

November 3, 2000

Honorable Mayor and City Council  
City of Albuquerque, New Mexico

We are pleased to submit the Comprehensive Annual Financial Report of the City of Albuquerque, New Mexico, (City), for the fiscal year ended June 30, 2000. The report was prepared by the Finance and Administrative Services Department. The responsibility for the accuracy of the data presented and the completeness and fairness of presentation, including all disclosures, rests with the City. As indicated by the opinion of our independent auditors, the report fairly presents the financial position and results of operations of the City as measured by the financial activity of its various funds and account groups. 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 City's Comprehensive Annual Financial Report consists of five major sections: (1) the introductory section, of which this narrative is a part, (2) the financial section, which contains the financial statements of all funds of the City, (3) the statistical information section, which includes general information about the City and comparative data for prior fiscal years, (4) single audit information, which includes federal grant information as required by the Single Audit Act, and (5) State Compliance and Operational Findings. Included after the Schedule of Grant Activity are the related findings and recommendations by the City's independent auditors.

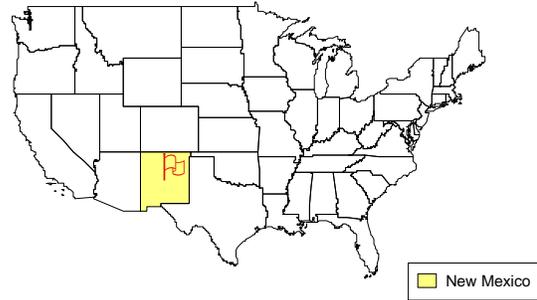
It is important to note that the report is designed in such a manner that the "general purpose financial statements" in Exhibits A-1 through A-5 and the Notes to the Financial Statements fully present and disclose the financial position and results of operations of all funds of the City. All other exhibits and schedules are presented to provide more detailed information, the totals of which correspond with data presented in the general purpose financial statements.

The Comprehensive Annual Financial Report (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 upon and consistent with the pronouncements of the Governmental Accounting Standards Board, which sets criteria for defining the financial reporting entity. The City of Albuquerque is a major municipal government providing a full range of services to approximately 446,400 citizens. Included in these services are traditional city functions such as police and fire protection, culture and recreation, public works, road and traffic signal maintenance, water and sewer services, and refuse collection. In addition, the City operates parking facilities, a transit system, an international airport, corrections and detention facilities, and a housing authority. The City does not have any other relationships with organizations not included in this CAFR of such nature and significance that exclusion would render the City's financial statements incomplete or misleading.

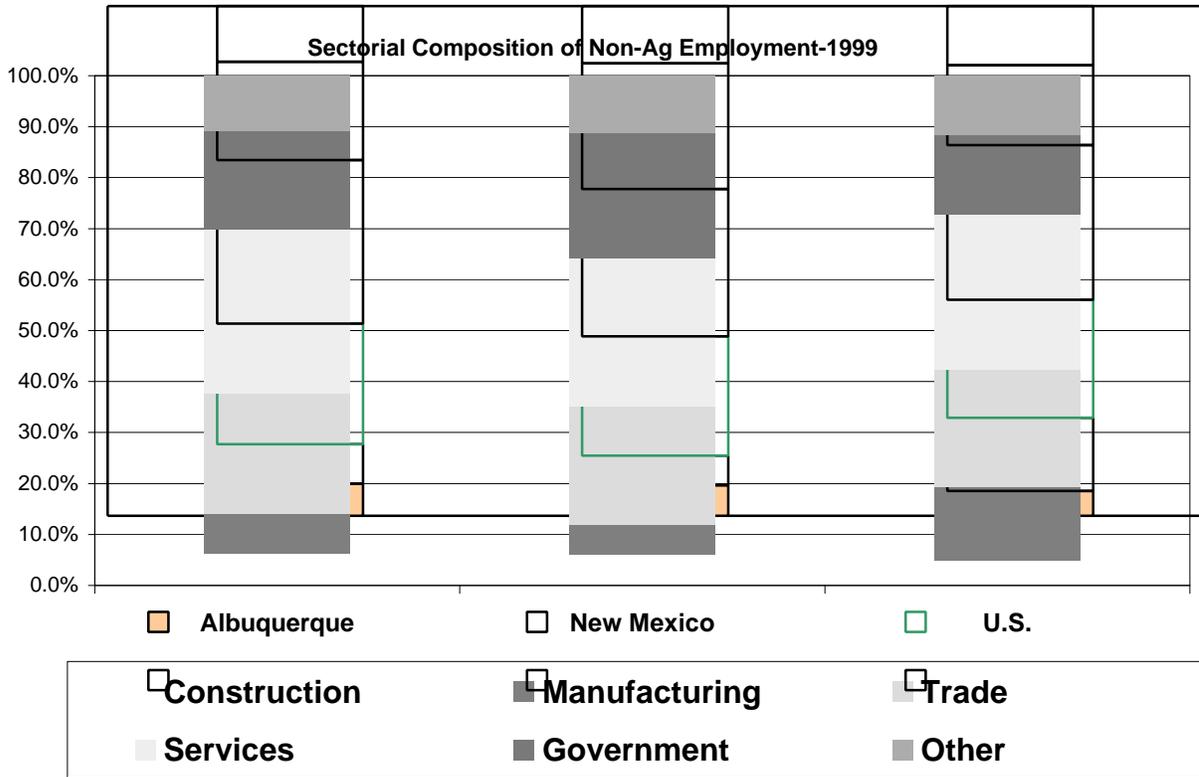
**ECONOMIC CONDITION AND OUTLOOK**

**Summary of Local Economy**

Albuquerque is the largest city in New Mexico, accounting for roughly one-quarter of the state's population. 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 and Valencia Counties. 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 is strong and has a growing diversity. In the 1990's, the economy experienced strong broad-based growth. Annual growth in non-agricultural employment peaked at 6.1% in 1994 slowing to 2% in 1997. After slowing to only 1% in 1998, growth bounced back to over 2% at the end of 1999. This trend is continuing in 2000. Unemployment after being somewhat higher than the U.S. in 1998 has fallen to around 3.5% compared to the U.S. rate of 4%. Personal income growth has followed a similar trend. The composition of the Albuquerque economy is similar to the U.S. as a whole. Manufacturing is smaller, but has held relatively stable as a share of employment, while its share has declined in the U.S. The following chart shows the composition for 1999.



Although employment growth slowed in 1996-98, this was due in large part to the “Asian Flu” which heavily impacted Albuquerque’s electronics industry. With announcements by Philips for a 360 million retool and expansion and a \$2 billion project at Intel, Albuquerque appears set for a rebound. Albuquerque continues to be an attractive place for business to locate and expand. Several customer service centers have expanded or recently opened creating thousands of jobs. Manufacturing jobs continue to form and Albuquerque has become one of the largest semiconductor regions in the U.S. High tech spin-offs from the national laboratories are beginning to have an impact in micro circuitry and laser technologies.

## Major Industries

**Services.** The service sector is the largest source of employment in the MSA, accounting for 32% non-agricultural civilian employment in 1999. This sector has grown in importance in both Albuquerque and in the U.S. It is a diverse classification and includes jobs in medical services, hotels, amusement, movies, legal work, commercial research, business services, engineering, and architectural services. The Business Services sub sector is important and includes the growing temporary employment agencies, many of the call centers and back office operations and the Sandia National Labs. This sector has been impacted by reductions in Department of Energy spending and reductions in employment at Sandia National Labs. Employment at Sandia has stabilized, and the Labs have put much effort into spinning off technology. The Sandia Research Park, opened with its first occupant EMCORE, who after just over a year is expanding its operations in the manufacture of solar cells for satellites. The second tenant—Team Specialty Products(TSP)—is constructing a facility to open in late September of 2000. TSP, a strategic partner of Sandia, designs and supplies high-tech, sophisticated electro-mechanical devices for Sandia's pulsed-power program.

As a major regional medical center the medical service industry has several of the largest employers in the area. The health services industry has been one of the fastest growing sectors in the Albuquerque area. This growth has recently slowed in part due to changes and uncertainties regarding health care financing, Medicare, and announced cutbacks at local medical centers.

Other examples of business services are: MCI Consumer Markets telemarketing operation; Citicorp credit processing center; America Online service center; Gateway 2000; VoiceStream Wireless customer service and technical support center; Bank of America credit card service center. The labor department has reclassified some of these jobs to be included in other sectors. For instance, Citicorp and Wells Fargo Bank centers are included in the Finance Insurance and Real estate sector rather than services.

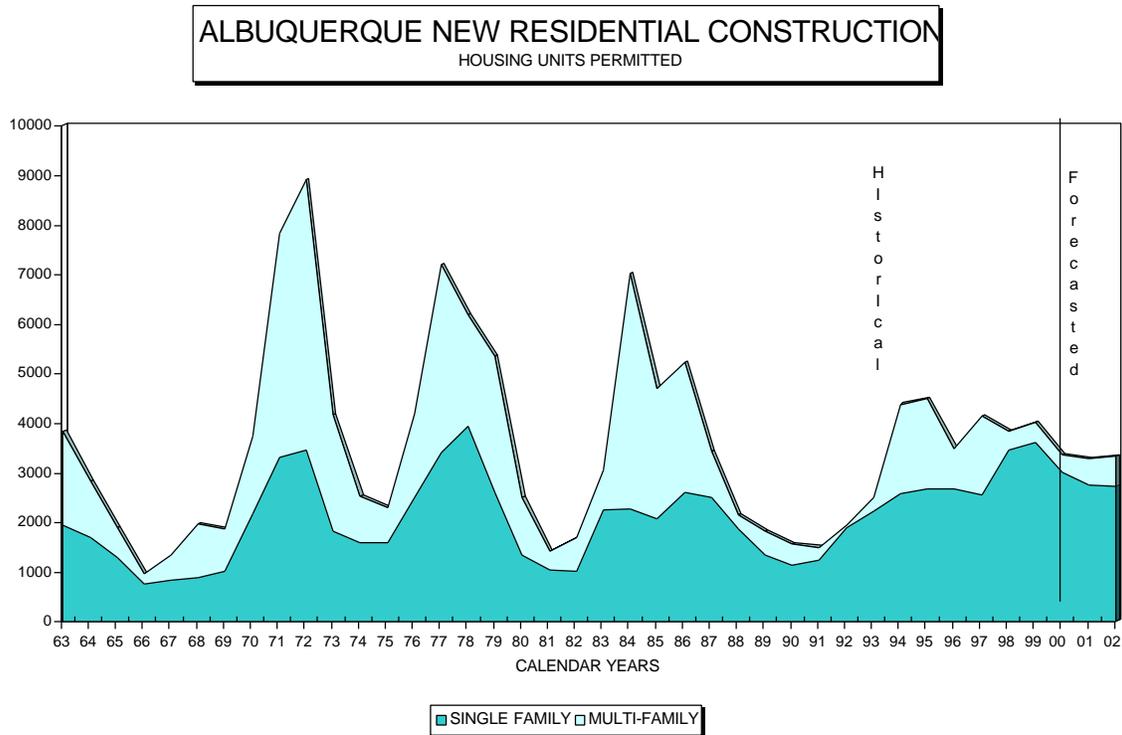
**Trade (retail and wholesale).** The trade sector is a strong catalyst for growth in the area. Many major national chains have expanded in the area and general growth and low interest has helped fuel consumer spending.

All sectors in the Albuquerque economy except the military have added jobs since 1993, but the most dramatic increases in employment have been in trade, services and Transportation Communications and Utilities. Some of the growth in the 1990's was in areas that helps diversify the economy and lay a sound foundation for the future, but there are also new vulnerabilities. Though manufacturing experienced a small decline from 1994 to 1999 it is expected to be the fastest growing sector through 2002.

Non Agricultural Employment in the Albuquerque MSA(000's)						
Category	2000 Employment	Share of 2000 Employment	Growth 1999-99	Estimated Growth in 2000	Average Growth 1994-99	Estimated Annual Growth 2001-2002
Total Non-Agricultural	344.767		1.87%	2.63%	2.33%	2.44%
Trade	81.367	23.60%	-0.17%	1.70%	1.97%	2.73%
Services	110.667	32.10%	3.24%	3.36%	3.25%	2.61%
Government	66.508	19.29%	1.15%	1.96%	2.90%	2.90%
Manufacturing	26.683	7.74%	-6.02%	1.52%	-1.23%	3.60%
Construction	21.708	6.30%	1.32%	3.87%	0.20%	0.38%
TCU	18.683	5.42%	12.49%	4.65%	7.18%	2.32%
FIRE	19.05	5.53%	9.01%	2.95%	3.57%	2.40%
Military (Not in Non-Ag)	7.459	N/A	-0.28%	-4.54%	-0.60%	-1.96%
Source: BBER, August 2000 FOR-UNM Forecast						

**Manufacturing.** Albuquerque's small manufacturing sector accounts for about 8% of total non-agricultural employment and is one of the area's most dynamic sectors. Investments by Intel and other high tech firms have helped to create a critical mass of activity in Albuquerque that has attracted interest by other firms; competitors, suppliers, and customers. Forbes Magazine and others now rate Albuquerque as one of the top high tech centers in the U.S. Philips recently applied for Industrial Revenue Bonds of over \$300 million to expand and refurbish their existing plant. Intel is starting another expansion with a \$2 billion project now under way. This should add around 1,000 jobs in manufacturing. Tri-Gas, which produces gases used by semi-conductor and other industries, has expanded its local operations. Control Systems, in Rio Rancho, makes equipment for computer chip manufacturers. Also present in the Albuquerque MSA are firms specialized

in various aspects of clean-room technology. At the other end of the production process, Albuquerque Economic Development reports that there is interest, in locating to Albuquerque, by software manufacturers.



**Construction.** The construction sector is a source of growth and of volatility in the Albuquerque economy. Growth in employment and in gross receipts in construction tends to be quite cyclical. The residential building market exemplifies this. After a boom in the residential market with 1998 and 1999 producing some of the largest numbers of single family dwelling we are beginning to see a slow down. In part this is the result of the slow employment and population growth and of higher interest rates. Multifamily building has already slowed. After producing 1600 units in 1997, the market only produced 367 and 390 units in 1998 and 1999 respectively. Vacancy rates for apartments have come down from rates above 10% in 1999 and the market is getting somewhat stronger. With the low number of apartments built in the past two years this could turn around and apartment units could increase. BBER (Bureau of Business and Economic Research) now expects around 400 units to be built in 2000 increasing to 680 in 2001. With several large construction projects beginning, apartment vacancy rates could drop quickly and construction of new units increase more than anticipated. As interest rates increase BBER expects that new single-family units will continue to slow from about 3800 units in 1999 to 3000 units in 2000 and 2800 units in 2001. Through August of 2000, 2397 permits for single family have been issued, a decline of 10% from the same period in 1999. Still, we are coming out of one of the strongest periods of residential home building in Albuquerque history. New multi-family construction will continue to be slow and BBER forecasts that permits for 2001 through 2002 will be only 500 to 600 units per year—86 units have been permitted through August 2000.

While residential construction has slowed, public and commercial construction is starting to increase. The Alvarado transportation center is well underway, and the City is also building a new crime lab and the Explora Museum. Construction employment at the end of 1999 and into 2000 has grown at a rate of 5%, after remaining relatively constant for the past 5 years. The State has completed the District Attorneys offices and expansion of the Museum of Natural History. The County Courthouse will be opened in January 2001. The Federal government is well along on a Forest Service Building and has broken ground for a new Social Security Administration building—both downtown. Metropolitan Court has purchased land and will begin construction of a new Courthouse in 2001. On the commercial side Intel has started its 2 billion dollar project that will employ 2000 construction workers at its peak. Philips has permits to start a \$400 million expansion that will provide several hundred jobs to install equipment and build new clean room facilities. The City has plans to build several parking structures in support of downtown revitalization. The projects are in support of the Duque Hotel—renovation of the once First National Bank building; renovation of Old Albuquerque High

School with commercial, hotel and residential elements; and the Alvarado Center in support of a Movie Complex and ultimately residential housing. The two year \$250 million reconstruction of the Big-I (intersection of Interstates 40 and 25) has begun. This project will employ approximately 2,000 workers and greatly improve the traffic flow in the City. The expansion of the Indian Casinos at Isleta, Sandia, and the Santa Ana Pueblos also have helped increase construction employment. These projects total nearly \$200 million and include destination resort hotels at Isleta and Santa Ana.

**Government.** The total number of government employees in the Albuquerque MSA increased by almost 9,000 between 1991 and 1997. The gain was all at the state and local level and much is due to the classification of Indian Casinos workers as local government employees. Federal government has been something of a drag on the Albuquerque economy since the late 1980's. Military employment has declined in every year since 1989, and there have been reductions in federal government employment in each year since 1993. Reductions in federal military spending have been responsible for losses in employment at General Electric, Honeywell Defense Avionics, and BDM. Employment at Sandia National Laboratories, operated by Lockheed Martin, was relatively stable until recently, but total reductions in employment at Sandia – regular and contract employees – since 1994 total about 1700. Sandia National Laboratories currently has a workforce of 6,600 people and there is concern that funding could decline. On the bright side, the new Sandia Business Park and a push for technology transfer from the labs, we are seeing growth in high tech industries in central New Mexico. Funding from the federal government for the nuclear weapons program and nuclear surety now seem relatively secure as Sandia assumes new roles in a post-Cold War period involving nuclear non-proliferation, arms control, and stockpile maintenance. Kirtland AFB, with its diverse operations, has done relatively well in the waves of base consolidations and closures. Recently, Phillips Laboratory was reorganized and became part of the Air Force Research Laboratory, headquartered out of Wright Patterson Air Force Base in Ohio. The reorganization means a loss of some 200 positions at Kirtland, but the positions lost are command positions and not the research positions, so important to the local economy in the incomes paid and the contracts let. Offsetting the losses at Phillips, Kirtland AFB is slated to gain a new flight simulator center. The new Theater Air Command and Control Simulation Facility is expected to result in more than 200 new full time jobs and many more part-time jobs. Kirtland will also gain some 73 new military positions in the 58th Special Operations Wing. The National Guard Armory in near-by Rio Rancho is slated to get a \$300 million Patriot Missile unit in the near future.

#### **Future Economic Outlook**

Growth slowed in the period, 1996 to 1998, but the economy began turning in 1999. Growth increased to 1.9% and is expected to increase more. With large expansions at Intel and Philips manufacturing and construction employment will lead the way. The BBER expects employment growth in 2000 of 2.6% increasing to 2.9% in 2001. Albuquerque has evidenced a dynamism over the past few years and has attracted considerable national attention as a city on the move and as a desirable place not only to visit but to live and do business. Once heavily dependent on defense, the metropolitan area economy has expanded and diversified. Significant investments by producers of semi-conductors and other high technology firms have helped to create the critical mass necessary to attract further investments by suppliers, customers, and other producers.

## DEPARTMENT EFFORTS AND ACCOMPLISHMENTS

The Parks & Recreation Department (PRD) was reorganized beginning with the 2000 fiscal year to better serve the recreation needs of the residents of Albuquerque and the surrounding metropolitan areas. PRD is comprised of Recreation Services, Golf, Open Space, Parks Management, Quality Parks and Trails System, and Strategic Support. Services will be improved by better coordinating and providing well planned, maintained, and operated parks and recreation facilities. These facilities include parks, sports fields, swimming pools, golf courses, open space facilities, and other specialized recreation facilities.

**Strategic Support.** This function of PRD provides the necessary administrative duties associated with all divisions. Housed within the Strategic Support Division are the Director and his staff, Finance Manager and Finance section, the Human Resources liaison, and a Special Projects Manager. Each of these positions supports the department by providing payroll and accounts payable services, and human resources services for hiring, personnel actions, etc. The Special Projects Manager, a licensed Landscape Architect, manages the construction improvements of the 300-acre Balloon Fiesta Park and is the chief coordinator between the city and the annual Kodak Albuquerque International Balloon Fiesta, held during the first week of October. The Director provides guidance to the department for the Administration, and provides support and guidance between the department and other departments of the city, and other outside entities.

**Recreation Services.** This Division strives to provide a variety of affordable, quality recreation opportunities for the residents of Albuquerque, surrounding communities, and visitors to the city. The Recreation Division includes Aquatic Services, Outdoor and Alternative Recreational Services (rafting, kayaking, skiing, fishing and hiking, and bicycle and pedestrian safety), and the Sports, Tennis and League Play Services (softball, baseball, flag football, basketball, tennis and youth league play). Participants may play for competition or simply for the love of a sport. Recreation falls into Goal One, Human and Family Development, of the City of Albuquerque's Five Year Goals.



Perhaps one of the most outstanding additions for the Recreation Division this past fiscal year was the opening of the Los Altos Skate Park in February 2000. Skate boarders and others were using various city parks and equipment to do their maneuvers, destroying picnic tables, playground equipment, etc. However, thanks to our Mayor, Jim Baca, the Skate Park was built and completed with his urging and guidance. This is perhaps one of the most widely used parks in the City today, as approximately 500 youths per day use this park during the week, while up to 700 use the park on the weekends.

The Skate Park, which is the background for this year's audit cover, includes 35,000 square feet of concrete skating surface area, and sits on three acres of park land. The park features a street course with elevations called volcanoes and funbox. There are three bowls for the experienced skater, which offer various depths to skate, bike or board. Each allows the opportunity to challenge and perform tricks. The facility is designed with features for the beginner to the more experienced skater. The street course offers a side area of flat space so that beginners can build the confidence necessary to progress up to ramps with less incline such as on the funbox, then continuing on to the volcanoes which have a steeper incline. For the more experienced skaters willing to take the challenge, three bowls offer varying degrees of depth from five feet to eight and one half feet with progressions of depth for each bowl. There are also grinding features made of rigid pipe or stainless curved steel, which allow skaters, boarders and bikers the opportunity to grind away. The grinding features vary in height from six inches to two feet above ground level. The park is open to in-line skaters, skate boarders and BMX bikes. No fee is charged for use of the park, which is open 9:00 a.m. to 9:00 p.m. during the school year and 8:00 a.m. to 10:00 p.m. during the summer season. Rules strongly recommend the use of protective equipment (pads, guards and helmets) and the park is considered a skate at your own risk park. The skate park is nationally known, and has had visitors from many states.



In addition to skating, swimming is also a year round activity. Aquatic Services provides numerous programs at five indoor year round pools and seven outdoor summer pools. The West Mesa Aquatic Center, opened in 1999, is the newest addition to Albuquerque's indoor swimming facilities. The center is home to the City's first interactive play pool which houses both an indoor and outdoor component. Each pool features 135 foot

slides along with an interactive series of pipes and valves that control the flow of water that dumps and sprays on swimmers. The pools are gently sloped from zero to three and a half feet deep and provide space for all ages.

Sandia Pool, located on the Sandia High School campus, just completed a one million dollar renovation that updated the 21 year-old facility. The renovation included updating locker rooms, offices, HVAC system, and pool. In addition, new lights, concession and filtration system were added. Over 400,000 swimmers participate in lessons, lap swimming, recreational swimming, exercise classes, swim teams and water polo.

**Golf Management.** For the golfers of the Albuquerque community and surrounding areas, the Golf Management Division is proud to offer some of the finest golf course facilities in the southwest, at the most affordable prices. The purpose of this program strategy is to plan for, manage, and oversee the development and operations of affordable and quality golf. This strategy falls into the Goal One, Human and Family Development, of the City of Albuquerque's Five-Year Goals.



The golfing facilities, located throughout the city, include a total of 90 holes, comprised of three 27-hole courses: Los Altos, Arroyo Del Oso, and Ladera, and one 9-hole course, Puerto Del Sol. Each course has its own PGA professional on site, a complete pro shop, restaurant facilities at each of the 27 hole courses, a snack area at the 9-hole Puerto Del Sol course, and a driving range (lighted at Puerto Del Sol). For the golfers convenience, courses are open everyday from dawn to dusk, except for Christmas.

In fiscal year 2001, the 20+ year-old clubhouse at the Ladera Golf Course will be razed, and a brand new facility completed. This will expand the pro-shop area, enabling the pro to carry a larger line of inventory, and expand the restaurant facility as well. In fiscal year 2002, the clubhouse at Los Altos will be razed, with a new facility to be built from the ground up. With the remodeling and renovation

that has already occurred at existing facilities, all courses will be ready for continued enjoyment into the new millennium. In addition, all new building construction and renovation will have been completed with minimum increases in golf fees, resulting in the City of Albuquerque continuing to have some of the most affordable golf in the entire region, while offering new and improved facilities.

**Open Space.** Park enthusiasts who want to enjoy a more open and natural area of the city may simply choose to spend the day in one of the open space areas provided by the Open Space Division (OSD). The purpose of OSD is to protect, conserve, and sustain Albuquerque's scenery and the natural and historic objects and the wildlife therein in such manner and by such means as will leave them unimpaired for the responsible enjoyment of future generations. The OSD manages the city's open space primarily to protect the resource, but also to allow public enjoyment through resource and visitor management and educational programs, law enforcement, and facility maintenance operations. The OSD programs and facilities serve not only the residences of Albuquerque, but surrounding communities, other state residents, and out of state visitors. This division's strategy falls under goal 5, Environmental Protection and Enhancement.



The OSD is responsible for over 22,000 acres of Open Space Area, which includes such areas as Carolino Canyon, located on South 14 in the Manzano Mountains; Petroglyph National Monument located along the cliff face of Albuquerque's West Mesa; Rio Grande Valley State Park, established by the State Legislature in 1983 and located along the Rio Grande; and the popular Elena Gallegos Picnic Area in Albert G. Simms Park, located on the west side of the Sandia Mountains, just off Tramway Blvd.

The OSD serves as a conservator of our natural resources, by protecting vital natural processes within the urban area. Open Space serves valuable watershed functions by promoting groundwater recharge and reducing siltation and runoff. These lands also provide habitat for native vegetation and wildlife, and a refuge from the pressures of development.

In addition to protecting natural resources, the division also provides education in form of guided tours and fireside chats; and provides recreational opportunities such as hiking, picnicking, bicycling, jogging, photography, canoeing, and nature study.

Law Enforcement rangers patrol Open Space areas by foot, vehicle, and mountain bicycle. These fully commissioned law enforcement officers make contact with the public to educate and insure compliance with rules and regulations. Their dual mission is to protect the Open Space lands and resources while ensuring a safe and enjoyable visit.

**Parks Management.** The City of Albuquerque provides many beautiful parks, landscapes, and streetscapes for the enjoyment of the residents and visitors. The Parks Management Division strives to construct, renovate, and maintain parks and their facilities, urban trails, and streetscapes so that the residents and visitors of Albuquerque have a safe and aesthetically pleasing recreational experience that adds to their quality of life. To this end, the Parks Management Division currently maintains over 260 neighborhood and community park sites, as well as over 230 streetscapes, medians, and other sites, as necessary.

The Parks Management Division, in order to coordinate their efforts with the City's established goals and objectives, is comprised of five new sections for 2001. These sections, Turf Management, Conservation Based Irrigation Management, Landscape Management, Building Maintenance, and Park Construction, are able to efficiently manage and maintain each necessary area of the Parks system. The Parks Management Division strategy falls into Goal 4, Sustainable Community Development.



The Turf Management section is responsible for approximately 1600 acres of turf in parks located throughout the city. In order to maintain this amount of turf, the Turf Management Division is divided into 7 sections, each responsible for their portion of the city. Each employee of the Turf Management Division is responsible for approximately 24 acres of landscaped area. Along with the Turf Management Division, the Landscape Management Division is responsible for the various shrubs and trees located in each park, along with flower beds located throughout the city.

In order to keep the turf and surrounding areas well maintained, a sufficient supply of water must be applied in an ordinate amount. To do this, the Conservation Based Irrigation Management Division was established in order to not only apply water in the parks to ensure continued support, but also to ensure all regulations as set forth by Council resolutions and ordinances, and other regulations as set by Public Works, are followed in the spirit with which they were written. Albuquerque parks are thriving in a desert area. The Conservation Based Irrigation Management Division strives to ensure that each park receives the water necessary to maintain grass, shrubs, trees, etc., but also to ensure that water is not wasted by over watering; or watering areas that do

not need water, and to ensure that irrigation systems are maintained to conserve this precious commodity. In addition, irrigation systems are consistently added to the central irrigation computer, in order to better control water applied to each park.

The Building and Facilities Management Section provides maintenance for play areas, structures, swimming pools, fountains, lights, and buildings in the park system. Licensed plumbing and electrical work in the City's community centers is included in this service activity. This activity is also responsible for removing trash from the city parks.

The Park Management Construction Section, involved in the construction and renovation of several park areas each year, is manned by highly qualified personnel in the construction field, which allows work to be completed efficiently and competently.

**Quality Parks and Trails System.** This Division strives to provide land planning & design for a quality parks & trails system that is integrated into the developing metropolitan area. The mission of the Quality Parks & Trails System Division is to effectively coordinate the planning and implementation of the parks and trails system. This system ties together parks, open space, trails and recreation facilities for the benefit of all ages of the community by providing places for people to participate in healthy activities.

The Quality Parks and Trails System, formerly known as Park Planning and Design Division, was moved to the Parks & Recreation Department as part of the reorganization that occurred July 1, 1999. As a result of this move, there is better coordination of the design of parks, recreational facilities, renovation and remodeling of both parks and recreational facilities, and other building/landscaping design and changes associated with the various parks of the City. This division's strategy falls into Goal 4, Sustainable Community Development.

The Quality Parks and Trails System is currently responsible for over \$55 million in various capital projects. Funding for park development/renovation occurs biennially, with the CIP bond election. Albuquerque voters approve a list of park projects and renovations, consisting of projects as submitted by the Quality Parks and Trails System Division, and approved by the Mayor and Council in the CIP process. In addition, state grants are received as a result of the yearly state legislative process.

Quality Parks and Trails System Division is also responsible for various trails, renovation to existing facilities, park site acquisitions, and prioritizing the development of new facilities. In addition, the division also serves as the Parks and Recreation guide for the City's Capital Improvement Program.

During FY00, the Division managed numerous renovation projects and construction of new facilities that included:

- Total renovation of the 30-year-old Carlos Rey Neighborhood Park and the Pat Hurley Neighborhood Park in West Albuquerque.
- Creating paved parking at Arroyo Del Oso Community Park along with a new playground and basketball court.
- Four new neighborhood parks on the Westside: Sunrise Terrace, Park West, Richland Hills, and Hunters Run.
- Continued work at Manzano Mesa Community Park to develop Zia Little League Complex.
- Implemented replacement of aging play equipment with new equipment at six eastside locations.

The Division's trail coordinator is guiding the planning and constructing of bike trails funded by the Quarter Cent Transportation Tax. Approximately \$1,000,000 will be available yearly through 2010. An exciting FY00 project was the one million dollar I-40 bike pedestrian bridge near Winrock Shopping Center.

This year, the Division's Environmental Planner Coordinator/Development Review Board development planner reviewed over 1000 applications for zone changes, site plans, and subdivisions that could affect the overall park system.

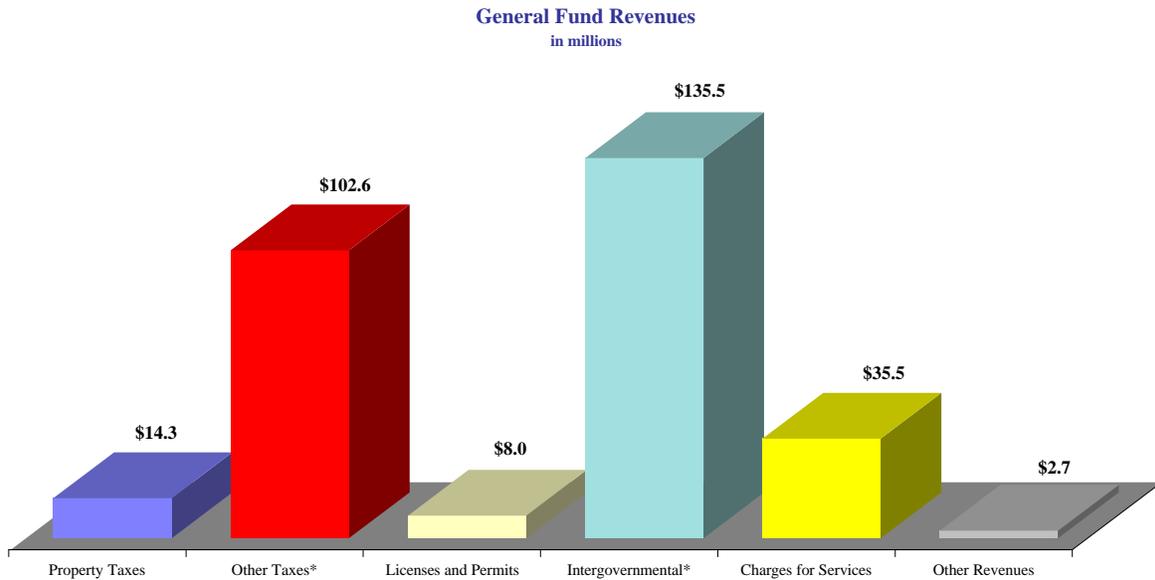
**FINANCIAL INFORMATION**

**Internal control structure.** The Finance and Administrative Services Department is responsible for providing financial services for the City including financial accounting and reporting, payroll and accounts payable disbursement functions, cash and investment management, debt management, purchasing, computer information systems, property management and risk management.

City management is responsible for establishing and maintaining an internal control structure designed to ensure the assets of the government are protected from loss, theft or misuse and to ensure adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. Accounting principles for municipalities are embodied in pronouncements of the Governmental Accounting Standards Board. The Financial Accounting Standards Board, the American Institute of Certified Public Accountants and the Government Finance Officers Association also impact and influence current governmental accounting standards. The internal control structure is designed to provide reasonable, but not absolute assurance that control objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived while the establishment of an appropriate internal control structure requires estimates and judgments from management. All internal control evaluations occur within the above framework. We believe that the City's current internal control structure adequately safeguards assets and provides reasonable assurance of proper recording of financial transactions.

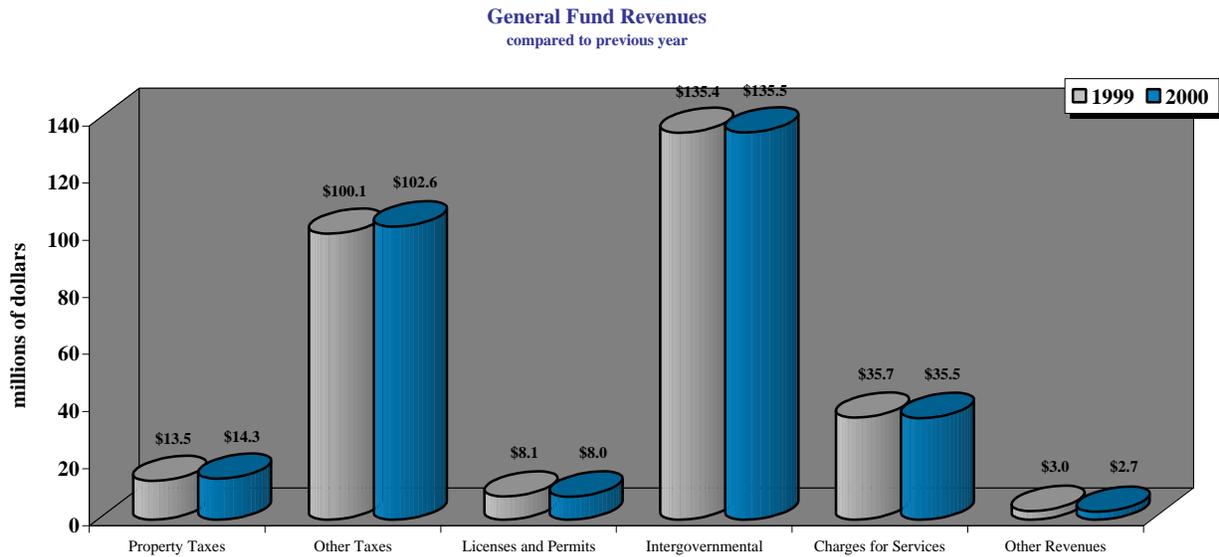
**Budgetary controls.** The development and approval of the annual budget is the beginning of the financial transaction process. After approval of the budget by City Council, budgetary control is maintained by a formal appropriation and encumbrance system. The appropriated amounts reflected in the accompanying financial statements represent departmental budgets by program; it is this level at which expenditures may not exceed appropriations. Encumbrances, which represent commitments for the purchase of goods or services, are shown as a reservation of fund balance in the governmental funds. Certain encumbrances will be reappropriated in fiscal year 2000 for programs that had adequate reversions for the year ended June 30, 2000.

**General government functions.** General government operations are accounted for in the General Fund. Total General Fund revenues for fiscal year 2000 were \$299 million, an increase of 1.0%, or \$2.7 million from 1999. In 2000, the increase in tax revenues was primarily due to a one-time receipt of \$2.3 million in gross receipts tax revenues as a result of the State of New Mexico's tax amnesty program. The decrease in interest income is due to reduced interest rates and to an increase in the unrealized loss on investments at fiscal year end over the prior year.



\* Includes gross receipts taxes of \$214.4 million or 71.8% of total revenues.

The amount of City revenue from various sources and the changes from the previous year are shown below.



Taxable property valuations were \$6.9 billion in 2000, a \$1.2 billion increase from the previous year. Current property tax collections were 78.27% of the levy, compared to 93.19% in the prior year. Except for this fiscal year, current tax collections for the past decade have consistently exceeded 90% of the levy. The decrease in 2000 is due to system problems incurred by Bernalillo County that resulted in the remittance of tax collections based on estimates from the previous year. This is expected to be corrected in Fiscal Year 2001. Cumulative total collections for the last ten years are 97.32% of the cumulative billings. The ratio of total collections (current and delinquent) to the current tax levy in 2000 was 81.73% compared to 100.03% in 1999. Allocation of the property tax for 2000 and the preceding two fiscal years is based on the following mill levy:

<u>Purpose</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
<b>Operational mill levy:</b>			
Residential	1.963	2.279	2.228
Non-residential	2.380	2.482	2.544
<b>Debt service levy</b>	<b>8.976</b>	<b>8.976</b>	<b>8.976</b>

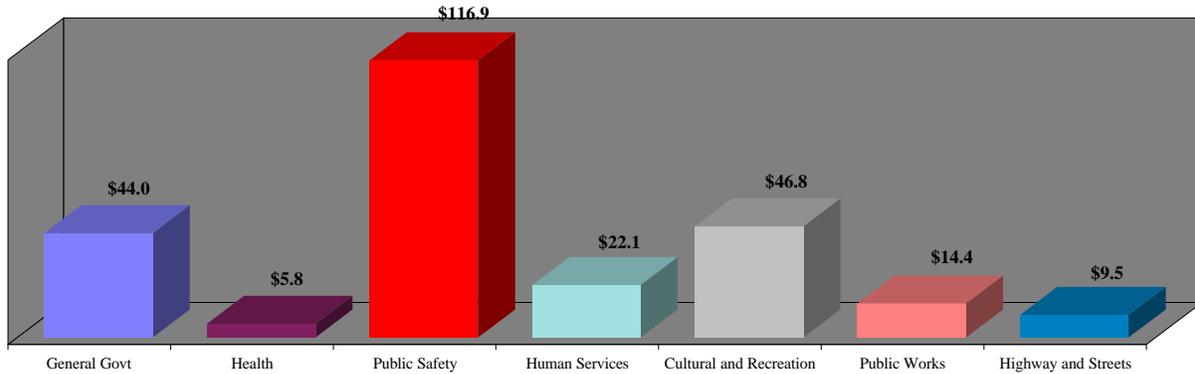
The gross receipts tax rate on receipts within the City was 5.8125% at June 30, 2000. The breakdown and sources of the gross receipts tax rate are as follows:

	<u>Tax Rate</u>	<u>Percent of Total Rate</u>
State General Fund	3.2750%	56.34%
Bernalillo County distribution	.2500	4.30
Municipal distribution - State shared	1.0000	17.20
Municipal distribution - in lieu of previous		
.25% municipal tax - State shared	.2250	3.87
City of Albuquerque general purpose	.5000	8.60
City of Albuquerque basic services	.2500	4.30
City of Albuquerque open space	.2500	4.30
Municipal infrastructure gross receipts tax	<u>.0625</u>	<u>1.08</u>
	<b>5.8125%</b>	<b>100.00%</b>

Additional information about revenues, tax rates, and levies is presented in the statistical section of this report.

General Fund expenditures totaled \$260 million, an increase of \$5.8 million or 2.3% more than 1999. General Fund expenditures for major functions of the City and the changes from the previous year are shown in the following two charts.

General Fund Expenditures  
in millions

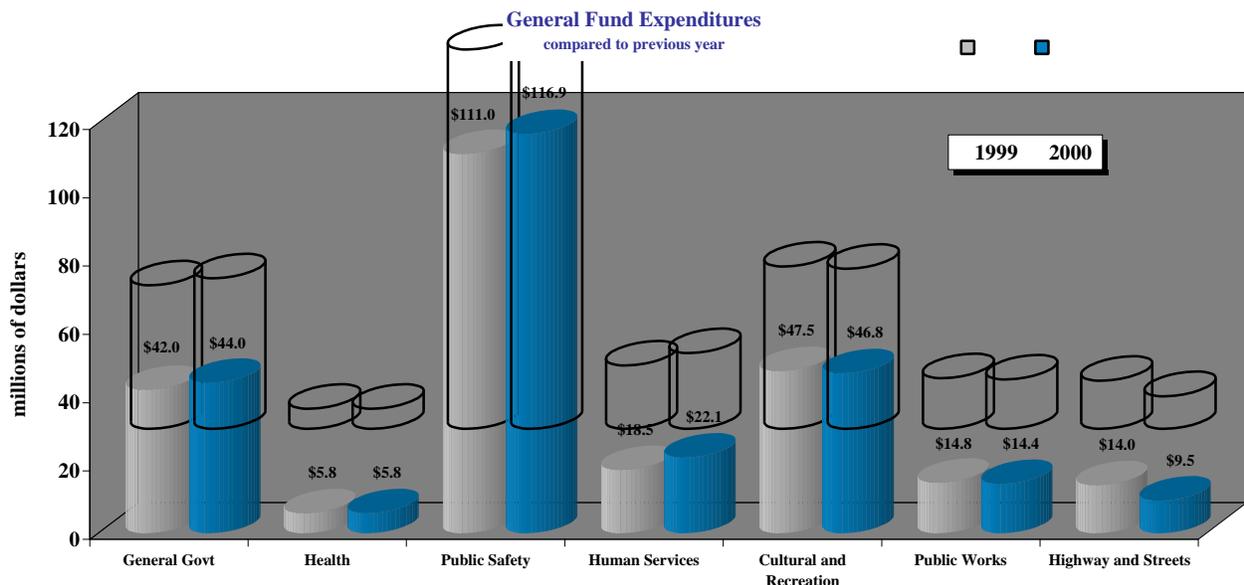


The \$4.4 million decrease in Highway and streets is due to the creation of the Gas Tax Road Fund in 2000. The expenditures related to Street Maintenance are now expended in the new fund. The \$1.9 million increase in General Government is due to the transfer of the Capital Implementation Program, with \$1.6 million in expenditures, from Cultural Services and with increases in personnel costs resulting from a reclassification study of employee compensation.

The \$5.9 million increase in Public Safety is due to increased costs for 1) maintenance and fuel for fire and police vehicles, 2) additional overtime for police personnel, 3) a new communication center for handling emergency calls, and 4) two new fire stations becoming operational during the fiscal year. The \$3.6 million increase in Human Services is due to the transfer of the Playground and Latch-Key programs from Cultural Services and for increased contract services.

The \$2.8 million decrease in Operating Transfers out is for reduced transfers of 1) \$1.6 million for the Vehicle and Equipment Replacement Fund, 2) \$1.7 million for the Sales Tax Refunding Debt Service Fund, and 3) \$1.0 million for the Transit Fund. Those reductions were offset by an increase of the transfer to the Corrections and Detention Fund of \$1.4 million.

The amount of City expenses in various sources and the changes from the previous year are shown below.



The changes in fund equity for the General Fund for the year ended June 30, 2000, were as follows (in thousands of dollars):

Fund equity, July 1,	\$ 44,142
Revenues	298,615
Operating transfers in	1,468
Expenditures	(259,502)
Operating transfers out	<u>(41,320)</u>
Fund equity, June 30	<u>\$ 43,403</u>

Fund equity (in thousands of dollars) of the General Fund at June 30, 2000, consisted of the following:

Reservations of fund balance:	
Reserved for operations	\$ 14,879
Reserved for encumbrances	3,600
Other reservations	470
Unreserved fund balance	<u>24,454</u>
Total fund equity	<u>\$ 43,403</u>

**Enterprise operations.** The City operates six enterprises to provide services to its citizens: an international airport, a joint water and sewer system, parking facilities, refuse collection and disposal, a transit system, and golf courses. The following is a summary of the operations of these enterprises during 2000.

**Airport Fund.** Operating revenues of the Airport Fund totaled \$45.1 million for 2000, compared to \$42.8 million in the previous year, an increase of 5.5%. Operating expenses, including \$21.4 million of depreciation, were \$38.5 million. Operating expenses before depreciation and amortization decreased by 6.0% from 1999. After consideration of non-operating revenues and expenses, the Airport had net income of \$4.5 million compared to a net income of \$2.4 million in 1999. The increase was primarily due to the higher operating revenues of \$2.4 million over 1999.

**Golf Course Fund.** Revenues of the Golf Course Fund were \$3.9 million, a 3.7% increase from the prior year. Operating expenses, including depreciation of \$404 thousand, were \$3.8 million, an increase of 4.2%. The operating income for 2000 was \$119 thousand; net income was \$214 thousand, a decrease from \$240 thousand in 1999.

**Joint Water And Sewer Fund.** Operating revenues for the year ended June 30, 2000 totaled \$103.6 million, an increase of 4.7% over 1999. Operating expenses for 2000, including depreciation and amortization of \$42.0 million, were \$98.1 million, a decrease of \$110 thousand. Operating expenses before depreciation and amortization increased by 0.8%. The operating income for 2000 was \$5.5 million, compared to \$770 thousand in 1999. The fund experienced a net income of \$5.7 million compared to a net loss of \$3.5 million in 1999. The increase in the net income is primarily due to the increase in revenues in 2000 of \$4.6 million. The higher revenues were a result of a rate increase during the year and a reduction in bond issuance costs and fiscal agent fees.

**Parking Facilities Fund.** The operating income of the Parking Facilities Fund was \$8 thousand in 2000 compared to an operating loss of \$74 thousand in 1999. The fund incurred a net income of \$466 thousand in 2000 compared to a net income of \$925 thousand in 1999. This decrease was primarily due to a \$858 thousand decrease in the transfer from the General Fund.

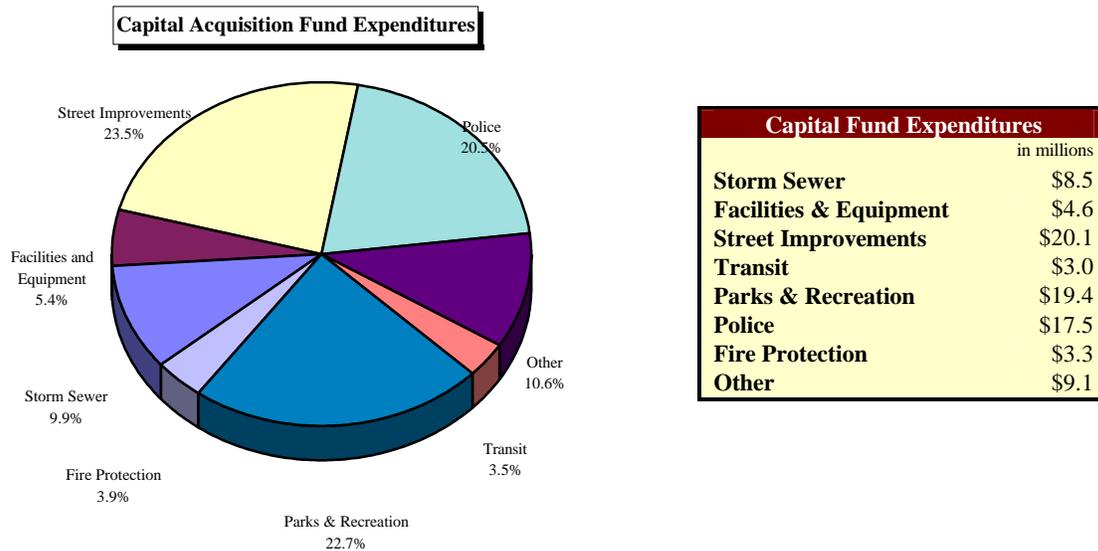
**Refuse Disposal Fund.** Operating revenues of the Refuse Disposal Fund increased by \$2.2 million in 2000 to \$35.6 million from \$33.4 million in 1999, for an increase of 6.4%. Operating expenses increased by \$867 thousand to \$32.0 million. Operating expenses included depreciation of \$4.6 million for 2000 compared to \$4.3 million for 1999. Operating income for 2000 was \$3.6 million, an increase of \$1.3 million from 1999. Net income increased to \$1.6 million in 2000, after a net income of \$1.4 million in 1999.

**Transit Fund.** The operating revenues of the Transit Fund increased by \$251 thousand to \$2.8 million, while operating expenses increased by \$1.9 million to \$25.4 million. The resulting increase in the loss from operations was \$1.6 million from \$21.0 million in 1999 to \$22.6 million in 2000. Operating subsidy transfers from the General Fund for 2000 were \$16.3 million, slightly above the \$16.1 million in 1999. The net loss for the year was \$4.5 million compared to \$3.5 million loss in the prior year.

**Debt administration.** The ratio of general obligation net bonded debt (net of balances set aside for debt service) to the taxable valuation and the amount of bonded debt per capita are useful indicators of the debt position of the City. At June 30, 2000, the net general bonded debt of the City was \$113.3 million, 1.65% of the taxable valuation as compared to 2.49% at June 30, 1999. The net bonded taxable debt per capita was \$253.65 at June 30, 2000 compared to \$315.21 for the prior year.

The outstanding general obligation debt at June 30, 1999 was \$138.2 million. During fiscal year 2000, the City issued \$24.105 million of general obligation bonds. The general obligation bonds of the City continue to have excellent ratings of "Aa3" by Moody's Investors Service, "AA" by Standard & Poor's and "AA" by Fitch Investor Service.

**Capital projects funds.** During 2000, total expenditures for the Capital Acquisition Fund were \$85.5 million compared to \$67.7 million in the prior year. These expenditures were for the purposes shown below.



Other capital projects consist of Community Services buildings, the Convention Center, Environmental improvements, Libraries, the Museum, the Rio Grande Zoo, Senior Citizen facilities and other miscellaneous projects, each with total expenditures of less than \$2.0 million.

**Cash management.** Pursuant to the Fiscal Agent Ordinance of the City, a pooled cash investment program was in place, and cash temporarily idle during the year was invested in those investments and deposits authorized by the City's Investment Policy. It is the City's policy to minimize investment and market risk while seeking to obtain a competitive yield on its total portfolio. Investments and deposits in the City's common investment pool totaled \$477.8 million at June 30, 2000. Of this amount, \$100.0 million was invested in repurchase agreements and \$377.8 million in securities of the Federal government and its related agencies and certificates of deposit.

The City's portfolio average life at June 30, 2000 was 481 days. The average yield on the investment portfolio was 5.92% at the end of June 2000 and 5.54% at the end of June 1999. Interest earned totaled \$24.9 million during the fiscal year. Pooled cash, investments, and accrued interest balances at the end of the year for the last five years are as follows:

2000	\$408,753,642
1999	\$421,801,503
1998	\$397,759,130
1997	\$390,531,617
1996	\$470,354,797

**Risk management.** The City operates its Risk Management program as an Internal Service Fund; accountability and managerial control over workers compensation, tort liability, and other risks are maintained through this fund. The

program is intended as a self-insurance program with added risk control and prevention techniques. "Insurance premiums" are received from the operating departments in the form of transfers. The added risk control and prevention techniques include employee accident prevention training and a wellness program.

The transfers to the Risk Management fund from the operating (insured) departments were \$15.9 million compared to transfers in the prior year of \$12.6 million. Claim reserves (current and long-term) as of June 30, 2000 were \$30.3 million, a decrease from \$30.8 million from the previous year. The Fund experienced a net loss of \$2.0 million in 2000, a decrease from the net loss of \$2.7 million in 1999.

The deficit fund equity increased to \$4.9 million at June 30, 2000 from the \$2.8 million at June 30, 1999. The increase in the Risk Management Fund deficit is attributable to an unanticipated adverse judgment in the amount of \$2.2 Million. The judgment has been appealed to the US Court of Appeals and is expected to be reversed in the City's favor. The City expects to eliminate the remaining deficit by June 30, 2001 by increasing the annual assessment to all operating funds and through an improved loss experience that the City expects to achieve.

#### OTHER INFORMATION

Independent audit. New Mexico state law requires that independent public accountants perform an annual audit of a governmental unit's accounting records and Comprehensive Annual Financial Report. The firm of KPMG Peat Marwick LLP has performed the audit for the year ending June 30, 2000. Federal law also requires that a single audit be performed for federal grant funds as required by the Single Audit Act and OMB Circular A-133. The independent auditors' report on the financial statements and schedules is included in the financial section of this report. The independent auditors' reports related specifically to the single audit are included in the Single Audit Section.

Awards. The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Albuquerque for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 1999. The City has received this prestigious award every year since 1980. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, the contents of which conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year. This report has also been prepared to meet GFOA standards and will be submitted for review.

In addition, the City also received the GFOA's Award for Distinguished Budget Presentation for its annual appropriated budget for the fiscal year ended June 30, 2000. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications medium.

Acknowledgments. The preparation of this report could not have been accomplished without the dedicated services of the staff of the Finance and Administrative Services Department. We wish to express our 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,

Vickie Fisher  
Deputy Chief Administrative Officer

Anna Lamberson  
Director, Finance and Administrative Services  
Department