

MOODY'S

INVESTORS SERVICE

New Issue: Moody's assigns Aa2 rating to City of Albuquerque's, NM \$37M GRT/Lodger's Tax Revenue Bonds, Series 2014A&B; Outlook revised to stable

Global Credit Research - 11 Apr 2014

Aa2 rating affects \$155.9M in outstanding parity debt, inclusive of current issuances

ALBUQUERQUE (CITY OF) NM
Cities (including Towns, Villages and Townships)
NM

Moody's Rating

| ISSUE | | RATING |
|---|--------------------|--------|
| Gross Receipts Tax/Lodger's Tax Improvement Revenue Bonds, Series 2014B | | Aa2 |
| Sale Amount | \$2,005,000 | |
| Expected Sale Date | 04/21/14 | |
| Rating Description | Special Tax: Sales | |
| Gross Receipts Tax/Lodger's Tax Refunding Revenue Bonds, Series 2014A | | Aa2 |
| Sale Amount | \$35,015,000 | |
| Expected Sale Date | 04/21/14 | |
| Rating Description | Special Tax: Sales | |

Moody's Outlook STA

Opinion

NEW YORK, April 11, 2014 --Moody's Investors Service has assigned a Aa2 rating to the City of Albuquerque's (NM) \$35.015 million Gross Receipts Tax/Lodger's Tax Refunding Revenue Bonds, Series 2014A and \$2.005 million Gross Receipts Tax/Lodger's Tax Improvement Revenue Bonds, Series 2014B. Concurrently, Moody's has affirmed the Aa2 rating on the city's \$155.9 million in outstanding rated parity debt. At this time, Moody's has revised the outlook to stable from negative. Proceeds from Series 2014A will refund the city's Series 2004A bonds for an estimated net present value savings and the 2014B bonds will finance improvements to the city's convention center.

SUMMARY RATING RATIONALE

The bonds constitute special limited obligations of the city, secured by an irrevocable and first lien upon the revenues of the 1.225% state shared gross receipts tax (SSGRT). The current issuances are further secured by 50% of the lodger's tax collected within the city. The Aa2 rating reflects the city's sizeable economy serving as a regional economic hub, adequate legal provisions, ample maximum annual debt service coverage, and limited revenue volatility with few historic declines. The stable outlook signals the slow, but steady economic growth realized in recent years, including increasing SSGRT collections.

STRENGTHS

- *Sizeable economic base serving as economic hub of New Mexico
- *Strong maximum annual debt service coverage

CHALLENGES

- *Tepid economic growth

*Lack of Debt Service Reserve

DETAILED CREDIT DISCUSSION

SIZEABLE TAX BASE; REGIONALLY IMPORTANT ECONOMY

We believe the city's property tax base will continue to experience modest near-term growth given the city's regional importance to the economy. The City of Albuquerque is located in the north central portion of the state and is home to approximately 25% of the state's total population. The city's tax base growth has slowed to a limited 0.9% average annual rate between fiscal years 2009 and 2014. Expansion resumed in fiscal 2014 with a 0.8% increase in taxable values to reach \$11.9 billion, derived from a full value of \$43.8 billion. Officials anticipate modest taxable value growth for fiscal 2015 and fiscal 2016, and report that the total value of building permits are up 5.3% year to date over this time period last year, in which the city experienced a significant 29% increase in fiscal 2013.

Major employers in the Albuquerque MSA include the University of New Mexico, Kirtland Air Force Base, and Sandia National Laboratories. The institutional presence provided by these entities serves as a historically been a stabilizing factor for the local economy. We note that potential federal spending cuts could erode the city's modest economic gains, slowing housing development and impacting gross receipts tax revenues. Healthcare and high-tech industries also have significant presence in the employment base. Favorably, the city's December 2013 unemployment rate of 6.0% was below the state (6.3%) and nation (6.5%) for the same time period. Resident wealth levels are modest with per capita income and median family income (from 2010 American Community Survey) approximating 95.1% and 95.3% of national levels, respectively.

LIMITED REVENUE VOLATILITY AND AMPLE MADS COVERAGE

We believe the SSGRT pledged revenue stream will continue to experience modest growth in line with historical trends. The revenue stream experienced average annual increases of 2.2% over the past ten years. The most recent five year history was heavily influenced by declines of 5.5% and 4.8% in fiscal 2009 and fiscal 2010 respectively, results in an 1.2% average annual decline through fiscal 2013. The declines in revenue for fiscal 2009 and fiscal 2010 were attributable to a decrease in employment, as well as softening of retail trade. The pledged revenue stream has experienced limited volatility, with noteworthy year-over-year increases attributable to rapid construction and employment gains in the mid 1990's.

Fiscal 2013 pledged revenues of \$176 million provide a strong 10.33 times coverage of maximum annual debt service (MADS), or \$17 million payable in fiscal 2019. Officials indicate fiscal 2014 SSGRT revenues are currently 2.1% above collections during the same period of the prior year, and expect an annual increase of 2.2% to \$179.9 million. The increase in fiscal 2014 revenues would provide a modestly improved but still strong 10.56 times MADS coverage. Management reports plans to conservatively budget for fiscal 2015 SSGRT collection growth of approximately 2.6% over ending fiscal 2014 collections. Pledged revenues are derived primarily from retail trade, professional, scientific and technical services, and accommodation and food service. Several series, including the current sales, of outstanding parity debt have additional pledged revenues including lodgers tax and hospitality tax receipts, but all debt has an equal lien on SSGRT revenues. We note that the lodger's tax (50%) additionally provides a nominal \$5 million of available resources to pay debt service.

BELOW AVERAGE PRINCIPAL AMORTIZATION; ADEQUATE LEGAL PROVISIONS

We believe the city's SSGRT debt profile will remain manageable given no current plans for additional debt leverage and healthy annual MADS coverage. Inclusive of the current sale, amortization of SSGRT principal is below average with 46.7% retired in ten years. Officials indicated no current plans for additional issuance, but indicate a four year cycle of approximately \$50 million in authorization is possible in the future. We believe the legal provisions of the current sale are adequate with a strong additional bonds test (ABT) at 2.25 times maximum annual debt service (MADS), countered by a lack of a debt service reserve.

OUTLOOK

The removal of the negative outlook and assignment of the stable outlook reflects the city's slow but steady economic growth experienced in recent years, which is expected to continue through the near term. Moody's still notes that the city's concentration in federal employment and procurement could be negatively impacted by federal spending reductions, which could erode economic stability and impact gross receipts tax collections. Future rating actions will assess the city's economic stability and SSGRT collection trends.

WHAT COULD CHANGE THE RATING UP

- * Significant increases in SSGRT collections, absent additional debt leveraging
- * Improvement in the city's economic recovery; expansion and diversification of the economy

WHAT COULD CHANGE THE RATING DOWN

- * Material contractions in SSGRT collections; weakening of the city's economy
- * Significant leveraging of the pledged revenue sources

KEY STATISTICS:

2010 Census Population: 545,842

Security: 1.225% of City State Share Gross Receipts Tax Revenue; 50% of City's Lodger's Tax

MADS Coverage with fiscal 2013 pledged revenues: 10.33 times

Additional Bonds Test: 2.25 times MADS

Debt Service Reserve: none

Parity debt outstanding: \$192.4 million

Principal Amortization: 46.7% in ten years

RATING METHODOLOGY

The principal methodology used in this rating was US Public Finance Special Tax Methodology published in January 2014. Please see the Credit Policy page on www.moody.com for a copy of this methodology.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moody.com.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Please see www.moody.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on www.moody.com for additional regulatory disclosures for each credit rating.

Analysts

John Nichols
Lead Analyst
Public Finance Group
Moody's Investors Service

Toby Cook
Additional Contact

Public Finance Group
Moody's Investors Service

Contacts

Journalists: (212) 553-0376
Research Clients: (212) 553-1653

Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
USA



© 2014 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. ("MIS") AND ITS AFFILIATES ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND CREDIT RATINGS AND RESEARCH PUBLICATIONS PUBLISHED BY MOODY'S ("MOODY'S PUBLICATION") MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS FOR RETAIL INVESTORS TO CONSIDER MOODY'S CREDIT RATINGS OR MOODY'S PUBLICATIONS IN MAKING ANY INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing the Moody's Publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

MIS, a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MIS have, prior to assignment of any rating, agreed to pay to MIS for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually

at www.moodys.com under the heading "Shareholder Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

For Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail clients. It would be dangerous for "retail clients" to make any investment decision based on MOODY'S credit rating. If in doubt you should contact your financial or other professional adviser.