <u>386</u> | <u>372</u> | <u>384</u> | <u>6.27%</u> | <u>2.80%</u> |
| Total Taxable Gross Receipts <sup>(3)</sup>      | 12,878     | 13,859     | 13,689     | 12,983     | 12,107     | 12,474     | 12,656     | 12,993     | 13,195     | 13,689     | 100.00%      | 100.00%      |
| Food - Hold harmless Distribution                | 840        | 829        | 1,037      | 1,019      | 977        | 1,014      | 1,049      | 1,060      | 1,098      | 1,129      |              |              |
| Medical -Hold harmless Distribution              | <u>270</u> | <u>408</u> | <u>433</u> | <u>523</u> | <u>470</u> | <u>496</u> | <u>551</u> | <u>514</u> | <u>484</u> | <u>452</u> |              |              |
| Total Taxable Gross Receipts base <sup>(3)</sup> | 13,982     | 15,096     | 15,156     | 14,524     | 13,548     | 13,977     | 14,245     | 14,550     | 14,756     | 15,271     |              |              |
| Total Gross Receipts                             | 26,513     | 28,110     | 28,742     | 26,457     | 24,728     | 25,825     | 26,327     | 26,801     | 27,316     | 26,170     |              |              |

(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) North American Industrial Classifications System (NAICS) with exception of Food And Medical Hold Harmless.

(3) May not total due to rounding.

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

### *Administration of the Tax*

Businesses must make their payments of State Gross Receipts Tax on or before the twenty-fifth of each month for taxable events in the prior month. Collection of the State Gross Receipts tax is administered by the Revenue Division of the Department (the “Revenue Division”), pursuant to Section 7-1-6 NMSA 1978. 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 following disbursements to the municipalities in the State. The Revenue Division remits monthly to municipalities, including the City, an amount equal to the product of the quotient of 1.225% divided by the tax rate times the net receipts (total amount paid by taxpayers less any refunds disbursed) attributable to the gross receipts of businesses located in the municipality and other designated areas.

### *Remedies for Delinquent Taxes*

The Department may assess gross receipts taxes to a taxpayer who has not paid the taxes due to the State. If any taxpayer to whom gross receipts taxes have been assessed does not make payment (or protest the assessment or furnish security for payment) before 30 days after the date of assessment, the taxpayer becomes a delinquent taxpayer. A delinquent taxpayer remains delinquent until payment of all the taxes due, including interest and penalties, or until security is furnished for the payment. The Department may, under certain circumstances, enter into an agreement with a delinquent taxpayer to permit monthly installment payments for a period of not more than 60 months. Interest is due on any delinquent taxes from the first day following the day on which it is due at a variable rate based on the applicable federal rate under the Internal Revenue Code Section 6621, as determined from time to time, computed on a daily basis until paid, without regard to any installment agreement. However, if the gross receipts taxes are paid within 10 days after demand is made, no interest accrues.

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

## **Gasoline Tax**

### *Generally*

The rate of State tax on gasoline is \$0.17 per gallon. The gasoline tax is imposed on registered distributors of gasoline in the State at the time the gasoline is received by a registered distributor. Gasoline is generally deemed to be “received” when delivered to a registered distributor for resale to a wholesaler or retailer in the State. The registered distributor is responsible for filing gasoline tax returns with, and paying the gasoline tax due to, the Department on or before the twenty-fifth day of the month following the month in which the gasoline is received in the State. Distributors are required to include the gasoline tax in the resale price of gasoline sold to a purchaser. Delinquent taxpayers may be required to file a surety bond in favor of the State to ensure prompt filing of reports and the payment of all taxes

levied by the Gasoline Tax Act. “Registered tribal distributors” are permitted to deduct the tax from gasoline sold at the wholesale level. Each registered tribe is limited to total annual sales of 30 million gallons.

The amount of the distribution of gasoline tax receipts from the State (“State Shared Gasoline Tax Receipts”) is 10.38%. See the table entitled “Historical State Gasoline Tax Receipts” under this caption.

*Distribution of the Gasoline Tax*

Net receipts are the amount paid to the Department in any month less any refunds. Ninety percent (90%) of the amount distributed by the Department is paid to treasurers of municipalities in the proportion that the taxable motor fuel sales in each of the municipalities bears to the aggregate taxable motor fuel sales in all municipalities in the State. The remaining 10% is distributed by the Department to counties in the State.

*Historical Receipts*

The following table sets forth the historical distributions of State Gasoline Tax Receipts for Fiscal Years 2006-2015.

**CITY OF ALBUQUERQUE  
Historical State Gasoline Tax Receipts**

| <b>Fiscal Year</b> | <b>State Gasoline<br/>Tax Receipts</b> |
|--------------------|--|
| 2006               | \$4,883,012                            |
| 2007               | 5,500,512                              |
| 2008               | 5,301,238                              |
| 2009               | 5,177,825                              |
| 2010               | 4,973,555                              |
| 2011               | 4,765,348                              |
| 2012               | 4,287,335                              |
| 2013               | 4,835,671                              |
| 2014               | 4,446,255                              |
| 2015               | 4,605,282                              |

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

**Lodgers’ Tax and Hospitality Fee**

*Lodgers’ Tax*

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

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

*Hospitality Fee*

The State Legislature passed the Hospitality Fee Act (Sections 3-38A-1 through 3-38A-12 NMSA 1978) which became effective in June 2003. Under the Act, the City has authority to impose, without a referendum, a hospitality fee of up to 1% of the gross rent proprietors receive from tourist accommodations within the City. On April 19, 2004, the City enacted its ordinance imposing the hospitality fee. The Hospitality Fee Act includes a section which repeals the Act effective July 1, 2028. As required by the Hospitality Fee Act, twenty-five percent of the fees collected are to be used for advertising to publicize and promote tourist-related attractions, facilities and events, twenty-five percent of the fees collected are to be used to extinguish debt incurred by a municipality for a metropolitan court facility, and the remaining fifty percent is to be used to equip and furnish the City's convention center. Hospitality fee revenues, in an amount equal to fifty percent (50%) of the revenues produced by the City's imposition of the fee, less certain administrative costs, are pledged to the payment of the City's outstanding Hospitality Fee obligations.

*Historical Lodgers' Tax Revenues and Hospitality Fee Revenues*

The gross taxable rent, lodgers' tax revenues and hospitality fee revenues collected by the City for the last five fiscal years are as follows:

**CITY OF ALBUQUERQUE  
Historical Lodgers' Tax Revenues**

| <b>Fiscal Year</b> | <b>Gross Taxable Rent<sup>(1)</sup></b> | <b>Lodgers' Tax Revenues</b> |
|--------------------|---|------------------------------|
| 2011               | \$202,428,900                           | \$10,122,386                 |
| 2012               | 201,545,400                             | 10,077,271                   |
| 2013               | 204,103,740                             | 10,354,566                   |
| 2014               | 215,798,301                             | 10,789,915                   |
| 2015               | 227,500,300                             | 11,375,015                   |

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

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

The following table sets forth estimated spending and future confirmed convention bookings in the City by number of individuals and room nights for Fiscal Years 2015-2019. 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  
Fiscal Years 2015-2019<sup>(1)</sup>**

| <b>Fiscal Year</b> | <b>Direct Spending</b> | <b>Attendance</b> | <b>Room Nights</b> |
|--------------------|------------------------|-------------------|--------------------|
| 2015               | \$20,989,890           | 41,131            | 52,194             |
| 2016               | 27,182,036             | 48,660            | 54,575             |
| 2017               | 12,014,608             | 30,808            | 25,580             |
| 2018               | 16,450,133             | 34,748            | 32,170             |
| 2019               | 7,642,111              | 11,760            | 15,177             |

(1) Represents all Convention Center meetings/conventions and sporting events.

Sources: Albuquerque Convention and Visitors Bureau.

**Employee Contracts**

There were 5,788 full-time employment positions funded by the City for Fiscal Year 2016. Approximately 82% of City employees are affected by union contracts. There are eight bargaining units within the City. The City’s union contracts are as follows: Albuquerque Officers’ Association (A.F.S.C.M.E. Local 1888, AFL-CIO); Clerical and Technical Employees (A.F.S.C.M.E. Local 2962, AFL-CIO); Transit Union (A.F.S.C.M.E. Local 624 AFL-CIO); Blue Collar Workers (A.F.S.C.M.E. Local 624, AFL-CIO); Albuquerque Area Firefighters Union; Albuquerque Police Officers’ Association; Prisoner Transport Officers; and Management Union (A.F.S.C.M.E. Local 3022, AFL-CIO). All collective bargaining agreements are current at this time.

**Retirement Plan**

The City participates in a pension plan organized on a statewide basis and operated by the State of New Mexico. The Public Employees’ Retirement Association of New Mexico (“PERA”), established by Section 10-11-1 et seq. NMSA 1978, as amended, requires contributions to its plan (the “Plan”), computed as a percentage of salary, from both employee and employer for all full time employees. The majority of State and municipal employees in New Mexico participate in the Plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. As required by State law, eligible employees are required to contribute between 7.74% and 18.15% of their gross salary, depending on the specific plan type, and the City is required to contribute between 7.40% and 21.65% of eligible employees’ gross covered salary, depending on the specific plan type. The City’s liability under the Plan is limited to the periodic employer contributions that it is required to make for its participating employees. The City’s required contributions to PERA for the years ending June 30, 2015, 2014 and 2013 were \$33,311,341,

\$32,575,247 and \$31,526,501, respectively, which equal the legally required contributions for each year. The City’s total contributions to PERA, including the employer required contributions and the portion the City pays for the employees for the years ending June 30, 2015, 2014 and 2013 were \$72,235,762, \$58,202,765 and \$60,980,095, respectively. On June 25, 2012, the Governmental Accounting Standards Board approved Statement No. 68 which requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. Statement No. 68 requires cost-sharing employers, such as the City, to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. Statement No. 68 is effective for fiscal years beginning after June 15, 2014. As of June 30, 2015, the City reported a net pension liability of \$375,253,737 for its proportionate share of the net pension liability.

PERA issues a publicly available financial report that includes financial statements and additional information. A copy of this report can be obtained from PERA at [www.pera.state.nm.us](http://www.pera.state.nm.us).

Actuarial information is shown below:

**State of New Mexico Public Employees Retirement Fund  
Summary Information as of June 30, 2014**

|  |                  |
|--|------------------|
| Membership <sup>(1)</sup>                | 92,732           |
| Actuarial Information                    |                  |
| Accrued Liability <sup>(2)</sup>         | \$17,784,376,000 |
| Actuarial Value of Assets <sup>(3)</sup> | \$13,482,815,522 |
| Unfunded Actuarial Accrued Liability     | \$4,301,561,164  |
| Funded Ratio                             | 75.8%            |

(1) Includes both state and municipal divisions.

(2) Includes accrued liability of both the retired and active members.

(3) The valuation of assets is based on an actuarial value of assets whereby gains and losses relative to a 7.75% annual return are smoothed in over a four-year period.

Source: Public Employees Retirement Association.

As of June 30, 2014, PERA has an amortization or funding period of 40 years, based on the employer and member contribution rates in effect as of July 1, 2014. Member and employer rates are established pursuant to Section 10-11-1 through 10-11-142 NMSA 1978. The funded ratio (ratio of the actuarial value of assets to accrued actuarial liability) was 75.8 percent as of June 30, 2014 and the Unfunded Actuarial Accrued Liability (“UAAL”) of the PERA Fund has decreased approximately \$317.7 million to approximately \$4.3 billion. The State’s portion of the UAAL of the PERA Fund is 53.1 percent, or \$2.3 billion. Prior to 2013 pension reform, the funded ratio was 65.3 percent and the UAAL of the PERA Fund was calculated to be approximately \$6.2 billion. The primary cause of the increase in the funded ratio and decrease in accrued actuarial liability is the investment gain from 2014 plan years and passage of SB27 during the 2013 legislative session. On a market value basis, PERA’s funded ratio is approximately 81.05% as of June 30, 2014.

## **Other Post-Employment Benefits**

In addition to pension benefits under a defined benefit contributory retirement plan through the PERA, the City provides certain health care and life insurance benefits for retired employees. Life insurance benefits are paid through premiums to an insurance company under an indemnity plan and historically the claims paid in any one year have not exceeded the premiums. Under GASB 45, the City financials now reflect the liability owed beyond the annual premium amounts paid to the carrier. The amount of the Other Post-Employment Benefit (“OPEB”) liabilities and related annual OPEB expense vary under GASB 45 based on the funding policy. Prior to June 30, 2013, the City’s funding policy was based on “Pay-As-You-Go” which resulted in a lower assumed interest rate, higher UAAL, and higher Annual Required Contribution (“ARC”). As of July 1, 2013, the City’s funding policy was changed. The new policy is based on “prefunding” which allows for a higher assumed internal rate of return, lower UAAL, and lower ARC. As of June 30, 2014, the Albuquerque Pooled OPEB Trust has over \$11.5 million in cash and a net position of \$11.9 million. The Irrevocable Trust is managed by US Bank.

The State of New Mexico Retiree Health Care Act (the “Health Care Act”) provides comprehensive core group health insurance for persons who have retired from certain public services in New Mexico. The purpose of the Health Care Act 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 deposited by the employer into the Retiree Health Care Fund and by co-payments or out-of-pocket payments of eligible retirees. Each participating retiree pays a monthly premium for the medical plus basic life plan. Each participating employer makes contributions to the Fund in the amount of 2.000% of each participating employee’s annual salary. Each participating employee contributes to the Fund an employee contribution equal to 1.000% of the employee’s annual salary. The City remitted \$2,918,196 in Fiscal Year 2015, \$5,350,483 in Fiscal Year 2014, \$5,470,619 in Fiscal Year 2013 and \$5,301,347 in Fiscal Year 2012, which equaled the required contributions for each year.

## **Capital Implementation Program**

### *General*

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

### *Impact Fees*

The City’s impact fee ordinance was adopted by the Council on November 19, 2012 and implemented on December 8, 2012. Two lawsuits challenging the impact fee ordinance were filed in Bernalillo County District Court by developers in January 2013. The lawsuits allege that impact fee credits held by the developers under the City’s previous impact fee ordinance were

unlawfully devalued by the ordinance adopted on November 19, 2012. It is premature to speculate how the lawsuits might affect the City’s impact fee ordinance or the collection of impact fees. The City is also involved in an administrative appeal regarding cash refunds requested by an impact fee credit holder. It is similarly premature to speculate how this administrative appeal might affect the City’s impact fee ordinance or the collection of impact fees.

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

The seven types of new infrastructure that the City impact fees support are: (i) road, (ii) drainage, (iii) fire, (iv) police, (v) park, (vi) open space, and (vii) trail. Service areas have been identified for each type of infrastructure.

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

**Total Impact Fees**

| <b>Fiscal Year</b>  | <b>Total Collected</b> |
|---------------------|------------------------|
| 2011                | \$1,329,023            |
| 2012                | 1,491,618              |
| 2013 <sup>(1)</sup> | 1,486,701              |
| 2014                | 1,050,649              |
| 2015                | 1,556,858              |

(1) In November 2012 City Council passed a new impact fee ordinance. These impact fees are phased in by calendar year: 20% in 2013, 40% in 2014, 60% in 2015, 80% in 2016 and 100% January 2017.

Source: City of Albuquerque, Planning Department.

**Financial Statements**

See Appendix A, Audited Financial Statements for Fiscal Year 2014.

## ENTERPRISE OPERATIONS

### Albuquerque Airport

#### *Definitions*

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

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

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

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

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

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

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

#### *General*

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

ABQ Airport is classified as a "medium hub" airport by the FAA. In Fiscal Year 2015, origination and destination passengers comprised an estimated 93.4% of passengers enplaned at ABQ Airport. In addition to ABQ Airport, the City also owns and operates Double Eagle II

Airport. ABQ Airport has two principal runways for air carrier use and a 574,452 square foot main terminal complex (the “Terminal Building”) with 22 major national airline gates and one commuter airline gate. The Terminal Complex area includes a two-level terminal loop roadway system, a 3,400 space automobile parking structure, a 357 space credit/debit card parking lot, and a 450 space surface parking lot.

The Terminal Building was built in 1965 and was expanded in 1987 to add a new concourse, security office, passenger screening area, baggage claim area, and additional restrooms. The City is undertaking certain projects to rehabilitate and modernize the Terminal Building with Terminal Optimization Phase One completed and Terminal Building Improvement Phase Two began in Fiscal Year 2013. (See following section “Airport System Capital Program.”)

#### *Agreement with the United States Air Force*

Runways, taxiways, land and facilities at ABQ Airport (the “Airfield”) were deeded to the City by the United States Air Force (the “USAF”) in 1962. The USAF currently shares the use of the Airfield with the City under a lease agreement obligating the USAF to make an annual rental payment of \$50,000. The deed contains a reversion clause, which becomes effective if the City does not continue to use the Airfield as an airport. Further, the U.S. Government has a right of re-entry if the City does not comply with the covenants and restrictions in the deed and the lease agreement. The agreement also requires the USAF to provide aircraft rescue and fire-fighting services at ABQ Airport. The agreement expires in 2024.

#### *Airport Service Area*

The ABQ Airport Service Area includes the Albuquerque MSA (Bernalillo, Sandoval, Valencia and Torrance Counties) and the Santa Fe MSA (Santa Fe and Los Alamos Counties). The ABQ Airport also serves a secondary area consisting of the remainder of the State. The ABQ Airport is the only medium hub airport in the State with scheduled mainline airline service.

### *Airlines Serving Albuquerque*

ABQ Airport is currently served by seven mainline airlines (the “Signatory Airlines”) as well as two non-signatory airlines, and regional and commuter airlines. The Signatory Airlines are as follows:

|                                   |                                  |
|-----------------------------------|----------------------------------|
| American Airlines <sup>(1)</sup>  | US Airways <sup>(1)</sup>        |
| Southwest Airlines <sup>(3)</sup> | United Airlines                  |
| Delta Air Lines                   | Frontier Airlines <sup>(2)</sup> |
| JetBlue <sup>(4)</sup>            |                                  |

- 
- (1) AMR Corporation, parent of American Airlines exited Chapter 11 bankruptcy on December 9, 2013 and consummated its merger with US Airways Group, Inc., parent of US Airways, to form American Airlines Group, Inc.
  - (2) Frontier Airlines ceased operations January 2014 but continues to honor its airline contractual obligation through Fiscal Year 2016.
  - (3) Southwest Airlines’ operations at ABQ Airport have historically been directly impacted by the doctrine commonly referred to as the “Wright Amendment” which became law in 1979 and expired in October 2014. The restrictions in the Wright Amendment on Southwest Airlines have historically resulted in higher enplanements at ABQ Airport. ABQ Airport management has proactively increased marketing efforts, air service development and revenue diversification over the past several years to minimize any impact associated with the cessation of the Wright Amendment. Additionally, ABQ Airport has a high origination and destination base that provides a stable source of enplanements.
  - (4) JetBlue Airways began non-stop daily service between ABQ Airport and JFK Airport in New York on April 22, 2013 and became a Signatory Airline effective April 22, 2015.

Each of the Signatory Airlines listed above has entered into a five-year Amended and Restated Scheduled Airline Operating Agreement and Terminal Building Lease with the City with an effective date of July 1, 2011 (the “Airline Agreements”). Collectively, the Signatory Airlines lease approximately 79% of the available exclusive and preferential use space in the Terminal Building. Alaska and Allegiant Airlines have entered into a month to month Non-Signatory Airline Operating Agreement and Terminal Building Lease. Alaska Airlines began non-stop daily service between ABQ Airport and Seattle on September 18, 2014. Allegiant Airlines will begin non-stop service from ABQ to Austin and Las Vegas beginning June 2, 2016.

In addition to these mainline airlines and their affiliate regional carriers, the ABQ Airport has one commuter airline serving New Mexico. Boutique Air serves non-stop service to Carlsbad, Los Alamos and Silver City, New Mexico.

Two cargo airlines, Fed Ex and UPS (the “Cargo Airlines”), provide air cargo service at ABQ Airport. The Cargo Airlines have both entered into a five-year Amended and Restated Scheduled Cargo Airline Operating Agreement and Cargo Building Lease with the City effective July 1, 2011(the “Cargo Airline Agreements”) and both operate as Signatory Cargo Airlines.

### *Historical Aircraft Operations and Enplaned Passengers*

During Fiscal Year 2015, there were 126,293 aircraft operations (landings and takeoffs) at the ABQ Airport, a decrease of 5.6% from 133,854 in Fiscal Year 2014. Ending Fiscal Year 2015, 2,383,062 passengers enplaned at ABQ Airport, a decrease of 4.4% from 2,492,480 in Fiscal Year 2014. The airline traffic and passenger level decreases are attributable primarily to national economic weakness, fuel cost, and changes in airline competition and strategy. The following table presents the number of airline enplaned passengers for major national, affiliate

regional and commuter airlines at the ABQ Airport from Fiscal Year 2005 through Fiscal Year 2015.

**Historical Airline Traffic Activity  
ABQ Airport**

**Enplaned Passengers**

| <b>Fiscal<br/>Year</b> | <b>Number</b> | <b>Percent<br/>Increase<br/>(Decrease)</b> |
|------------------------|---------------|--|
| 2005                   | 3,191,906     | 2.3  |
| 2006                   | 3,299,021     | 3.4  |
| 2007                   | 3,263,210     | (1.1)                                      |
| 2008                   | 3,417,525     | 4.7  |
| 2009                   | 3,014,347     | (11.8)                                     |
| 2010                   | 2,933,346     | (2.7)                                      |
| 2011                   | 2,889,262     | (1.5)                                      |
| 2012                   | 2,835,744     | (1.9)                                      |
| 2013                   | 2,601,588     | (8.3)                                      |
| 2014                   | 2,492,480     | (4.2)                                      |
| 2015                   | 2,383,062     | (4.4)                                      |

Source: City of Albuquerque, Department of Aviation.

The total number of enplaned passengers at ABQ Airport decreased at an average annual rate of 2.9% per year between Fiscal Years 2005 and 2015, and Airport management projects a decrease of 0.8% in Fiscal Year 2016. For the nation as a whole, the number of enplaned passengers was approximately 6.8% higher in Fiscal Year 2015 than it was in Fiscal Year 2005.

As the financial crisis and economic recession deepened in the second half of 2008, airlines reduced departing seat capacity at airports including ABQ Airport. Southwest Airlines' strategy to reallocate departing seat capacity to large-hub airports disproportionately affected medium-hub airports such as ABQ Airport. Additionally, enplanements in 2008 peaked due to intensified competition attributable to ExpressJet's branded operations, which discontinued in September 2008. The economic downturn started later in Albuquerque than most U.S. cities; it depressed consumer spending and resulted in reduced demand for air travel. Combined, these factors resulted in an 11.8% reduction in enplaned passenger traffic in Fiscal Year 2009. Throughout Fiscal Years 2010 through 2012, airlines continued reducing seats at ABQ Airport although the rate of decrease slowed. The ending result was a 1.9% decline in enplaned passengers for Fiscal Year 2012. In Fiscal Year 2014 and 2015, enplaned passenger numbers decreased by 4.2% and 4.4%, respectively, reflecting reductions in capacity by Southwest and other airlines due to market demands as well as the ceased operations of Frontier Airlines. Fiscal Year to Date 2016 (through January 31), enplanements are 0.5% higher than Fiscal Year to Date 2015. The slight increase is due to all other airlines passenger activity but is offset by the decreases in Southwest passenger activity.

Despite the decline in enplanements over the past six years, the airport's finances remain solid and are supported by a healthy balance sheet with a low debt burden coupled with a strong liquidity position. These positive results are reflective of management's continuing efforts to contain costs and maximize non-airline revenue.

*Airline Market Shares of Enplaned Passengers*

During Fiscal Years 2011 through 2015, Southwest Airlines and American Airlines held the greatest percentage of market share. In Fiscal Year 2015, Southwest's market share in Albuquerque was 56.7% and American's was 15.3% (20.7% combining US Airways). Combined, the two airlines accounted for at 72.0% (77.4% combining US Airways) of enplanements at the ABQ Airport during Fiscal Year 2015.

The following table presents the market shares of enplaned passengers by airline for Fiscal Years 2011 through 2015:

### Historical Airline Market Shares of Enplaned Passengers

| <b>Operating Airline</b>               | <b><u>FY 2011</u></b> | <b><u>FY 2012</u></b> | <b><u>FY 2013</u></b> | <b><u>FY 2014</u></b> | <b><u>FY 2015</u></b> |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Southwest Airlines                     | <b>57.2%</b>          | <b>57.5%</b>          | <b>57.3%</b>          | <b>55.6%</b>          | <b>56.7%</b>          |
| American Airlines <sup>(1)</sup>       |                       |                       |                       |                       |                       |
| American                               | 11.8%                 | 10.7%                 | 11.8%                 | 14.4%                 | 14.0%                 |
| US Airways                             | 4.4                   | 4.2                   | 4.7                   | 4.7                   | 5.4                   |
| Envoy Air (formerly<br>American Eagle) | 0.7                   | 2.7                   | 2.5                   | 1.4                   | 1.3                   |
| <b>Subtotal</b>                        | <b>16.9%</b>          | <b>17.6%</b>          | <b>19.0%</b>          | <b>20.5%</b>          | <b>20.7%</b>          |
| United Airlines <sup>(2)</sup>         |                       |                       |                       |                       |                       |
| United                                 | 2.4%                  | 1.9%                  | 1.4%                  | 1.6%                  | 0.3%                  |
| Continental                            | 0.7                   | 0.4                   | 0.0                   | 0.0                   | 0.0                   |
| SkyWest                                | 4.5                   | 5.3                   | 5.1                   | 3.5                   | 2.8                   |
| Shuttle America                        | 1.4                   | 1.7                   | 1.9                   | 1.2                   | 1.6                   |
| ExpressJet                             | 2.5                   | 2.4                   | 1.4                   | 2.2                   | 2.2                   |
| Republic                               | 0.0                   | 0.0                   | 1.0                   | 1.7                   | 1.5                   |
| GoJet                                  | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.6                   |
| <b>Subtotal</b>                        | <b>11.5%</b>          | <b>11.7%</b>          | <b>10.8%</b>          | <b>10.2%</b>          | <b>9.0%</b>           |
| Delta Air Lines                        |                       |                       |                       |                       |                       |
| Delta                                  | 7.9%                  | 9.9%                  | 8.9%                  | 7.7%                  | 7.8%                  |
| SkyWest                                | 2.5                   | 0.0                   | .9                    | 2.7                   | 2.6                   |
| <b>Subtotal</b>                        | <b>10.4%</b>          | <b>9.9%</b>           | <b>9.8%</b>           | <b>10.4%</b>          | <b>10.4%</b>          |
| Frontier Airlines                      |                       |                       |                       |                       |                       |
| Frontier                               | 3.6%                  | 3.0%                  | 2.5%                  | 1.5%                  | 0.0%                  |
| <b>Subtotal</b>                        | <b>3.6%</b>           | <b>3.0%</b>           | <b>2.5%</b>           | <b>1.5%</b>           | <b>0.0%</b>           |
| JetBlue Airways                        | 0.0%                  | 0.0%                  | 0.3%                  | 1.5%                  | 1.6%                  |
| Alaska                                 | 0.0%                  | 0.0%                  | 0.0%                  | 0.0%                  | 1.4%                  |
| All Other                              | 0.4%                  | 0.3%                  | 0.3%                  | .3%                   | .2%                   |
| <b>TOTAL</b>                           | <b>100.0%</b>         | <b>100.0%</b>         | <b>100.0%</b>         | <b>100.0%</b>         | <b>100.0%</b>         |

(1) American and US Airways merged in December 2013 and will operate under American's name.

(2) United and Continental merged in 2011 and operate under United's name.

Source: City of Albuquerque Aviation Department.

### *Airport Administration*

**Mr. James D. Hinde, C.M.**, is the Director of Aviation. Mr. Hinde was appointed to this position by Mayor Richard J. Berry in December 2009. Mr. Hinde previously served under Mayor Chavez' administration as Acting Director of Aviation from January 2007 to March 2007. He has worked for the City's Aviation Department for twenty-five years, beginning in 1991, as Manager of Engineering, Manager of Engineering and Environmental Affairs, Planning Manager and currently the Director. Prior to his work with the City he was involved in design, project management, and inspection with several private engineering firms. Mr. Hinde is a certified member with the American Association of Airport Executives.

**Ms. Pam White, C.M.**, is the Associate Director of Finance and is responsible for the Finance and Administration Division, consisting of airport revenue bonds, operating budget(s), accounts receivable, accounts payable, airport revenue, lease and agreement contract administration, performance-based measures, capital improvement program, debt service, PFC program, procurement, professional technical contracts, and landside operations. Ms. White has over twenty-six years of experience in finance, administration and government accounting. Ms. White has a Bachelor of Science in Business Administration/Accounting and is a certified member with the American Association of Airport Executives.

**Mr. Jack D. Scherer** is the Associate Director of Planning and Development for the Aviation Department. In this role Mr. Scherer participates in all planning efforts for development of the Airport System, and works closely with architects, engineers and consultants through all phases of design and construction of facilities and infrastructure. In addition, Mr. Scherer is the point of contact for the City's Foreign Trade Zone located at the ABQ Airport, and he works closely with various economic development organizations to create additional opportunities for revenue generation within the Airport System. He has over 30 years of experience in real estate, land development and construction, and earned a Bachelor of Science degree from Fort Lewis College in Durango, Colorado.

The Associate Director of Operations position is currently vacant. The Aviation Director, James Hinde, is currently assuming the responsibilities and duties of this position.

### *Airport Financial Information; Airport Fund*

General. The Airport Fund is an enterprise fund of the City and is self-sustaining. This proprietary type fund provides services which are intended to be financed primarily through user charges or activities where periodic determination of net income is appropriate.

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

**Historical Airport Revenues**  
**(Fiscal Year 2011-2015)**  
**(\$000s)**

|                                    | <u>2011</u>     |          | <u>2012</u>     |          | <u>2013</u>     |          | <u>2014</u>     |          | <u>2015</u> |          |
|------------------------------------|-----------------|----------|-----------------|----------|-----------------|----------|-----------------|----------|-------------|----------|
|                                    |                 | <u>%</u> |                 | <u>%</u> |                 | <u>%</u> |                 | <u>%</u> |             | <u>%</u> |
| Airline Revenue                    | \$25,890        | 37.2     | \$26,123        | 35.1     | \$23,738        | 32.4     | \$23,245        | 33.0     | \$19,655    | 29.9     |
| Non-Airline Revenue Terminal Bldg. | 12,940          | 18.5     | 13,661          | 18.4     | 15,090          | 20.6     | 14,690          | 20.8     | 14,670      | 22.3     |
| PFCs                               | 7,288           | 10.4     | 10,741          | 14.4     | 9,932           | 13.6     | 9,227           | 13.1     | 8,905       | 13.5     |
| CFCs                               | 6,831           | 9.8      | 7,506           | 10.1     | 7,993           | 10.9     | 6,560           | 9.3      | 5,584       | 8.5      |
| Passenger Parking Area             | 7,937           | 11.4     | 7,791           | 10.5     | 7,591           | 10.4     | 7,482           | 10.6     | 7,547       | 11.5     |
| Miscellaneous                      | <u>8,879</u>    | 12.7     | <u>8,445</u>    | 11.4     | 8,828           | 12.1     | 9,319           | 13.2     | 9,415       | 14.3     |
| <b>TOTAL</b>                       | <u>\$69,765</u> | 100.0    | <u>\$74,267</u> | 100.0    | <u>\$73,172</u> | 100.0    | <u>\$70,523</u> | 100.0    | \$65,776    | 100.0    |

Source: City of Albuquerque.

Airline Revenues. Airline revenues include revenues from the Signatory Airlines, Affiliate Airlines, Commuter Airlines, Air Cargo Airlines and Non-Signatory Airlines. Components of airline revenues include Terminal Building space rentals, loading bridge fees, baggage claim device charges, landing fees, cargo building rentals, and cargo apron rentals. See “Agreements with the Airlines” under this caption.

Amounts to be paid by the Signatory/Affiliate Airlines pursuant to the Airline Agreements constitute a major source of revenues to the Airport. As a whole, the Signatory Airlines represented approximately 98.4% of commercial enplaned passengers at ABQ Airport in Fiscal Year 2015. Airline revenues constituted 29.9% of Gross Airport Revenues in Fiscal Year 2015.

*Passenger Facility Charges.* The City has had three applications to collect Passenger Facility Charges (“PFC”). In March 1996, the FAA approved the City’s application to collect a total of \$49,638,000 over a period of approximately six years by imposing a \$3.00 PFC on each enplaning revenue passenger at ABQ Airport. The closeout amendment for this application increased the collection authority by \$135,870. This FAA approval closed in May 2003. In February 2002, the FAA approved the City’s second PFC application which allowed the City to impose a \$3.00 PFC at ABQ Airport for a total collection amount of \$44,483,079. The closeout amendment for this application amended the total collections to \$41,844,636 to reflect actual collections and uses of PFC revenues. This FAA approval closed in May 2009. In June 2006, the FAA approved a third PFC application (“PFC #3”) in the amount of \$66,066,726. In October 2009, the FAA approved Amendment One to increase PFC #3 to \$68,885,899. In May 2011, the FAA approved Amendment Two to increase PFC #3 to \$78,203,803. Effective July 2011, the FAA approved an increase to the PFC #3 charge from \$3.00 to \$4.50. The expiration date for this FAA approval is October 2017. The airport has begun the process for the PFC#4 and

anticipates submitting the PFC Application to FAA for approval in April/May 2016; PFC#3 will be amended to actual expenses and submitted to FAA for approval in the fall of 2016.

PFC revenues are available to pay Airport Obligations issued to finance eligible projects, such as runway and terminal building improvements, and have been and will be used to reimburse the City for investments made by the City in eligible projects. PFC revenues are included by the City as part of Gross Airport Revenues to the extent available to pay Airport Obligations, as directed by a designated officer of the City.

The following table sets forth the annual collections of PFCs from Fiscal Year 2011 through Fiscal Year 2015.

**PFC Revenues (\$000s)**

| Fiscal Year | PFCs Collected <sup>(1)</sup> |
|-------------|-------------------------------|
| 2011        | \$7,288                       |
| 2012        | 10,741                        |
| 2013        | 9,932                         |
| 2014        | 9,227                         |
| 2015        | 8,905                         |

(1) PFCs received by the City net of collection and handling fees retained by airlines. The airlines are permitted to retain a portion of each PFC collected (currently \$0.11 of each PFC collected) as compensation for collecting and handling PFCs.

**Non-Airline Revenues.** Non-airline revenues include the rental car privilege fees; leased building rental fees; land rental fees and operating fees; non-airline terminal building space rentals; terminal building food and beverage concessions; terminal building retail concessions; terminal building advertising program; and other miscellaneous agreements. The largest component of non-airline revenues in Fiscal Year 2015 was the rental car privilege fees.

**Rental Car Facility Revenues.** The City currently operates under five year agreements (effective July 1, 2011), with eight rental car companies for the use and lease of counter space at the customer service building as well as 1,390 parking spaces in the ready/return parking area. The City maintains an option to extend the agreements for an additional five years. Pursuant to these agreements, the City receives: (a) privilege fees in the amount of 10% of gross revenues against a minimum annual guarantee, (b) a monthly fee for use of ready/return parking spaces and (c) monthly fees for exclusive use and common use space in the customer service building. Under the agreements, the on-airport rental car companies are required to collect a Customer Facility Charge (“CFC”) per rental car contract day to be used for the operation of the rental car shuttle bus system and to pay debt allocated to the Rental Car Facility and associated roadways. CFC revenues and all rentals, fees and charges imposed by the City and collected from the rental car companies accounted for approximately 26.6% of Gross Airport Revenues in Fiscal Year 2015. (See “Customer Facility Charge” below). In addition, the City has 20-year leases with the on-airport rental car companies for use and lease of the service center facilities and vehicle storage areas which expires in 2021.

**Customer Facility Charges.** The Rental Car Facility is located on approximately 76 acres on the west side of ABQ Airport. The City currently has agreements with eight rental car companies operating from the Rental Car Facility (“On-Airport Rental Car Companies”). All

rental car companies serving ABQ Airport are required to transport their customers between the Terminal Building and the Rental Car Facility on a common rental car shuttle bus system. There are 1,390 ready/return spaces at the Rental Car Facility.

Customer Facility Charges (“CFC”) are calculated to recover: (i) the costs of providing, operating and maintaining the common rental car shuttle bus system, which transports rental car customers to and from the Terminal Building and Rental Car Facility; (ii) certain debt service requirements on Airport Obligations issued to finance the Rental Car Facility and related improvements; and (iii) other allocable costs associated with common areas at the customer service building and access roadways. The City may recalculate the fee at least annually based on these costs and the projected number of rental car transaction days. The CFC is currently \$2.25 per contract day and is expected to be the same in the next preceding fiscal year.

In the event that the projected CFC revenues in any year are less than the costs described above, the On-Airport Rental Car Companies are required to pay the City additional rent equal to the shortfall in CFC revenues. Excess revenues from the CFC in any year may be used to pre-pay debt service requirements or Airport Obligations issued to finance the Rental Car Facility, to pay any allowable Airport cost, or to reduce the CFC rate for the following year.

*Terminal Building Concession Revenues.* Non-airline Terminal Building food and beverage concession revenues are generated under agreements with Fresquez Concessions, Inc. and Black Mesa Coffee Company to provide food and beverage services within the Terminal Building (the “Food and Beverage Concession Agreements”). In addition there are three retail concession operators (the “Retail Concession Agreements”), including Avila Retail Development & Management, El Mercado del Sol, Inc. and Hudson-Garza Albuquerque JV. These three retail concession operators offer a variety of retail merchandise including newspapers, magazines, books, Native American art and jewelry, southwest apparel and New Mexico souvenirs. Under the initial terms of the agreements, each operator was required to pay the City the greater of (a) a percentage of gross revenues or (b) a minimum monthly guarantee (“MMG”) amount. The MMG amount was to be adjusted each year to a sum of money representing one-twelfth (1/12) of 85% of each company’s prior year’s percentage of gross revenues paid to the City, but in no event would the MMG for any month be less than the initial MMG. The Airport concessionaires requested a rent accommodation due to passenger enplanement reductions. During 2014 City Council approved a temporary suspension of the MMG until passenger enplanements reach 2,850,000 annually.

*Parking Area Revenues.* The public parking facilities include a two-level terminal loop roadway system, a 3,400 space, 4-level parking garage, a 357 space uncovered surface parking lot, called the Credit Card Lot, and a 450 space covered surface parking lot, called the Economy Lot. Other parking facilities at ABQ Airport include three employee lots, which together provide approximately 600 spaces.

Public parking rates are \$1.00 for the first half hour. The maximum rates are as follows: short term lot parking garage is \$10.00 per day, the Economy Lot is \$7.00 per day, and the Credit Card Lot is \$7.00 per day. The public parking facilities generated revenues totaling \$7,628,916 (\$7,546,684 in public parking revenues plus \$82,232 in employee parking revenues) in Fiscal

Year 2015. The City also receives revenues from commercial vehicle lane fees and taxicab permits, which together totaled \$311,071 in Fiscal Year 2015.

Revenues from Other Areas. Revenues from other areas at ABQ Airport principally include land and building rentals. Included are other governmental agency facilities, aircraft hangers, manufacturing and production facilities and various other property leases. Major sources of leased site rental revenues include the Sheraton Albuquerque Airport Hotel, general aviation fixed base operators and air cargo building rentals. The Sheraton pays a percentage of gross revenues for food, alcoholic beverages, room rentals and other miscellaneous categories against a minimum monthly guarantee.

Double Eagle II Airport Revenues. The City has two agreements with a fixed base operator to provide services to the general aviation community at Double Eagle II Airport. The City also maintains various land and building leases, including a lease for a 15,000 square foot hangar facility, a 10,000 square foot hangar facility, and a 41,585 square foot office building, all of which are owned by the City. In February 2012, the City leased the office building to a charter school known as Southwest Aeronautics, Mathematics, and Science Academy Charter School (the “SAMS Academy”). The SAMS Academy provides an educational opportunity in a state-of-the-art facility with an emphasis on an aeronautics and aviation curriculum designed to produce pilots, aircraft mechanics, and future engineers and mathematicians. The SAMS Academy lease is for a 15-year term (5-year lease with two renewal 5-year options). The lease has the potential of generating approximately \$4,300,000 during the 15 year term. Beginning April 2014, SAMS began leasing 185,111 square feet of land for a sports complex which generates approximately \$37,000 in revenue for the airport annually.

Federal Grants. The City receives annual federal grant monies from the FAA through the Airport Improvement Program (“AIP”). These funds are not included in the calculation of Gross Airport Revenues. AIP grants received by the City are either entitlement (determined by formula) or discretionary (determined by FAA prioritization of projects across the nation as a whole). Between Fiscal Year 2006 and Fiscal Year 2016, the City received a total of \$69.3 million in AIP grants and entitlement/discretionary funds. In Fiscal Years 2009-2016, the City received \$12.6 million for eight sustainable projects of which seven were from the FAA Voluntary Airport Low Emissions Program and one for \$2.7 million for airfield lighting rehabilitation. ABQ Airport received \$8,275,767 for reconstruction of the General Aviation Apron, \$9,737,480 for Taxiway A Apron reconstruction and \$6,998,810 for Taxiway A Phase C reconstruction. During the time, ABQ Airport received \$54 million projects related to the rehabilitation and/or reconstruction of aprons, taxiways and runway markings; other grants received were the Sunport Master Plan Update and Wildlife Assessment. Double Eagle II received \$1.8 million in funding for Wildlife Assessment, Taxiway A1, Apron and Taxiway, Aircraft Parking, Automatic Weather Observation Station (AWOS), Electronic Airport Layout Plan (E-ALP); runway pavement rehabilitation, reconstruction and extension; and in addition, completed the project reconstruct and widen the highway from Interstate 40 to Double Eagle II Airport, which was funded primarily by Federal Highway Administration.

There can be no assurance as to the amount of such funding the Airport will receive in future years. The City’s financial plan for funding its Capital Program assumes that the City will receive AIP grants to fund the eligible portions of certain projects. In the event that AIP grants

are not available, the City would either elect to delay, cancel, or fund the projects with airport funds and/or other sources.

### *Airline Agreements*

Signatory Passenger Airline Agreements. Effective July 1, 2011, the Signatory Passenger Airlines entered into five year Amended and Restated Scheduled Airline Operating Agreement and Terminal Building Leases (“Signatory Passenger Airline Agreements”) with the City for the use and lease of certain facilities at ABQ Airport. The following is only a brief summary of certain provisions of the Signatory Passenger Airline Agreements. The existing Signatory Airline Use and Lease agreement expires on June 30, 2016 and a new five-year agreement is currently under negotiation. No significant changes to the rate-making methodology or level or airline revenues under the new agreement are expected.

Signatory Passenger Airlines and Signatory Cargo Airlines pay the City landing fees per 1,000-pound unit of maximum certified gross landing weight for the use of ABQ Airport. The landing fee rate is calculated according to a cost center residual methodology, whereby the City recovers 100% of the costs allocable to the Airfield.

Under the Signatory Passenger Airline Agreements, Terminal Building rental rates are calculated according to a commercial compensatory method based on rentable space and include a credit of certain concession revenues generated in the Terminal Building. Ticket counter, airline operations, and certain other space is leased on a per square foot basis. Holdrooms are leased on a per holdroom basis. The baggage claim area and the passenger circulation area are leased jointly, with allocable rentals recovered by formula. The credit is also distributed among the Signatory Passenger Airlines by formula. Loading bridge charges are calculated using a modified residual methodology and consist of a combination of a fixed fee charged per loading bridge to recover allocable capital costs and an operating fee charged per departing flight to recover allocable operating costs.

Each Signatory Passenger Airline has priority in using gates assigned to it on a preferential use basis to accommodate its scheduled flights. However, the City may assign a preferential gate for use by others in periods when not in use by the renting Signatory Airline. The City has the right, but not the obligation, to reassign a Signatory Passenger Airline’s preferentially assigned gate to another Signatory Passenger Airline, if the renting Signatory Passenger Airline’s average scheduled gate utilization falls below four flights per gate per day, and the City determines that there is a reasonable need for the preferential use of such gate by another Signatory Passenger Airline.

Signatory Cargo Airline Agreements. Effective July 1, 2011, the Signatory Cargo Airlines entered into five year Amended and Restated Scheduled Cargo Airline Operating Agreement and Cargo Building Leases (the “Cargo Airline Agreements”) with the City concerning their use of the air cargo facilities at ABQ Airport. Under the current Cargo Airline Agreements, each of the Signatory Cargo Airlines leases exclusive-use space in ABQ Airport’s air cargo building and preferential-use apron parking spaces at the air cargo apron. Rates and charges for these facilities are calculated under a modified commercial compensatory approach, whereby the Signatory Cargo Airlines pay a rate calculated using a market-value approach. The

existing Signatory Airline Use and Lease agreement expires on June 30, 2016 and a new five-year agreement is currently under negotiation. No significant changes to the rate-making methodology or level of airline revenues under the new agreement are expected.

Affiliate Airline Operating Agreements. The City maintains Affiliate Airline Operating Agreements with passenger airlines operating as regional affiliates of Signatory Passenger Airlines. The Affiliate Airline Operating Agreements are on a month-to-month basis. Service provided by these airlines is marketed and sold by Signatory Passenger Airlines under capacity purchase agreements and not by the Affiliate Airline.

Under the terms of the Affiliate Airline Agreements, Affiliate Airlines pay the same landing fee rate as the Signatory Passenger Airlines and participate in the year-end recalculation of airline rates and charges. Rents and fees for the use of the Terminal Building, where applicable, are paid by the Signatory Passenger Airline on behalf of the Affiliate Airline.

Commuter Airline Agreements. The City maintains Commuter Airline Lease and Operating Agreements with airlines providing commuter service throughout New Mexico. The Commuter Airline Lease and Operating Agreements are on a month-to-month basis. Under the terms of the Commuter Airline Lease and Operating Agreements, commuter airlines pay the same landing fee rate as the Signatory Passenger Airlines, but do not participate in the year-end recalculation of airline rates and charges. The agreements also allow the commuter airlines to pay fixed rates to rent space in the Terminal Building.

Non-Signatory Airline Agreements. The City maintains Non-Signatory Airline Operating Agreements and Terminal Building Leases (the “Non-Signatory Airline Agreement”) with certain airlines providing service at ABQ Airport on both a scheduled and non-scheduled basis. The Non-Signatory Airline Agreements allow airlines to occupy space in the Terminal Building or air cargo facilities on a month-to-month basis. Additionally, the Non-Signatory Airline Agreements specify the fees to be paid for the use of Airport facilities, generally calculated at 115% of the applicable Signatory Passenger Airline rate. Non-Signatory Airlines do not participate in the year-end recalculation of airline rates and charges.

Air Service Incentive Programs. The City instituted an Airline Competition Incentive Program (the “ACIP”) and Airline Cooperative Marketing Program (the “ACMP”) in April 2013 to encourage new air service by incumbent and new-entrant airlines. The ACIP provides for credits of 100% of allocable landing fees and 75% of allocable terminal rentals and use fees for qualifying service to airports not served nonstop from ABQ Airport. The ACMP provides for subsidies for qualifying marketing activities related to ACIP-eligible service. ACIP and ACMP credits and subsidies are in effect for a maximum of two years for each qualifying service. The programs expire in June 2016. In April 2015 JetBlue Airways completed its two years of qualifying service and currently is operating as a signatory airline. Currently, Alaska Airlines is in the incentive program, which will expire on June 30, 2016 and is considering operating as a signatory airline. On March 8, 2016, Allegiant Airlines announced beginning operations effective June 2, 2016. Allegiant will be in the incentive program for two years.

### *Airport System Capital Program*

The City maintains a rolling five-year Capital Improvement Program (CIP). The current CIP extends to Fiscal Year 2021 and anticipates \$201.2 million in capital improvements. This CIP includes \$127.7 million in capital improvements through FY 2016 which were pre-approved by the Signatory Airlines as part of the Airline Agreements with a term extending to FY 2016. Capital improvements other than those identified in the pre-approved capital plan exceeding certain cost thresholds and not subject to other limitations are subject to the capital project review and approval provisions of the Airline Agreements.

Of the \$201.2 million CIP, \$182.6 million would improve ABQ Airport and \$18.6 million to the Double Eagle II Airport. The funding plan for the CIP is a mixture of grants, “pay-as-you-go” Passenger Facility Charges (PFCs), and Airport equity. The City plans to issue no new debt to fund projects through Fiscal Year 2021.

The majority of the CIP projects are for the renewal and/or replacement of aging elements of airport infrastructure. The CIP reflects the lack of a need for significant expansion of airfield or terminal capacity. At the ABQ Airport, large projects include the rehabilitation/reconstruction of Taxiways B, E, and the perimeter road, making improvements to the Terminal Building, and upgrading the Access Control Systems. Additional projects include a master plan update, the purchase of new fire and rescue equipment if needed, adding a high speed turnout from Runway 3-21 and upgrading the mechanical and electric systems in the Terminal Building. At Double Eagle II Airport, the largest projects are the extension of Runway 17-35 and Taxiway B to the north, upgrades to the Instrument Landing System (ILS), and the rehabilitation of the north access road.

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

The joint water and sewer system was owned by the City and operated by its Public Works Department until December 17, 2003 (the “Water/Sewer System”), and revenue bond debt issued by the City relating to the Water/Sewer System continues to be outstanding. In 2003, the New Mexico Legislature created the Albuquerque Bernalillo County Water Utility Authority (the “Authority”) pursuant to Section 72-1-10 NMSA 1978, as amended, and provided that all functions, appropriations, money, records, equipment and other real and personal property pertaining to the Water/Sewer System would be transferred to the Authority. The legislation also provides that the debts of the City payable from net revenues of the Water/Sewer System shall be debts of the Authority and that the Authority shall not impair the rights of holders of outstanding debts of the Water/Sewer System. The City has transferred functions, appropriations, money, records, equipment and other real and personal property pertaining to the Water/Sewer System to the Authority, and the policy-making functions of the Water/Sewer System have been transferred to the Authority. The Authority has a minimal relationship with the City under the current Memorandum of Understanding, dated July 1, 2013, by and between the Authority and the City. These ties include the Authority’s rental of space and computer equipment from the City and Authority employees may participate in certain City employment benefits such as medical, dental, vision and life insurance. Other than these limited connections, the Authority operates independently of the City and Bernalillo County, New Mexico.

Information relating to outstanding Water/Sewer System obligations may be found in the Annual Information Statement of the Authority dated March 6, 2015 on file with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System.

## **Refuse Removal and Disposal System**

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

### *Long-Range Plans*

The Department developed an Integrated Waste Management Plan (IWMP) to serve as an important planning tool. The IWMP, by Zia Engineering & Environmental Consultants, reviews the current status of the City's solid waste management system including operations, rates and facilities and proposes an environmental plan for the future.

City Council approved the IWMP in 2010. The IWMP contains 23 recommendations to be implemented in the period from 2010 to 2020.

Recommendations in the IWMP which are completed include the following: to perform a cost of service analysis (updated annually); perform a commercial accounts audit; revise the Department's Mission Statement; develop a Request for Proposals for private sector design, construction, ownership, and operation of a materials recovery facility (MRF); development of a permanent education and outreach program including staff; promotion of backyard composting; analysis of potential sites for transfer facility development; implementation of cart-based residential recycling collection, and fully funding the equipment replacement schedule.

With direction from the Mayor, the City has entered into a 12-year contract with Friedman Recycling for operation of a private MRF. The facility opened in June 2013. Operations in Fiscal Year 2015 resulted in a net cost share of (\$374,831) to the Department. Extremely poor market conditions reduced the value of the recyclables delivered by the City, and the City incurred tonnage shortfall penalties for failing to deliver the minimum tons per month specified in this contract. In an effort to increase the tonnage, the Department has begun collecting recycling from over 200 commercial businesses for a fee. Commercial recycling is the fastest growing operation in the Department. Prior to the Friedman contract, the City suffered recycling processing net losses in Fiscal Years 2009 and 2010 (\$1,274,000) and (\$1,121,000), respectively. In Fiscal Year 2014, the Friedman contract resulted in a net revenue share of \$126,758.

The Department has contracted with design consultants to design and permit a transfer station facility at the city-owned site of the current solid waste offices and maintenance yard at 4600 Edith NE. The transfer station facility will also include a new maintenance facility and new

administrative and strategic operations office space. If all permits are approved, the new facility will be constructed and operational in in 2017-18.

The remaining recommendations will be considered and proposed in subsequent budget years as suggested in the IWMP.

### *Landfills*

The City owns and operates its own landfill site, which has been registered with State and federal authorities since May 1990. The permit for the City's Cerro Colorado Landfill allows only licensed commercial haulers to dispose of solid waste at the landfill site. Residents are not allowed to haul waste to the landfill and, instead, must use the convenience centers described below. If current waste disposal operations continue unchanged, the landfill is expected to reach capacity in 2076. The landfill presently meets or exceeds all federal and state regulations. To continue in compliance with federal requirements, the City installed a methane gas collection system for the first six cells of the Cerro Colorado landfill and had a consultant develop a landfill gas master plan to maximize efficiency and effectiveness in the future expansion of the landfill gas collection system. The Department has completed Phase A and B portions of the master plan with Phase C implementation to be evaluated in Fiscal Year 2017.

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

### *Collection System*

The residential collection system consists of one-person crews using fully automated side-loading packer vehicles for regular household refuse and the separate collection of recycling. The collection of refuse and recycling occurs once a week. Each of approximately 174,000 households is provided with two 95-gallon containers on wheels. The containers are wheeled to the curb by the resident on his/her weekly collection day and are serviced by two fully automated collection vehicles, which utilize a hydraulic arm to grab, lift and empty the containers. The regular work schedule for residential refuse and recycling collection is five eight-hour days a week. Residential routes include 48 refuse routes, and 22 recycling routes including multi-family dwelling recycling.

Some examples of items collected in the curbside recycling program include: corrugated cardboard, cereal and cracker boxes, #1-7 plastics, milk and juice boxes, tin, aluminum, newspaper, junk mail, books, small electronics, and small appliances.

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

The commercial collection system is containerized to the maximum extent possible. Containers varying in size from two cubic yards to eight cubic yards and are mechanically

dumped into packer trucks. Large generators of refuse use roll-off containers. Collection frequency and container size is determined by the needs of the customer and is factored into the fee calculation. Commercial routes include two rear packers, 17 roll-offs and 32 front-loading routes.

The Department has implemented a Commercial Recycling program that allows Commercial business to use a 6 cubic yard lift bin provided by the Solid Waste Management Department, the fee is calculated by the collection frequency. Commercial Recycling routes include two front loading routes.

The Department plans to begin an 18-month implementation of a new dispatch software that will allow it to better track residential and commercial assets with the ultimate goal of improving services. Such implementation is pending final City Council approval.

### *Convenience Centers*

The City has three convenience centers for public use, which accept residential self-haul waste and small commercial haulers with a vehicle size of less than two tons. Solid waste brought to the convenience centers is collected in 40-cubic-yard roll-off containers and 120-cubic-yard transfer trailers and hauled to the Cerro Colorado Landfill by the City as part of the convenience centers' operations. The tonnage collected at the convenience centers represents approximately 13% of the total annual tonnage disposed of at the Cerro Colorado Landfill. The fee at the convenience centers is \$5.00 per load for individuals and small commercial haulers, not including tax.

### *Additional Recycling Programs*

The City also provides 18 drop-off recycling sites located across the City where citizens can drop off their recyclables, including glass.

The Department received approval from the New Mexico Solid Waste Bureau to operate a green waste composting site at the Cerro Colorado Landfill. The majority of materials for the green waste composting program is collected and then transported to the Cerro Colorado Landfill composting site from two of the three Department convenience centers and seasonal programs. Primary materials include leaves, grass clippings, tree trimmings and other assorted yard trimmings. Collected manures are used as an amendment with the primary materials for the composting process. The Department is currently selling compost and mulch at Montessa Park Convenience Center and Cerro Colorado Landfill to the general public and working to establish additional markets. The Department is also using mulch products for internal needs, such as "landfill cover."

Through a combination of City funds and a grant from the New Mexico Environment Department, the City diverts tires from disposal and sends them to a recycling facility that manufactures crumb rubber. The tire disposal fee of \$116.48, not including tax, covers the transportation and recycling tipping fee for this program.

The landfill-gas-to-energy project was completed in Fiscal Year 2014. This \$1,394,500 project was funded through a combination of an Environmental Protection Agency grant,

Bernalillo County funds and City funds in order to build a two-mile pipeline from the Cerro Colorado Landfill to the Bernalillo County Metropolitan Detention Center (MDC). The pipeline transports landfill gas to the MDC to be used to fuel domestic hot water boilers. Prior to construction of the pipeline, the gas was simply burned off. The pipeline continues to operate as intended.

#### *Weeds, Litter, Graffiti Removal, Median Maintenance and Community Outreach*

As a part of the department's overall mission of protecting and preserving the environment, the department is also responsible for the removal of weeds, litter and graffiti, and the maintenance and the efficient use of water in the managed landscapes on the City's major thoroughfares and public properties through its Clean City Division. Residential refuse bills include a charge of \$2.44 per household per month for this program. Commercial refuse bills also contain a charge.

The Clean City Division strategy and mission is to enhance the City's condition, the community's needs for a clean environment, implement appropriate standards for effective water stewardship in City landscaped medians and streetscapes and improved quality of life within the City limits. Clean City Division, a seven-day-a-week operation, is currently utilizing seven principle programs: Median Maintenance Program, Weed & Litter Program, Graffiti Removal Services, Community Support Program, Large Item Collections Program, Office Paper Recycling Program and the Interstate Highway Litter Control Program. Maintaining the cleanliness, beauty and integrity of the City is common to each of these services.

The Median Maintenance and Weed & Litter Programs have divided approximately 188 square miles in the City into five major sections to provide a proactive maintenance approach for the City's major thoroughfares on a scheduled basis throughout the year. The Clean City Division provides litter control, graffiti and loose tumbleweed removal on the Interstate Highway right-of-ways within the City limits through a cooperative agreement between the City and the New Mexico Department of Transportation. The Clean City Division provides graffiti removal from properties within the City and visible from the public right-of-way and City owned property and responds to special requests for graffiti removal on private property with the owner's consent.

The Clean City Division provides support and builds partnerships citywide with other departments, neighborhood associations, civic groups, and businesses for a variety of clean-up efforts and an array of special projects and special events throughout the year.

The Keep Albuquerque Beautiful ("KAB") Program is also supported by the Department and acts as a community outreach entity to promote awareness of environmental issues related to solid waste, recycling and sustainability. KAB is an affiliate of the National Keep America Beautiful organization and is funded by grant money from the State of New Mexico.

#### *Solid Waste Management Administration*

**Mr. John Soladay** is the Director of the Solid Waste Management Department. Mr. Soladay brings more than 41 years of public service to the table. He started his career in Southern California where he spent 25 years with the City of Redondo Beach retiring as the

Public Works Director in the late 1990's. Since coming to the City of Albuquerque Mr. Soladay has served as the Fleet Manager; Associate Director of the Department of Municipal Development managing the Facilities and Energy Divisions; Sustainability Officer in the Mayor's office, Environmental Health Director, Solid Waste Director and as Chief Operations Officer for two years before returning to the Solid Waste Department as Director.

**Ms. Jill Holbert** is an Associate Director of the Solid Waste Management Department. She brings over 26 years of experience in integrated solid waste management; including waste reduction, recycling, composting and solid and household hazardous waste management. She is a New Mexico Environment Department certified operator for transfer stations, landfills and recycling facilities. Prior to joining the Department, Ms. Holbert worked for the Solid Waste Bureau of the New Mexico Environment Department. She also served as the Solid Waste Management Division Director with the City of Santa Fe and manager of Santa Fe County's solid waste and recycling program. She holds a Master of Science degree in Community Development from the University of California and a bachelor's degree in Natural Resources from the University of Michigan.

**Mr. James A. Mora** is the Associate Director of the Solid Waste Management Department, managing the collections divisions of the department. Mr. Mora started his career with the department in 1989 as a driver and brings 27 years of experience in the fields of refuse collection and recycling. He has been promoted up through the ranks from Foreman, Assistant Superintendent, Superintendent, and most recently to Associate Director of the department.

**Mr. Marco Holloway** is the Associate Director of the Solid Waste Management Department, managing the Clean City Division. Mr. Holloway, a native of New Mexico joined the Solid Waste Management Department in January 1993. Holloway has served the citizens of Albuquerque 23 years as a member of the Solid Waste Management Department staff. As Associate Director of the department's Clean City Division, Mr. Holloway oversees all aspects of a variety of operations and services, sets the overall strategy and vision and the administration and planning for all programs coordinated by the Clean City staff.

**Mr. Stephen C. Falk, CPA**, is the Fiscal Manager of the Solid Waste Management Department. Mr. Falk has over 32 years of financial accounting experience, working as an auditor in public accounting, a financial manager in private industry, and in various governmental accounting positions. Mr. Falk has been a Certified Public Accountant for 32 years, and has worked for the City for the last 22 years.

*Refuse System Financial Information*

Operational Data and Tonnage History for the Refuse System. Shown below are the operational data and solid waste tonnage history for the Refuse System for Fiscal Years 2006 through 2015.

**CITY OF ALBUQUERQUE  
Refuse System Operational Data  
Fiscal Years 2006-2015 Collections**

| <b>Fiscal Year</b> | <b>Residential Units</b> | <b>Commercial Routes</b> | <b>Commercial Units</b> | <b>Commercial Routes</b> | <b>Refuse Employees</b> | <b>Collection Vehicles</b> |
|--------------------|--------------------------|--------------------------|-------------------------|--------------------------|-------------------------|----------------------------|
| 2006               | 164,491                  | 43                       | 12,611                  | 55                       | 414                     | 160                        |
| 2007               | 167,782                  | 44                       | 13,346                  | 56                       | 432                     | 164                        |
| 2008               | 172,828                  | 48                       | 14,219                  | 56                       | 450                     | 170                        |
| 2009               | 175,162                  | 48                       | 13,086                  | 56                       | 427                     | 171                        |
| 2010               | 176,341                  | 48                       | 12,051                  | 56                       | 434                     | 165                        |
| 2011               | 177,202                  | 48                       | 11,954                  | 56                       | 433                     | 163                        |
| 2012               | 178,176                  | 48                       | 11,960                  | 53                       | 429                     | 173                        |
| 2013               | 179,779                  | 48                       | 11,934                  | 53                       | 432                     | 177                        |
| 2014               | 173,466                  | 48                       | 11,591                  | 51                       | 457                     | 177                        |
| 2015               | 173,910                  | 48                       | 10,615                  | 52                       | 458                     | 189                        |

Source: City of Albuquerque, Solid Waste Management Department.

**CITY OF ALBUQUERQUE  
Solid Waste Tonnage History  
Fiscal Years 2006-2015**

| <b>Fiscal Year</b> | <b>Commercial</b> | <b>Residential</b> | <b>Convenience Center, Private Haul, Other</b> | <b>Total Department</b> |
|--------------------|-------------------|--------------------|--|-------------------------|
| 2006               | 239,670           | 190,527            | 118,661  | 548,858                 |
| 2007               | 248,014           | 204,083            | 142,933  | 595,030                 |
| 2008               | 231,977           | 203,043            | 168,717  | 603,737                 |
| 2009               | 214,463           | 188,229            | 301,725  | 704,417                 |
| 2010               | 220,100           | 172,391            | 137,124  | 529,615                 |
| 2011               | 219,216           | 177,618            | 168,214  | 565,048                 |
| 2012               | 209,799           | 172,845            | 116,693  | 499,337                 |
| 2013               | 202,373           | 163,742            | 112,745  | 478,860                 |
| 2014               | 205,404           | 156,606            | 142,580  | 504,590                 |
| 2015               | 204,868           | 156,675            | 141,864  | 503,407                 |

Source: City of Albuquerque, Solid Waste Management Department.

Budget, Rates and Charges. The capital and operating budgets for the Refuse System are submitted to the Council by April 1 of each year for the following fiscal year. The Council considers the budgets, together with the rates necessary to finance the operation and capital improvements, and adopts the budget and rates necessary for the next fiscal year no later than 60 days after their receipt. Biannually, decade capital plans are also prepared and adopted.

These plans are modified by the annual budget process as immediate needs become clear. The current decade capital plan (2015-2024) calls for expenditures of approximately \$158 million financed with a combination of operating cash and refuse revenue bonds.

The rates for residential collection, commercial collection and the use of the Cerro Colorado landfill are established from time to time by City ordinance and are not subject to approval by any other regulatory body. The Fiscal Year 2015 rate for residential collection is \$15.00 per month. Commercial rates vary considerably based on the size of container and frequency of service. Current landfill fees by tonnage (not including tax) are \$7.50 for up to 500 pounds, \$14.99 for 501 to 1,000 pounds, \$22.48 for 1,001 to 1,500 pounds, and \$30.00 for 1,501 to 2,000 pounds. Other rates apply for use of the landfill for certain categories of waste such as tires and contaminated soil. The current fee at the convenience centers is \$5.00 per load for residential and commercial haulers, not including tax. Included in the rate structure is a fuel surcharge assessed to all refuse customers when the price of diesel fuel exceeds \$2.30 per gallon.

The following tables present a limited 10-year summary of the history of refuse service rate adjustments implemented by the City showing the effective date of such adjustments. See “Historical Financial Information” under this caption. The City anticipates that additional rate increases will be necessary in future years based on findings in the Integrated Waste Management Plan and Cost of Service Study the Department completed as part of the Fiscal Year 2015 budget. The Studies seek, in part, to modernize recycling, encourage commercial recycling, implement a rate structure that reflects current costs and encourages more residential recycling. The Department was approved for a rate increase in Fiscal Year 2015, adding \$2.09 to the residential rate, bringing the residential rate to \$15.00 per month. Of the \$2.09 increase, \$1.34 is to restore debt service capacity for the construction of a new transfer station, and \$.75 is used to consolidate all existing medians into the Clean City Division. The cost of service analysis completed for FY14 indicated the need for a 5% rate increase for commercial customers, and was approved with the residential rate adjustment.

**CITY OF ALBUQUERQUE**  
**Refuse System**  
**Residential Collection Fee Adjustments**

| <b>Year</b> | <b>Monthly<br/>Rate</b> | <b>%<br/>Increase</b> |
|-------------|-------------------------|-----------------------|
| 2006        | 10.75                   | 5.0                   |
| 2007        | 10.75                   | 0.0                   |
| 2008        | 10.75                   | 0.0                   |
| 2009        | 10.75                   | 0.0                   |
| 2010        | 10.75                   | 0.0                   |
| 2011        | 12.91                   | 20.1                  |
| 2012        | 12.91                   | 0.0                   |
| 2013        | 12.91                   | 0.0                   |
| 2014        | 12.91                   | 0.0                   |
| 2015        | 15.00                   | 16.2                  |

Source: City of Albuquerque, Solid Waste Management Department.

### Landfill Fee Adjustment

| Year | Rate               | % Increase |
|------|--------------------|------------|
| 2006 | 110.93/ton (tires) | 5.0        |
| 2007 | 110.93/ton (tires) | 0.0        |
| 2008 | 110.93/ton (tires) | 0.0        |
| 2009 | 110.93/ton (tires) | 0.0        |
| 2010 | 110.93/ton (tires) | 0.0        |
| 2011 | 116.48/ton (tires) | 5.0        |
| 2012 | 116.48/ton (tires) | 0.0        |
| 2013 | 116.48/ton (tires) | 0.0        |
| 2014 | 116.48/ton (tires) | 0.0        |
| 2015 | 116.48/ton (tires) | 0.0        |

Source: City of Albuquerque, Solid Waste Management Department.

### Convenience Center Fee Adjustments

| Year | Rate                      | % Increase |
|------|---------------------------|------------|
| 2006 | \$3.47/load (residential) | 5.0        |
|      | \$9.08/load (commercial)  | 5.0        |
| 2007 | \$3.47/load (residential) | 0.0        |
|      | \$9.08/load (commercial)  | 0.0        |
| 2008 | \$3.47/load (residential) | 0.0        |
|      | \$9.08/load (commercial)  | 0.0        |
| 2009 | \$3.47/load (residential) | 0.0        |
|      | \$9.08/load (commercial)  | 0.0        |
| 2010 | \$3.47/load (residential) | 0.0        |
|      | \$9.08/load (commercial)  | 0.0        |
| 2011 | \$5.00/load (residential) | 44.1       |
|      | \$5.00/load (commercial)  | (44.9)     |
| 2012 | \$5.00/load (residential) | 0.0        |
|      | \$5.00/load (commercial)  | 0.0        |
| 2013 | \$5.00/load (residential) | 0.0        |
|      | \$5.00/load (commercial)  | 0.0        |
| 2014 | \$5.00/load (residential) | 0.0        |
|      | \$5.00/load (commercial)  | 0.0        |
| 2015 | \$5.00/load (residential) | 0.0        |
|      | \$5.00/load (commercial)  | 0.0        |

Source: City of Albuquerque, Solid Waste Management Department.

Refuse System Billing and Collections. The Department bills approximately 181,000 accounts on a monthly basis for commercial and residential garbage collection, recycling collection and disposal fees. The City has an active agreement with the Albuquerque Bernalillo County Water Utility Authority to bill jointly for water and refuse services via the Customer Care and Billing System. The Department pays a portion of all incurred operating costs on an annual basis. As part of this agreement, the Authority manages collections of delinquent accounts for the Department with the exception of accounts that only incur refuse or landfill charges and do not incur water charges.

The water/refuse utility bill indicates the current amount due, the past due balance and any necessary adjustments to the account. If a customer is more than 45 days delinquent, the

customer is officially in “collections” status and begins receiving collection letters. After 90 days, the customer receives a 15-day trial shut-off notice. If the Authority or the City does not receive a response from the customer, the City, for health and safety reasons, will continue to collect the customer’s refuse, but Authority has the authority to shut off the customer’s water (excluding disabled customers/life support) until the bill is paid or the customer has made arrangements for payment.

For accounts with only refuse service, the City requires a deposit from the customer. This deposit is applied to the account upon service termination as per the Refuse Ordinance. The City applies a 1.5% per month penalty to all delinquent bills. Under most circumstances, at any time a bill is delinquent, a lien on the customer’s property can be filed.

Historical Financial Information. The following table compares revenues and expenses over the past five fiscal years.

**CITY OF ALBUQUERQUE**  
**Refuse Removal and Disposal System**  
**Historical Financial Information**  
**Fiscal Years 2010-2015**  
**(\$000)**

|   | <b>2011</b> | <b>2012</b> | <b>2013</b> | <b>2014</b> | <b>2015</b> |
|---|-------------|-------------|-------------|-------------|-------------|
| Total Operating Revenues                              | \$61,435    | \$62,098    | \$61,102    | \$62,622    | \$69,721    |
| Non-operating revenues (expenses):                    |             |             |             |             |             |
| Interest <sup>(1)</sup>                               | 124         | 100         | 35          | 51          | 98          |
| Other   | 306         | 222         | 163         | 208         | 171         |
| Gain(loss) on disposition of property & equipment     | -           | 26          | (19)        | 66          | 119         |
| Fuel Surcharge  | 662         | 1,577       | 1,429       | 1,298       | 769         |
| Transfer in/(out) <sup>(2)</sup>                      | -           | -           | -           | -           | 384         |
| Total adjusted revenues                               | \$62,527    | \$64,023    | \$62,710    | \$64,245    | \$71,262    |
| Total operating expenses (excluding interest expense) | \$50,177    | \$52,002    | \$53,088    | \$56,807    | \$60,082    |
| Less:   |             |             |             |             |             |
| Payments in lieu of taxes                             | (1,112)     | (1,127)     | (1,120)     | (1,146)     | (1,264)     |
| Depreciation  | (3,762)     | (4,509)     | (6,242)     | (7,949)     | (8,342)     |
| Amortization  | (15)        | 12          | (5)         | (0)         | (0)         |
| Other   | (262)       | (142)       | (203)       | (102)       | (79)        |
| Total adjusted operating expenses                     | 45,026      | 46,236      | 45,518      | 47,610      | 50,397      |
| Net revenues available for debt service               | \$17,501    | \$17,787    | \$17,192    | \$16,635    | \$20,865    |

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

(2) “Transfers in” revenue for FY15, is a transfer from the General Fund to pay for maintenance of developed medians coming out of warranty. In the FY15 budget, the maintenance of developed medians moved from Parks and Recreation Department to Solid Waste.

Source: City of Albuquerque Comprehensive Annual Financial Reports.

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

## **OTHER PROJECTS OF THE CITY**

### **Public Improvement Districts**

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

The PID Act provides for financing based on levying property taxes on land within a PID, imposing special levies based on benefit to property, front footage, acreage, cost of improvements (or other factors apart from assessed valuation), and by providing for use charges for improvements or revenue-producing projects or facilities. PID taxes, levies and charges may be pledged to pay debt service on bonds issued by a PID. Under the Act, PID bonds are not obligations of the State of New Mexico or the local government jurisdiction in which the PID is located, but are obligations solely of the PID issuing the bonds. The Council adopted the Albuquerque Public Improvement District Policy Ordinance (the "PID Policy Ordinance") in February 2003, which enacts policies and procedures for processing and approving applications for approval of PIDs within the City's boundaries.

The Council has approved eight public improvement districts within the City; Ventana West Public Improvement District, Montecito Estates Public Improvement District, Saltillo Public Improvement District, The Trails Public Improvement District, The Boulders Public Improvement District, Volterra Public Improvement District, Mesa del Sol Public Improvement Districts and Lower Petroglyphs Public Improvement District. Many of the public improvement districts have issued special levy revenue bonds to finance construction of certain public infrastructure.

## Housing Projects

### *Beach Apartments Project*

The Beach Apartments Project was acquired by the City from the Resolution Trust Corporation (“RTC”) in July 1991 with proceeds of its \$1,265,000 Multifamily Mortgage Revenue Bonds (Beach Apartments Project), Series 1991. The complex was conveyed subject to a land use restriction agreement between the City and RTC which stipulates that not less than 35% of the units in the property be made available to households with incomes less than 65% of the area median income, adjusted for family size. The Beach Apartments Project consists of 74 units located in six two and three-story buildings, and the apartment building complex includes a swimming pool and on-site security personnel. The table below shows the number and types of units of the Beach Apartments.

#### NUMBER AND TYPES OF UNITS

| <u>Number of Units</u> | <u>Types of Units</u> |
|------------------------|-----------------------|
| 13                     | Studio                |
| 8                      | One Bedroom           |
| 49                     | Two Bedroom           |
| 4                      | Three Bedroom         |

Annual occupancy rates for the Beach Apartments Project have ranged between 93% and 96.3% from Fiscal Year 2010 through Fiscal Year 2015. For Fiscal Year 2015, the Beach Apartments Project generated total revenues of \$563,860 and incurred \$322,845 in operating and other expenses, resulting in net income of \$241,015 for that period.

### *Manzano Vista Apartments Project*

The Manzano Vista Apartments Project, purchased by the City in January 1994 with proceeds of its \$3,030,000 Multifamily Mortgage Revenue Bonds (Manzano Vista, formerly Dorado Village Apartments, Project), Series 1994, consists of 178 units. The complex was purchased at foreclosure auction and was conveyed by foreclosure deed subject to a use agreement between the City and the U.S. Department of Housing and Urban Development (“HUD”). The use agreement has expired. Although Manzano Vista has no deed restrictions, the City provides 25% of the units in this complex as affordable housing. The table below shows the number and types of units of the Manzano Vista Apartments.

#### NUMBER AND TYPES OF UNITS

| <u>Number of Units</u> | <u>Types of Units</u> |
|------------------------|-----------------------|
| 24                     | One Bedroom           |
| 104                    | Two Bedroom           |
| 50                     | Three Bedroom         |

Annual occupancy rates for the Manzano Vista Apartments Project have ranged between 95.3% and 93.4% from Fiscal Year 2010 through Fiscal Year 2015. For Fiscal Year 2015, the Manzano Vista Apartments Project generated total revenues of \$1,444,551 and incurred \$931,323 in operating and other expenses, resulting in a net income of \$510,229 for that period.

*Bluewater Village Apartments Project*

The Bluewater Village Apartments Project is a 200-unit multi-family building and was acquired by the City with proceeds of its \$11,245,000 Affordable Housing Project/Gross Receipts Tax Subordinate Lien Revenue Bonds, Series 1996. The Bluewater Village Apartments are operated as a mixed-income community, i.e., a portion of the units will be occupied by low and moderate-income families. The table below shows the number and types of units.

| <b>NUMBER AND TYPES OF UNITS</b> |                       |
|----------------------------------|-----------------------|
| <u>Number of Units</u>           | <u>Types of Units</u> |
| 50                               | One Bedroom           |
| 80                               | Two Bedroom           |
| 60                               | Three Bedroom         |
| 10                               | Four Bedroom          |

Annual occupancy rates for the Bluewater Village Apartments Project have ranged between 92% and 97.5% from Fiscal Year 2010 through Fiscal Year 2015. For Fiscal Year 2015, the Bluewater Village Apartments Project generated total revenues of \$1,692,050 and incurred \$788,491 in operating and other expenses, resulting in net income of \$903,560 for that period.

**INVESTMENT PROGRAM, POLICIES AND PROCEDURES**

The City holds significant cash balances, arising from capital project borrowings and operational revenues, and awaiting expenditure for purposed needs. It is imperative that the City forecast its daily, weekly, monthly, and annual net cash flow needs to ensure adequate liquidity is available. Aligning with the liquidity necessity is the requirement to protect these financial assets from material loss by minimizing market, interest rate, credit, liquidity, and other risks. Finally, once sufficient liquidity is ensured and risk minimized, the City seeks to maximize total return on invested assets, subject to risk tolerance constraints. This mandate of optimizing safety, liquidity, and return helps to ensure the citizens of the City that the investment program is protecting and enhancing the public’s resources.

**Governance**

The City’s Investment Oversight Committee (the “IOC”) is responsible for formulating and implementing the investment policy. The IOC is provided with this authority by the Chief Administrative Officer via Chapter 4, Article 1.9 of the Fiscal Agent Ordinance, which states that the IOC is responsible for:

- a. Establishing, maintaining and amending general policy and procedures for investing city monies;
- b. Establishing collateral requirements for city deposits;
- c. Establishing specific parameters and/or limitations on particular types of investments; and

- d. Ensuring proper internal controls are established and maintained to prohibit unauthorized investment activities.

## **Portfolio Structure**

Although the City accounts for its financial assets in various governmental Funds and general ledger accounts, and investment income and market value changes are apportioned accordingly, the assets are managed as two sub-portfolios:

1. the Liquidity Component; and
2. the Core Investment Component.

The primary purpose of the Liquidity Component is to provide daily liquidity to the City while controlling the risk factors described above. The return objective for this portfolio, measured in yield terms, is secondary. However, by deploying cash forecasting models the City strives to minimize the Liquidity Component level so that more cash may be deployed as earning assets in the Core Investment Component.

The purpose of the Core Investment Component is to convert excess cash, over and above the required Liquidity Component level, to earning assets. Performance is measured on a total return basis. As this portfolio consists of operating reserves and bond proceeds awaiting eventual expenditure, a longer term focus is appropriate. However, principal preservation remains a primary objective, as the Core Investment Component's funds may be utilized to meet debt service, capital project, and operational requirements. As such, strict duration management is in order to manage acceptable principal value change.

## **Permissible Investments**

The City's authorized asset classes and investment types are prescribed by New Mexico State Statute, NMSA Chapter 6, Articles 10-10, 10-16, and 10-17, and affirmed in the City of Albuquerque Code of Ordinances, Chapter 4, Article 1-10.

## **Portfolio Management Approach**

The standard of prudence to be used by the City for managing its cash assets is the Uniform Prudent Investor Act (UPIA). This standard raises the level of care to which the City is to be held accountable, from that of "a businessman of ordinary prudence" (Prudent Man standard) to that of the UPIA, an expert standard incorporated into New Mexico statute in 2005. A major difference between the two standards is that, under the Prudent Man standard, each investment is analyzed separately. Conversely, the UPIA recognizes Modern Portfolio Theory and analyzes investments as components of a diversified portfolio. Asset classes and investment types such as corporate fixed income mutual funds, considered too risky for municipal portfolios on a standalone basis, are considered for use under the UPIA because of their risk-adjusted return enhancement capabilities in a portfolio context.

In alignment with the UPIA, the City has adopted a Strategic Asset Allocation (SAA) approach to the construction and management of its Core Investment Component portfolio. As

opposed to the traditional yield or absolute total return approaches to public funds investment management, the City's strategy recognizes the inherent risk of various investments and adjusts for it. Further, the City's approach factors in how the returns of various asset classes vary relative to one another (correlate) through various periods. The overall goal of the approach, using a time-tested quantitative methodology known as Mean-Variance Optimization (MVO), is to manage the Core portfolio with the goal of providing the City the highest return for the level of risk exposure assumed.

## **Reporting**

The Investment Officer is required to provide a comprehensive investment report to the IOC at least quarterly.

## **Investment Procedures**

The City Treasurer is responsible for establishing and maintaining an internal control structure designed to ensure that the financial assets of the City are protected from loss, theft or misuse. Further, detailed guidelines are required to carry out the City's investment program. Specifics for the internal controls and procedures are documented in an investment procedures manual utilized by the Investment Officer.

The manual addresses the following points:

- Control of collusion;
- Separation of transaction authority from accounting and recordkeeping;
- Custodial safekeeping;
- Broker/dealer listing approval, transactional processing compliance;
- Asset allocation compliance procedures;
- IOC reporting details;
- Avoidance of physical delivery securities;
- Clear delegation of authority to subordinate staff members;
- Written confirmation of transactions for investments and wire transfers;
- Dual authorizations of wire transfers;
- Staff training; and
- Review, maintenance and monitoring of security procedures both manual and automated.

## FORWARD-LOOKING STATEMENTS

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

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

## LEGAL MATTERS

### Litigation

#### *General*

There is no action, suit, proceeding, inquiry, investigation or controversy of any nature pending, or to the City’s knowledge threatened, involving the City (i) in any way questioning (A) the authority of any officer of the City to exercise the duties and responsibilities of his or her office or (B) the existence, powers or authority of the City; or (ii) which, except as and to the extent disclosed below may result, either individually or in the aggregate, in final judgments against the City materially adversely affecting its financial condition.

#### *APD Settlement Agreement with Department of Justice*

In response to the Department of Justice’s (the “DOJ”) 2014 finding of excessive use of force by the Albuquerque Police Department (“APD”), the City of Albuquerque has entered into a settlement agreement with the DOJ that enumerates specific agreed upon deliverables. Full implementation of the settlement agreement is expected to occur in approximately four years. The cost of both compliance and monitoring together are expected to be less than \$6 million per year.

### New Mexico Tort Claims Act Limitations

The New Mexico Tort Claims Act limits liability to (i) \$200,000 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 an “intermediate scrutiny” standard to a “rational basis” standard by which the constitutionality issue will be determined in future cases. Since the “rational basis” standard is a lesser standard of scrutiny, the City expects that the cap will be upheld, if challenged in the future. The City has not experienced a material adverse financial impact on claims as a result of the decision in these cases.

## **Risk Management**

The City is exposed to various risks of loss related to torts and civil rights claims (including law enforcement and employment related exposures); theft, damage and destruction of its real and personal assets; workers compensation losses; errors and omissions of City officers and officials; and natural disasters. The City uses the Risk Management Fund 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 \$2,000,000 for each workers’ compensation incident, \$1,050,000 for each tort liability claim, and \$50,000 for each City real and contents damage claim. Losses in other categories and catastrophic losses in the mentioned categories are the subject of insurance and/or actuarially reviewed retentions. Whenever a risk exposure is insured, the City continues to benefit from case coverage on claims that were incurred during the insured claim year.

The Risk Management Fund tracks claims by department and assesses charges to each department program budget based on historical claims experience and exposure to liability. 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. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic factors. The estimate of the claims liability also includes amounts for incremental claim adjustments expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. Based on historical data, the City believes the Risk Management Fund is adequately funded. Moreover, pursuant to Section 41-4-25(B) NMSA 1978, in the event of a judgment against the City in excess of \$1,000,000 the City, with Council approval, may levy a tax on real property to provide for the payment of catastrophic losses.

In 2013, the City conducted a review of both its philosophy for reserving funds and the tools used to analyze the reported claims liability. As a result of this review, and based on

information pertaining to existing claims, the City determined that a higher reserve liability was needed. The City increased annual funding to the Risk Management Fund reserve through a ten year recovery program by increasing charges to departments in the amount of \$2.5 million in fiscal year 2015 and approximately \$2.16 million in fiscal year 2016. The City anticipates an increased charge of approximately \$3.6 million in fiscal year 2017.

Finally, the City has reserve amounts created by the City's policy to reserve one-twelfth of the General Fund budgeted amount. See Note IV.P to the Audited Financial Statements for Fiscal Year 2015, attached hereto as Appendix A.



**APPENDIX A**

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

**As of and for the Fiscal Year ended June 30, 2015**

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

JULY 1, 2014 - JUNE 30, 2015



city of albuquerque

Richard J. Berry - Mayor



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

# Comprehensive Annual Financial Report

Year Ended June 30, 2015

City of Albuquerque, New Mexico



Prepared by

Department of Finance and Administration

Accounting Division

Available online at

<http://www.cabq.gov/dfa/treasury/investor-information/comprehensive-annual-financial-reports>

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**CITY OF ALBUQUERQUE, NEW MEXICO**  
 Comprehensive Annual Financial Report  
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 Comprehensive Annual Financial Report  
 Year ended June 30, 2015

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Comprehensive Annual Financial Report

Year ended June 30, 2015

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**INTRODUCTORY SECTION**





December 15, 2015

Honorable Mayor and City Council  
City of Albuquerque, New Mexico

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) for the City of Albuquerque, New Mexico, (City), for the fiscal year ended June 30, 2015. New Mexico State Statute 12-6-3, NMSA 1978 mandates that the financial affairs of the City's records be thoroughly examined and audited each year by independent public accountants. Federal law also requires that a single audit be performed for federal grant funds in conformance with the provisions of the Uniform Guidance CFR 200 along with the Single Audit Act of 1984 and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations". All information related to the single audit, including the schedule of expenditures of federal awards, findings and recommendations, and the independent auditors' reports on the internal control structure and compliance with applicable laws and regulations are included in the Single Audit Information Section.

This report was prepared by the Department of Finance and Administrative Services with the assistance of various other City departments. City management assumes full responsibility for the accuracy of the data presented and the completeness and fairness of presentation, including all disclosures, based upon a comprehensive framework of internal control that has been established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. Moss Adams, LLP, Certified Public Accountants, have issued an unmodified opinion on the City's CAFR for the year ended June 30, 2015. As indicated by the opinion of our independent auditors, the report fairly presents the financial position and the results of operations of the City as measured by the financial activity of its various funds. The report has been set forth in a manner that will give the reader a broad understanding of the City's financial affairs. It includes disclosures necessary for the reader to gain an understanding of the City's financial activities. The independent auditors' report is located at the front of the Financial Section.

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

### ***Profile of the City***

Albuquerque, New Mexico is located in the central region of the state and is the economic and population hub of New Mexico. With an estimated population of 543,000 in 2010, Albuquerque ranks 33<sup>rd</sup> in population of the nation's cities and is the largest city in New Mexico with roughly one-fourth of the state's population. The City was founded in 1706, chartered as a town in 1885, and organized under territorial law as a city in 1891. The City became a charter city in 1917 and the voters approved a home rule amendment to the charter in 1971. In 1974, the electorate voted to establish a mayor-council form of government; the City Council consists of nine council members elected from districts. As a governmental entity, the City is not subject to Federal or State income taxes. The City provides traditional services such as public safety, culture and recreation, community services, public works, highways and streets, storm drainage, and refuse collection. In addition, the City operates parking facilities, a transit system, and an international airport.

The CAFR of the City includes all government activities, organizations and functions for which the City is financially accountable. The criteria used to determine financial accountability are based on, and consistent with, the pronouncements of the Governmental Accounting Standards Board which sets criteria for defining the financial reporting entity. Effective July 1,

2014, the Albuquerque Housing Authority (AHA) became a public body corporate, separate from the municipal corporation of the City of Albuquerque. AHA is reported as a component unit of the City of Albuquerque. The City does not have relationships with any other organizations not included in this CAFR of such nature and significance that exclusion would render the City's financial statements incomplete or misleading.



### **Summary of Local Economy**

Albuquerque is the major commercial, trade, service and financial center of the state. It is located in the central part of the state, at the intersection of two major interstate highways, and served by both rail and air. The Albuquerque Metropolitan Statistical Area (MSA) includes Bernalillo, Sandoval, Torrance and Valencia Counties. The MSA has a population 887,000 as of the 2010 census. The largest employers in the Albuquerque area are the University of New Mexico, Albuquerque Public Schools, Sandia National Labs (SNL), and Kirtland Air Force Base.

The Albuquerque economy has an industry composition not unlike that of the U.S. as a whole. Manufacturing makes up a smaller part of the Albuquerque economy, and government employment makes up a larger share.

| Albuquerque MSA Employment in Thousands                           |        |                              |                          |  |
|---|--------|------------------------------|--------------------------|--|
|   | FY/15  | Share of FY/15<br>Employment | Change FY/14<br>to FY/15 | Average Annual<br>Change FY/10 to<br>FY/15 |
| Total Non-Farm  | 362.02 | 100.0%                       | 1.0%                     | 0.0%                                       |
| Construction  | 20.67  | 5.7%                         | 2.7%                     | -2.1%                                      |
| Manufacturing   | 16.36  | 4.5%                         | -3.1%                    | -1.4%                                      |
| Trade, Transportation, and Utilities                              | 62.46  | 17.3%                        | 0.8%                     | 0.1%                                       |
| Information   | 7.61   | 2.1%                         | -0.9%                    | -3.3%                                      |
| Finance and Real Estate   | 16.51  | 4.6%                         | 1.7%                     | -0.3%                                      |
| Aggregate of Services (Professional, Education Leisure and Other) | 163.06 | 45.0%                        | 2.1%                     | 1.0%                                       |
| Professional and Business Services                                | 55.93  | 15.5%                        | 0.5%                     | -0.9%                                      |
| Education and Health Services                                     | 56.06  | 15.5%                        | 3.2%                     | 2.5%                                       |
| Leisure and Hospitality   | 41.55  | 11.5%                        | 3.1%                     | 2.2%                                       |
| Other Services  | 9.53   | 2.6%                         | 0.5%                     | -0.7%                                      |
| Government  | 75.35  | 20.8%                        | -0.4%                    | -0.7%                                      |
| Military  | 6.14   | NA                           | 0.4%                     | 0.4%                                       |

The U.S. economy exceeded the pre-recession level of employment in July of 2014, but Albuquerque is still about 20,000 jobs below the FY/08 peak level of employment. The economy has started to recover with positive growth in FY/12 through FY/15. FY/15 showed growth of 1% compared to FY/14. Manufacturing, Information, Professional Business Services, and Government sectors posted job losses in FY/15, offsetting the strong gains in Leisure and Hospitality, Education and Health Services and Construction. Construction declined 10% from fiscal year 2010 to fiscal year 2015, but has showed growth in the past two years. Single family construction activity has increased,

from its lowest level in FY/09 and showed growth in FY/15, but is still below the FY/13 level. Government employment after holding up at the beginning of the recession, declined in fiscal year 2012 through 2015. The recent declines are led by reductions in federal and local government employment; state government employment has started to increase. The major employer in State government is the University of New Mexico. One of the strengths for the Albuquerque economy is the national labs. Sandia National Laboratories (SNL) has devoted a great deal of research to terrorism and homeland security and the mission to protect the nuclear weapons arsenal. Efforts, particularly Innovate Albuquerque, are underway to help create new businesses through the commercialization of research and development at SNL and the University of New Mexico.

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

### ***Long-term financial planning***

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

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

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

### ***Financial Policies***

The City has a well developed system of program performance budgeting. Program strategies are developed to impact the defined and monitored community conditions which move the City towards achieving its goals. Each program strategy is a collection of specific service activities that are monitored for financial and performance management. Department directors are held responsible for the fiscal performance of their units as well as the programmatic performance of their units.

Historically, the City has been conservative in its approach to financial matters, managing long-term debt to control interest costs and stringently monitoring and controlling the use of both recurring and non-recurring operating revenues.

### ***Major Initiatives***

Public safety continues to be one of our top priorities. In fiscal year 2016, the City included recurring funding for 1,000 police officers and non-recurring funding of \$4.7 million to implement reforms specified in our Settlement Agreement with the US Department of Justice. In addition, \$1 million has been added to our Economic Development Department to continue initiatives that will spur job creation and investment in our local economy. Appropriations for debt service were added in the fiscal year 2016 budget allowing for the sale of \$45 million in new infrastructure bonds. The City continues its commitment of a long range capital investment program that is intended to stimulate private investment, increase the quality of life for our residents, enhance economic activity and promote job creation.

### ***Awards and Acknowledgements***

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Albuquerque for its CAFR for the fiscal year ended June 30, 2014. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized

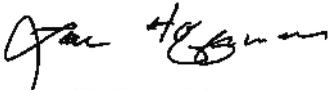
comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

In addition, the also City received the Distinguished Budget Presentation Award for its annual appropriated budget for the fiscal year beginning July 1, 2014. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, an operations guide, a financial plan and a communications medium.

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

Respectfully submitted,



Lou Hoffman, Director  
Department of Finance and Administrative Services



**Government Finance Officers Association**

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Albuquerque  
New Mexico**

**For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended**

**June 30, 2014**

**Executive Director/CEO**



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished  
Budget Presentation  
Award*

PRESENTED TO

**City of Albuquerque  
New Mexico**

For the Fiscal Year Beginning

**July 1, 2014**

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to City of Albuquerque, New Mexico for its annual budget for the fiscal year beginning July 1, 2014. In order to receive this award, a government unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

**CITY OF ALBUQUERQUE**

**PRINCIPAL OFFICIALS**

**June 30, 2015**

**MAYOR**

**RICHARD J. BERRY**

**CITY COUNCIL**

**KEN SANCHEZ  
ISAAC BENTON  
KLARISSA J. PEÑA  
BRAD WINTER  
DAN LEWIS, VICE PRESIDENT  
REY GARDUÑO, PRESIDENT  
DIANE G. GIBSON  
TRUDY JONES  
DON HARRIS**

**DISTRICT 1  
DISTRICT 2  
DISTRICT 3  
DISTRICT 4  
DISTRICT 5  
DISTRICT 6  
DISTRICT 7  
DISTRICT 8  
DISTRICT 9**

**CHIEF ADMINISTRATIVE OFFICER  
ROBERT J. PERRY**

**DEPUTY CHIEF ADMINISTRATIVE OFFICER  
GILBERT A. MONTAÑO**

**CHIEF OPERATIONS OFFICER  
MICHAEL J. RIORDAN**

**DEPARTMENT OF FINANCE AND ADMINISTRATIVE SERVICES  
LOU HOFFMAN, DIRECTOR**



# City of Albuquerque

The People of Albuquerque

**Mayor**  
Richard J. Berry

**City Council**  
Director of Council Services  
Jon Zaman

- DST. 1 Ken Sanchez
- DST. 2 Isaac Denton
- DST. 3 Klarissa Peña
- DST. 4 Brad Winter
- DST. 5 Dan Lewis
- DST. 6 Rey Garduño
- DST. 7 Diane Gibson
- DST. 8 Tandy Jones
- DST. 9 Don Harris

**City Clerk**  
Kathie Y. Howard

Administrative Hearing  
Stanley Harada

**Office of Inspector General**  
Peter Pacheco  
Acting

**Office of Internal Audit**  
Debra Yoshimura  
Director

**Office of Police Oversight**  
Robin Hammer

**Chief Administrative Officer**  
Robert J. Perry

**Chief of Staff / Deputy Chief Administrative Officer**  
Gilbert A. Montano

**Chief Operations Officer**  
Michael J. Riordan, P.E.

- Police**  
Gordon E. Eden, Jr.
- Emergency Preparedness  
Roger Ebner
- Fire**  
David Downey
- Legal**  
Jessica M. Hernandez
- Human Resources**  
Mary Scott
- Economic Development**  
Gary Oppedahl
- Finance & Administrative Services**  
Lou Hoffman

- Mayor's Office**
- Communications Office**
- Department of Technology & Innovation**  
Peter Amba
- Innovation Delivery Team**
- Legislative Services & Grant Administration**
- Internal Government Affairs**
- Intergovernmental Affairs**
- Education Coordinator**
- Mayor's Designee to selected Boards & Commissions
- Planning/Development**

- Animal Welfare**  
Barbara Bruin
- Aviation**  
James Hinde
- Cultural Services**  
Beatriz (Betty) Rivera
- Municipal Development**  
Wilfred Gallegos
- Environmental Health**  
Mary Lou Leonard
- Family & Community Services**  
Doug Chaplin
- Parks & Recreation**  
Barbara Taylor
- Planning**  
Suzie Lubar
- Senior Affairs**  
Josja Arriaga-Braher
- Solid Waste**  
John So aday
- Transit**  
Bruce Rizzieri

Signature   
Robert J. Perry, Chief Administrative Officer  
Updated June 22, 2015

**CITY OF ALBUQUERQUE, NEW MEXICO**

**CONTRIBUTORS**

June 30, 2015

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Principal Accountant – Grant Division  
Jonathan Stout  
Grant Accountant

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Treasurer  
Christopher H. Daniel, CPA, CFA, CTP  
Chief Investment Officer

City Fiscal Personnel

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Planning Department  
Linda Oliver  
Cultural Services Department

Office of Management Budget

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Executive Budget Analyst  
Jayne Aranda  
Executive Budget Analyst  
Mark Correa  
Budget Analyst  
Stephanie Manzanares  
Budget Analyst  
Linda Cutler-Padilla  
Budget Analyst  
Lorraine Turrietta  
Budget Analyst

## REPORT OF INDEPENDENT AUDITORS

The Honorable Richard J. Berry, Mayor  
City Council Members of the City of Albuquerque  
and  
Mr. Timothy Keller, New Mexico State Auditor

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information and the budgetary comparisons for the general fund of the City of Albuquerque, New Mexico (the "City") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the City's non-major governmental funds, non-major enterprise funds, internal service funds, other post-employment benefit fund, agency fund, and the budgetary comparisons for the major debt service funds, capital project funds, and all non-major funds presented as supplementary information, as defined by the *Government Accounting Standards Board*, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2015, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Albuquerque Housing Authority, a component unit of the City, which represents all of the balances and activity reported for the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Albuquerque Housing Authority, is based solely on the report of the other auditors. 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 from material misstatement.

The Honorable Richard J. Berry, Mayor  
City Council Members of the City of Albuquerque  
and  
Mr. Timothy Keller, New Mexico State Auditor

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major governmental funds, non-major enterprise funds, internal service funds, other post-employment benefit fund, and agency fund of the City as of June 30, 2015, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the major debt service funds, capital project funds and all non-major funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of a Matter***

As discussed in Note IV.L to the financial statements, during the year ended June 30, 2015 the City adopted new accounting guidance, GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

As discussed in Note IV.O to the financial statements, the June 30, 2015 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

The Honorable Richard J. Berry, Mayor  
City Council Members of the City of Albuquerque  
and  
Mr. Timothy Keller, New Mexico State Auditor

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 14 through 26 and the information on post-employment benefits on pages 102 through 105 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements, the combining and individual fund financial statements and the budgetary comparisons. The Schedule of Expenditures of Federal Awards as required by *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Financial Data Schedule, as required by the U.S. Department of Housing and Urban Development, *Guidelines for Public Housing Authorities and Independent Auditors under Uniform Financial Reporting Standards for Public Housing Authorities*, and the additional schedules listed as "other supplementary schedules" and "state compliance", in the table of contents, required by 2.2.2 NMAC are also presented for purpose of additional analysis and are not a required part of the financial statements.

The Schedule of Expenditures of Federal Awards, the Financial Data Schedule, as well as the additional schedules listed as "other supplementary schedules" and "state compliance" in the table of contents, required by 2.2.2 NMAC are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the Schedule of Expenditures of Federal Awards, the Financial Data Schedule, as well as the additional schedules listed as "other supplementary schedules" and "state compliance" in the table of contents, required by 2.2.2 NMAC is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Honorable Richard J. Berry, Mayor  
City Council Members of the City of Albuquerque  
and  
Mr. Timothy Keller, New Mexico State Auditor

The introductory section, statistical section, and schedule of vendors have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2015 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

*Mess Adams LLP*

Albuquerque, New Mexico  
December 15, 2015

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**FINANCIAL SECTION**



**CITY OF ALBUQUERQUE, NEW MEXICO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2015**

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, 2015. 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**

- During fiscal year 2015, the City implemented GASB Statement 68. The implementation required a restatement of beginning net position of \$383.4 million to governmental activities and a \$55.8 million adjustment to the City's proprietary funds for a total of \$439.2 million. In addition, the City's Aviation and Transit Funds recorded a prior period adjustment to account for capital contributions in the proper year in the amount of \$3.5 million and \$1.6 million respectively.
- The City recorded a transfer of operations to the Albuquerque Housing Authority (AHA) previously reported as an enterprise fund of the City. Beginning July 1, 2014, AHA is reported as a component unit. The Albuquerque Housing Authority recorded a restatement of beginning net position for the implementation of GASB Statement 68 totaling \$2.8 million and a prior adjustment of capital assets and an erroneous transfer totaling of \$804 thousand.
- The City's total net position increased by \$18.6 million during the year. The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$3.5 billion (net position). As of June 30, 2015, unrestricted net position totaled \$(220.6) million. Unrestricted net position was affected by the implementation of GASB Statement 68.
- As of June 30, 2015, the City's governmental funds reported combined ending fund balances of \$411.2 million. Of the total fund balance, \$22.2 million is fund balance available for spending at the government's discretion (sum of unassigned and assigned fund balance).
- As of June 30, 2015, fund balance of the general fund was \$63.3 million. At the close of the current fiscal year, unassigned fund balance of the general fund was \$20.4 million or 4.6% of the total general fund expenditures of \$442.9 million.
- During fiscal year 2015, net position of the City's business type enterprise funds decreased by \$1.2 million yielding net position of \$527.4 million as of June 30, 2015.
- The City's governmental activities long-term obligations decreased by \$19.7 million during the current year. The key factors in this change were decreases in the pension obligation of \$50.9 million (after restatement of the pension obligation due to GASB Statement 68), a decrease in accrued vacation, sick leave, and claims totaling \$9.6 million, a decrease in other post-employment obligations of \$1.0 million, followed by an increase in long term debt of \$41.8 million.

**OVERVIEW OF THE 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 supplementary information 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 position* presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflow of resources with the differences between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether or not the financial position of the City is improving or deteriorating. The *statement of activities* presents information showing how the City's net position changed during the fiscal year. In this statement, all changes in net position are reported when 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

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2015

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 recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, culture and recreation, public works, health and welfare, human services, housing, and highways and streets. The business-type activities of the City include an airport, apartments, a baseball stadium, refuse disposal services, golf courses, parking facilities, and a transit system.

In previous years, the Albuquerque Bernalillo County Water Utility Authority (Authority) was reported as a component unit of the City. The Authority provides water and sewer services to City residents. Beginning in fiscal year 2012, the Authority is reported as a stand-alone special purpose government. Accordingly, it is not included in this report. The Authority's Comprehensive Annual Financial Report as of and for the year ended June 30, 2015 is available by contacting the Albuquerque Bernalillo Water Utility Authority at the following address: Fifth floor, P.O. Box 568, Albuquerque, NM 87103.

As of July 1, 2014 the Albuquerque Housing Authority (AHA) became a separate public body authorized by 3-45-5 NMSA 1978 as amended in 2014. Under the intergovernmental agreement between the City and AHA, all assets, debts and current employees of AHA were transferred to the Albuquerque Housing Authority. The Albuquerque Housing Authority is reported as a component unit of the City. The Albuquerque Housing Authority's Comprehensive Annual Financial Report as of June 30, 2015 is available by contacting them at the following address: 1840 University Blvd. SE Albuquerque, NM 87106.

#### 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. The funds of the City are classified as: governmental funds, proprietary funds, and fiduciary funds, as described in the following sections.

Governmental funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are reported in governmental funds. Governmental fund statements focus on sources, uses and balances of cash and other financial assets that can readily be converted to cash and that are available for spending. Such information may be useful in determining what financial resources are available in the near future to finance the City's programs. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The City maintains several individual governmental funds organized according to their type (special revenue, debt service, capital projects and permanent funds). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, General Obligation Bond Debt Service, and 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 combining statements presented as supplementary information.

The City adopts an annual appropriated budget for the General Fund. A budgetary comparison statement for the General Fund is presented in the Basic Financial Statements section of this report. A budgetary comparison statement for the General Obligation Debt Service Fund and Capital Acquisition Fund, major funds, are presented in the supplementary information section. In addition, the City adopts an annual appropriated budget for nonmajor governmental funds. Budgetary comparison statements for those funds are also presented in the supplementary information section.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2015

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

- **Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operations of the Albuquerque International Airport, Refuse Disposal, and Transit, which are considered major funds of the City. In addition the following nonmajor funds are reported: Apartments; Golf Course; Parking; and Stadium.
- **Internal Service funds** are used to report activities that provide supplies and services for certain City programs and activities. These funds account for inventory warehousing and stock issues; workers' compensation, tort and other claims insurance coverage; vehicle maintenance and motor pool services; and communication services to City departments. In addition, an internal service fund accounts for the cost of providing 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 combining statements reported as supplementary information.

**Fiduciary funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the City. The City maintains the following two types of fiduciary funds:

- **Agency fund** – The City's agency fund is reported as a fiduciary fund. 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.
- **Trust fund** – The Albuquerque Pooled Other Post-Employment Benefits fiduciary trust fund has been established for the payment of non-pension post-employment benefits to retirees. The trust fund is used to account for resources held in the trust City of Albuquerque (City) and the Albuquerque Bernalillo County Water Utility Authority. The City of Albuquerque reports their allocable portion of the trust's net position.

**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 Schedule of Funding Progress for the Life Insurance Benefit Plan is presented as required supplementary information. Significant plan provisions are described in the notes to the basic financial statements.

The Schedule of Pension Contributions, Schedule of Proportionate Share of Net Pension Liability and the Notes to Required Supplementary Information Related to Pension Activity are presented as required supplementary information. Additional information can be found in the notes to the basis financial statements in Note L.

**Combining Statements**

The combining statements of nonmajor governmental funds, nonmajor enterprise funds, internal service funds, and fiduciary funds are presented immediately following the notes to the financial statements.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2015

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Below is a comparative analysis of government-wide data for the most recently completed fiscal year and the prior fiscal year.

Statement of Net Position  
(in millions)

|   | Governmental<br>Activities |                   | Business-type<br>Activities |                 | Total             |                   | Total<br>Percent<br>Change |
|---|----------------------------|-------------------|-----------------------------|-----------------|-------------------|-------------------|----------------------------|
|   | 2015                       | 2014              | 2015                        | 2014            | 2015              | 2014              |                            |
| <b>Assets:</b>                              |                            |                   |                             |                 |                   |                   |                            |
| Current and other assets                    | \$ 682.1                   | \$ 667.8          | \$ 213.5                    | \$ 234.8        | \$ 895.6          | \$ 902.6          |                            |
| Capital assets                              | 3,554.9                    | 3,516.1           | 467.7                       | 488.3           | 4,022.6           | 4,004.4           |                            |
| <b>Total assets</b>                         | <b>4,237.0</b>             | <b>4,183.9</b>    | <b>681.2</b>                | <b>723.1</b>    | <b>4,918.2</b>    | <b>4,907.0</b>    | <b>0.2%</b>                |
| <b>Deferred Outflows of Resources:</b>      |                            |                   |                             |                 |                   |                   |                            |
| Gain/Loss on refunding                      | 3.9                        | 4.2               | 0.4                         | 0.6             | 4.3               | 4.8               |                            |
| Related to fuel hedge                       | 1.4                        | -                 | 1.3                         | -               | 2.7               | -                 |                            |
| Related to pension activity                 | 56.1                       | -                 | 8.9                         | -               | 65.0              | -                 |                            |
| <b>Total deferred outflows of resources</b> | <b>61.4</b>                | <b>4.2</b>        | <b>10.6</b>                 | <b>0.6</b>      | <b>72.0</b>       | <b>4.8</b>        | <b>1400.0%</b>             |
| <b>Liabilities:</b>                         |                            |                   |                             |                 |                   |                   |                            |
| Long-term liabilities outstanding           | 1,006.0                    | 1,025.7           | 110.8                       | 135.9           | 1,116.8           | 1,161.6           |                            |
| Other liabilities                           | 177.9                      | 170.2             | 36.8                        | 58.9            | 214.7             | 229.1             |                            |
| <b>Total Liabilities</b>                    | <b>1,183.9</b>             | <b>1,195.9</b>    | <b>147.6</b>                | <b>194.8</b>    | <b>1,331.5</b>    | <b>1,390.7</b>    | <b>-4.3%</b>               |
| <b>Deferred Inflows of Resources:</b>       |                            |                   |                             |                 |                   |                   |                            |
| Deferred revenue                            | 5.1                        | 3.7               | -                           | 0.3             | 5.1               | 4.0               |                            |
| Related to pension activity                 | 101.1                      | -                 | 16.8                        | -               | 117.9             | -                 |                            |
| <b>Total deferred inflows of resources</b>  | <b>106.2</b>               | <b>3.7</b>        | <b>16.8</b>                 | <b>0.3</b>      | <b>123.0</b>      | <b>4.0</b>        | <b>2975.0%</b>             |
| <b>Net Position:</b>                        |                            |                   |                             |                 |                   |                   |                            |
| Net Investment in Capital Assets            | 3,074.3                    | 3,062.5           | 412.1                       | 386.4           | 3,486.4           | 3,448.9           |                            |
| Restricted                                  | 165.6                      | 172.6             | 109.1                       | 97.9            | 274.7             | 270.5             |                            |
| Unrestricted                                | (231.6)                    | (246.6)           | 6.2                         | 44.3            | (225.4)           | (202.3)           |                            |
| <b>Total Net Position</b>                   | <b>\$ 3,008.3</b>          | <b>\$ 2,988.5</b> | <b>\$ 527.4</b>             | <b>\$ 528.6</b> | <b>\$ 3,535.7</b> | <b>\$ 3,517.1</b> | <b>0.5%</b>                |

The City's assets exceeded liabilities by \$3.5 billion at the close of the year. The largest portion of the City's net position (98.7%) reflects its net investment of \$3.5 billion in capital assets (i.e. land, buildings, infrastructure, and equipment less any related outstanding debt used to acquire these assets.) The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Although the City's investment in its capital assets is reported net of related debt, resources needed to pay this debt must come from other sources since capital assets cannot be liquidated for these liabilities. Restricted net position in the amount of \$274.7 million represents resources that are subject to external restrictions on how they may be used. Unrestricted net position was affected by the implementation of GASB Statement 68 in fiscal year 2015. The City is allocated its proportionate share of the Public Employees Retirement Association of New Mexico's (PERA) net pension assets, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position by \$439.2 million. The City's

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2015**

proportional share of the liability was based on employer contributions received in fiscal year 2014. This implementation affected available balances creating negative unrestricted net position.

The City's net position increased by \$18.6 million during the current fiscal year. The increase in net position is explained in the governmental and business-type activities discussion.

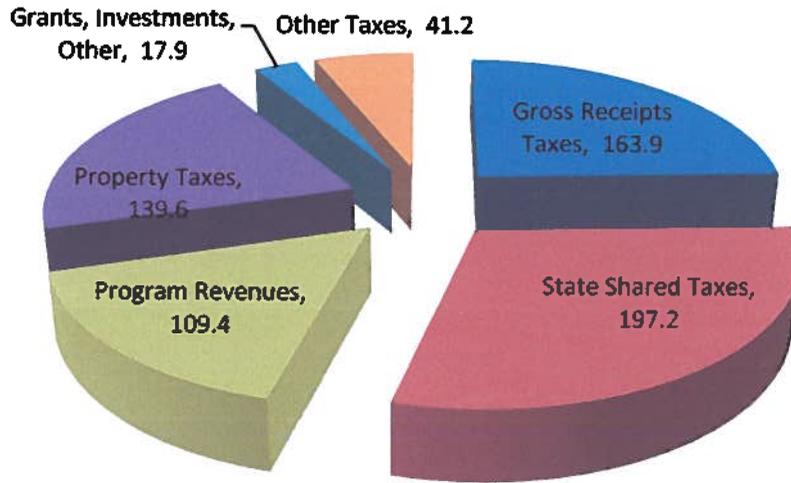
**CHANGE IN NET POSITION**  
(in millions of dollars)

|  | Governmental<br>Activities |                   | Business-type<br>Activities |                 | Total             |                   | Total<br>Percent<br>Change |
|--|----------------------------|-------------------|-----------------------------|-----------------|-------------------|-------------------|----------------------------|
|  | 2015                       | 2014              | 2015                        | 2014            | 2015              | 2014              |                            |
| <b>Revenues:</b>                           |                            |                   |                             |                 |                   |                   |                            |
| <b>Program revenues:</b>                   |                            |                   |                             |                 |                   |                   |                            |
| Charges for services                       | \$ 66.0                    | \$ 63.0           | \$ 160.8                    | \$ 161.4        | \$ 226.8          | \$ 224.4          | 1.1%                       |
| Operating grants and contributions         | 37.2                       | 38.0              | -                           | 28.0            | 37.2              | 66.0              | -43.6%                     |
| Capital grants and contributions           | 6.2                        | 8.5               | 16.8                        | 33.7            | 23.0              | 42.2              | -45.5%                     |
| <b>General revenues:</b>                   |                            |                   |                             |                 |                   |                   |                            |
| Gross receipts taxes                       | 163.9                      | 156.1             | -                           | -               | 163.9             | 156.1             | 5.0%                       |
| Property taxes                             | 139.6                      | 137.4             | -                           | -               | 139.6             | 137.4             | 1.6%                       |
| Other taxes                                | 41.2                       | 38.7              | -                           | -               | 41.2              | 38.7              | 6.5%                       |
| State shared taxes and fees                | 197.2                      | 187.0             | -                           | -               | 197.2             | 187.0             | 5.5%                       |
| Grants, investment income, and other       | 18.0                       | 32.7              | 2.5                         | 2.2             | 20.5              | 34.9              | -41.3%                     |
| <b>Total revenues</b>                      | <b>669.3</b>               | <b>661.4</b>      | <b>180.1</b>                | <b>225.3</b>    | <b>849.4</b>      | <b>886.7</b>      | <b>-4.2%</b>               |
| <b>Expenses:</b>                           |                            |                   |                             |                 |                   |                   |                            |
| General government                         | 78.9                       | 123.7             | -                           | -               | 78.9              | 123.7             | -36.2%                     |
| Public safety                              | 241.9                      | 493.4             | -                           | -               | 241.9             | 493.4             | -51.0%                     |
| Cultural and recreation                    | 103.3                      | 136.3             | -                           | -               | 103.3             | 136.3             | -24.2%                     |
| Municipal Development                      | 30.9                       | 33.9              | -                           | -               | 30.9              | 33.9              | -8.8%                      |
| Health and welfare                         | 19.1                       | 25.0              | -                           | -               | 19.1              | 25.0              | -23.6%                     |
| Human services                             | 61.8                       | 79.8              | -                           | -               | 61.8              | 79.8              | -22.6%                     |
| Housing                                    | 2.6                        | 2.4               | -                           | -               | 2.6               | 2.4               | 8.3%                       |
| Highways and streets                       | 63.0                       | 81.0              | -                           | -               | 63.0              | 81.0              | -22.2%                     |
| Interest expense                           | 15.8                       | 17.9              | -                           | -               | 15.8              | 17.9              | -11.7%                     |
| Airport                                    | -                          | -                 | 54.5                        | 72.9            | 54.5              | 72.9              | -25.2%                     |
| Refuse disposal                            | -                          | -                 | 59.8                        | 74.5            | 59.8              | 74.5              | -19.7%                     |
| Transit                                    | -                          | -                 | 59.5                        | 78.5            | 59.5              | 78.5              | -24.2%                     |
| Non major enterprise funds                 | -                          | -                 | 14.9                        | 54.8            | 14.9              | 54.8              | -72.8%                     |
| <b>Total expenses</b>                      | <b>617.3</b>               | <b>993.4</b>      | <b>188.7</b>                | <b>280.7</b>    | <b>806.0</b>      | <b>1,274.1</b>    | <b>-36.7%</b>              |
| Excess (deficiency) before transfers       | 52.0                       | (332.0)           | (8.6)                       | (55.4)          | 43.4              | (387.4)           | -111.2%                    |
| Transfers                                  | (32.2)                     | (40.7)            | 32.2                        | 40.7            | -                 | -                 |                            |
| Special Item: Transfer of Operations       | -                          | -                 | (24.8)                      | -               | (24.8)            | -                 |                            |
| <b>Increase (decrease) in net position</b> | <b>19.8</b>                | <b>(372.7)</b>    | <b>(1.2)</b>                | <b>(14.7)</b>   | <b>18.6</b>       | <b>(387.4)</b>    | <b>-104.8%</b>             |
| Net Position July 1 restated               | 2,988.5                    | 3,361.2           | 528.6                       | 543.3           | 3,517.1           | 3,904.5           | -9.9%                      |
| <b>Net Position June 30</b>                | <b>\$ 3,008.3</b>          | <b>\$ 2,988.5</b> | <b>\$ 527.4</b>             | <b>\$ 528.6</b> | <b>\$ 3,535.7</b> | <b>\$ 3,517.1</b> | <b>0.5%</b>                |

**CITY OF ALBUQUERQUE, NEW MEXICO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2015**

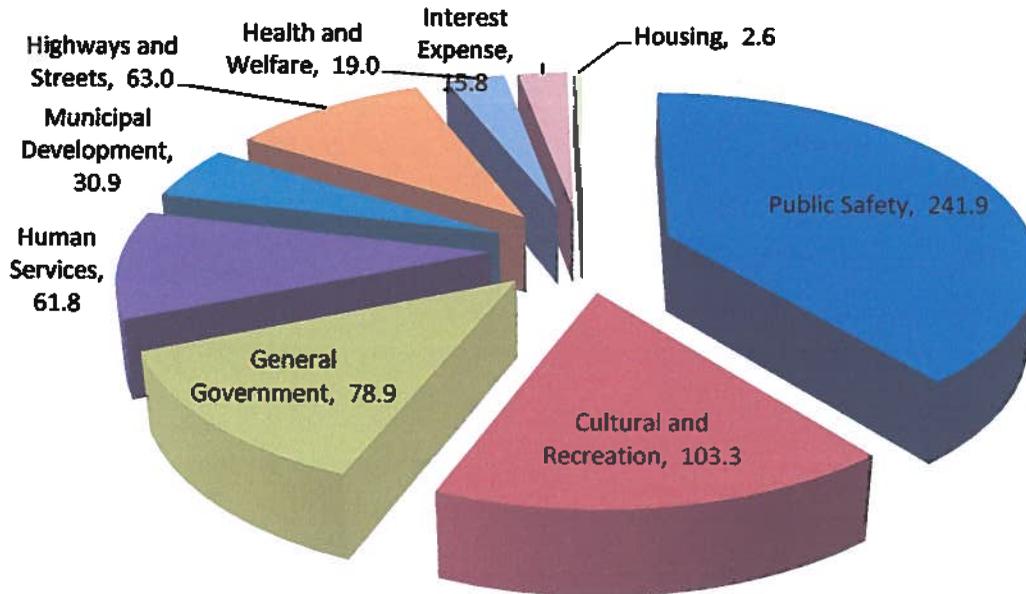
**Governmental Revenues by Source**

In Millions



**Governmental Expenditures by Function**

In Millions

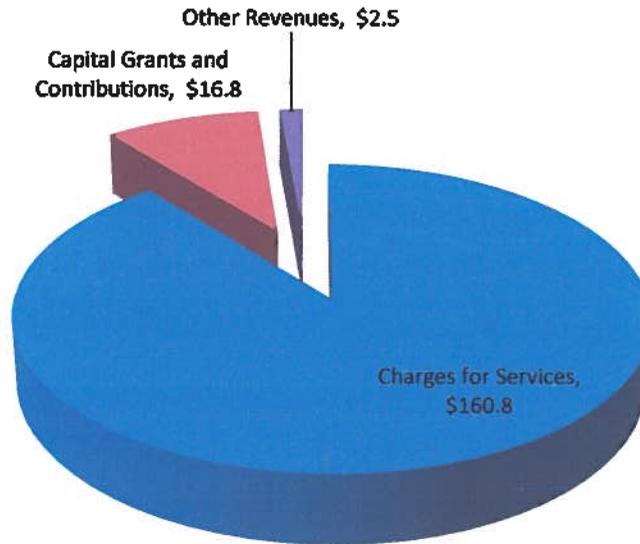


**Governmental activities** – Governmental activities increased the City's net position by \$19.8 million. Governmental activities revenue increased by \$7.9 million, or (1.2%) from \$661.3 million in fiscal year 2014 to \$669.2 million in fiscal year 2015. Key elements in the change of the City's governmental activities revenues are as follows:

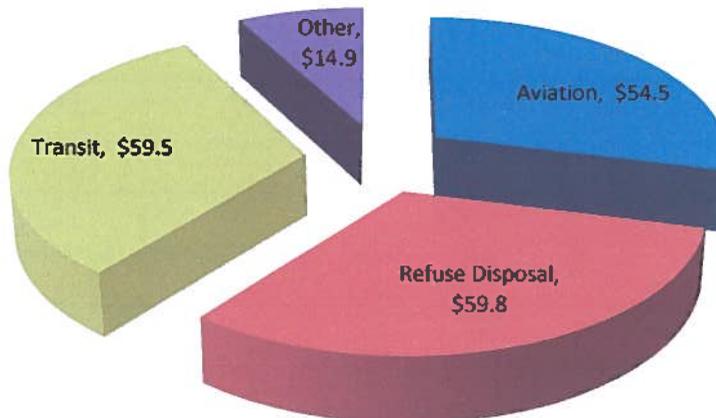
**CITY OF ALBUQUERQUE, NEW MEXICO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2015**

- Gross receipts tax revenue and state shared taxes and fees, which together account for approximately 54% of the City's governmental activities revenue, increased by \$18.1 million, from \$343.0 million to \$361.1 million, or by 5.3% from prior year. The increase is primarily due to an improvement in the economy as highlighted in the economic factors section of the Management Discussion and Analysis.
- Program revenues overall remained constant. Program revenue consisting of charges for services, operating grants, capital grants, and contributions account for approximately 16.4% of the City's governmental activities revenues. Charges for services increased by \$3.0 million primarily due to a change in the way the City records funds in the human services program. Operating grants and contributions decreased by \$700 thousand and capital grants and contributions decreased by \$2.3 million. Building permit revenues remained constant at \$3.0 million in 2015. Total licensing and permits showed a slight decrease compared to amounts recorded in fiscal year 2014.
- Property taxes, which account for approximately 20.9% of the City's governmental activities revenues, increased by \$2.2 million from \$137.4 million to \$139.6 million. In fiscal year 2014 (tax year 2014) taxable assessed property valuations within the City increased \$240.3 million from \$11.97 billion to \$12.21 billion. This change reflects the County Assessor's reassessments and new additions to the tax base and adjustments for yield control. The City's direct property tax mill levy rate remained at 11.52 per \$1,000 assessed value in fiscal year 2015.
- Grants, investments, and other revenues, which account for approximately 2.7% of the City's governmental activities revenues, decreased from \$32.7 million to \$17.9 million. The difference is primarily explained by the reduction of dedicated infrastructure revenue of \$14.0 million and a reduction of the land value held for sale in the Open Space Permanent Fund.
- Other taxes such as franchise, hospitality, lodgers', and payments in lieu of taxes increased by \$2.5 million from \$38.7 million in fiscal year 2014 to \$41.2 million in fiscal year 2015, or by 6.5%. The primary increase was in franchise tax revenue. More detail comparison of other taxes can be found on Schedule 3 in the Statistical Section of this report.

### Revenues By Source Business-type Activities In Millions



### Expenses by Service Type Business-type Activities In Millions



**Business-type activities** – Business-type activities decreased the City’s net position by \$8.6 million in fiscal year 2015 before operating transfers of \$32.2 million and a transfer of operations to the Albuquerque Housing Authority of \$24.8 million. Business-type activities revenues decreased \$45.3 million from \$225.4 million in fiscal year 2014 to \$180.1

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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million in fiscal year 2015, or by 20.1%. Key factors for the decreases in the business type activities net position and revenues are explained below:

- As of July 1, 2014 the Albuquerque Housing Authority (AHA) became a separate public body authorized by 3-45-5 NMSA 1978 as amended in 2014. Under the intergovernmental agreement between the City and the AHA, all assets, debts and current employees of AHA were transferred to the Albuquerque Housing Authority. Net position transferred to the AHA was \$24.8 million (restated).
- The Airport Fund had an increase in net position of \$19.5 million in fiscal year 2015 compared to a \$23.1 million increase in 2014. The charges for services decreased from \$60.7 million in fiscal year 2014 to \$56.1 million in fiscal year 2015. Passenger facilities charges (PFCs) decreased from \$9.2 million to \$8.9 million in fiscal year 2015, operating expenses decreased from \$55.7 million in fiscal year 2014 to \$53.8 in fiscal year 2015, and capital contributions decreased from \$11.6 million in fiscal year 2014 to \$8.6 million in fiscal year 2015. The decrease in operating expenses was primarily due to decreases in depreciation expense and contractual services. The decrease in depreciation was caused by the standardization of asset lives of each asset class when the City implemented the PeopleSoft Asset Management Module. The Airport Fund recorded a prior period adjustment to capital contributions of \$3.5 million.
- The Refuse Disposal Fund had an increase in net position of \$9.3 million in fiscal year 2015 compared to an increase of \$6.2 million in 2014. Charges for services increased \$6.6 million. In fiscal year 2015, a rate increase of \$1.34 per residential customer and an average of 5% increase for commercial customers was implemented to fund the design of a new transfer station and debt service for construction of the facility. In addition, a \$.75 rate increase was assessed to consolidate all existing median and right of way maintenance into the clean city division. Operating costs increased by \$3.4 million primarily due to the administration of the median and right of way maintenance incorporated into the clean city division.
- The Transit Fund had a decrease in net position of \$5.3 million in fiscal year 2015 compared to an increase of \$11.3 million in fiscal year 2014. Charges for services dropped slightly from \$11.9 million in fiscal year 2014 to \$11.7 in fiscal year 2015. Operating expenses slightly increased from \$59.6 million in 2014 to \$60.0 million in 2015 primarily due to an increase in professional services in preparation of the Albuquerque Rapid Transit planning.

## **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

Governmental funds – The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the City's financing requirements. In particular, assigned and unassigned fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$411.2 million, an increase of \$7.3 million in comparison with the prior year. Of the total balance at year-end, \$300.5 million is restricted fund balance which primarily consists of funds reserved for capital projects and improvements and \$24.7 million is nonspendable, which relates to long term receivables and property held for resale.

Revenues of governmental funds overall totaled approximately \$668.1 million in the fiscal year ended June 30, 2015, which represents an increase of \$18.1 million from the previous year total of \$650.0 million. Intergovernmental revenues increased by \$4.7 million of which \$7.6 million was attributed to an increase in the General Fund, a decrease in the Capital Acquisition Fund of \$2.2 million and a slight decrease in the nonmajor governmental funds of \$690 thousand. The City's governmental funds expenditures of \$733.5 million decreased by \$12.1 million from the previous year's total of \$745.6 million. The primary cause of the decrease is attributed to a decrease in capital outlay of \$32.4 million, followed by increases in spending in municipal development and highways and streets of \$6.8 million, public safety of \$6.0 million, general government of \$3.8 million, other program increases totaling \$3.8 million.

General Fund – This is the City's chief operating fund. At the end of the current fiscal year, the total fund balance was \$63.3 million, of which \$20.4 million is unassigned fund balance and \$42.8 million is committed for subsequent years' operations. The net change in fund balance for the current fiscal year was a slight decrease of \$135 thousand. The total revenues of \$485.4 million for the current fiscal year were \$13.5 million more than the previous fiscal year. The primary cause of the increase was due to increases in gross receipts taxes of \$4.9 million, intergovernmental revenue of \$7.6 million, franchise taxes of \$1.2 million, property tax of \$1.0 million, followed by a slight decrease in charges for

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2015**

services of \$600 thousand. Total expenditures of \$442.9 million represent an increase of \$20.2 million from the previous fiscal year. Increases in expenditures were attributed to public safety of \$10.3 million, public works and highway and streets of \$5.2 million, human services of \$2.1 million, general government of \$1.5 million, and capital outlay of \$1.3 million. See the general fund budgetary highlights for an analysis with respect to budgets.

**General Obligation Bond Debt Service Fund** – This fund is used to accumulate resources for the repayment of the City's GO Bonds. GO Bonds are backed by the full faith and credit of the City and may be used to finance any capital improvement approved by the voters. GO bonds may be redeemed by any regular City funding, but by policy, are generally redeemed by property taxes paid to the City. Fund balance in the City's General Obligation Bond Debt Service fund increased by \$400 thousand from \$8.3 million in fiscal year 2014 to \$8.7 million in fiscal year 2015. Property tax revenues dedicated to the repayment of GO Bonds increased by \$1.1 million from \$59.7 million in fiscal year 2014 to \$60.8 million in fiscal year 2015, or by 1.8%. In fiscal year 2015, total property tax revenue increased by \$2.2 million. The City's property tax rates have remained constant for well over a decade and no tax rate increase has been required to fund the GO Bond program of capital improvements.

**Capital Acquisition Fund** – This fund is used to accumulate resources for the acquisition of capital. Capital is defined as tangible property with a life beyond a one year budget cycle. Land, infrastructure, equipment, buildings as well as the services required to build or install these assets may be classified as capital. The Capital Acquisition Fund is primarily funded by bond proceeds, but recurring and non-recurring revenue may be used. Major capital improvements for the City are funded primarily with general obligation and enterprise fund revenue bonds. In many cases, these bond funds are matched with Federal and/or State contributions and private assessments. During the 2015 fiscal year, the Capital Acquisition Fund balance increased by \$17.1 million from \$214.4 million in fiscal year 2014 to \$231.5 million. The increase in fund balance during the year is attributed to an increase in new bond proceeds and refunding bonds and premiums of \$33.9 million, an increase of transfers of \$5.6 million, followed by a decrease in revenues of \$1.7 million exceeding total capital outlay of \$97.0 million.

**Enterprise Funds** – The City's enterprise funds provide the same type of information presented in the government-wide financial statements business-type activities, but in more detail. Unrestricted net position were affected by the implementation of the GASB Statement 68. At the end of the fiscal year, the unrestricted net position (in millions) is as follows:

|                           |         |
|---------------------------|---------|
| Airport Fund              | \$ 28.2 |
| Refuse Disposal Fund      | (4.0)   |
| Transit Fund              | (17.8)  |
| Nonmajor enterprise funds | (2)     |
| Total                     | \$ 6.2  |

**Internal Service Funds** – Internal Service Funds are used to account for certain governmental activities and had an unrestricted net position of \$(26.9) million in fiscal year 2015 as compared to unrestricted net position of \$(27.4) million in fiscal year 2014. In recent years, the City has experienced an increase in claim amounts. In response to this increase, the City conducted a review of both its philosophy for reserving funds and the tools used to analyze the reported claims liability. As a result of this review and based on information pertaining to existing claims, the City determined that a higher reserve liability was needed. The City has increased funding to the Risk Management Fund reserve and in addition, claims in fiscal year 2015 have decreased. The communications fund has a fund balance of \$(445) thousand. Fleet management has a fund balance of \$(1.1) million. The City has taken steps to increase revenue and reduce costs and expects that the funds will have a positive fund balance in fiscal year 2016.

**Fiduciary Funds** – There are two types of fiduciary funds the City uses to account for resources held for the benefit of others. The City's Agency fund is used by the City to account for funds held for third parties. The Albuquerque Pooled OPEB Trust Fund is used by the City and the Albuquerque Bernalillo County Water Utility Authority to account for funds held in an irrevocable trust for the other post-employment benefits relating to life insurance benefits for retirees. The Albuquerque Pooled OPEB Trust Plan issues a separate report that can be obtained from the Accounting Division at P.O. Box 1293, Room 8010, 8<sup>th</sup> Floor, Albuquerque, NM 87103.

**Budgetary Highlights** – The original fiscal year 2015 Approved Operating Budget was \$893.1 million, after interfund eliminations. The General Fund portion was \$493.4 million with an additional \$8.1 of recurring money held in reserve for wages pending union negotiations. The budget assumed growth in GRT of 2.6% over fiscal year 2014. Appropriations were held to growth of under 2% without compromising service delivery to the

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public. Highlights included an additional \$2.6 million in recurring debt service to allow for the sale of \$30 million in bonds to be used on critical capital infrastructure in the community. Recurring operating funding of \$2.5 million was added for a state-of-the-art library at Central and Unser, new exhibit space at the Albuquerque Museum, a new Insectarium and Desert Rose Garden at the BioPark as well as new park acreage and new streets. One-time funding of \$1.1 million was added for downtown improvement projects and \$800 thousand was added to reserves. The final fiscal year 2015 appropriation for the General Fund was \$505.5 million after wage reserve money was negotiated and prior year encumbrances and intra-year adjustments were made.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets** – The City's capital assets of governmental and business-type activities as of June 30, 2015, total \$4.0 billion, net of accumulated depreciation. The increase in capital assets in the current fiscal year was \$18.3 million or .5%. Capital assets are summarized as follows:

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

|  | Governmental<br>Activities |                   | Business-type<br>Activities |                 | Total             |                   | Total<br>Percent<br>Change |
|--|----------------------------|-------------------|-----------------------------|-----------------|-------------------|-------------------|----------------------------|
|  | 2015                       | 2014              | 2015                        | 2014            | 2015              | 2014              |                            |
| Land   | \$ 310.3                   | \$ 307.5          | \$ 56.3                     | \$ 60.1         | 366.6             | \$ 367.6          | -0.3%                      |
| Right of way                                     | 1,145.2                    | 1,145.2           | -                           | -               | 1,145.2           | 1,145.2           | 0.0%                       |
| Other  | 5.3                        | 6.3               | 1.0                         | 1.0             | 6.3               | 7.3               | -13.7%                     |
| Buildings  | 330.2                      | 334.2             | 175.3                       | 175.6           | 505.5             | 509.8             | -0.8%                      |
| Runways  | -                          | -                 | 31.0                        | 47.0            | 31.0              | 47.0              | -34.0%                     |
| Improvements other than buildings<br>and runways | 306.2                      | 299.6             | 139.6                       | 128.6           | 445.8             | 428.2             | 4.1%                       |
| Equipment  | 30.4                       | 27.5              | 35.7                        | 51.5            | 66.1              | 79.0              | -16.3%                     |
| Infrastructure                                   | 1,342.6                    | 1,326.5           | 9.7                         | 8.7             | 1,352.3           | 1,335.2           | 1.3%                       |
| Construction in progress                         | 84.7                       | 69.2              | 19.2                        | 15.9            | 103.9             | \$ 85.1           | 22.1%                      |
| <b>Total</b>                                     | <b>\$ 3,554.9</b>          | <b>\$ 3,516.0</b> | <b>\$ 467.8</b>             | <b>\$ 488.4</b> | <b>\$ 4,022.7</b> | <b>\$ 4,004.4</b> | <b>0.5%</b>                |

**Governmental activities** - In fiscal year 2015, the majority of the infrastructure that was placed into service consisted of \$50.4 million of street infrastructure along with \$16.4 million of storm infrastructure. Of this amount, \$2.8 million was dedicated street infrastructure and \$1.4 million was dedicated storm infrastructure. The construction in progress consists of expenditures made by the Capital Acquisition and Infrastructure Tax Capital fund, \$49.7 million was placed into service during fiscal year 2015. The following was placed in service: \$6.1 million buildings, \$27.9 million non-structural, \$2.8 million land, and \$67.2 million of infrastructure. Machinery and equipment purchases totaled \$15.4 million, of which \$10.2 million was for public safety. Other capital asset activity totaled \$460 thousand for software development. Additional information related to capital assets can be found in section C of the Notes to the Financial Statements.

**Business-type activities** – In fiscal year 2015, the Airport Fund placed into service \$4.1 million improvements other than buildings and runways and \$1.8 million in machinery and equipment. The Airport Fund artwork reported as assets not depreciated, other totaled \$854,296 and Stadium Fund \$100,904 as of June 30, 2015. The Refuse Fund placed into service \$4.1 million in machinery and equipment, which included \$2.9 million in heavy equipment. The Refuse Fund Software reported as assets depreciated other totaled \$16,870 as of June 30, 2015. The Transit Fund placed into service \$86 thousand in buildings and improvements and \$218 thousand in machinery and equipment. The construction work in progress increased by \$13.5 million, which included \$7.3 million by the Airport department. Additional information related to business type activities capital assets can be found in section C of the Notes to the Financial Statements.

**Debt Administration** – At the end of the current fiscal year, the City's governmental activities had a total of \$1.2 billion in long term obligations. Total bonded debt is \$653.4 million of which \$58.7 million is due or payable within the next

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2015**

fiscal year. The City has implemented GASB Statement No. 68 which resulted in an increase in long term debt of \$332.5 million. The remaining debt is for loans, accrued vacation and sick leave pay, and claims payable. During the fiscal year ended June 30, 2015, the City issued GO Bonds in the amount of \$42.7 million plus an additional \$7.2 million of short term GO Bonds. The GO Bonds were issued to finance projects relating to streets \$13.8 million, parks and recreation \$10.9 million, energy conservation, public facilities, and system modernization \$8.9 million, senior, family, community centers, and community enhancement \$5.2 million, storm sewer systems \$4.7 million, library bonds \$3.0, public safety \$1.8 million, public transportation \$1.2 million, zoo, biological park museum, and cultural facilities \$400 thousand. In addition, the City issued \$49.2 million gross receipts tax improvement revenue bonds general obligation purpose bonds. The GRT bonds were issued to finance projects relating to parks and recreation \$13.0 million, public transportation \$14.7 million, infrastructure \$17.0 million, library bonds \$4.0 million and cultural facilities \$500 thousand. The City's business-type activities had long-term obligations of \$87.1 million, of which \$20.4 million is due or payable within the next fiscal year. Additional information related to debt can be found in section G of the Notes to the Financial Statements.

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 for general purpose only. The percentage for the City of Albuquerque is 2.95% of the \$12.2 billion taxable value of property within the City's boundaries. The City currently may issue up to an additional \$128 million of general purpose obligation bonds and has \$361.2 million of general purpose obligation debt outstanding subject to the legal debt limit at June 30, 2015. The net general bonded debt per capita is \$649. The highest per capita amount of \$675 was in fiscal year 2013. The lowest per capita amount was \$338 in the fiscal year ended 2003. The ratings on the City's uninsured general obligation bonds and gross receipts tax bonds for fiscal year 2015 are as follows:

| Credit                           | Bond Ratings |       |       |
|----------------------------------|--------------|-------|-------|
|                                  | Moody's      | S & P | Fitch |
| General Obligation Bonds         | Aa1          | AAA   | AA+   |
| Gross Receipts Tax Revenue Bonds | Aa2          | AAA   | AA+   |

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

The City's elected and appointed officials considered many factors when developing the fiscal year 2016 budget. Many of the City's revenues are influenced by the economy. The gross receipts tax revenue, which represents 63% of all General Fund revenue, is highly influenced by local economic conditions. GRT revenues increased in FY/14 and growth continued into FY/15. Growth in FY/15 was 3.5% for recurring GRT revenues. There were one-time revenues of \$2.4 million that made the growth 4.2%. The approved budget for FY/16 assumes recurring growth in GRT of 2.5%. This is the estimated growth after accounting for deductions allowed by the state legislature for manufacturing inputs and construction services as well as other new deductions. Additionally, the revenue estimate identifies \$2.3 million as the first deduction of the 15 year phase out of the food and medical hold harmless distribution.

The total General Fund recurring growth for FY/16 was estimated at 1.6% due, in large part, due to slow growth in property taxes and franchise fees.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2015**

The following table presents the underlying assumptions used in the FY/16 budget process:

|  | 2014    | 2015    | 2016    |
|--|---------|---------|---------|
| <b>National Variables</b>                                    |         |         |         |
| Real GDP Growth  | 2.5%    | 2.7%    | 2.5%    |
| Federal Funds Rate   | 0.1%    | 0.1%    | 0.9%    |
| 10 U.S. Bonds  | 2.7%    | 2.8%    | 3.4%    |
| CPI U  | 1.6%    | 1.6%    | 1.3%    |
| Unemployment Rate(U.S.)                                      | 6.8%    | 5.8%    | 5.6%    |
| Total Non-Farm Employment                                    | 1.7%    | 1.9%    | 1.6%    |
| Manufacturing Employment                                     | 0.6%    | 1.2%    | 1.0%    |
| Consumer sentiment index--University of Michigan             | 80.6    | 87.5    | 91.1    |
| Exchange Rates   | 0.99    | 1.02    | 1.03    |
| Current Trade Account (billions of \$)                       | (389.2) | (368.3) | (363.2) |
| Change in output per hour                                    | 1.1%    | 1.1%    | 1.7%    |
| Natural Gas-Henry Hub \$ per MCF                             | 4.3     | 3.9     | 3.9     |
| West TX Intermediate (dollars per bbl)                       | 101.2   | 92.3    | 89.0    |
| Wage Growth  | 1.9%    | 2.1%    | 2.5%    |
| <b>Albuquerque Variables</b>                                 |         |         |         |
| <b>Employment Growth and Unemployment in Albuquerque MSA</b> |         |         |         |
| Total Non-Ag ABQ   | 0.4%    | 0.8%    | 1.4%    |
| Private-Non Construction                                     | 0.4%    | 1.0%    | 1.6%    |
| Construction Employment (growth)                             | 3.0%    | 1.9%    | 3.4%    |
| Manufacturing(ABQ)   | -3.1%   | -1.1%   | 0.8%    |
| Unemployment Rate (Alb.)                                     | 7.0%    | 6.5%    | 6.1%    |
| <b>Construction Units Permitted in City of Albuquerque</b>   |         |         |         |
| Single-Family Permits  | 814     | 864     | 1,012   |
| Multi-Family Permits   | 760     | 929     | 841     |
| Total Residential Permits                                    | 1,574   | 1,793   | 1,853   |

Source Global Insight and FOR-UNM October 2014 Baseline Forecasts

In October 2015, the voters passed a general obligation bond issue of \$119 million. Proceeds will be used for a variety of purposes including improvements for streets, storm drainage facilities, parks, senior and community centers, energy conservation, libraries and other cultural facilities. Based on information provided by the departments, the recurring operating impact on future budgets will be under \$1 million annually. A bond program to be presented to the voters in October of 2017 is currently in the planning and approval process.

The total original General Fund appropriation for fiscal year 2016 is \$504.5 million. This is an increase of \$11 million from the original fiscal year 2015 budget of \$493.4 million. The economy following the recession is showing more strength, but City continues to diligently monitor expenditures along with revenues so that it can respond quickly should changes be required.

#### **Request for Information**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Director's office for the Department of Finance and Administrative Services of the City at Director's Office, DFAS, Room 11015, One Civic Plaza N.W., Albuquerque, New Mexico 87103.

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**FINANCIAL SECTION**  
**BASIC FINANCIAL STATEMENTS**



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**CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

|  | Governmental<br>Activities | Business-type<br>Activities | Total                | Component<br>Unit |
|--|----------------------------|-----------------------------|----------------------|-------------------|
| <b>ASSETS</b>  |                            |                             |                      |                   |
| Current Assets:  |                            |                             |                      |                   |
| Cash, investments, and accrued interest  | \$ 308,831,286             | \$ 38,868,554               | \$ 347,699,840       | \$ 9,674,091      |
| Cash held by others  | 209,248                    | 559,711                     | 768,959              | -                 |
| Taxes receivable, net  | 77,984,979                 | -                           | 77,984,979           | -                 |
| Accounts receivable, net<br>of allowance for uncollectible accounts            | 2,241,981                  | 7,120,617                   | 9,362,598            | 28,762            |
| Due from other governments   | 16,263,207                 | 3,728,137                   | 19,991,344           | -                 |
| Customer deposits  | 319,895                    | -                           | 319,895              | -                 |
| Internal balances  | (663,364)                  | 663,364                     | -                    | -                 |
| Inventories of supplies  | 2,260,901                  | 4,337,393                   | 6,598,294            | 156,924           |
| Prepaid expenses   | 78,258                     | 21,621                      | 99,879               | 104,061           |
| Restricted assets:   |                            |                             |                      |                   |
| Cash with fiscal agent held for debt service                                   | 69,267,351                 | 15,734,659                  | 85,002,010           | -                 |
| <b>Total current assets</b>  | <b>476,793,742</b>         | <b>71,034,056</b>           | <b>547,827,798</b>   | <b>9,963,838</b>  |
| Noncurrent Assets:   |                            |                             |                      |                   |
| Long-term accounts and notes receivable  | 25,984,591                 | -                           | 25,984,591           | -                 |
| Restricted assets:   |                            |                             |                      |                   |
| Cash, investments, and accrued interest  | 172,854,871                | 135,891,298                 | 308,746,169          | 8,878,191         |
| Grant receivables  | -                          | 4,596,687                   | 4,596,687            | 111,667           |
| Accounts receivable-developers, net of allowance for<br>uncollectible accounts | -                          | 1,771,938                   | 1,771,938            | -                 |
| Land held for resale   | 6,426,015                  | -                           | 6,426,015            | -                 |
| Escrow deposits  | -                          | 162,566                     | 162,566              | 220,910           |
| <b>Total restricted assets</b>   | <b>179,280,886</b>         | <b>142,422,489</b>          | <b>321,703,375</b>   | <b>9,210,768</b>  |
| Capital assets:  |                            |                             |                      |                   |
| Land and construction in progress  | 1,540,202,668              | 76,408,345                  | 1,616,611,013        | 3,770,389         |
| Capital assets depreciated and amortized                                       | 3,436,871,645              | 1,202,663,002               | 4,639,534,647        | 58,226,480        |
| Accumulated depreciation and amortization                                      | (1,422,157,389)            | (811,377,466)               | (2,233,534,855)      | (52,082,737)      |
| <b>Total capital assets</b>  | <b>3,554,916,924</b>       | <b>467,693,881</b>          | <b>4,022,610,805</b> | <b>9,914,132</b>  |
| <b>Total noncurrent assets</b>   | <b>3,760,182,401</b>       | <b>610,116,370</b>          | <b>4,370,298,771</b> | <b>19,124,900</b> |
| <b>Total assets</b>  | <b>4,236,976,143</b>       | <b>681,150,426</b>          | <b>4,918,126,569</b> | <b>29,088,738</b> |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>  |                            |                             |                      |                   |
| Deferred gain/loss on refunding  | 3,894,660                  | 402,257                     | 4,296,917            | -                 |
| Deferred outflow related to fuel hedge   | 1,360,070                  | 1,322,519                   | 2,682,589            | -                 |
| Deferred outflow related to pension activity                                   | 56,129,819                 | 8,878,526                   | 65,008,345           | 430,422           |
| <b>Total deferred outflows of resources</b>                                    | <b>61,384,549</b>          | <b>10,603,302</b>           | <b>71,987,851</b>    | <b>430,422</b>    |

The accompanying notes are an integral part of these financial statements

|  | Governmental<br>Activities | Business-type<br>Activities | Total                   | Component<br>Unit    |
|--|----------------------------|-----------------------------|-------------------------|----------------------|
| <b>LIABILITIES</b>   |                            |                             |                         |                      |
| Current liabilities:   |                            |                             |                         |                      |
| Accounts payable   | 30,187,714                 | 6,264,458                   | 36,452,172              | 179,833              |
| Accrued employee compensation and benefits   | 20,617,345                 | 841,727                     | 21,459,072              | 154,923              |
| Accrued vacation and sick leave  | 23,297,216                 | 4,792,047                   | 28,089,263              | 74,972               |
| Customer deposits  | 2,585,872                  | 907,207                     | 3,493,079               | -                    |
| Unearned revenue   | 4,578,978                  | 538,136                     | 5,117,114               | -                    |
| Due to other governments   | -                          | -                           | -                       | 68,640               |
| Contracts, claims, and other payable   | 159,717                    | -                           | 159,717                 | 252,520              |
| Payable from restricted assets:  |                            |                             |                         |                      |
| Contracts, claims, and other payable   | 3,328,700                  | 6,033,137                   | 9,361,837               | 21,129               |
| Current portion:   |                            |                             |                         |                      |
| Claims   | 23,901,290                 | -                           | 23,901,290              | -                    |
| Bonds, notes payable, and capital leases   | 58,669,534                 | 15,613,113                  | 74,282,647              | -                    |
| Accrued interest   | 10,597,817                 | 1,820,519                   | 12,418,336              | -                    |
| <b>Total current liabilities</b>   | <b>177,924,183</b>         | <b>36,810,344</b>           | <b>214,734,527</b>      | <b>752,017</b>       |
| Noncurrent liabilities:  |                            |                             |                         |                      |
| Liabilities payable from restricted assets:  |                            |                             |                         |                      |
| Landfill closure costs   | -                          | 2,817,019                   | 2,817,019               | -                    |
| Other  | -                          | 157,061                     | 157,061                 | 220,910              |
| <b>Total liabilities payable from restricted assets</b>                                  | <b>-</b>                   | <b>2,974,080</b>            | <b>2,974,080</b>        | <b>220,910</b>       |
| Long-term payable:   |                            |                             |                         |                      |
| Bonds, notes payable, and capital leases, net of current portion, discounts and premiums | 594,828,649                | 62,706,003                  | 657,534,652             | -                    |
| <b>Total long-term payable</b>   | <b>594,828,649</b>         | <b>62,706,003</b>           | <b>657,534,652</b>      | <b>-</b>             |
| Other:   |                            |                             |                         |                      |
| Accrued vacation, sick leave and claims  | 74,296,261                 | 1,398,022                   | 75,694,283              | 67,691               |
| Net pension obligation - PERA  | 332,459,099                | 42,794,638                  | 375,253,737             | 2,235,616            |
| Other post employment benefit obligation   | 3,574,129                  | 893,532                     | 4,467,661               | -                    |
| Other liabilities  | 782,628                    | -                           | 782,628                 | 169,036              |
| <b>Total other</b>   | <b>411,112,117</b>         | <b>45,086,192</b>           | <b>456,198,309</b>      | <b>2,472,343</b>     |
| <b>Total noncurrent liabilities</b>  | <b>1,005,940,766</b>       | <b>110,766,275</b>          | <b>1,116,707,041</b>    | <b>2,693,253</b>     |
| <b>Total liabilities</b>   | <b>1,183,864,949</b>       | <b>147,576,619</b>          | <b>1,331,441,568</b>    | <b>3,445,270</b>     |
| <b>DEFERRED INFLOWS OF RESOURCES</b>   |                            |                             |                         |                      |
| Deferred revenue - gross receipts taxes  | 1,742,305                  | -                           | 1,742,305               | -                    |
| Deferred revenue - gasoline taxes  | (208,796)                  | -                           | (208,796)               | -                    |
| Deferred revenue - hospitality taxes   | 28,259                     | -                           | 28,259                  | -                    |
| Deferred revenue - lodgers' taxes  | 141,297                    | -                           | 141,297                 | -                    |
| Deferred revenue - infrastructure taxes  | 3,434,659                  | -                           | 3,434,659               | -                    |
| Deferred revenue - special assessments   | 1,500                      | -                           | 1,500                   | -                    |
| Deferred inflows related to pension activity   | 101,073,796                | 16,771,395                  | 117,845,191             | 876,147              |
| <b>Total deferred inflows of resources</b>   | <b>106,213,020</b>         | <b>16,771,395</b>           | <b>122,984,415</b>      | <b>876,147</b>       |
| <b>NET POSITION</b>  |                            |                             |                         |                      |
| Net investment in capital assets   | 3,074,273,612              | 412,100,556                 | 3,486,374,168           | 9,893,003            |
| Restricted for:  |                            |                             |                         |                      |
| Debt service   | 15,460,327                 | 10,060,673                  | 25,521,000              | -                    |
| Construction   | 105,511,700                | 98,996,750                  | 204,508,450             | -                    |
| Housing and economic development   | 8,218,971                  | -                           | 8,218,971               | 8,701,707            |
| Federal and state funded programs  | 10,654,855                 | -                           | 10,654,855              | -                    |
| Open space and urban enhancement   |                            |                             |                         |                      |
| Expendable   | 1,081,254                  | -                           | 1,081,254               | -                    |
| Nonexpendable  | 24,657,101                 | -                           | 24,657,101              | -                    |
| Unrestricted   | (231,575,097)              | 6,247,735                   | (225,327,362)           | 6,603,033            |
| <b>Total net position</b>  | <b>\$ 3,008,282,723</b>    | <b>\$ 527,405,714</b>       | <b>\$ 3,535,688,437</b> | <b>\$ 25,197,743</b> |

The accompanying notes are an integral part of these financial statements

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2015**

| <u>Functions/Programs</u>          | <u>Expenses</u>       | <u>Indirect<br/>Expenses<br/>Allocation</u> | <u>Program Revenues</u>         |   |
|------------------------------------|-----------------------|---|---------------------------------|---|
|                                    |                       |   | <u>Charges for<br/>Services</u> | <u>Operating<br/>Grants and<br/>Contributions</u> |
| <b>Governmental activities:</b>    |                       |   |                                 |   |
| General government                 | \$ 78,902,101         | \$ (3,065,458)                              | \$ 35,413,846                   | \$ 25,213   |
| Public safety                      | 241,956,515           | 1,044,898                                   | 6,797,809                       | 5,672,292   |
| Culture and recreation             | 103,281,681           | 401,150                                     | 8,990,505                       | 2,518,899   |
| Public works/municipal development | 30,883,513            | 605,267                                     | 1,188,034                       | -   |
| Health and welfare                 | 19,054,514            | 368,766                                     | 6,236,956                       | -   |
| Human services                     | 61,785,011            | 332,792                                     | 6,986,384                       | 24,413,188  |
| Housing                            | 2,608,611             | 312,585                                     | -                               | -   |
| Highways and streets               | 63,040,085            | -   | 355,260                         | 4,605,282   |
| Interest and other charges         | 15,762,527            | -   | -                               | -   |
| Total governmental activities      | <u>617,274,558</u>    | <u>-</u>                                    | <u>65,968,794</u>               | <u>37,234,874</u>                                 |
| <b>Business-type activities:</b>   |                       |   |                                 |   |
| Airport                            | 54,469,456            | -   | 64,944,749                      | -   |
| Refuse disposal                    | 59,768,723            | -   | 70,383,644                      | -   |
| Transit                            | 59,521,339            | -   | 11,749,543                      | -   |
| Golf course                        | 4,364,602             | -   | 3,660,341                       | -   |
| Apartments                         | 3,453,833             | -   | 4,015,557                       | -   |
| Parking facilities                 | 5,434,328             | -   | 4,248,497                       | -   |
| Stadium                            | 1,673,381             | -   | 1,807,720                       | -   |
| Total business-type activities     | <u>188,685,662</u>    | <u>-</u>                                    | <u>160,810,051</u>              | <u>-</u>  |
| Total activity                     | <u>\$ 805,960,220</u> | <u>\$ -</u>                                 | <u>\$ 226,778,845</u>           | <u>\$ 37,234,874</u>                              |
| <b>Component Unit:</b>             |                       |   |                                 |   |
| Albuquerque Housing Authority      | <u>\$ 30,071,243</u>  | <u>\$ -</u>                                 | <u>\$ 2,155,941</u>             | <u>\$ 25,943,480</u>                              |

**General Revenues:**

Taxes:

Property taxes

Franchise taxes

Hospitality taxes

Lodgers' taxes

Gross receipts taxes, local option

Payments in lieu of taxes

NM shared taxes and fees not restricted to specific programs

Grants and contributions not restricted to specific programs

Special assessments collected

Miscellaneous revenue

Unrealized gain (loss) on investments

Unrestricted investment earnings

**Special item - transfer of Housing Authority operations**

**Transfers**

Total general revenues and transfers

Change in net position

Net position, July 1 (Restated, see note O)

Net position, June 30

| Program Revenues, cont.<br>Capital<br>Grants and Contributions | Net (Expenses) Revenue and Changes in Net Position |                          |                      | Component Unit    |
|--|--|--------------------------|----------------------|-------------------|
|  | Governmental Activities                            | Business-type Activities | Total                |                   |
| \$ -   | \$ (40,397,584)                                    | \$ -                     | \$ (40,397,584)      |                   |
| 802,256  | (229,729,056)                                      | -                        | (229,729,056)        |                   |
| 1,589,689  | (90,583,738)                                       | -                        | (90,583,738)         |                   |
| -  | (30,300,746)                                       | -                        | (30,300,746)         |                   |
| 2,392,426  | (10,793,898)                                       | -                        | (10,793,898)         |                   |
| 349,874  | (30,368,357)                                       | -                        | (30,368,357)         |                   |
| 1,105,745  | (1,815,451)  | -                        | (1,815,451)          |                   |
| -  | (58,079,543)                                       | -                        | (58,079,543)         |                   |
| -  | (15,762,527)                                       | -                        | (15,762,527)         |                   |
| <u>6,239,990</u>   | <u>(507,830,900)</u>                               | <u>-</u>                 | <u>(507,830,900)</u> |                   |
| 8,625,076  | -  | 19,100,369               | 19,100,369           |                   |
| -  | -  | 10,614,921               | 10,614,921           |                   |
| 8,126,212  | -  | (39,645,584)             | (39,645,584)         |                   |
| -  | -  | (704,261)                | (704,261)            |                   |
| -  | -  | 561,724                  | 561,724              |                   |
| -  | -  | (1,185,831)              | (1,185,831)          |                   |
| -  | -  | 134,339                  | 134,339              |                   |
| <u>16,751,288</u>  | <u>-</u>   | <u>(11,124,323)</u>      | <u>(11,124,323)</u>  |                   |
| <u>\$ 22,991,278</u>   | <u>(507,830,900)</u>                               | <u>(11,124,323)</u>      | <u>(518,955,223)</u> |                   |
| <br>   |  |                          |                      |                   |
| <u>\$ 2,211,557</u>  |  |                          |                      | <u>\$ 239,735</u> |

|                         |                       |                         |                      |
|-------------------------|-----------------------|-------------------------|----------------------|
| 139,617,359             | -                     | 139,617,359             | -                    |
| 27,518,551              | -                     | 27,518,551              | -                    |
| 2,275,003               | -                     | 2,275,003               | -                    |
| 11,375,015              | -                     | 11,375,015              | -                    |
| 163,868,507             | -                     | 163,868,507             | -                    |
| 15,788                  | -                     | 15,788                  | -                    |
| 197,182,559             | -                     | 197,182,559             | -                    |
| 148,660                 | -                     | 148,660                 | -                    |
| 1,032,235               | -                     | 1,032,235               | -                    |
| 16,930,646              | 1,203,214             | 18,133,860              | 151,355              |
| (3,660,383)             | -                     | (3,660,383)             | -                    |
| 3,476,191               | 1,358,579             | 4,834,770               | 9,748                |
| -                       | (24,796,905)          | (24,796,905)            | -                    |
| <u>(32,153,092)</u>     | <u>32,153,092</u>     | <u>-</u>                | <u>-</u>             |
| <u>527,627,039</u>      | <u>9,917,980</u>      | <u>537,545,019</u>      | <u>161,103</u>       |
| 19,796,139              | (1,206,343)           | 18,589,796              | 400,838              |
| <u>2,988,486,584</u>    | <u>528,612,057</u>    | <u>3,517,098,641</u>    | <u>24,796,905</u>    |
| <u>\$ 3,008,282,723</u> | <u>\$ 527,405,714</u> | <u>\$ 3,535,688,437</u> | <u>\$ 25,197,743</u> |

The accompanying notes are an integral part of these financial statements

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2015

|   | <u>General<br/>Fund</u> | <u>GO Bond<br/>Debt Service<br/>Fund</u> |
|---|-------------------------|--|
| <b>ASSETS</b>   |                         |  |
| Cash, investments, and accrued interest   | \$ 56,600,067           | \$ 7,698,643                             |
| Cash held by others   | -                       | -  |
| Taxes receivable, net   | 65,707,325              | 4,387,452                                |
| Other receivables, net  | 1,843,388               | -  |
| Due from other governments  | 3,620,162               | -  |
| Due from other funds  | 3,033,334               | -  |
| Prepaid items   | 22,960                  | -  |
| Land held for sale  | -                       | -  |
| Restricted assets:  |                         |  |
| Cash with fiscal agents held for debt service   | -                       | 57,519,891                               |
| <b>Total assets</b>   | <b>130,827,236</b>      | <b>69,605,986</b>                        |
| <b>LIABILITIES</b>  |                         |  |
| Accounts payable  | 8,951,486               | 10,186                                   |
| Contracts and other payable   | -                       | -  |
| Accrued employee compensation and benefits  | 20,259,716              | -  |
| Due to other funds  | -                       | -  |
| Advances from other funds   | -                       | -  |
| Unearned revenue  | 101,395                 | -  |
| Deposits  | 2,576,474               | -  |
| Matured bonds and interest payable  | -                       | 57,519,891                               |
| <b>Total liabilities</b>  | <b>31,889,071</b>       | <b>57,530,077</b>                        |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |                         |  |
| Deferred revenue - property taxes   | 4,001,048               | 3,381,083                                |
| Deferred revenue - gross receipts taxes   | 31,628,599              | -  |
| Deferred revenue - gasoline taxes   | -                       | -  |
| Deferred revenue - hospitality taxes  | -                       | -  |
| Deferred revenue - lodgers' taxes   | -                       | -  |
| Deferred revenue - infrastructure taxes   | -                       | -  |
| Deferred revenue - special assessments  | -                       | -  |
| <b>Total deferred inflows of resources</b>  | <b>35,629,647</b>       | <b>3,381,083</b>                         |
| <b>FUND BALANCES (DEFICITS)</b>   |                         |  |
| Nonspendable  | 22,960                  | -  |
| Restricted  | -                       | 8,694,826                                |
| Committed   | 42,842,000              | -  |
| Assigned  | -                       | -  |
| Unassigned  | 20,443,558              | -  |
| <b>Total fund balances</b>  | <b>63,308,518</b>       | <b>8,694,826</b>                         |
| <b>Total liabilities, deferred inflows of resources, and fund balances (deficits)</b> | <b>\$ 130,827,236</b>   | <b>\$ 69,605,986</b>                     |

The accompanying notes are an integral part of these financial statements

| Special Assessments<br>Debt Service<br>Fund | Capital<br>Acquisition<br>Fund | Nonmajor<br>Funds     | Total                 |
|---|--------------------------------|-----------------------|-----------------------|
| \$ 3,664,731                                | \$ 240,464,778                 | \$ 105,339,049        | \$ 413,767,268        |
| -   | -                              | 209,248               | 209,248               |
| -   | -                              | 7,890,202             | 77,984,979            |
| 20,692,550                                  | 5,739                          | 5,527,078             | 28,068,755            |
| -   | 3,947,499                      | 8,466,698             | 16,034,359            |
| -   | -                              | -                     | 3,033,334             |
| -   | -                              | 55,298                | 78,258                |
| -   | -                              | 6,426,015             | 6,426,015             |
| <u>1,193,362</u>                            | <u>-</u>                       | <u>10,554,098</u>     | <u>69,267,351</u>     |
| <u>25,550,643</u>                           | <u>244,418,016</u>             | <u>144,467,686</u>    | <u>614,869,567</u>    |
| -   | 10,447,487                     | 7,224,588             | 26,633,747            |
| -   | 1,499,195                      | 1,829,505             | 3,328,700             |
| -   | 41,488                         | 242,513               | 20,543,717            |
| -   | -                              | 3,696,698             | 3,696,698             |
| -   | 171,000                        | -                     | 171,000               |
| -   | 798,250                        | 13,889,597            | 14,789,242            |
| -   | 9,398                          | -                     | 2,585,872             |
| <u>1,193,362</u>                            | <u>-</u>                       | <u>10,554,098</u>     | <u>69,267,351</u>     |
| <u>1,193,362</u>                            | <u>12,966,818</u>              | <u>37,436,999</u>     | <u>141,016,327</u>    |
| -   | -                              | -                     | 7,382,131             |
| -   | -                              | -                     | 31,628,599            |
| -   | -                              | 402,498               | 402,498               |
| -   | -                              | 28,259                | 28,259                |
| -   | -                              | 141,297               | 141,297               |
| -   | -                              | 3,434,659             | 3,434,659             |
| <u>19,675,696</u>                           | <u>-</u>                       | <u>-</u>              | <u>19,675,696</u>     |
| <u>19,675,696</u>                           | <u>-</u>                       | <u>4,006,713</u>      | <u>62,693,139</u>     |
| -   | -                              | 24,657,101            | 24,680,061            |
| 3,380,416                                   | 231,451,198                    | 56,935,446            | 300,461,886           |
| 1,301,169                                   | -                              | 19,702,381            | 63,845,550            |
| -   | -                              | 1,775,280             | 1,775,280             |
| -   | -                              | (46,234)              | 20,397,324            |
| <u>4,681,585</u>                            | <u>231,451,198</u>             | <u>103,023,974</u>    | <u>411,160,101</u>    |
| <u>\$ 25,550,643</u>                        | <u>\$ 244,418,016</u>          | <u>\$ 144,467,686</u> | <u>\$ 614,869,567</u> |

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

|  |                         |
|--|-------------------------|
| Total fund balances governmental funds (page 32)   | \$ 411,160,101          |
| Capital assets used in governmental activities (except for internal service funds) are not financial resources and, therefore, are not reported in the funds.  | 3,554,436,034           |
| Long-term obligations applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditures when due. All liabilities, including the City's OPEB and pension obligations, are reported in the statement of net position. (Note II.A) | (958,404,007)           |
| Internal service funds are used by the City to charge the cost of tort liability, workers compensation and employee health insurance to other individual funds. In additions, the cost of providing communications, fleet maintenance and supplies warehousing services are also charged. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.     | (26,433,833)            |
| Deferred outflows of resources are not financial resources and, therefore, are not reported in the funds. Deferred outflows for the City are related to gain/loss on refunding and pension activity.   | 59,008,577              |
| Deferred inflows and unearned revenue result primarily from City taxes collected after year-end and amounts due on real estate contracts that are not available soon enough to pay for the current period's expenditures, and therefore, are reported as deferred inflows and unearned revenue in the funds. Deferred inflows also contain amounts related to pension activity. (Note II.A)                                      | <u>(31,484,149)</u>     |
| Net position of governmental activities (page 28)  | <u>\$ 3,008,282,723</u> |

The accompanying notes are an integral part of these financial statements

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**CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

|  | General<br>Fund      | GO Bond<br>Debt Service<br>Fund |
|--|----------------------|---------------------------------|
| <b>Revenues:</b>   |                      |                                 |
| <b>Taxes:</b>  |                      |                                 |
| Gross receipts taxes, local option                       | \$ 125,628,200       | \$ -                            |
| Property taxes   | 79,233,312           | 60,768,709                      |
| Lodgers' and hospitality taxes                           | -                    | -                               |
| Franchise taxes  | 26,461,711           | -                               |
| Payment in lieu of taxes                                 | 15,788               | -                               |
| Licenses and permits                                     | 11,306,691           | -                               |
| Intergovernmental - federal                              | -                    | -                               |
| Intergovernmental - state                                | 195,239,134          | -                               |
| Charges for services                                     | 45,846,086           | -                               |
| Fines and forfeits                                       | 120,800              | -                               |
| Interest on investments                                  | 400,163              | 165,696                         |
| Special assessments                                      | -                    | -                               |
| Miscellaneous  | 1,129,071            | -                               |
|  | <u>485,380,956</u>   | <u>60,934,405</u>               |
| <b>Total revenues</b>                                    |                      |                                 |
|  | <u>485,380,956</u>   | <u>60,934,405</u>               |
| <b>Expenditures:</b>                                     |                      |                                 |
| <b>Current</b>   |                      |                                 |
| General government                                       | 65,672,814           | -                               |
| Public safety  | 228,194,938          | -                               |
| Culture and recreation                                   | 70,010,496           | -                               |
| Public works   | 12,394,923           | -                               |
| Highways and streets                                     | 16,867,010           | -                               |
| Health   | 16,284,692           | -                               |
| Human services   | 31,396,846           | -                               |
| Housing  | -                    | -                               |
| <b>Debt service</b>                                      |                      |                                 |
| Principal  | -                    | 50,670,000                      |
| Interest   | -                    | 13,941,181                      |
| Fiscal agent fees and other fees                         | -                    | 923,712                         |
| Capital outlay   | 2,041,265            | -                               |
|  | <u>442,862,984</u>   | <u>65,534,893</u>               |
| <b>Total expenditures</b>                                |                      |                                 |
|  | <u>442,862,984</u>   | <u>65,534,893</u>               |
| <b>Excess (deficiency) of revenues over expenditures</b> | <u>42,517,972</u>    | <u>(4,600,488)</u>              |
| <b>Other financing sources (uses):</b>                   |                      |                                 |
| Transfers in   | 4,454,642            | -                               |
| Transfers out  | (47,107,871)         | -                               |
| Unrealized gain (loss) on investments                    | -                    | -                               |
| Premiums on bonds issued                                 | -                    | 4,985,905                       |
| Bond and notes issued                                    | -                    | -                               |
|  | <u>(42,653,229)</u>  | <u>4,985,905</u>                |
| <b>Total other financing sources (uses)</b>              |                      |                                 |
|  | <u>(42,653,229)</u>  | <u>4,985,905</u>                |
| <b>Net change in fund balances</b>                       | <u>(135,257)</u>     | <u>385,417</u>                  |
| <b>Fund balances, July 1</b>                             | <u>63,443,775</u>    | <u>8,309,409</u>                |
| <b>Fund balances, June 30</b>                            | <u>\$ 63,308,518</u> | <u>\$ 8,694,826</u>             |

The accompanying notes are an integral part of these financial statements

| Special Assessments<br>Debt Service<br>Fund | Capital<br>Acquisition<br>Fund | Nonmajor<br>Funds     | Total                 |
|---|--------------------------------|-----------------------|-----------------------|
| \$ -  | \$ -                           | \$ 36,777,219         | \$ 162,405,419        |
| -   | -                              | -                     | 140,002,021           |
| -   | -                              | 13,650,018            | 13,650,018            |
| -   | 399,493                        | -                     | 26,861,204            |
| -   | -                              | -                     | 15,788                |
| -   | -                              | 3,262,006             | 14,568,697            |
| -   | 6,388,651                      | 30,029,329            | 36,417,980            |
| -   | -                              | 6,941,053             | 202,180,187           |
| -   | 15,488                         | 8,987,437             | 54,849,011            |
| -   | -                              | 1,876,812             | 1,997,612             |
| 28,482                                      | 1,554,124                      | 886,582               | 3,035,047             |
| 3,501,548                                   | -                              | -                     | 3,501,548             |
| -   | 1,813,681                      | 5,665,671             | 8,608,423             |
| <u>3,530,030</u>                            | <u>10,171,437</u>              | <u>108,076,127</u>    | <u>668,092,955</u>    |
| -   | 1,171,215                      | 17,402,562            | 84,246,591            |
| -   | (614,010)                      | 7,683,350             | 235,264,278           |
| -   | 2,769,259                      | 10,198,050            | 82,977,805            |
| -   | 2,558,833                      | 9,482                 | 14,963,238            |
| -   | 14,158                         | 6,070,617             | 22,951,785            |
| -   | (2,802)                        | 2,618,906             | 18,900,796            |
| -   | 473,069                        | 26,329,584            | 58,199,499            |
| -   | 163,390                        | 2,752,632             | 2,916,022             |
| 1,717,068                                   | -                              | 7,201,421             | 59,588,489            |
| 681,005                                     | -                              | 6,947,134             | 21,569,320            |
| -   | -                              | 2,271                 | 925,983               |
| -   | 96,985,451                     | 32,012,960            | 131,039,676           |
| <u>2,398,073</u>                            | <u>103,518,563</u>             | <u>119,228,969</u>    | <u>733,543,482</u>    |
| <u>1,131,957</u>                            | <u>(93,347,126)</u>            | <u>(11,152,842)</u>   | <u>(65,450,527)</u>   |
| -   | 9,132,689                      | 26,062,633            | 39,649,964            |
| -   | (2,041,383)                    | (22,463,802)          | (71,613,056)          |
| -   | -                              | (3,660,383)           | (3,660,383)           |
| -   | 3,701,170                      | 154,318               | 8,841,393             |
| -   | 99,582,000                     | -                     | 99,582,000            |
| -   | 110,374,476                    | 92,766                | 72,799,918            |
| 1,131,957                                   | 17,027,350                     | (11,060,076)          | 7,349,391             |
| <u>3,549,628</u>                            | <u>214,423,848</u>             | <u>114,084,050</u>    | <u>403,810,710</u>    |
| <u>\$ 4,681,585</u>                         | <u>\$ 231,451,198</u>          | <u>\$ 103,023,974</u> | <u>\$ 411,160,101</u> |

The accompanying notes are an integral part of these financial statements

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
For the year ended June 30, 2015

|   |    |                   |
|---|----|-------------------|
| Net change in fund balances – total governmental funds (page 35)  | \$ | 7,349,391         |
| Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives and reported as depreciation in the current period. This is the amount by which additions to capital assets exceeded depreciation in the current period. (Note II.B)  |    | 38,951,378        |
| The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. (Note II.B) |    | (42,102,128)      |
| 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 (expense) of the internal service funds is reported with governmental activities.  |    | 6,177,447         |
| 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 expenses are reported regardless of when financial resources are available. This adjustment combines the net change of balances.   |    | 5,320,919         |
| Interest earned on loans receivable are not available for collections and are not included in the governmental fund financial statements. However, the accrued interest is reported in the governmental-wide financial statements.  |    | 2,636             |
| The change in liability for compensated absences that is reported as an expense in the statement of activities does not require the use of current financial resources and therefore is not reported as expenditures in governmental funds.   |    | (2,611,193)       |
| The change in liability for the City's portion of OPEB and pension obligations, which are reported as expenditures in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.  |    | <u>6,707,689</u>  |
| Change in net position of governmental activities (page 30)   | \$ | <u>19,796,139</u> |

The accompanying notes are an integral part of these financial statements

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**YEAR ENDED JUNE 30, 2015**

|                                     | Original<br>Budget | Final<br>Budget    | Actual             | Variance with<br>Final Budget-<br>Positive<br>(Negative) |
|-------------------------------------|--------------------|--------------------|--------------------|--|
| <b>Revenues:</b>                    |                    |                    |                    |  |
| <b>Taxes:</b>                       |                    |                    |                    |  |
| Gross receipts tax-local option     | \$ 124,297,000     | \$ 124,684,000     | \$ 125,628,200     | \$ 944,200   |
| Current property tax                | 76,120,000         | 76,766,000         | 76,966,300         | 200,300  |
| Delinquent property tax             | 2,587,000          | 2,609,000          | 2,267,012          | (341,988)  |
| Franchise taxes:                    |                    |                    |                    |  |
| Electric                            | 9,169,000          | 9,310,000          | 9,534,550          | 224,550  |
| Gas                                 | 4,367,000          | 4,367,000          | 3,908,339          | (458,661)  |
| Cable television                    | 4,362,000          | 4,362,000          | 4,060,210          | (301,790)  |
| Telephone                           | 1,703,000          | 1,703,000          | 1,689,770          | (13,230)   |
| Telecommunications                  | 239,000            | 220,000            | 203,888            | (16,112)   |
| Water Authority                     | 6,136,000          | 7,100,000          | 7,064,954          | (35,046)   |
| Payments in lieu of Taxes           | -                  | -                  | 15,788             | 15,788   |
| <b>Total taxes</b>                  | <u>228,980,000</u> | <u>231,121,000</u> | <u>231,339,011</u> | <u>218,011</u>   |
| <b>Licenses and permits:</b>        |                    |                    |                    |  |
| Building permits                    | 3,605,000          | 2,743,000          | 3,006,252          | 263,252  |
| Plan checking permits               | 1,502,000          | 1,458,000          | 1,467,203          | 9,203  |
| Business registration fees          | 1,235,000          | 1,235,000          | 1,131,389          | (103,611)  |
| Plumbing/mechanical permits         | 960,000            | 799,000            | 866,066            | 67,066   |
| Restaurant inspections              | 1,200,000          | 1,200,000          | 1,204,426          | 4,426  |
| Electrical/refrigeration permits    | 749,000            | 607,000            | 635,529            | 28,529   |
| Other licenses and permits          | -                  | -                  | 180,960            | 180,960  |
| Right of way usage permits          | 210,000            | 210,000            | 154,331            | (55,669)   |
| Liquor licenses                     | 210,000            | 215,000            | 231,540            | 16,540   |
| Animal licenses                     | 250,000            | 250,000            | 233,782            | (16,218)   |
| Food retailers inspections          | 226,000            | 226,000            | 225,830            | (170)  |
| Swimming pool inspections           | 125,000            | 125,000            | 121,710            | (3,290)  |
| Flood plan certification            | 144,000            | 127,000            | 134,266            | 7,266  |
| Reroofing permits                   | 88,000             | 75,000             | 76,660             | 1,660  |
| Loading zone permits                | 12,000             | 12,000             | 11,039             | (961)  |
| Solicitation permits                | 5,000              | 5,000              | 9,655              | 4,655  |
| Excavation permits                  | 250,000            | 205,000            | 362,660            | 157,660  |
| Barricading permits                 | 1,200,000          | 1,200,000          | 1,253,393          | 53,393   |
| <b>Total licenses and permits</b>   | <u>11,971,000</u>  | <u>10,692,000</u>  | <u>11,306,691</u>  | <u>614,691</u>   |
| <b>Intergovernmental:</b>           |                    |                    |                    |  |
| <b>State shared:</b>                |                    |                    |                    |  |
| Gross receipts tax                  | 186,397,000        | 187,205,000        | 188,550,900        | 1,345,900  |
| Municipal road - gas tax            | 2,432,000          | 2,432,000          | 2,359,430          | (72,570)   |
| Motor vehicle license distribution  | 1,678,000          | 1,678,000          | 1,703,019          | 25,019   |
| Municipal comp tax                  | 1,382,000          | 2,000,000          | 2,361,292          | 361,292  |
| <b>Grants:</b>                      |                    |                    |                    |  |
| Other                               | 102,000            | -                  | -                  | -  |
| Bernalillo County-shared operations | 239,000            | 246,000            | 264,492            | 18,492   |
| <b>Total intergovernmental</b>      | <u>192,230,000</u> | <u>193,561,000</u> | <u>195,239,133</u> | <u>1,678,133</u>   |

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**YEAR ENDED JUNE 30, 2015**

|                                       | Original<br>Budget | Final<br>Budget | Actual     | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---------------------------------------|--------------------|-----------------|------------|---|
| Revenues (continued):                 |                    |                 |            |   |
| Charges for services:                 |                    |                 |            |   |
| General government:                   |                    |                 |            |   |
| Administrative charges to other funds | 26,240,000         | 26,035,000      | 24,749,092 | (1,285,908)   |
| Legal services                        | 2,280,000          | 2,400,000       | 3,051,510  | 651,510   |
| Grounds maintenance                   | -                  | -               | 7,251      | 7,251   |
| Engineering fees                      | 654,000            | 667,000         | 693,160    | 26,160  |
| Engineering inspections               | 280,000            | 250,000         | 224,991    | (25,009)  |
| Shooting range fees                   | 280,000            | 260,000         | 266,421    | 6,421   |
| Records search fees                   | 165,000            | 165,000         | 204,784    | 39,784  |
| Filing of plats and subdivisions      | 150,000            | 206,000         | 199,245    | (6,755)   |
| Administrative fees                   | 397,000            | 155,000         | 110,719    | (44,281)  |
| Photocopying                          | 75,000             | 155,000         | 173,996    | 18,996  |
| Hearing officer charges               | 55,000             | 55,000          | 46,629     | (8,371)   |
| Sign fees                             | 99,000             | 94,000          | 99,366     | 5,366   |
| Zoning plan check fees                | 98,000             | 91,000          | 96,440     | 5,440   |
| Office services                       | 35,000             | 26,000          | 25,003     | (997)   |
| Planning services                     | 17,000             | 145,000         | 198,101    | 53,101  |
| Land mediation charges                | 10,000             | 10,000          | 10,905     | 905   |
| Sale of maps and publications         | -                  | -               | 505        | 505   |
| AGIS services                         | -                  | -               | 1,164      | 1,164   |
| Public safety:                        |                    |                 |            |   |
| Police services                       | 4,410,000          | 4,074,000       | 3,975,313  | (98,687)  |
| Fire services                         | 936,000            | 1,099,000       | 885,329    | (213,671)   |
| Culture and recreation:               |                    |                 |            |   |
| Zoo admissions                        | 2,529,000          | 2,529,000       | 2,582,114  | 53,114  |
| Cultural affairs                      | 1,645,000          | 1,629,000       | 1,121,213  | (507,787)   |
| Albuquerque aquarium and gardens      | 1,661,000          | 1,661,000       | 1,558,475  | (102,525)   |
| Latch key program                     | 865,000            | 726,000         | 736,088    | 10,088  |
| Swimming pools                        | 730,000            | 698,000         | 694,018    | (3,982)   |
| Sports programs                       | 454,000            | 473,000         | 475,421    | 2,421   |
| Other recreation charges              | 209,000            | 208,000         | 210,181    | 2,181   |
| Museum charges                        | 143,000            | 126,000         | 131,243    | 5,243   |
| Other zoo charges                     | 266,000            | 264,000         | 310,406    | 46,406  |
| Community centers                     | 131,000            | 143,000         | 100,803    | (42,197)  |
| Tournament/field rental               | 50,000             | 80,000          | 73,246     | (6,754)   |
| Outdoor recreation fees               | -                  | 14,000          | 11,133     | (2,867)   |

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**YEAR ENDED JUNE 30, 2015**

|                                       | Original<br>Budget | Final<br>Budget    | Actual             | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---------------------------------------|--------------------|--------------------|--------------------|---|
| <b>Revenues (continued):</b>          |                    |                    |                    |   |
| <b>Charges for services:</b>          |                    |                    |                    |   |
| <b>Highways and streets:</b>          |                    |                    |                    |   |
| Other street division charges/permits | 309,000            | 161,000            | 200,929            | 39,929  |
| <b>Health:</b>                        |                    |                    |                    |   |
| Animal control charges                | 1,371,000          | 1,355,000          | 1,423,894          | 68,894  |
| <b>Human services:</b>                |                    |                    |                    |   |
| Childcare services                    | 635,000            | 512,000            | 559,184            | 47,184  |
| Senior center memberships             | 272,000            | 232,000            | 226,626            | (5,374)   |
| Senior meal programs                  | 144,000            | 133,000            | 194,630            | 61,630  |
| Other                                 | 40,000             | 38,000             | 47,969             | 9,969   |
| Senior dances                         | 35,000             | 35,000             | 44,524             | 9,524   |
| DSA Route #2                          | 20,000             | 168,000            | 104,190            | (63,810)  |
| Senior coffee                         | 12,000             | 16,000             | 19,876             | 3,876   |
| <b>Total charges for services</b>     | <u>47,702,000</u>  | <u>47,088,000</u>  | <u>45,846,087</u>  | <u>(1,241,913)</u>                                      |
| <b>Fines and forfeits:</b>            |                    |                    |                    |   |
| Air quality penalties                 | 120,000            | 120,000            | 120,800            | 800   |
| <b>Total fines and forfeits</b>       | <u>120,000</u>     | <u>120,000</u>     | <u>120,800</u>     | <u>800</u>  |
| <b>Interest:</b>                      |                    |                    |                    |   |
| Interest on investments               | 330,000            | 330,000            | 400,163            | 70,163  |
| <b>Total interest</b>                 | <u>330,000</u>     | <u>330,000</u>     | <u>400,163</u>     | <u>70,163</u>   |
| <b>Miscellaneous:</b>                 |                    |                    |                    |   |
| Community center rentals              | 302,000            | 354,000            | 300,630            | (53,370)  |
| Jury duty and witness fees            | 2,000              | 2,000              | 1,748              | (252)   |
| Rental of City property               | 717,000            | 634,000            | 821,480            | 187,480   |
| Other miscellaneous                   | 359,000            | 753,000            | (796,318)          | (1,549,318)   |
| Sales of real property                | 75,000             | 37,000             | 313,926            | 276,926   |
| Collections from property damage      | -                  | -                  | 250                | 250   |
| Contributions and donations           | 2,000              | 2,000              | 250,282            | 248,282   |
| Liens and recoveries                  | 13,000             | 150,000            | 237,073            | 87,073  |
| <b>Total miscellaneous</b>            | <u>1,470,000</u>   | <u>1,932,000</u>   | <u>1,129,071</u>   | <u>(802,929)</u>  |
| <b>Total revenues</b>                 | <u>482,803,000</u> | <u>484,844,000</u> | <u>485,380,956</u> | <u>536,956</u>  |

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**YEAR ENDED JUNE 30, 2015**

|  | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>     | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|--|----------------------------|-------------------------|-------------------|---|
| <b>Expenditures:</b>                   |                            |                         |                   |   |
| <b>Current:</b>                        |                            |                         |                   |   |
| <b>General Government:</b>             |                            |                         |                   |   |
| Accounting                             | 3,663,000                  | 3,712,000               | 3,450,711         | 261,289   |
| Administrative hearing office          | 450,000                    | 455,000                 | 419,597           | 35,403  |
| Chief Administrative Officer           | 2,154,000                  | 2,217,000               | 2,119,346         | 97,654  |
| Citizen Services                       | 3,570,000                  | 3,623,000               | 3,443,157         | 179,843   |
| Citywide financial support             | 1,093,000                  | 1,093,000               | 973,725           | 119,275   |
| Urban Design and Development           | 1,790,000                  | 1,848,000               | 1,791,140         | 56,860  |
| Council services                       | 3,607,000                  | 3,871,000               | 3,531,992         | 339,008   |
| DFAS - strategic support               | 375,000                    | 382,000                 | 380,500           | 1,500   |
| Downtown clean and safe services       | -                          | 250,000                 | 42,702            | 207,298   |
| Dues and memberships                   | 434,000                    | 434,000                 | 444,709           | (10,709)  |
| Early retirement                       | 7,000,000                  | 7,000,000               | 4,361,965         | 2,638,035   |
| Economic development                   | 1,690,000                  | 1,710,000               | 1,355,868         | 354,132   |
| Economic Development Investment        | 1,025,000                  | 1,025,000               | 858,508           | 166,492   |
| ED - Convention Center                 | 1,881,000                  | 1,883,000               | 1,900,328         | (17,328)  |
| ERP E-Government                       | 2,738,000                  | 2,780,000               | 2,722,315         | 57,685  |
| City Buildings                         | 9,354,000                  | 9,439,000               | 9,446,791         | (7,791)   |
| Information services                   | 6,833,000                  | 7,153,000               | 6,487,854         | 665,146   |
| International trade                    | 55,000                     | 80,000                  | 75,321            | 4,679   |
| Joint committee- intergov. legislation | 158,000                    | 158,000                 | 162,000           | (4,000)   |
| Legal services                         | 4,709,000                  | 4,952,000               | 4,470,533         | 481,467   |
| Mayor's office                         | 1,016,000                  | 1,022,000               | 960,150           | 61,850  |
| Mesa Del Sol Program                   | -                          | 668,000                 | 667,035           | 965   |
| Office of Inspector General            | 337,000                    | 341,000                 | 233,562           | 107,438   |
| Office of Internal Audit               | 794,000                    | 808,000                 | 766,199           | 41,801  |
| Office of Management and Budget        | 1,075,000                  | 1,091,000               | 976,596           | 114,404   |
| Office of the City Clerk               | 804,000                    | 864,000                 | 831,462           | 32,538  |
| One Stop Shop                          | 6,109,000                  | 6,230,000               | 5,505,766         | 724,234   |
| Open and Ethical Elections             | 496,000                    | 496,000                 | 496,000           | -   |
| Personnel services                     | 2,387,000                  | 2,412,000               | 2,229,174         | 182,826   |
| Planning - strategic support           | 1,553,000                  | 1,577,000               | 1,403,746         | 173,254   |
| Planning and Development Review        | -                          | -                       | -                 | -   |
| Plaza del Sol building rental          | -                          | -                       | -                 | -   |
| Purchasing                             | 1,193,000                  | 1,210,000               | 1,140,463         | 69,537  |
| Real property                          | 767,000                    | 776,000                 | 632,646           | 143,354   |
| Safe city strike force                 | 879,000                    | 893,000                 | 634,212           | 258,788   |
| Treasury                               | 1,094,000                  | 1,116,000               | 1,120,247         | (4,247)   |
| B/C/J/Q Union Time                     | -                          | 57,000                  | 35,951            | 21,049  |
| <b>Total general government</b>        | <u>71,083,000</u>          | <u>73,626,000</u>       | <u>66,072,271</u> | <u>7,553,729</u>  |

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**YEAR ENDED JUNE 30, 2015**

|   | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>      | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|---|----------------------------|-------------------------|--------------------|---|
| <b>Expenditures (continued):</b>        |                            |                         |                    |   |
| <b>Current:</b>                         |                            |                         |                    |   |
| <b>Public safety:</b>                   |                            |                         |                    |   |
| <b>Police Department:</b>               |                            |                         |                    |   |
| Communications & records                | 14,694,000                 | 14,949,000              | 14,634,103         | 314,897   |
| Family advocacy center                  | 8,307,000                  | 8,703,000               | 7,959,866          | 743,134   |
| Investigative services                  | 19,820,000                 | 20,705,000              | 18,040,139         | 2,664,861   |
| Neighborhood Policing                   | 84,363,000                 | 90,058,000              | 92,954,005         | (2,896,005)   |
| Off duty police overtime                | 1,825,000                  | 1,825,000               | 1,548,399          | 276,601   |
| PD - Administrative Support             | 16,557,000                 | 16,690,000              | 17,185,531         | (495,531)   |
| Prisoner transport                      | 1,820,000                  | 1,937,000               | 1,842,885          | 94,115  |
| Professional standards                  | 1,489,000                  | 1,584,000               | 1,899,972          | (315,972)   |
| <b>Fire Department:</b>                 |                            |                         |                    |   |
| AFD headquarters                        | 2,269,000                  | 2,294,000               | 2,249,001          | 44,999  |
| Dispatch                                | 4,103,000                  | 4,103,000               | 4,080,707          | 22,293  |
| Emergency response                      | 58,455,000                 | 58,478,000              | 58,405,299         | 72,701  |
| Fire prevention                         | 3,997,000                  | 3,998,000               | 3,929,407          | 68,593  |
| Logistics                               | 1,859,000                  | 1,868,000               | 1,823,954          | 44,046  |
| Technical services                      | 651,000                    | 651,000                 | 637,718            | 13,282  |
| Training                                | 2,387,000                  | 2,387,000               | 2,304,065          | 82,935  |
| <b>Total public safety</b>              | <u>222,596,000</u>         | <u>230,230,000</u>      | <u>229,495,051</u> | <u>734,949</u>  |
| <b>Culture and recreation:</b>          |                            |                         |                    |   |
| Aquatics                                | 4,203,000                  | 4,222,000               | 4,174,645          | 47,355  |
| Balloon museum                          | 1,079,000                  | 1,085,000               | 1,071,663          | 13,337  |
| Biopark                                 | 12,967,000                 | 13,073,000              | 13,104,903         | (31,903)  |
| CIP Biopark                             | 87,000                     | 90,000                  | 163,759            | (73,759)  |
| CIP library                             | 63,000                     | 64,000                  | 63,816             | 184   |
| CIP parks                               | 576,000                    | 588,000                 | 530,304            | 57,696  |
| Community events                        | 3,041,000                  | 3,185,000               | 3,047,045          | 137,955   |
| Community recreation                    | 7,881,000                  | 7,936,000               | 7,928,695          | 7,305   |
| Cultural services- strategic support    | 1,600,000                  | 1,620,000               | 1,576,127          | 43,873  |
| Explora                                 | 1,438,000                  | 1,438,000               | 1,434,151          | 3,849   |
| Library                                 | 11,170,000                 | 11,313,000              | 11,170,391         | 142,609   |
| Museum                                  | 3,071,000                  | 3,101,000               | 3,070,925          | 30,075  |
| Parks and recreation- strategic support | 851,000                    | 871,000                 | 932,258            | (61,258)  |
| Parks management                        | 16,755,000                 | 16,827,000              | 16,737,600         | 89,400  |
| Firearm Safety                          | 570,000                    | 574,000                 | 574,264            | (264)   |
| Public Arts and Urban Enhancement       | 269,000                    | 275,000                 | 258,802            | 16,198  |
| Recreation                              | 2,327,000                  | 2,404,000               | 2,371,925          | 32,075  |
| Senior affairs- strategic support       | 1,787,000                  | 1,827,000               | 1,851,871          | (24,871)  |
| Special events parking                  | 19,000                     | 19,000                  | 19,000             | -   |
| <b>Total culture and recreation</b>     | <u>69,754,000</u>          | <u>70,512,000</u>       | <u>70,082,144</u>  | <u>429,856</u>  |

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**YEAR ENDED JUNE 30, 2015**

|  | Original<br>Budget | Final<br>Budget    | Actual             | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|--------------------|--------------------|--------------------|---|
| Expenditures (continued):                |                    |                    |                    |   |
| Current:                                 |                    |                    |                    |   |
| Municipal Development                    |                    |                    |                    |   |
| Construction                             | 1,902,000          | 1,993,000          | 1,864,010          | 128,990   |
| Design recovered CIP                     | 4,068,000          | 4,240,000          | 3,710,684          | 529,316   |
| Design recovered storm drain             | 2,068,000          | 2,135,000          | 1,644,889          | 490,111   |
| Storm drainage                           | 2,959,000          | 2,974,000          | 2,853,889          | 120,111   |
| MD - Strategic support                   | 2,477,000          | 2,613,000          | 2,536,384          | 76,616  |
| Street CIP                               | 4,206,000          | 4,273,000          | 4,181,870          | 91,130  |
| Street services                          | 12,858,000         | 12,933,000         | 12,685,140         | 247,860   |
| <b>Total municipal development</b>       | <b>30,538,000</b>  | <b>31,161,000</b>  | <b>29,476,866</b>  | <b>1,684,134</b>  |
| Health:                                  |                    |                    |                    |   |
| Animal care and control                  | 10,592,000         | 10,686,000         | 10,366,781         | 319,219   |
| Code enforcement                         | 3,723,000          | 3,951,000          | 3,102,675          | 848,325   |
| Consumer health protection               | 1,103,000          | 1,126,000          | 1,126,784          | (784)   |
| Environmental services                   | 582,000            | 591,000            | 585,173            | 5,827   |
| Strategic support                        | 627,000            | 641,000            | 634,883            | 6,117   |
| Urban Biology                            | 498,000            | 524,000            | 523,511            | 489   |
| <b>Total health</b>                      | <b>17,125,000</b>  | <b>17,519,000</b>  | <b>16,339,807</b>  | <b>1,179,193</b>  |
| Human services:                          |                    |                    |                    |   |
| SA - Basic services                      | 90,000             | 90,000             | 90,000             | -   |
| Affordable housing                       | 1,759,000          | 1,759,000          | 1,756,026          | 2,974   |
| Child care                               | 5,428,000          | 5,505,000          | 5,177,582          | 327,418   |
| Emergency shelter                        | 1,097,000          | 1,097,000          | 1,104,765          | (7,765)   |
| Health & social services                 | 3,615,000          | 3,627,000          | 3,807,879          | (180,879)   |
| Mental health services                   | 2,683,000          | 2,685,000          | 2,189,906          | 495,094   |
| Partner with public education            | 5,503,000          | 5,564,000          | 4,799,058          | 764,942   |
| FC - Strategic Support                   | 1,281,000          | 1,302,000          | 1,262,280          | 39,720  |
| Reduce youth gangs                       | 1,425,000          | 1,425,000          | 1,497,392          | (72,392)  |
| Substance abuse treatment and prevention | 5,007,000          | 5,064,000          | 4,389,421          | 674,579   |
| FC - Supportive Services                 | 1,816,000          | 1,879,000          | 724,669            | 1,154,331   |
| Transitional housing                     | 167,000            | 167,000            | 169,772            | (2,772)   |
| Well being- seniors                      | 4,651,000          | 4,705,000          | 4,428,095          | 276,905   |
| <b>Total human services</b>              | <b>34,522,000</b>  | <b>34,869,000</b>  | <b>31,396,845</b>  | <b>3,472,155</b>  |
| <b>Total expenditures</b>                | <b>445,618,000</b> | <b>457,917,000</b> | <b>442,862,984</b> | <b>15,054,016</b>                                       |

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**YEAR ENDED JUNE 30, 2015**

|  | Original<br>Budget   | Final<br>Budget      | Actual               | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|----------------------|----------------------|----------------------|---|
| Excess of revenues over expenditures   | 37,185,000           | 26,927,000           | 42,517,972           | 15,590,972  |
| Other financing sources (uses):        |                      |                      |                      |   |
| Transfers in                           | 3,767,000            | 3,814,000            | 4,454,642            | 640,642   |
| Transfers out                          | (47,785,000)         | (47,584,000)         | (47,107,871)         | 476,129   |
| Total other financing sources and uses | (44,018,000)         | (43,770,000)         | (42,653,229)         | 1,116,771   |
| Net change in fund balance             | (6,833,000)          | (16,843,000)         | (135,257)            | 16,707,743  |
| Fund balance, July 1                   | 63,443,775           | 63,443,775           | 63,443,775           | -   |
| Fund balance, June 30                  | <u>\$ 56,610,775</u> | <u>\$ 46,600,775</u> | <u>\$ 63,308,518</u> | <u>\$ 16,707,743</u>                                    |

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
June 30, 2015

| <b>ASSETS</b>   | <b>Airport<br/>Fund</b> | <b>Refuse<br/>Disposal<br/>Fund</b> |
|---|-------------------------|-------------------------------------|
| <b>Current assets:</b>  |                         |                                     |
| Cash, investments, and accrued interest                                     | \$ 21,657,381           | \$ 13,248,545                       |
| Cash held by others   | -                       | -                                   |
| Accounts receivable, net of allowance for<br>uncollectible accounts         | 2,397,810               | 3,521,951                           |
| Due from other funds  | -                       | -                                   |
| Prepaid expenses  | 10,563                  | -                                   |
| Due from other governments  | -                       | -                                   |
| Customer deposits   | -                       | -                                   |
| Inventories of supplies   | 770,611                 | 695,462                             |
| <b>Restricted assets:</b>   |                         |                                     |
| Cash with fiscal agents held for debt service                               | 14,465,934              | 419,326                             |
| <b>Total current assets</b>   | <b>39,302,299</b>       | <b>17,885,284</b>                   |
| <b>Noncurrent assets:</b>   |                         |                                     |
| <b>Restricted assets:</b>   |                         |                                     |
| Cash, investments, and accrued interest                                     | 103,710,020             | 23,611,011                          |
| Accounts receivable-developers, net of allowance for uncollectible accounts | -                       | -                                   |
| Grant receivables   | 4,596,687               | -                                   |
| Escrow deposits   | -                       | -                                   |
| <b>Total restricted assets</b>  | <b>108,306,707</b>      | <b>23,611,011</b>                   |
| <b>Capital assets:</b>  |                         |                                     |
| Land  | 41,093,819              | 5,165,506                           |
| Buildings and improvements  | 194,431,445             | 13,336,939                          |
| Runways and other improvements  | 317,067,635             | -                                   |
| Infrastructure  | -                       | 11,117,711                          |
| Improvements other than buildings   | 252,544,888             | 31,075,008                          |
| Machinery and equipment   | 24,102,956              | 62,824,773                          |
| Other   | 854,296                 | 16,870                              |
| <b>Total</b>  | <b>830,095,039</b>      | <b>123,536,807</b>                  |
| Less accumulated depreciation and amortization                              | 569,940,696             | 72,654,421                          |
| <b>Capital assets, net of depreciation</b>                                  | <b>260,154,343</b>      | <b>50,882,386</b>                   |
| Construction work in progress   | 11,212,436              | 590,344                             |
| <b>Total capital assets</b>   | <b>271,366,779</b>      | <b>51,472,730</b>                   |
| <b>Other:</b>   |                         |                                     |
| Advances to other funds   | -                       | -                                   |
| <b>Total other assets</b>   | <b>-</b>                | <b>-</b>                            |
| <b>Total noncurrent assets</b>  | <b>379,673,486</b>      | <b>75,083,741</b>                   |
| <b>Total assets</b>   | <b>418,975,785</b>      | <b>92,969,025</b>                   |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                                       |                         |                                     |
| Deferred gain/loss on refunding   | 333,152                 | -                                   |
| Deferred outflow related to fuel hedge                                      | -                       | -                                   |
| Deferred outflows related to pension activity                               | 2,206,503               | 3,018,137                           |
| <b>Total deferred outflows of resources</b>                                 | <b>2,539,655</b>        | <b>3,018,137</b>                    |

The accompanying notes are an integral part of these financial statements

Business-type Activities - Enterprise Funds

| Business-type Activities - Enterprise Funds |                              |                      | Governmental<br>Activities -<br>Internal<br>Service<br>Funds |
|---|------------------------------|----------------------|--|
| Transit<br>Fund                             | Other<br>Enterprise<br>Funds | Totals               |  |
| \$ 2,384,196                                | \$ 1,578,432                 | \$ 38,868,554        | \$ 67,918,889  |
| -   | 559,711                      | 559,711              | -  |
| 416,181                                     | 784,675                      | 7,120,617            | 157,817  |
| 1,077,763                                   | -                            | 1,077,763            | -  |
| -   | 11,058                       | 21,621               | -  |
| 3,728,137                                   | -                            | 3,728,137            | 228,848  |
| -   | -                            | -                    | 319,895  |
| 2,871,320                                   | -                            | 4,337,393            | 2,260,901  |
| -   | 849,399                      | 15,734,659           | -  |
| <u>10,477,597</u>                           | <u>3,783,275</u>             | <u>71,448,455</u>    | <u>70,886,350</u>  |
| 3,399,158                                   | 5,171,109                    | 135,891,298          | -  |
| -   | 1,771,938                    | 1,771,938            | -  |
| -   | -                            | 4,596,687            | -  |
| -   | 162,566                      | 162,566              | -  |
| <u>3,399,158</u>                            | <u>7,105,613</u>             | <u>142,422,489</u>   | <u>-</u>   |
| 4,930,660                                   | 5,108,043                    | 56,298,028           | 283,842  |
| 83,565,357                                  | 93,653,606                   | 384,987,347          | 1,278,231  |
| -   | -                            | 317,067,635          | -  |
| -   | -                            | 11,117,711           | -  |
| 6,629,184                                   | -                            | 290,249,080          | -  |
| 107,337,393                                 | 4,959,237                    | 199,224,359          | 1,241,771  |
| -   | 100,904                      | 972,070              | 21,000   |
| <u>202,462,594</u>                          | <u>103,821,790</u>           | <u>1,259,916,230</u> | <u>2,824,844</u>   |
| <u>111,014,173</u>                          | <u>57,768,176</u>            | <u>811,377,466</u>   | <u>2,343,954</u>   |
| 91,448,421                                  | 46,053,614                   | 448,538,764          | 480,890  |
| <u>7,352,337</u>                            | <u>-</u>                     | <u>19,155,117</u>    | <u>-</u>   |
| <u>98,800,758</u>                           | <u>46,053,614</u>            | <u>467,693,881</u>   | <u>480,890</u>   |
| -   | -                            | -                    | 171,000  |
| -   | -                            | -                    | 171,000  |
| <u>102,199,916</u>                          | <u>53,159,227</u>            | <u>610,116,370</u>   | <u>651,890</u>   |
| <u>112,677,513</u>                          | <u>56,942,502</u>            | <u>681,564,825</u>   | <u>71,538,240</u>  |
| -   | 69,105                       | 402,257              | -  |
| 1,322,519                                   | -                            | 1,322,519            | 1,360,070  |
| 3,179,417                                   | 474,469                      | 8,878,526            | 1,015,902  |
| <u>4,501,936</u>                            | <u>543,574</u>               | <u>10,603,302</u>    | <u>2,375,972</u>   |

The accompanying notes are an integral part of these financial statements

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENT OF NET POSITION**  
**ENTERPRISE FUNDS**  
June 30, 2015

| <b>LIABILITIES</b>   | <u>Airport<br/>Fund</u> | <u>Refuse<br/>Disposal<br/>Fund</u> |
|--|-------------------------|-------------------------------------|
| <b>Current liabilities:</b>  |                         |                                     |
| Accounts and contracts payable   | 1,110,212               | 1,950,426                           |
| Accrued employee compensation and benefits   | 173,236                 | 302,393                             |
| Accrued vacation and sick leave  | 1,308,829               | 1,836,324                           |
| Accrued fuel cleanup costs   | -                       | -                                   |
| Fare tokens outstanding  | -                       | -                                   |
| Customer deposits  | 678,918                 | 73,698                              |
| Due to other funds   | -                       | -                                   |
| Claims and judgments   | -                       | -                                   |
| <b>Liabilities payable from restricted assets:</b>   |                         |                                     |
| Contracts and other payable  | 5,181,191               | 25,092                              |
| Unearned revenue   | 493,370                 | -                                   |
| Current portion - revenue bonds, notes payable,<br>and capital leases  | 13,101,667              | 411,730                             |
| Accrued interest   | 1,364,268               | 39,033                              |
| <b>Total current liabilities</b>   | <u>23,411,691</u>       | <u>4,638,696</u>                    |
| <b>Noncurrent liabilities:</b>   |                         |                                     |
| <b>Liabilities payable from restricted assets:</b>   |                         |                                     |
| Accrued landfill closure costs   | -                       | 2,817,019                           |
| Other  | -                       | -                                   |
| <b>Total</b>   | <u>-</u>                | <u>2,817,019</u>                    |
| <b>Revenue bonds, notes payable and capital leases, net<br/>of current portion and unamortized discounts</b> | <u>44,755,649</u>       | <u>-</u>                            |
| <b>Other:</b>  |                         |                                     |
| Claims and judgments   | -                       | -                                   |
| Accrued vacation and sick leave  | 656,176                 | 291,479                             |
| Net pension obligation - PERA  | 10,676,373              | 14,593,327                          |
| Other post employment benefit obligation   | 178,706                 | 312,736                             |
| <b>Total</b>   | <u>11,511,255</u>       | <u>15,197,542</u>                   |
| <b>Total noncurrent liabilities:</b>   | <u>56,266,904</u>       | <u>18,014,561</u>                   |
| <b>Total liabilities</b>   | <u>79,678,595</u>       | <u>22,653,257</u>                   |
| <b>DEFERRED INFLOWS OF RESOURCES</b>   |                         |                                     |
| Deferred revenue - fuel hedge  | -                       | -                                   |
| Deferred inflows related to pension activity   | 4,184,115               | 5,719,185                           |
| <b>Total deferred inflows of resources</b>   | <u>4,184,115</u>        | <u>5,719,185</u>                    |
| <b>NET POSITION (DEFICIT)</b>  |                         |                                     |
| Net investment in capital assets   | 231,474,458             | 55,622,492                          |
| <b>Restricted for:</b>   |                         |                                     |
| Debt service   | 7,465,883               | 425,250                             |
| Construction   | 70,479,890              | 15,525,147                          |
| Unrestricted   | 28,232,499              | (3,958,169)                         |
| <b>Total net position (deficit)</b>  | <u>\$ 337,652,730</u>   | <u>\$ 67,614,720</u>                |

The accompanying notes are an integral part of these financial statements

| <u>Business-type Activities - Enterprise Funds</u> |                      |                       | <u>Governmental</u>    |
|--|----------------------|-----------------------|------------------------|
| <u>Transit</u>                                     | <u>Other</u>         |                       | <u>Activities -</u>    |
| <u>Fund</u>  | <u>Enterprise</u>    | <u>Totals</u>         | <u>Internal</u>        |
|  | <u>Funds</u>         |                       | <u>Service</u>         |
|  |                      |                       | <u>Funds</u>           |
| 2,500,057  | 703,763              | 6,264,458             | 3,553,967              |
| 327,394  | 38,704               | 841,727               | 73,628                 |
| 1,466,445  | 180,449              | 4,792,047             | 411,084                |
| -  | -                    | -                     | 159,717                |
| 137,194  | -                    | 137,194               | -                      |
| -  | 17,397               | 770,013               | -                      |
| -  | 414,399              | 414,399               | -                      |
| -  | -                    | -                     | 23,901,290             |
| 826,854  | -                    | 6,033,137             | -                      |
| -  | 44,766               | 538,136               | -                      |
| 1,029,716  | 1,070,000            | 15,613,113            | -                      |
| -  | 417,218              | 1,820,519             | -                      |
| <u>6,287,660</u>                                   | <u>2,886,696</u>     | <u>37,224,743</u>     | <u>28,099,686</u>      |
| -  | -                    | 2,817,019             | -                      |
| -  | 157,061              | 157,061               | -                      |
| -  | 157,061              | 2,974,080             | -                      |
| -  | 17,950,354           | 62,706,003            | -                      |
| -  | -                    | -                     | 65,640,961             |
| 373,974  | 76,393               | 1,398,022             | 34,630                 |
| 15,088,794   | 2,436,144            | 42,794,638            | 4,657,946              |
| 312,736  | 89,354               | 893,532               | 89,354                 |
| <u>15,775,504</u>                                  | <u>2,601,891</u>     | <u>45,086,192</u>     | <u>70,422,891</u>      |
| 15,775,504   | 20,709,306           | 110,766,275           | 70,422,891             |
| <u>22,063,164</u>                                  | <u>23,596,002</u>    | <u>147,991,018</u>    | <u>98,522,577</u>      |
| -  | -                    | -                     | -                      |
| 5,913,361  | 954,734              | 16,771,395            | 1,825,468              |
| <u>5,913,361</u>                                   | <u>954,734</u>       | <u>16,771,395</u>     | <u>1,825,468</u>       |
| 97,901,241   | 27,102,365           | 412,100,556           | 480,890                |
| 440,485  | 1,729,055            | 10,060,673            | -                      |
| 8,668,815  | 4,322,898            | 98,996,750            | -                      |
| (17,807,617)                                       | (218,978)            | 6,247,735             | (26,914,723)           |
| <u>\$ 89,202,924</u>                               | <u>\$ 32,935,340</u> | <u>\$ 527,405,714</u> | <u>\$ (26,433,833)</u> |

The accompanying notes are an integral part of these financial statements

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
Year ended June 30, 2015

|   | Airport<br>Fund | Refuse<br>Disposal<br>Fund |
|---|-----------------|----------------------------|
| Operating revenues:   |                 |                            |
| Charges for services  | \$ 56,056,512   | \$ 70,383,644              |
| Operating expenses:   |                 |                            |
| Salaries and fringe benefits  | 15,775,390      | 25,721,446                 |
| Professional services   | 627,041         | 368,675                    |
| Utilities   | 2,896,047       | 1,032,873                  |
| Supplies  | 1,045,870       | 2,211,659                  |
| Travel  | 23,904          | 1,794                      |
| Fuels, repairs and maintenance  | 2,654,311       | 9,552,752                  |
| Contractual services  | 4,639,621       | 6,708,540                  |
| Claims and judgments  | -               | -                          |
| Insurance premiums  | 774,300         | 2,899,552                  |
| Landfill closure costs  | -               | 815,022                    |
| Other operating expenses  | 2,016,329       | 2,611,111                  |
| Depreciation  | 23,337,525      | 8,346,229                  |
| Bad debt expense (recovery)   | 42,394          | 78,751                     |
| Total operating expenses  | 53,832,732      | 60,348,404                 |
| Operating income (loss)   | 2,223,780       | 10,035,240                 |
| Non-operating revenues (expenses):                                      |                 |                            |
| Interest on investments   | 1,012,865       | 253,163                    |
| Passenger facilities charges  | 8,888,237       | -                          |
| Gain (loss) on disposition of property and equipment                    | (2,898)         | 118,772                    |
| Interest and other debt service expenses                                | (1,131,498)     | (3,063)                    |
| Amortization of bond discounts/premiums                                 | 109,688         | -                          |
| Capital expense   | -               | -                          |
| Other post employment benefit contribution expense                      | (178,706)       | (312,736)                  |
| Pension contribution expense  | 566,690         | 776,708                    |
| Other   | 647,145         | 438,373                    |
| Total non-operating revenues (expenses)                                 | 9,911,523       | 1,271,217                  |
| Income (loss) before capital contributions, special items and transfers | 12,135,303      | 11,306,457                 |
| Capital contributions   | 8,625,076       | -                          |
| Special item - gain (loss) on disposal of Housing Authority operations  | -               | -                          |
| Transfers in  | -               | 384,000                    |
| Transfers out   | (1,300,000)     | (2,399,268)                |
| Change in net position  | 19,460,379      | 9,291,189                  |
| Net position, July 1 (Restated, see note O)                             | 318,192,351     | 58,323,531                 |
| Net position, June 30   | \$ 337,652,730  | \$ 67,614,720              |

The accompanying notes are an integral part of these financial statements

**Business-type Activities - Enterprise Funds**

**Governmental  
Activities -  
Internal  
Service  
Funds**

| Transit<br>Fund      | Other<br>Enterprise<br>Funds | Totals                | Governmental<br>Activities -<br>Internal<br>Service<br>Funds |
|----------------------|------------------------------|-----------------------|--|
| \$ 11,749,543        | \$ 13,732,115                | \$ 151,921,814        | \$ 114,991,763   |
| 27,727,107           | 3,786,649                    | 73,010,592            | 7,625,327  |
| 75,970               | 1,033,786                    | 2,105,472             | 1,346,897  |
| 992,589              | 2,561,222                    | 7,482,731             | 526,332  |
| 474,142              | 172,013                      | 3,903,684             | 1,601,065  |
| 28,803               | 1,681                        | 56,182                | 12,822   |
| 8,556,481            | 1,261,029                    | 22,024,573            | 7,804,905  |
| 1,079,687            | 1,351,433                    | 13,779,281            | 6,119,119  |
| 131                  | -                            | 131                   | 24,141,782   |
| 3,245,430            | 464,010                      | 7,383,292             | 58,421,386   |
| -                    | -                            | 815,022               | -  |
| 4,699,487            | 599,627                      | 9,926,554             | 1,689,062  |
| 13,099,485           | 2,678,588                    | 47,461,827            | 116,521  |
| -                    | 242,223                      | 363,368               | -  |
| <u>59,979,312</u>    | <u>14,152,261</u>            | <u>188,312,709</u>    | <u>109,405,218</u>   |
| (48,229,769)         | (420,146)                    | (36,390,895)          | 5,586,545  |
| 15,328               | 77,223                       | 1,358,579             | 560,943  |
| -                    | -                            | 8,888,237             | -  |
| (37,921)             | -                            | 77,953                | 6,899  |
| (53,258)             | (834,436)                    | (2,022,255)           | -  |
| -                    | -                            | 109,688               | -  |
| -                    | 49,612                       | 49,612                | -  |
| (312,736)            | (89,354)                     | (893,532)             | (89,354)   |
| 861,888              | 100,295                      | 2,305,581             | 300,474  |
| (2,029)              | 119,725                      | 1,203,214             | 1,940  |
| <u>471,272</u>       | <u>(576,935)</u>             | <u>11,077,077</u>     | <u>780,902</u>   |
| (47,758,497)         | (997,081)                    | (25,313,818)          | 6,367,447  |
| 8,126,212            | -                            | 16,751,288            | -  |
| 34,780,182           | (24,796,905)                 | (24,796,905)          | -  |
| (465,247)            | 1,416,000                    | 36,580,182            | 60,000   |
| <u>(5,317,350)</u>   | <u>(262,575)</u>             | <u>(4,427,090)</u>    | <u>(250,000)</u>   |
| (5,317,350)          | (24,640,561)                 | (1,206,343)           | 6,177,447  |
| <u>94,520,274</u>    | <u>57,575,901</u>            | <u>528,612,057</u>    | <u>(32,611,280)</u>  |
| <u>\$ 89,202,924</u> | <u>\$ 32,935,340</u>         | <u>\$ 527,405,714</u> | <u>\$ (26,433,833)</u>                                       |

The accompanying notes are an integral part of these financial statements

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENT OF CASH FLOWS**  
**ENTERPRISE FUNDS**  
Year ended June 30, 2015

|   | Airport<br>Fund       | Refuse<br>Disposal<br>Fund |
|---|-----------------------|----------------------------|
| <b>Cash flows from operating activities:</b>                                    |                       |                            |
| Cash received from customers  | \$ 56,119,709         | \$ 70,307,902              |
| Cash received from other funds for goods and services                           | -                     | 1,472                      |
| Cash payments to employees for services   | (15,712,671)          | (25,712,317)               |
| Cash payments to suppliers for goods and services                               | (8,936,295)           | (18,746,126)               |
| Cash payments to other funds for goods and services                             | (3,710,591)           | (6,328,508)                |
| Cash payments to claimants and beneficiaries                                    | -                     | -                          |
| <b>Net cash provided by (used for) operating activities</b>                     | <b>27,760,152</b>     | <b>19,522,423</b>          |
| <b>Cash flow from noncapital financing activities:</b>                          |                       |                            |
| Operating grants received   | 77,932                | -                          |
| Other non capital revenue   | 448,861               | 159,161                    |
| Transfers from other funds  | -                     | 384,000                    |
| Transfers to other funds  | (1,300,000)           | (2,399,268)                |
| <b>Net cash provided by (used for) noncapital financing activities</b>          | <b>(773,207)</b>      | <b>(1,856,107)</b>         |
| <b>Cash flows from capital and related financing activities:</b>                |                       |                            |
| Principal paid on revenue bond maturities and refunded bonds                    | (37,451,667)          | (1,051,913)                |
| Interest and other expenses paid on revenue bond maturities                     | (2,942,969)           | (64,685)                   |
| Acquisition and construction of capital assets                                  | (22,661,900)          | (5,791,139)                |
| Capital grants received   | 8,726,675             | -                          |
| Passenger facilities charges  | 8,888,237             | -                          |
| Proceeds from sale (retirement) of property and equipment                       | 4,019                 | 428,298                    |
| <b>Net cash provided by (used for) capital and related financing activities</b> | <b>(45,437,605)</b>   | <b>(6,479,439)</b>         |
| <b>Cash flows from investing activities:</b>                                    |                       |                            |
| Interest received on investments  | 1,012,865             | 253,163                    |
| <b>Net cash provided by investing activities</b>                                | <b>1,012,865</b>      | <b>253,163</b>             |
| <b>Net increase (decrease) in cash and cash equivalents</b>                     | <b>(17,437,795)</b>   | <b>11,440,040</b>          |
| Cash and cash equivalents, July 1   | 157,271,130           | 25,838,842                 |
| <b>Cash and cash equivalents, June 30</b>                                       | <b>\$ 139,833,335</b> | <b>\$ 37,278,882</b>       |

The accompanying notes are an integral part of these financial statements

**Business-type Activities - Enterprise Funds****Governmental  
Activities -  
Internal  
Service  
Funds**

| Transit<br>Fund     | Other<br>Enterprise<br>Funds | Totals                | Governmental<br>Activities -<br>Internal<br>Service<br>Funds |
|---------------------|------------------------------|-----------------------|--|
| \$ 16,163,728       | \$ 13,237,399                | \$ 155,828,738        | \$ 447,901   |
| 119                 | 1,425                        | 3,016                 | 117,718,988  |
| (27,359,106)        | (3,881,314)                  | (72,665,408)          | (7,649,848)  |
| (10,793,534)        | (5,808,513)                  | (44,284,468)          | (78,222,881)   |
| (16,729,199)        | (1,056,296)                  | (27,824,594)          | (2,750,125)  |
| (131)               | -                            | (131)                 | (34,099,765)   |
| <u>(38,718,124)</u> | <u>2,492,701</u>             | <u>11,057,152</u>     | <u>(4,555,730)</u>   |
| -                   | -                            | 77,932                | -  |
| 9,795               | 119,725                      | 737,542               | 1,334  |
| 34,768,358          | 1,416,000                    | 36,568,358            | 60,000   |
| <u>(465,247)</u>    | <u>(262,575)</u>             | <u>(4,427,090)</u>    | <u>(250,000)</u>   |
| <u>34,312,906</u>   | <u>1,273,150</u>             | <u>32,956,742</u>     | <u>(188,666)</u>   |
| (2,506,241)         | (1,035,000)                  | (42,044,821)          | -  |
| (123,929)           | (850,411)                    | (3,981,994)           | -  |
| (5,921,297)         | (890,108)                    | (35,264,444)          | (12,377)   |
| 16,573,652          | -                            | 25,300,327            | -  |
| -                   | -                            | 8,888,237             | -  |
| <u>10,639</u>       | <u>-</u>                     | <u>442,956</u>        | <u>6,575</u>   |
| <u>8,032,824</u>    | <u>(2,775,519)</u>           | <u>(46,659,739)</u>   | <u>(5,802)</u>   |
| <u>15,328</u>       | <u>77,221</u>                | <u>1,358,577</u>      | <u>561,873</u>   |
| <u>15,328</u>       | <u>77,221</u>                | <u>1,358,577</u>      | <u>561,873</u>   |
| 3,642,934           | 1,067,553                    | (1,287,268)           | (4,188,325)  |
| <u>2,140,420</u>    | <u>7,253,664</u>             | <u>192,504,056</u>    | <u>72,107,214</u>  |
| <u>\$ 5,783,354</u> | <u>\$ 8,321,217</u>          | <u>\$ 191,216,788</u> | <u>\$ 67,918,889</u>   |

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENT OF CASH FLOWS**  
**ENTERPRISE FUNDS**  
Year ended June 30, 2015

|   | <u>Airport<br/>Fund</u> | <u>Refuse<br/>Disposal<br/>Fund</u> |
|---|-------------------------|-------------------------------------|
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:        |                         |                                     |
| Operating income (loss)   | \$ 2,223,780            | \$ 10,035,240                       |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: |                         |                                     |
| Depreciation  | 23,337,525              | 8,346,229                           |
| Bad debt expense (recovery)   | 42,394                  | 78,751                              |
| Provision for landfill liability  | -                       | 815,022                             |
| Decrease (increase) in assets:  |                         |                                     |
| Receivables   | 181,921                 | (70,150)                            |
| Due from other governments  | -                       | -                                   |
| Due from other funds  | -                       | -                                   |
| Inventories of supplies   | (78,002)                | 45,706                              |
| Prepaid expenses  | 52,322                  | -                                   |
| Customer deposits   | -                       | -                                   |
| Increase (decrease) in liabilities:   |                         |                                     |
| Accounts payable  | 298,136                 | 287,117                             |
| Customer deposits   | 32,910                  | (5,592)                             |
| Accrued landfill closure costs and fuels cleanup  | -                       | -                                   |
| Accrued employee compensation and benefits  | 62,719                  | 9,129                               |
| Fare tokens outstanding and customer deposits   | -                       | -                                   |
| Due to other funds  | -                       | -                                   |
| Contracts and other payable   | 1,758,081               | (19,029)                            |
| Claims and judgments  | -                       | -                                   |
| Due to other governments  | -                       | -                                   |
| Unearned revenue  | (151,634)               | -                                   |
| Net cash provided by (used for) operating activities  | <u>\$ 27,760,152</u>    | <u>\$ 19,522,423</u>                |
| Cash and cash equivalents at June 30 consist of:  |                         |                                     |
| Current assets:   |                         |                                     |
| Cash, investments, and accrued interest   | \$ 21,657,381           | \$ 13,248,545                       |
| Cash with fiscal agents held for debt service   | 14,465,934              | 419,326                             |
| Cash held by others   | -                       | -                                   |
| Restricted assets:  |                         |                                     |
| Cash, investments, and accrued interest   | 103,710,020             | 23,611,011                          |
| Escrow deposits   | -                       | -                                   |
| Total cash and cash equivalents, June 30  | <u>\$ 139,833,335</u>   | <u>\$ 37,278,882</u>                |
| Schedule of non-cash capital and related financing activities:  |                         |                                     |
| Increase (decrease) in fair value of investments  | \$ 148,221              | \$ 44,072                           |

The accompanying notes are an integral part of these financial statements

## Business-type Activities - Enterprise Funds

Governmental  
Activities -  
Internal  
Service  
Funds

| Transit<br>Fund        | Other<br>Enterprise<br>Funds | Totals                | Governmental<br>Activities -<br>Internal<br>Service<br>Funds |
|------------------------|------------------------------|-----------------------|--|
| \$ (48,229,769)        | \$ (420,146)                 | \$ (36,390,895)       | \$ 5,586,545   |
| 13,099,485             | 2,678,588                    | 47,461,827            | 116,521  |
| -                      | 242,223                      | 363,368               | -  |
| -                      | -                            | 815,022               | -  |
| 4,815,417              | (531,674)                    | 4,395,514             | (80,695)   |
| -                      | 3,997                        | 3,997                 | (205,458)  |
| (58,273)               | -                            | (58,273)              | 100,000  |
| (174,210)              | -                            | (206,506)             | 22,342   |
| -                      | (894)                        | 51,428                | -  |
| -                      | -                            | -                     | (49,197)   |
| (785,061)              | 411,069                      | 211,261               | (130,702)  |
| -                      | 14,626                       | 41,944                | -  |
| -                      | -                            | -                     | 20,030   |
| 368,001                | (94,665)                     | 345,184               | (26,330)   |
| (1,232)                | -                            | (1,232)               | -  |
| (7,999,101)            | 171,242                      | (7,827,859)           | -  |
| 646,619                | -                            | 2,385,671             | -  |
| -                      | -                            | -                     | (9,908,786)  |
| -                      | -                            | -                     | -  |
| (400,000)              | 18,335                       | (533,299)             | -  |
| <u>\$ (38,718,124)</u> | <u>\$ 2,492,701</u>          | <u>\$ 11,057,152</u>  | <u>\$ (4,555,730)</u>  |
| \$ 2,384,196           | \$ 1,578,432                 | \$ 38,868,554         | \$ 67,918,889  |
| -                      | 849,399                      | 15,734,659            | -  |
| -                      | 559,711                      | 559,711               | -  |
| 3,399,158              | 5,171,109                    | 135,891,298           | -  |
| -                      | 162,566                      | 162,566               | -  |
| <u>\$ 5,783,354</u>    | <u>\$ 8,321,217</u>          | <u>\$ 191,216,788</u> | <u>\$ 67,918,889</u>   |
| \$ 5,074               | \$ 5,622                     | \$ 202,989            | \$ 79,744  |

The accompanying notes are an integral part of these financial statements

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
June 30, 2015

|  | Albuquerque Pooled<br>OPEB Trust<br>Fund | Agency<br>Fund      |
|--|--|---------------------|
| <b>ASSETS</b>                                |  |                     |
| Cash and cash equivalents                    | \$ 518,699                               | \$ 4,546,907        |
| Restricted cash                              | -  | 201,133             |
| Long term investments at fair value          |  |                     |
| Mutual funds - fixed income                  | 12,959,541                               | -                   |
| Accrued investment income                    | 476                                      | -                   |
| Receivables                                  | 46,469                                   | 47,804              |
| <b>Total assets</b>                          | <b>13,525,185</b>                        | <b>4,795,844</b>    |
| <b>LIABILITIES</b>                           |  |                     |
| Accounts payable                             | 10,104                                   | 41,583              |
| Accrued investment loss                      | 91,716                                   | -                   |
| Funds held for others                        | -  | 4,754,261           |
| <b>Total liabilities</b>                     | <b>101,820</b>                           | <b>\$ 4,795,844</b> |
| <b>NET POSITION</b>                          |  |                     |
| Net position held in trust for OPEB benefits | 13,423,365                               |                     |
| <b>Total net position held in trust</b>      | <b>\$ 13,423,365</b>                     |                     |

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

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENT OF CHANGES IN PLAN NET POSITION**  
**YEAR ENDED JUNE 30, 2015**

|  | <u>OPEB Trust<br/>Fund</u>  |
|--|-----------------------------|
| <b>ADDITIONS</b>   |                             |
| Employer contributions                                       | <u>\$ 1,949,085</u>         |
| Investment income  |                             |
| Net appreciation (depreciation) in fair value of investments | (454,278)                   |
| Interest and dividends                                       | <u>362,562</u>              |
| <b>Total additions</b>                                       | <u>1,857,369</u>            |
| <br><b>DEDUCTIONS</b>  |                             |
| Professional, investment advisory and administrative fees    | 39,358                      |
| Insurance premiums   | <u>351,041</u>              |
| <b>Total deductions</b>                                      | <u>390,399</u>              |
| Change in net position                                       | 1,466,970                   |
| <br><b>NET POSITION HELD IN TRUST FOR OPEB</b>               |                             |
| Beginning of year  | <u>11,956,395</u>           |
| End of year  | <u><u>\$ 13,423,365</u></u> |

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

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**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**I. Summary of significant accounting policies**

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

**A. Reporting entity**

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

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

The accompanying financial statements present the City's primary government (funds, departments and programs). A primary government may be financially accountable for legally separate organizations if its elected officials appoint a voting majority of an organization's governing body, and either it is able to impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

As of July 1, 2014 the Albuquerque Housing Authority (AHA) became a separate public body authorized by 3-45-5 NMSA 1978 as amended in 2014. The Albuquerque Housing Authority was previously reported as a fund of the City and is discretely presented in the component unit column of the government-wide financial statements. The City's Mayor has the power to appoint the members of AHA's governing board and to rescind AHA's power to operate as a public housing authority (PHA), therefore the City has the potential to impose its will. Additional information concerning AHA can be found in notes to the financial statements in note Q and note R. Audited Financial Statements for AHA may be requested by contacting AHA at the following address: 1840 University Blvd SE, Albuquerque, NM 87106.

The Albuquerque Bernalillo County Water Utility Authority (Authority), a stand-alone special-purpose government, is not reported as a component unit of the City. The City provides certain administrative services to the Authority under the terms of a Memorandum of Understanding. The Authority's Comprehensive Annual Financial Report as of and for the year ended June 30, 2015, is available by contacting the Authority at the following address; Fifth floor, P.O. Box 1293, Albuquerque, NM 87103.

**B. Government-wide and fund financial statements**

The government-wide financial statements (statement of net position and statement of activities) report information on all non-fiduciary activities of the City. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Revenues included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds. Major governmental funds and major enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. The Agency Fund is reported on the accrual basis of accounting and has no measurement focus. Under accrual accounting, revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include gross receipts and property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes, net of estimated refunds and uncollectible amounts, are recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers revenues to be available if they are collected in the current period or within one month following the year-end. Revenues not considered available are recorded as unearned revenues. Governmental funds generally report expenditures when the related fund liability is incurred. However, expenditures for vacation and sick leave, and claims and judgments are recognized only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds and proceeds of long-term debt are reported as other financing sources.

Property taxes, gross receipts taxes, motor vehicle taxes, cigarette taxes, gasoline taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Gross receipts tax revenue is recognized when the underlying exchange transaction takes place. A small portion of the gross receipts tax revenue is derived from an estimate of delinquent taxes not yet collected and available. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The allocation of indirect expenses on the statement of activities is based on the relative usage by the function charged to all functions for services rendered by all central service activities of the general government such as accounting, information services, treasury, budgeting, and other central services.

The City reports the following major governmental funds:

General Fund - This fund is the City's primary operating fund and is used to account for the financial resources of the City, except those accounted for in another fund.

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

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

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

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

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

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

The City reports the following fund types:

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

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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

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

Enterprise Funds - These funds account for resources generally through services for which the City charges. These funds report on the full accrual basis of accounting.

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

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

Fiduciary Funds - The City accounts for two types of fiduciary funds. The Agency Fund is used to report resources held for other parties outside the City. The Albuquerque Pooled Other Post-Employment Benefits fiduciary trust has been established for the payment of non-pension post-employment benefits to retirees.

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. 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 of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues or expenses. These include operating subsidies, investment earnings, interest expense, and transactions that result from non-exchange transactions or ancillary activities.

**D. Assets, deferred outflows, liabilities, deferred inflows, and net position**

**1. Deposits and investments and investment derivatives**

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

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

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All investments are valued at quoted market prices except for the investment in Special Assessments District bonds and in State of New Mexico Mortgage Finance Authority bonds that are computed at amortized cost approximating market value. Investments in the State of New Mexico local government investment pool (LGIP) are valued at fair value based on quoted market prices as of the valuation date in accordance with GASB Statement No. 31. The LGIP is not SEC registered. The State Treasurer is authorized to invest the LGIP, with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10 I through 6-10-10 P and Sections 6-10-10.1A and E, NMSA 1978. The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the LGIP is voluntary. This pool is subject to the standards set forth in the State Treasurer's Local Government Investment Policy document incorporated in and made a part of the State Treasurer's Investment Policy document. The Independent Auditors' Report, together with the Financial Statements, the accompanying Notes to the Financial Statements and the Independent Auditors' Report on Compliance and Internal Controls are available from the State Investment Council, 2055 South Pacheco Street, Suite 100, Santa Fe, New Mexico 87505, upon written request.

The following categories of investments are specifically authorized by the City's 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.

Fixed-income securities - through a diversified investment company registered pursuant to the federal Investment Company Act of 1940, provided the investment company or manager has total assets under management of at least one hundred million dollars (\$100,000,000).

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).

Money market instruments - rated in the highest rating category by any nationally recognized rating agency.

## **2. *Receivables and payables***

Lending and borrowing arrangements between funds that are expected to be paid back within a year are referred to as "due to/from other funds." Lending/borrowing arrangements not expected to be paid back within a year are referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances." Advances between funds, as reported in the fund financial statements, are offset by a fund balance non-spendable account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Proprietary fund receivables are recorded as revenue when earned including services earned but not billed, however the receivables of proprietary funds include billing for residential and commercial customers for City refuse services, consignment sales of bus tokens for transit services, space rental fees from commercial customer at the airport and baseball stadium, and from tenant rental fees for City Housing services. The allowance for doubtful accounts is based on management's assessment of the collectability of specific customer accounts, the aging of the accounts receivables, and historical experience. All property tax receivables are shown net of an allowance for uncollectibles.

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**3. Inventories and prepaid items**

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

**4. Land held for sale**

Land held for sale consists primarily of approximately 5,001 acres located throughout the State of New Mexico obtained by trade with the federal government in July 1982, as part of the Acquisition and Management of Open Space Permanent Fund. Upon sale of these properties, a portion of the gain, if any, as defined in an agreement, is payable to a third party. Other land was obtained through foreclosure proceedings required by special assessment bond ordinances. The land for sale is valued at estimated fair market value, based on appraisals or determined using the county assessor values recorded annually.

For the government-wide financial statements, the City recognizes income on real estate sales by recording the entire gross profit on sales that meet the requirements for the accrual method. Transactions that do not meet the requirements for the accrual method are recorded using the deposit method or installment method until 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, but the gross profit is deferred and recognized as payments 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 unearned revenue.

**5. Capital assets**

Capital assets, which include land, land improvements, buildings and improvements, machinery and equipment, construction in progress, rights of way and infrastructure assets, are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and estimated useful life in excess of one year in accordance with State of New Mexico Administrative Code (Section 12-6-10 NMSA 1978) requirements in excess of \$5,000. Capital assets are recorded at historical cost or estimated historical cost. Software is capitalized when acquired while library books are not capitalized because the aggregated cost of books is immaterial. Donated capital assets are recorded at estimated fair market value at the date of donation.

In accordance with provisions of GASB Statement 34, works of art and historical treasures are not capitalized because those are: 1) held for public exhibition rather than for financial gain, 2) protected, kept unencumbered, cared for, and preserved, and 3) all proceeds from the sale of collection items are required to be used to acquire other items for collections.

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

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

Capital assets, which are financed by general obligation bonds (to be repaid solely from property tax levies) for use by a proprietary fund, are reported as construction in progress in the government-wide financial statements during construction. The asset, when placed in service, is transferred at historical cost to the proprietary fund as a capital contribution from the City.

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

|                                     |            |
|-------------------------------------|------------|
| Buildings and building improvements | 40 years   |
| Runways                             | 25 years   |
| Infrastructure – storm              | 50 years   |
| Infrastructure – streets            | 35 years   |
| Improvements other than buildings   | 25 years   |
| Machinery and equipment             | 3-15 years |

**6. *Other assets***

Other assets consist primarily of bond premiums and discounts. These costs are amortized over the remaining maturity period of the related bond issues under a method that approximates the level interest rate method.

**7. *Deferred outflows of resources and deferred inflows of resources***

A deferred outflow of resources is a consumption of net position by the City that is applicable to a future reporting period and a deferred inflow of resources is an acquisition of net position by the City that is applicable to a future reporting period. Both deferred outflows and inflows are reported in the Statement of Net Position, but are not recognized in the fund financial statements as expenses or revenues until the period(s) to which they relate. Under the modified accrual basis of accounting, revenue and other financial resources are recognized in the period in which they become both measurable and available. Assets recorded in the fund financial statements for which the revenues are not available are reported as a deferred inflow of resources. For governmental funds, deferred inflows of resources are comprised of various taxes receivable amounts (property, gross receipts, lodgers', hospitality, gasoline, infrastructure) and special assessments. For proprietary funds, deferred inflows are the result of pension activity and the implementation of GASB Statement 68. All revenues related to these deferred inflows of resources have been recognized as revenue in the government-wide statements. Deferred outflows of resources consist of deferred gains or losses on refunded debt. These costs are amortized over the remaining maturity period of the related bond issues under a method that approximates the level interest rate method.

**8. *Risk management***

Risk management activities are reported in the City's Risk management fund, a nonmajor internal service fund. Liabilities for workers' compensation, tort and other claims as of June 30, 2015, are accrued using a combination of actuarial evaluations and management estimates 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 2.5% 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.

**9. *Compensated absences***

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

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

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**10. Unearned revenue**

Unearned revenues reflect amounts that have been received before the City has a legal claim to the funds. In subsequent periods, when revenue recognition criteria are met, or when the City has a legal claim to the resources, the unearned revenue is removed from the statement of net position/balance sheet and revenue is recognized. Amounts included in unearned revenue include primarily moneys collected for deposits on City owned facility rentals, food service and license, permit and impact fees not yet earned.

**11. 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.

**12. Long-term obligations**

Long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net position. Long-term obligations used to finance proprietary fund capital acquisitions and payable from revenue of proprietary funds are recorded in the applicable proprietary fund. Long-term obligations of governmental funds payable from general revenues of the City and special assessment levies are reported in the government-wide financial statements.

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

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

**13. Net position**

The government-wide and proprietary fund net position is categorized as follows:

*Net investment in capital assets* – This category reflects the portion of net position that is associated with capital assets less outstanding capital asset related debt.

*Restricted net position* – Restricted net position results from constraints placed on the use of net position when externally imposed by creditors, grantors, laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Net position is restricted for debt service, construction, housing and economic development, federal and state funded programs, and open space and urban enhancement. The non-expendable portion relates to the principal of the permanent funds that are to be retained intact. The expendable portion includes fund balances related to the investment earnings available to carry out the goals of the permanent funds. The government-wide statement of net position reports \$274,641,631 of restricted net position, of which \$21,044,718 is restricted by enabling legislation.

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

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***14. Fund balance***

Fund balances are reported in classifications comprising a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The accompanying financial statements report the following categories of Fund Balance: Nonspendable, Restricted, Committed, Assigned, and Unassigned.

Nonspendable fund balance includes amounts that cannot be spent because they are not in spendable form or funds contractually required to be maintained intact. Nonspendable fund balance includes advances between funds, prepaid expenses, long-term receivables, land held for resale and the principal portion of permanent funds because these items are not yet spendable.

Restricted fund balance is constrained externally by creditors, grantors, contributors, laws or regulations of other governments or imposed by law through enabling legislation. Restricted fund balances are associated with various purposes, including public safety, culture and recreation, human services, and debt service. The majority of the restricted funds are restricted for street development and improvement, infrastructure upgrades and storm drains and channels. Culture & recreation is restricted for parks, library development and improvements, and senior and community center developments. Public safety includes funds restricted for fire apparatus replacement and police vehicle replacements.

Committed fund balance includes amounts that can be used for specific purposes pursuant to constraints imposed by City Council, the highest level of decision making authority in the City. City Councils formal action to establish committed funds, and to rescind committed funds, is through the passage of an ordinance. The City reports committed resources that have been constrained through ordinances of City Council and have been contractually obligated.

Assigned fund balance includes amounts that are constrained by the Office of Management and Budget to be used for specific purposes, but are neither restricted nor committed. The Budget and Management Office has the authority to assign funds based on their goals. These include miscellaneous capital projects, debt service, and general government.

Unassigned fund balance is the residual classification for the General Fund. The City includes funds that are not classified as nonspendable, restricted, committed or assigned.

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to reports as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of the unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

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The constraints on fund balance are detailed in the table below:

| <u>Fund Balance Category</u>        | <u>General Fund</u>  | <u>GO Bond Debt Service Fund</u> | <u>Special Assessments Debt Service Fund</u> | <u>Capital Acquisition Fund</u> | <u>Nonmajor Funds</u> | <u>Total</u>          |
|-------------------------------------|----------------------|----------------------------------|--|---------------------------------|-----------------------|-----------------------|
| <b>Nonspendable:</b>                |                      |                                  |  |                                 |                       |                       |
| Prepaid Expenses                    | \$ 22,960            | \$ -                             | \$ -   | \$ -                            | \$ -                  | \$ 22,960             |
| Land Held for Resale                | -                    | -                                | -  | -                               | 6,387,581             | 6,387,581             |
| Permanent Fund Principal Investment | -                    | -                                | -  | -                               | 18,269,520            | 18,269,520            |
| Total nonspendable fund balances    | 22,960               | -                                | -  | -                               | 24,657,101            | 24,680,061            |
| <b>Restricted for:</b>              |                      |                                  |  |                                 |                       |                       |
| General Government                  | -                    | -                                | -  | 3,032,155                       | 5,880,747             | 8,912,902             |
| Public Safety - Fire                | -                    | -                                | -  | 13,395,506                      | 1,467,491             | 14,862,997            |
| Public Safety - Police              | -                    | -                                | -  | 16,372,286                      | -                     | 16,372,286            |
| Culture and Recreation              | -                    | -                                | -  | 30,492,377                      | 121,721               | 30,614,098            |
| Municipal Development/Public Works  | -                    | -                                | -  | 13,604,632                      | 4,908                 | 13,609,540            |
| Highways and Streets                | -                    | -                                | -  | 136,322,733                     | 43,927,007            | 180,249,740           |
| Health                              | -                    | -                                | -  | -                               | 3,094,525             | 3,094,525             |
| Human Services                      | -                    | -                                | -  | 18,231,509                      | 351,929               | 18,583,438            |
| Housing                             | -                    | -                                | -  | -                               | 5,304                 | 5,304                 |
| Debt Service                        | -                    | 8,694,826                        | 3,380,416                                    | -                               | 2,081,814             | 14,157,056            |
| Total restricted fund balances      | -                    | 8,694,826                        | 3,380,416                                    | 231,451,198                     | 56,935,446            | 300,461,886           |
| <b>Committed to:</b>                |                      |                                  |  |                                 |                       |                       |
| Capital Projects                    | -                    | -                                | -  | -                               | 2,166,090             | 2,166,090             |
| Culture and Recreation              | -                    | -                                | -  | -                               | 1,483,736             | 1,483,736             |
| Housing                             | -                    | -                                | -  | -                               | 9,744,087             | 9,744,087             |
| Public Safety - Fire                | -                    | -                                | -  | -                               | -                     | -                     |
| Public Safety - Police              | -                    | -                                | -  | -                               | 5,112,112             | 5,112,112             |
| General Government                  | 42,842,000           | -                                | -  | -                               | 1,194,254             | 44,036,254            |
| Debt Service                        | -                    | -                                | 1,301,169                                    | -                               | 2,102                 | 1,303,271             |
| Total committed fund balances       | 42,842,000           | -                                | 1,301,169                                    | -                               | 19,702,381            | 63,845,550            |
| <b>Assigned to:</b>                 |                      |                                  |  |                                 |                       |                       |
| Capital Projects                    | -                    | -                                | -  | -                               | 1,775,279             | 1,775,279             |
| General Government                  | -                    | -                                | -  | -                               | 1                     | 1                     |
| Total assigned fund balances        | -                    | -                                | -  | -                               | 1,775,280             | 1,775,280             |
| <b>Unassigned:</b>                  |                      |                                  |  |                                 |                       |                       |
|                                     | 20,443,558           | -                                | -  | -                               | (46,234)              | 20,397,324            |
| <b>Total Fund Balances</b>          | <b>\$ 63,308,518</b> | <b>\$ 8,694,826</b>              | <b>\$ 4,681,585</b>                          | <b>\$ 231,451,198</b>           | <b>\$ 103,023,974</b> | <b>\$ 411,160,101</b> |

**15. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement System (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**16. Statement of cash flows**

For purposes of the statement of cash flows, pooled cash and investments (including restricted assets) of the City are considered to be cash equivalents although they include 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.

**17. 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.

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**18. Bond premiums/issuance costs**

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

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

**20. New accounting pronouncements**

The following GASB's were implemented in fiscal year 2015:

- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*
- GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*

The following GASB pronouncements have been issued, but are not yet effective at June 30, 2015:

- GASB Statement No. 72, *Fair Value Measurement and Application*
- GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*
- GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*
- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*
- GASB Statement No. 77, *Tax Abatement Disclosures*

Information related to GASB Statement No. 68 can be found in Note L of the notes to the financial statements. The implementation of GASB Statement No. 69 affected the reporting of the transfer of operations for the Albuquerque Housing Authority. Additional information can be found in Note R in the notes to the financial statements.

The City will implement the new GASB pronouncements in the fiscal year no later than the required effective date. The City has not yet determined the financial impact from future implementation of these standards.

**21. Reclassifications**

Certain reclassifications of prior year information have been made to conform to the current period.

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**II. Reconciliation of government-wide and fund financial statements**

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

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

|  |                         |
|--|-------------------------|
| Long-term portion of:  |                         |
| General Obligation bonds and bond anticipation notes payable   | \$ (342,721,000)        |
| Gross receipts tax revenue bonds and notes payable   | (200,570,000)           |
| Special assessments bonds and notes payable  | (21,463,349)            |
| Fire fund loan   | (1,213,967)             |
| Unamortized bond premiums  | (28,860,333)            |
| Accrued rebatable arbitrage payable reported as other liability  | (782,628)               |
| Accrued vacation, sick leave and other   | (31,506,802)            |
| Net pension obligation   | (327,801,153)           |
| OPEB Obligation  | <u>(3,484,775)</u>      |
| Net adjustment to reduce fund balance – total governmental funds to arrive at net position – governmental activities | <u>\$ (958,404,007)</u> |

Another element of the reconciliation involves taxes receivable and other deferred inflow amounts that are not available to pay for the current period’s expenditures, are as follows:

|  |                        |
|--|------------------------|
| Gross receipts tax   | \$ 29,262,971          |
| Property taxes   | 7,382,131              |
| Franchise taxes  | 2,020,101              |
| Gasoline taxes   | 611,294                |
| Motor Vehicle taxes  | 136,731                |
| Rehab and Developer loans  | 8,520,855              |
| Special Assessments  | 19,674,196             |
| Amounts due on real estate contracts   | 6,791                  |
| Miscellaneous revenue  | 149,109                |
| Deferred inflows related to pension activity   | <u>(99,248,328)</u>    |
| Net adjustment to governmental fund balance to arrive at net position of governmental activities | <u>\$ (31,484,149)</u> |

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that, “Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this difference, which excludes internal service funds, are as follows:

|   |                      |
|---|----------------------|
| Capital additions, depreciated and non-depreciated  | \$ 131,039,676       |
| Dedicated infrastructure from developers  | 4,255,723            |
| Depreciation expense  | (96,415,521)         |
| Transfers and cost adjustments  | 193,935              |
| Net gain (loss) on disposition of capital assets  | <u>(122,435)</u>     |
| Net adjustment to net change in governmental fund balances to arrive at change in net position of governmental activities | <u>\$ 38,951,378</u> |

Another element of that reconciliation states that, “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.” Neither transaction, however, has any effect on net position. The details of this difference are as follows:

|  |                        |
|--|------------------------|
| Debt issued or incurred:   |                        |
| General obligation bonds   | \$ (49,896,000)        |
| Gross receipts tax bonds   | (49,686,000)           |
| Bond premium   | (8,841,393)            |
| Arbitrage costs  | (5,183)                |
| Amortization:  |                        |
| Bond Discount  | (294,665)              |
| Bond premium   | 7,032,624              |
| Principal repayments:  |                        |
| General obligation bonds   | 50,670,000             |
| Gross receipts tax revenue bonds   | 7,141,000              |
| Fire Fund Loan   | 60,421                 |
| Special assessment district bonds and notes  | <u>1,717,068</u>       |
| Net adjustment to net change in governmental fund balance to arrive at change in net position of governmental activities | <u>\$ (42,102,128)</u> |

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Under the modified accrual basis of accounting used in the governmental funds, revenue is recognized when available to provide financing resources for the current period. Likewise, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, which is presented on the accrual basis, revenues and expenses are reported regardless of when financial resources are available.

|  |                     |
|--|---------------------|
| Gross receipts taxes   | \$ 3,689,052        |
| Franchise taxes  | 657,346             |
| Property taxes   | (384,662)           |
| Gasoline taxes   | 15,976              |
| Motor vehicle taxes  | (34,023)            |
| Colletions on real estate contracts, rehab and developer loans, net of deferred gains                                    | 3,846,751           |
| Special assessments  | (2,469,313)         |
| Other deferred revenues  | <u>(208)</u>        |
| Net adjustment to net change in governmental fund balance to arrive at change in net position of governmental activities | <u>\$ 5,320,919</u> |

**III. Stewardship, compliance and accountability**

**A. Budgetary information**

Annual budgets for the General Fund, the following special revenue funds: Community Development; Fire; Lodgers' Tax; Hospitality Tax; Culture and Recreation Projects; Albuquerque Biological Park; City Housing; Air Quality; HEART Ordinance; Operating Grants; Metropolitan Redevelopment; Housing and Neighborhood Economic Development; Law Enforcement Protection; Photo Enforcement Red Light; Gas Tax Road; City/County Facilities; Acquisition and Management of Open Space Expenditures; and Urban Enhancement Expenditures; and certain Debt Service Funds are departmental appropriations by program, the level at which expenditures may not legally exceed appropriations. Budgets were also prepared for the Quality of Life, Vehicle Equipment and Replacement, Infrastructure Tax and Impact Fees Capital Projects Funds. Budgets of each function and program include current expenditures, capital outlay and transfers. The annual budget approved by the City Council also includes proprietary funds. Budgets are adopted consistent with the basis of accounting described in Note I. C. As required by the home rule City charter, the annual budget is formulated by the Mayor and submitted to the City Council by April 1 for the fiscal year commencing July 1. When there is a proposal for a change in rates or fees, City ordinances provide that the Mayor shall submit the operating budget for the Refuse Disposal, Golf, and Airport 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 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. 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, accordingly, no annual budget is presented in the accompanying financial statements.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
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**B. Deficit fund equity**

As of June 30, 2015, the following funds had fund balance/net position deficits:

|                                |                |
|--------------------------------|----------------|
| <u>Special Revenue Funds:</u>  |                |
| City/County Facilities         | (\$46,234)     |
| <u>Internal Service Funds:</u> |                |
| Communications                 | (\$445,288)    |
| Fleet Management               | (\$1,135,203)  |
| Risk Management                | (\$28,381,092) |

The deficit in the City/County Facilities Fund is a result of the catching up of payments made to Bernalillo County (County) for janitorial services provided in the previous fiscal year and some adjustments to the Memorandum of Understanding (MOU) between the City of Albuquerque (City) and the County for providing these services. The MOU between the City and the County had not been updated since the beginning of fiscal year 2013 but the new MOU is being updated for future fiscal years.

The deficit in the Communications and Fleet Management Funds is a result of the implementation of GASB Statement No. 68 Recognition of Pension Liabilities, effective June 30, 2014. The implementation and recognition of the City's proportionate share of PERA's Net Pension Liabilities resulted in a reinstated beginning fund balance for fiscal year 2015. Additional information can be found in GASB 68 Footnotes.

In the prior year, the City conducted a review of both its philosophy for reserving of funds and tools used to analyze the reported claims liability. As a result of this review, and based on information pertaining to existing claims, the City determined that a higher claims liability was needed. The City plans to increase annual funding to the Risk Management Fund assets in the amount of \$2.5 million per year by increasing charges to other funds beginning in fiscal year 2015. Additional information can be found in Note IV, P.

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**IV. Detailed notes on all funds**

**A. Cash and investments**

Cash, investments, and accrued interest and cash with fiscal agents at June 30, 2015, consist of the following:

(In thousands of dollars)

|   | City of Albuquerque        |                                 |                    |                   |                   |
|---|----------------------------|---------------------------------|--------------------|-------------------|-------------------|
|   | Governmental<br>Activities | Business-<br>type<br>Activities | Fiduciary<br>Funds | Total             | Component<br>Unit |
| <b>Held with fiscal agents, net of unamortized discounts and premiums:</b>    |                            |                                 |                    |                   |                   |
| U.S. Treasury obligations   | \$ 73,822                  | \$ 25,839                       | \$ 765             | \$ 100,426        | \$ -              |
| Local government obligations  | 5,295                      | 1,853                           | 55                 | 7,203             | -                 |
| Equity investments  | 87,238                     | 30,535                          | 904                | 118,677           | -                 |
| Obligations of federal agencies or instrumentalities                          | 204,075                    | 71,429                          | 2,115              | 277,619           | -                 |
| State of New Mexico local government investment pool                          | 4                          | 1                               | -                  | 5                 | 8,065             |
| Held in trust by Wells Fargo Bank in U.S. Treasury Fund                       | 491                        | 2,680                           | -                  | 3,171             | -                 |
| <b>Total investments</b>  | <b>370,925</b>             | <b>132,337</b>                  | <b>3,839</b>       | <b>507,101</b>    | <b>8,065</b>      |
| Demand deposits   | 179,544                    | 58,257                          | 14,290             | 252,091           | 10,487            |
| <b>Total bank deposits</b>  | <b>179,544</b>             | <b>58,257</b>                   | <b>14,290</b>      | <b>252,091</b>    | <b>10,487</b>     |
| Accrued interest receivable   | 585                        | 447                             | 6                  | 1,038             | -                 |
| Imprest cash funds  | 108                        | 13                              | -                  | 121               | -                 |
| Escrow deposits   | -                          | 163                             | -                  | 163               | 221               |
| Total other   | 693                        | 623                             | 6                  | 1,322             | 221               |
| <b>Total cash, investments, accrued interest, and cash with fiscal agents</b> | <b>\$ 551,162</b>          | <b>\$ 191,217</b>               | <b>\$ 18,135</b>   | <b>\$ 760,514</b> | <b>\$ 18,773</b>  |
| <b>Financial statement presentation:</b>                                      |                            |                                 |                    |                   |                   |
| <b>Unrestricted cash, investments, and accrued interest:</b>                  |                            |                                 |                    |                   |                   |
| Cash, investments, and accrued interest                                       | \$ 308,831                 | \$ 38,868                       | \$ 5,066           | \$ 352,765        | \$ 9,674          |
| Cash, investments held for debt service                                       | 69,267                     | 15,735                          | -                  | 85,002            | -                 |
| Cash held by others   | 209                        | 560                             | -                  | 769               | -                 |
| <b>Total unrestricted cash, investments, and accrued interest</b>             | <b>378,307</b>             | <b>55,163</b>                   | <b>5,066</b>       | <b>438,536</b>    | <b>9,674</b>      |
| <b>Restricted noncurrent cash, investments, and accrued interest:</b>         |                            |                                 |                    |                   |                   |
| Cash, investments, and accrued interest                                       | 172,855                    | 135,891                         | 13,069             | 321,815           | 8,878             |
| Escrow deposits   | -                          | 163                             | -                  | 163               | 221               |
| <b>Total restricted cash, investments, and accrued interest</b>               | <b>172,855</b>             | <b>136,054</b>                  | <b>13,069</b>      | <b>321,978</b>    | <b>9,099</b>      |
| <b>Total cash, investments, accrued interest, and cash with fiscal agents</b> | <b>\$ 551,162</b>          | <b>\$ 191,217</b>               | <b>\$ 18,135</b>   | <b>\$ 760,514</b> | <b>\$ 18,773</b>  |

**Custodial credit risk – Deposits** - Custodial credit risk is the risk that in the event of a bank failure, the City's funds may not be returned to it. The City is required to obtain from each bank that is a depository for public funds pledged collateral in an aggregate amount equal to one half of the public money in each account (Section 6-10-17 NMSA 1978). Although per NMSA 6-10-17 only 50% of the deposited amount requires collateralization, currently the City requires 100% collateralization of its deposits as an added layer of risk protection. Per the City's Investment Policy Statement (IPS), the Investment Oversight Committee retains the authority to require a collateral level higher than the 50% threshold at its discretion. Currently the City requires 100% collateralization of its deposits. Although the City's depositories hold U.S. Agency collateral as security, incidental custodial credit risk exists with respect to valuation in the remote prospect of collateral liquidation due to bank failure. No security is required for the deposit of public money that is insured by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2015, of the City's bank balances of \$245,733,000, only \$49,000 was exposed to custodial credit risk.

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Custodial credit risk – Investments - Custodial credit risk with respect to investments is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that all security transactions, including collateral for repurchase agreements, entered into by the City shall be conducted on a delivery-versus-payment basis. The investment policy further requires that all collateral securities held by a third party custodian, designated by the City Treasurer, shall be held in the City's name and evidenced by a safekeeping receipt or Federal Reserve book-entry reporting. As of June 30, 2015, Bank of America, N.A. served as custodian of all City securities positions, held in a segregated custodial account in the name of the City of Albuquerque. The City's investment in the New Mexico State Treasurers Office (STO) Local Government Investment Pool (LGIP) represents a proportionate interest in the Pool's portfolio. The City's portion is not identified with specific securities holdings and as an account managed by a State government Division is subject to minimal custodial credit risk.

Credit risk - Credit risk is the risk that in the event an issuer or other counterparty to an investment does not fulfill its obligations, the City will not be able to recover the value of its principal. As a home rule city, the City's general investment policy is to apply the tenants of the Uniform Prudent Investor Act (UPIA), which raises the level of care to which the City is to be held accountable, from that of "a businessman of ordinary prudence" (Prudent Man standard) to that of the UPIA, an expert standard incorporated into New Mexico statute in 2005: The UPIA recognizes Modern Portfolio Theory and analyzes individual investments as components of a diversified portfolio, thereby providing the ability to reduce overall portfolio risk while enhancing portfolio returns. The City's Investment Committee annually reviews its asset allocation strategies and guidelines for the percentage of its total portfolio that may be invested various asset classes and investment types. As part of the City's allocation evaluation, these guidelines are reviewed periodically as part of its strategic asset allocation approach. The City's investment policy describes permitted investments as those allowed for municipalities with a population in excess of 65,000 per Section 10-10-10 of the Statutes of the State of New Mexico. Among permitted investments, the investment policy requires that 1) repurchase agreements have a collateralized value of 102% of the par value of the agreement, and 2) deposits with local banks be fully insured by the FDIC and by collateral for amounts greater than the FDIC limit. Investments in direct obligations of the U.S. Treasury are permitted as are securities of the U.S. Government agencies denoted in Section 6-10-10 F (2) of the State Statutes. Finally, fixed income mutual funds and exchange traded funds (ETFs) are permitted so long as they passively track to a broad, nationally recognized index. At June 30, 2015, the City's internal investment pool held investments in U.S. Treasury obligations, U.S. Government agency notes, municipal securities issued by New Mexico governmental entities, and short-term, high-grade corporate and municipal index mutual funds and ETFs.

Concentration of credit risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City's investment policy states the City will develop diversification strategies to avoid incurring concentration risk. Both the City's Liquidity and Core segments have diversification requirements, including asset class limits, issuer limits, and duration ceilings. At June 30, 2015, the City's core segment is invested in debt securities issued by four Government Sponsored Entities (GSEs): the Federal Home Loan Bank, the Federal National Mortgage Association, the Federal Farm Credit Bank and the Federal Home Loan Mortgage Corporation, as well as an A-AAA rated, 1-5 year maturity corporate bond mutual fund, an A-AAA rated, 1-5 year maturity municipal bond exchange-traded fund (ETF) and local government obligations. These investments comprise 11%, 20%, 10%, 14%, 15%, 8%, 20% and 1% respectively, of the core segment. Although mutual funds and ETFs do not have credit ratings, the average credit quality both of the City's mutual fund and its ETF holdings is AA. Portfolio maturities shall be staggered to avoid undue concentration of assets in a specific maturity range. At June 30, 2015, liquidity and core segment maturities are allocated as follows: 0-12 months – 37%; 1-2 years – 40%; 3-5 years – 23%. Holdings in the STO LGIP represent less than 1% of the total portfolio.

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Summarized information concerning the core portfolio investments is as follows:

| Core Portfolio Investments<br>(Agencies summarized by<br>GSE) | Amount<br>(in thousands) | Wtd. Avg. Days<br>to Maturity | Weighted<br>Average Days to<br>Call | Standard &<br>Poor's<br>Rating | Moody's<br>Rating |
|---|--------------------------|-------------------------------|-------------------------------------|--------------------------------|-------------------|
| Federal Home Loan Banks                                       | \$ 55,387                | 490                           | 21                                  | AA+                            | Aaa               |
| Federal National Mortgage<br>Association                      | 102,195                  | 398                           | 16                                  | AA+                            | Aaa               |
| Federal Farm Credit Bank                                      | 50,298                   | 836                           | 28                                  | AA+                            | Aaa               |
| Federal Home Loan Mortgage<br>Corporate bond mutual fund      | 69,739                   | 1,356                         | 45                                  | AA+                            | Aaa               |
| Municipal bond ETF  | 75,788                   | NA                            | NA                                  |                                |                   |
|   | 42,889                   | NA                            | NA                                  |                                |                   |
| U.S. Treasury securities                                      | 100,426                  | 939                           | 31                                  |                                |                   |
| Local government obligations                                  | <u>7,203</u>             | 979                           | 33                                  |                                |                   |
| <b>Total core portfolio</b>                                   | <b><u>503,925</u></b>    |                               |                                     |                                |                   |

**Interest rate risk** - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the City's investments. The City's investment policy limits the City's exposure to interest rate risk by requiring that overall Core segment modified duration shall not exceed 3.5 years at any time, nor be less than 75% or greater than 125% of the benchmark's duration. Further, no pooled instrument (i.e., mutual fund or ETF) shall have a Modified Duration in excess of 4.0. The weighted average maturity of the investments in the internal investment pool's core segment at June 30, 2015, was 839 days. The weighted average days to call of the core segment was 23 days.

**Pledged collateral by bank** - The City is required to obtain from each bank that is a depository for public funds pledged collateral in an aggregate amount equal to one half of the public money in each account (Section 6-10-17 NMSA 1978). No security is required for the deposit of public money that is insured by the Federal Deposit Insurance Corporation (FDIC). The FDIC provides insurance of \$250,000 per depositor, per insured bank. The pledged collateral by bank (in thousands) at June 30, 2015, was as follows:

|   | US Bank | Bank of<br>America | Bank of<br>Albuquerque | Wells<br>Fargo<br>Bank | NM<br>Bank &<br>Trust | Compass<br>Bank |
|---|---------|--------------------|------------------------|------------------------|-----------------------|-----------------|
| Total amount on deposit                         | \$ 940  | \$ 217,202         | \$ 25,917              | \$ 349                 | \$ 1,083              | \$ 242          |
| Less FDIC coverage                              | 250     | 250                | 250                    | 250                    | 250                   | 250             |
| Total uninsured<br>public funds                 | 690     | 216,952            | 25,667                 | 99                     | 833                   | -               |
| 50% collateral<br>requirement                   | 345     | 108,476            | 12,834                 | 49                     | 417                   | -               |
| Pledged securities,<br>fair value               | 946     | 199,331            | 28,355                 | -                      | 503                   | -               |
| Pledged in excess of (less<br>than) requirement | \$ 601  | \$ 90,855          | \$ 15,521              | \$ (49)                | \$ 86                 | \$ -            |

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**B. Receivables**

Taxes receivable at June 30, 2015, are from the following sources:

|                    |    |            |
|--------------------|----|------------|
| Gross receipts tax | \$ | 61,374,750 |
| Property tax       |    | 9,696,833  |
| Lodgers' tax       |    | 1,218,132  |
| Hospitality tax    |    | 243,626    |
| Other taxes        |    | 5,451,638  |
| Total              | \$ | 77,984,979 |

The property taxes above include a receivable of \$4,387,452 in the General Obligation Bond Debt Service Fund and \$5,309,381 in the General Fund.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied each year on July 1 on the taxable valuation of property located in the City as of the preceding January 1. The Bernalillo County Assessor and the State of New Mexico Department of Taxation and Revenue determine the taxable valuations for the various classes of property at one-third of assessed valuation. Property in the City for the fiscal year 2015 tax levy had a taxable value of \$12,207,367,709. The State Constitution limits the rate of taxes for operating purposes for all taxing jurisdictions to 20 mills (\$20 per \$1000 assessed valuation), of which the City's portion, by state regulation, is limited to 7.650 mills for operations and 12.0 mills for each debt service obligation. The general obligation bond debt service levy for tax year 2014 (fiscal year 2015) is 4.976 mills and the operational levy is 6.494 mills on residential property and 6.544 mills on commercial property. Taxes are payable in two equal installments on November 10 and April 10 and become delinquent after 30 days.

Due from other governments

Due from other governments totaling \$19.9 million, represents \$15.3 million in federal and state grant receivables, and \$4.6 million from other governmental agencies.

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Accounts receivable and allowance for uncollectible accounts

Included in the Statement of Net Position, are balances of receivables which are reported net of allowances for uncollectible accounts. The amounts of these receivables and allowances as of June 30, 2015, are as follows:

|   | <u>Total<br/>Receivables</u> | <u>Allowance for<br/>Uncollectible<br/>Accounts</u> | <u>Net<br/>Receivables</u> |
|---|------------------------------|---|----------------------------|
| Current portion of accounts and notes receivable:     |                              |   |                            |
| Governmental activities:                              |                              |   |                            |
| Major funds:  |                              |   |                            |
| General fund  | \$ 25,325,549                | \$ 23,482,160                                       | \$ 1,843,389               |
| Capital acquisition fund                              | 5,739                        | -   | 5,739                      |
| Nonmajor funds:                                       |                              |   |                            |
| Governmental funds                                    | 333,487                      | 98,450  | 235,037                    |
| Rehabilitation loan                                   | 2,958,874                    | -   | 2,958,874                  |
| Internal service funds                                | 158,066                      | 249   | 157,817                    |
| Total governmental activities                         | <u>\$ 28,781,715</u>         | <u>\$ 23,580,859</u>                                | <u>\$ 5,200,856</u>        |
| Business-type activities:                             |                              |   |                            |
| Major funds:  |                              |   |                            |
| Airport   | \$ 3,348,434                 | \$ 950,624  | \$ 2,397,810               |
| Refuse disposal                                       | 5,500,573                    | 1,978,622   | 3,521,951                  |
| Transit   | 416,181                      | -   | 416,181                    |
| Nonmajor enterprise funds                             | 1,245,580                    | 460,905   | 784,675                    |
| Total business-type activities                        | <u>\$ 10,510,768</u>         | <u>\$ 3,390,151</u>                                 | <u>\$ 7,120,617</u>        |
| Long-term accounts and notes receivable:              |                              |   |                            |
| Governmental activities:                              |                              |   |                            |
| Major funds:  |                              |   |                            |
| Special Assessments debt service                      | \$ 20,921,049                | \$ 228,499  | \$ 20,692,550              |
| Nonmajor funds:                                       |                              |   |                            |
| Rehabilitation loans                                  | 2,176,978                    | 106,340   | 2,070,638                  |
| Notes receivable                                      | 616,001                      | -   | 616,001                    |
| Developer loans                                       | 2,605,402                    | -   | 2,605,402                  |
| Total governmental activities                         | <u>\$ 26,319,430</u>         | <u>\$ 334,839</u>                                   | <u>\$ 25,984,591</u>       |
| Restricted assets – accounts receivable – developers: |                              |   |                            |
| Business-type activities:                             |                              |   |                            |
| Nonmajor funds:                                       |                              |   |                            |
| Developer loans                                       | \$ 1,771,938                 | \$ -  | \$ 1,771,938               |
| Total business-type activities                        | <u>\$ 1,771,938</u>          | <u>\$ -</u>   | <u>\$ 1,771,938</u>        |

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**C. Capital assets**

Capital asset activity for the year ended June 30, 2015, was as follows:

| <u>Governmental activities</u>        | Balance<br>July 1, 2014 | Additions            | Deductions           | Balance<br>June 30, 2015 |
|---------------------------------------|-------------------------|----------------------|----------------------|--------------------------|
| <b>Assets not being depreciated:</b>  |                         |                      |                      |                          |
| Land                                  | \$ 307,474,026          | \$ 2,800,838         | \$ -                 | \$ 310,274,864           |
| Construction in progress              | 69,236,476              | 49,736,260           | 34,236,601           | 84,736,135               |
| Right of way                          | 1,145,191,669           | -                    | -                    | 1,145,191,669            |
|                                       | <u>1,521,902,171</u>    | <u>52,537,098</u>    | <u>34,236,601</u>    | <u>1,540,202,668</u>     |
| <b>Assets being depreciated:</b>      |                         |                      |                      |                          |
| Buildings                             | 448,196,636             | 6,133,772            | -                    | 454,330,408              |
| Infrastructure                        | 2,088,274,758           | 67,195,496           | -                    | 2,155,470,254            |
| Improvements                          | 624,954,989             | 27,851,638           | -                    | 652,806,627              |
| Machinery and equipment               | 159,631,241             | 15,476,495           | 8,328,372            | 166,779,364              |
| Other                                 | 7,023,167               | 461,825              | -                    | 7,484,992                |
|                                       | <u>3,328,080,791</u>    | <u>117,119,226</u>   | <u>8,328,372</u>     | <u>3,436,871,645</u>     |
| <b>Less accumulated depreciation:</b> |                         |                      |                      |                          |
| Buildings                             | 113,957,466             | 11,023,336           | -                    | 124,980,802              |
| Infrastructure                        | 761,750,491             | 51,084,759           | -                    | 812,835,250              |
| Improvements                          | 325,350,738             | 20,479,722           | -                    | 345,830,460              |
| Machinery and equipment               | 132,148,057             | 12,639,915           | 8,434,428            | 136,353,544              |
| Other                                 | 706,517                 | 1,450,816            | -                    | 2,157,333                |
|                                       | <u>1,333,913,269</u>    | <u>96,678,548</u>    | <u>8,434,428</u>     | <u>1,422,157,389</u>     |
| Capital assets being depreciated, net | <u>1,994,167,522</u>    | <u>20,440,678</u>    | <u>(106,056)</u>     | <u>2,014,714,256</u>     |
| Total capital assets, net             | <u>\$ 3,516,069,693</u> | <u>\$ 72,977,776</u> | <u>\$ 34,130,545</u> | <u>\$ 3,554,916,924</u>  |

In fiscal year 2015, the majority of the infrastructure that was placed into service consisted of \$50.4 million of street infrastructure along with \$16.4 million of storm infrastructure. Of this amount, \$2.8 million was dedicated street infrastructure and \$1.4 million was dedicated storm infrastructure. The construction in progress consists of expenditures made by the Capital Acquisition and Infrastructure Tax Capital fund, \$49.7 million was placed into service during fiscal year 2015. The following was placed in service: \$6.1 million buildings, \$27.9 million non-structural, \$2.8 million land, and \$67.2 million of infrastructure. Machinery and equipment purchases totaled \$15.4 million, of which \$10.2 million was for public safety. Other capital asset activity totaled \$460 thousand for software development.

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| <u>Business-type activities</u>                       | Balance<br>July 1, 2014 | Additions              | Deductions          | Balance<br>June 30, 2015 |
|---|-------------------------|------------------------|---------------------|--------------------------|
| Assets not being depreciated:                         |                         |                        |                     |                          |
| Land  | \$ 60,065,418           | \$ -                   | \$ 3,767,390        | \$ 56,298,028            |
| Land and improvements acquired from the U.S Air Force | -                       | -                      | -                   | -                        |
| Other   | 955,200                 | -                      | -                   | 955,200                  |
| Construction work in progress                         | <u>15,877,033</u>       | <u>13,527,317</u>      | <u>10,249,233</u>   | <u>19,155,117</u>        |
|   | 76,897,651              | 13,527,317             | 14,016,623          | 76,408,345               |
| Assets being depreciated:                             |                         |                        |                     |                          |
| Buildings and improvements                            | 432,636,394             | 4,771,400              | 52,420,447          | 384,987,347              |
| Runways   | 302,616,380             | 14,531,255             | 80,000              | 317,067,635              |
| Infrastructure  | 9,831,714               | 1,285,997              | -                   | 11,117,711               |
| Improvements other than buildings                     | 286,041,236             | 4,207,844              | -                   | 290,249,080              |
| Machinery and equipment                               | 199,488,111             | 6,512,746              | 6,776,498           | 199,224,359              |
| Other   | <u>16,870</u>           | <u>-</u>               | <u>-</u>            | <u>16,870</u>            |
|   | 1,230,630,705           | 31,309,242             | 59,276,945          | 1,202,663,002            |
| Less accumulated depreciation:                        |                         |                        |                     |                          |
| Buildings and improvements                            | 257,030,174             | 3,463,062              | 50,757,816          | 209,735,420              |
| Runways   | 255,575,320             | 30,454,370             | -                   | 286,029,690              |
| Infrastructure  | 1,177,252               | 258,043                | -                   | 1,435,295                |
| Improvements other than buildings                     | 157,445,994             | 3,469,636              | 10,243,619          | 150,672,011              |
| Machinery and equipment                               | 148,020,338             | 20,404,618             | 4,921,593           | 163,503,363              |
| Other   | <u>1,687</u>            | <u>-</u>               | <u>-</u>            | <u>1,687</u>             |
|   | 819,250,765             | 58,049,729             | 65,923,028          | 811,377,466              |
| Capital assets being depreciated, net                 | <u>411,379,940</u>      | <u>(26,740,487)</u>    | <u>(6,646,083)</u>  | <u>391,285,536</u>       |
| Total capital assets, net                             | \$ <u>488,277,591</u>   | \$ <u>(13,213,170)</u> | \$ <u>7,370,540</u> | \$ <u>467,693,881</u>    |

In fiscal year 2015, the Airport Fund placed into service \$4.1 million improvements other than buildings and runways and \$1.8 million in machinery and equipment

The Airport Fund artwork reported as assets not depreciated, other totaled \$854,296 and Stadium Fund \$100,904 as of June 30, 2015. The Refuse Fund placed into service \$4.1 million in machinery and equipment, which included \$2.9 million in heavy equipment. The Refuse Fund Software reported as assets depreciated other totaled \$16,870 as of June 30, 2015. The Transit Fund placed into service \$86 thousand in buildings and improvements and \$218 thousand in machinery and equipment. The construction work in progress increased by \$13.5 million, which included \$7.3 million by the Airport department.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Depreciation expense was charged to functions/programs of the City as follows:

|  |                      |
|--|----------------------|
| <u>Governmental activities:</u>  |                      |
| General government   | \$ 3,820,627         |
| Public safety:   |                      |
| Corrections  | -                    |
| Fire protection  | 3,461,955            |
| Police protection  | 6,190,983            |
| Culture and recreation   | 20,827,695           |
| Public works:  |                      |
| Municipal development  | 518,493              |
| Storm  | 16,945,624           |
| Highways and streets:  |                      |
| Transportation/Street maintenance  | 39,695,394           |
| Traffic engineering  | 392,904              |
| Health   | 680,163              |
| Human services   | 3,881,681            |
| Capital assets held by the City's internal service funds charged to the various functions on a prorated basis based on their usage of the assets | <u>116,522</u>       |
| Total depreciation expense – governmental activities   | <u>\$ 96,532,041</u> |
| <u>Business-type activities:</u>   |                      |
| Major funds:   |                      |
| Airport  | \$ 23,337,525        |
| Refuse Disposal  | 8,346,229            |
| Transit  | 13,099,485           |
| Nonmajor funds   | <u>2,678,588</u>     |
| Total depreciation expense – business-type activities  | 47,461,827           |
| Transfer of assets to/from governmental to business-type   | 225,138              |
| Reinstated assets  | 113,490              |
| Cost adjustments   | <u>5,655</u>         |
| Total business-type activities   | <u>\$ 47,806,110</u> |

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Discretely Presented Component Unit**

Capital asset activity for Albuquerque Housing Authority for the year ended June 30, 2015, was as follows:

|  | Balance<br>July 1, 2014 | Increases         | Decreases       | Balance<br>June 30, 2015 |
|--|-------------------------|-------------------|-----------------|--------------------------|
| <b>Assets not being depreciated:</b>       |                         |                   |                 |                          |
| Land                                       | \$ 3,767,389            | \$ -              | \$ -            | \$ 3,767,389             |
| Construction work-in-progress              | -                       | 3,000             | -               | 3,000                    |
| <b>Total assets, not being depreciated</b> | <b>3,767,389</b>        | <b>3,000</b>      | <b>-</b>        | <b>3,770,389</b>         |
| <b>Assets being depreciated:</b>           |                         |                   |                 |                          |
| Buildings and improvements                 | 54,782,922              | 1,787,877         | -               | 56,570,799               |
| Machinery and Equipment                    | 1,671,328               | -                 | (15,646)        | 1,655,682                |
| <b>Total assets, being depreciated</b>     | <b>56,454,250</b>       | <b>1,787,877</b>  | <b>(15,646)</b> | <b>58,226,481</b>        |
| <b>Less: accumulated depreciation for:</b> |                         |                   |                 |                          |
| Buildings and improvements                 | 49,724,270              | 865,544           | -               | 50,589,814               |
| Machinery and equipment                    | 1,451,292               | 57,278            | (15,646)        | 1,492,924                |
| <b>Total accumulated depreciation</b>      | <b>51,175,562</b>       | <b>922,822</b>    | <b>(15,646)</b> | <b>52,082,738</b>        |
| <br>                                       |                         |                   |                 |                          |
| Capital assets being depreciated, net      | 5,278,688               | 865,055           | -               | 6,143,743                |
| <br>                                       |                         |                   |                 |                          |
| <b>Total capital assets, net</b>           | <b>\$ 9,046,077</b>     | <b>\$ 868,055</b> | <b>\$ -</b>     | <b>\$ 9,914,132</b>      |

The Albuquerque Housing Authority (AHA) determined that \$2,416,494 in capital assets previously reported as construction work-in-progress should have been placed in service in prior years. AHA corrected this error by transferring these assets to building and improvements and calculated depreciation related to prior years. This correction resulted in the restatement of building and improvements, accumulated depreciation and net position. The amount of prior year depreciation recorded as a prior period adjustment was \$417,746. Additionally, \$36,107 in erroneously capitalized construction work-in-process was corrected as a prior period adjustment.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**D. Interfund receivables, payables, and transfers**

The interfund receivable and payable accounts have primarily been recorded when funds overdraw their share of pooled cash. The composition of interfund balances as of June 30, 2015, consists of the following:

|                             | Due from<br>other funds | Due to<br>other funds |
|-----------------------------|-------------------------|-----------------------|
| Major governmental funds    | \$ 3,033,334            | \$ -                  |
| Nonmajor governmental funds | -                       | 3,696,698             |
| Major enterprise funds      | 1,077,763               | -                     |
| Nonmajor enterprise funds   | -                       | 414,399               |
| <b>Total</b>                | <b>\$ 4,111,097</b>     | <b>\$ 4,111,097</b>   |

Interfund advances not expected to be repaid within one year are to be repaid from revenues or proceeds from the sale of assets are as follows as of June 30, 2015:

| Receivable Fund        | Payable Fund             | Amount            |
|------------------------|--------------------------|-------------------|
| Risk Management Fund * | Capital Acquisition Fund | \$ 171,000        |
|                        | <b>Total advances</b>    | <b>\$ 171,000</b> |

\*Receivable set up to reimburse Risk Management fund for purchasing the Alameda Business Park land held by the Capital Acquisition fund.

Interfund transfers for the year ended June 30, 2015 were as follows:

| From                        | To                          | Total                |
|-----------------------------|-----------------------------|----------------------|
| General Fund                | Capital Acquisition Fund    | \$ 6,925,000         |
| General Fund                | Transit Fund                | 19,499,000           |
| General Fund                | Nonmajor Governmental Funds | 18,823,871           |
| General Fund                | Nonmajor Proprietary Funds  | 1,416,000            |
| General Fund                | Internal Service Funds      | 60,000               |
| General Fund                | Refuse Fund                 | 384,000              |
| Capital Acquisition Fund    | Transit Fund                | 2,041,383            |
| Refuse Disposal Fund        | General Fund                | 2,399,268            |
| Aviation Fund               | Capital Acquisition Fund    | 1,300,000            |
| Transit Fund                | General Fund                | 364,789              |
| Transit Fund                | Capital Acquisition Fund    | 86,913               |
| Transit Fund                | Nonmajor Governmental Funds | 13,545               |
| Nonmajor Governmental Funds | General Fund                | 1,238,254            |
| Nonmajor Governmental Funds | Capital Acquisition Fund    | 820,776              |
| Nonmajor Governmental Funds | Nonmajor Governmental Funds | 7,164,973            |
| Nonmajor Governmental Funds | Transit Fund                | 13,239,799           |
| Nonmajor Proprietary Funds  | General Fund                | 202,331              |
| Nonmajor Proprietary Funds  | Nonmajor Governmental Funds | 60,244               |
| Internal Service Funds      | General Fund                | 250,000              |
| <b>Total transfers</b>      |                             | <b>\$ 76,290,146</b> |

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

Transfers are summarized as follows:

|   | <u>Transfers In</u>  | <u>Transfers Out</u>   | <u>Net In (Out)</u> |
|---|----------------------|------------------------|---------------------|
| "Statement of Revenues, Expenditures, and Changes<br>in Fund Balances - All Governmental Funds" | \$ 39,649,964        | \$ (71,613,056)        | \$ (31,963,092)     |
| "Statement of Revenues, Expenses, and Changes<br>in Net Position - All Proprietary Funds"       |                      |                        |                     |
| Enterprise funds  | 36,580,182           | (4,427,090)            | 32,153,092          |
| Internal Service funds  | <u>60,000</u>        | <u>(250,000)</u>       | <u>(190,000)</u>    |
| Total transfers   | <u>\$ 76,290,146</u> | <u>\$ (76,290,146)</u> | <u>\$ -</u>         |

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 Open Space Management funds, 2) providing the City's local match for operating grants from federal and state agencies, 3) funding the purchase of police and fire vehicles, and various construction projects, and 4) transferring resources to debt service funds for the retirement of General 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 for governmental special revenue funds.

**E. Leases**

The City has various lease commitments for real property. The lease commitments are for one to ten years, with most leases being for five years. About half of the leases have renewal options; the others do not. Lease Expenses of \$995,559 were incurred for the year ended June 30, 2015. Lease Commitments for future years are as follows:

| <u>Fiscal Year</u> | <u>Amount</u>      |
|--------------------|--------------------|
| FY2016             | \$974,900          |
| FY2017             | 814,105            |
| FY2018             | 280,392            |
| FY2019             | 235,544            |
| FY2020             | 101,462            |
| FY2021-2025        | 260,100            |
| FY2026-2030        | 260,100            |
| FY2031-2035        | <u>98,333</u>      |
| Total              | <u>\$3,024,936</u> |

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**F. Restricted assets**

Restricted assets arise principally from legal restrictions on expenditures of proceeds from general obligations bonds or sales tax revenue bonds in the governmental activities, or on expenditures of proceeds from revenue bonds of the enterprise funds. Restricted assets also include the investments restricted for use held in the City's permanent funds. The amount of restricted assets reported in the statement of net position at June 30, 2015, is as follows:

|   |                       |
|---|-----------------------|
| <u>Governmental activities</u>                |                       |
| Capital Acquisition Fund                      | \$ 154,623,785        |
| Acquisition and Management of Open Space Fund | 16,722,454            |
| Urban Enhancement Fund                        | 7,934,647             |
| Total   | <u>\$ 179,280,886</u> |
| <u>Business-type activities</u>               |                       |
| Airport Fund                                  | \$ 108,306,707        |
| Refuse Disposal Fund                          | 23,611,011            |
| Transit Fund                                  | 3,399,158             |
| Nonmajor enterprise funds                     | 7,105,613             |
| Total   | <u>\$ 142,422,489</u> |

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**G. Short-term and long-term obligations**

Governmental activities:

Short-term obligations - On June 30, 2015, the City issued \$7,200,000 of Short-Term General Obligation Bonds, Series 2015C and \$491,000 Short-Term Lodgers' Tax Improvement Revenue Bonds - Taxable, Series 2015A. These bonds bear interest at the daily rate on the date of issuance applicable to the Local Government Investment Pool (LGIP) administered by the State Treasurer of New Mexico. The interest rate in effect for Series 2015C and Series 2015A was 0.237%. A portion of the proceeds of these bonds will be used to fund the City's CIP and GRT projects. The bonds mature on July 1, 2015. The change in short-term obligations of the governmental activities for the year ended June 30, 2015, is as follows:

|   | Balance<br>July 1, 2014 | Additions          | Deletions          | Balance<br>July 1, 2015 |
|---|-------------------------|--------------------|--------------------|-------------------------|
| Short-term General Obligation Bonds               | \$3,225,000             | \$7,200,000        | \$3,225,000        | \$7,200,000             |
| Short-term Lodgers' Tax Improvement Revenue Bonds | -                       | 491,000            | -                  | 491,000                 |
|   | <u>\$3,225,000</u>      | <u>\$7,691,000</u> | <u>\$3,225,000</u> | <u>\$7,691,000</u>      |

Long-term obligations - Bonded obligations of the City consist of various issues of general obligation, revenue, and special assessment bonds. Also included in long-term obligations are notes payable, claims and judgments, deferred credits, other postemployment benefits, and accrued vacation and sick leave. The City has complied with all revenue bond ordinances and bond covenants requirements for maintaining specific reserves for future debt service as of June 30, 2015.

The changes in the long-term obligations of the governmental activities for the year ended June 30, 2015, are as follows:

|   | Outstanding           |                       |                      |                         | Payable in<br>one year |
|---|-----------------------|-----------------------|----------------------|-------------------------|------------------------|
|   | July 1, 2014          | Increases             | Decreases            | June 30, 2015           |                        |
| General obligation bonds  | \$ 390,300,000        | \$ 42,696,000         | \$ 46,805,000        | \$ 386,191,000          | \$ 43,470,000          |
| Gross receipts tax revenue bonds                                | 165,085,000           | 49,195,000            | 7,060,000            | 207,220,000             | 6,650,000              |
| Fire fund loan  | 1,274,388             | -                     | 60,421               | 1,213,967               | -                      |
| Special assessment bonds and notes with governmental commitment | 24,038,951            | -                     | 1,717,068            | 22,321,883              | 858,534                |
| Accrued vacation and sick leave                                 | 29,170,069            | 22,738,858            | 19,956,412           | 31,952,515              | 23,297,215             |
| Claims  | 99,451,037            | -                     | 9,908,786            | 89,542,251              | 23,901,290             |
| Net pension obligation - PERA                                   | -                     | 332,459,099           | -                    | 332,459,099             | -                      |
| Other post employment obligation                                | 4,545,536             | 3,110,662             | 4,082,069            | 3,574,129               | -                      |
| Other liabilities   | 777,445               | 5,183                 | -                    | 782,628                 | -                      |
| Other:  |                       |                       |                      |                         |                        |
| Unamortized bond premiums                                       | 27,051,564            | 8,841,393             | 7,032,624            | 28,860,333              | -                      |
|   | <u>741,693,990</u>    | <u>459,046,195</u>    | <u>96,622,380</u>    | <u>1,104,117,805</u>    | <u>98,177,039</u>      |
| Current portion of long-term obligations                        | <u>(99,434,684)</u>   | <u>-</u>              | <u>(1,257,645)</u>   | <u>(98,177,039)</u>     | <u>-</u>               |
| Total   | <u>\$ 642,259,306</u> | <u>\$ 459,046,195</u> | <u>\$ 95,364,735</u> | <u>\$ 1,005,940,766</u> | <u>\$ 98,177,039</u>   |

**CITY OF ALBUQUERQUE, NEW MEXICO**  
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Total interest cost incurred for governmental activities for the year ended June 30, 2015, was \$21,528,699.72. all of which was charged to expense.

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 accrued sick leave and vacation obligations are being liquidated primarily by the General Fund. Limited amounts are being liquidated by other funds. The City's Risk Management Fund (an internal service fund) liquidates all claims payable.

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, 2015, based on the most recent assessed taxable valuation of \$12,228,594,693, the City may issue an additional \$127,948,788 of general-purpose general obligation bonds. Included in the general obligation bonds outstanding at June 30, 2015, are Storm Sewer bonds in the amount of \$32,196,000 that are not subject to the legal debt limit.

On June 20, 2015, the City issued \$37,970,000 of General Obligation General Purpose Bonds, Series 2015A with an average coupon rate of 1.72%. The proceeds of these bonds were deposited into the Capital Acquisition Fund to be used to finance certain City projects relating to public safety, citizens' centers, parks and recreation facilities, energy conservation, public facilities, and system modernization, libraries, streets, public transportation, and zoo and bio park facilities. The bonds require annual principal payments and semi-annual interest payments through July 1, 2027.

Also on June 20, 2015, the City issued \$4,726,000 of General Obligation Storm Sewer Bonds, Series 2015B with an average coupon rate of 3.25%. The proceeds of these bonds were deposited into the Capital Acquisition Fund to be used to finance certain storm sewer improvements. The bonds require semi-annual interest payments through July 1, 2028.

General obligation bonds outstanding at June 30, 2015, are as follows:

| Issue                                | Amount                | Interest Rate | Final<br>Maturity | Call Provisions             |
|--------------------------------------|-----------------------|---------------|-------------------|-----------------------------|
| September 11, 2007 B General Purpose | 5,610,000             | 4.50/5.00%    | July 1, 2016      | Non-callable                |
| September 11, 2007 C Storm Sewer     | 5,080,000             | 4.25/5.00%    | July 1, 2016      | 100% beginning July 1, 2015 |
| June 26, 2008 A General Purpose      | 10,350,000            | 3.25/4.00%    | July 1, 2017      | 100% beginning July 1, 2016 |
| June 26, 2008 B Storm Sewer          | 4,000,000             | 4.50%         | July 1, 2017      | 100% beginning July 1, 2016 |
| June 24, 2009 A General Purpose      | 24,420,000            | 2.00/4.00%    | July 1, 2018      | Non-callable                |
| February 24, 2011 A General Purpose  | 96,300,000            | 3.00/4.375%   | July 1, 2023      | 100% beginning July 1, 2020 |
| May 22, 2012 A General Purpose       | 54,745,000            | 2.00/5.00%    | July 1, 2024      | 100% beginning July 1, 2020 |
| May 22, 2012 B Storm Sewer           | 8,035,000             | 3.00/4.00%    | July 1, 2025      | 100% beginning July 1, 2020 |
| May 8, 2013 A General Purpose        | 67,540,000            | 2.50/4.00%    | July 1, 2026      | 100% beginning July 1, 2021 |
| May 8, 2013 B Storm Sewer            | 4,980,000             | 2.80%         | July 1, 2026      | 100% beginning July 1, 2021 |
| May 28, 2014 A General Purpose       | 57,060,000            | 2.25/5.00%    | July 1, 2026      | 100% beginning July 1, 2022 |
| May 28, 2014 B Storm Sewer           | 5,375,000             | 3.50/3.75%    | July 1, 2027      | 100% beginning July 1, 2022 |
| June 10, 2015 A General Purpose      | 37,970,000            | 2.75/5.00%    | July 1, 2027      | 100% beginning July 1, 2023 |
| June 10, 2015 B Storm Sewer          | 4,726,000             | 3.00/3.50%    | July 1, 2028      | 100% beginning July 1, 2023 |
| June 30, 2015 C General Purpose ST   | 7,200,000             | 0.237%        | July 1, 2015      | Non-callable                |
|                                      | <u>\$ 393,391,000</u> |               |                   |                             |

**CITY OF ALBUQUERQUE, NEW MEXICO**  
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Sales Tax Revenue Bonds and Notes of the City are secured by a pledge of up to 1.225% of State Shared Gross Receipts Tax (sales tax) revenues. Additionally, the City can pledge up to 50% of the Lodgers' and Hospitality Tax revenues for payment of these bonds and notes. Net revenue for the year was \$187,090,628 for State Shared Gross Receipts and \$13,650,018 for Lodgers' and Hospitality Tax. Total debt service expenditures for the year were \$15,156,562. Sales tax revenue bonds and notes outstanding at June 30, 2015, are as follows:

| Issue                          | Amount                | Interest Rate | Final Maturity | Call Provisions                |
|--------------------------------|-----------------------|---------------|----------------|--------------------------------|
| October 6, 2004 B Refunding    | 26,885,000            | 2.39/4.90%    | July 1, 2014   | 100% beginning October 6, 2004 |
| June 4, 2008 A Refunding       | -                     | 3.74/4.99%    | July 1, 2014   | Non-callable                   |
| July 22, 2009 A Refunding      | 10,310,000            | 3.00/5.00%    | July 1, 2025   | 100% beginning July 1, 2019    |
| July 22, 2009 B Refunding      | 25,620,000            | 3.00/5.00%    | July 1, 2022   | 100% beginning July 1, 2019    |
| September 1, 2011 A Refunding  | 17,170,000            | 2.00/4.00%    | July 1, 2028   | 100% beginning July 1, 2021    |
| April 9, 2013 Improvement      | 41,080,000            | 1.50/5.00%    | July 1, 2035   | 100% beginning July 1, 2023    |
| June 10, 2014 A Refunding      | 36,960,000            | 2.00/4.00%    | July 1, 2037   | 100% beginning July 1, 2023    |
| May 27, 2015 A Improvement     | 39,085,000            | 2.00/5.00%    | July 1, 2038   | 100% beginning July 1, 2025    |
| May 27, 2015 B Improvement     | 10,110,000            | 0.55/2.95%    | July 1, 2023   | Non-callable                   |
| June 20, 2015 A Improvement ST | 491,000               | 0.00237%      | July 1, 2015   | Non-callable                   |
|                                | <u>\$ 207,711,000</u> |               |                |                                |

On May 27, 2015, the City issued \$39,085,000 of Gross Receipts Tax Improvement Revenue Bonds, Series 2015A. The bonds have an average coupon rate of 4.21% and require semi-annual interest payments until the bonds mature on July 1, 2038. The Series 2015A bonds are being issued for the purpose of funding tax-exempt projects for parks and recreation facilities, public facilities, system modernization, libraries, and public transportation.

On May 27, 2015, the City issued \$10,110,000 of Gross Receipts Tax Improvement Revenue Bonds, Taxable Series 2015B. The bonds have an average coupon rate of 1.94% and require semi-annual interest payments until the bonds mature on July 1, 2023. The Series 2015B bonds are being issued for the purpose of funding projects with the Local Economic Development Act.

Fire Fund Loan - On January 28, 2011, the City closed on a loan with New Mexico Finance Authority (NMFA) for \$1,441,625 with an average interest rate of 3.417%. The proceeds were used to design, construct, equip, and furnish Fire Station #7. The terms of the loan require annual principal payments and semi-annual interest payments beginning November 1, 2011, and maturing May 1, 2031. As part of the agreement, the City also entered into an intercept agreement with NMFA whereby the principal and interest payment required will be from annual distributions made to the City's Fire Fund by the State Treasurer pursuant to Section 59A-53-7, NMSA 1978. The State Treasurer will reduce the annual distribution to the City by \$100,926 beginning July 1, 2011, and then \$101,043 thereafter. The funds will be remitted directly to NMFA and held by NMFA until the November/May due dates. The balance due at June 30, 2015 is \$1,213,967.

Special Assessment Debt and Notes Payable is secured by pledges of revenues from special assessments levied. Special assessment debt is callable at 100% on any semi-annual interest payment date.

On October 30, 2012, the City executed a loan agreement with Banc of America Public Capital Corp for Special Assessment District No. 228. The tax-exempt loan payable for \$22,743,479 has a coupon rate of 3.0% and matures on January 1, 2028. The proceeds are being used to finance the construction of streets, storm and sanitary sewer lines, and water lines. The balance outstanding at June 30, 2015 was \$22,321,883.

On October 30, 2012, the City executed a loan agreement with Banc of America Leasing and Capital for Special Assessment District No. 228. The taxable loan payable for \$2,499,006 has a coupon rate of 2.30% and matures on January 1, 2015. The proceeds are being used to finance the construction of electrical and natural gas lines and telephone and cable television lines. The balance was paid in full as of June 30, 2015.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
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**Business-type activities:**

**Long-term obligations:** the changes in the business-type activities obligations for the year ended June 30, 2015, are as follows:

|   | <u>Outstanding</u>   |                      |                      |                       | Payable in<br>one year |
|---|----------------------|----------------------|----------------------|-----------------------|------------------------|
|   | July 1, 2014         | Increases            | Decreases            | June 30, 2015         |                        |
| Revenue bonds                                   | \$ 114,915,417       | \$ -                 | \$ 38,486,667        | \$ 76,428,750         | \$ 14,171,667          |
| Loans and notes payable                         | 4,999,600            | -                    | 3,558,153            | 1,441,446             | 1,441,446              |
| Accrued vacation and<br>sick leave              | 6,270,478            | 5,012,721            | 5,093,130            | 6,190,070             | 4,792,047              |
| Landfill closure costs                          | 2,001,997            | 815,022              | -                    | 2,817,019             | -                      |
| Net pension obligation - PERA                   | -                    | 42,794,638           | -                    | 42,794,638            | -                      |
| Other post employment obligation                | -                    | 893,532              | -                    | 893,532               | -                      |
| Other liabilities                               | 507,869              | 3,020                | 353,828              | 157,061               | -                      |
| Other:  |                      |                      |                      | -                     |                        |
| Deferred gain/loss on refunding                 | (608,343)            | 206,086              | -                    | (402,257)             | -                      |
| Unamortized bond premiums                       | 781,564              | -                    | 320,589              | 460,975               | -                      |
| Unamortized bond discounts                      | (14,246)             | 2,191                | -                    | (12,055)              | -                      |
|   | <u>128,854,336</u>   | <u>49,727,210</u>    | <u>47,812,367</u>    | <u>130,769,179</u>    | <u>20,405,160</u>      |
| Capitalized leases                              | 85,051               | -                    | 85,051               | -                     | -                      |
| Subtotal  | <u>128,939,387</u>   | <u>49,727,210</u>    | <u>47,897,418</u>    | <u>130,769,179</u>    | <u>20,405,160</u>      |
| Current portion                                 | <u>(45,130,603)</u>  | <u>-</u>             | <u>(24,725,443)</u>  | <u>(20,405,160)</u>   | <u>-</u>               |
| Business-type activity<br>long-term obligations | <u>\$ 83,808,784</u> | <u>\$ 49,727,210</u> | <u>\$ 23,171,975</u> | <u>\$ 110,364,019</u> | <u>\$ 20,405,160</u>   |

Total interest cost incurred for business-type activities for the year ended June 30, 2015, was \$3,167,576 of which \$1,148,385 was capitalized and \$2,019,191 was charged to expense.

**Airport Revenue Bonds** are secured by pledges of net revenues of the airport. Airport Revenue bonds outstanding at June 30, 2015, are as follows:

| Issue Dated                   | Amount              | Interest<br>Rate | Final<br>Maturity | Call Provisions             |
|-------------------------------|---------------------|------------------|-------------------|-----------------------------|
| March 23, 2004A, Refunding    | \$7,500,000         | 1.63% to 5.11%   | July 1, 2018      | 100% beginning July 1, 2005 |
| March 11, 2008A, Refunding    | 8,590,000           | 3.00% to 5.00%   | July 1, 2018      | Not callable                |
| May 14, 2008B, Refunding      | 1,150,000           | 3.445% to 4.905% | July 1, 2015      | Not callable                |
| May 14, 2008C, Refunding      | 2,690,000           | 3.50% to 4.375%  | July 1, 2020      | 100% beginning July 1, 2018 |
| November 12, 2009A, Refunding | 14,268,750          | 3.00% to 4.50%   | July 1, 2019      | Not callable                |
| May 19, 2011, Refunding       | 6,425,000           | 2.00% to 4.00%   | July 1, 2016      | Not callable                |
| April 8, 2014A, Refunding     | 16,795,000          | 2.60%            | July 1, 2024      | Not callable                |
| Total outstanding             | <u>57,418,750</u>   |                  |                   |                             |
| Unamortized:                  |                     |                  |                   |                             |
| Premiums (discounts)          | 438,566             |                  |                   |                             |
| Deferred loss on refunding    | (333,152)           |                  |                   |                             |
| Net outstanding               | <u>\$57,524,164</u> |                  |                   |                             |

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Apartments Revenue Bonds are secured by pledges of net revenues of the City Apartments. In December of 2008, the City issued \$11,275,000 Gross Receipts Tax Revenue Bonds (Series 2008B) to refund the Series 2000 Bonds. This debt constitutes a limited obligation of the City and is payable solely from the resources of the Apartments. Respective revenues derived from them are pledged for the repayment of these bonds. The Series 2008B Gross Receipts Revenue Bonds mature on July 1, 2030, and bear an initial 4% coupon interest rate, increasing to 5.375% coupon rate at maturity. Interest is paid semiannually on January 1 and July 1. The initial payment was due July 1, 2009. Principal payment is due annually on July 1. The Series 2008B bonds are subject to optional and mandatory redemptions generally at par (unless long-term interest rates are in effect). A cumulative sinking fund redemption commencing January 1, 2011 is required. The Apartments debt in the amount of \$9,370,000 is outstanding at June 30, 2015 and maturities extend through July 1, 2030.

Refuse Loans - On July 9, 2004, the City entered into a tax-exempt loan agreement with New Mexico Finance Authority for \$5,800,000 with an average interest rate of 2.87%. The loan has been paid in full and the final payment of \$654,679 was paid on July 1, 2014.

On March 16, 2008, the City entered into a tax-exempt loan agreement with New Mexico Finance Authority for \$2,600,000 with an average interest rate of 3.31%. Final payment is due on July 1, 2015. The outstanding balance at June 30, 2015, was \$411,730.

Stadium Loans are secured by pledges of net revenues of the Albuquerque baseball stadium. On September 1, 2011, the City issued Gross Receipts Tax/ Stadium Revenues Refunding Revenue Bonds Taxable Series 2011B in the amount of \$11,650,000. The bonds have an average coupon rate of 3.23% and require annual principal payments and semi-annual interest payments through July 1, 2026. The outstanding balance at June 30, 2015, was \$8,906,249.

Transit Loans - On July 25, 2006, the City entered into a tax-exempt lease-purchase agreement with SunTrust Leasing Corporation for \$20,000,000 with an average interest rate of 4.3%. Final payment is due on July 1, 2016. The principal balance outstanding at June 30, 2015, was \$1,029,716.

Summary of Annual Debt Service Requirements - The annual debt service requirements on bonds, notes and capital leases outstanding at June 30, 2015, are as follows:

| Year ending<br>June 30, 2015 | Governmental activities |                       | Business-type activities |                      |
|------------------------------|-------------------------|-----------------------|--------------------------|----------------------|
|                              | Principal               | Interest              | Principal                | Interest             |
| 2016                         | \$ 60,974,378           | \$ 22,404,471         | \$ 16,879,408            | \$ 2,911,393         |
| 2017                         | 58,104,475              | 21,810,508            | 13,346,667               | 2,303,928            |
| 2018                         | 53,160,748              | 19,540,159            | 10,360,000               | 1,782,065            |
| 2019                         | 48,995,271              | 17,580,417            | 10,505,000               | 1,353,085            |
| 2020                         | 43,399,928              | 15,616,770            | 6,275,415                | 1,018,271            |
| 2021 - 2025                  | 191,585,847             | 51,379,944            | 15,445,000               | 2,828,830            |
| 2026 - 2030                  | 91,837,203              | 23,602,280            | 5,490,000                | 808,615              |
| 2031 - 2035                  | 48,605,000              | 11,768,706            | 835,000                  | 22,441               |
| 2036 - 2040                  | 27,975,000              | 2,210,634             | -                        | -                    |
| 2041 - 2044                  | -                       | -                     | -                        | -                    |
| <b>Total</b>                 | <b>\$ 624,637,850</b>   | <b>\$ 185,913,889</b> | <b>\$ 79,136,490</b>     | <b>\$ 13,028,628</b> |

Arbitrage - Section 148 of the Internal Revenue Code generally provides 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, 2015, the City has set aside \$782,629 in arbitrage interest due the IRS in connection with future filings and payments to the IRS. This amount is included in other liabilities in the Statement of Net Position. For fiscal year 2015, no payment is due to the IRS.

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**Discretely presented component unit**

|  | Outstanding       |                   |                   |                   | Amount due<br>within<br>one year |
|--|-------------------|-------------------|-------------------|-------------------|----------------------------------|
|  | July 1, 2014      | Increase          | Decrease          | June 30, 2015     |                                  |
| Capital lease  | \$ 85,051         | \$ -              | \$ 85,051         | \$ -              | \$ -                             |
| Tenant security deposits<br>(including pet deposits) | 205,504           | 52,342            | 36,936            | 220,910           | -                                |
| HUD payable  | 211,294           | -                 | 21,129            | 190,165           | 21,129                           |
| Accrued vacation and sick leave                      | 149,080           | 219,713           | 226,130           | 142,663           | 74,972                           |
|  | <u>\$ 650,929</u> | <u>\$ 272,055</u> | <u>\$ 369,246</u> | <u>\$ 553,738</u> | <u>\$ 96,101</u>                 |

**H. 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, 2015, is as follows:

|                                  |              |
|----------------------------------|--------------|
| Gross Receipts Tax Revenue Bonds | \$30,455,000 |
|----------------------------------|--------------|

**I. Conduit bonds**

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

**Industrial Revenue Bonds** - As of June 30, 2015, there were twenty-five series of Industrial Revenue Bonds outstanding. The aggregate principal amount payable for the twenty-three series issued after July 1, 1995, is \$612.6 million. The aggregate principal amount payable for the two series issued prior to July 1, 1995, could not be determined; however, the original amount issued totaled \$28.9 million.

**J. Derivative Fuel Hedge Instruments**

The City of Albuquerque entered into commodity forward fuel hedging contracts beginning fiscal year 2012 in order to hedge or mitigate the effect of market price fluctuations of diesel and gasoline. The fuel hedge contract for fiscal year 2015 was entered in January 2014. The City entered into fuel hedging contracts for fiscal year 2016 before the fuel prices dropped to historical levels. In fiscal year 2016 through October 2015, the City has paid \$1.4 million to its' counter party due to actual gas prices falling below the fixed hedge price. In accordance with the requirements of GASB Statement No. 53, the fuel hedges are reported on the balance sheet at fair value. The City of Albuquerque determines the synthetic price created by the futures contract by calculating the fair value of the option contracts using New York Mercantile Exchange (NYMEX) closing settlement prices as of the last day of the reporting period. The synthetic fair value price is calculated by averaging the current market prices of the hedgeable item plus or minus the difference between the closing futures prices on the last day of the reporting period and the futures purchase prices at the time the contracts were established.

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All potential hedging derivative instruments were evaluated for effectiveness at June 30, 2015 and were determined to be effective in substantially offsetting the changes in the cash flows of the hedgeable items. As of June 30, 2015 the total fair value of outstanding hedge instruments was a net position of \$709,892. Consistent with hedge accounting treatment required for derivative instruments that are determined to be effective in offsetting changes cash flows of the hedge item, changes in fair value are reported as deferred (inflows) outflows of resources on the Statements of Net Position until the contract expiration that occurs in conjunction with the hedged expected fuel purchase transaction.

The following information is related to the City of Albuquerque's outstanding fuel hedging derivative instruments on June 30, 2015:

Overall:

| Type   | Objective   | Fixed Price Per Gallon | Notional Amount | Effective Date | Maturity Date | Fair Value |
|--|---|------------------------|-----------------|----------------|---------------|------------|
| Commodity forward contract for No. 2 Heating Oil | Hedge market risk associated with the purchases of Diesel   | \$2.84                 | 1,965,440       | 7/1/2014       | 6/30/2015     | \$288,215  |
| Commodity forward contract for RBOB Gasoline     | Hedge market risk associated with the purchases of Gasoline | \$2.59                 | 1,511,250       | 7/1/2014       | 6/30/2015     | \$421,677  |

Governmental Activities:

| Type   | Objective   | Fixed Price Per Gallon | Notional Amount | Effective Date | Maturity Date | Fair Value |
|--|---|------------------------|-----------------|----------------|---------------|------------|
| Commodity forward contract for No. 2 Heating Oil | Hedge market risk associated with the purchases of Diesel   | \$2.84                 | 534,998         | 7/1/2014       | 6/30/2015     | \$78,395   |
| Commodity forward contract for RBOB Gasoline     | Hedge market risk associated with the purchases of Gasoline | \$2.59                 | 1,331,397       | 7/1/2014       | 6/30/2015     | \$371,497  |

Business Type Activities:

| Type   | Objective   | Fixed Price Per Gallon | Notional Amount | Effective Date | Maturity Date | Fair Value |
|--|---|------------------------|-----------------|----------------|---------------|------------|
| Commodity forward contract for No. 2 Heating Oil | Hedge market risk associated with the purchases of Diesel   | \$2.84                 | 1,430,442       | 7/1/2014       | 6/30/2015     | \$209,821  |
| Commodity forward contract for RBOB Gasoline     | Hedge market risk associated with the purchases of Gasoline | \$2.59                 | 179,853         | 7/1/2014       | 6/30/2015     | \$50,180   |

Risk – The City of Albuquerque receives payments or makes payments based on the actual index rate on the fifth business day following the last pricing date. Each of the swap agreements provide for the applicable counterparty to make variable rate payments based on the NYMEX index. To the extent that the variable rate paid on the valuation dates is different than the rate received from the counterparties based on the NYMEX, the risk is there may be a loss or benefit to the City.

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**K. Segment information**

Significant financial data of major enterprise funds are reported in the statements for enterprise funds in the basic financial statements section. Significant financial data of nonmajor enterprise funds as of and for the year ended June 30, 2015, is as follows:

(in thousands of dollars)

|   | Golf<br>Course<br>Fund | Apartment<br>Fund | Housing<br>Authority<br>Fund | Parking<br>Facilities<br>Fund | Stadium<br>Fund | Total            |
|---|------------------------|-------------------|------------------------------|-------------------------------|-----------------|------------------|
| <b>CONDENSED STATEMENT OF NET POSITION</b>              |                        |                   |                              |                               |                 |                  |
| <b>Assets:</b>  |                        |                   |                              |                               |                 |                  |
| Current assets  | \$ 1,109               | \$ 1,107          | \$ -                         | \$ 223                        | \$ 1,344        | \$ 3,783         |
| Restricted assets                                       | 88                     | 2,530             | -                            | 4,430                         | 57              | 7,105            |
| Capital assets  | 5,034                  | 11,060            | -                            | 16,807                        | 13,153          | 46,054           |
| <b>Total assets</b>                                     | <b>6,231</b>           | <b>14,697</b>     | <b>-</b>                     | <b>21,460</b>                 | <b>14,554</b>   | <b>56,942</b>    |
| <b>Deferred Outflows of Resources:</b>                  |                        |                   |                              |                               |                 |                  |
| Deferred gain/loss on refunding                         | 230                    | -                 | -                            | 230                           | 84              | 544              |
| <b>Total deferred outflows of resources</b>             | <b>230</b>             | <b>-</b>          | <b>-</b>                     | <b>230</b>                    | <b>84</b>       | <b>544</b>       |
| <b>Liabilities:</b>                                     |                        |                   |                              |                               |                 |                  |
| Current liabilities                                     | 489                    | 706               | -                            | 344                           | 1,347           | 2,886            |
| Liabilities payable from restricted assets              | -                      | 157               | -                            | -                             | -               | 157              |
| Bonds, notes payable, and other long-term liabilities   | -                      | 8,975             | -                            | -                             | -               | 8,975            |
| Accrued vacation and sick leave                         | 1,338                  | -                 | -                            | 1,183                         | 81              | 2,602            |
| <b>Total liabilities</b>                                | <b>\$ 1,827</b>        | <b>\$ 9,838</b>   | <b>\$ -</b>                  | <b>\$ 1,527</b>               | <b>\$ 1,428</b> | <b>\$ 14,620</b> |
| <b>Deferred Inflows of Resources:</b>                   |                        |                   |                              |                               |                 |                  |
| Deferred inflows related to pension activity            | \$ 478                 | \$ -              | \$ -                         | \$ 446                        | \$ 31           | \$ 955           |
| <b>Total deferred outflows of resources</b>             | <b>\$ 478</b>          | <b>\$ -</b>       | <b>\$ -</b>                  | <b>\$ 446</b>                 | <b>\$ 31</b>    | <b>\$ 955</b>    |
| <b>Net position:</b>                                    |                        |                   |                              |                               |                 |                  |
| Net investment in capital assets                        | \$ 5,034               | \$ 1,690          | \$ -                         | \$ 16,807                     | \$ 3,571        | \$ 27,102        |
| <b>Net position restricted for:</b>                     |                        |                   |                              |                               |                 |                  |
| Debt service  | 46                     | 1,620             | -                            | 7                             | 57              | 1,730            |
| Construction  | 42                     | -                 | -                            | 4,281                         | -               | 4,323            |
| Housing vouchers  | -                      | -                 | -                            | -                             | -               | -                |
| Unrestricted net position (deficit)                     | (966)                  | 1,549             | -                            | (1,378)                       | 576             | (219)            |
| <b>Total net position</b>                               | <b>\$ 4,156</b>        | <b>\$ 4,859</b>   | <b>\$ -</b>                  | <b>\$ 19,717</b>              | <b>\$ 4,204</b> | <b>\$ 32,936</b> |
| <b>CONDENSED STATEMENT OF REVENUES,</b>                 |                        |                   |                              |                               |                 |                  |
| <b>EXPENSES AND CHANGES IN NET POSITION</b>             |                        |                   |                              |                               |                 |                  |
| Operating revenues                                      | \$ 3,660               | \$ 4,016          | \$ -                         | \$ 4,248                      | \$ 1,808        | \$ 13,732        |
| Depreciation  | (325)                  | (547)             | -                            | (1,485)                       | (321)           | (2,678)          |
| Other operating expenses                                | (4,037)                | (2,422)           | -                            | (4,009)                       | (1,007)         | (11,475)         |
| <b>Operating income (loss)</b>                          | <b>(702)</b>           | <b>1,047</b>      | <b>-</b>                     | <b>(1,246)</b>                | <b>480</b>      | <b>(421)</b>     |
| <b>Nonoperating revenues (expenses):</b>                |                        |                   |                              |                               |                 |                  |
| Interest on investments                                 | 7                      | 1                 | -                            | 67                            | 3               | 78               |
| Transfer of operations to Albuquerque Housing Authority | -                      | -                 | (24,797)                     | -                             | -               | (24,797)         |
| Housing assistance payments                             | -                      | -                 | -                            | -                             | -               | -                |
| Interest and other debt related expenses                | -                      | (486)             | -                            | -                             | (349)           | (835)            |
| Other   | 68                     | -                 | -                            | 110                           | 3               | 181              |
| Transfers in  | 1,050                  | -                 | -                            | 205                           | 161             | 1,416            |
| Transfers out   | (75)                   | (60)              | -                            | (127)                         | -               | (262)            |
| <b>Change in net position</b>                           | <b>348</b>             | <b>502</b>        | <b>(24,797)</b>              | <b>(991)</b>                  | <b>298</b>      | <b>(24,640)</b>  |
| Beginning net position (Restated, see note)             | 3,808                  | 4,357             | 24,797                       | 20,708                        | 3,906           | 57,576           |
| <b>Ending net position</b>                              | <b>\$ 4,156</b>        | <b>\$ 4,859</b>   | <b>\$ -</b>                  | <b>\$ 19,717</b>              | <b>\$ 4,204</b> | <b>\$ 32,936</b> |
| <b>CONDENSED STATEMENT OF CASH FLOWS</b>                |                        |                   |                              |                               |                 |                  |
| <b>Net cash provided (used) by:</b>                     |                        |                   |                              |                               |                 |                  |
| Operating activities                                    | \$ 44                  | \$ 1,598          | \$ -                         | \$ 223                        | \$ 864          | \$ 2,729         |
| Noncapital financing activities                         | 858                    | (60)              | -                            | 78                            | 161             | 1,037            |
| Capital and related financing activities                | (439)                  | (1,171)           | -                            | (140)                         | (1,026)         | (2,776)          |
| Investing activities                                    | 7                      | 1                 | -                            | 67                            | 2               | 77               |
| <b>Net increase (decrease)</b>                          | <b>470</b>             | <b>368</b>        | <b>-</b>                     | <b>228</b>                    | <b>1</b>        | <b>1,067</b>     |
| Beginning cash and cash equivalents                     | 666                    | 3,252             | -                            | 2,430                         | 905             | 7,253            |
| <b>Ending cash and cash equivalents</b>                 | <b>\$ 1,136</b>        | <b>\$ 3,620</b>   | <b>\$ -</b>                  | <b>\$ 2,658</b>               | <b>\$ 906</b>   | <b>\$ 8,320</b>  |

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The Golf Course Fund charges a greens fee for the use of the City's golf courses. The Apartments Fund charges rental on housing for persons who meet eligibility requirements based on the level of income earned. The Stadium Fund provides a baseball stadium that is being used by an AAA class baseball team. The Parking Fund charges fees for the use of City-owned parking facilities. As of June 30, 2014, the Housing Authority is no longer reported a fund of the City of Albuquerque. They are included in the City's Financial Statements as a component unit in the fiscal year 2015.

**L. Defined benefit pension plan**

*General Information about the Pension Plan*

*Plan description.* Substantially all of the City's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at [www.pera.state.nm.us](http://www.pera.state.nm.us).

*Benefits provided.* The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. Effective July 1, 2013, new legislation enabled two benefit tiers under each PERA coverage plan. The coverage plans include Municipal General, Municipal Police and Municipal Fire Plans. Members are eligible to retire. Plan members are required to contribute between 7.74%-18.15% of their gross salary, depending on the specific plan type. The City is required to contribute between 7.40%-21.65% of the gross covered salary, depending on the specific plan type.

*Contributions.* The following are the plans covered by the City and the contribution requirements (in thousands of dollars) for the year ended June 30, 2015:

| Group Covered                        | Employee |                  | Employer |                  |
|--------------------------------------|----------|------------------|----------|------------------|
|                                      | Percent  | Amount           | Percent  | Amount           |
| General, Management, and Bus Drivers | 14.16%   | \$ 22,103        | 9.55%    | \$ 14,426        |
| Temporary Employees                  | 7.74%    | 44               | 7.40%    | 46               |
| J-Series 20 Year                     | 18.15%   | 161              | 17.05%   | 151              |
| Police                               | 17.78%   | 10,147           | 18.90%   | 10,774           |
| Fire                                 | 17.70%   | 6,470            | 21.65%   | 7,914            |
|                                      |          | \$ <u>38,925</u> |          | \$ <u>33,311</u> |

The contribution requirements of plan members and the City are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. In accordance with Chapter 10, Article 11, Section 5 NMSA 1978, the City has elected to make a percentage of the employees' contributions. The percentage of the employees' contributions paid by the City varies according to the specific plan type. The City's required contributions to PERA for the years ending June 30, 2015, 2014, and 2013 were \$33,311,341, \$32,575,247, and \$31,526,501, respectively. The City's total contributions to PERA, including the employer required contributions and the portion the City pays for the employees for the years ending June 30, 2015, 2014, and 2013 were \$72,235,762, \$58,202,765, and \$60,980,095, respectively.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

As of June 30, 2015, The City of Albuquerque reported a net pension liability of \$375,253,737 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of Albuquerque's proportion of the net pension liability was based on the City's share of contributions to the pension plan by type for fiscal year 2014. As June 30, 2014, the City of Albuquerque's proportional share was 18.35% of the Municipal General Division, 28.85% of the Municipal Police Division, and 33.08% of the Municipal Fire Division.

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For the year ended June 30, 2015, the City recognized pension expense of \$51,964,385. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience  | \$ -                              | \$ -                             |
| Change in assumptions   | 4,790,977                         | 7,736,782                        |
| Net difference between projected and actual earnings on pension plan investments                          | -                                 | 110,108,409                      |
| Changes in proportion and differences between City contributions and proportionate share of contributions | -                                 | -                                |
| City contributions subsequent to the measurement date   | 60,217,368                        | -                                |
| Total   | <u>\$ 65,008,345</u>              | <u>\$ 117,845,191</u>            |

The amount of contributions related to fiscal year 2015 have been reported as deferred outflows of resources related to pensions and will be recognized as a reduction of the net pension liability in fiscal year 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| Fiscal Year Ended June 30: | Amount        |
|----------------------------|---------------|
| 2016                       | \$ 28,257,047 |
| 2017                       | 28,257,047    |
| 2018                       | 28,257,047    |
| 2019                       | 28,257,047    |
| 2020                       | 14,655        |
| Thereafter                 | -             |

*Actuarial assumptions.* The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods including the measurement:

| Actuarial Methods          |                                      |
|----------------------------|--------------------------------------|
| Actuarial valuation date   | June 30, 2013                        |
| Actuarial cost method      | Entry Age Normal                     |
| Amortization method        | Level Percentage of Pay              |
| Amortization period        | Solved for based on statutory rates  |
| Asset valuation method     | Fair Value                           |
| Actuarial Assumptions      |                                      |
| Investment rate of return  | 7.75% annual rate, net of investment |
| Payroll Growth             | 3.5% annual rate                     |
| Projected salary increases | 3.5% to 14.25% annual rate           |
| Inflation assumption       | 3.00% annual rate                    |

The long-term expected rate of return on pension plan investments was determined using statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and

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inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| ALL FUNDS - Asset Class      | Target Allocation | Long-Term Expected Real Rate of Return |
|------------------------------|-------------------|--|
| US Equity                    | 21.1%             | 5.00%                                  |
| International Equity         | 24.8%             | 5.20%                                  |
| Private Equity               | 7.0%              | 8.20%                                  |
| Core and Global Fixed Income | 26.1%             | 1.85%                                  |
| Fixed Income Plus Sectors    | 5.0%              | 4.80%                                  |
| Real Estate                  | 5.0%              | 5.30%                                  |
| Real Assets                  | 7.0%              | 5.70%                                  |
| Absolute Return              | 4.0%              | 4.15%                                  |
|                              | 100.0%            |  |

*Discount rate.* The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASB 67. Therefore, the 7.75% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. Inflation rate assumption is 3% per annum, compounded annually.

*Sensitivity of the City of Albuquerque's proportionate share of the net pension liability to changes in the discount rate.* The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percent lower (6.75 percent) or 1-percent higher (8.75 percent) than the current rate:

|   | 1% Decrease<br>(6.75%) | Current Discount Rate<br>(7.75%) | 1% Increase<br>(8.75%) |
|---|------------------------|----------------------------------|------------------------|
| City's proportionate share of the net pension liability | \$ 644,248,812         | \$ 375,253,737                   | \$ 171,591,810         |

**Pension plan fiduciary net position.** Detailed information about the pension plan's fiduciary net position is available in the separately issued PERA Financial Report.

**Payables to the pension plan**

As of June 30, 2015, there was a \$3,617,260 PERA contributions payable of which \$2,827,565 was for pay period June 26, 2015 and a \$789,695 accrual through June 30, 2015.

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**M. Post-employment benefits**

In addition to providing pension benefits described in Note L, 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.

Postemployment Life Insurance Benefits

Plan Description - The City's Life Insurance Benefit Plan (Plan) is a cost sharing multiple-employer plan administered as a formal trust by the City of Albuquerque. The Plan includes coverage for all City employees. The Plan also includes coverage for the employees of the Albuquerque Bernalillo County Water Authority (a separate legal entity, formerly a component unit of the City). The Albuquerque Pooled OPEB Trust Plan issues a separate report that can be obtained from the Accounting Division at P.O. Box 1293, Room 8010, 8<sup>th</sup> Floor, Albuquerque, NM 87103. The Water Utility Authority and the City have different benefit rules. Insurance benefits are authorized by the City's Merit System Ordinance and Personnel Rules and Regulations. Upon retirement with the City, an employee will continue to be covered by the City's plan at no cost to the employee. Coverage will be one-half of the coverage reflected on the most recent annual life insurance adjustment report immediately prior to retirement up to a maximum of \$25,000. Effective July 1, 2008 the minimum amount of coverage per retiree is \$12,500. The number of retired employees covered under the life insurance benefit was 4,654 at June 30, 2015, and the amount of life insurance coverage for these retired employees was \$102,731,600.

Funding Policy - In fiscal year 2014, the City of Albuquerque and the Water Utility Authority created a City of Albuquerque Pooled OPEB Trust Fund. Prior to July 1, 2013, the City had been contributing only the amount required to pay retiree life insurance premiums each year. The City has set the contribution rate each year based on an actuarial valuation. The contributions are expected to match or exceed the annual required contribution (ARC) calculated in the actuarial study in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan for the remainder of the 30 year closed period. Total contributions made for fiscal year ending June 30, 2015 exceeded the annual required contribution. Monthly invoices for retiree life insurance premiums are paid out of the trust. When expected benefit claims exceed retiree premiums, the City is allowed to treat the implicit subsidy as a contribution towards the OPEB liability. The City's total contributions to the trust for the year ending June 30, 2015 were \$2,918,196.

Annual OPEB Cost and Net OPEB Obligation - The City's annual postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the Plan, and the changes in the City's net OPEB obligation to the Plan.

|  |                     |
|--|---------------------|
| Net OPEB obligation at beginning of year                   | <u>\$ 4,815,877</u> |
| Plus: Projected annual OPEB costs                          |                     |
| Interest on net OPEB obligation at beginning of year       | 227,277             |
| Annual required contribution (ARC) for current fiscal year | 2,867,370           |
| ARC adjustment for current fiscal year                     | <u>(254,326)</u>    |
|  | <u>2,840,321</u>    |
| Less: Employer contribution                                | (1,938,999)         |
| Implicit subsidy   | <u>(1,249,538)</u>  |
| Net OPEB obligation at end of year                         | <u>\$ 4,467,661</u> |

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The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2015 and the three preceding years were as follows:

| <u>Fiscal<br/>Year-ended</u> | <u>OPEB<br/>Contributions</u> | <u>Annual OPEB<br/>Cost</u> | <u>Percentage<br/>Contributed</u> |
|------------------------------|-------------------------------|-----------------------------|-----------------------------------|
| 6/30/2012                    | \$ 892,000                    | \$ 3,909,642                | 22.82%                            |
| 6/30/2013                    | \$ 1,560,915                  | \$ 3,832,304                | 40.73%                            |
| 6/30/2014                    | \$ 11,412,100                 | \$ 3,207,329                | 355.81%                           |
| 6/30/2015                    | \$ 2,918,196                  | \$ 2,840,321                | 102.74%                           |

**Funding Status and Funding Progress** - As of June 30, 2015 the Plan was 24.92% funded using the criteria established by GASBS 45. The actuarial accrued liability for benefits was \$50,560,421 (\$10,384,703 for active employees and \$39,875,718 for retired employees). Plan assets as of June 30, 2015 was \$12,597,167. The covered payroll (annual payroll of active employees covered by the Plan) was \$269,614,080 and the ratio of the Unfunded Actuarial Accrued Liability (UAAL) to the covered payroll was 14.08%. The ARC as a percent of payroll is 1.06% of which 0.3% is the normal cost as a percent of payroll. The ARC per active employee is \$517. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events of events far into the future. Examples include assumptions about future employment, mortality, and changes in life expectancies. Amounts determined regarding the funded status of the Plan and the annual required contributions of the City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress is presented as required supplementary information following the notes to the financial statements.

**Actuarial Methods and Assumptions** - Projections of benefits for financial reporting purposes are based on the Plan as understood by the City and the Plan members and include the types of benefits provided at the time of each valuation and the City's historical pattern of paying for the Plan. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the June 30, 2015, actuarial valuation, the Entry Age Normal (EAN) funding method was used where, for each plan member, the actuarial present value of benefits is levelly spread over the Plan member's earnings or service from entry age to assumed exit age. The EAN cost method is generally regarded by actuaries as the most stable of the funding methods. The goal of GASBS 45 is to match recognition of retiree life expense with the periods during which the benefit is earned and the City's actuary believe that EAN funding method effectively meets that goal in most circumstances. Another important issue in these calculations is the treatment of implicit subsidies where retiree coverage is subsidized by active employee costs. The City pays the same insurance premium rates for both active and retired employees, because the retired employees are on average older than active employees, there is an implicit subsidy of retiree coverage by active employee costs, which GASBS 45 generally requires be attributed to the retiree liability. The actuarial assumptions included a 5.0 percent investment rate of return on expected long-term returns on the City's Trust investments calculated on the funded level of the Plan at the valuation date. As of June 30, 2015, the City contributed \$1,938,999, excluding the implicit subsidy. Taxable interest and dividends earned during the year was \$362,449. Realized losses were (\$28,278). The change in Unrealized gains/losses and accrued income were (\$425,999) and \$113 respectively. The City intends to amortize the UAAL over a thirty-year period under the level percentage of pay method. The remaining amortization period at June 30, 2015, was 24 years. The ARC was based on a 5.0 percent discount rate.

**Retiree Health Care Act Contributions**

**Plan Description** - The City contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

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Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Retiree Health Care Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

**Funding Policy** - The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at [www.nmrhca.state.nm.us](http://www.nmrhca.state.nm.us).

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers are January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees who are members of an enhanced retirement plan (state police and adult correctional officer coverage plan 1; municipal police member coverage plans 3, 4 and 5; municipal fire member coverage plan 3, 4 and 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act [10-12B-1 NMSA 1978]), during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary, and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The City's contributions to the RHCA for the years ended June 30, 2015, 2014, and 2013 were \$5,394,698, \$5,350,483, and \$5,470,619, respectively, which equal the required contributions for each year.

**N. Landfill closure and post-closure care costs**

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 as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$2,817,019 reported as accrued landfill closure costs from restricted assets at June 30, 2015, represents the cumulative amount reported to date based on the use of 29% of the estimated capacity of the Cerro Colorado Landfill.

The City will recognize the remaining estimated cost of closure and post-closure care of \$6,882,341 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 2015. The City expects to close the landfill in the year 2077. Actual cost may be higher due to inflation, change in technology, or change in regulations. The City has set aside \$3,360,200 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

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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.

Annually the City files a financial assurance report for closure and post-closure costs with the New Mexico Department of Environmental Quality as required by 20.9.5.16 NMAC. CDM Smith, an engineering and consulting firm, provides the Solid Waste Department with an Airspace Depletion Analysis report and the analytical data from the report is used to determine the estimated Landfill closure and post-closure care costs.

**O. Restatement of previously reported net position**

The City implemented GASB Statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the City to record beginning net pension obligation and the effects on net position of contributions made by the City during the measurement period (fiscal year ending June 30, 2014). The total restatement for governmental and business-type activities attributed to the implementation of GASBS 68 is (\$383,350,480) and (\$57,369,178) respectively. In addition to including a restatement for GASBS 68, the Housing Authority fund contains restatements for an erroneous transfer in the prior year as well as for assets not moved out of construction in process for prior years, which resulted in underreporting of depreciation; restatement amounts for the Housing Authority Fund are (\$2,768,386), (\$350,000) and (\$453,853) respectively. The result of excluding these items from the prior year financial statements resulted in the underreporting of expense and an over reporting of net position in the Housing Authority Fund. In addition, the Airport and Transit Funds are restated for unrecorded prior year grants accounts receivable which resulted in an understatement of receivables, net position and revenues by \$3,534,321 and \$1,610,179 respectively. As a result, net position for the governmental and business-type activities changed as follows:

|   | <u>June 30, 2014 as previously reported</u> | <u>Restatement of Net Position</u> | <u>July 1, 2014, as restated</u> |
|---|---|------------------------------------|----------------------------------|
| Governmental net position                                     | \$ 3,398,680,358                            | \$ (377,582,494)                   | \$ 3,021,097,864                 |
| Internal service funds included in governmental net position: |   |                                    |                                  |
| Communications Fund   | 849,150                                     | (1,089,321)                        | (240,171)                        |
| Employee Insurance Fund                                       | 3,089,484                                   | (548,272)                          | 2,541,212                        |
| Fleet Management Fund   | 315,562                                     | (1,741,538)                        | (1,425,976)                      |
| Risk Management Fund  | (33,758,976)                                | (1,979,113)                        | (35,738,089)                     |
| Supplies Inventory Management Fund                            | 2,661,486                                   | (409,742)                          | 2,251,744                        |
| <b>Total governmental activities</b>                          | <b>\$ 3,371,837,064</b>                     | <b>\$ (383,350,480)</b>            | <b>\$ 2,988,486,584</b>          |
| Business-type net position                                    |   |                                    |                                  |
| Major enterprise funds net position:                          |   |                                    |                                  |
| Airport Fund  | \$ 327,878,704                              | \$ (9,686,353)                     | \$ 318,192,351                   |
| Refuse Disposal Fund  | 76,394,614                                  | (18,071,083)                       | 58,323,531                       |
| Transit Fund  | 111,594,720                                 | (17,074,446)                       | 94,520,274                       |
| Non-major enterprise funds net position:                      |   |                                    |                                  |
| Golf Course Fund  | 5,316,604                                   | (1,508,691)                        | 3,807,913                        |
| Apartments Fund   | 4,356,884                                   | -                                  | 4,356,884                        |
| Housing Authority Fund  | 28,369,144                                  | (3,572,239)                        | 24,796,905                       |
| Parking Facilities Fund                                       | 22,117,553                                  | (1,409,449)                        | 20,708,104                       |
| Stadium Fund  | 4,004,659                                   | (98,564)                           | 3,906,095                        |
| <b>Total business-type activities</b>                         | <b>\$ 580,032,882</b>                       | <b>\$ (51,420,825)</b>             | <b>\$ 528,612,057</b>            |

**P. Risk management**

The City is exposed to various risks of loss related to torts and civil rights claims (including law enforcement and employment related exposures); theft, damage and destruction of its real and personal assets; workers compensation losses; errors and omissions of City officers and officials; and natural disasters. The City uses the Risk Management Fund 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 \$1,500,000 for each workers' compensation incident, \$1,050,000 for each tort liability claim, and \$50,000 for each City real and contents damage claim. Losses in other categories and catastrophic losses in the mentioned categories are the subject of insurance and/or actuarially reviewed retentions. Whenever a risk exposure is insured, the

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City continues to benefit from case coverage on claims that were incurred during the insured claim year. The City has not reduced insurance coverage and has not exceeded coverage limits in the past three years.

The Risk Management Fund tracks claims on a fund by fund basis and assesses charges to each fund based on historical claims experience and the need to establish a reserve for unanticipated catastrophic losses. That reserve was \$1,000,000 at June 30, 2015, and is included in the unrestricted net position 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. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic factors. Each year reserves are reviewed and increased or decreased based on information available at the time. The estimate of the claims liability also includes amounts for incremental claim adjustments expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. Based on historical data, the City believes the Risk Management Fund is adequately funded.

In the fiscal year ended in 2013, the City conducted a review of both its philosophy for reserving of funds and the tools used to analyze the reported claims liability. As a result of this review, and based on information pertaining to existing claims, the City determined that a higher claims liability was needed. The City plans to increase annual funding to the Risk Management Fund assets in the amount of \$2.5 million per year by increasing charges to other funds beginning in fiscal year 2015.

Finally, the City has reserve amounts created by the City's policy to reserve one-twelfth of the General Fund budgeted amount. The amounts and change in the Fund's claims liability in fiscal year 2015 and 2014 were:

|  | 2015          | 2014           |
|--|---------------|----------------|
| Claims liability at July 1                             | \$ 99,451,037 | \$ 109,832,650 |
| Current year claims and change in estimates            | 24,700,190    | 22,682,779     |
| Claims liquidated                                      | (34,608,976)  | (33,064,392)   |
| Claims liability at June 30                            | 89,542,251    | 99,451,037     |
| The components of the claims liability at June 30 are: |               |                |
| Current portion  | 23,901,290    | 22,250,000     |
| Noncurrent portion                                     | 65,640,961    | 77,201,037     |
| Total claims liability                                 | \$ 89,542,251 | \$ 99,451,037  |

**Q. Albuquerque Housing Authority – Component Unit**

City of Albuquerque resolution 2010-97 created the Albuquerque Housing Authority (Authority) as a public body corporate separate from the municipal corporation of the City effective July 1, 2011. The Authority was delegated the powers necessary to operate as a public housing authority pursuant to NMSA 1978 3-45-5 of the Municipal Housing Law. City of Albuquerque resolution 2012-105 amended resolution 2010-97 to extend the time City employees working at the Authority could remain to June 30, 2014. Under the amended resolution, the Albuquerque Housing Authority operated as a fund of the City of Albuquerque. Effective July 1, 2014, all assets, debts, and employees that remained with the Authority were transferred to the Albuquerque Housing Authority. Under the guidelines of GASB statements 14 and 61, the Authority became a component unit of the City of Albuquerque.

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**R. Albuquerque Housing Authority – Transfer of Operations**

As described in Note Q, the Albuquerque Housing Authority (Authority) became a public body corporate separate from the municipal corporation of the City. As a result of resolutions 2010-97 and 2012-105, the following assets, liabilities and net position has been transferred to the Albuquerque Housing Authority effective July 1, 2014. Under the guidelines of GASB statements 14 and 61, the Authority became a component unit of the City of Albuquerque.

City of Albuquerque, New Mexico  
 Albuquerque Housing Authority  
 Statement of Net Position  
 June 30, 2014

|  | Total                |
|--|----------------------|
| <b>ASSETS</b>  |                      |
| Current assets:  |                      |
| Cash, investments, and accrued interest                          | \$ 12,189,250        |
| Accounts receivable, net of allowance for uncollectible accounts | 141,630              |
| Prepaid expenses   | 15,227               |
| Inventories of supplies  | 198,820              |
| <b>Total current assets</b>                                      | <b>12,544,927</b>    |
| Noncurrent assets:   |                      |
| Restricted assets  | 8,464,569            |
| Total capital assets   | 9,046,077            |
| <b>Total noncurrent assets</b>                                   | <b>17,510,646</b>    |
| <b>Total assets</b>  | <b>\$ 30,055,573</b> |
| <b>LIABILITIES</b>   |                      |
| Current liabilities  | \$ 1,952,727         |
| Noncurrent liabilities   | 3,305,941            |
| <b>Total liabilities</b>   | <b>5,258,668</b>     |
| <b>NET POSITION</b>  |                      |
| Net investment in capital assets                                 | 8,749,732            |
| Restricted for:  |                      |
| Housing vouchers   | 9,783,784            |
| Unrestricted   | 6,263,389            |
| <b>Total net position</b>  | <b>\$ 24,796,905</b> |

**S. Commitments and contingencies**

Encumbrances for purchase orders, contracts, and other commitments for expenditures are recorded in memorandum accounts of the City's governmental funds. Encumbrances lapse for budgetary purposes at the end of each fiscal year and the subsequent year's appropriations provide authority to complete these transactions. For the General Fund and other operating funds, large non-recurring encumbrances are re-appropriated to the following fiscal year so that the commitment does not cause expenses to exceed appropriations.

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Outstanding encumbrances as of June 30, 2015 are reported in the table below.

|                               |                      |
|-------------------------------|----------------------|
| Government activities:        |                      |
| Major Funds:                  |                      |
| General Fund                  | \$ 3,435,248         |
| Capital Acquisition Fund      | 35,361,104           |
| Nonmajor government funds     | <u>13,083,011</u>    |
| Total governmental activities | <u>\$ 51,879,363</u> |

In addition, the business-type funds have uncompleted construction and other commitments for construction, improvements and replacements or from operating revenues:

|                                |                      |
|--------------------------------|----------------------|
| Business-type activities:      |                      |
| Major Funds:                   |                      |
| Airport Fund                   | \$ 70,479,890        |
| Refuse Disposal Fund           | 15,525,147           |
| Transit Fund                   | 8,668,815            |
| Nonmajor business-type funds   | <u>4,322,898</u>     |
| Total business-type activities | <u>\$ 98,996,750</u> |

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

The City has received a number of Federal and State grants for specific purposes. These grants are subject to audit and 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 discrepancies, if any, will not be material.

**T. Budget violations**

The City's spending was in compliance with appropriated budget at all fund levels. The City produces quarterly expenditure reports and provides the information to City Departments in an effort to stay in compliance with budgetary amounts.

**U. Significant effects of subsequent events**

The City of Albuquerque entered into commodity forward fuel hedging contracts beginning fiscal year 2012 in order to hedge or mitigate the effect of market price fluctuations of diesel and gasoline. The City entered into fuel hedging contracts for fiscal year 2016 before the fuel prices dropped to historical levels. In fiscal year 2016 through October 2015, the City has paid \$1.4 million to its' counter party due to actual gas prices falling below the fixed hedge price. The hedge is considered effective and a deferred outflow of resources has been recorded in fiscal year 2015.

## APPENDIX B

### CUSIP Numbers for Outstanding City Bonds

| BOND ISSUE NAME                          | D/S MONTH &<br>YEAR | CUSIP     | PRINCIPAL   |
|--|---------------------|-----------|-------------|
| Airport Refunding 2004A                  | July 2016           | 013538GZ0 | \$1,890,000 |
| Airport Refunding 2004A                  | July 2017           | 013538HA4 | 1,980,000   |
| Airport Refunding 2004A                  | July 2018           | 013538HB2 | 1,790,000   |
| Airport Refunding 2004B                  | July 2016           | 013538HM8 | \$1,665,000 |
| Airport Refunding 2004B                  | July 2017           | 013538HN6 | 1,665,000   |
| Airport Refunding 2004B                  | July 2018           | 013538HP1 | 1,665,000   |
| Airport Refunding 2004B                  | July 2019           | 013538HQ9 | 1,665,000   |
| Airport Refunding 2004B                  | July 2020           | 013538HR7 | 1,665,000   |
| Airport Refunding 2004B                  | July 2021           | 013538HS5 | 1,665,000   |
| Airport Refunding 2004B                  | July 2022           | 013538HT3 | 1,665,000   |
| Airport Refunding 2004B                  | July 2023           | 013538HU0 | 1,665,000   |
| Airport Refunding 2004B                  | July 2024           | 013538HV8 | 1,665,000   |
| Airport Refunding Revenue Bonds 2008     | July 2016           | 013538JD6 | \$2,100,000 |
| Airport Refunding Revenue Bonds 2008     | July 2017           | 013538JE4 | 2,190,000   |
| Airport Refunding Revenue Bonds 2008     | July 2018           | 013538JF1 | 2,300,000   |
| Airport Refunding Revenue Bonds 2008C    | July 2016           | 013538JW4 | \$400,000   |
| Airport Refunding Revenue Bonds 2008C    | July 2017           | 013538JX2 | 405,000     |
| Airport Refunding Revenue Bonds 2008C    | July 2018           | 013538JY0 | 495,000     |
| Airport Refunding Revenue Bonds 2008C    | July 2019           | 013538JZ7 | 490,000     |
| Airport Refunding Revenue Bonds 2008C    | July 2020           | 013538KA0 | 480,000     |
| General Obligation General Purpose 2007B | July 2016           | 013518W43 | \$2,805,000 |
| General Obligation General Purpose 2008A | July 2016           | 013518X67 | \$4,775,000 |
| General Obligation General Purpose 2008A | July 2017           | 013518X75 | 800,000     |
| General Obligation General Purpose 2009A | July 2016           | 013518Y74 | \$6,110,000 |
| General Obligation General Purpose 2009A | July 2017           | 013518Y82 | 6,110,000   |
| General Obligation General Purpose 2009A | July 2018           | 013518Y90 | 6,090,000   |

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| General Obligation General Purpose 2011A | July 2016 | 013518Z73 | \$10,700,000 |
| General Obligation General Purpose 2011A | July 2017 | 013518Z81 | 10,700,000   |
| General Obligation General Purpose 2011A | July 2018 | 013518Z99 | 10,700,000   |
| General Obligation General Purpose 2011A | July 2019 | 0135182A2 | 10,700,000   |
| General Obligation General Purpose 2011A | July 2020 | 0135182B0 | 10,700,000   |
| General Obligation General Purpose 2011A | July 2021 | 0135182C8 | 10,700,000   |
| General Obligation General Purpose 2011A | July 2022 | 0135182D6 | 10,700,000   |
| General Obligation General Purpose 2011A | July 2023 | 0135182E4 | 10,700,000   |
| General Obligation General Purpose 2012A | July 2016 | 0135182J3 | \$5,700,000  |
| General Obligation General Purpose 2012A | July 2017 | 0135182K0 | 5,700,000    |
| General Obligation General Purpose 2012A | July 2018 | 0135182L8 | 5,700,000    |
| General Obligation General Purpose 2012A | July 2019 | 0135182M6 | 5,700,000    |
| General Obligation General Purpose 2012A | July 2020 | 0135182N4 | 5,700,000    |
| General Obligation General Purpose 2012A | July 2021 | 0135182P9 | 5,700,000    |
| General Obligation General Purpose 2012A | July 2022 | 0135182Q7 | 5,700,000    |
| General Obligation General Purpose 2012A | July 2023 | 0135182R5 | 5,700,000    |
| General Obligation General Purpose 2012A | July 2024 | 0135182S3 | 3,445,000    |
| General Obligation General Purpose 2013A | July 2016 | 0135182X2 | \$6,040,000  |
| General Obligation General Purpose 2013A | July 2017 | 0135182Y0 | 6,040,000    |
| General Obligation General Purpose 2013A | July 2018 | 0135182Z7 | 6,040,000    |
| General Obligation General Purpose 2013A | July 2019 | 0135183A1 | 6,040,000    |
| General Obligation General Purpose 2013A | July 2020 | 0135183B9 | 6,040,000    |
| General Obligation General Purpose 2013A | July 2021 | 0135183C7 | 6,040,000    |
| General Obligation General Purpose 2013A | July 2022 | 0135183D5 | 6,040,000    |
| General Obligation General Purpose 2013A | July 2023 | 0135183E3 | 6,050,000    |
| General Obligation General Purpose 2013A | July 2024 | 0135183F0 | 6,050,000    |
| General Obligation General Purpose 2013A | July 2025 | 0135183G8 | 6,050,000    |
| General Obligation General Purpose 2013A | July 2026 | 0135183H6 | 1,075,000    |
| General Obligation General Purpose 2014A | July 2016 | 0135183L7 | \$4,805,000  |
| General Obligation General Purpose 2014A | July 2017 | 0135183M5 | 4,805,000    |
| General Obligation General Purpose 2014A | July 2018 | 0135183N3 | 4,805,000    |
| General Obligation General Purpose 2014A | July 2019 | 0135183P8 | 4,805,000    |
| General Obligation General Purpose 2014A | July 2020 | 0135183Q6 | 4,805,000    |
| General Obligation General Purpose 2014A | July 2021 | 0135183R4 | 4,800,000    |
| General Obligation General Purpose 2014A | July 2022 | 0135183S2 | 4,800,000    |
| General Obligation General Purpose 2014A | July 2023 | 0135183T0 | 4,800,000    |
| General Obligation General Purpose 2014A | July 2024 | 0135183U7 | 4,800,000    |
| General Obligation General Purpose 2014A | July 2025 | 0135183V5 | 4,800,000    |
| General Obligation General Purpose 2014A | July 2026 | 0135183W3 | 4,230,000    |

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| General Obligation General Purpose 2014B | July 2026 | 0135183X1 | \$575,000   |
| General Obligation General Purpose 2014B | July 2027 | 0135183Y9 | 4,800,000   |
| General Obligation General Purpose 2015A | July 2016 | 0135183Z6 | \$3,280,000 |
| General Obligation General Purpose 2015A | July 2017 | 0135184A0 | 3,285,000   |
| General Obligation General Purpose 2015A | July 2018 | 0135184B8 | 3,285,000   |
| General Obligation General Purpose 2015A | July 2019 | 0135184C6 | 3,285,000   |
| General Obligation General Purpose 2015A | July 2020 | 0135184D4 | 3,285,000   |
| General Obligation General Purpose 2015A | July 2021 | 0135184E2 | 3,285,000   |
| General Obligation General Purpose 2015A | July 2022 | 0135184F9 | 3,285,000   |
| General Obligation General Purpose 2015A | July 2023 | 0135184G7 | 3,285,000   |
| General Obligation General Purpose 2015A | July 2024 | 0135184H5 | 3,285,000   |
| General Obligation General Purpose 2015A | July 2025 | 0135184J1 | 3,285,000   |
| General Obligation General Purpose 2015A | July 2026 | 0135184K8 | 3,285,000   |
| General Obligation General Purpose 2015A | July 2027 | 0135184L6 | 1,840,000   |
| General Obligation Storm Sewer 2007C     | July 2016 | 013518W68 | \$2,540,000 |
| General Obligation Storm Sewer 2008B     | July 2017 | 013518X83 | \$4,000,000 |
| General Obligation Storm Sewer 2012B     | July 2024 | 0135182T1 | \$2,255,000 |
| General Obligation Storm Sewer 2012B     | July 2025 | 0135182U8 | 5,780,000   |
| General Obligation Storm Sewer 2013B     | July 2026 | 0135183J2 | \$4,980,000 |
| General Obligation Storm Sewer 2014B     | July 2026 | 0135183X1 | \$575,000   |
| General Obligation Storm Sewer 2014B     | July 2027 | 0135183Y9 | 4,800,000   |
| General Obligation Storm Sewer 2015B     | July 2027 | 0135184M4 | \$1,441,000 |
| General Obligation Storm Sewer 2015B     | July 2028 | 0135184N2 | 3,285,000   |
| Gross Receipts Tax Refunding 2008B       | July 2016 | 01354PCX0 | \$415,000   |
| Gross Receipts Tax Refunding 2008B       | July 2017 | 01354PCY8 | 435,000     |
| Gross Receipts Tax Refunding 2008B       | July 2018 | 01354PCZ5 | 455,000     |
| Gross Receipts Tax Refunding 2008B       | July 2019 | 01354PDA9 | 480,000     |
| Gross Receipts Tax Refunding 2008B       | July 2020 | 01354PDB7 | 505,000     |
| Gross Receipts Tax Refunding 2008B       | July 2021 | 01354PDC5 | 530,000     |
| Gross Receipts Tax Refunding 2008B       | July 2022 | 01354PDD3 | 555,000     |
| Gross Receipts Tax Refunding 2008B       | July 2023 | 01354PDE1 | 580,000     |
| Gross Receipts Tax Refunding 2008B       | July 2026 | 01354PDF8 | 1,930,000   |
| Gross Receipts Tax Refunding 2008B       | July 2030 | 01354PDG6 | 3,090,000   |
| Gross Receipts Tax Refunding 2009B       | July 2016 | 01354PDP6 | \$3,180,000 |
| Gross Receipts Tax Refunding 2009B       | July 2017 | 01354PDQ4 | 3,345,000   |
| Gross Receipts Tax Refunding 2009B       | July 2018 | 01354PDR2 | 3,505,000   |
| Gross Receipts Tax Refunding 2009B       | July 2019 | 01354PDS0 | 3,740,000   |
| Gross Receipts Tax Refunding 2009B       | July 2020 | 01354PDT8 | 3,940,000   |
| Gross Receipts Tax Refunding 2009B       | July 2021 | 01354PDU5 | 4,075,000   |
| Gross Receipts Tax Refunding 2009B       | July 2022 | 01354PDV3 | 840,000     |

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| Gross Receipts Tax Series 2013            | July 2016 | 01354PDY7 | \$1,375,000 |
| Gross Receipts Tax Series 2013            | July 2017 | 01354PDZ4 | 350,000     |
| Gross Receipts Tax Series 2013            | July 2017 | 01354PEQ3 | 1,070,000   |
| Gross Receipts Tax Series 2013            | July 2018 | 01354PEA8 | 1,455,000   |
| Gross Receipts Tax Series 2013            | July 2019 | 01354PEB6 | 1,500,000   |
| Gross Receipts Tax Series 2013            | July 2020 | 01354PEC4 | 1,560,000   |
| Gross Receipts Tax Series 2013            | July 2021 | 01354PED2 | 1,620,000   |
| Gross Receipts Tax Series 2013            | July 2022 | 01354PEE0 | 1,685,000   |
| Gross Receipts Tax Series 2013            | July 2023 | 01354PEF7 | 1,760,000   |
| Gross Receipts Tax Series 2013            | July 2024 | 01354PEG5 | 1,835,000   |
| Gross Receipts Tax Series 2013            | July 2025 | 01354PEH3 | 1,930,000   |
| Gross Receipts Tax Series 2013            | July 2026 | 01354PEJ9 | 2,025,000   |
| Gross Receipts Tax Series 2013            | July 2027 | 01354PEK6 | 2,125,000   |
| Gross Receipts Tax Series 2013            | July 2028 | 01354PEL4 | 2,235,000   |
| Gross Receipts Tax Series 2013            | July 2031 | 01354PEM2 | 2,000,000   |
| Gross Receipts Tax Series 2013            | July 2031 | 01354PER1 | 5,310,000   |
| Gross Receipts Tax Series 2013            | July 2033 | 01354PEN0 | 5,355,000   |
| Gross Receipts Tax Series 2013            | July 2035 | 01354PEP5 | 4,540,000   |
| Gross Receipts Tax/Lodger Refunding 2004A | July 2030 | 01354MDB4 | \$2,300,000 |
| Gross Receipts Tax/Lodger Refunding 2004A | July 2031 | 01354MDB4 | 4,280,000   |
| Gross Receipts Tax/Lodger Refunding 2004A | July 2032 | 01354MDC2 | 4,575,000   |
| Gross Receipts Tax/Lodger Refunding 2004A | July 2033 | 01354MDC2 | 4,900,000   |
| Gross Receipts Tax/Lodger Refunding 2004A | July 2034 | 01354MDE8 | 2,800,000   |
| Gross Receipts Tax/Lodger Refunding 2004A | July 2035 | 01354MDE8 | 5,605,000   |
| Gross Receipts Tax/Lodger Refunding 2004A | July 2036 | 01354MDE8 | 1,130,000   |
| Gross Receipts Tax/Lodger Refunding 2004A | July 2037 | 01354MDE8 | 6,375,000   |
| Gross Receipts Tax/Lodger Refunding 2004B | July 2016 | 01354MDR9 | \$325,000   |
| Gross Receipts Tax/Lodger Refunding 2004B | July 2017 | 01354MDR9 | 350,000     |
| Gross Receipts Tax/Lodger Refunding 2004B | July 2018 | 01354MDR9 | 370,000     |
| Gross Receipts Tax/Lodger Refunding 2004B | July 2019 | 01354MDR9 | 405,000     |
| Gross Receipts Tax/Lodger Refunding 2004B | July 2020 | 01354MDR9 | 425,000     |
| Gross Receipts Tax/Lodger Refunding 2004B | July 2021 | 01354MDR9 | 450,000     |
| Gross Receipts Tax/Lodger Refunding 2004B | July 2022 | 01354MDR9 | 465,000     |
| Gross Receipts Tax/Lodger Refunding 2004B | July 2023 | 01354MDR9 | 545,000     |
| Gross Receipts Tax/Lodger Refunding 2004B | July 2024 | 01354MDR9 | 530,000     |
| Gross Receipts Tax/Lodger Refunding 2004B | July 2025 | 01354MDS7 | 630,000     |
| Gross Receipts Tax/Lodger Refunding 2004B | July 2026 | 01354MDS7 | 2,905,000   |
| Gross Receipts Tax/Lodger Refunding 2004B | July 2027 | 01354MDS7 | 3,155,000   |
| Gross Receipts Tax/Lodger Refunding 2004B | July 2028 | 01354MDS7 | 3,415,000   |
| Gross Receipts Tax/Lodger Refunding 2004B | July 2029 | 01354MDS7 | 3,695,000   |
| Gross Receipts Tax/Lodger Refunding 2004B | July 2030 | 01354MDS7 | 1,685,000   |
| Gross Receipts Tax/Lodger Refunding 2004B | July 2034 | 01354MDS7 | 2,435,000   |
| Gross Receipts Tax/Lodger Refunding 2004B | July 2036 | 01354MDS7 | 4,855,000   |
| Gross Receipts/Lodgers 2009A              | July 2016 | 01354MEL1 | \$280,000   |
| Gross Receipts/Lodgers 2009A              | July 2017 | 01354MEM9 | 355,000     |
| Gross Receipts/Lodgers 2009A              | July 2018 | 01354MEN7 | 440,000     |

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| Gross Receipts/Lodgers 2009A           | July 2019 | 01354MEP2 | 1,070,000  |
| Gross Receipts/Lodgers 2009A           | July 2020 | 01354MEQ0 | 1,200,000  |
| Gross Receipts/Lodgers 2009A           | July 2021 | 01354MER8 | 1,340,000  |
| Gross Receipts/Lodgers 2009A           | July 2022 | 01354MES6 | 1,490,000  |
| Gross Receipts/Lodgers 2009A           | July 2023 | 01354MET4 | 280,000    |
| Gross Receipts/Lodgers 2009A           | July 2024 | 01354MEU1 | 1,775,000  |
| Gross Receipts/Lodgers 2009A           | July 2025 | 01354MEV9 | 1,870,000  |
| Gross Receipts/Lodgers Refunding 2014A | July 2016 | 01354MEX5 | \$200,000  |
| Gross Receipts/Lodgers Refunding 2014A | July 2017 | 01354MEY3 | 205,000    |
| Gross Receipts/Lodgers Refunding 2014A | July 2018 | 01354MEZ0 | 210,000    |
| Gross Receipts/Lodgers Refunding 2014A | July 2019 | 01354MFA4 | 215,000    |
| Gross Receipts/Lodgers Refunding 2014A | July 2020 | 01354MFB2 | 225,000    |
| Gross Receipts/Lodgers Refunding 2014A | July 2021 | 01354MFC0 | 230,000    |
| Gross Receipts/Lodgers Refunding 2014A | July 2022 | 01354MFD8 | 235,000    |
| Gross Receipts/Lodgers Refunding 2014A | July 2023 | 01354MFE6 | 245,000    |
| Gross Receipts/Lodgers Refunding 2014A | July 2024 | 01354MFF3 | 255,000    |
| Gross Receipts/Lodgers Refunding 2014A | July 2025 | 01354MFG1 | 265,000    |
| Gross Receipts/Lodgers Refunding 2014A | July 2026 | 01354MFH9 | 275,000    |
| Gross Receipts/Lodgers Refunding 2014A | July 2027 | 01354MFJ5 | 285,000    |
| Gross Receipts/Lodgers Refunding 2014A | July 2028 | 01354MFK2 | 290,000    |
| Gross Receipts/Lodgers Refunding 2014A | July 2029 | 01354MFL0 | 300,000    |
| Gross Receipts/Lodgers Refunding 2014A | July 2030 | 01354MFM8 | 2,610,000  |
| Gross Receipts/Lodgers Refunding 2014A | July 2031 | 01354MFN6 | 1,000,000  |
| Gross Receipts/Lodgers Refunding 2014A | July 2031 | 01354MFS5 | 3,570,000  |
| Gross Receipts/Lodgers Refunding 2014A | July 2032 | 01354MFP1 | 4,840,000  |
| Gross Receipts/Lodgers Refunding 2014A | July 2033 | 01354MFQ9 | 5,105,000  |
| Gross Receipts/Lodgers Refunding 2014A | July 2037 | 01354MFR7 | 16,285,000 |
| Gross Receipts Tax Series 2015A        | July 2016 | 01354PES9 | \$265,000  |
| Gross Receipts Tax Series 2015A        | July 2017 | 01354PET7 | 1,315,000  |
| Gross Receipts Tax Series 2015A        | July 2018 | 01354PEU4 | 1,360,000  |
| Gross Receipts Tax Series 2015A        | July 2019 | 01354PEV2 | 1,410,000  |
| Gross Receipts Tax Series 2015A        | July 2020 | 01354PEW0 | 1,470,000  |
| Gross Receipts Tax Series 2015A        | July 2021 | 01354PEX8 | 1,525,000  |
| Gross Receipts Tax Series 2015A        | July 2022 | 01354PEY6 | 90,000     |
| Gross Receipts Tax Series 2015A        | July 2023 | 01354PEZ3 | 95,000     |
| Gross Receipts Tax Series 2015A        | July 2024 | 01354PFA7 | 1,510,000  |
| Gross Receipts Tax Series 2015A        | July 2025 | 01354PFB5 | 1,585,000  |
| Gross Receipts Tax Series 2015A        | July 2026 | 01354PFC3 | 1,665,000  |
| Gross Receipts Tax Series 2015A        | July 2027 | 01354PFD1 | 1,750,000  |
| Gross Receipts Tax Series 2015A        | July 2028 | 01354PFE9 | 1,835,000  |
| Gross Receipts Tax Series 2015A        | July 2029 | 01354PFF6 | 1,890,000  |
| Gross Receipts Tax Series 2015A        | July 2030 | 01354PFG4 | 1,985,000  |
| Gross Receipts Tax Series 2015A        | July 2031 | 01354PFH2 | 2,065,000  |
| Gross Receipts Tax Series 2015A        | July 2031 | 01354PFJ8 | 2,150,000  |
| Gross Receipts Tax Series 2015A        | July 2032 | 01354PFK5 | 2,235,000  |
| Gross Receipts Tax Series 2015A        | July 2033 | 01354PFL3 | 2,345,000  |
| Gross Receipts Tax Series 2015A        | July 2037 | 01354PFM1 | 2,465,000  |
| Gross Receipts Tax Series 2015A        | July 2038 | 01354PFN9 | 2,560,000  |

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| Gross Receipts Tax Series 2015B (Taxable) | July 2016 | 01354PFQ2 | \$1,120,000 |
| Gross Receipts Tax Series 2015B (Taxable) | July 2017 | 01354PFR0 | 1,220,000   |
| Gross Receipts Tax Series 2015B (Taxable) | July 2018 | 01354PFS8 | 1,230,000   |
| Gross Receipts Tax Series 2015B (Taxable) | July 2019 | 01354PFT6 | 1,250,000   |
| Gross Receipts Tax Series 2015B (Taxable) | July 2020 | 01354PFU3 | 1,275,000   |
| Gross Receipts Tax Series 2015B (Taxable) | July 2021 | 01354PFV1 | 1,305,000   |
| Gross Receipts Tax Series 2015B (Taxable) | July 2022 | 01354PFW9 | 1,335,000   |
| Gross Receipts Tax Series 2015B (Taxable) | July 2023 | 01354PFX7 | 1,375,000   |