

RatingsDirect®

Summary:

Albuquerque, New Mexico; General Obligation

Primary Credit Analyst:

Jaime B Trejo, San Francisco (415) 371-5033; jaime.trejo@standardandpoors.com

Secondary Contact:

Lisa R Schroeer, Charlottesville (1) 434-220-0892; lisa.schroeer@standardandpoors.com

Table Of Contents

Rationale

Outlook

Related Criteria And Research

Summary:

Albuquerque, New Mexico; General Obligation

Credit Profile			
US\$37.97 mil GO bnds ser 2015A due 07/01/2027			
<i>Long Term Rating</i>	AAA/Stable	New	
US\$4.726 mil storm swr bnds ser 2015B due 07/01/2028			
<i>Long Term Rating</i>	AAA/Stable	New	
Albuquerque GO			
<i>Long Term Rating</i>	AAA/Stable	Affirmed	

Rationale

Standard & Poor's Ratings Services assigned its 'AAA' rating to Albuquerque, N.M.'s series 2015A and 2015B general obligation (GO) bonds. At the same time, we affirmed our 'AAA' long-term rating and underlying rating (SPUR) on the city's existing GO bonds. The outlook is stable.

The ratings reflect our opinion of Albuquerque's:

- Adequate economy, which is part of a broad and diverse economy centered on, and anchored by, strong links to government employment, which has allowed it to manage operations successfully through previous economic cycles;
- Very strong management condition with "strong" financial management policies under our Financial Management Assessment (FMA) methodology, guiding finances;
- Strong budgetary flexibility when accounting for reserves held in the committed fund, which is committed for minimum reserve purposes;
- Strong budgetary performance;
- Very strong liquidity for operations and debt service; and
- Strong debt and contingent liability position, supported in part by rapid amortization.

The city's full-faith-and-credit pledge and an unlimited property tax pledge secure the GO bonds.

Adequate economy

We consider Albuquerque's underlying economy adequate, with projected per capita effective buying income at 102% of the national level and per capita market value of \$79,377. Albuquerque benefits from a broad and diverse economy. With an estimated population of 563,000, Albuquerque is New Mexico's largest city and main economic center. In addition, the city also benefits from a large number of government-based jobs. In 2014, federal, state, and local government employment in the Albuquerque metropolitan statistical area (MSA) accounted for 22% of nonagricultural jobs. Professional and business services and education and health services represent 15% and 16% of total nonfarm employment, respectively. The MSA's leading employers are the University of New Mexico, Albuquerque Public Schools, and Sandia National Laboratories. According to U.S. Bureau of Labor Statistics estimates, Bernalillo County's unemployment was 6.6% for calendar 2014.

Fiscal 2014 assessed value (AV) remained relatively flat at \$12 billion, but fiscal 2015 AV increased by 2%. The property tax base is diverse, with the 10 leading taxpayers accounting for just 3% of total AV. Public Service of New Mexico, an electricity utility power company and the leading taxpayer, accounts for just 1.2% of AV. Market value increased by about 4% between 2014 and 2015.

Very strong management conditions

We view Albuquerque's management conditions as very strong, with "strong" financial management practices under our FMA methodology, indicating practices are strong, well embedded, and likely sustainable. Policies include management's:

- Strong revenue forecasting practices,
- Quarterly reviews of revenue and expenditures with the city council,
- Long-term capital plan, and
- Formal debt policy.

In addition, Albuquerque's policy is to maintain one month's appropriations as a minimum reserve.

Strong budgetary flexibility

In our opinion, budgetary flexibility remains strong, with available reserves at 13.4% of general fund expenditures, including regular transfers out, based on audited 2014, or roughly \$63 million. This number includes committed reserves. Committed reserves are the city's minimum reserve requirement. While the city projects to use reserves to balance operations in fiscal 2015, we do not foresee significant declines based on management's careful monitoring of the budget. We recognize Albuquerque has taxing flexibility in line with other New Mexico cities with a mayor-council form of government.

Strong budgetary performance

In our opinion, budgetary performance is strong, with audited fiscal 2014 numbers indicating basically balanced general fund and total governmental funds operations, when accounting for the use of bond proceeds in the capital fund. For fiscal 2014, Albuquerque's general fund posted a \$5 million operating surplus after transfers and excluding expenditures that we view as one-time. We consider the annual transfer out to the transit, capital, and other nonmajor funds as ongoing expenditures. We expect general and total governmental funds operations to remain close to balance, based in part on historical performance and budgeted numbers and also on the government's use of bond proceeds to fund capital projects.

Very strong liquidity

We consider Albuquerque's liquidity very strong, with a total governmental funds debt service ratio of more than 120% of total government available cash and more than 15% of total governmental funds expenditures. We believe the city has exceptional access to external liquidity, because it has issued multiple GO bonds and gross receipts tax bonds. We expect liquidity to remain very strong, with no signs of major cash drawdowns.

Strong debt and contingent liability profile

In our opinion, Albuquerque's debt and contingent liability profile is strong, with a net direct debt ratio of roughly 87% of total governmental revenue and a total governmental funds debt service ratio of 13% of total governmental funds expenditures. Albuquerque benefits from rapid debt amortization, in our opinion, with officials planning to retire more

than 65% of debt within 10 years. We believe this slightly offsets the higher carrying charge.

Albuquerque contributes to the New Mexico Public Employees' Retirement Association (PERA) plan for employee pension benefits, as required by state statute. The state's PERA has a \$6.18 billion actuarial unfunded pension liability; it was just 65% funded as of June 30, 2012, after an annual underfunding of the annual required contribution (ARC) and low investment returns.

In addition to pension benefits, Albuquerque provides other postemployment benefit (OPEB) life insurance to its retirees. It also contributes to the New Mexico Retiree Health Care Fund defined-benefit health care plan. Albuquerque contributed a total of \$58 million to pension benefits in fiscal 2014, which included the employer-required contribution and the city's contribution toward the employee contribution costs. The OPEB ARC was \$3.6 million, of which the city contributed \$1.2 million in fiscal 2014. The combined OPEB annual contribution and pension contribution represented about 9.8% of governmental expenditures in fiscal 2014.

Very strong institutional framework

We consider the institutional framework score for New Mexico cities very strong.

Outlook

The stable outlook reflects our opinion that Albuquerque's very strong financial management policies and continued proactive and timely budget adjustments to restore structural balance will likely support stable reserves at or above Albuquerque's reserve policy within the next two years. While federal employment remains a component of the local economy, the regional economy is diverse and somewhat stabilized by health care and local governments.

The ratings could experience pressure if there was a significant regional economic slowdown that reduced revenue growth. In addition, we could lower the ratings if the city were to fail to adjust for increasing budget costs, as necessary, and if reserves were to decrease below a level we currently consider strong, in line with its policy.

Related Criteria And Research

Related Criteria

- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013
- USPF Criteria: Financial Management Assessment, June 27, 2006
- Ratings Above The Sovereign: Corporate And Government Ratings—Methodology And Assumptions, Nov. 19, 2013

Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Institutional Framework Overview: New Mexico Local Governments

Ratings Detail (As Of April 10, 2015)

Albuquerque storm swr bnds ser 2014B due 07/01/2027

<i>Long Term Rating</i>	AAA/Stable	Affirmed
-------------------------	------------	----------

Albuquerque GO bnds

<i>Long Term Rating</i>	AAA/Stable	Affirmed
-------------------------	------------	----------

Ratings Detail (As Of April 10, 2015) (cont.)

Albuquerque GO

Unenhanced Rating

AAA(SPUR)/Stable

Affirmed

Many issues are enhanced by bond insurance.

Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

Copyright © 2015 Standard & Poor's Financial Services LLC, a part of McGraw Hill Financial. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED, OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgement at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription) and www.spcapitaliq.com (subscription) and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.