

CITY OF ALBUQUERQUE

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OFFICE OF MANAGEMENT AND BUDGET

Anna Lamberson, PhD., Budget Officer
Jacques Blair, PhD., City Economist
R. Cameron Hull, CPA, Accounting Officer

LEGAL DEPARTMENT

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

BOND COUNSEL

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

DISCLOSURE COUNSEL

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

This Official Statement does not constitute an offer or solicitation in any jurisdiction in which such offer or solicitation is not authorized, or in which any person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation. No dealer, salesman, or other person has been authorized to give any information or to make any representation, other than the information contained in this Official Statement, in connection with the offering of the Series 2005 Bonds, and, if given or made, such information or representations must not be relied upon as having been authorized by the City. The information contained in this Official Statement has been obtained from the City and other sources which are deemed to be reliable. The information in this Official Statement is subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or others since the date hereof.

The Series 2005 Bonds have not been registered under the Securities Act of 1933, nor has the Bond Ordinance been qualified under the Trust Indenture Act of 1939, in reliance upon exemptions contained in such acts. The registration and qualification of the Series 2005 Bonds in accordance with applicable provisions of the securities laws of the states in which the Series 2005 Bonds have been registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation thereof. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity, nor any agency or department thereof, has passed upon the merits of the Series 2005 Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

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OFFICIAL STATEMENT

\$102,170,000
CITY OF ALBUQUERQUE, NEW MEXICO
General Obligation Bonds

\$90,595,000
General Purpose Bonds,
Series 2005A

\$11,575,000
Storm Sewer Bonds,
Series 2005B

INTRODUCTION

Generally

This Official Statement, which includes the cover page and appendices hereto, provides certain information in connection with the offer and sale by the City of Albuquerque, New Mexico (the “City”) of its General Obligation General Purpose Bonds, Series 2005A (the “Series 2005A Bonds”) in the original principal amount of \$90,595,000, and its General Obligation Storm Sewer Bonds, Series 2005B (the “Series 2005B Bonds”) in the original principal amount of \$11,575,000. Capitalized terms used herein and not defined have the meanings specified in City Ordinance Sixteenth Council Bill No. O-05-118 adopted by the City on May 16, 2005 (the “Bond Ordinance”). See “DESCRIPTION OF BOND ORDINANCE - Certain Definitions” in Appendix B hereto.

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of Series 2005 Bonds to potential investors is made only by means of the entire Official Statement.

The City of Albuquerque

The City, founded in 1706, is the largest city in the State of New Mexico (the “State”), accounting for approximately one-quarter of the State’s population. The City is a home rule municipality, with its charter originally adopted in 1971, and has a Mayor-Council form of government with a salaried full-time Mayor elected every four years. As reported by the Bureau of the Census in 2000, the City had a population of approximately 448,607 people and, as of June 30, 2004, spanned 188.10 square miles. For financial and other information concerning the City, see “ECONOMIC AND DEMOGRAPHIC INFORMATION,” “FINANCIAL INFORMATION” and Appendix A - “Comprehensive Annual Financial Report of The City of Albuquerque - Audited General Purpose Financial Statements - As of and For The Fiscal Year Ended June 30, 2004”.

The City’s Fiscal Year ends June 30 and is referred to in this Official Statement as the “Fiscal Year.”

Purposes of the Series 2005 Bonds

Proceeds from the sale of the Series 2005 Bonds will be used to finance the acquisition of certain City projects relating to fire and police protection, parks and recreation, facilities and equipment, libraries, transit and zoo, citizen centers, storm sewers and streets (collectively, the "2005 Project").

Authority for Issuance

The Series 2005 Bonds are being issued under the authority of and pursuant to regular municipal elections of the City held on October 28, 2003 (the "2003 Election") and November 2, 2004 (the "2004 Election"), the Constitution and laws of the State of New Mexico, including Sections 3-30-1 to 3-30-9 and 6-15-1 to 6-15-10, 6-15-21 and 6-15-22, NMSA 1978, the powers of the City as a home rule city under authority given by the Constitution of the State and the City Charter and all enactments of the City Council relating to the issuance of the Series 2005 Bonds, including the Bond Ordinance.

Sources of Payment for the Series 2005 Bonds

The Series 2005 Bonds constitute general obligation indebtedness of the City, payable from property taxes levied against all taxable property in the City, without limitation of rate or amount, and the full faith and credit of the City is pledged for the payment of the Series 2005 Bonds. See "FINANCIAL INFORMATION - Property Taxes." See also "SECURITY AND SOURCES OF PAYMENT."

Payment of principal and interest on the Series 2005 Bonds when due will be guaranteed by a financial guaranty insurance policy issued by Ambac Assurance Corporation ("Ambac Assurance"). See "SECURITY AND SOURCES OF PAYMENT - Bond Insurance."

Terms of the Series 2005 Bonds

Payments

The Series 2005 Bonds will be dated their date of issuance. Interest on the Series 2005 Bonds is payable on January 1 and July 1, commencing January 1, 2006. The Series 2005 Bonds will be issued in the aggregate principal amounts and will mature on the dates and in the amounts shown on the front cover page.

Denominations

The Series 2005 Bonds are issuable in denominations of \$5,000 or integral multiples thereof.

Book-Entry System

Individual purchases will be made in book-entry form only and purchasers of the Series 2005 Bonds will not receive physical delivery of bond certificates except as more fully described herein. Payments of principal of and interest and redemption premium, if any, on the Series

2005 Bonds will be made directly to The Depository Trust Company (“DTC”) or its nominee, Cede & Co., by the Paying Agent, so long as DTC or Cede & Co. is the sole registered owner of the Series 2005 Bonds. Upon receipt of such payments, DTC is to remit such payments to the DTC participants for subsequent disbursement to the beneficial owners of the Series 2005 Bonds, all as more fully described in “THE SERIES 2005 BONDS - Book-Entry-Only System” and Appendix E - “Book-Entry-Only System.”

In reading this Official Statement, it should be understood that while the Series 2005 Bonds are in book-entry-only form, references in other sections of this Official Statement to Owners should be read to include the person for whom the Participant (as hereinafter defined) acquires an interest in the Series 2005 Bonds, but (i) all rights of ownership must be exercised through DTC and the book-entry-only system as described more fully herein, and (ii) notices that are to be given to Owners by the City or the Paying Agent will be given only to DTC.

Optional Redemption

The Series 2005B Bonds are subject to optional redemption prior to maturity as provided herein.

For a more complete description of the Series 2005 Bonds and the Bond Ordinance, see “THE SERIES 2005 BONDS” and Appendix B - “Description of Bond Ordinance.”

Tax Considerations

In the opinion of Brownstein Hyatt & Farber, P.C., Bond Counsel, interest on the Series 2005 Bonds is excluded from gross income for federal income tax purposes.

The form of the bond counsel opinion is attached in Appendix C hereto. For a discussion of such opinion and certain other tax consequences incident to the ownership of the Series 2005 Bonds, see “TAX MATTERS” herein.

Commitment to Provide Continuing Information

The City will agree for the benefit of the owners of the Series 2005 Bonds (the “Owners”) that, so long as the Series 2005 Bonds remain outstanding, the City will provide annually its audited financial statements and certain other financial information and operating data to each nationally recognized municipal securities information repository approved in accordance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 and will file notice of certain specific material events with the Municipal Securities Rulemaking Board, as described in “CONTINUING DISCLOSURE UNDERTAKING” and Appendix D hereto.

Professionals Involved in the Offering

At the time of the issuance and sale of the Series 2005 Bonds, Brownstein Hyatt & Farber, P.C., as Bond Counsel, will deliver the bond counsel opinion attached as Appendix C hereto. Certain legal matters relating to the Series 2005 Bonds will be passed upon for the City by its Disclosure Counsel, Modrall, Sperling, Roehl, Harris & Sisk, P.A., and by the office of the City Attorney. See “LEGAL MATTERS.” The City’s financial statements for the Fiscal Year

ended June 30, 2004 attached as Appendix A hereto have been audited by Neff & Ricci LLP, independent certified public accountants, Albuquerque, New Mexico. See “FINANCIAL INFORMATION - Financial Statements.”

Offering and Delivery of the Series 2005 Bonds

The Series 2005 Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel and the satisfaction of certain other conditions. The two series of Series 2005 Bonds are offered to the best bidder, subject to sale reservations, as more fully described in “OFFICIAL NOTICE OF BOND SALE.” It is anticipated that a single certificate for each maturity of each series of the Series 2005 Bonds will be delivered to DTC in New York, New York on or about June 30, 2005.

Other Information

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

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

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or owners of any of the Series 2005 Bonds.

PLAN OF FINANCING

Sources and Uses of Bond Proceeds

The estimated sources and uses of Series 2005 Bond proceeds to be available in connection with the sale of the Series 2005 Bonds are set forth below.

	<u>Estimated Amount</u>
SOURCES OF BOND PROCEEDS:	
Principal amount of the Series 2005 Bonds:	
Series 2005A Bonds	\$90,595,000.00
Series 2005B Bonds	11,575,000.00
Net Premium	<u>5,104,184.05</u>
TOTAL SOURCES OF PROCEEDS	<u>\$107,274,184.05</u>
USES OF BOND PROCEEDS:	
Costs of the 2005 Projects ⁽¹⁾	\$102,170,000.00
Deposit to Bond Fund ⁽²⁾	<u>5,104,184.05</u>
TOTAL USES OF BOND PROCEEDS⁽³⁾	<u>\$107,274,184.05</u>

⁽¹⁾ See "The 2005 Projects" under this caption.

⁽²⁾ The net premium will be applied to the payment of interest on the Series 2005 Bonds.

⁽³⁾ The costs of issuance of the Series 2005 Bonds, including legal and accounting fees, printing and other miscellaneous costs in an amount expected to be approximately \$326,381.00 will be paid by the City from amounts on deposit in the Project Fund.

The Series 2005 Projects

The City purposes and the amounts for which the Series 2005 Bonds will be issued are as follows: \$1,724,565 for fire protection; \$9,505,926 for citizen centers, \$1,688,360 for police protection; \$27,344,197 for parks and recreation; \$5,327,984 for facilities and equipment; \$2,256,081 for libraries; \$5,229,100 for public transit, \$5,008,384 for zoo, botanic garden, aquarium and museums, \$11,576,370 for storm sewers and \$32,510,403 for streets.

Annual Debt Service Requirements.

The following schedule shows, for each Fiscal Year of the City, the annual debt service requirements to be payable for the Series 2005 Bonds.

<u>Fiscal Year</u> <u>(ending June 30)</u>	<u>Series 2005A Bonds</u>		<u>Series 2005B Bonds</u>		<u>Total Debt Service</u> <u>Series 2005 Bonds</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
2006	\$11,350,000	\$3,973,105.83	--	\$492,752.47	\$15,815,858.30
2007	11,350,000	3,508,100.00	--	491,387.50	15,349,487.50
2008	11,355,000	3,054,100.00	--	491,387.50	14,900,487.50
2009	11,355,000	2,599,900.00	--	491,387.50	14,446,287.50
2010	11,355,000	2,145,700.00	--	491,387.50	13,992,087.50
2011	11,350,000	1,691,500.00	--	491,387.50	13,532,887.50
2012	11,350,000	1,124,000.00	--	491,387.50	12,965,387.50
2013	11,130,000	556,500.00	\$220,000	491,387.50	12,397,887.50
2014	--	--	11,355,000	482,587.50	11,837,587.50

SECURITY AND SOURCES OF PAYMENT

General Obligation Pledge

The Series 2005 Bonds constitute general obligation debt of the City, the security for which is described in "FINANCIAL INFORMATION - Property Taxes." The primary security for the general obligation debt of the City, including the Series 2005 Bonds, is the City's levy, pursuant to constitutional and statutory requirements, of an ad valorem tax on all real property in the City subject to ad valorem taxation. See "Tax Levies" under this caption. The tax levy is required to be in an amount sufficient to pay the principal of and interest on the Series 2005 Bonds when due, subject to the provisions of federal bankruptcy law and other laws affecting creditor's rights.

In addition to the basic ad valorem property tax security described above, the Bond Ordinance provides further security by pledging the full faith and credit of the City for the payment of the principal of and interest on the Series 2005 Bonds when due. Included in such pledge are all funds of the City, except those specifically limited to another use or prohibited from use for such debt service by the State Constitution, state or federal law, the City Charter, revenue bond trust agreements or City ordinances pledging funds for payment of such revenue bonds.

Tax Levies

Pursuant to the Bond Ordinance, in order to pay the principal of and interest on the Series 2005 Bonds when due and, at the option of the City, to reimburse the General Fund or other funds advanced for the payment of principal of or interest on Series 2005 Bonds for which property taxes were not available, there is to be an annual assessment and levy upon all of the taxable property of the City subject to taxation which provides an amount sufficient to pay the principal of and the interest on the Series 2005 Bonds when due.

The taxes are assessed, levied and collected annually. The City Council is required by the Bond Ordinance to take all reasonable action to insure the levy and collection of taxes in amounts sufficient at the time to pay the principal of and interest on the Series 2005 Bonds. The money produced by the levy of taxes provided in the Bond Ordinance to pay the principal of and interest on the Series 2005 Bonds is to be appropriated for that purpose and included in the annual budget and the appropriation bills adopted and passed by the City Council each year. The taxes collected are to be applied only to the payment of the principal of and interest on the Series 2005 Bonds when due and as otherwise required by law. To the extent property taxes are not available for the purpose, the principal of and interest accruing on Series 2005 Bonds are to be paid from the City's General Fund or from any other fund lawfully available for that purpose.

Additional General Obligation Indebtedness

The State Constitution limits the aggregate amount of general obligation indebtedness of the City to 4% of, and the single debt limitation to 12 mills on, the assessed value of taxable property within the City, except for indebtedness incurred for the construction or purchase of a water or sewer system, which has no limit. For a description of the indebtedness of the City currently outstanding, see "FINANCIAL INFORMATION - Property Taxes." See also "FINANCIAL INFORMATION - Capital Implementation Program" for a discussion of the City's Capital Implementation Program funded with general obligation bonds.

Bond Insurance

The following information has been provided by Ambac Assurance for use in this Official Statement. Reference is made to Appendix F for a specimen of the bond insurance policy. No representation is made by the City, the Purchaser, Bond Counsel or Disclosure Counsel as to the accuracy or completeness of this information as of the date hereof, or the absence of any material adverse changes subsequent thereto, and neither the City, the Purchaser, Bond Counsel nor Disclosure Counsel assumes any responsibility therefore.

Payment Pursuant to Financial Guaranty Insurance Policy

Ambac Assurance has made a commitment to issue a financial guaranty insurance policy (the "Financial Guaranty Insurance Policy") relating to the Series 2005 Bonds effective as of the date of issuance of the Series 2005 Bonds. Under the terms of the Financial Guaranty Insurance Policy, Ambac Assurance will pay to The Bank of New York, in New York, New York or any successor thereto (the "Insurance Trustee") that portion of the principal of and interest on the Series 2005 Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor (as such terms are defined in the Financial Guaranty Insurance Policy attached as Appendix F). Ambac Assurance will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which Ambac Assurance shall have received notice of Nonpayment from the Paying Agent. The insurance will extend for the term of the Series 2005 Bonds and, once issued, cannot be canceled by Ambac Assurance.

The Financial Guaranty Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated

dates for payment, in the case of interest. In the event of any acceleration of the principal of the Series 2005 Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Paying Agent has notice that any payment of principal of or interest on a Series 2005 Bond which has become Due for Payment and which is made to an Owner by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available.

The Financial Guaranty Insurance Policy does **not** insure any risk other than Nonpayment, as defined in the Policy. Specifically, the Financial Guaranty Insurance Policy does **not** cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity.
2. payment of any redemption, prepayment or acceleration premium.
3. nonpayment of principal or interest caused by the insolvency or negligence of the Paying Agent.

If it becomes necessary to call upon the Financial Guaranty Insurance Policy, payment of principal requires surrender of Series 2005 Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Series 2005 Bonds to be registered in the name of Ambac Assurance to the extent of the payment under the Financial Guaranty Insurance Policy. Payment of interest pursuant to the Financial Guaranty Insurance Policy requires proof of Owner entitlement to interest payments and an appropriate assignment of the Owner's right to payment to Ambac Assurance.

Upon payment of the insurance benefits, Ambac Assurance will become the owner of the Series 2005 Bond, appurtenant coupon, if any, or right to payment of principal or interest on such Series 2005 Bonds and will be fully subrogated to the surrendering Owner's rights to payment.

Ambac Assurance Corporation

Ambac Assurance Corporation ("Ambac Assurance") is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, with admitted assets of approximately \$8,585,000,000 (unaudited) and statutory capital of approximately \$5,251,000,000 (unaudited) as of March 31, 2004. Statutory capital consists of Ambac

Assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Credit Markets Services, a Division of The McGraw-Hill Companies, Moody's Investors Service and Fitch Ratings have each assigned a triple-A financial strength rating to Ambac Assurance.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy provisions substantially identical to those contained in its Financial Guaranty Insurance Policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the City.

Ambac Assurance makes no representation regarding the Series 2005 Bonds or the advisability of investing in the Series 2005 Bonds and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by Ambac Assurance and presented under the heading "Bond Insurance" and in Appendix F, entitled "Form of Specimen Bond Insurance Policy".

Available Information

The parent company of Ambac Assurance, Ambac Financial Group, Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). These reports, proxy statements and other information can be read and copied at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at <http://www.sec.gov> that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including the Company. These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc. (the "NYSE"), 20 Broad Street, New York, New York 10005.

Copies of Ambac Assurance's financial statements prepared in accordance with statutory accounting standards are available from Ambac Assurance. The address of Ambac Assurance's administrative offices and its telephone number are One State Street Plaza, 19th Floor, New York, New York, 10004 and (212) 668 0340.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the SEC (File No. 1-10777) are incorporated by reference in this Official Statement:

1. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2004 and filed on March 15, 2005;

2. The Company's Current Report on Form 8-K dated April 5, 2005 and filed on April 11, 2005;
3. The Company's Current Report on Form 8-K dated and filed on April 20, 2005;
4. The Company's Current Report on Form 8-K dated May 3 and filed on May 5, 2005; and
5. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2005 and filed on May 10, 2005.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in "*Available Information*" under this caption.

THE SERIES 2005 BONDS

Generally

Set forth below is a summary of certain provisions of the Series 2005 Bonds. Other information describing the Series 2005 Bonds appears elsewhere in this Official Statement. This summary and such other information should be read together and are qualified in their entirety by reference to the Bond Ordinance and the Series 2005 Bonds. Copies of the approved form of the Bond Ordinance are available from the City as provided in "ADDITIONAL INFORMATION." See also "Description of Bond Ordinance" in Appendix B hereto.

The Series 2005 Bonds will be dated their date of issuance. Interest on the Series 2005A Bonds is payable on January 1 and July 1, commencing on January 1, 2006. The Series 2005 Bonds will be issued in two series to be sold as one issue in the aggregate principal amount of \$102,170,000. The Series 2005A Bonds and Series 2005B Bonds will be sold through a public sale. The Series 2005A Bonds and Series 2005B Bonds will mature on the dates and in the amounts shown on the front cover and are issuable in denominations of \$5,000 or integral multiples thereof.

The Series 2005 Bonds are being issued under the authority of and pursuant to the Constitution and laws of the State, the home rule power of the City derived from the State Constitution and the City Charter, and the Bond Ordinance.

A separate series of general obligation general purpose bonds to be designated as the City of Albuquerque, New Mexico General Obligation Short-Term Bonds, Series 2005C in the aggregate principal amount of \$20,005,917 will be sold at a private sale to the State of New Mexico upon such terms and conditions as the City and the State may determine, in accordance with Section 6-15-5 NMSA 1978, as in effect at the time of sale of the Series 2005C Bonds. It is anticipated that the Series 2005C Bonds will mature on July 1, 2005.

Book-Entry-Only System

Individual purchases of the Series 2005 Bonds will be made in book-entry form only and purchasers of the Series 2005 Bonds will not receive physical delivery of bond certificates, except as more fully described herein. Payments of principal of and interest and redemption premium, if any, on the Series 2005 Bonds will be made directly to The Depository Trust Company (“DTC”) or its nominee, Cede & Co., by the City Treasurer, as Paying Agent, Registrar and Authenticating Agent (the “Fiscal Agent”), so long as DTC or Cede & Co. is the sole registered owner. Upon receipt of such payments, DTC is to remit such payments to the DTC participants for subsequent disbursement to the beneficial owners of the Series 2005 Bonds. In reading this Official Statement, it should be understood that while the Series 2005 Bonds are in book-entry-only form, references in other sections of this Official Statement to owners of Series 2005 Bonds (“Owners”) should be read to include the person for whom the Participants (as hereinafter defined) and indirect participants acquire an interest in the Series 2005 Bonds, but (i) all rights of ownership must be exercised through DTC and the book-entry-only system and (ii) notices that are to be given to Owners by the City or the Fiscal Agent will be given only to DTC. See Appendix E - “Book-Entry-Only System.”

Redemption of the Series 2005 Bonds

Optional Redemption of Series 2005 Bonds

The Series 2005A Bonds are not subject to redemption prior to maturity. The Series 2005B Bonds maturing on July 1, 2014 are subject to redemption prior to maturity at the option of the City, in whole or in part, at any time on or after July 1, 2013, at a redemption price of 100% of the principal amount of the Series 2005 Bonds to be redeemed, plus accrued interest, if any, to the date of redemption.

Unless money sufficient to pay the principal of and premium, if any, on the Series 2005B Bonds to be optionally redeemed is received by the Paying Agent prior to the giving of notice of redemption, that notice is to state that the redemption is conditional upon the receipt of that money by the Paying Agent by 2:00 p.m. on the redemption date. If an amount sufficient to redeem all Series 2005B Bonds called for redemption is not received by that time (i) the Paying Agent is to redeem only those Series 2005B Bonds for which the redemption price was received, (ii) the Series 2005B Bonds to be redeemed are to be selected in the manner set forth in the Ordinance and (iii) the redemption notice will have no effect with respect to those Series 2005B Bonds for which the redemption price was not received and those Series 2005B Bonds will not be redeemed. The Registrar is to give notice to the Owners of the Series 2005B Bonds previously called for redemption which will not be redeemed in the manner in which the notice of redemption was given, identifying the Series 2005B Bonds which will not be redeemed and stating that the redemption did not take place with respect to those Series 2005B Bonds and is to promptly return any Series 2005B Bonds previously delivered by the Owners of the Series 2005B Bonds.

Order of Redemption

If less than all of the outstanding Series 2005B Bonds are to be redeemed at any one time, the Series 2005B Bonds to be redeemed shall be selected by the Registrar in the manner designated by the City. If a Series 2005B Bond to be redeemed is of a denomination larger than \$5,000, a portion of such Series 2005B Bond may be redeemed, but Series 2005B Bonds will be redeemed only in the principal amount of \$5,000 or any integral multiple thereof.

Notice of Redemption

Notice of redemption of Series 2005B Bonds is to be given by the Registrar by sending a copy of such notice by first-class, postage prepaid mail not less than 30 days prior to the redemption date to the registered owner of each Series 2005B Bonds, or portion thereof, to be redeemed at the address shown as of the fifth day prior to the mailing of notice on the registration books kept by the Registrar. The City is to give the Registrar notice of Series 2005B Bonds to be called for optional redemption at least fifteen (15) days prior to the date that the Registrar is required to give the bond owners notice of redemption specifying the Series 2005B Bonds and the principal amount thereof to be called for redemption and the applicable redemption date. If the City has not designated the Series 2005B Bonds to be called for redemption on the dates specified above, the Registrar is to select the Series 2005B Bonds to be redeemed by lot.

Neither the City's failure to give such notice, the Registrar's failure to give such notice to the registered owner of any Series 2005B Bonds, or any defect therein, nor the failure of DTC to notify any Participant, or any Participant to notify a Beneficial Owner, of any such redemption, will affect the validity of the proceedings for the redemption of any Series 2005B Bonds for which proper notice was given. All notices are to specify the number or numbers and maturity dates of the Series 2005B Bonds to be redeemed (if less than all are to be redeemed), the amount of such Series 2005B Bonds to be redeemed (if less than the full amount of any Series 2005B Bonds is to be redeemed), the date fixed for redemption, the redemption price, the series and the CUSIP number and are further to state that on such redemption date there will become and be due and payable upon each Series 2005B Bonds or part thereof to be redeemed at the office of the Paying Agent the principal amount thereof to be redeemed plus accrued interest and that interest will cease to accrue on the principal amount redeemed. Subject to the provisions of the Bond Ordinance setting forth certain conditions to optional redemption of the Series 2005B Bonds, notice having been given in the manner provided above, the Series 2005B Bonds or part thereof called for redemption will become due and payable on the redemption date designated and the Series 2005B Bonds or part thereof to be redeemed for which the redemption price is on deposit with the Paying Agent will not be deemed to be outstanding and will cease to bear interest from and after such redemption date. Subject to the provisions of the Ordinance setting forth certain conditions to optional redemption of the Series 2005B Bonds, upon presentation of Series 2005B Bonds to be redeemed at the office of the Paying Agent on or after the redemption date, or, so long as the book-entry system is used for determining beneficial ownership of the Series 2005B Bonds, upon satisfaction of the terms of any other arrangement between the Paying Agent and DTC, the Paying Agent will pay such Series 2005B Bonds, or portion thereof called for redemption.

ECONOMIC AND DEMOGRAPHIC INFORMATION

The statistics set forth below have been obtained from the referenced sources. The City has assumed that the information obtained from sources other than the City is accurate without independently verifying it. Historical figures provided under this caption have not been adjusted to reflect economic trends such as inflation. **The following information 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
June 30, 2000	181.70
June 30, 2001	184.30
June 30, 2002	187.80
June 30, 2003	187.80
June 30, 2004	188.10

Source: City of Albuquerque Planning Department.

Population

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

Population

<u>Year</u>	<u>City</u>	<u>Bernalillo County</u>	<u>Albuquerque MSA</u>	<u>State</u>
1960	201,189	262,199	292,500 ⁽¹⁾	951,023
1970	244,501	315,774	353,800 ⁽¹⁾	1,017,055
1980	332,920	420,262	485,500 ⁽¹⁾	1,303,303
1990	384,736	480,577	589,131	1,515,069
2000 April ⁽²⁾	448,607	556,678	712,738	1,819,046
2000 July	449,765	557,545	714,618	1,821,544
2001 ⁽³⁾	454,139	562,375	722,951	1,829,110
2002 ⁽³⁾	463,341	572,597	735,747	1,852,044
2003 ⁽³⁾	471,856	581,442	748,067	1,874,614

- (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 (“BBER”).
- (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.
- (3) 2001, 2002 and 2003 data: U.S. Dept. of Commerce, Bureau of the Census, Population Division. Date Released June 24, 2004.

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 and 1.55% during the 1990s. The percentage of the State’s population in the City was 21.2% in 1960, 24.0% in 1970, and 25.5% in 1980, 25.4% in 1990 and 24.7% in 2000.

Age Distribution

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

2003 Population by Age Group

<u>Age</u>	<u>% City</u>	<u>% County</u>	<u>% State</u>	<u>% U.S.⁽¹⁾</u>
0-17 ⁽²⁾	25.6	24.7	26.9	25.1
18-24	10.0	10.3	10.2	9.9
25-34	13.3	13.8	12.3	13.6
35-49	23.0	22.8	21.9	22.7
50 and Older	28.1	28.4	28.7	28.7

- (1) Percentages of the population for all age groups for the United States were calculated based on the total population and population for each group.
- (2) Percentage of the population age 0-17 presented for the City, County and State are residual percentages.

Source: 2004 Survey of Buying Power, Sales and Marketing Management Magazine, September 2004.

Employment

General

The Albuquerque economy in the period Fiscal Year 1994 to 2004 grew at an average of 2% a year. This growth was limited due to the decline in employment experienced in 2002. The economy has rebounded from this and in Fiscal Year 2004 annual employment growth was 1%, with the last quarter experiencing growth of close to 2%.

The slowdown was largely driven by job losses in manufacturing and the closing of several manufacturing plants.

The information on nonagricultural employment for the State and the Albuquerque MSA reported in the following table represents estimates by the New Mexico Department of Labor. More detailed information on nonagricultural employment can be found in the table entitled "Estimated Nonagricultural Wage and Salary Employment for the Albuquerque MSA Fiscal Years 1994-2004" under the heading "Major Industries" under this caption.

Nonagricultural Employment (000s Omitted)

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

(1) As of August, 2003.

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

Civilian Employment/Unemployment Rates

Calendar Year	<u>Albuquerque MSA</u>			<u>Unemployment Rates</u>		
	<u>Civilian Labor Force</u>	<u>Number Employed</u>	<u>Number Unemployed</u>	<u>Albuquerque MSA</u>	<u>New Mexico</u>	<u>United States</u>
1994	336,043	321,192	14,851	4.4%	6.3%	6.0%
1995	345,395	331,343	13,052	4.1	6.3	5.6
1996	349,039	330,344	18,695	5.3	8.0	5.4
1997	359,723	344,279	15,444	4.3	6.4	4.9
1998	367,289	350,518	16,771	4.6	6.2	4.5
1999	359,829	345,762	14,067	3.9	5.6	4.2
2000	376,615	364,069	12,546	3.3	4.9	4.0
2001	379,952	365,898	14,054	3.6	4.8	4.8
2002	383,727	365,667	18,060	4.7	5.5	5.8
2003	390,430	368,870	21,560	5.3	6.1	6.1

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

The following table lists the major employers in the Albuquerque area and their estimated number of full-time and part-time employees as of February 2004. As of that date, Kirtland Air Force Base, the University of New Mexico, Albuquerque Public Schools, Sandia National Laboratories (“SNL”) and the City were the largest employers in the Albuquerque area.

**Major Employers in the Albuquerque Area⁽¹⁾
By Number of Employees - February 2004**

<u>Organization</u>	<u>Employees</u>	<u>% of Total Non Agricultural & Military Employment⁽²⁾</u>	<u>Description</u>
Kirtland Air Force Base (Civilian) ⁽³⁾	17,125	4.68%	Air Force Material Command
University of New Mexico	15,560	4.25%	Educational Institution
Albuquerque Public Schools	11,500	3.14%	Educational Institution
Sandia National Labs ⁽⁵⁾	7,800	2.13%	Research Development
City of Albuquerque ⁽⁴⁾	7,035	1.92%	Government
State of New Mexico	6,300	1.72%	Government
Presbyterian	5,800	1.58%	Healthcare Services
Kirtland Air Force Base (Military) ⁽³⁾	6,750	1.84%	Air Force Material Command
Lovelace Sandia Health Systems	5,500	1.50%	Hospital/Medical Services
Intel Corporation	5,300	1.45%	Semiconductor Manufacturer
UNM Hospital	4,330	1.18%	Hospital/Medical Services
US Post Office	2,200	0.60%	Government
Bernalillo County	1,855	0.51%	Government
PNM Electric & Gas Services	1,810	0.49%	Utilities Provider
Albuquerque Technical Vocational Institute	1,810	0.49%	Educational Institution
Veterans Affairs Medical Center	1,710	0.47%	Hospital
Qwest Communications ⁽⁶⁾	1,500	0.41%	Telecommunications Provider
T-Mobile	1,450	0.40%	Customer Service Center
Sandia Casino	1,400	0.38%	Casino
CitiCard	1,300	0.35%	Financial
Los Lunas Public Schools	1,300	0.35%	Educational Institution
Isleta Gaming Palace	1,200	0.33%	Casino
Albuquerque Publishing Company	1,200	0.33%	Publisher
Rio Rancho Public Schools	<u>1,180</u>	0.32%	Educational Institution
Total Major Employers	<u>112,915</u>		

- (1) Unless otherwise indicated, employment figures are from a telephone survey conducted by Albuquerque Economic Development, Inc. For a discussion regarding major employers and certain changes which may impact their number of employees, see "Major Industries" under this caption.
- (2) Based on total nonagricultural employment (359,457) as reported by the New Mexico Department of Labor plus the number of military employees reported by Kirtland Air Force Base (6,750) for a total of 366,207 employees.
- (3) "Military" includes active duty personnel, reservists and National Guard. "Civilian" includes Appropriated Funds and contracted Civilians.
- (4) Includes both temporary and permanent employees.
- (5) Full-time permanent employees.
- (6) Statewide employees.

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

Major Industries

The following narrative discusses the trends in each major sector of the Albuquerque economy. This information is provided as of the date of this Official Statement unless otherwise noted. The City makes no projections or representation, nor shall the provision of such information create any implication, that there has been no change in the described employment

sectors of the City or that any historical trends set forth herein will continue. The table in this section entitled “Estimated Nonagricultural Wage and Salary Employment for the Albuquerque MSA, Fiscal Years 1995-2004” provides detailed information regarding employment growth within key sectors of the economy for that period.

NAICS Classifications

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

Trade, Transportation and Utilities. This sector is composed of retail trade, wholesale trade, transportation, and utilities and constitutes approximately 18% of MSA employment. As a whole the employment increased by an annual average of only 0.7% from Fiscal Year 1995 to 2004. Wholesale trade lost employment and utilities remained flat. Retail grew by approximately 1.6%. For the City government retail is an important sector and retail trade makes up approximately 40% of gross receipts tax revenues.

Educational and Health Services. Albuquerque is a major regional medical center. Presbyterian Hospital and its HMO is one of the largest employers in the area. This is the fastest growing category in the MSA economy. From Fiscal Year 1995 to 2004 an average annual growth was 4.1%. The sector now makes up 12.1% of non-agricultural employment. Much of this growth is due to a change in Medicare policy that allows payment for home healthcare. The educational sector is small in comparison to health services. Exact numbers are not available, but the educational sector has also grown substantially in the past several years with expansion of several of the local private education facilities.

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

of 1.5%. In Fiscal Year 2004 there was a rebound with growth in Lodgers' Tax Revenues of nearly 5%.

The newest City venue is the rebuilt AAA baseball stadium. The new team - the Albuquerque Isotopes - had a very successful opening season. Their opening game was played on April 11, 2003 and an estimated 300-400 workers were hired for the season. The season was also a financial success for the team and the City, with attendance, sales of merchandise and refreshment revenues exceeding expectations. Attendance for the opening season, at 594,143, eclipsed the record attendance of 390,652 set in 1993 by the then Albuquerque Dukes. In 2004, the Isotopes attendance figures were 575,607.

Professional and Business Services. This sub-sector includes temporary employment agencies and some of Albuquerque's back-office operations, SNL and other scientific and research facilities. This sector had average annual growth of 3% in the past decade, but suffered declines of 2.1% and 0.2% in Fiscal Years 2002 and 2003, respectively. As of October 2004, the labor department shows increases of jobs during the year ending September 2003. These increases are in part due to increases at SNL. Employment at SNL declined from 1994 to 1999 by about 1,450 employees. According to SNL, employment stabilized at around 6,500 for 1999 to 2001. In 2002, SNL experienced growth in part as a result of anti-terrorism efforts and the labs core nuclear protection. As of December 2002, SNL had approximately 7,700 employees in Albuquerque. The first phase of a \$450 million project called Microsystems and Engineering Sciences Applications facility ("MESA") was started in the summer of 2003. This is the largest project ever at SNL. The project has the basic purpose of helping modernize safety, security, and reliability functions of the United States nuclear deterrent and contributes to other national security missions. The Center for Integrated Nanotechnologies ("CINT") is being built at SNL. CINT is one of five new Nanoscale Science Research Centers being created by the Office of Science of the United States Department of Energy. Funding is in place to begin this process from existing Department of Energy appropriations and is expected to cost approximately \$78 million. The SNL science and technology park is an effort to house research facilities and/or manufacturing that benefit from the expertise available from SNL. The first tenant of the park was EMCORE a manufacturing firm. EMCORE opened in 1998, with a facility to build solar cells for telecommunications satellites and expanded that facility in 2001. Since 2001 there have been 6 new facilities, plus renovations for a total \$26 million in development. Employment services, which include temporary employment agencies, declined in Fiscal Year 2001, grew by 6.4% in Fiscal Year 2003, and declined in Fiscal Year 2004 by 0.8%.

Manufacturing. This sector accounted for 8.5% of City employment in Fiscal Year 1993 declining to 6.3% in Fiscal Year 2004. Employment in this sector peaked in Fiscal Year 1998 at 28,242, declining to 23,033 in Fiscal Year 2004, a loss of 5,208 jobs. Still the manufacturing sector has held up better in Albuquerque than it has in the United States economy. The jobs losses in Albuquerque were due first to the Asian financial crisis of 1998, which hit telephone manufacturing and hurt the local employment of Motorola and Philips. Motorola sold what little manufacturing capacity it had left in 1999 and Philips closed its plant in October 2003. Intel, after expanding in 1995, has held employment rather constant despite a \$2 billion expansion in 2002.

A new manufacturer, Eclipse Aviation Corporation (“Eclipse”), has set up headquarters in the City with plans to manufacture a small two-engine jet following receipt of FAA approval of its jet. Current employment at Eclipse is 217 employees. Eclipse received authorization of Industrial Revenue Bonds from the City totaling \$45 million for equipment and machinery at its current facilities at the Sunport International Airport. With this equipment Eclipse envisions approximately 300 additional jobs, by or before 2007. The presence of Eclipse at the Airport and the future (2009) location of Eclipse at the Double Eagle II Airport would diversify the City’s economy and represent current and future potential for increased revenues from general aviation users. The infrastructure development, business development and property management plan and the parallel marketing efforts for an Aerospace Technology Park for Eclipse support companies will complement this potential. Eclipse’s first jets were scheduled to be produced in 2004. However, Eclipse has announced that the engine it intended to use in the jet would not provide sufficient thrust, and has negotiated another contract with Pratt & Whitney Canada. The airplane, with the new engine, has had successful test flights in April, 2005.

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

Other aerospace manufacturing firms are slated to move production facilities to Albuquerque and the Double Eagle II airport facility. Utilicraft, a Georgia based company, plans to begin work on a manufacturing facility at the end of 2005. The company plans to hire 350 to 400 workers to operate the plant. Aviation Technology Group also plans to build facilities and hire approximately 200 workers. However, according to the March 10, 2005 Albuquerque Journal, Aviation Technology Group is now entertaining incentive bids from Colorado and possibly Utah.

Tempur-Pedic Inc., a high tech mattress company, has begun construction of a plant that will employ as many as 300 workers.

Information. This sector includes businesses in publishing, broadcasting, telecommunications and internet service establishments. This sector had average annual growth of 7.4% in the past decade, even with a decline of 6.7% in Fiscal Year 2003. The decline is related to the national decline in internet services and telecommunications. The decline continued in 2004 when MCI and QWEST closed their call centers with a total loss of 1,110 jobs.

Government. While it has declined in importance as a direct employer, in 2003 the government sector (comprised of federal, state and local employees) accounted for 19.9% of total nonagricultural employment in the Albuquerque MSA. “Government” (as defined by the New Mexico Department of Labor for purposes of reporting nonagricultural employment) does not include military employment; all military employment in the Albuquerque MSA represents

approximately 6,500 jobs. In addition, “government” does not include employment at SNL. SNL is operated by a private contractor, although funded by the federal government (primarily the Department of Energy (“DOE”)) and its approximately 7,700 jobs are counted in the business services sector. Several of the largest employers in the Albuquerque area are in the government sector, including the University of New Mexico, Albuquerque Public Schools, Kirtland Air Force Base (“Kirtland AFB”), and the City.

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

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

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

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

of 2001, the Hyatt Tamaya resort hotel opened and the Sandia Pueblo opened a new casino and an amphitheater.

Financial Activities. This sector includes finance and insurance including credit intermediation. The sector increased employment by an average of 2% per year from Fiscal Year 1994 to Fiscal Year 2004, despite consolidations in the banking industry and a 2.7% decline in Fiscal Year 2002. The sector was buoyed by strong growth in the insurance carrier industry, including about 500 jobs created in 2002 and 2003 by Blue Cross.

Construction. Construction employment in the Albuquerque MSA from Fiscal Year 1995 to 1999 hovered around 21,000. In 2000 and 2001 construction employment in the MSA increased as workers were added for two very large projects: the Intel expansion completed in 2002 and the reconstruction of the Big-I interstate interchange. Jobs declined in Fiscal Years 2002 and 2003, but increased substantially at the end of 2003 and into 2004. The second quarter of 2004 had employment of 25,067 just below the peak of 25,233, in the third quarter of 2001. The largest source of growth in construction has been in single-family construction. The past few years have seen records set for the number of single family homes constructed. Though typically cyclical, the housing industry has shown nearly steady increases in growth since the early 1990s following a substantial turndown in multifamily and single family construction. Multifamily building has remained at a low level compared to the 1980s when tax breaks helped spur several booms and busts in the housing industry. While single family construction has beveled off at historically high levels, multifamily construction slowed dramatically in 2004, with only 462 units permitted. Also, the value of new public construction permitted slowed in 2004, but this was from a very large level in 2003, that included the City permitting its Balloon Museum. Roads projects have helped, and there are several roads projects worth over \$100 million that are under way.

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

Construction Building Permits Issued in Albuquerque

Year	<u>Single Residential(1)</u>		<u>Multi-Residential</u>		<u>Commercial Buildings</u>		<u>Public Buildings</u>		Additions & Alterations \$ Value	Total Permits \$ Value	
	<u># of Permits</u>	<u>\$ Value</u>	<u># of Units</u>	<u># of Permits</u>	<u># of Permits</u>	<u>\$ Value</u>	<u># of Permits</u>	<u>\$ Value</u>			
1995	2,674	247,796,639	1,801	13	78,548,666	120	143,204,347	4	17,627,000	101,462,026	588,638,678
1996	2,655	257,848,588	1,013	28	43,682,962	133	114,345,530	4	9,829,833	156,878,528	582,670,441
1997	2,529	244,770,431	1,061	29	73,690,868	119	118,174,223	7	10,206,611	92,812,699	539,654,832
1998	3,449	316,741,579	367	13	12,984,822	129	113,526,149	5	4,150,517	141,112,977	588,516,044
1999	3,601	341,061,779	390	21	18,144,931	102	88,001,238	9	31,258,900	126,411,527	604,878,375
2000	3,367	318,777,857	210	14	10,513,303	123	133,839,520	10	45,144,700	176,202,823	684,812,517
2001	4,138	389,087,259	792	47	36,509,058	121	113,707,767	11	9,848,356	149,130,782	698,283,222
2002	4,434	451,295,687	1,212	24	50,570,538	102	91,737,800	2	2,900,000	206,841,623	803,345,648
2003	5,034	554,888,261	720	35	46,232,739	118	95,467,862	7	33,258,787	163,555,378	893,403,027
2004	4,975	629,042,637	462	15	24,637,800	117	117,591,103	12	21,439,556	137,816,901	930,527,997
Growth 03 to 04	-1.2%	13.4%	-35.8%	-57.1%	-46.7%	-0.8%	23.2%	71.4%	-35.5%	-15.7%	4.2%

(1) Figures do not include manufactured housing.

<u>Total Housing Units in the City of Albuquerque:</u>	<u>Total Units</u>	<u>Single Family</u>	<u>Multi Family</u>	<u>Mobile Homes & Other</u>
As of (April 1) 1990 Census	166,870	101,780	55,931	9,159
As of (April 1) 2000 Census	198,714	126,643	63,285	8,786
1990-2000 housing units added	31,844	24,863	7,354	(373)
Units Permitted (2000-2004)	25,349	21,953	3,396	Not Available
Estimated Units as of December 2004	224,063	148,596	66,681	8,786

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

Historical Employment by Sector

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

Estimated Nonagricultural Wage and Salary Employment for the Albuquerque MSA 1995-2004

Category	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2003 to 2004	Annual Average Growth 1995 to 2004
Total Nonfarm Employment	316,058	322,617	329,992	336,800	340,192	349,425	358,950	358,008	359,283	362,883	1.0%	1.5%
Natural Resources and Mining and Construction	23,017	22,392	22,200	21,525	20,817	21,992	24,758	24,033	23,292	24,500	5.2%	0.7%
Manufacturing	27,592	27,733	27,550	28,242	26,708	26,792	27,958	25,467	24,075	23,033	-4.3%	-2.0%
Computer and Electronic Product Manufacturing	11,700	12,275	12,492	13,017	11,525	11,450	12,350	11,258	10,433	9,792	-6.2%	-2.0%
Semiconductor and Other Electronic Component Mfg.	8,525	9,450	9,625	9,850	8,092	7,958	9,008	8,125	7,325	6,800	-7.2%	-2.5%
Trade, Transportation and Utilities	60,317	61,567	63,400	65,142	65,175	65,208	66,100	64,842	65,233	64,883	-0.5%	0.8%
Wholesale Trade	13,867	13,692	13,725	13,908	13,700	13,733	13,975	13,492	13,175	12,833	-2.6%	-0.9%
Retail Trade	36,100	37,825	39,733	40,950	40,608	40,425	41,300	40,992	41,600	41,717	0.3%	1.6%
Transportation, Warehousing and Utilities	10,350	10,050	9,942	10,283	10,867	11,050	10,825	10,358	10,458	10,333	-1.2%	0.0%
Information	7,117	7,042	7,217	8,233	9,617	10,875	11,233	11,400	10,542	10,008	-5.1%	3.9%
Telecommunications	3,325	3,250	3,117	3,383	4,558	5,783	6,250	6,667	5,767	5,533	-4.0%	5.8%
Financial Activities	16,350	16,767	17,450	17,758	19,000	19,483	19,567	19,033	18,775	18,950	0.9%	1.7%
Finance and Insurance	11,575	11,875	12,333	12,558	13,600	14,042	14,342	13,867	13,533	13,675	1.0%	1.9%
Credit Intermediation and Related Activities	6,325	6,700	6,983	6,692	6,808	6,633	6,492	6,000	5,617	5,917	5.3%	-0.7%
Depository Credit Intermediation	4,383	4,733	4,975	4,558	4,450	4,458	4,575	4,217	3,875	4,000	3.2%	-1.0%
Insurance Carriers	2,383	2,367	2,350	2,775	3,742	4,325	4,733	4,833	4,983	5,000	0.3%	8.6%
Professional and Business Services	49,008	51,375	52,558	53,358	54,650	57,433	58,583	57,392	57,075	57,158	0.1%	1.7%
Professional, Scientific and Technical Services	26,967	27,058	26,300	26,042	25,917	26,592	26,858	26,958	27,783	28,383	2.2%	0.6%
Scientific Research and Development Services	10,358	10,342	10,050	9,817	9,733	9,800	9,625	10,142	10,908	11,467	5.1%	1.1%
Management of Companies and Enterprises	3,283	3,742	4,183	4,642	4,633	4,450	4,617	4,425	4,142	3,950	-4.6%	2.1%
Administrative and Support and Waste Management & Remediation Services	18,758	20,575	22,075	22,675	24,100	26,392	27,108	26,008	25,150	24,825	-1.3%	3.2%
Employment Services	8,517	9,917	10,733	10,175	10,842	11,975	11,442	11,925	12,008	11,908	-0.8%	3.8%
Business Support Services	1,750	1,908	2,508	3,400	3,800	4,792	5,642	4,158	3,017	3,000	-0.6%	6.2%
Educational and Health Services	30,583	32,042	33,542	34,875	35,567	36,975	37,942	40,308	41,950	43,975	4.8%	4.1%
Health Care and Social Assistance	27,033	28,417	29,792	31,033	31,492	32,600	33,158	35,225	36,817	38,700	5.1%	4.1%
Ambulatory Health Care Services	10,458	10,558	10,850	11,150	11,108	11,933	12,475	13,533	15,000	15,842	5.6%	4.7%
Hospitals	7,983	8,583	8,967	9,192	9,208	8,908	8,350	8,675	8,900	9,367	5.2%	1.8%
Leisure and Hospitality	31,308	31,733	32,208	31,883	31,883	32,542	33,667	34,092	35,042	35,983	2.7%	1.6%
Food Services and Drinking Places	24,242	24,758	25,050	24,633	24,417	25,133	25,950	26,475	27,200	28,000	2.9%	1.6%
Full-Service Restaurants	8,775	9,300	9,800	9,775	9,925	10,325	11,300	12,217	12,442	12,708	2.1%	4.2%
Other Services	10,392	10,333	10,625	10,683	10,750	10,792	11,008	11,242	11,617	11,867	2.2%	1.5%
Government	60,375	61,633	63,242	65,100	66,025	67,333	68,133	70,200	71,683	72,525	1.2%	2.1%
Federal Government	14,533	14,225	14,075	14,000	13,900	14,025	13,700	13,833	14,042	13,783	-1.8%	-0.6%
State Government	17,758	18,033	20,383	21,258	21,208	21,817	22,233	22,558	23,067	23,725	2.9%	3.3%
Local Government	28,083	29,375	28,783	29,842	30,917	31,492	32,200	33,808	34,575	35,017	1.3%	2.5%

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

Income

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

Per Capita Personal Income ⁽¹⁾

<u>Calendar Year</u>	<u>Albuquerque MSA</u>	<u>New Mexico</u>	<u>United States</u>
1995	\$21,401	\$18,426	\$23,076
1996	22,172	19,029	24,175
1997	22,931	19,698	25,334
1998	23,894	20,656	26,883
1999	24,412	21,042	27,939
2000	25,848	22,134	29,847
2001	27,785	23,928	30,527
2002	28,471	24,823	30,906
2003	N/A	25,541	31,632

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

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

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

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

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

(1) In 2002 the North American Industrial Classification System replaced the Standard Industrial Classification. See "Major Industries - NAICS Classifications." Comparisons of the NAICS to the SIC are not readily made.

(2) The estimate shown here constitutes the major portion of the true estimate.

(3) Not shown to avoid disclosure of confidential information, but the estimates for this item are included in the totals.

The following two tables reflect Median Household Effective Buying Income ("EBI") (1994-2003) and the Percent of Households by EBI Groups 2003 as reported in the annual surveys of buying power in Sales and Marketing Management Magazine. EBI is defined as money income less personal tax and non-tax payments described below. Money income is the aggregate of wages and salaries, net farm and nonfarm self-employment income, interest, dividends, net rental and royalty income, Social Security and railroad retirement income, other retirement and disability income, public assistance income, unemployment compensation, Veterans Administration payments, alimony and child support, military family allotments, net winnings from gambling, and other periodic income. Deducted from this total money income are

personal income taxes, personal contributions to social insurance (Social Security and federal retirement payroll deductions), and taxes on owner-occupied nonbusiness real estate. Receipts from the following sources are not included as money income: money received from the sale of property; the value of “in kind” income such as food stamps, public housing subsidies, and employer contributions for persons; withdrawal of bank deposits; money borrowed; tax refunds; exchange of money between relatives living in the same household; gifts and lump-sum inheritances, insurance payments, and other types of lump-sum receipts.

**Median Household Effective Buying Income
(1994-2003)**

Calendar Year	Bernalillo County	New Mexico	United States
1994	\$33,978	\$30,032	\$37,070
1995 ⁽¹⁾	31,051	26,499	32,238
1996	32,226	27,503	33,482
1997	31,240	27,744	34,618
1998	33,505	28,795	35,377
1999	35,517	29,992	37,233
2000	35,712	30,322	39,129
2001	38,772	32,083	38,365
2002	36,381	32,291	38,035
2003	36,484	32,737	38,201

(1) Beginning in 1995, EBI is based on “money income” rather than “personal income,” and is not directly comparable with previous estimates. Money income does not include the value of “in-kind” income, such as food stamps and medical care, and does not include lump sum receipts, such as inheritances and tax refunds. For details, see the notes in the 2004 Survey of Buying Power referenced below.

Sources: 2004 Survey of Buying Power, Sales and Marketing Management Magazine, September 2004 and previous annual surveys from the same source.

**Percent of Households by
Effective Buying Income Groups-2003**

Effective Buying Income Group	Bernalillo County	New Mexico	United States⁽¹⁾
Under \$20,000	22.6	27.3	21.8
\$20,000-\$34,999	25.4	26.3	23.8
\$35,000-\$49,999	19.7	19.2	19.0
\$50,000 and over	32.3	27.2	35.4

(1) United States percentages were calculated from the number of households.

(2) All figures for “Under \$20,000” are residual percentages.

Source: 2004 Survey of Buying Power, Sales and Marketing Management Magazine, September 2004.

FINANCIAL INFORMATION

General

Taxes and Revenues

The City is a home rule charter municipality, chartered as a town in 1885.

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

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

Budget Process - Operating Funds

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

Budget Process - Estimates, Forecasting and Revision of Revenues

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

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

Budget Process - Capital Funds

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

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

The General Fund

General Fund Revenues

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

Actual Fiscal Year 2004 Revenue. Revenues in Fiscal Year 2004 substantially outperformed any of the estimates.

The revenues for Fiscal Year 2004 are actual results for the General Fund. Revenues for the City in Fiscal Year 2004 were at \$371.2 million; this is 2.6% or \$9.5 million above the estimated actual revenues. The strengths are in Gross Receipts Taxes and in building permits. Weakness shows in indirect overhead, state shared revenues and CIP funded positions. The CIP funded positions are directly offset by expenditures that didn't occur, therefore, this does not have a net impact on fund balance. The following describes in more detail each sector.

Gross Receipts Tax ("GRT"). GRT revenues were above the estimates with growth of 9.2% far exceeding the estimated growth rate of 5.6%. In inflation adjusted dollars this was one of the best years on record.

Local Taxes other than Gross Receipts Tax. Property taxes were \$418 thousand or 1.7% above the estimated actuals. The increase over Fiscal Year 2003 is due to the shift of one mill in property tax from capital to operations.

Franchise tax revenues totaled \$17.7. Revenues from the telephone franchise with QWEST declined again in Fiscal Year 2004. The City is not receiving franchise revenues from DSL and cellular phones continue to provide strong competition. Natural gas is the primary source of strength with high natural gas prices continuing to boost revenues. The cable TV franchise revenues declined only because of \$1.1 million in one-time revenues received in Fiscal Year 2003. The recurring revenues were 2.3% above Fiscal Year 2003 and at the forecast level.

Payments in lieu of taxes (PILOT) increased by 7.5% which was at the estimate in the Fiscal Year 2004 Approved Budget.

Licenses and Permits. Building permits came in \$1.2 million above the estimated. Single-family construction was exceptionally strong, buoyed by low interest rates and a seemingly liberal policy of lenders. Non-residential permits improved in part on the strength of public projects.

Revenues from other permits and licenses are \$147 thousand above estimate. Business licenses, restaurant and food inspections and animal licenses increased an average of 10%. In part, this is due to the computer system which has helped get correct billing information.

Intergovernmental revenues other than the gross receipts distributions are below estimate, but at the same level as Fiscal Year 2003. These revenues are down substantially from the estimate as an expectation of \$500 thousand from court administrative charges that were to begin in Fiscal Year 2004 were not received. In addition, revenues from gasoline tax distributions were 6% below Fiscal Year 2003.

Charges for Services. Direct charges for service were strong, due to revenues from construction related fees for engineering, zoning fees, records search fees, and materials testing fees. Direct charges were down due to the privatization of the operations of the Convention Center. The contract with SMG to operate the Convention Center began in January 2004 and expires in January 2007 with two one year extensions; therefore, revenues and expenses were shifted to the contract, reducing revenues by \$1.2 million. There was also a similar reduction in expenses.

Internal Services includes charges for services provided to other city funds. This includes landscaping maintenance by the Parks and Recreation Department for the Airport, provision of special legal counsel to other funds, engineering and surveying for the public works department. This category has become less important over the years as the City has moved to contract out rather than directly provide these services such as office services, building construction, and engineering and surveying.

Indirect overhead charges were somewhat higher than anticipated as more positions were filled in the enterprise funds that pay indirect.

Funding for CIP funded positions was lower than anticipated, but this revenue is offset directly by expenditures and does not affect fund balance.

Interest on Investments. Earnings on investments were only \$899 thousand or \$101 thousand below the estimated actual. Low interest rates continued longer than anticipated.

Other Miscellaneous. This includes a one-time payment of \$2.2 million for a settlement of an industrial revenue bond.

Approved Budget Revenue Estimates for Fiscal Year 2005. The following descriptions are based on the Fiscal Year 2005 budget. The revenue estimates for Fiscal Year 2005 were in many cases based on the estimates of Fiscal Year 2004 revenues at the time the budget was prepared. As noted above in the section entitled “Actual Fiscal Year 2004 Revenue” under this caption, revenues exceeded the estimates made at the time the budget was prepared.

Estimated total General Fund revenues for Fiscal Year 2005 are \$393.1 million representing growth of 8.7% or \$31.4 million above the revised Fiscal Year 2004 estimate. Gross receipts tax revenues are expected to increase by \$32.8 million, including \$27.6 million from the quarter cent public safety tax. See “Financial Information – Gross Receipts Taxes.” Non-recurring revenues are \$2.7 million primarily from the quarter cent transportation tax transfer and additional one-time gross receipts tax revenues from enhanced compliance efforts by

the state. Recurring revenues are \$390.4 million, an increase of 10.5% above the revised Fiscal Year 2004 estimate. Details by category are discussed in the following text.

Gross Receipts Taxes. Gross receipts tax is reported as State shared revenues and municipal revenues. The State shared portion is 1.225% that is distributed to municipalities. The total municipal distribution to the general fund including, as of July 2004, the Quarter Cent Public Safety Tax is 1.0625%. The State legislature in the 2004 session removed the tax on food and some medical services. This change took effect January 1, 2005. Also taking effect at this time is an increase in the Bernalillo County taxes with an increase of 3/16th of a cent. The tax rate in the City commencing January 1, 2005 is 6.75%. These changes should not affect the gross receipts tax revenue estimates in the Fiscal Year 2005 Budget.

Gross receipts tax revenues after experiencing weak growth of 0.2% in Fiscal Year 2002, increased by 4.6% in Fiscal Year 2003. Fiscal Year 2004 revenues in the Five-Year Forecast were adjusted up to reflect the increase in Fiscal Year 2003 as well as an increase in growth based on actual receipts. The forecast for Fiscal Year 2004 was estimated at \$249.2 million with growth of 5.6%. About \$4 million of this revenue is non-recurring. The recurring growth rate for Fiscal Year 2005 is 3.4%, but after taking out the large non-recurring portion the growth rate is only 2.1%. Additionally, the new Quarter Cent Public Safety Tax went into effect on July 1, 2004. This will yield eleven months of revenues to the City estimated at \$27.6 million. Total gross receipts tax revenues are estimated at \$282 million in Fiscal Year 2005.

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

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

Payments in lieu of taxes (PILOT) are expected to increase due to increased enterprise revenue collections and property valuations. For Fiscal Year 2005 PILOT growth is estimated at 3%. PILOT growth in Fiscal Year 2005 is limited by the creation of the Albuquerque-Bernalillo Water Utility Authority (the "Authority"), where the total payments from the Authority to the City is limited to a franchise fee of 4% on gross revenues. This franchise fee is now the only

component of the PILOT which in the past had included gross receipts and ad valorem components as well as a smaller franchise fee.

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

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

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

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

Direct Charges for Services were \$17 million in Fiscal Year 2003 and in Fiscal Year 2004. Growth expected in the Fiscal Year 2004 approved budget was completely offset by the reductions in revenues from contracting out the management of the Convention Center and reduced visitation at the zoo. There was some offsetting growth including childcare and latchkey programs that had some fee increases and increases in popularity, legal fees where filling internal positions reduced the use of outside legal counsel for risk related cases, and the increased attendance at the museum, where the popular French impressionist exhibit gave a large boost to revenues. In Fiscal Year 2005 revenues are expected to decline by \$767 thousand. The full year of Convention Center management expenses is the source of a \$1.4 million reduction. With

most revenues remaining flat, it is estimated that there will be revenue increases at the zoo for the opening of the Animals of Africa exhibit at \$283 thousand, increases in library services for \$217 thousand, legal fees at \$109 thousand, and increase of \$158 thousand as league play for softball and baseball increase due to the closing of other local private facilities.

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

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

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

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

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

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

Proposed Fiscal Year 2006 and Update to Fiscal Year 2005. Revenues for Fiscal Year 2005 were adjusted upward by over \$13 million in the Five -Year Forecast and preparation for the Fiscal Year 2006 proposed budget. The primary change was adjustment to the gross receipts

tax to reflect the strong growth in Fiscal Year 2004. The estimated actual revenues for Fiscal Year 2005 are \$406.4 million. The Mayor's Proposed Fiscal Year 2006 budget has growth in revenue of 3.9% from the estimated actual Fiscal Year 2005 revenue. The growth is led by the gross receipts tax which has an estimated growth of 4.8%. Revenue is boosted as the quarter cent public safety tax imposed in Fiscal Year 2005 contains a full 12 months of revenue versus 11 months in Fiscal Year 2005. Not including this impact, the growth in gross receipts tax is 3.9%

General Fund Appropriations

Approved Fiscal Year 2005 Budget. The Fiscal Year 2005 budget reflects both Administration and Council priorities.

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

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

Budget hearings revealed several areas that could be reduced to close the \$10.1 million gap in the 2003 Forecast. Analysis of actual data from February 14, 2004 revealed a General Fund City employment vacancy rate of 7.75%, well above the Fiscal Year 2004 budgeted salary savings rate of 0.5%. The proposed Fiscal Year 2005 General Fund budget increases the salary

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

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

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

General Fund Revenues and Expenditures Aggregates (\$000's)

GENERAL FUND (\$000's)	APPROVED BUDGET Fiscal Year 2005	\$ CHANGE From Fiscal year 2004	% CHANGE From Fiscal Year 2004
Revenues	\$393,124	\$31,421	8.7%
Total Recurring	390,438	37,207	10.5%
¼ Cent	27,600	27,600	
Recurring minus ¼ Cent	362,838	9,607	2.7%
Nonrecurring	2,686	(5,786)	
Expenditures	\$401,803	\$48,563	13.7%
Total Recurring	385,768	40,898	11.9%
¼ Cent	24,549	24,549	
Recurring minus ¼ Cent	361,219	16,349	4.7%
Nonrecurring	16,035	7,665	
Recurring Revenues- Recurring Expenditures	\$ 4,670		

The voters' approval of the Quarter Cent Public Safety Tax will add about \$27.6 million in new money, designated specifically for enhancement of public safety services and social

services directed to crime prevention and intervention. This new stream of funding will allow the City to further increase the size of the forces and better equip police officers and firefighters. The proposed budget reflects the consensus spending plan for the incremental social service dollars developed over the last several months with the guidance of Council.

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

After years of planning, the City began operation in December 2004 of the Bus Rapid Transit demonstration project along Central Avenue between the east side and west side of town. Increased funding for animal services will allow the City to implement the majority of the Humane Society of the United States recommendations, improve humane operations, and focus on increasing the number of live exits of adoptable animals from the City's animal shelters. Funding will allow the City to prepare for our 300th birthday celebration, continue negotiations to acquire a panda at our renowned zoo and add hours at many City libraries. Funding for the second annual Music Festival is also included. Additional funding is provided for the work of the Safe City Strike Force to allow them to address more private properties that have become public nuisances. Funding for expanded street sweeping to improve the appearance of the City and minimize the harmful impacts of storm sewer effluent on the Rio Grande River is included as well as funding for highway litter control, seven day per week operations at convenience centers and restoration of weekly curbside collection of recyclables.

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

Although employee compensation is subject to negotiation, Council approval and Mayoral signature, the Fiscal Year 2005 budget contains funding for the City to absorb 83% of the cost of employee health and dental insurance, in addition to increases in base compensation

for all permanent City employees. In total \$17 million is provided to support increased insurance costs, a 3.9% increase for APD, open space and aviation police, and a 3.2% increase for all other permanent employees.

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

Finally, a General Fund reserve equal to 1/12th of the appropriation level is established, along with a \$1.5 million reserve from the settlement of an IRB in Fiscal Year 2004. In addition, \$1.5 million from the Quarter Cent Public Safety Tax designated for a centralized booking and processing center for the metropolitan detention center is reserved until a decision is reached on how best to handle centralized processing. Fiscal Year 2004 resources were reserved to fund nuisance abatement acquisitions expected to be incurred in Fiscal Year 2005. Another \$600,000 is reserved for the City's Tercentennial pending approval of a plan. Finally, a \$2 million reserve was established by City Council action.

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

Fiscal Year 2004 Year End Report

In summary, no City department overspent their total appropriation. The General Fund produced a significant fund balance and only four other funds required clean-up. All funds were cleaned-up in final action preceding the submission of the annual audit to the State Auditor.

General Fund programs reverted \$9.8 million and actual revenues exceed the revised budget estimate by \$9.5 million. Encumbrances totaled \$1.3 million.

There were 105 General Fund Fiscal Year 2004 programs. The only program with expenses exceeding budget by 5% or \$100,000, whichever is less, was the new program created for the payment resulting from the Governmental Gross Receipts Tax audit.

Proposed Fiscal Year 2006 Budget

The proposed budget for Fiscal Year 2006 is built on the assumption that total revenue will increase 7.45% over the Fiscal Year 2005 approved budget level. Expenditures in the proposed budget are 11.16% greater than the approved appropriation level for Fiscal Year 2005. The growth in expenditures will be supported by a large fund balance to be carried forward from Fiscal Year 2005. The available fund balance does not include \$3 million of the \$5.3 million expected in Fiscal Year 2005 reversions, which is reserved in the Fiscal Year 2006 proposal.

The large growth rate in both revenues and expenditures is driven by the growth in gross receipts tax, primarily the additional month of the public safety quarter cent tax that began in

Fiscal Year 2005. During the first year of a gross receipts tax imposition only 11 months are remitted to the municipality due to the lag between imposition, reporting to the State and distribution to the City. The public safety quarter cent gross receipts tax is expected to produce \$32.4 million dedicated to specific spending purposes.

Total recurring revenue exceeds recurring appropriations by \$247 thousand and is expected to increase at 6.08%, but recurring spending is expected to increase at 7.30%.

**Fiscal Year 2006
Summary of Proposed Revenues and Appropriations (\$000's)**

	Approved Budget Fiscal Year 2005	Proposed Budget Fiscal Year 2006	Change	Percent Change
Revenues				
Recurring	\$390,438	\$414,176	\$23,738	6.08%
Total	\$393,124	\$422,425	\$29,301	7.45%
Appropriations				
Recurring	\$385,768	\$413,929	\$28,161	7.30%
Total	\$401,803	\$446,663	\$44,860	11.16%
Recurring Balance	\$4,670	\$247		

General Fund Balances

The following table shows actual revenues, expenditures and fund balances for the General Fund in Fiscal Years 2001-2004 and also shows the approved budget and estimated actual amounts for Fiscal Year 2005 and proposed budget for 2006.

In 2003 the fund balance policy was changed. The reserve is now 1/12 (8.33%) of expenses rather than 5% of recurring revenues.

General Fund Revenues, Expenditures and Fund Balances
Fiscal Years 2000-2004
(\$000)

<u>REVENUES</u>	<u>Actual</u> <u>2001</u>	<u>Actual</u> <u>2002</u>	<u>Actual</u> <u>2003</u>	<u>Actual</u> <u>2004</u>	<u>Approved</u> <u>Budget</u> <u>2005</u>	<u>Estimated</u> <u>Actual</u> <u>2005</u>	<u>Proposed</u> <u>Budget</u> <u>2006</u>	<u>Compound</u> <u>Annual</u> <u>Chg. 01-06</u>
Taxes:								
Property Tax	15,429	15,880	16,498	24,734	25,046	25,410	26,426	11.4%
Gross Receipts Tax	88,353	89,068	93,173	101,663	128,037	133,565	141,364	9.9%
Other Taxes	15,626	15,369	17,457	17,695	17,423	18,118	18,082	3.0%
Payment in lieu of taxes	5,117	5,450	5,613	6,036	6,257	6,040	6,559	5.1%
Total Taxes	124,525	125,766	132,741	150,128	176,763	183,133	192,431	9.1%
Licenses & Permits	8,723	8,643	12,279	13,716	12,017	12,625	12,003	6.6%
Intergovernmental Revenue:								
State Grants	20	22	46	370	-	23	14	-6.9%
Gross Receipts Tax	135,831	136,655	142,840	156,138	154,006	160,782	167,050	4.2%
Other State Shared	4,114	4,672	4,233	4,256	5,052	4,731	4,624	2.4%
County	220	169	242	201	279	359	264	3.7%
Total Intergovernmental Revenue	140,185	141,519	147,361	160,965	159,337	165,895	171,952	4.2%
Charges for Services	36,719	36,638	37,770	40,429	40,383	40,318	41,215	2.3%
Miscellaneous	3,748	1,580	1,249	3,898	2,498	2,321	2,683	-6.5%
Other Transfers	3,663	3,436	1,509	1,927	2,126	2,126	2,141	-10.2%
TOTAL REVENUE	317,563	317,581	332,909	371,063	393,124	406,418	422,425	5.9%
Beginning Fund Balance	43,403	40,183	36,599	43,125	64,786	64,786	69,082	9.7%
TOTAL RESOURCES	360,966	357,764	369,508	414,188	457,910	471,204	491,507	6.4%
EXPENDITURES								
General government	44,444	43,375	43,775	59,417	59,649	N/A	N/A	N/A
Public Safety	122,153	127,469	130,107	139,621	167,660	N/A	N/A	N/A
Cultural and recreation	50,408	49,152	48,653	49,171	56,865	N/A	N/A	N/A
Public works	9,223	8,571	6,161	8,037	9,006	N/A	N/A	N/A
Highways and streets	11,872	12,898	12,373	8,107	9,886	N/A	N/A	N/A
Health	6,134	6,288	6,557	6,906	8,388	N/A	N/A	N/A
Human services	29,264	26,795	27,146	27,385	35,057	N/A	N/A	N/A
Other transfer out	47,284	46,616	49,113	50,757	55,292	N/A	N/A	N/A
TOTAL EXPENDITURES	320,782	321,164	323,886	349,401	401,803	402,122	446,663	6.8%
ENDING FUND BALANCE	40,183	36,599	45,622	64,786	56,107	69,082	44,844	
TOTAL ADJUSTMENTS ⁽¹⁾⁽²⁾⁽³⁾	-	-	(502)	(1,197)	(486)	(162)	(162)	
RESERVES ⁽⁴⁾	-	-	-	275	6,621	8,108	7,460	
AVAILABLE FUND BALANCE	40,183	36,599	45,120	63,314	49,000	60,812	37,222	
Ending fund balance as percent of recurring revenue ⁽⁵⁾	12.8%	11.6%						
Ending fund balance as percent of total expenditure ⁽⁵⁾			13.93%	18.12%	13.84%	17.14%	10.00%	
Recurring revenues	314,044	314,330	329,259	329,259	390,438	398,311	414,176	5.7%
Recurring expenditures	319,546	317,399	322,331	341,032	385,768	380,985	413,929	5.3%

(1) Adjustments reflect changes in reserves for encumbrances and other accounting adjustments. The adjustments for the designation for future appropriations is not made following the change in reserve policy in Fiscal Year 2003.

(2) Fund balance for Fiscal Year 2000 changed due to an accounting change from modified to full accrual for franchise fees.

(3) The Fiscal Year 2002 adjustment includes a \$1.2 million reserve for the corrections department.

(4) A reserve of \$275 thousand for the transfer to transit is included in the Approved Fiscal Year 2004 Budget.

(5) The reserve policy change is, as of Fiscal Year 2003, 8.33% of total expenditures. In prior years the reserve policy was 5% of recurring revenue.

Revenues

Municipally Determined Revenues

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

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

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

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

Intergovernmental Revenues

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

Property Taxes

Generally

The State Constitution limits the rate of real property taxes which all taxing jurisdictions can levy for operations to a maximum of 20 mills (\$20.00 per \$1,000 of assessed valuation). Commencing in Fiscal Year 1987, pursuant to Section 7-37-7 NMSA 1978, as amended, the maximum levy for City operations was increased from 2.225 to 7.650 mills. Beginning in Tax Year 2003, of the 7.650 mills authorized, only 3.014 mills imposed on residential property and 3.544 mills imposed on commercial property are used by the City for operations (referred to as the “operational levy”) and are subject to yield control. The yield control provisions of Section 7-37-7.1 NMSA 1978, as amended, require that the Local Government Division of the New Mexico Department of Finance and Administration annually adjust operational mill levies subject to yield control after the reassessment to prevent revenues on locally assessed residential and non-residential properties from increasing by no more than the sum of 5% for inflation plus the growth in the tax base due to new value. In cases in which a rate is set for a governmental unit that is imposing a newly authorized rate pursuant to Section 7-37-7 NMSA 1978, the rate must be at a level that will produce in the first year of imposition 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 general obligation debt service levy.

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

Rates

The rates for City property taxes in effect for Tax Year 2004 (Fiscal Year 2005) are 10.990 mills for residential and 11.520 mills for commercial property. These rates are down from 21.327 mills on both residential and commercial property in Tax Year 1985 (Fiscal Year 1986) due to the reassessments of all property within the County. As set by the State Department of Finance and Administration, the general obligation bond debt service levy for Tax Year 2003 (Fiscal Year 2004) is 7.976 mills and the operational levy is 3.014 mills on residential property and 3.544 mills on commercial property.

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

- (1) Debt service levy is a function of assessed value and bonds outstanding authorized in City general elections every two years.
- (2) The City is authorized to contract debt, after an election, and is required to levy a tax, not exceeding 12 mills on the dollar, for payment of the debt from such election.

Source: City of Albuquerque, Office of City Treasurer.

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

Fiscal Year 1997, the debt service levy was decreased to 8.976 mills. In Fiscal Year 2004 the debt service levy was decreased to 7.976 mills.

Limits Regarding General Obligation Indebtedness

The aggregate amount of general obligation indebtedness of the City under the State Constitution is limited for general purposes to 4% of, and the single debt limitation to 12 mills on, the assessed value of taxable property within the City (excepting the construction or purchase of a water or sewer system with general obligation indebtedness, which has no limit). Schools are limited to 6% of the assessed valuation and counties are limited to 4% of the assessed valuation. The only special purpose district overlapping the City is the Albuquerque Metropolitan Arroyo Flood Control Authority (“AMAFCA”), which is limited by State statute as to the amount of bonded debt which can be issued. The current limit for AMAFCA is \$40,000,000, of which \$18,550,000 is outstanding, with \$21,450,000 payable from taxable property within the City.

**City of Albuquerque
Summary of Authorized and Outstanding General Obligations
as of January 1, 2005**

	Currently Outstanding	Other Authorized Unissued
<u>General Obligation Bonds:</u>		
General Purpose G. O. Bonds (Subject to 4% debt limitation)	\$127,775,000 ⁽¹⁾	\$ 110,599,547 ⁽²⁾
Water, Sewer and Storm Sewer G.O. Bonds (Secured by Ad Valorem taxes)	<u>46,610,000⁽¹⁾</u>	<u>11,576,370⁽²⁾</u>
TOTAL GENERAL OBLIGATION BONDS	<u>\$174,385,000</u>	<u>\$122,175,917</u>
<u>Revenue Bonds:</u>		
State Shared GRT	71,122,196	0
State Shared GRT/Lodgers	76,350,920	0
Municipal Gross Receipts Tax	8,550,000	0
Airport Revenue	226,030,000	0
Joint Water Sewer	187,497,666	0
Refuse Removal and Disposal	33,620,000	0
Special Assessment Districts	12,665,943	0
Hospitality Fee	5,700,000	0
TOTAL REVENUE BONDS	<u>\$621,536,725</u>	0
TOTAL G.O. AND REVENUE BONDS	<u>\$795,921,725</u>	<u>\$122,175,917</u>

(1) Additional payments of principal and interest on the City’s general obligation bonds are due July 1, 2005.

(2) The Series 2005 Bonds, to be issued in the amount of \$102,170,000, are not included.

**City of Albuquerque
 Test for Maximum General Purpose G.O. Bonds
 (After Issuing Series 2005 Bonds)**

4% of Assessed Value of \$8,285,493,156 ⁽¹⁾	\$331,419,726
Outstanding (General Purpose subject to 4% limitation)	<u>127,775,000</u>
Available for Future Issues	<u>\$203,644,726⁽²⁾</u>

- (1) See the table below entitled “Assessed Valuation County Tax Year 2004 (Fiscal Year 2005).”
 (2) Includes the Series 2005 Bonds

**City of Albuquerque
 Assessed Valuation
 County Tax Year⁽¹⁾ 2004 (Fiscal Year 2005)**

Market Value of Property Assessed	\$29,307,751,452 ⁽²⁾
Taxable Value of Property Assessed (1/3 Market Value)	
Locally Assessed	9,454,252,111
Less Exemptions	(1,483,757,328)
Plus Centrally Assessed (Corporate)	<u>314,998,373</u>
Certified Net Tax Base ⁽³⁾	<u>\$ 8,285,493,156</u>

- (1) The County tax year (“Tax Year”) begins November 1 and ends October 31
 (2) Reflects market values submitted to the State by the County Assessor prior to properties assessed late. Value shown was used to assess property taxes for the Tax Year. Current values could vary from value shown.
 (3) This Certified Net Tax Base is based on information received from the County Assessor’s Office. Taxable value is determined by dividing market value by three and subtracting exemptions.

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

City of Albuquerque
Direct and Overlapping General Obligation Debt
As of April 1, 2005

Gross G.O. Bonded Debt ⁽¹⁾	\$174,385,000
Less G.O. Sinking Fund Balance (April 1, 2005)	<u>(51,625,140)⁽²⁾</u>
Net G.O. Bonded Debt	\$122,759,860

		Tax Year 2004		
	<u>G.O. Debt</u>	<u>Assessed Valuation</u>	<u>% Applicable to City</u>	<u>Net Overlapping</u>
City of Albuquerque	\$122,759,860	\$8,285,493,156	100.00%	\$122,759,860
Albuquerque Public Schools	134,850,000	10,236,146,834	80.94%	109,152,279
Albuquerque Metropolitan Arroyo Flood Control Authority	28,350,000	9,684,259,433	85.56%	24,255,208
Albuquerque Technical-Vocational Institute	21,500,000	10,048,325,370	82.46%	17,728,138
Bernalillo County	79,085,000	10,236,146,834	80.94%	64,014,149
State of New Mexico	315,925,000	30,554,270,111	27.12%	<u>85,670,331</u>
 Total Direct and Overlapping G.O. Debt				 <u>\$423,579,965</u>

Ratios:

Direct and Overlapping G.O. Debt as Percent of Taxable Assessed Valuation	5.11%
Direct and Overlapping G.O. Debt as Percent of Actual Market Valuation	1.45%
Assessed Valuation Per Capita (2004 Estimated Population 477,990) ⁽³⁾	\$17,559.37
Direct and Overlapping G.O. Debt Per Capita	\$917.17

- (1) Amount does not include any bonds which have been advance refunded and fully defeased by an escrow containing cash and securities fully guaranteed by the United States Government in an amount required to pay all principal and interest on the refunded bonds as they come due.
- (2) The cash balance as of November 1, 2004 was \$51,625,140. The amount properly attributable to principal reduction is 83% of the cash balance.
- (3) Population estimated by City of Albuquerque Planning Division.

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

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

General Obligation Debt

<u>Fiscal Year</u>	<u>Population⁽¹⁾</u>	<u>Taxable Value(000s)⁽²⁾</u>	<u>Total G.O. Debt (000s)</u>	<u>Debt Service Fund(000s)⁽³⁾</u>	<u>Net G.O. Debt (000s)</u>	<u>Ratio of Net G.O. Debt To Taxable Value</u>	<u>Net G. O. Debt Per Capita</u>
1995	418,839	\$ 4,312,210	\$211,175	\$ 3,970	\$207,205	4.81%	\$494.71
1996	420,527	5,077,321	176,315	10,476	165,839	3.27%	394.36
1997	420,907	5,184,693	168,170	7,742	160,428	3.09%	381.15
1998	421,384	5,469,636	172,155	7,834	164,321	3.00%	389.96
1999	420,578	5,656,901	169,165	12,114	157,051	2.78%	373.42
2000	448,607 ⁽⁴⁾	6,856,281	152,825	24,832	127,993	1.87%	285.31
2001	454,015 ⁽⁴⁾	6,900,667	138,180	10,707	127,473	1.85%	280.77
2002	460,464 ⁽⁴⁾	7,423,666	117,440	18,230	99,210	1.34%	215.46
2003	473,849	7,623,843	160,055	45,493	114,562	1.50%	241.77
2004	479,061	7,887,551	126,810	46,158	80,652	1.02%	168.35

- (1) Population is estimated for all years except for June 30, 2000. June 30, 2000 is based on Bureau of Census date. Estimates provided by City of Albuquerque Planning Department.
- (2) Assessment made by County Assessor. The taxable ratio by State statute is one-third of assessed value.
- (3) Available for debt service.
- (4) Full accrual basis.

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 May 1, 2005

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2005	\$ 37,350,000	\$ 7,608,497	\$ 44,958,497
2006	28,090,000	6,055,278	34,145,278
2007	23,920,000	4,828,378	28,748,378
2008	20,920,000	3,741,228	24,661,228
2009	18,545,000	2,792,638	21,337,638
2010	16,545,000	1,964,738	18,509,738
2011	14,345,000	1,171,925	15,516,925
2012	7,335,000	550,125	7,885,125
2013	7,335,000	330,075	7,665,075
	<u>\$174,385,000</u>	<u>\$29,042,879</u>	<u>\$203,427,879</u>

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

Tax Administration

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

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

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

City of Albuquerque Net Taxable Property Values

<u>Tax Year</u> ⁽¹⁾	<u>Real Property</u>	<u>Corporate Property</u>	<u>Personal Property</u>	<u>Net Taxable Valuation</u>
1995 ⁽²⁾	\$4,606,364,061	\$256,310,880	\$214,646,353	\$5,077,321,294
1996	4,651,461,720	269,111,763	264,119,812	5,184,693,295
1997	4,918,412,659	241,257,015	309,966,061	5,469,635,735
1998	5,047,988,793	263,165,055	345,747,000	5,656,900,848
1999	6,234,946,669	281,059,652	340,275,027	6,856,281,348
2000	6,185,937,198	310,904,986	403,859,568	6,900,700,986
2001	6,657,462,354	347,858,674	413,809,882	7,419,129,910
2002	6,880,088,229	361,189,032	378,149,519	7,619,420,780
2003	7,132,035,544	332,740,564	419,057,494	7,883,833,602
2004	7,582,619,605	314,998,373	387,875,178	8,285,493,156

(1) Tax Year begins November 1 and ends October 31

(2) As of October in each year.

Source: Bernalillo County Treasurer's Office.

Top 15 Taxpayers for Tax Year 2004 (Fiscal Year 2005)⁽¹⁾⁽²⁾

<u>Name of Taxpayer</u>	<u>2004 Assessed Taxable Value</u> ⁽³⁾	<u>Tax Amount</u> ⁽⁴⁾	<u>Percentage of Total City Assessed Valuation</u>
Qwest (US West)	\$ 84,276,258	\$ 4,009,078	1.017%
PNM Electric	70,020,611	3,328,570	0.845%
Simon Property Group Ltd (Cottonwood Mall)	20,483,754	931,888	0.247%
Southwest Airlines	19,433,839	884,123	0.235%
Comcast Cablevision of New Mexico	19,394,182	882,319	0.234%
Heitman Properties of NM (part of Coronado Shopping Mall)	19,111,489	869,458	0.231%
Crescent Real Estate (Hyatt Hotel)	15,965,071	825,777	0.193%
Voicestream PCS II Corporation	14,017,627	637,718	0.169%
PNM Gas Services	12,424,384	582,066	0.150%
Verizon Wireless (VAW) LLC.	12,566,690	571,709	0.152%
Winrock Property (Winrock Mall)	11,750,735	534,588	0.142%
Alltel Communications Inc.	11,114,311	505,635	0.134%
AT&T Communications	7,730,839	399,870	0.093%
Delta Airlines Inc.	8,417,044	382,925	0.102%
AHS Albuquerque Regional Medical Center	8,314,168	378,245	0.100%
	<u>\$335,021,002</u>	<u>\$15,723,968</u>	<u>4.000%</u>

(1) As of November 1, 2004.

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

(3) The aggregate net taxable value of the top 15 taxpayers for Tax Year 2004 represents only 4.0% of the total net taxable value of the City for 2004. See the following table entitled "City of Albuquerque History of Property (Ad Valorem) Tax Levy and Collection."

(4) The tax amounts shown include assessments by jurisdictions other than the City.

Source: Bernalillo County Treasurer's Office.

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

Fiscal Year	Total Current Tax Levy ⁽¹⁾	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Total Collections as Percent of Current Levy	City Debt Service Collections	Percent of Total City Levy
1995	\$50,634,041	\$47,792,810	94.39%	\$4,486,481	\$52,279,291	103.25%	\$42,235,640	83.4%
1996	56,500,991	55,170,428	97.65%	2,560,984	57,731,412	102.18%	46,812,632	82.9%
1997	58,414,008	55,266,156	94.61%	2,591,732	57,857,888	99.05%	45,646,455 ⁽²⁾	78.1%
1998	61,648,597	58,799,367	95.38%	2,747,266	61,546,632	99.83%	47,993,016	77.8%
1999	64,226,020	60,900,748	94.82%	4,384,879	65,285,627	101.6 %	49,873,027	77.7%
2000	73,887,459	68,707,63	92.99%	1,164,751	69,872,383	94.57%	58,518,340	79.2%
2001	76,929,102	72,563,755	94.33%	4,365,348	76,929,102	100.00%	63,496,146	82.5%
2002	82,074,357	78,096,507	95.15%	800,726	78,897,233	96.13%	62,709,843	76.4%
2003	85,014,269	81,327,454	95.66%	4,084,547	85,412,001	100.46%	67,971,422	79.95%
2004	87,976,148	84,534,873	96.09%	3,674,088	88,208,961	100.26%	63,153,644 ⁽³⁾	71.8%

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

- (1) Includes both operating and debt service levies. Reported each January by the County Treasurer based on tax bills, including those under protest.
- (2) Since debt service mill levy decreased from 9.468 mills in FY96 to 8.976 mills in FY97, City debt service collections decreased slightly.
- (3) Since debt service mill levy decreased from 8.976 mills in FY03 to 7.976 mills in FY04, City debt service collections decreased slightly.

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

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

Tax Year	Total Tax Levy	City	Bernalillo County	State of New Mexico	Schools	Technical Vocational Education	Flood Control Authority	Hospital	Conservancy District
1995	43.036	11.236	8.618	1.276	8.851	2.702	1.000	4.151	5.202
1996	43.814	11.257	8.279	1.556	9.020	2.783	1.006	4.497	5.416
1997	48.132	11.362	9.070	1.347	11.888	2.935	1.050	4.565	5.915
1998	46.752	11.357	9.066	1.438	11.013	2.945	1.050	4.103	5.780
1999	42.499	11.080	8.270	1.482	8.505	2.578	0.939	4.016	5.629
2000	43.701	11.166	8.558	1.529	8.527	3.179	0.962	4.184	5.596
2001	45.571	11.161	8.635	1.765	8.503	2.628	0.943	6.500	5.436
2002	44.701	11.153	8.532	1.123	7.883	3.174	0.937	6.500	5.399
2003	46.668	11.154	9.549	1.520	8.497	3.175	0.936	6.500	5.337
2004	46.610	11.149	9.536	1.028	8.493	3.174	0.934	6.500	5.346

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 which is levied by the State for the privilege of doing business in the State and is collected by the Department of Taxation and Revenue. The State Gross Receipts Tax is levied at 5.00% of taxable gross receipts. Effective January 1, 2005, the credit of 0.50% was discontinued for municipal option gross receipt taxes and the State will actually collect a 5.00% tax within municipalities, including the City. Of the 5.00 cents collected per dollar of taxable gross receipts reported for a particular municipality, 1.35 cents had, prior to August 1992, been remitted back to the municipality by the State monthly, based on the prior month's filings. See "Manner of Collection and Distribution" under this caption. In 1991, legislation was enacted which, among other things, reduced the amount of State Gross Receipts Tax distribution to a municipality from 1.35% to 1.225% of the taxable gross receipts collected in that municipality. The reduction in the distribution was effective August 1, 1992.

Until July 1, 2004, businesses in the City paid a total 5.8125% gross receipts tax rate to the State, the County of Bernalillo (the "County") and the City. On July 1, 2004, as a result of the City's 0.25% public safety tax, the total gross receipts tax paid by businesses in the City was increased to 6.0625% and, as a result of an increase in the Bernalillo County gross receipts tax rate from 0.25% to 0.4375%, increased to 6.2500% effective January 1, 2005. On July 1, 2005, the total gross receipts tax will increase to 6.7500%%. See the following paragraph.

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

Taxed Activities. For the privilege of engaging in business in the State, the State Gross Receipts Tax is imposed upon any person engaging in business in the State. "Gross Receipts" is defined in the Gross Receipts and Compensating Tax Act as the total amount of money or value of other consideration received from selling property in the State (including tangible personal property handled on consignment in the State), from leasing property employed in the State,

from selling certain research and development services performed outside the State the product of which is initially used in the State and from performing services in the State. The definition excludes cash discounts allowed and taken, the State Gross Receipts Tax payable on transactions for the reporting period and any county gross receipts tax, county fire protection excise tax, county and municipal gross receipts taxes, any type of time-price differential and certain gross receipts or gross receipts taxes imposed by an Indian tribe or pueblo. Unlike most other states, the State taxes sales and services, including legal services. For a description of the percentages of gross receipts tax revenues that have been historically received in various other sectors, see “Gross Receipts Taxes - Historical Taxable Gross Receipts.”

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

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

Historical Revenues. The State Gross Receipts Tax revenues received by the City for the past five Fiscal Years are as follows:

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

<u>Fiscal Year</u>	<u>Revenues</u>
2000	\$130,281,585
2001	135,830,834
2002	136,655,396
2003	142,840,456
2004	156,137,731

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

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. See "FINANCIAL INFORMATION – Lodgers' Tax and Hospitality Fee."

Municipal and Other Gross Receipts Taxes

Imposition of Tax. In addition to receiving a distribution from the State, the Municipal Local Option Gross Receipts Tax Act (Sections 7-19D-1 through 7-19D-13 NMSA 1978, as amended) authorizes the City under State law to impose up to 1.25% 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 is imposing the full 1.25%. One quarter of one percent (0.25%) of the City's municipal gross receipts tax is dedicated to specific "basic services" programs and the proceeds are deposited in the City's General Fund. One half of one percent (0.50%) is used for general purposes and the revenues are deposited into a fund pledged to secure certain outstanding municipal gross receipts tax bonds of the City. An additional 0.25% municipal gross receipts tax is imposed to provide for street maintenance, roadway improvements, an increase in the level of services provided by the public transit system, and construction of a bikeway system. In October 2003, the final 0.25% increment of municipal gross receipts tax was approved by the City electors with the proceeds to be used for public safety, a variety of social-service programs and jail expenses. The tax was imposed effective July 1, 2004. The City has also imposed a 0.0625% municipal infrastructure gross receipts tax for general purposes. The City has authority to impose a second 0.0625% municipal infrastructure gross receipts tax without a referendum, but has not exercised this authority. In addition, the State Legislature in 1998 passed legislation allowing the City to impose an additional 0.125% municipal infrastructure tax for general municipal purposes, infrastructure, regional transit and/or economic development. The City has not used this authority to date, and a positive referendum will be required to impose such tax. The City also has authority under State law to impose a 0.0625% municipal environmental gross receipts tax but thus far has not used this authority. The State Legislature in 2001 passed legislation allowing the City to impose an additional 0.25% municipal capital outlay gross receipts tax for municipal infrastructure purposes, including the payment of debt service on certain bonds. The municipal capital outlay gross receipts tax must be imposed prior to July 1, 2005, under current state law, and may be imposed only after all increments of municipal infrastructure gross receipts tax and the municipal environmental gross receipts tax have been imposed and after a positive referendum is held. The State Legislature in 2004 passed legislation, which becomes effective on July 1, 2005, authorizing a municipal regional transit gross receipts tax. If the City is a member of a regional transit district, upon a request from the district, the City, after an election approving the tax, shall impose a municipal regional transit gross receipts tax of up to 0.5% for a public transit system or public transit projects or services for the district. The tax may be imposed in increments of 0.0625%.

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

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.

**Historical Municipal Gross Receipts Tax Revenues
(0.50% Received by the City from State Gross Receipts Tax)**

<u>Fiscal Year</u>	<u>Revenues</u>
2000	\$52,668,581
2001	54,609,793
2002	55,034,047
2003	57,569,166
2004	62,778,208

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

Taxing Authority and Payments

The following table outlines the gross receipts taxes to be paid to the State, the City and Bernalillo County by businesses in the City.

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

<u>Type of Tax & Purpose</u>	<u>Percentage Imposed</u>
Municipal GRT ⁽¹⁾	1.2500%
Municipal Infrastructure GRT	0.0625
Bernalillo County GRT	0.4375
State GRT	<u>5.0000</u>
Total	<u>6.7500%</u>

(1) Municipal GRT may be imposed by the City in increments of 0.125%, and collections are assessed an administrative fee by the State of 5.0% on all local option revenues imposed above those derived from the initial 0.50% tax levied.

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:

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

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

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

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 1995.

City of Albuquerque
Taxable Gross Receipts By Sector and Total Gross Receipts ⁽¹⁾
Fiscal Years 1995-2004 (000,000s omitted)

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004⁽⁴⁾</u>	<u>% of Total Shares by Sector</u>	
											<u>1995</u>	<u>2004</u>
Construction	\$ 837.4	\$1,007.7	\$1,068.1	\$1,000.8	\$ 1,001.4	\$ 1,098.7	\$ 1,307.6	\$ 1,250.6	\$ 1,213.5	\$1,354.54	9.8%	10.8%
Manufacturing	272.9	278.3	281.0	320.1	324.2	319.4	308.6	283.7	233.7		3.2%	
Trans, Comm., & Pub Util.	563.6	562.3	600.9	616.1	615.1	611.1	650.0	565.2	569.1		6.6%	
Wholesale Trade	498.0	513.2	511.1	554.1	535.6	604.8	608.0	630.5	738.0		5.8%	
Retail Trade	3,417.2	3,634.0	3,759.6	3,882.4	3,963.1	4,158.7	4,367.6	4,345.0	4,652.6	5,036.73	39.8%	40.3%
Fin, Insur., & Real Estate	228.8	251.6	258.1	279.0	286.3	292.2	292.7	270.4	269.4		2.7%	
Services	2,688.8	2,902.6	3,001.2	3,103.6	3,276.2	3,379.2	3,406.2	3,550.8	3,740.7		31.3%	
Other	16.7	11.5	19.8	15.0	21.7	22.4	22.6	23.5	18.5		0.2%	
Interstate Comm. ⁽²⁾	64.1	64.2	62.2	59.3	56.2	62.4	52.9	50.4	37.9		<u>0.7%</u>	
All Other Sectors	--	--	--	--	--	--	--	--	--	6,116.25	--	48.9%
Total Taxable Gross Receipts ⁽³⁾	<u>\$8,588.2</u>	<u>\$9,225.7</u>	<u>\$9,562.0</u>	<u>\$9,830.4</u>	<u>\$10,079.7</u>	<u>\$10,548.8</u>	<u>\$11,016.1</u>	<u>\$10,970.0</u>	<u>\$11,473.0</u>	<u>12,502.52</u>	<u>100%</u>	<u>100%</u>
Total Gross Receipts Reported	\$15,021.0	\$15,784.0	\$16,414.0	\$17,096.8	\$17,317.9	\$18,294.2	\$20,836.9	\$20,708.3	\$20,153.4			

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

(2) Taxable gross receipts from interstate telecommunications are subject to a special 4.25% tax from which the City receives a distribution.

(3) Totals may not add due to rounding.

(4) The groupings by Standard Industrial Classification are not available for Fiscal Year 2004 with the exception of Construction and Retail Trade.

Source: New Mexico Taxation and Revenue Department.

Manner of Collection and Distribution

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

Remedies for Delinquent Taxes

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

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

Lodgers' Tax and Hospitality Fee

Generally

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 Shared Gross Receipt Taxes or local sales taxes). The lodgers' tax is collected by the City on a monthly basis from the persons and firms furnishing lodging.

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, less certain administrative costs. 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.

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

Historical Lodgers' Tax Revenues

The gross taxable rent and the lodgers' tax revenues derived from the 5% Lodgers' Tax rate and collected by the City for the last five Fiscal Years are as follows:

**City of Albuquerque
Historical Lodgers' Tax Revenues**

<u>Fiscal Year</u>	<u>Gross Taxable Rent</u> ⁽¹⁾	<u>Lodgers' Tax Revenues</u>
2000	\$167,834,800	\$8,394,740
2001	169,762,360	8,488,118
2002	166,380,620	8,319,031
2003	166,521,380	8,326,069
2004	174,606,940	8,730,347

(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.

Employee Contracts

There were 6,408 full-time employment positions funded by the City for Fiscal Year 2005. As of January 1, 2005, of the filled positions, over 80% of City employees are affected by union contracts. There are seven bargaining units within the City. The City's union contracts which all expire on June 30, 2006 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); United Transportation Union (Local 1745); Blue Collar workers (A.F.S.C.M.E. Local 624, AFL-CIO); Albuquerque Area Firefighters Union; Albuquerque Police Officers' Association; and Management Union.

Retirement Plan

The employees of the City are members of the State Public Employees Retirement Association. Employees are credited for contribution amounts to the plan varying from 3.29% to 16.30% of their wages and the City contributes amounts which vary from 7.0% to 20.25%.

The last actuarial valuation attesting to the availability of funds to cover the obligations of the plan is as of June 30, 2004. A copy of the certification letter prepared by Gabriel, Roeder, Smith & Company, Actuaries and Consultants, is on file and is available from the State Public Employees Retirement Association, upon request.

Capital Implementation Program

General

The City finances a substantial portion of its traditional municipal capital improvements with general obligation bonds. However, certain capital 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.

In May 2003, the City adopted a ten year capital plan for calendar years 2003 through 2012. The City's 2003 general obligation bond election was held on October 28, 2003, with an amount of \$157,838,460 of capital projects voted on; the electors voted affirmatively on \$105,460,967 of the bonds; the election for the issuance of street bonds in the amount of \$52,377,497 did not pass. However, in a special municipal bond election held on November 2, 2004, the voters approved the future issuance of \$52,514,950 of general purpose general obligation street improvement bonds. In May 2004, the City issued \$35,800,000 of general obligation general purpose bonds; the remaining general obligation bonds will be issued on or about June 30, 2005.

Impact Fees

The City of Albuquerque's Impact Fee Ordinances were adopted by the City Council on November 15, 2004 for implementation on June 10, 2005.

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 four types of new infrastructure that the City of Albuquerque Impact Fees will support are: Public Safety Facilities, Drainage Facilities, Park, Recreation, Trails and Open Space Facilities and Roadway Facilities. Service Areas have been identified for each type of infrastructure.

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

Financial Statements

The financial statements of the City at June 30, 2004 and for the year then ended are included in Appendix A hereto and have been audited by Neff & Ricci LLP, independent certified public accountants, as set forth in their report thereon dated November 7, 2004. Such financial statements represent the most current audited financial information available for the City.

FORWARD LOOKING STATEMENTS

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

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE 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.

LITIGATION

According to the City, there is no action, suit, proceeding, inquiry, investigation or controversy of any nature pending, or to the City's knowledge threatened, involving the City (i) in any way questioning (A) the authority of any officer of the City to exercise the duties and responsibilities of his or her office or (B) the existence, powers or authority of the City material to the Series 2005 Bonds or the security for the Series 2005 Bonds; (ii) seeking to restrain or enjoin the issuance, sale, execution or delivery of, or the performance by the City of its obligations under, the Series 2005 Bonds; (iii) in any way contesting or affecting (A) the issuance, sale, execution or delivery of the Series 2005 Bonds or (B) the validity or enforceability of the Series 2005 Bonds, any of the documents relating to the Series 2005 Bonds or any action contemplated by or pursuant to any of the foregoing; (iv) which, except as and to the extent disclosed below may result, either individually or in the aggregate, in final judgments against the City materially adversely affecting its financial condition; or (v) asserting that the Preliminary Official Statement or the Official Statement contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the

statements therein, in light of the circumstances under which they were made, not misleading. On the Closing Date, the city will deliver a no-litigation certificate as to the foregoing.

New Mexico Tort Claims Act Limitations

The New Mexico Tort Claims Act limits liability to (i) \$100,000 for damage to or destruction of property arising out of a single occurrence, (ii) \$300,000 for all past and future medical and medically-related expenses arising out of a single occurrence, (iii) \$400,000 to any person for any number of claims arising out of a single occurrence for all damages other than property damage and medical and medically-related expenses, as permitted under the New Mexico Tort Claims Act, and (iv) \$750,000 for all claims other than medical or medically-related expenses arising out of a single occurrence. In two consolidated cases, the City had two judgments entered against it that exceeded these caps on damages under the New Mexico Tort Claims Act. In August 1998, the New Mexico Supreme Court declared the cap on damages unconstitutional as to these two cases only. However, the Court changed the standard from a “medium scrutiny” standard to a “rational basis” standard by which the constitutionality issue will be determined in future cases. Since the revised standard is less of a burden for the City to overcome, the City expects that the cap will be upheld, if challenged in the future. The City has not experienced a material adverse financial impact on claims as a result of the decision in these cases.

During Fiscal Year 2004, the City had an actuarial review of the adequacy of the reserves for both the Workers Compensation and Tort Liability programs. The actuarial review recommended that the City increase the amounts reserved in anticipation of adverse developments in reported cases and for claims which may have occurred but have not yet been reported. The City increased its “incurred but not yet reported” reserves to reflect \$2,900,000. The City will engage two actuarial firms in the upcoming year to verify the necessity of additional reserves. Based on historical data, the City believes the Risk Management Fund (an internal service fund) is adequate for unanticipated developments. The cash balance grew by \$7,006,808 during Fiscal Year 2004, and the City is in the fourth year of a five year plan to address a deficit in the Risk Management Fund. If necessary, pursuant to Section 41-4-25(B) NMSA 1978, in the event of a judgment against the City in excess of \$100,000 the City, with City Council approval, may levy a tax on real property to provide for the payment of catastrophic losses. In addition, the City started Fiscal Year 2005 with \$15,300,000 available in the General Fund balance, largely the result of unanticipated revenues and reversions from Fiscal Year 2004. The City has available \$1,560,000 in cash that was refunded to the City due to an unfulfilled industrial revenue bond obligation and \$2,000,000 in a special reserve. Finally, the City has reserve amounts created by the City’s policy to reserve one-twelfth of the General Fund budgeted amount.

TAX MATTERS

The Internal Revenue Code of 1986 (the "Code") imposes certain requirements that must be met subsequent to the issuance and delivery of the Series 2005 Bonds for interest thereon to be excluded from gross income for Federal income tax purposes. Noncompliance with such requirements could cause the interest on the Series 2005 Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issue of the Series 2005 Bonds. The

Issuer has covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Series 2005 Bonds from gross income for Federal income tax purposes.

In the opinion of Brownstein Hyatt & Farber, P.C., Bond Counsel, under existing law and assuming compliance with the aforementioned covenant, interest on the Series 2005 Bonds is excluded from gross income for Federal income tax purposes. Bond Counsel is also of the opinion that the Series 2005 Bonds are not "specified private activity bonds" within the meaning of Section 57(a)(5) of the Code and, therefore, the interest on the Series 2005 Bonds will not be treated as a preference item for purposes of computing the alternative minimum tax imposed by Section 55 of the Code. Interest on the Series 2005 Bonds owned by corporations will, however, be taken into account in determining the alternative minimum tax imposed by Section 55 of the Code on 75 percent of the excess of adjusted current earnings over alternative minimum taxable income (determined without regard to this adjustment and the alternative tax net operating loss deduction). Bond Counsel is further of the opinion that under existing law interest on the Series 2005 Bonds is excluded from income for State of New Mexico income tax purposes under the Act. An opinion to those effects will be included in the approving legal opinion.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Series 2005 Bonds may affect the tax status of interest on the Series 2005 Bonds. No assurance can be given that future legislation, or amendments to the Code, if enacted into law, will not contain provisions which could directly or indirectly reduce the benefit of the exclusion of the interest on the Series 2005 Bonds from gross income for Federal income tax purposes. Furthermore, Bond Counsel expresses no opinion as to any Federal, State or local tax law consequences with respect to the Series 2005 Bonds, or the interest thereon, if any action is taken with respect to the Series 2005 Bonds or the proceeds thereof upon the advice or approval of bond counsel other than Bond Counsel.

Although Bond Counsel has rendered an opinion that interest on the Series 2005 Bonds is excluded from gross income for Federal income tax purposes, a Bondholder's Federal, State or local tax liability may otherwise be affected by the ownership or disposition of the Series 2005 Bonds. The nature and extent of these other tax consequences will depend upon the Bondholder's other items of income or deduction. Without limiting the generality of the foregoing, prospective purchasers of the Series 2005 Bonds should be aware that (i) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Series 2005 Bonds or, in the case of a financial institution, that portion of a holder's interest expense allocated to interest on the Series 2005 Bonds, (ii) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest on the Series 2005 Bonds, (iii) interest on the Series 2005 Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code, (iv) passive investment income, including interest on the Series 2005 Bonds, may be subject to Federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income and (v) Section 86 of the Code requires recipients of certain Social Security

and certain Railroad Retirement benefits to take into account, in determining the taxability of such benefits, receipts or accruals of interest on the Series 2005 Bonds. Bond Counsel has expressed no opinion regarding any such other tax consequences.

INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE SERIES 2005 BONDS.

CONTINUING DISCLOSURE UNDERTAKING

In connection with its issuance of the Series 2005 Bonds, the City will execute a Continuing Disclosure Undertaking, a form of which is attached as Appendix D hereto, wherein it will agree for the benefit of the Owners of Series 2005 Bonds (i) to provide audited annual financial statements of the City by not later than 270 days after the end of each Fiscal Year and to provide certain annual financial information and operating data relating to the City by not later than 270 days after the end of each Fiscal Year, and (ii) to provide timely notice of certain enumerated events, if material. Pursuant to its prior Disclosure Undertakings relating to general obligation bonds, the City is required to file its annual audited financial statements for each Fiscal Year ended June 30, no later than 180 days after the end of each Fiscal Year. Because year end audits by its independent certified accountant have not been received by the City in time to make such filings, the audited financial statements have been filed subsequent to the 180-day period. The City anticipates that this problem will continue because of the delay in receiving audited financial information. Other than the delay in filing such audited financial statements, the City is currently in compliance with all of the requirements of its previous continuing disclosure undertakings.

LEGAL MATTERS

In connection with the issuance and sale of the Series 2005 Bonds, Brownstein Hyatt & Farber, P.C., as Bond Counsel, will deliver the bond opinion included in Appendix C hereto. Certain legal matters relating to the Series 2005 Bonds will be passed upon for the City by its Disclosure Counsel, Modrall, Sperling, Roehl, Harris & Sisk, P.A. Neither Disclosure Counsel nor Bond Counsel has participated in any independent verification of the information concerning the financial condition of the City contained in this Official Statement.

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

RATINGS

It is expected that, upon issuance, the Series 2005 Bonds will receive a rating of "Aaa" from Moody's Investors Service, Inc. ("Moody's"), a rating of "AAA" from Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies ("S&P") and a rating of "AAA" from Fitch Ratings ("Fitch") with the understanding that, upon delivery of the Series 2005

Bonds, the Financial Guaranty Insurance Policy insuring the payments when due of the principal of and interest on the Series 2005 Bonds will be issued by Ambac Assurance. The following underlying ratings have also been assigned to the Series 2005 Bonds: Moody's has assigned the Series 2005 Bonds an underlying rating of "Aa3"; S&P has assigned the Series 2005 Bonds an underlying rating of "AA"; and Fitch has assigned the Series 2005 Bonds an underlying rating of "AA". It is expected that all of the Series 2005 Bonds will be covered by the Financial Guaranty Insurance Policy at the time of delivery.

Ratings reflect only the respective views of the rating agencies, and the City makes no representation as to the appropriateness of any rating. An explanation of the significance of the ratings may only be obtained from the respective rating agency. The City has furnished to each rating agency certain information and materials relating to the Series 2005 Bonds and the City some of which may not have been included in this Official Statement. Generally, rating agencies base their ratings on such information and materials and on investigation, studies and assumptions by the rating agencies. The respective ratings are not a recommendation to buy, sell or hold the Series 2005 Bonds, and there can be no assurance that a rating when assigned will continue for any given period of time or that it will not be lowered or withdrawn entirely by a rating agency if, in its judgment, circumstances so warrant. Any downward change in or withdrawal of a rating may have an adverse effect on the marketability and/or market price of the Series 2005 Bonds.

ADDITIONAL INFORMATION

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

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or owners of any of the Series 2005 Bonds.

APPROVAL BY THE CITY

This Official Statement, has been duly authorized and approved by the City and has been executed and delivered by the Mayor on behalf of the City.

CITY OF ALBUQUERQUE, NEW MEXICO

By: _____ /s/ Martin J. Chávez
Mayor

APPENDIX A

**COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF ALBUQUERQUE -
AUDITED GENERAL PURPOSE FINANCIAL STATEMENTS - AS OF AND FOR THE
FISCAL YEAR ENDED JUNE 30, 2004**

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NEFF + RICCI LLP

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

Independent Auditors' Report

The Honorable Martin Chavez, Mayor and
Members of City Council

We have audited the accompanying basic financial statements of the City of Albuquerque (the City), as of and for the year ended June 30, 2004. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Albuquerque, as of June 30, 2004, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Neff + Ricci LLP

Albuquerque, New Mexico
December 7, 2004

**CITY OF ALBUQUERQUE, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004**

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, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$1.2 billion (net assets). Of this amount, \$112.8 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors in subsequent accounting periods.
- The government's total net assets decreased by \$404.9 million during the year, principally as a result of the transfer of the water and wastewater utility assets and liabilities to the Albuquerque Bernalillo Water Utility Authority which was created by the Legislature in 2003. The assets and liabilities were transferred effective July 1, 2003.
- As of June 30, 2004, the City's governmental funds reported combined ending fund balances of \$356.1 million. Approximately 75.5% of this amount, \$268.9 million, is unreserved fund balance available for spending at the government's discretion. Included in this amount is approximately \$127.3 million in the Capital Acquisition Fund.
- At the close of the current fiscal year, unreserved fund balance for the general fund was \$33.7 million or 11.3% of the total general fund expenditures of \$298.6 million.
- The City's total long-term debt decreased by \$187.6 million during the current year. The key factors in this change were: 1) the removal of \$260.5 million of noncurrent liabilities of the Joint Water and Sewer Fund, 2) debt reduction payments and liquidations of accrued liabilities totaling \$177.3 million, and 2) the issuance of \$250.2 million bonds and notes payable accompanied by additions to accrued vacation and sick leave pay and claims.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

**CITY OF ALBUQUERQUE, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004**

OVERVIEW OF THE FINANCIAL STATEMENTS, continued

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

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

The City does not have a relationship with any other government that would cause that government to be considered a component unit of the City. The City does, however, operate the water and waste water utility serving the City and its citizens that is owned by the Albuquerque Bernalillo Water Utility Authority under the terms of a Memorandum of Understanding that will expire on June 30, 2006.

Fund Financial Statements

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

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

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

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

CITY OF ALBUQUERQUE, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004

OVERVIEW OF THE FINANCIAL STATEMENTS, continued

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

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

- ***Enterprise funds*** are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operations of the Albuquerque International Airport, Refuse Disposal, and Housing Authority, which are considered major funds of the City. In addition the following nonmajor funds are reported: Apartments, Golf Course, Parking, Stadium, and Transit.
- ***Internal Service funds*** are used to report activities that provide supplies and services for certain City programs and activities. These funds account for inventory warehousing and stock issues; workers' compensation, tort and other claims insurance coverage; vehicle maintenance and motor pool services; and communication services to City departments. In addition, these funds provide health insurance coverage to City employees. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

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

Notes to the Financial Statements

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

Required Supplementary Information (RSI)

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

Combining Statements

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

**CITY OF ALBUQUERQUE, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This is the third year that the City has presented its financial statements under the new reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34), Basic Financial Statements - and Management's Discussion and Analysis (MD&A) - for State and Local Governments. Below is a comparative analysis of government-wide data for the most recently completed fiscal year and the prior fiscal year.

	NET ASSETS (in millions)						Total Percent Change <u>2003 - 2004</u>
	Governmental Activities		Business-type Activities		Total		
	<u>2004</u>	<u>2003*</u>	<u>2004</u>	<u>2003*</u>	<u>2004</u>	<u>2003*</u>	
Assets:							
Current and other assets	\$ 571.1	\$ 445.6	\$ 169.0	\$ 275.8	\$ 740.1	\$ 721.4	2.6%
Capital Assets	<u>843.0</u>	<u>746.5</u>	<u>456.8</u>	<u>1,162.3</u>	<u>1,299.8</u>	<u>1,908.8</u>	-31.9%
Total assets	<u>1,414.1</u>	<u>1,192.1</u>	<u>625.8</u>	<u>1,438.1</u>	<u>2,039.9</u>	<u>2,630.2</u>	-22.4%
Liabilities:							
Long-term liabilities outstanding	368.0	315.5	283.4	523.6	651.4	839.1	-22.4%
Other liabilities	<u>200.5</u>	<u>130.8</u>	<u>30.7</u>	<u>80.5</u>	<u>231.2</u>	<u>211.3</u>	9.4%
Total liabilities	<u>568.5</u>	<u>446.3</u>	<u>314.1</u>	<u>604.1</u>	<u>882.6</u>	<u>1,050.4</u>	-16.0%
Net assets:							
Invested in capital assets, net of related debt	557.9	504.1	197.6	669.5	755.5	1,173.6	-35.6%
Restricted	211.5	192.0	77.5	76.9	289.0	268.9	7.5%
Unrestricted	<u>76.2</u>	<u>49.7</u>	<u>36.6</u>	<u>87.6</u>	<u>112.8</u>	<u>137.3</u>	-17.8%
Total net assets	<u>\$ 845.6</u>	<u>\$ 745.8</u>	<u>\$ 311.7</u>	<u>\$ 834.0</u>	<u>\$ 1,157.3</u>	<u>\$ 1,579.8</u>	-26.7%

* Restated see note 22

Analysis of Net Assets

As noted earlier, net assets may serve as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by \$1.2 billion at the close of the year. The largest portion of the City's net assets (65.3%) reflects its investment of \$755.5 million in capital assets (e.g. land, buildings, and equipment less any related outstanding debt used to acquire these assets). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to pay this debt must come from other sources, since the capital assets cannot be liquidated for these liabilities.

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

**CITY OF ALBUQUERQUE, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004**

GOVERNMENT-WIDE FINANCIAL ANALYSIS, continued

Analysis of Changes in Net Assets

	CHANGE IN NET ASSETS (in millions of dollars)						Total Percentage Change 2003 - 2004
	Governmental Activities		Business-type Activities		Total		
	2004	2003*	2004	2003*	2004	2003*	
REVENUES							
Program revenues:							
Charges for services	\$ 83.9	\$ 75.8	\$ 125.0	\$ 119.0	\$ 208.9	\$ 194.8	7.2%
Operating grants and contributions	32.8	28.7	25.2	24.8	58.0	53.5	8.4%
Capital grants and contributions	2.4	9.9	12.8	16.7	15.2	26.6	-42.9%
General revenues:							
Gross receipts taxes	132.3	122.0	-	-	132.3	122.0	8.4%
Property taxes	88.3	86.4	-	-	88.3	86.4	2.2%
Other taxes	32.3	26.4	-	-	32.3	26.4	22.3%
State shared taxes and fees	161.8	152.5	-	-	161.8	152.5	6.1%
Grants, investment income, and other	33.5	35.5	0.1	1.4	33.6	36.9	-8.9%
Total revenues	<u>567.3</u>	<u>537.2</u>	<u>163.1</u>	<u>161.9</u>	<u>730.4</u>	<u>699.1</u>	4.5%
EXPENSES							
General government	65.2	53.0	-	-	65.2	53.0	23.0%
Public safety:							
Corrections and detention	42.9	40.9	-	-	42.9	40.9	4.9%
Fire protection	50.9	47.3	-	-	50.9	47.3	7.6%
Police protection	102.7	97.9	-	-	102.7	97.9	4.9%
Cultural and recreation	66.8	71.8	-	-	66.8	71.8	-7.0%
Public works	9.3	9.0	-	-	9.3	9.0	3.3%
Health	11.1	10.3	-	-	11.1	10.3	7.8%
Human services	48.4	51.6	-	-	48.4	51.6	-6.2%
Housing	3.4	4.0	-	-	3.4	4.0	-15.0%
Highways and streets	18.3	22.2	-	-	18.3	22.2	-17.6%
Special assessments	6.6	0.8	-	-	6.6	0.8	725.0%
Interest expense	15.9	15.3	-	-	15.9	15.3	3.9%
Airport	-	-	60.8	60.6	60.8	60.6	0.3%
Refuse Disposal	-	-	39.4	37.2	39.4	37.2	5.9%
Housing Authority	-	-	26.4	25.8	26.4	25.8	2.3%
Transit	-	-	31.4	31.1	31.4	31.1	1.0%
Non major enterprise funds	-	-	14.3	13.0	14.3	13.0	10.0%
Total expenses	<u>441.5</u>	<u>424.1</u>	<u>172.3</u>	<u>167.7</u>	<u>613.8</u>	<u>591.8</u>	3.7%
Excess (deficiency) before transfers	125.8	113.1	(9.2)	(5.8)	116.6	107.3	8.7%
Joint Water & Sewer Fund**	-	-	(538.7)	50.0	(538.7)	50.0	----
Transfers	(25.6)	(15.9)	25.6	15.9	-	-	----
Increase (decrease) in net assets	<u>\$ 100.2</u>	<u>\$ 97.2</u>	<u>\$ (522.3)</u>	<u>\$ 60.1</u>	<u>\$ (422.1)</u>	<u>\$ 157.3</u>	-368.3%

* Restated see note 22

** Program and general revenues for the Joint Water and Sewer Fund has been removed from the 2003 revenues. Those amounts have been netted against its expenses for presentation purposes.

**CITY OF ALBUQUERQUE, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004**

GOVERNMENT-WIDE FINANCIAL ANALYSIS, continued

Analysis of Changes in Net Assets, continued

The City's overall net assets decreased by \$422.1 million during the current fiscal year. This does not include depreciation expense on infrastructure assets of governmental activities that have not been capitalized from fiscal years ending after June 30, 1980 through the fiscal year ended June 30, 2001. The decrease in net assets is explained in the governmental and business-type activities discussion below.

Governmental activities. Governmental activities increased the City's net assets by \$100.2 million.

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

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

Gross receipts tax revenue and state shared taxes grew 7.1% as compared to the prior year.

Investment earnings were reduced from \$8.6 million in fiscal year ended June 30, 2003, to \$4.3 million in the current year. The primary cause for this reduction was the continuing weakened investment market experienced by virtually all governments and to reduced investment balances during the year.

Intergovernmental revenues plus operating and capital contributions from sources other than state shared taxes was decreased by \$3.4 million.

Other revenues for the current year were generally higher than the previous fiscal year.

Business-type activities. Business-type activities decreased the City's net assets by \$522.3 million. Key factors of this decrease are as follows:

The Airport fund had an increase in net assets of \$2.2 million in fiscal year 2004 compared to a \$0.4 million increase in 2003. The passenger facilities charges (PFC) were decreased from the prior year by \$0.3 million. The September 11, 2001 events continued to have a slightly negative impact on the level of air travel in fiscal year 2004. In addition, the soft investment market resulted in reducing investment earnings to a net loss of \$0.3 million that was largely caused by unrealized losses of \$0.8 million.

For the Refuse Disposal fund, the reported change in net assets of \$3.8 million was increased from \$3.2 million in fiscal year 2003. The primary change was due to increased operating income, other revenues and reduced interest expenses.

This is the first year that the Transit Fund has been included as a major fund. The current year change in net assets was \$9.6 million compared to \$3.5 million for the prior year. The increase was primarily due to the increased subsidy transfer from the General Fund by \$3.6 million and an increase in the capital contribution of \$2.6 for capital assets purchased or constructed in the Capital Acquisition Fund.

The Stadium Fund and the Apartment Fund were included for the first time in fiscal year 2003 with net operating revenues of \$4.0 million. For fiscal year 2004 those revenues were \$4.9 million.

**CITY OF ALBUQUERQUE, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004**

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental funds

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$356.1 million, a increase of \$83.1 million in comparison with the prior year. Approximately 75.8% of this amount, \$270.0 million, is unreserved fund balance available for spending at the government's discretion. Included in unreserved fund balance is \$127.3 million in the Capital Acquisition Fund. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed: 1) to fund continued programs or projects in future fiscal periods (\$29.5 million); 2) for acquisition and management of open space and urban enhancement (\$26.9 million); and 3) to show the fund balance representing advances to other funds and other assets not available for spending (\$29.7 million).

Revenues for governmental functions overall totaled approximately \$575.8 million in the fiscal year ended June 30, 2004, which represents an increase of \$35.7 million from the prior year. The major causes for the increase were: 1) tax revenues increased by \$20.3 million; and 2) intergovernmental revenues increased by \$13.6 million caused by an increase of state shared gross receipts tax; and 3) an increase of \$5.7 million in charges for services.

Expenditures for governmental functions of \$616.5 million increased by \$68.3 million from the previous year total of \$548.2 million. The primary cause of the increase was from increased debt service requirements of \$24.5 million, increased expenditures of \$19.9 million for capital outlay, and \$26.4 million for general government services and public safety. These increased expenditures generally reflect an increased demand and need for public services.

General Fund.

This is the City's chief operating fund. At the end of the current fiscal year, the total fund balance was \$64.8 million, of which \$33.7 million is available as an unreserved fund balance. The reserved fund balance of \$31.0 million is designated: 1) for unanticipated expenditures (\$29.5 million equaling 8.33% of recurring expenditures); and 2) to indicate that non-current financial resource assets of \$1.5 million are unavailable to spend or already are committed for spending. The net change in fund balance for the current fiscal year was an increase of \$21.7 million.

The total revenues of \$368.9 million for the current fiscal year were \$43.1 million greater than for the previous fiscal year. The increase largely resulted from an increase of \$8.5 million in gross receipts tax revenues, \$13.6 million in intergovernmental revenues, \$8.2 million in property taxes and \$3.3 million in charges for services. This was partially offset by a decrease in interest revenues of \$0.3 million caused by continuing low interest rates.

**CITY OF ALBUQUERQUE, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004**

FINANCIAL ANALYSIS OF THE CITY'S FUNDS, continued

Total expenditures of \$298.6 million represent an increase of \$23.8 million over the previous fiscal year. The expenditures for general government increased by \$15.6 million. The major cause of this increase was \$3.0 million for municipal development, \$4.3 million for FY '03 bonuses, \$1.1 million for a gross receipts tax audit, \$1.6 million for early retirement and \$2.2 million on city buildings. Police and fire protection increased by \$9.5 million due to an increased emphasis on public safety while the expenditures for highways and streets decreased by \$4.3 million. Additional increases in expenditures from the previous fiscal year are for culture and recreation (\$0.5 million), public works (\$1.8 million), and health and human services (\$0.6 million). See the General Fund budgetary highlights for an analysis with respect to budgets.

Proprietary funds

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

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

Airport Fund	\$ 15.0
Housing Authority Fund	10.9
Refuse Disposal Fund	5.7
Transit Fund	3.3
Nonmajor enterprise funds	<u>1.7</u>
	<u>\$ 36.6</u>

Internal service funds, which are used to account for certain governmental activities, had deficit unrestricted net assets of \$8.0 million. The Risk Management fund, an internal service fund, had deficit unrestricted net assets of \$12.7 million resulting from unanticipated judgment awards and claims against the City in prior years. The City is currently in a five-year recovery plan to reduce the deficit unrestricted net assets to zero by the fiscal year ending June 30, 2007. All other internal service funds had positive unrestricted net assets.

Fiduciary funds

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

General Fund budgetary highlights

The City's final FY04 budget did not differ significantly from the original budget, primarily because the growth in gross receipts tax revenues and other revenue sources was equal to or greater than forecasted growth. As opposed to FY03, when there were two mid-year modifications in the first six months of the fiscal year, such adjustments were not necessary in this fiscal year. However, revenues and expenses were monitored closely throughout the year and new disciplinary procedures put in place in the prior fiscal year regarding budgetary responsibility remained in place. These actions resulted in actual expenditures being \$2.3 million less than the original budget and \$10.6 million less than the budget as last approved mid-year. General government activities actually returned unused monies to the General Fund in the amount of \$3.4 million, based on the last mid-year budget. All General Fund agencies answered the call for budgetary responsibility by carefully controlling their expenses and returning funds.

**CITY OF ALBUQUERQUE, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004**

FINANCIAL ANALYSIS OF THE CITY'S FUNDS, continued

Revenues continued to be very difficult to predict during this fiscal year with mixed economic indicators and activities. Gross receipts tax revenues showed overall strength in virtually every sector, and construction permit revenues continued with unprecedented growth. Revenues were \$21.8 million greater than anticipated in the original budget and \$9.4 million more than the budget as last projected at mid-year. Gross receipts tax (local option and state shared), a major component of the City's operating revenue came in at \$8.6 million more than the last revised budget estimate and \$17.8 million more than the original budget. \$0.6 million in revenue was lost in interest earnings as interest rates remained at historic lows and cash balances declined. Revenues were weaker than budgeted in indirect overhead and CIP funded positions as personnel positions were reduced and government construction activity was less than originally anticipated. In contrast, revenues from licenses and permits of \$13.7 million were higher than projected as a result of continued, unusual strength in the construction area, primarily new residential construction.

The Department of Municipal Development, created early in the fiscal year for the purpose of coordinating CIP activities, was very successful in implementing and completing both bond and general fund projects. Backlogs were reduced substantially from \$240.0 million at the beginning of the fiscal year to \$170.9 million at the end of the fiscal year. This successful effort contributed to the growth in gross receipts tax revenues.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2004, amount to \$1.3 billion (net of accumulated depreciation). Capital assets include land, buildings, infrastructure, improvements other than buildings, and equipment. The total decrease in the City's capital assets for the current fiscal year was \$590.6 million or 31.3% from fiscal year 2003, primarily because of the transfer of the utility assets to the Albuquerque Bernalillo Water Utility Authority. Absent that extraordinary event, the increase in the City's capital assets for the current fiscal year would have been \$93.3 million, or 7.7% increase from fiscal year 2003.

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

	Governmental		Business-type		Total		Total Percentage Change 2003-2004
	Activities		Activities				
	2004	2003	2004	2003	2004	2003	
Land *	\$ 215.9	\$ 209.5	\$ 58.5	\$ 81.8	\$ 274.4	\$ 291.4	-5.8
Other *	0.9	-	0.7	0.6	1.6	0.6	150.1
Buildings and improvements	133.2	86.7	191.8	192.0	325.0	278.7	16.6
Runways and improvements	-	-	93.7	105.8	93.7	105.8	-11.4
Improvements other than buildings and runways	156.3	158.4	35.6	656.5	191.7	814.9	-76.5
Equipment	35.7	32.6	34.8	48.2	70.6	80.8	-12.6
Infrastructure	77.6	53.2	-	-	77.6	53.2	45.7
Construction in progress *	223.5	206.1	41.8	59.0	265.3	265.0	0.1
Total	\$ 843.0	\$ 746.5	\$ 456.8	\$ 1,143.9	\$ 1,299.8	\$ 1,890.4	-31.2

* assets not depreciated

**CITY OF ALBUQUERQUE, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
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CAPITAL ASSETS AND DEBT ADMINISTRATION, continued

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

In *governmental activities*, infrastructure assets of \$22.1 million were added for roadways, storm sewers and bike trails. In addition, land was acquired for open space costing \$4.5 million and replacement vehicles were acquired for the police (\$0.5 million). The construction work in progress increased by \$17.5 million primarily due the continuing facility development at the Balloon Fiesta Park Museum, a major expansion of the Albuquerque Museum, and other facilities.

In *business-type activities*, additions included new transit vehicles (\$1.7 million) and new solid waste vehicles and heavy equipment (\$6.2 million). The construction work in progress increased by \$7.1 million. The assets of the water utility were transferred to the Albuquerque Bernalillo Water Utility Authority for a decrease of \$683.9 million.

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

Debt Administration

At the end of the current fiscal year, the City had total long-term obligations of \$790.7 million of which \$142.1 million is due within the next fiscal year. The total bonded debt (net of unamortized discounts, deferred amounts on refunding and including unamortized premiums) is \$682.3 million. The remaining debt is for loans, accrued vacation and sick leave pay, and claims payable.

During the fiscal year ended June 30, 2004 the City issued bonds for \$186.4 million. \$135.8 million was deposited into the Capital Acquisition Fund for the betterment of parks and recreation, zoo, library, museum, senior citizens, community center, public transportation facilities and for improvements to the storm sewer system. In addition, 50.6 million was deposited into the Airport fund for improvements on runways and terminal facilities.

The ratio of net general obligation bonded debt to taxable valuation and the amount of bonded debt per capita are useful indicators to management, citizens and investors of the City's debt position. The State's Constitution provides for a legal debt limit of 4% of taxable valuation. The percentage for the City of Albuquerque is 2.1% of the \$7.9 billion taxable value of property within the City's boundaries. The City currently may issue up to an additional \$100.5 million of general obligation bonds. It has \$215.0 million of general obligation debt outstanding subject to the legal debt limit at June 30, 2004. The net general bonded debt per capita is \$168.35. The highest per capita amount in the last ten fiscal years was \$494.71 in the fiscal year ended June 30, 1995 and the lowest per capita amount was \$168.35 in the fiscal year ended June 20, 2004.

The City's ratings on uninsured general obligation bonds remained unchanged from the prior year and as of June 30, 2004 were:

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

Since the close of the 2004 fiscal year, the City has issued \$60.9 million in gross receipts tax/lodgers' tax refunding bonds for governmental activities. No revenue bonds have been issued for business-type activities.

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

**CITY OF ALBUQUERQUE, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2005 budget. Many of the City's revenues are influenced by the economy. The gross receipts tax revenue forecast, particularly, is highly influenced by economic conditions. The budget contemplates growth in gross receipts tax revenues over the prior year, reflecting slightly stronger economic conditions both nationally and locally.

Construction employment in the area has remained unusually high, particularly with respect to residential construction, with a modest increase in commercial construction during the last part of the 2004 fiscal year. The budget contemplates that these high levels will not be sustained throughout the year.

Charges for entry into some City venues and for certain City services are mostly unchanged in the fiscal year 2005 budget. However, the 2004 New Mexico Legislature imposed a 5% governmental gross receipts tax on parking receipts. That tax will be passed through to users of City parking services in fiscal year 2005.

Property tax revenues continue to grow as the economy expands. One mill of taxing authority was converted from capital to operations during fiscal year 2004. A state imposed limitation on assessed value for residential properties is not expected to have a major fiscal impact in the near term.

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

The State of New Mexico enacted a large personal income tax rate reduction in the 2003 legislative session. The City has been unable to determine with any degree of certainty what the impact has been on the City of that rate reduction, but it is possible that part of the growth in gross receipts tax revenue seen in fiscal year 2004 may be attributable to that change. However, that impact, if any, is not expected to carry into fiscal year 2005.

During the 2004 legislative session, legislation to repeal the gross receipts tax on food and certain medical services effective January 1, 2005 was enacted. In an attempt to hold local governments harmless, the distribution to cities of the state-shared gross receipts tax was increased. This increased distribution will be funded by the state by a repeal of the half-cent credit against local option impositions, also effective January 1, 2005. The City will closely monitor this new distribution to ensure there are no negative repercussions from this State action.

In the October, 2003 general municipal election, the voters approved a gross receipts tax increase of one-quarter percent (0.25%) to be dedicated to public safety. Fire is to receive 33% of the revenues, police 33%, corrections 8% and social services for prevention and intervention 25% each year. The tax is expected to generate about \$27.8 million on an annual basis and was effective on July 1, 2004. The fiscal year 2005 budget reflects tax proceeds for eleven months of the year.

Also in the October 2003 general municipal election, the voters rejected the streets and roads bond question. Because of the potentially negative impact on the City's infrastructure program, the question was again put to the voters during the general state election in November 2004. During that election, the voters again rejected the proposal for unification of the City and Bernalillo County governments. The question may not be put again to the voters for two years.

**CITY OF ALBUQUERQUE, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004**

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

During the 2003 legislative session, legislation was enacted that transferred “all functions, appropriations, money, records, equipment and other real and personal property pertaining to the Albuquerque water and wastewater utility” to a newly created entity, the Albuquerque-Bernalillo Water Utility Authority. Existing debt of the utility became the debt of the Authority, but the Authority was not to impair the rights of any bondholders of outstanding bonds. All contractual obligations of the existing proprietary activity were to be binding on the Authority. Although the legislation had an effective date of June 20, 2003, an audit by the Public Regulation Commission was a condition precedent to the transfer of money, assets and debts to the Authority. That audit was completed in late December 2003 and the transfer to the Authority was made effective July 1, 2003. Concurrently with the transfer, the Authority entered into a six-month Memorandum of Understanding with the City to administer the water and wastewater utility. That Memorandum of Understanding was subsequently extended to June 30, 2006. The Authority retains the authority and obligation to determine and impose rates for services.

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

Economic Assumptions Underlying the Revenue Estimates			
October-2003			
Fiscal Year	2003	2004	2005
National Variables			
% Chg Real GDP	2.7%	3.8%	4.0%
% Chg Non-Farm Employment	-0.5%	0.1%	2.2%
Federal Funds Rate	1.4%	1.0%	1.4%
10 U.S. Bonds	4.0%	4.4%	5.0%
% Chg CPI U	2.2%	1.6%	1.5%
Per bbl Price of Oil (WTI)	29.92	26.70	24.26
Unemployment Rate(U.S.)	5.9%	6.2%	5.9%
% Chg in Personal Income	3.1%	4.2%	5.5%
New Mexico Economy			
% Chg Total Non-Agricultural Employment	1.6%	1.6%	2.2%
% Chg Personal Income	4.5%	5.4%	5.4%
Unemployment Rate	5.6%	6.2%	6.0%
Albuquerque MSA Economy			
% Chg Total Non-Agricultural Employment	0.5%	1.8%	2.9%
% Chg Construction Employment	-4.5%	2.2%	1.3%
% Chg Personal Income	5.4%	5.6%	5.8%
Unemployment Rate (Alb.)	4.9%	4.9%	4.8%
Construction Units Permitted in City of Albuquerque			
Single-Family Permits	4867	5026	4791
Multi-Family Permits	493	762	608
Total Residential Permits	5360	5788	5399

Source: October 2003 baseline forecasts. National source is Global Insight Inc. Local variables from University of New Mexico, Bureau of Business and Economic Research

**CITY OF ALBUQUERQUE, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004**

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

The total General Fund appropriation for fiscal year 2005 is \$401.8 million before interfund eliminations and \$346.3 million after eliminations. The total appropriation increased by \$49.0 million, which is a 14.5% increase over the original fiscal year 2004 budget.

The international, national, state and local economies seem to be stabilizing to a modest degree, and the City has not considered it necessary to revise the budget for fiscal year 2005, as opposed to prior years. However, based on recent history, the City continues, and will continue, to diligently monitor expenditures along with revenues so that it can respond quickly should changes be required.

REQUESTS FOR INFORMATION

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

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF NET ASSETS
June 30, 2004

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash, investments and accrued interest	\$ 279,875,615	\$ 32,637,408	\$ 312,513,023	\$ 16,361,548
Cash with fiscal agents held for debt service	77,283,304	15,816,578	93,099,882	37,850,496
Cash held by others	154,533	339,188	493,721	-
Taxes receivable	60,847,859	-	60,847,859	-
Accounts receivable	3,837,332	6,455,924	10,293,256	11,003,191
Notes receivable, current portion	-	-	-	1,769,553
Due from other governments	19,228,234	5,831,126	25,059,360	3,155,052
Internal balances	23,500,000	(23,500,000)	-	-
Inventories	2,258,279	1,548,022	3,806,301	-
Prepaid expenses	493,425	-	493,425	-
Total current assets	467,478,581	39,128,246	506,606,827	70,139,840
Noncurrent assets:				
Long-term accounts and notes receivable	23,087,193	-	23,087,193	7,154,659
Restricted assets:				
Cash, investments and accrued interest	73,108,749	122,639,628	195,748,377	43,477,632
Investment with fiscal agents	-	-	-	4,811,537
Accounts receivable - developers	-	3,626,651	3,626,651	-
Accounts receivable from bond escrow agent	-	300,000	300,000	-
Escrow deposits	-	360,503	360,503	144,491
Total restricted assets:	73,108,749	126,926,782	200,035,531	48,433,660
Capital assets:				
Land and construction in progress	440,328,033	101,000,834	541,328,867	97,158,363
Capital assets being depreciated	743,438,645	809,403,400	1,552,842,045	1,342,008,613
Accumulated depreciation	(340,769,341)	(453,576,510)	(794,345,851)	(705,893,227)
Capital assets, net of depreciation	842,997,337	456,827,724	1,299,825,061	733,273,749
Other:				
Purchased water rights, net of accumulated amortization	-	-	-	28,536,580
Capitalized bond issue costs	-	2,917,099	2,917,099	447,967
Deferred charges and other assets	7,453,115	-	7,453,115	-
Total other	7,453,115	2,917,099	10,370,214	28,984,547
Total noncurrent assets	946,646,394	586,671,605	1,533,317,999	817,846,615
Total assets	1,414,124,975	625,799,851	2,039,924,826	887,986,455

See Notes to Financial Statements

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF NET ASSETS
June 30, 2004

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Current liabilities:				
Accounts payable	27,357,412	1,851,304	29,208,716	4,141,437
Line of credit	-	-	-	8,629,827
Due to other governments	1,566,258	267,900	1,834,158	-
Accrued expenses	55,971,601	5,643,796	61,615,397	3,072,266
Deposits	1,025,783	458,073	1,483,856	214,827
Deferred revenues	21,400,680	-	21,400,680	-
Payable from restricted assets:				
Contracts and other payable	-	6,043,326	6,043,326	6,288,277
Current portion:				
Bonds and notes payable	93,091,565	11,394,920	104,486,485	32,695,000
Water rights and loan agreements	-	-	-	1,271,152
Accrued interest	-	4,908,184	4,908,184	5,184,098
Deferred revenue	-	115,367	115,367	-
Total current liabilities	200,413,299	30,682,870	231,096,169	61,496,884
Noncurrent liabilities:				
Liabilities payable from restricted assets:				
Landfill closure costs	-	1,412,016	1,412,016	-
Other	-	371,596	371,596	-
Total liabilities payable from restricted assets	-	1,783,612	1,783,612	-
Long-term payable:				
Bonds and notes payable, net of current portion, discounts and premiums	330,094,588	279,798,840	609,893,428	180,493,569
Water rights contract and loan agreements	-	-	-	44,747,408
Total long-term payable	330,094,588	279,798,840	609,893,428	225,240,977
Other:				
Accrued vacation, sick leave and claims	36,821,597	1,880,135	38,701,732	548,722
Deferred credits and other liabilities	1,099,628	-	1,099,628	600,000
Total other	37,921,225	1,880,135	39,801,360	1,148,722
Total noncurrent liabilities	368,015,813	283,462,587	651,478,400	226,389,699
Total liabilities	568,429,112	314,145,457	882,574,569	287,886,583
NET ASSETS				
Invested in capital assets, net of related debt	557,927,627	197,589,791	755,517,418	517,181,729
Restricted for:				
Debt service	73,064,874	19,797,836	92,862,710	10,393,256
Construction	85,670,092	57,666,132	143,336,224	17,576,362
Housing & economic development	15,105,616	-	15,105,616	-
Federal & state funded programs	3,290,506	-	3,290,506	-
Open space and urban enhancement:				
Nonexpendable	31,968,052	-	31,968,052	-
Expendable	2,494,031	-	2,494,031	-
Unrestricted	76,175,065	36,600,635	112,775,700	54,948,525
Total net assets	\$ 845,695,863	\$ 311,654,394	\$ 1,157,350,257	\$ 600,099,872

See Notes to Financial Statements



CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF ACTIVITIES
Year ended June 30, 2004

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues Charges for Services
Primary government:			
Governmental Activities:			
General government	\$ 65,199,614	\$ (3,819,895)	\$ 42,675,819
Public Safety			
Corrections	42,883,204	1,332,857	21,738,275
Fire	50,890,748	142,770	418,430
Police	102,728,096	753,402	3,799,612
Culture and recreation	66,765,905	346,897	7,651,214
Public works	9,345,919	38,659	-
Health	11,131,594	290,918	3,640,063
Human services	48,544,294	493,556	2,711,269
Housing	3,394,615	78	-
Highways and streets	18,252,379	420,758	1,227,012
Special assessments	6,603,082	-	-
Interest expense	15,949,492	-	-
Total governmental type activities	441,688,942	-	83,861,694
Business Type Activities:			
Airport	60,846,366	-	60,664,848
Refuse Disposal	39,444,987	-	44,248,388
Housing Authority	26,404,893	-	1,921,970
Transit	31,401,160	-	5,670,544
Nonmajor enterprise funds	14,319,647	-	12,492,100
Total business type activities	172,417,053	-	124,997,850
Total primary government	\$ 614,105,995	\$ -	\$ 208,859,544
Component Unit:			
Albuquerque Bernalillo County Water Utility Authority	\$ 114,700,458	\$ -	\$ 147,348,703

General Revenues:

Taxes:

Gross receipts taxes, local option

Property taxes

Payments in lieu of taxes

Franchise taxes

Lodgers' tax

NM shared taxes and fees not restricted to specific programs

Grants and contributions not restricted to specific programs

Investment income

Other general revenues

Divestiture - Joint Water & Sewer Fund to a component unit

Transfers between governmental and business type activities

Total general revenues, special items and transfers

Change in net assets

Net assets (deficit), July 1, as restated

Net assets (deficit), June 30

Program Revenues, continued		Net (Expense) Revenue and Changes in Net Assets			
Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total	Component Unit
\$ 432,554	\$ -	\$ (18,271,346)	\$ -	\$ (18,271,346)	
476,557	-	(22,001,229)	-	(22,001,229)	
413,567	1,018,712	(49,182,809)	-	(49,182,809)	
3,132,529	-	(96,549,357)	-	(96,549,357)	
326,585	-	(59,135,003)	-	(59,135,003)	
167,535	-	(9,217,043)	-	(9,217,043)	
1,175,388	-	(6,607,061)	-	(6,607,061)	
16,641,115	-	(29,685,466)	-	(29,685,466)	
2,463,782	-	(930,911)	-	(930,911)	
5,777,285	1,362,500	(10,306,340)	-	(10,306,340)	
1,918,881	-	(4,684,201)	-	(4,684,201)	
-	-	(15,949,492)	-	(15,949,492)	
<u>32,925,778</u>	<u>2,381,212</u>	<u>(322,520,258)</u>	<u>-</u>	<u>(322,520,258)</u>	
-	2,688,139	-	2,506,621	2,506,621	
-	-	-	4,803,401	4,803,401	
25,249,911	-	-	766,988	766,988	
-	9,778,485	-	(15,952,131)	(15,952,131)	
-	335,518	-	(1,492,029)	(1,492,029)	
<u>25,249,911</u>	<u>12,802,142</u>	<u>-</u>	<u>(9,367,150)</u>	<u>(9,367,150)</u>	
<u>\$ 58,175,689</u>	<u>\$ 15,183,354</u>	<u>(322,520,258)</u>	<u>(9,367,150)</u>	<u>(331,887,408)</u>	
<u>\$ -</u>	<u>\$ 28,287,786</u>				\$ 60,936,031
		132,257,178	-	132,257,178	-
		88,253,706	-	88,253,706	-
		5,110,928	-	5,110,928	-
		18,449,049	-	18,449,049	-
		8,730,347	-	8,730,347	-
		161,755,908	-	161,755,908	-
		15,281,939	-	15,281,939	-
		4,253,858	124,945	4,378,803	419,021
		13,917,869	-	13,917,869	-
		-	(538,744,820)	(538,744,820)	-
		<u>(25,625,107)</u>	<u>25,625,107</u>	<u>-</u>	<u>-</u>
		<u>422,385,675</u>	<u>(512,994,768)</u>	<u>(90,609,093)</u>	<u>419,021</u>
		99,865,417	(522,361,918)	(422,496,501)	61,355,052
		<u>745,830,446</u>	<u>834,016,312</u>	<u>1,579,846,758</u>	<u>538,744,820</u>
		<u>\$ 845,695,863</u>	<u>\$ 311,654,394</u>	<u>\$ 1,157,350,257</u>	<u>\$ 600,099,872</u>

CITY OF ALBUQUERQUE, NEW MEXICO
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2004

	<u>General Fund</u>	<u>Corrections & Detention Fund</u>
ASSETS		
Cash, investments, and accrued interest	\$ 54,541,474	\$ 2,900,157
Cash with fiscal agents	-	-
Investments with fiscal agents	-	-
Cash held by others	-	-
Taxes receivable, net of allowance for uncollectible:		
Property tax	1,179,573	-
Gross receipts tax	49,021,439	-
Lodger's tax	-	-
Other taxes	501,259	-
Other receivables, net of allowance for uncollectible	2,849,577	525
Due from other governments	590,309	285,225
Due from other funds	1,300,077	-
Advances to other funds	307,636	-
Inventories of supplies	107,334	282,900
Prepaid items	121,684	-
Land held for sale	-	-
	<hr/>	<hr/>
TOTAL ASSETS	\$ 110,520,362	\$ 3,468,807

<u>GO Bond Debt Service Fund</u>	<u>Capital Acquisition Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 45,500,617	\$ 127,055,459	\$ 82,625,337	\$ 312,623,044
62,950,583	-	9,326,682	72,277,265
-	976,016	4,030,023	5,006,039
-	-	154,533	154,533
3,077,062	-	485,423	4,742,058
-	-	5,816,459	54,837,898
-	-	766,644	766,644
-	-	-	501,259
-	635,933	23,412,186	26,898,221
-	10,193,122	8,068,693	19,137,349
-	-	-	1,300,077
-	-	23,500,000	23,807,636
-	-	-	390,234
-	-	-	121,684
-	-	5,065,930	5,065,930
<u>\$ 111,528,262</u>	<u>\$ 138,860,530</u>	<u>\$ 163,251,910</u>	<u>\$ 527,629,871</u>

CITY OF ALBUQUERQUE, NEW MEXICO
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2004

	<u>General Fund</u>	<u>Corrections & Detention Fund</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 5,596,223	\$ 201,624
Contracts and retainage payable	-	-
Accrued employee compensation and benefits	11,071,499	1,101,722
Due to other funds	-	-
Due to other governments	-	1,566,258
Deferred revenue	28,132,883	-
Deposits	933,475	81,308
Advances from other funds	-	-
Matured bonds and interest payable	-	-
Total liabilities	<u>45,734,080</u>	<u>2,950,912</u>
Fund balances:		
Reserved for:		
Encumbrances	1,035,000	-
Inventories of supplies	107,334	282,900
Prepaid items	121,684	-
Land held for resale	-	-
Advances to other funds	307,636	-
Transfer to capital acquisition fund	-	-
Acquisition and management of open space land	-	-
Urban enhancement	-	-
Operations	29,477,340	-
Unreserved (deficit)	33,737,288	234,995
Unreserved (deficit) , reported in:		
Special revenue funds	-	-
Debt service funds	-	-
Capital project funds	-	-
Total fund balances	<u>64,786,282</u>	<u>517,895</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 110,520,362</u>	<u>\$ 3,468,807</u>

<u>GO Bond Debt Service Fund</u>	<u>Capital Acquisition Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 9,349	\$ -	\$ 2,685,222	\$ 8,492,418
-	11,084,390	3,779,676	14,864,066
-	140,468	1,158,088	13,471,777
-	-	1,300,077	1,300,077
-	-	-	1,566,258
2,410,433	220,357	27,424,957	58,188,630
-	-	11,000	1,025,783
-	112,000	195,636	307,636
<u>62,950,583</u>	<u>-</u>	<u>9,351,448</u>	<u>72,302,031</u>
<u>65,370,365</u>	<u>11,557,215</u>	<u>45,906,104</u>	<u>171,518,676</u>
-	-	44,122	1,079,122
-	-	-	390,234
-	-	-	121,684
-	-	5,065,930	5,065,930
-	-	23,500,000	23,807,636
-	-	288,247	288,247
-	-	17,114,408	17,114,408
-	-	9,828,697	9,828,697
-	-	-	29,477,340
46,157,897	127,303,315	-	207,433,495
-	-	25,522,271	25,522,271
-	-	3,406,977	3,406,977
-	-	<u>32,575,154</u>	<u>32,575,154</u>
<u>46,157,897</u>	<u>127,303,315</u>	<u>117,345,806</u>	<u>356,111,195</u>
<u>\$ 111,528,262</u>	<u>\$ 138,860,530</u>	<u>\$ 163,251,910</u>	<u>\$ 527,629,871</u>

CITY OF ALBUQUERQUE, NEW MEXICO
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2004

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

Total fund balance for governmental funds \$ 356,111,195

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets at June 30, 2004 consist of:

Land	\$ 215,657,686	
Construction in progress and miscellaneous other	224,386,505	
Buildings	169,459,697	
Infrastructure	81,959,054	
Improvements	327,738,056	
Equipment	161,425,162	
Accumulated depreciation	<u>(338,340,368)</u>	
Total capital assets		842,285,792

Long-term obligations applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities are reported in the statement of net assets. Balances at June 30, 2004 are:

General Obligation bonds payable	(174,385,000)	
Sales tax revenue bonds and notes payable	(148,687,116)	
Special assessment debt with governmental commitment	(16,294,611)	
Current portion of bonds payable, net of reported matured principal	(28,083,871)	
Unamortized bond issue costs	632,185	
Unamortized premiums and discounts	<u>9,272,139</u>	
Total bonds and notes payable, net of premiums, discounts and bond issue costs	(357,546,274)	
Accrued vacation and sick leave pay	(23,556,984)	
Accrued rebatable arbitrage payable reported as deferred credit	<u>(1,099,628)</u>	
		(382,202,886)

Internal service funds are used by the City to charge the cost of tort liability, workers compensation and employee health insurance to other individual funds. In addition, the cost of providing communications, fleet maintenance and supplies warehousing services are also charged. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. Internal service fund net assets (deficit) are: (7,312,492)

Some of the City's taxes will be collected after year-end and amounts due on real estate contracts are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue in the funds. The amounts are:

Gross receipts tax	30,014,934	
Property taxes	3,655,875	
Other taxes	664,093	
Amounts due on real estate contracts	<u>2,453,048</u>	
		36,787,950

Interest earned on loans receivable are not available for collection and are not included in the governmental fund financial statements. However, the accrued interest is reported in the government-wide financial statements. 26,304

Total net assets of governmental activities \$ 845,695,863



CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
GOVERNMENTAL FUNDS
Year ended June 30, 2004

	<u>General Fund</u>	<u>Corrections & Detention Fund</u>
Revenues:		
Taxes	\$ 149,202,502	\$ -
Licenses and permits	13,716,258	-
Intergovernmental	160,965,205	19,922,000
Charges for services	41,111,256	1,338,537
Fines and forfeits	38,428	-
Interest	426,819	30,705
Special assessments	-	-
Collections on real estate contracts receivable	-	-
Proceeds from disposition of capital assets	-	-
Other interest	-	-
Miscellaneous	3,432,451	477,738
Total revenues	<u>368,892,919</u>	<u>21,768,980</u>
Expenditures:		
Current:		
General government	59,416,881	-
Public safety	139,621,244	41,627,999
Culture and recreation	49,171,389	-
Public works	8,037,493	-
Highways and streets	8,106,721	-
Health	6,905,846	-
Human services	27,385,229	-
Housing	-	-
Debt service:		
Principal retirement	-	-
Interest	-	-
Fiscal agent fees and other fees	-	-
Capital outlay	-	-
Bond issuance costs	-	-
Total expenditures	<u>298,644,803</u>	<u>41,627,999</u>
Excess (deficiency) of revenues over expenditures	<u>70,248,116</u>	<u>(19,859,019)</u>
Other financing sources (uses):		
Transfers in	2,170,145	20,155,000
Transfers out	(50,757,180)	(32,564)
Proceeds of bonds, notes and premiums issued	-	-
Total other financing sources (uses)	<u>(48,587,035)</u>	<u>20,122,436</u>
Net change in fund balances	21,661,081	263,417
Fund balances (deficit), July 1, as restated	<u>43,125,201</u>	<u>254,478</u>
Fund balances (deficit), June 30	<u>\$ 64,786,282</u>	<u>\$ 517,895</u>

See Notes to Financial Statements

GO Bond Debt Service Fund	Capital Acquisition Fund	Nonmajor Funds	Total
\$ 63,153,644	\$ 754,326	\$ 39,533,501	\$ 252,643,973
-	-	2,310,054	16,026,312
-	15,281,939	33,629,627	229,798,771
-	-	8,978,114	51,427,907
-	-	862,315	900,743
777,327	1,335,605	1,154,292	3,724,748
-	-	5,870,746	5,870,746
-	-	178,057	178,057
-	-	140,197	140,197
-	-	356,972	356,972
-	4,547,731	6,280,243	14,738,163
<u>63,930,971</u>	<u>21,919,601</u>	<u>99,294,118</u>	<u>575,806,589</u>
-	-	8,570,577	67,987,458
-	-	10,236,705	191,485,948
-	-	5,753,923	54,925,312
-	-	169,998	8,207,491
-	-	5,792,810	13,899,531
-	-	4,218,947	11,124,793
-	-	20,726,683	48,111,912
-	-	3,392,399	3,392,399
58,220,000	-	9,676,244	67,896,244
9,366,770	-	5,414,407	14,781,177
636,733	-	432,052	1,068,785
-	100,410,782	32,204,615	132,615,397
392,046	488,964	135,314	1,016,324
<u>68,615,549</u>	<u>100,899,746</u>	<u>106,724,674</u>	<u>616,512,771</u>
<u>(4,684,578)</u>	<u>(78,980,145)</u>	<u>(7,430,556)</u>	<u>(40,706,182)</u>
-	8,270,000	18,117,423	48,712,568
-	(4,062,609)	(19,290,322)	(74,142,675)
5,349,063	135,795,000	8,575,143	149,719,206
<u>5,349,063</u>	<u>140,002,391</u>	<u>7,402,244</u>	<u>124,289,099</u>
664,485	61,022,246	(28,312)	83,582,917
<u>45,493,412</u>	<u>66,281,069</u>	<u>117,374,118</u>	<u>272,528,278</u>
<u>\$ 46,157,897</u>	<u>\$ 127,303,315</u>	<u>\$ 117,345,806</u>	<u>\$ 356,111,195</u>

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended June 30, 2004

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

Net change in fund balances - total governmental funds \$ 83,582,917

The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay expenditures	\$ 125,955,383	
Depreciation expense	(28,902,106)	
Gain (loss) on disposition of capital assets	<u>(525,888)</u>	
		96,527,389

Bond proceeds, premiums, discounts and bond issue costs are reported as financing sources or uses in governmental funds and contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term obligations and does not affect the statement of activities. Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Proceeds and premiums from issuance of bonds and notes payable	(149,719,206)	
Principal repayments	67,896,244	
Bond issue costs incurred at time of bond issue	1,016,324	
Amortization of bond issue costs	(621,474)	
Amortization of premiums and discounts	<u>521,944</u>	
Net adjustment		(80,906,168)

Internal service funds are used by the City to charge the cost of tort liability, workers compensation and employee health insurance to other individual funds. In addition, the cost of providing communications, fleet maintenance and supplies warehousing services are also charged. The net revenue (loss) of the internal service funds is reported with governmental activities.

(513,141)

Under the modified accrual basis of accounting used in the governmental funds, revenue is recognized when available to provide financing resources for the current period. Likewise, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, revenues and related receivable and expenses and related liabilities are reported regardless of when financial resources are available. This adjustment combines the net change of balances of the following:

Revenue:		
Gross receipts tax	203,374	
Property tax	4,878	
Other taxes	(64,332)	
Collections on real estate contracts, net of deferred gains	(165,516)	
Interest on loans receivable	(135,451)	
Expenses:		
Accrued vacation and sick leave pay	1,288,259	
Rebatable arbitrage	<u>43,208</u>	
Net adjustment		<u>1,174,420</u>

Change in net assets of governmental activities \$ 99,865,417

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
Year ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes:				
Current property tax	\$ 23,295,000	\$ 23,295,000	\$ 23,997,640	\$ 702,640
Delinquent property tax	1,021,000	1,021,000	736,021	(284,979)
Franchise taxes:				
Telephone	4,196,000	3,995,000	3,636,361	(358,639)
Electric	5,786,000	5,788,000	5,797,633	9,633
Gas	2,737,000	3,500,000	4,139,741	639,741
Cable television	2,917,000	3,269,000	3,245,298	(23,702)
New Mexico Utility	150,000	180,000	214,959	34,959
Telecommunications	517,000	517,000	660,731	143,731
Payments in lieu of Taxes	5,125,000	5,125,000	5,110,928	(14,072)
Gross receipts tax-local option	93,830,000	98,391,000	101,663,190	3,272,190
Total taxes	139,574,000	145,081,000	149,202,502	4,121,502
Licenses and permits:				
Liquor licenses	175,000	200,000	211,029	11,029
Building permits	2,869,000	3,774,000	4,444,292	670,292
Plumbing/mechanical permits	1,700,000	1,675,000	1,789,175	114,175
Electrical/refrigeration permits	1,215,000	1,232,000	1,311,264	79,264
Plan checking permits	1,800,000	2,718,000	2,987,823	269,823
Flood plain certification	171,000	182,000	233,738	51,738
Reroofing permits	39,000	36,000	21,385	(14,615)
Restaurant inspections	525,000	525,000	616,465	91,465
Food retailers inspections	-	135,000	147,806	12,806
Swimming pool inspections	120,000	120,000	107,530	(12,470)
Animal licenses	250,000	250,000	273,646	23,646
Right of way usage permits	185,000	150,000	175,732	25,732
Loading zone permits	9,000	9,000	9,504	504
Solicitation permits	6,000	6,000	7,320	1,320
Business registration fees	1,185,000	1,185,000	1,192,110	7,110
Other licenses and permits	136,000	201,000	187,439	(13,561)
Total licenses and permits	10,385,000	12,398,000	13,716,258	1,318,258
Intergovernmental:				
State shared:				
Gross receipts tax	146,229,000	150,839,000	156,137,731	5,298,731
Cigarette tax	600,000	600,000	624,637	24,637
Motor vehicle license distribution	1,300,000	1,400,000	1,267,037	(132,963)
Municipal road - gas tax	2,448,000	2,448,000	2,330,293	(117,707)
DWI Fines	500,000	350,000	33,756	(316,244)
Grants:				
Other	-	358,000	370,497	12,497
Local administered grants:				
Bernalillo County-shared operations	231,000	238,000	201,254	(36,746)
Total intergovernmental	151,308,000	156,233,000	160,965,205	4,732,205

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
Year ended June 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues (continued):				
Charges for services:				
General government:				
Photocopying	182,000	182,000	172,446	(9,554)
Engineering fees	1,000,000	1,200,000	1,599,818	399,818
Filing of plats and subdivisions	323,000	350,000	432,443	82,443
Sign fees	52,000	52,000	84,021	32,021
Zoning fence permit fees	143,000	143,000	240,644	97,644
Sale of maps and publications	30,000	30,000	12,867	(17,133)
Records search fees	310,000	310,000	485,365	175,365
Jury duty and witness fees	13,000	13,000	13,932	932
Planning services	19,000	38,000	37,700	(300)
Vendor registration fees	20,000	20,000	19,420	(580)
Shooting range fees	140,000	160,000	165,240	5,240
Grounds maintenance	521,000	521,000	520,987	(13)
Office services	33,000	35,000	32,733	(2,267)
Real property services	70,000	70,000	81,998	11,998
Material testing lab	-	-	29,661	29,661
Engineering inspections	150,000	100,000	150,306	50,306
Engineering surveying	25,000	5,000	8,463	3,463
Legal services	2,570,000	2,458,000	2,164,494	(293,506)
Administrative fees	43,000	43,000	94,914	51,914
Administrative charges to other funds	24,586,000	23,285,000	22,182,346	(1,102,654)
Other	717,000	740,000	791,424	51,424
Public safety:				
Police services	1,713,000	2,135,000	2,026,802	(108,198)
Fire services	322,000	282,000	408,481	126,481
Culture and recreation:				
Community centers	25,000	38,000	32,399	(5,601)
Swimming pools	500,000	500,000	514,530	14,530
Sports programs	451,000	418,000	410,017	(7,983)
Other recreation charges	350,000	250,000	225,841	(24,159)
Tournament/field rental	13,000	33,000	28,966	(4,034)
Latch key program	561,000	820,000	768,368	(51,632)
Extended care fees	25,000	47,000	44,595	(2,405)
Special events	10,000	6,000	4,771	(1,229)
Museum charges	259,000	213,000	323,660	110,660
Zoo admissions	1,829,000	1,546,000	1,603,203	57,203
Other zoo charges	90,000	51,000	141,235	90,235
Albuquerque aquarium and gardens	986,000	986,000	1,105,310	119,310
Convention center	1,645,000	861,000	491,469	(369,531)
Facilities concessions	1,063,000	565,000	613,856	48,856
Library services	1,125,000	1,163,000	1,018,596	(144,404)
Cultural affairs	29,000	25,000	34,136	9,136

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
Year ended June 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues (continued):				
Charges for services (continued):				
Highways and streets:				
Compaction tests	325,000	180,000	223,691	43,691
Excavation permits	350,000	400,000	431,172	31,172
Other street division charges	430,000	478,000	562,645	84,645
Health:				
Animal control charges	351,000	351,000	399,279	48,279
Human services:				
Meal programs	164,000	156,000	177,549	21,549
Memberships	86,000	90,000	128,719	38,719
Coffee	16,000	14,000	17,841	3,841
Dances	31,000	28,000	29,440	1,440
Other	22,000	21,000	23,463	2,463
Total charges for services	<u>43,718,000</u>	<u>41,412,000</u>	<u>41,111,256</u>	<u>(300,744)</u>
Fines and forfeits:				
Nuisance abatement/enforcement	30,000	-	2,050	2,050
Air quality penalties	25,000	5,000	36,378	31,378
Total fines and forfeits	<u>55,000</u>	<u>5,000</u>	<u>38,428</u>	<u>33,428</u>
Interest:				
Interest on investments	1,300,000	1,000,000	426,819	(573,181)
Miscellaneous:				
Rental of City property	130,000	180,000	153,258	(26,742)
Community center rentals	150,000	216,000	269,692	53,692
Sales of real property	70,000	30,000	26,818	(3,182)
Sales of other property	30,000	-	-	-
Contributions and donations	-	-	66,674	66,674
Cash overages and shortages, net	-	-	(111)	(111)
Cash discounts earned	50,000	50,000	14,097	(35,903)
Other miscellaneous	320,000	2,685,000	2,902,023	217,023
Total miscellaneous	<u>750,000</u>	<u>3,161,000</u>	<u>3,432,451</u>	<u>271,451</u>
Total revenues	<u>347,090,000</u>	<u>359,290,000</u>	<u>368,892,919</u>	<u>9,602,919</u>

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
Year ended June 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Expenditures:				
Current:				
General government:				
Accounting	2,679,000	2,679,000	2,572,962	106,038
Capital implementation project	1,942,000	-	-	-
Chief Administrative Officer	1,563,000	1,563,000	1,488,761	74,239
City buildings	6,074,000	6,074,000	5,958,591	115,409
City wide financial support	452,000	452,000	446,070	5,930
City/County building rental	2,789,000	2,789,000	2,789,000	-
Community revitalization	1,547,000	1,547,000	1,499,297	47,703
Compensation in lieu of sick leave	350,000	350,000	239,807	110,193
Council services	1,556,000	1,564,100	1,535,815	28,285
Special Event Parking	19,000	19,000	-	19,000
Dues and memberships	429,000	429,000	360,409	68,591
Early retirement	4,935,000	6,641,000	6,632,694	8,306
Economic development	50,000	50,000	40,500	9,500
FY03 bonus program	-	4,657,000	4,371,446	285,554
Information systems	7,334,000	7,339,000	6,798,518	540,482
International trade	208,000	208,000	83,902	124,098
ISD CIP funded	-	149,000	77,270	71,730
Legal services	4,745,000	4,780,000	4,424,207	355,793
Legislative coordinator	224,000	224,000	212,000	12,000
Mayor's office	523,700	523,700	522,089	1,611
Office of city clerk	1,293,000	1,583,000	1,447,262	135,738
Office of economic development	824,000	824,000	708,114	115,886
Office of internal audit	773,110	773,110	751,658	21,452
Office of management and budget	1,117,620	1,117,620	1,041,969	75,651
Personnel services	2,236,000	2,236,000	2,130,772	105,228
Strategic support - Planning	1,063,000	1,063,000	1,044,085	18,915
Plaza del Sol building	1,274,000	1,274,000	1,274,000	-
Purchasing	1,075,000	1,075,000	950,608	124,392
Real property	513,000	513,000	382,294	130,706
Risk five year recovery plan	1,494,000	1,494,000	1,494,000	-
TRD audit gov grt	-	1,090,000	1,089,444	556
Strategic support - DFAS	362,000	362,000	346,183	15,817
Treasury	1,342,000	1,342,000	1,332,859	9,141
Utility franchising office	784,000	686,000	495,420	190,580
Strategic support/municipal devlp	-	1,096,000	1,015,732	80,268
Design/municipal devlp	-	863,000	825,637	37,363
Design recovered/municipal devlp	-	3,406,000	3,033,506	372,494
Total general government	<u>51,570,430</u>	<u>62,835,530</u>	<u>59,416,881</u>	<u>3,418,649</u>

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
Year ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Public safety:				
Police Department:				
Central support services	21,589,840	21,989,840	22,073,052	(83,212)
Investigative services	18,310,000	18,309,492	17,856,800	452,692
Neighborhood Policing	51,960,000	51,555,325	51,195,047	360,278
Off duty police overtime	1,072,000	1,072,000	978,488	93,512
Fire Department:				
AFD headquarters	1,510,000	1,510,000	1,467,129	42,871
Dispatch	1,733,000	1,733,000	1,718,849	14,151
Fire dept/CIP funded employees	98,000	98,000	79,842	18,158
Fire dept/technical services	451,000	451,000	434,985	16,015
Fire prevention/fire marshal's office	2,843,000	2,843,000	2,824,240	18,760
Fire suppression	29,368,000	29,526,000	29,496,821	29,179
Fire training and safety	1,533,000	1,533,000	1,496,951	36,049
Logistics	856,000	856,000	853,584	2,416
Paramedic rescue	9,228,000	9,228,000	9,145,456	82,544
Total public safety	<u>140,551,840</u>	<u>140,704,657</u>	<u>139,621,244</u>	<u>1,083,413</u>
Culture and recreation:				
Biological park	8,210,270	8,210,270	8,202,718	7,552
CIP Biopark	1,844,000	1,844,000	1,461,275	382,725
CIP library	94,000	94,000	49,554	44,446
Community events	1,339,000	1,339,000	1,363,484	(24,484)
Convention center	3,440,000	3,415,000	2,438,836	976,164
CIP Museum	114,000	-	-	-
Explora Science Center	550,000	550,000	550,000	-
Museum	2,608,800	2,608,800	2,564,020	44,780
Quality parks & trails system	2,433,000	1,708,000	1,510,986	197,014
Strategic support - CS	1,087,000	1,099,000	1,035,089	63,911
Strategic support - Senior Affairs	1,263,000	1,263,000	1,188,913	74,087
Strategic support - PR	722,000	722,000	695,821	26,179
Parks land management	11,215,000	10,991,000	10,249,553	741,447
Promote safe use of firearms	288,000	288,000	262,861	25,139
Provide community recreation	5,506,500	5,535,500	5,035,001	500,499
Provide quality recreation	3,542,000	3,773,000	3,337,475	435,525
Public library	9,160,000	9,196,000	9,225,803	(29,803)
Total culture and recreation	<u>53,416,570</u>	<u>52,636,570</u>	<u>49,171,389</u>	<u>3,465,181</u>
Public works:				
Code administration	1,934,000	1,934,000	1,925,766	8,234
Construction management	2,433,270	2,217,270	2,100,566	116,704
Street CIP trans infrastructure tx	4,180,000	2,555,000	2,227,779	327,221
Storm drainage/maintenance	2,398,000	1,915,000	1,783,382	131,618
Total public works	<u>10,945,270</u>	<u>8,621,270</u>	<u>8,037,493</u>	<u>583,777</u>
Highways and streets:				
GF street services	8,573,000	8,480,000	8,106,721	373,279
Total highways and streets	<u>8,573,000</u>	<u>8,480,000</u>	<u>8,106,721</u>	<u>373,279</u>

See Notes to Financial Statements

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
Year ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Expenditures (continued):				
Current (continued):				
Health:				
Animal services	4,266,000	4,266,000	4,153,135	112,865
Bio disease management	350,000	370,000	344,985	25,015
Clean city section	-	-	16	(16)
Consumer protection	960,000	960,000	911,694	48,306
Environmental services	1,150,000	1,202,000	1,147,735	54,265
Program support	360,000	360,000	348,281	11,719
Total health	7,086,000	7,158,000	6,905,846	252,154
Human services:				
Access to basic services	113,000	113,000	68,692	44,308
Develop affordable housing	75,000	75,000	71,395	3,605
Development process & policy	5,882,250	5,813,250	5,669,125	144,125
Plan and coordinate	1,828,000	1,828,000	1,821,763	6,237
Long-range planning	1,255,000	1,255,000	1,195,109	59,891
Offer health & social services	1,894,000	1,894,000	1,776,763	117,237
Partner with public education	5,288,090	5,328,090	4,853,417	474,673
Prevent and reduce youth gangs	1,003,000	1,003,000	1,003,000	-
Prevent neighborhood deterioration	48,000	48,000	43,466	4,534
Provide early childhood education	4,437,000	4,441,000	4,048,182	392,818
Provide emergency shelter	163,000	163,000	160,490	2,510
Provide mental health	204,000	219,000	217,000	2,000
Provide transitional housing	164,000	164,000	151,350	12,650
Substance abuse treatment/prevention	2,792,000	2,791,220	2,740,856	50,364
Supportive services to homeless	183,600	183,600	176,699	6,901
Train lower income persons	470,000	470,000	464,693	5,307
Well-being	2,998,000	2,998,000	2,923,229	74,771
Total human services	28,797,940	28,787,160	27,385,229	1,401,931
Total expenditures	300,941,050	309,223,187	298,644,803	10,578,384
Excess (deficiency) of revenues over expenditures	46,148,950	50,066,813	70,248,116	20,181,303
Other financing sources (uses):				
Transfers in	2,505,000	2,240,000	2,170,145	(69,855)
Transfers out	(49,864,660)	(51,023,623)	(50,757,180)	(266,443)
Total other financing sources and uses	(47,359,660)	(48,783,623)	(48,587,035)	(336,298)
Net change in fund balance	(1,210,710)	1,283,190	21,661,081	19,845,005
Fund balance, July 1	43,125,201	43,125,201	43,125,201	-
Fund balance, June 30	\$ 41,914,491	\$ 44,408,391	\$ 64,786,282	\$ 19,845,005

See Notes to Financial Statements

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CORRECTIONS AND DETENTION FUND
Year ended June 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues:				
Intergovernmental:				
County-shared operations	\$ 19,981,000	\$ 20,155,000	\$ 19,922,000	\$ (233,000)
Charges for services:				
Care of prisoners-state	216,000	216,000	686,013	470,013
Care of prisoners-other	-	-	525	525
Commissary	-	-	42,158	42,158
Community custody program fees	146,000	146,000	167,950	21,950
CCP reimbursement	435,000	435,000	302,813	(132,187)
Medical Co-Pay-inmates	-	-	26,078	26,078
Recycling services	113,000	113,000	113,000	-
Total charges for services	910,000	910,000	1,338,537	428,537
Interest:				
Interest on investments	-	-	30,705	30,705
Miscellaneous:				
Other	-	200,000	477,738	277,738
Total miscellaneous	-	200,000	477,738	277,738
Total revenues	20,891,000	21,265,000	21,768,980	503,980
Expenditures:				
Current:				
Public safety:				
Administrative support	4,496,000	4,496,000	4,310,459	185,541
Community custody	866,000	1,146,000	1,155,605	(9,605)
Correction and detention	33,622,000	34,244,000	34,039,635	204,365
FY 03 bonus program	-	466,000	435,832	30,168
Metro criminal justice coordinating council	85,000	85,000	85,000	-
Water supply contract	488,000	488,000	487,245	755
Indirect overhead charge	1,280,000	1,247,436	1,114,223	133,213
Total expenditures	40,837,000	42,172,436	41,627,999	544,437
Excess (deficiency) of revenues over expenditures	(19,946,000)	(20,907,436)	(19,859,019)	1,048,417
Other financing sources (uses):				
Transfers in	19,981,000	20,155,000	20,155,000	-
Transfers out	-	(32,564)	(32,564)	-
Total other financing sources (uses)	19,981,000	20,122,436	20,122,436	-
Net change in fund balance	35,000	(785,000)	263,417	1,048,417
Fund balance (deficit), July 1	254,478	254,478	254,478	-
Fund balance (deficit), June 30	\$ 289,478	\$ (530,522)	\$ 517,895	\$ 1,048,417

See Notes to Financial Statements

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
June 30, 2004

	<u>Enterprise Funds</u>		
	<u>Airport Fund</u>	<u>Joint Water and Sewer Fund</u>	<u>Refuse Disposal Fund</u>
ASSETS			
Current assets:			
Cash, investments, and accrued interest	\$ 10,118,837	\$ -	\$ 5,700,415
Cash with fiscal agents held for debt service	11,051,162	-	3,717,204
Cash held by others	-	-	-
Accounts receivables, net of allowance for uncollectible accounts	2,986,738	-	2,728,791
Due from other funds	81,869	-	-
Prepaid expenses	-	-	-
Due from other governments	-	-	-
Inventories of supplies	-	-	698,332
Total current assets	<u>24,238,606</u>	<u>-</u>	<u>12,844,742</u>
Noncurrent assets:			
Restricted assets:			
Cash, investments, and accrued interest	95,630,926	-	11,244,888
Account receivable from bond escrow agent	300,000	-	-
Accounts receivable - developers	-	-	-
Escrow deposits	-	-	-
Total restricted assets	<u>95,930,926</u>	<u>-</u>	<u>11,244,888</u>
Capital assets:			
Land	33,032,723	-	5,165,504
Land and improvements acquired from U.S. Air Force	7,638,439	-	-
Buildings and improvements	146,431,805	-	38,722,599
Runways and other improvements	242,374,624	-	-
Improvements other than buildings	101,129,123	-	-
Machinery and equipment	12,888,475	-	59,095,029
Other	647,096	-	-
Total	<u>544,142,285</u>	<u>-</u>	<u>102,983,132</u>
Less accumulated depreciation and amortization	<u>295,340,424</u>	<u>-</u>	<u>51,055,953</u>
Capital assets, net of depreciation	248,801,861	-	51,927,179
Construction work in progress	14,905,465	-	2,126,848
Total capital assets	<u>263,707,326</u>	<u>-</u>	<u>54,054,027</u>
Other:			
Capitalized bond issuance costs	1,971,126	-	66,467
Land - acquired under claim settlement	-	-	-
Total other assets	<u>1,971,126</u>	<u>-</u>	<u>66,467</u>
Total noncurrent assets	<u>361,609,378</u>	<u>-</u>	<u>65,365,382</u>
Total Assets	<u>385,847,984</u>	<u>-</u>	<u>78,210,124</u>

See Notes to Financial Statements

Enterprise Funds				
Housing Authority Fund	Transit Fund	Other Enterprise Funds	Totals	Internal Service Funds
\$ 10,959,256	\$ 5,035,822	\$ 823,078	\$ 32,637,408	\$ 40,361,320
-	-	1,048,212	15,816,578	-
-	-	339,188	339,188	-
287,021	71,040	382,334	6,455,924	-
-	-	-	81,869	-
-	-	-	-	371,741
559,160	5,271,966	-	5,831,126	90,885
211,491	598,095	40,104	1,548,022	1,868,045
<u>12,016,928</u>	<u>10,976,923</u>	<u>2,632,916</u>	<u>62,710,115</u>	<u>42,691,991</u>
-	6,643,271	9,120,543	122,639,628	-
-	-	-	300,000	-
-	-	3,626,651	3,626,651	-
270,316	-	90,187	360,503	-
<u>270,316</u>	<u>6,643,271</u>	<u>12,837,381</u>	<u>126,926,782</u>	<u>-</u>
3,767,389	3,760,422	5,108,043	50,834,081	283,842
-	-	-	7,638,439	-
47,726,121	17,287,824	86,663,082	336,831,431	406,001
-	-	-	242,374,624	-
-	-	-	101,129,123	765,388
479,358	52,885,795	3,719,565	129,068,222	1,685,287
-	-	100,904	748,000	-
51,972,868	73,934,041	95,591,594	868,623,920	3,140,518
36,897,314	44,742,146	25,540,673	453,576,510	2,428,973
15,075,554	29,191,895	70,050,921	415,047,410	711,545
3,566,443	21,039,385	142,173	41,780,314	-
<u>18,641,997</u>	<u>50,231,280</u>	<u>70,193,094</u>	<u>456,827,724</u>	<u>711,545</u>
-	-	879,506	2,917,099	-
-	-	-	-	1,755,000
-	-	879,506	2,917,099	1,755,000
<u>18,912,313</u>	<u>56,874,551</u>	<u>83,909,981</u>	<u>586,671,605</u>	<u>2,466,545</u>
<u>30,929,241</u>	<u>67,851,474</u>	<u>86,542,897</u>	<u>649,381,720</u>	<u>45,158,536</u>

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
June 30, 2004

	Enterprise Funds		
	Airport Fund	Joint Water and Sewer Fund	Refuse Disposal Fund
LIABILITIES			
Current liabilities:			
Accounts payable	364,371	-	749,961
Accrued payroll	605,678	-	958,554
Accrued vacation and sick leave pay	715,244	-	943,194
Accrued fuel cleanup costs	-	-	-
Fare tokens outstanding	-	-	-
Deposits	146,303	-	59,635
Due to other funds	-	-	-
Due to other governments	-	-	-
Current portion of claims and judgments payable	-	-	-
Liabilities payable from restricted assets:			
Construction contracts and miscellaneous payable	1,924,261	-	1,038,384
Deferred revenue	115,367	-	-
Current portion - revenue bonds payable	7,630,000	-	2,975,000
Accrued interest	3,711,894	-	742,204
Total current liabilities	15,213,118	-	7,466,932
Noncurrent liabilities:			
Liabilities payable from restricted assets:			
Accrued landfill closure costs	-	-	1,412,016
Other	-	-	-
Total	-	-	1,412,016
Revenue bonds, net of current portion and unamortized discounts	221,685,408	-	27,732,275
Other:			
Claims and judgments payable	-	-	-
Accrued vacation and sick leave pay	380,889	-	977,640
Advances from other funds	-	-	-
Total	380,889	-	977,640
Total noncurrent liabilities:	222,066,297	-	30,121,931
Total liabilities	237,279,415	-	37,588,863
NET ASSETS			
Invested in capital assets, net of related debt	74,634,546	-	30,897,896
Restricted for:			
Debt service	15,784,917	-	551,589
Construction	43,148,798	-	3,427,406
Unrestricted	15,000,308	-	5,744,370
Total net assets	\$ 148,568,569	\$ -	\$ 40,621,261

See Notes to Financial Statements

Enterprise Funds

Housing Authority Fund	Transit Fund	Other Enterprise Funds	Totals	Internal Service Funds
315,049	201,537	220,386	1,851,304	4,000,928
157,574	913,342	180,193	2,815,341	308,399
129,752	873,990	166,275	2,828,455	397,567
-	-	-	-	90,915
-	70,249	-	70,249	-
181,886	-	-	387,824	-
-	-	81,869	81,869	-
267,900	-	-	267,900	-
-	-	-	-	17,989,500
-	3,074,043	6,638	6,043,326	-
-	-	-	115,367	-
-	-	789,920	11,394,920	-
-	-	454,086	4,908,184	-
<u>1,052,161</u>	<u>5,133,161</u>	<u>1,899,367</u>	<u>30,764,739</u>	<u>22,787,309</u>
-	-	-	1,412,016	-
<u>270,316</u>	<u>-</u>	<u>101,280</u>	<u>371,596</u>	<u>-</u>
<u>270,316</u>	<u>-</u>	<u>101,280</u>	<u>1,783,612</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>30,381,157</u>	<u>279,798,840</u>	<u>-</u>
-	-	-	-	29,588,748
18,910	423,471	79,225	1,880,135	94,971
-	-	23,500,000	23,500,000	-
<u>18,910</u>	<u>423,471</u>	<u>23,579,225</u>	<u>25,380,135</u>	<u>29,683,719</u>
<u>289,226</u>	<u>423,471</u>	<u>54,061,662</u>	<u>306,962,587</u>	<u>29,683,719</u>
<u>1,341,387</u>	<u>5,556,632</u>	<u>55,961,029</u>	<u>337,727,326</u>	<u>52,471,028</u>
18,641,997	50,231,280	23,184,072	197,589,791	711,545
-	-	3,461,330	19,797,836	-
-	8,841,194	2,248,734	57,666,132	-
<u>10,945,857</u>	<u>3,222,368</u>	<u>1,687,732</u>	<u>36,600,635</u>	<u>(8,024,037)</u>
<u>\$ 29,587,854</u>	<u>\$ 62,294,842</u>	<u>\$ 30,581,868</u>	<u>\$ 311,654,394</u>	<u>\$ (7,312,492)</u>

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUNDS
Year ended June 30, 2004

	Enterprise Funds		
	Airport Fund	Joint Water and Sewer Fund	Refuse Disposal Fund
Operating revenues:			
Charges for services	\$ 52,743,648	\$ -	\$ 43,523,148
Operating expenses:			
Salaries and fringe benefits	12,119,561	-	20,063,248
Professional services	177,380	-	282,110
Utilities	2,340,233	-	353,397
Supplies	533,901	-	1,100,738
Travel	35,488	-	17,163
Fuels, repairs and maintenance	2,482,921	-	5,236,036
Contractual services	4,253,057	-	1,300,705
Claims and judgments	-	-	-
Insurance premiums	-	-	-
Other operating expenses	2,098,505	-	4,910,091
Depreciation	27,631,286	-	5,112,639
Bad debt expense	133,166	-	-
Total operating expenses	51,805,498	-	38,376,127
Operating income (loss)	938,150	-	5,147,021
Non-operating revenues (expenses):			
Interest on investments	(269,120)	-	24,552
Federal housing grants	-	-	-
Housing assistance payments	-	-	-
Passenger facilities charges	7,899,625	-	-
Gain (loss) on disposition of property and equipment	8,548	-	203,467
Interest and other debt services expenses	(8,783,384)	-	(1,019,282)
Bond issue costs	(257,484)	-	(49,578)
Other	13,027	-	521,773
Total non-operating revenues (expenses)	(1,388,788)	-	(319,068)
Income (loss) before capital contributions and transfers	(450,638)	-	4,827,953
Capital contributions	2,688,139	-	-
Transfers in	-	-	-
Divestiture of the Joint Water and Sewer Fund to an Authority	-	(538,744,820)	-
Transfers out	-	-	(1,058,863)
Change in net assets	2,237,501	(538,744,820)	3,769,090
Net assets (deficit), July 1, as restated	146,331,068	538,744,820	36,852,171
Net assets (deficit), June 30	\$ 148,568,569	\$ -	\$ 40,621,261

See Notes to Financial Statements

Enterprise Funds

Housing Authority Fund	Transit Fund	Other Enterprise Funds	Totals	Internal Service Funds
\$ 1,787,041	\$ 3,325,975	\$ 12,411,369	\$ 113,791,181	\$ 72,637,978
3,075,738	18,168,201	4,084,224	57,510,972	6,203,101
17,500	6,349	461,816	945,155	834,429
581,963	420,509	1,901,536	5,597,638	137,767
-	290,798	174,826	2,100,263	1,276,262
-	15,261	1,971	69,883	16,848
781,463	2,980,089	1,357,905	12,838,414	3,289,150
-	886,885	292,131	6,732,778	1,733,553
-	-	-	-	23,545,885
-	-	-	-	34,068,222
1,108,461	3,191,871	844,635	12,153,563	2,061,071
1,582,443	5,440,057	3,329,259	43,095,684	129,746
55,528	1,140	369,887	559,721	-
7,203,096	31,401,160	12,818,190	141,604,071	73,296,034
(5,416,055)	(28,075,185)	(406,821)	(27,812,890)	(658,056)
149,959	158,002	61,552	124,945	307,589
25,249,911	-	-	25,249,911	-
(19,201,797)	-	-	(19,201,797)	-
-	-	-	7,899,625	-
-	-	-	212,015	6,572
-	-	(1,356,263)	(11,158,929)	-
-	-	(145,194)	(452,256)	-
134,929	2,344,569	80,731	3,095,029	23,900
6,333,002	2,502,571	(1,359,174)	5,768,543	338,061
916,947	(25,572,614)	(1,765,995)	(22,044,347)	(319,995)
-	9,778,485	335,518	12,802,142	1,854
-	25,514,079	1,625,000	27,139,079	74,000
-	-	-	(538,744,820)	-
-	(161,068)	(294,041)	(1,513,972)	(269,000)
916,947	9,558,882	(99,518)	(522,361,918)	(513,141)
28,670,907	52,735,960	30,681,386	834,016,312	(6,799,351)
\$ 29,587,854	\$ 62,294,842	\$ 30,581,868	\$ 311,654,394	\$ (7,312,492)

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year ended June 30, 2004

	<u>Enterprise Funds</u>		
	<u>Airport Fund</u>	<u>Joint Water and Sewer Fund</u>	<u>Refuse Disposal Fund</u>
Cash flows from operating activities:			
Cash received from customers	\$ 53,068,901	\$ -	\$ 42,799,678
Cash received from other funds for goods and services	-	-	692,528
Cash payments to employees for services	(10,912,363)	-	(18,459,463)
Cash payments to suppliers for goods and services	(9,523,973)	-	(8,700,156)
Cash payments to other funds for goods and services	(3,397,722)	-	(5,748,769)
Cash payments to claimants and beneficiaries	-	-	-
Miscellaneous cash received	13,027	-	521,773
Net cash provided by (used for) operating activities	<u>29,247,870</u>	<u>-</u>	<u>11,105,591</u>
Cash flow from noncapital financing activities:			
Operating grants received	-	-	-
Housing assistance payments	-	-	-
Principal paid on advance from other funds	-	-	-
Interest paid on advance from other funds	-	-	-
Transfer of cash to an Authority	-	(102,802,098)	-
Transfers-in from other funds	-	-	-
Transfers-out to other funds	-	-	(1,058,863)
Net cash provided by (used for) noncapital financing activities	<u>-</u>	<u>(102,802,098)</u>	<u>(1,058,863)</u>
Cash flows from capital and related financing activities:			
Proceeds from sale of revenue and refunding bonds	51,253,143	-	-
Capitalized bond issuance costs	(1,321,104)	-	-
Principal paid on revenue bond maturities and refunded bonds	(28,700,000)	-	(2,840,000)
Deposit with Depositary Trust Company	(300,000)	-	-
Interest and other expenses paid on revenue bond maturities	(9,701,952)	-	(936,658)
Acquisition and construction of capital assets	(8,222,031)	-	(7,982,949)
Cash payments to other funds for goods and services	(170,157)	-	(87,642)
Capital grants received	-	-	-
Receipts in anticipation of future land sale	-	-	-
Passenger facilities charges	7,899,625	-	-
Proceeds from sale of property and equipment	8,548	-	203,467
Net cash used for capital and related financing activities	<u>10,746,072</u>	<u>-</u>	<u>(11,643,782)</u>
Cash flows from investing activities:			
Interest received on investments	754,665	-	24,552
Net cash provided by investing activities	<u>754,665</u>	<u>-</u>	<u>24,552</u>
Net increase (decrease) in cash and cash equivalents	40,748,607	(102,802,098)	(1,572,502)
Cash and cash equivalents, July 1, as restated	<u>76,052,318</u>	<u>102,802,098</u>	<u>22,235,009</u>
Cash and cash equivalents, June 30	<u>\$ 116,800,925</u>	<u>\$ -</u>	<u>\$ 20,662,507</u>

See Notes to Financial Statements

Enterprise Funds

Housing Authority Fund	Transit Fund	Other Enterprise Funds	Totals	Internal Service Funds
\$ 1,557,901	\$ 3,204,189	\$ 12,067,885	\$ 112,698,554	\$ 22,048,466
-	-	204,683	897,211	57,575,285
(2,763,474)	(16,610,927)	(3,865,479)	(52,611,706)	(5,804,178)
(2,152,957)	(4,410,785)	(4,373,691)	(29,161,562)	(45,484,573)
(741,945)	(4,811,848)	(1,243,413)	(15,943,697)	(2,581,536)
-	-	-	-	(16,620,000)
<u>134,929</u>	<u>857,397</u>	<u>80,731</u>	<u>1,607,857</u>	<u>23,900</u>
<u>(3,965,546)</u>	<u>(21,771,974)</u>	<u>2,870,716</u>	<u>17,486,657</u>	<u>9,157,364</u>
23,029,411	1,092,091	-	24,121,502	-
(19,201,797)	-	-	(19,201,797)	-
-	-	(800,000)	(800,000)	-
-	-	(356,659)	(356,659)	-
-	-	-	(102,802,098)	-
-	25,514,079	1,625,000	27,139,079	74,000
-	(161,068)	(294,041)	(1,513,972)	(269,000)
<u>3,827,614</u>	<u>26,445,102</u>	<u>174,300</u>	<u>(73,413,945)</u>	<u>(195,000)</u>
-	-	-	51,253,143	-
-	-	-	(1,321,104)	-
-	-	(500,000)	(32,040,000)	-
-	-	-	(300,000)	-
-	-	(1,118,757)	(11,757,367)	-
(1,486,617)	(13,747,158)	(1,398,889)	(32,837,644)	(67,494)
-	(84,508)	(20,201)	(362,508)	-
1,608,232	6,021,678	-	7,629,910	-
-	-	-	-	75,000
-	-	-	7,899,625	-
-	<u>1,994,814</u>	-	<u>2,206,829</u>	<u>6,572</u>
<u>121,615</u>	<u>(5,815,174)</u>	<u>(3,037,847)</u>	<u>(9,629,116)</u>	<u>14,078</u>
<u>149,959</u>	<u>158,002</u>	<u>148,833</u>	<u>1,236,011</u>	<u>307,589</u>
<u>149,959</u>	<u>158,002</u>	<u>148,833</u>	<u>1,236,011</u>	<u>307,589</u>
133,642	(984,044)	156,002	(64,320,393)	9,284,031
<u>11,095,930</u>	<u>12,663,137</u>	<u>10,926,018</u>	<u>235,774,510</u>	<u>31,077,289</u>
<u>\$ 11,229,572</u>	<u>\$ 11,679,093</u>	<u>\$ 11,082,020</u>	<u>\$ 171,454,117</u>	<u>\$ 40,361,320</u>

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year ended June 30, 2004

	Enterprise Funds		
	Airport Fund	Joint Water and Sewer Fund	Refuse Disposal Fund
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 938,150	\$ -	\$ 5,147,021
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	27,631,286	-	5,112,639
Miscellaneous cash received	13,027	-	521,773
Provision for claims and judgments	-	-	-
Decrease (increase) in assets:			
Cash held by others	-	-	-
Receivables	390,834	-	(22,239)
Due from other funds	(81,869)	-	-
Inventories of supplies	-	-	(5,198)
Due from other governments	-	-	-
Prepaid expenses	-	-	-
Increase (decrease) in liabilities:			
Accounts payable	84,924	-	196,490
Customer deposits	(47,782)	-	-
Accrued landfill closure costs and fuels cleanup	-	-	105,587
Accrued employee compensation and benefits	203,933	-	58,221
Fare tokens outstanding and deposits	-	-	(8,703)
Due to other funds	-	-	-
Escrow liability	-	-	-
Deferred revenue	115,367	-	-
Net cash provided by (used for) operating activities	<u>\$ 29,247,870</u>	<u>\$ -</u>	<u>\$ 11,105,591</u>
Cash and cash equivalents at June 30 consist of:			
Current assets:			
Cash, investments, and accrued interest	\$ 10,118,837	\$ -	\$ 5,700,415
Restricted assets:			
Cash, investments, and accrued interest	95,630,926	-	11,244,888
Cash with fiscal agents	11,051,162	-	3,717,204
Escrow deposits	-	-	-
Total cash and cash equivalents, June 30	<u>\$ 116,800,925</u>	<u>\$ -</u>	<u>\$ 20,662,507</u>
Non cash transactions:			
Unrealized gains (losses) on investments	\$ (811,134)	\$ -	\$ (143,351)
Transfer of capital assets from the Capital Projects Fund	-	-	-
HUD payment of third party guaranteed debt	-	-	-

See Notes to Financial Statements

Enterprise Funds				
Housing Authority Fund	Transit Fund	Other Enterprise Funds	Totals	Internal Service Funds
\$ (5,416,055)	\$ (28,075,185)	\$ (406,821)	\$ (27,812,890)	\$ (658,056)
1,582,443	5,440,057	3,329,259	43,095,684	129,746
134,929	857,397	80,731	1,607,857	23,900
-	-	-	-	6,925,885
-	-	(148,403)	(148,403)	-
(89,979)	(29,567)	5,241	254,290	(13,179)
-	-	-	(81,869)	-
(41,428)	(27,322)	(2,040)	(75,988)	(91,443)
-	-	-	-	(4,871)
-	-	-	-	(26,586)
(107,331)	34,619	(3,541)	205,161	2,939,424
-	-	-	(47,782)	-
-	-	-	105,587	22,493
55,508	120,246	(65,579)	372,329	(89,949)
33,538	(92,219)	-	(67,384)	-
-	-	81,869	81,869	-
(117,171)	-	-	(117,171)	-
-	-	-	115,367	-
<u>\$ (3,965,546)</u>	<u>\$ (21,771,974)</u>	<u>\$ 2,870,716</u>	<u>\$ 17,486,657</u>	<u>\$ 9,157,364</u>
\$ 10,959,256	\$ 5,035,822	\$ 823,078	\$ 32,637,408	\$ 40,361,320
-	6,643,271	9,210,730	122,729,815	-
-	-	1,048,212	15,816,578	-
270,316	-	-	270,316	-
<u>\$ 11,229,572</u>	<u>\$ 11,679,093</u>	<u>\$ 11,082,020</u>	<u>\$ 171,454,117</u>	<u>\$ 40,361,320</u>
\$ -	\$ (96,786)	\$ (64,099)	\$ (1,115,370)	\$ (316,347)
-	68,581	335,518	404,099	-
982,877	-	-	982,877	-

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2004

	<u>Agency Fund</u>
ASSETS	
Assets:	
Cash, investments, and accrued interest	\$ 13,101,421
Receivables	229,008
Total Assets	<u>13,330,429</u>
LIABILITIES	
Liabilities:	
Accounts payable	352,263
Funds held for others	<u>12,978,166</u>
Total Liabilities	<u>13,330,429</u>
Net Assets	<u>\$ -</u>

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 1 THE FINANCIAL REPORTING ENTITY

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

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

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

1. (a) appointment by the City of a majority of voting members of the governing body of an organization, and
(b) ability of the City to impose its will on the daily operations of an organization such as the power to remove appointed members at will; to modify or approve budgets, rates or fees, or to make other substantive decisions; or
2. provision by the organization of specific financial benefits or burdens to the City; or
3. fiscal dependency by the organization on the City such as from the lack of authority to determine its budget or issue its own bonded debt without City approval.

Based on the foregoing criteria, the City has determined that Albuquerque Bernalillo County Water Utility Authority (Authority), created with an effective date of July 1, 2003, is a component unit of the City. The Authority's governing board is composed of three members of the City Council, three members of the County of Bernalillo Commission and the Mayor of the City. See Note 23.

The City has determined that it does have relationships with other organizations that are considered to be component units of the City. However, those organizations, not included herein, are of such nature and significance that exclusion would not render the City's financial statements incomplete or misleading.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

1. Government-wide Financial Statements:

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

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

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

A. Basis of Presentation, continued

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

2. Fund Financial Statements:

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

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

The City reports the following major governmental funds:

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

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

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

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

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

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

Joint Water and Sewer Fund. This fund is reported only for the purposes of reporting the divestiture of its assets and liabilities as of July 1, 2003 to the Authority.

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

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

Transit Fund. This fund accounts for the operations of the City's Suntran bus system.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

A. Basis of Presentation, continued

The City reports the following fund types:

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

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

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

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

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

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

B. Measurement Focus, Basis of Accounting

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

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

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

2. Governmental Fund Financial Statements

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

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

C. Statement of Cash Flows

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

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

D. Estimated Amounts Reported in Financial Statements

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

E. Cash, Investments, and Accrued Interest

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

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

All investments are valued at quoted market prices except for the investment in Special Assessments District bonds and in State of New Mexico Mortgage Finance Authority bonds that are computed at amortized cost approximating market value.

The investment in the State of New Mexico local government investment pool is valued at \$1.00 per share. It is a pool that is not registered with the United States Securities Exchange Commission and the regulatory oversight for that pool rests with the State of New Mexico's Treasurer through the State Treasurer's Investment Committee. This pool is subject to the standards set forth in the State Treasurer's Local Government Investment Policy document incorporated in and made a part of the State Treasurer's Investment Policy document. The 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 policy:

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

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

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

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

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

Checking accounts - at insured financial institutions.

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

F. Inventories of Supplies

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

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

G. Land Held for Sale

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

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

H. Capital Assets

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

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

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

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

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

I. Deferred Charges and Other Assets

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

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

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

J. Claims and Judgments

Liabilities for workers' compensation, tort and other claims as of June 30, 2004, were accrued based on actuarial estimates of the City's self-insurance programs. At June 30, 2004, liabilities were based on a case-by-case evaluation of the probable outcome of claims filed against the City, as well as an estimate of claims incurred but not reported. The long-term portion of the liability is discounted at 5.0% at June 30, 2004, and 4.0% for 2003, over the estimated payment period. Revenues consist primarily of charges to other funds, the amounts of which approximate the cost of claims and other risk management costs arising from the activities of those funds.

K. Accrued Vacation and Sick Leave Pay

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

City employees may also accumulate limited 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.

L. Deferred Revenue

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

M. Special Assessments

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

N. Long-term Obligations

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

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

O. Fund Balance Reserves and Designations

The City records reserves to indicate that a portion of fund balance is legally restricted for a specific future use or is not available for appropriation and/or expenditure. At June 30, 2004, fund balances were reserved for:

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

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

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

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

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

Transfer to capital acquisition fund - the amount of unencumbered fund balance in the False Alarm and Education Fund that is available for transfer to the Capital Acquisition Fund in the ensuing fiscal year.

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

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

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

P. Encumbrances

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

Q. Unbilled Revenues

Refuse services are billed on a cycle basis; therefore, amounts for services provided but unbilled as of June 30, 2004 are not included in receivables or revenue of the enterprise fund. Such unbilled amounts are not material to the financial position and results of operations of the Refuse Disposal Fund.

R. Interfund Transactions

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

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

S. Budgets

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

The Mayor has the authority to change individual program appropriations by the lesser of five percent of the original appropriation or \$100,000, provided that the total amount of appropriations for the fund as approved by the City Council does not change. Approved appropriations lapse at the end of the fiscal year to the extent that they have not been expended or encumbered except any appropriation continued by ordinance. During fiscal year 2004, several supplemental appropriations were necessary.

Following are the programs, in funds with annual appropriations, which had expenditures that exceeded its appropriations at the end of the fiscal year prior to any subsequent City Council action.

General Fund:

Central support services	\$ 83,212
Clean city section	16
Community events	24,484
Public library	29,803
TRD audit gov grt	1,089,444
Transfers out	659,443

Corrections and Detention Fund:

Community custody	9,605
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Golf Course Fund:

Affordable and quality golf	29
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Refuse Disposal Fund:

Collections	\$ 848,361
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Stadium Fund

Payment for General Fund services	1,458
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Transit Fund:

Operations	216,532
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Communications Fund:

Payment for General Fund services	3,647
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Fleet Management Fund

Fleet management	98,752
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An annual budget, which is not legally adopted, for the City of Albuquerque Housing Authority is prepared in accordance with the Department of Housing and Urban Development regulations on an accrual basis and includes both operating and debt service activities as a single budget. The Special Assessments Debt Service Fund spending is controlled primarily through bond indenture provisions and the Capital Projects Funds do not have annual budgets.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 3 RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the Governmental Fund Balance Sheet and the Government-Wide Statement Of Net Assets.

Total fund balances of the City's governmental funds, \$356,111,195, differ from net assets of governmental activities, \$845,695,863, reported in the Statement Of Net Assets. The differences primarily result from the long-term economic focus in the Statement Of Net Assets versus the current financial resources focus in the Governmental Fund Balance Sheets. The differences (*in thousands*) are illustrated below:

	<u>Total Governmental Funds</u>	<u>Internal Service Funds</u>	<u>Long-term Assets & Liabilities</u>	<u>Reclassi- fications and Eliminations</u>	<u>Statement of Net Assets Totals</u>
Assets:					
Cash, investments and accrued interest	\$ 390,061	\$ 40,361	\$ -	\$ (73,109)	\$ 357,313
Taxes receivable	60,848	-	-	-	60,848
Accounts receivable	26,898	-	-	(23,061)	3,837
Due from other governments	19,137	91	-	-	19,228
Accrued interest	-	-	-	-	-
Deposit	-	-	-	-	-
Long-term accounts and notes receivable	-	-	26	23,061	23,087
Internal balances	25,108	-	-	(1,608)	23,500
Inventories	390	1,868	-	-	2,258
Prepaid expenses	122	372	-	-	494
Restricted assets:					
Cash, investments and accrued interest	-	-	-	73,109	73,109
Capital assets:					
Land and construction in progress	-	284	440,044	-	440,328
Capital assets being depreciated	-	2,857	740,582	-	743,439
Accumulated depreciation	-	(2,429)	(338,340)	-	(340,769)
Deferred charges and other assets	<u>5,066</u>	<u>1,755</u>	<u>632</u>	<u>-</u>	<u>7,453</u>
Total assets	<u>\$ 527,630</u>	<u>\$ 45,159</u>	<u>\$ 842,944</u>	<u>\$ (1,608)</u>	<u>\$ 1,414,125</u>
Liabilities:					
Accounts payable	\$ 23,356	\$ 4,001	\$ -	\$ -	\$ 27,357
Accrued liabilities	13,472	399	-	7,294	21,165
Deposits	1,026	-	-	-	1,026
Due to other funds/advances	1,608	-	-	(1,608)	-
Due to other governments	1,566	-	-	-	1,566
Deferred revenues	58,189	-	(36,788)	-	21,401
Current portion of long-term obligations:					
Bonds and notes payable	-	-	93,091	-	93,091
Accrued vacation and sick leave pay	-	398	16,419	-	16,817
Accrued claims payable	-	17,990	-	-	17,990
Matured principal and interest	72,302	-	(65,008)	(7,294)	-
Non current long-term obligations:					
Bonds and notes payable	-	-	330,095	-	330,095
Accrued vacation and sick leave pay	-	95	7,138	-	7,233
Accrued claims payable	-	29,589	-	-	29,589
Deferred credit	<u>-</u>	<u>-</u>	<u>1,099</u>	<u>-</u>	<u>1,099</u>
Total liabilities	171,519	52,472	346,046	(1,608)	568,429
Fund balances/net assets (deficit)	<u>356,111</u>	<u>(7,313)</u>	<u>496,898</u>	<u>-</u>	<u>845,696</u>
Total liabilities and fund balances/net assets	<u>\$ 527,630</u>	<u>\$ 45,159</u>	<u>\$ 842,944</u>	<u>\$ (1,608)</u>	<u>\$ 1,414,125</u>

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

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

B. Explanation of certain differences between the Governmental Fund Statement Of Revenues, Expenditures, And Changes In Fund Balances and the Government-Wide Statement Of Net Activities.

The net change in fund balances for governmental funds, \$83,582,917, differ from the change in net assets for governmental activities, \$99,865,417, reported in the Statement Of Activities. The differences arise primarily from the long-term economic focus in the Statement Of Activities versus the current financial resources focus in the governmental funds. The differences (*in thousands*) are illustrated below:

	<u>Total</u> Governmental Funds	<u>Internal</u> Service Funds	<u>Long-term</u> Revenues/ Expenses	<u>Reclassi-</u> fications and Eliminations	<u>Statement of</u> Activities Totals
Revenues:					
Taxes:					
Property tax	\$ 88,249	\$ -	\$ 5	\$ -	\$ 88,254
Gross receipts tax	132,105	-	152	-	132,257
Payments in lieu of taxes	5,111	-	-	-	5,111
Franchise tax	18,449	-	-	-	18,449
Lodgers tax	8,730	-	-	-	8,730
Licenses and permits	16,026	-	-	-	16,026
Intergovernmental	229,799	-	(13)	-	229,786
Charges for services	51,428	-	-	(8,325)	43,103
Fines and forfeits	901	-	-	-	901
Investment earnings	4,082	308	(135)	-	4,255
Special assessments	5,871	-	-	-	5,871
Other revenue	<u>15,056</u>	<u>30</u>	<u>(692)</u>	<u>43</u>	<u>14,437</u>
Total revenues	<u>575,807</u>	<u>338</u>	<u>(683)</u>	<u>(8,282)</u>	<u>567,180</u>
Expenditures/Expenses:					
Current:					
General government	67,988	140	1,408	(4,335)	65,201
Corrections	44,003	64	149	(1,333)	42,883
Fire	48,935	133	1,949	(127)	50,890
Police	98,549	172	4,747	(739)	102,729
Culture and recreation	54,925	59	11,310	472	66,766
Public works	8,207	7	958	173	9,345
Highways and streets	13,900	4	2,189	2,161	18,254
Health	11,125	29	259	(282)	11,131
Human services	48,112	48	775	(390)	48,545
Housing	3,392	-	2	-	3,394
Special assessments	-	-	-	6,603	6,603
Debt service:					
Principal retirement	67,896	-	(67,896)	-	-
Interest and other fiscal charges	15,850	-	(522)	-	15,328
Capital outlay	132,615	-	(122,087)	(10,528)	-
Miscellaneous	<u>-</u>	<u>-</u>	<u>(43)</u>	<u>43</u>	<u>-</u>
Total expenditures/expenses	<u>616,513</u>	<u>656</u>	<u>(167,197)</u>	<u>(8,282)</u>	<u>441,690</u>
Other financing sources (uses)/changes in net assets:					
Net transfers (to) from other funds	(25,430)	(195)	-	-	(25,625)
Proceeds from issuance of bonds and loans	<u>149,719</u>	<u>-</u>	<u>(149,719)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)/ changes in net assets	<u>124,289</u>	<u>(195)</u>	<u>(149,719)</u>	<u>-</u>	<u>(25,625)</u>
Net change for the year	<u>\$ 83,583</u>	<u>\$ (513)</u>	<u>\$ 16,795</u>	<u>\$ -</u>	<u>\$ 99,865</u>

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 4 CASH AND CASH EQUIVALENTS

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

The total cash, investments, accrued interest and cash with fiscal agents, net of cash overdrafts of the City at June 30, 2004, consist of the following:

	(In thousands of dollars)				
	<u>Govern- mental Activities</u>	<u>Business- type Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>	<u>Component Unit</u>
Cash, investments, accrued interest and cash with fiscal agents, net of unamortized discounts and premiums:					
Repurchase agreements	\$ 136,978	\$ 59,213	\$ 4,081	\$ 200,272	\$ 24,727
Obligations of federal agencies or instrumentalities	254,409	109,350	7,537	371,296	45,664
State of New Mexico investment council	24,325	-	-	24,325	-
State of New Mexico local government investment pool	-	6,787	-	6,787	-
Held in trust by NMFA in State of New Mexico local government investment pool	-	-	-	-	4,361
Held in trust by Wells Fargo Bank in U.S. Treasury Fund	937	2,408	-	3,345	-
Held in trust by Bank of Albuquerque in U.S. Treasury Fund	<u>5,006</u>	<u>-</u>	<u>-</u>	<u>5,006</u>	<u>450</u>
Total investments	<u>421,655</u>	<u>177,758</u>	<u>11,618</u>	<u>611,031</u>	<u>75,202</u>
Certificates of deposit	100	-	-	100	-
Bank accounts at book balance	<u>7,388</u>	<u>(7,105)</u>	<u>1,448</u>	<u>1,731</u>	<u>27,122</u>
Total bank balances	<u>7,488</u>	<u>(7,105)</u>	<u>1,448</u>	<u>1,831</u>	<u>27,122</u>
Accrued interest receivable	1,067	425	35	1,527	178
Imprest cash funds	<u>57</u>	<u>15</u>	<u>-</u>	<u>72</u>	<u>-</u>
Total other	<u>1,124</u>	<u>440</u>	<u>35</u>	<u>1,599</u>	<u>178</u>
Total cash, investments, accrued interest and cash with fiscal agents	<u>\$ 430,267</u>	<u>\$ 171,093</u>	<u>\$ 13,101</u>	<u>\$ 614,461</u>	<u>\$ 102,502</u>
Current cash, investments and accrued interest:					
Cash, investments and accrued interest	\$ 279,979	\$ 32,637	\$ 11,654	324,270	\$ 16,362
Cash with fiscal agents	<u>77,283</u>	<u>15,816</u>	<u>-</u>	<u>93,099</u>	<u>37,850</u>
Total current cash, investments and accrued interest	<u>357,262</u>	<u>48,453</u>	<u>11,654</u>	<u>417,369</u>	<u>54,212</u>
Noncurrent cash, investments and accrued interest:					
Cash, investments and accrued interest	73,005	122,640	1,447	197,092	43,478
Cash with fiscal agents	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,812</u>
Total noncurrent cash, investments and accrued interest	<u>73,005</u>	<u>122,640</u>	<u>1,447</u>	<u>197,092</u>	<u>48,290</u>
Total cash, investments, accrued interest and cash with fiscal agents	<u>\$ 430,267</u>	<u>\$ 171,093</u>	<u>\$ 13,101</u>	<u>\$ 614,461</u>	<u>\$ 102,502</u>

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 4 CASH AND CASH EQUIVALENTS, continued

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

The City has chosen to early implement the provisions of GASB Statement No. 40, Deposit and Investment Risk Disclosure – an amendment of GASB Statement No. 3. The objective of this Statement is to update the custodial credit risk disclosure requirements of Statement 3 and to establish more comprehensive disclosure requirements addressing other common risks of the deposits and investments of state and local governments. The Statement changes the content and form of the risk disclosure in the footnotes. The Statement requires disclosure of four types of risk - 1) custodial credit risk for bank deposits and investments 2) credit risk 3) concentration of credit risk and 4) interest rate risk.

- 1A. 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). No security is required for the deposit of public money that is insured by the Federal Deposit Insurance Corporation (FDIC).

At June 30, 2004, none of the City’s bank balances of \$42,028,625 was exposed to custodial credit risk.

- 1B. Custodial credit risk – Investments. Custodial credit risk 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.

2. 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 prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital and, in general, avoid speculative investments.

The City’s Investment Committee annually reviews its asset allocation strategies and guidelines for the percentage of its total portfolio that may be invested in securities other than repurchase agreements, U.S. Treasury bills and notes or insured/collateralized certificates of deposit. The guidelines are reviewed considering the probability of market and default risk in various investments sectors as part of its allocation evaluation.

The City’s investment policy describes permitted investments in Section 7 and describes prohibited investments in Section 8. Among permitted investments, the investment policy requires that 1) repurchase agreements have a collateralized value of 102% of the par value of the agreement 2) certificates of deposit with local banks be fully insured and 3) brokered certificates of deposit be 100% collateralized. Investments in direct obligations of the U.S. Treasury are permitted as are securities of most U.S. Government agencies with the exception of Government National Mortgage Association securities. Other prohibited investments are 1) Collateralized Mortgage Obligations 2) inverse floaters and 3) reverse repurchase agreements.

At June 30, 2004 all of the City’s investments in its internal investment pool other than overnight repurchase agreements were invested with U.S. Government agencies whose debt was rated AAA by Standard & Poor’s and Aaa by Moody’s Investors Service. The City’s non-pooled investments in the State of New Mexico Investment Council Core Bond Fund and the State of New Mexico Local Government Investment Pool were not rated.

3. 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. The following general policies and constraints shall apply: Portfolio maturities shall be staggered to avoid undue concentration of assets in a specific maturity sector. With the exception of U.S. Treasury securities and authorized pools, no more than 50% of the total investment portfolio will be invested in a single security type or with a single financial institution or at a single maturity.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 4 CASH AND CASH EQUIVALENTS, continued

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

3. Concentration of credit risk, continued

All of the City's internal investment pool other than repurchase agreements is in debt securities issued by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and the Federal Home Loan Bank. These investments are 55.37%, 26.25% and 18.38% respectively of the non-repurchase agreement portfolio and 36.02%, 17.08% and 11.96% of the total portfolio.

4. 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 no less than 80% of the funds invested in the internal investment pool or in other discretionary funds be in maturities of no more than three years from date of purchase. No more than 20% of the funds may be invested in maturities of up to five years. Investment of non-discretionary assets, including funds to be held in trust, may be committed to maturities up to ten years from the date of purchase.

The weighted average maturity of the investments in the internal investment pool at June 30, 2004 was 465.95 days. The weighted average days to call of the same portfolio was 114.99 days.

B. Pledged Collateral by Bank

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

The pledged collateral by bank (in thousands) at June 30, 2004, consists of the following:

	<u>First State Bank</u>	<u>Bank of America</u>	<u>Wells Fargo Bank</u>	<u>Compass Bank</u>	<u>Bank 1st</u>	<u>NM Bank & Trust</u>
Total amount on deposit	\$ 8,434	\$ 31,218	\$ 2,004	\$ 5	\$ 100	\$ 267
Less FDIC coverage	<u>100</u>	<u>100</u>	<u>100</u>	<u>5</u>	<u>100</u>	<u>100</u>
Total uninsured public funds	8,334	31,118	1,904	-	-	167
50% collateral requirement	<u>4,167</u>	<u>15,559</u>	<u>952</u>	<u>-</u>	<u>-</u>	<u>84</u>
Pledged securities, fair value	<u>8,708</u>	<u>16,986</u>	<u>1,467</u>	<u>-</u>	<u>-</u>	<u>100</u>
Pledged in excess (deficit) of requirement	<u>\$ 4,541</u>	<u>\$ 1,427</u>	<u>\$ 515</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16</u>

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 5 TAXES, ACCOUNTS AND NOTES RECEIVABLE

A. Taxes receivable

The taxes receivable at June 30, 2004 are from the following sources:

Gross receipts tax	\$54,837,898
Property tax	4,742,058
Lodgers tax	766,644
Other taxes	<u>501,259</u>
Total	<u>\$60,847,859</u>

The property taxes above include a receivable of \$3,077,062 in the General Obligation Debt Service Fund, \$1,179,573 in the General Fund, and \$485,423 in the Metropolitan Redevelopment Fund.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied each year on July 1 on the taxable valuation of property located in the City as of the preceding January 1. The 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 2004 tax levy had a taxable value of \$7,887,550,658. 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 2.225 mills. The 2004 weighted average residential and non-residential City rate for both operations and debt service was 11.153 mills. Taxes are payable in two equal installments on November 10 and April 10 and become delinquent after 30 days.

B. Accounts receivable and Allowance for uncollectible accounts

Included on Exhibit A-1, "Statement of Net Assets", are balances of receivables, which are reported, net of allowances for uncollectible accounts. The amounts of these receivables that have allowances as of June 30, 2004, are as follows:

	<u>Total receivables</u>	<u>Allowance for uncollectible accounts</u>	<u>Net receivables</u>
Government activities:			
Major funds:			
General Fund	\$ 3,277,092	\$ 427,515	\$ 2,849,577
Capital Acquisition Fund	713,959	78,026	635,933
Nonmajor governmental funds	<u>739,358</u>	<u>388,061</u>	<u>351,297</u>
Total government activity funds	<u>\$ 4,730,409</u>	<u>\$ 893,602</u>	<u>\$ 3,836,807</u>
Business-type activities:			
Major funds:			
Airport	\$ 3,819,767	\$ 833,029	\$ 2,986,738
Refuse Disposal	2,906,446	177,655	2,728,791
Housing Authority	480,967	193,946	287,021
Transit	76,822	5,782	71,040
Nonmajor enterprise funds	<u>1,050,846</u>	<u>668,512</u>	<u>382,334</u>
Total business-type activity funds	<u>\$ 8,334,848</u>	<u>\$ 1,878,924</u>	<u>\$ 6,455,924</u>

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 5 TAXES, ACCOUNTS AND NOTES RECEIVABLE, continued

C. Long-term And Notes Receivable

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

	<u>Total receivables</u>	<u>Allowance for uncollectible accounts</u>	<u>Net receivables</u>
Government activities:			
Nonmajor funds:			
Total government activity funds	\$ 25,246,597	\$ 2,185,708	\$ 23,060,889
Business-type activities:			
Nonmajor funds:			
Developer loans	3,626,651	-	3,626,651
Total business-type activity funds	<u>\$ 3,626,651</u>	<u>\$ -</u>	<u>\$ 3,626,651</u>

* Includes delinquent accounts of \$124,662.

NOTE 6 INTERFUND RECEIVABLE AND PAYABLE

The interfund receivable and payable accounts have primarily been recorded when funds overdraw their share of pooled cash. The composition of interfund balances as of June 30, 2004, consist of the following:

	<u>Due from other funds</u>	<u>Due to other funds</u>
Major governmental funds:		
General Fund	\$ 1,300,077	\$ -
Nonmajor governmental funds		
	-	1,300,077
Total	<u>\$ 1,300,077</u>	<u>\$ 1,300,077</u>

NOTE 7 INTERFUND ADVANCES

Interfund advances to be repaid from revenues or proceeds from the sale of assets are as follows as of June 30, 2004.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Capital Acquisition Fund	\$ 112,000
	Open Space Expenditures Fund	195,636
Nonmajor governmental fund *	Nonmajor enterprise fund *	<u>23,500,000</u>
Total advances		<u>\$ 23,807,636</u>

* Revenue bonds payable solely from gross receipts tax revenues were issued in fiscal year 2000. The proceeds of these bonds were advanced by the Sales Tax Refunding Debt Service Fund to the Parking Facilities Fund and are being used to construct, acquire or improve capital assets.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 8 CAPITAL ASSETS

Capital asset activity of the City for the year ended June 30, 2004, was as follows:

A. Governmental Activities

	<u>Balance</u> <u>July 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30</u>
Assets not being depreciated:				
Land	\$ 209,545,136	\$ 6,396,392	\$ -	\$ 215,941,528
Construction work in progress	\$ 206,052,859	\$ 78,020,166	\$ 60,540,820	\$ 223,532,205
Other	-	854,300	-	854,300
	<u>415,597,995</u>	<u>85,270,858</u>	<u>60,540,820</u>	<u>440,328,033</u>
Assets being depreciated:				
Buildings	119,834,379	50,031,319	-	169,865,698
Infrastructure	55,342,445	26,810,984	194,375	81,959,054
Improvements other than buildings	319,967,197	8,536,247	-	328,503,444
Equipment	150,133,571	15,915,100	2,938,222	163,110,449
	<u>645,277,592</u>	<u>101,293,650</u>	<u>3,132,597</u>	<u>743,438,645</u>
Less accumulated depreciation:				
Buildings	33,085,590	3,619,228	-	36,704,818
Infrastructure	2,109,024	2,288,359	6,479	4,390,904
Improvements other than buildings	161,583,973	10,632,597	-	172,216,570
Equipment	117,566,654	12,491,668	2,601,273	127,457,049
	<u>314,345,241</u>	<u>29,031,852</u>	<u>2,607,752</u>	<u>340,769,341</u>
Capital assets being depreciated, net	330,932,351	72,261,798	524,845	402,669,304
Total capital assets, net	<u>\$ 746,530,346</u>	<u>\$ 157,532,656</u>	<u>\$ 61,065,665</u>	<u>\$ 842,997,337</u>

Infrastructure assets of \$22.1 million were added for roadways, storm sewers and bike trails. In addition, land was acquired for open space costing \$4.5 million, the Explora Science Center and Tingley Aqua Park were completed at \$7.3 and \$29.0 million respectively, and replacement vehicles were acquired for the police for \$0.5 million.

The construction work in progress consists of expenditures made in connection with the Capital Acquisition, Infrastructure Tax, and Quality of Life Funds. The construction work in progress increased by \$17.5 million primarily due to continuing facility development at Balloon Fiesta Park Museum, and development of various parks, and other facilities.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 8 CAPITAL ASSETS, continued

B. Business-type activities

	<u>Balance July 1*</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30</u>
Assets not being depreciated:				
Land	\$ 51,220,019	\$ 4,167	\$ 390,105	\$ 50,834,081
Land and improvements acquired from the U.S. Air Force	7,630,077	8,362	-	7,638,439
Other	640,546	107,454	-	748,000
Construction work in progress	<u>16,930,761</u>	<u>33,127,095</u>	<u>8,277,542</u>	<u>41,780,314</u>
Total assets, not being depreciated	<u>76,421,403</u>	<u>33,247,078</u>	<u>8,667,647</u>	<u>101,000,834</u>
Assets being depreciated:				
Buildings and improvements	332,929,163	5,243,129	1,340,861	336,831,431
Runways and improvements	242,374,624	-	-	242,374,624
Improvements other than buildings and runways	98,866,622	2,262,520	19	101,129,123
Equipment	<u>121,080,877</u>	<u>8,856,860</u>	<u>869,515</u>	<u>129,068,222</u>
Total assets, being depreciated	<u>795,251,286</u>	<u>16,362,509</u>	<u>2,210,395</u>	<u>809,403,400</u>
Less accumulated depreciation:				
Buildings and improvements	134,486,451	10,560,873	12,379	145,034,945
Runways and improvements	136,618,373	12,100,443	-	148,718,816
Improvements other than buildings and runways	55,302,738	10,276,156	-	65,578,894
Equipment	<u>84,955,158</u>	<u>10,158,212</u>	<u>869,515</u>	<u>94,243,855</u>
Total accumulated depreciation	<u>411,362,720</u>	<u>43,095,684</u>	<u>881,894</u>	<u>453,576,510</u>
Capital assets being depreciated, net	<u>383,888,566</u>	<u>(26,733,175)</u>	<u>1,328,501</u>	<u>355,826,890</u>
Total capital assets, net	<u>\$ 460,309,969</u>	<u>\$ 6,513,903</u>	<u>\$ 9,996,148</u>	<u>\$ 456,827,724</u>

* The capital assets of the Joint Water and Sewer Fund were removed from this schedule in connection with the divestiture of that fund to the Authority. At June 30, 2003, this fund had reported capital assets as follows:

Capital assets at cost	\$ 1,305,137,499
Accumulated depreciation	(663,322,224)
Construction work in process	<u>42,050,839</u>
Capital assets, net	<u>\$ 683,866,114</u>

Additional information regarding the divestiture and component unit information of the Authority can be found in Note 23.

In addition, as explained in the restatement Note 22, \$292,514 of capital assets was added in the Apartments Fund.

The additions to equipment were for Refuse Disposal Fund purchases of heavy equipment (\$6.2 million) and new Transit Fund buses (\$1.7 million). The increase in additions for improvements other than buildings and runways were for Airport renovations on the main building, runways and the Double Eagle II Airport (2.0 million).

The construction work in progress increased by \$24.8 million. The construction work in progress consists of expenditures made in connection with the Airport Fund, Refuse Disposal Fund, Transit Fund, Parking Facilities Fund, and Housing Authority Fund. The major amounts are for improvements to runways, remediation equipment in the Refuse Disposal Fund, and Transit Fund's new West Side Facility.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 8 CAPITAL ASSETS, continued

C. Depreciation expense

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

<u>Governmental activities:</u>	
General government	\$ 2,292,895
Public safety:	
Corrections	254,413
Fire protection	1,613,386
Police protection	7,650,972
Culture and recreation	12,058,136
Public works	985,927
Highways and streets	2,488,374
Health	613,218
Human services	944,785
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	129,746
Total depreciation expense - governmental activities	\$ 29,031,852
<u>Business-type activities:</u>	
Major funds:	
Airport	\$ 27,631,286
Refuse Disposal	5,112,639
Housing Authority	1,582,443
Transit	5,440,057
Nonmajor funds	3,329,259
Total depreciation expense - business-type activities	\$ 43,095,684

D. Capitalized interest

Changes to the capital assets for the business-type activities for 2004 include the following amounts of capitalized interest:

	Total Interest	Interest Related to Tax-Exempt Borrowing	Net
Interest expense	\$ 13,898,261	\$ 2,739,332	\$ 11,158,929
Interest income	1,423,310	1,298,365	124,945
Capitalized interest		\$ 1,440,967	

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 9 RESTRICTED ASSETS

Restricted assets arise principally from legal restrictions on expenditures of proceeds from general obligations bonds or sales tax revenue bonds in the governmental activities or on expenditures of proceeds from revenue bonds of the enterprise funds. The amount of restricted assets reported in the statement of net assets at June 30, 2004 is as follows:

A. Governmental Activities

Capital Acquisitions Fund \$ 73,108,749

B. Business-type activities

Airport Fund	\$ 95,930,926
Refuse Disposal Fund	11,244,888
Housing Authority Fund	270,316
Transit Fund	6,643,271
Nonmajor Enterprise Funds	<u>12,837,381</u>
Totals	<u>\$ 126,926,782</u>

NOTE 10 LONG-TERM OBLIGATIONS

A. Governmental activities

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

The changes in the long-term obligations of the governmental activities for the year ended June 30, 2004, are as follows:

	Outstanding				Payable in one year
	July 1	Increases	Decreases	June 30	
General Obligation Bonds	\$ 160,055,000	\$ 135,795,000	\$ 33,245,000	\$ 262,605,000	\$ 88,220,000
Sales Tax Revenue Bonds	155,905,000	-	3,170,000	152,735,000	4,345,000
Sales Tax Revenue Notes	573,688	-	135,888	437,800	140,684
Special Assessment Bonds and Notes					
With Governmental Commitment	13,421,510	8,575,143	5,316,161	16,680,492	385,881
Accrued vacation and sick leave pay	25,448,924	18,712,256	20,111,658	24,049,522	16,816,673
Accrued claims payable	40,601,564	23,545,885	16,569,201	47,578,248	17,989,500
Less deferred amounts:					
Unamortized Bond Discounts	(15,768,616)	-	(1,315,079)	(14,453,537)	-
Unamortized Bond Premiums	<u>1,669,358</u>	<u>5,349,063</u>	<u>1,837,023</u>	<u>5,181,398</u>	-
	381,906,428	191,977,347	79,069,852	494,813,923	127,897,738
Current portion of long-term obligations	<u>(66,366,293)</u>	<u>-</u>	<u>61,531,445</u>	<u>(127,897,738)</u>	<u>-</u>
Total	<u>\$ 315,540,135</u>	<u>\$ 191,977,347</u>	<u>\$ 140,601,297</u>	<u>\$ 366,916,185</u>	<u>\$ 127,897,738</u>

General Obligation bonds are direct obligations of the City for which its full faith and credit are pledged and are payable from taxes levied on property located within the City. The sick leave and vacation pay obligations are being liquidated primarily by the following funds: General, Air Quality, City/County Facilities, Gas Tax Road, Plaza Del Sol Building, and Acquisition and Management of Open Space Expenditures. Limited amounts are being liquidated by other funds. The City's Risk Management Fund (an internal service fund) liquidates all claims payable.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 10 LONG-TERM OBLIGATIONS, continued

A. Governmental activities, continued

General obligation bonds outstanding at June 30, 2004, are as follows:

Issue	Amount	Interest Rate	Final Maturity	Call Provisions
February 1, 1996 General Purpose	\$ 1,500,000	5.00%	July 1, 2004	Not callable
February 1, 1996 Storm Sewer	3,500,000	5.00/5.50%	July 1, 2005	Not callable
January 1, 1997 General Purpose	5,900,000	5.00%	July 1, 2005	Not callable
January 1, 1997 Storm Sewer	6,700,000	5.00%	July 1, 2006	Not callable
February 1, 1998 General Purpose	8,400,000	5.00%	July 1, 2005	Not callable
February 1, 1998 Storm Sewer	6,350,000	5.00%	July 1, 2007	100% beginning July 1, 2005
February 1, 1999 General Purpose	6,000,000	3.85/3.95%	July 1, 2006	Not callable
February 1, 1999 Storm Sewer	4,760,000	4.00/4.05%	July 1, 2008	100% beginning July 1, 2006
August 1, 1999 General Purpose	12,000,000	4.50/4.75	July 1, 2009	100% beginning July 1, 2007
July 1, 2000 General Purpose	1,650,000	5.00%	July 1, 2005	Not callable
July 1, 2000 Storm Sewer	6,750,000	5.00%	July 1, 2010	100% beginning July 1, 2008
September 1, 2001 General Purpose	29,990,000	4.00/5.00%	July 1, 2010	100% beginning July 1, 2009
September 1, 2001 Storm Sewer	4,510,000	4.375%	July 1, 2011	100% beginning July 1, 2009
December 1, 2001 Taxable Baseball Stadium	7,000,000	4.00/5.60%	July 1, 2010	Not callable
February 1, 2002 General Purpose	16,200,000	2.50/5.00%	July 1, 2009	Not callable
February 1, 2002 Storm Sewer	5,600,000	4.50%	July 1, 2011	100% beginning July 1, 2010
July 1, 2004 Equipment	8,750,000	2.50%	July 1, 2004	
July 1, 2004 General Purpose	81,805,000	2.50/5.00%	July 1, 2012	100% beginning July 1, 2011
July 1, 2004 Storm Sewer	9,440,000	3.00/4.50%	July 1, 2013	100% beginning July 1, 2011
June 24, 2004 General Purpose Short Term Taxable	30,000,000	2.00%	Sept. 1, 2004	Not callable
June 24, 2004 General Purpose Taxable	<u>5,800,000</u>	2.50%	July 1, 2005	Not callable
	<u>\$ 262,605,000</u>			

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, 2004, based on the most recent assessed taxable valuation of \$7,887,550,658, the City may issue an additional \$100,507,000 of general-purpose general obligation bonds. Included in the general obligation bonds outstanding at June 30, 2004, are Storm Sewer bonds in the amount of \$38,170,000 that are not subject to the legal debt limit.

On July 11, 2003, the City issued \$99,995,000 of General Obligation Bonds, Series A, B, and C with an average coupon rate of 3.749%. The proceeds of these bonds were deposited into the Capital Acquisition Fund and will be used for various construction projects for police, fire, citizen centers, the zoo, libraries, the museum, streets, storm sewer lines, and public transportation. The bonds require annual principal and semi-annual interest payments through July 1, 2013.

On June 24, 2004, the City issued \$35,800,000 of General Obligation General Purpose Taxable Bonds, Series 2004 A and B. The proceeds of these bonds were deposited into the Capital Acquisition Fund and will be used for various construction projects for police, fire, citizen centers, public facilities, parks, the zoo, libraries, the museum, the storm sewer system, and public transportation. The Series A Bonds (\$30,000,000) matured on September 1, 2004 and had a coupon rate of 2.00%. The Series B Bonds (\$5,800,000) mature on July 1, 2005 and have a 2.5% interest rate.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 10 LONG-TERM OBLIGATIONS, continued

A. Governmental activities, continued

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

Sales tax revenue bonds and notes outstanding at June 30, 2004, are as follows:

<u>Issue</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Call Provisions</u>
November 18, 1991 B				
Refunding and Improvement	\$ 34,410,000	6.60/7.10%	July 1, 2019	103% beginning July 1, 2011
May 1, 1992 Refunding	4,845,000	6.00/6.30%	July 1, 2007	102% beginning July 1, 2002
March 7, 1995	1,300,000	adjustable weekly	July 1, 2023	100% beginning March 7, 1995
October 15, 1996 Refunding	10,270,000	5.00%	July 1, 2011	100% beginning July 1, 2007
January 15, 1999 A Refunding	5,145,000	3.75/5.00%	July 1, 2015	100% beginning July 1, 2009
January 15, 1999 B Refunding	45,335,000	4.60/5.00%	July 1, 2025	100% beginning July 1, 2009
March 15, 1999 C Refunding	27,130,000	4.75/5.25%	July 1, 2022	100% beginning July 1, 2009
January 20, 2000 A	24,300,000	adjustable weekly	July 1, 2014	100% beginning January 20, 2000
April 27, 2001, Note	<u>437,800</u>	3.02/3.62%	July 1, 2006	None
	<u>\$ 153,172,800</u>			

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

On February 24, 2004, the City executed a loan agreement with New Mexico Finance Authority for Special Assessments District no. 227. The taxable loan payable for \$404,255 has an average coupon rate of 3.962% and matures on July 1, 2014. The proceeds are being used to finance the construction of electric and natural gas lines. The balance due at June 30, 2004 was \$404,255.

On February 24, 2004, the City executed a loan agreement with New Mexico Finance Authority for Special Assessments District no. 227. The tax-exempt loan payable for \$8,170,888 has an average coupon rate of 2.704% and matures on July 1, 2014. The proceeds are being used to finance the construction of pavements and storm and sanitary sewer lines. The balance due at June 30, 2004 was \$8,170,888.

Special Assessment debt and notes in the amount of \$16,680,492 are outstanding at June 30, 2004. Interest rates range from .79% to 7.10%, and maturities extend through January 1, 2015.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 10 LONG-TERM OBLIGATIONS, continued

B. Business-type activities

The changes in the Business-type activities obligations for the year ended June 30, 2004, are as follows:

	Outstanding				Payable in one year
	July 1	Increases	Decreases	June 30	
Revenue bonds	\$ 262,060,000	\$ 50,610,000	\$ 32,040,000	\$ 280,630,000	\$ 11,015,000
Loans and notes payable	15,000,000	-	-	15,000,000	379,920
Accrued vacation and sick leave pay	4,630,430	4,456,943	4,378,783	4,708,590	2,828,455
Less deferred amounts:					
Deferred refunding costs	(6,455,976)	(364,754)	(948,427)	(5,872,303)	-
Unamortized bond premiums	1,279,896	643,143	220,886	1,702,153	-
Unamortized bond discounts	(289,481)	-	(23,391)	(266,090)	-
	276,224,869	55,345,332	35,667,851	295,902,350	14,223,375
Current portion	(13,158,466)	-	1,064,909	(14,223,375)	-
Business-type activity long-term obligations	<u>\$ 263,066,403</u>	<u>\$ 55,345,332</u>	<u>\$ 36,732,760</u>	<u>\$ 281,678,975</u>	<u>\$ 14,223,375</u>

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

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

Airport Revenue bonds outstanding at June 30, 2004, are as follows:

Issue	Amount	Rate	Maturity	Call Provisions
May 3, 1995 Refunding	50,300,000	a *	July 1, 2014	100% on any interest payment date
April 3, 1997 Refunding	28,235,000	6.25/6.75%	July 1, 2018	102% beginning July 1, 2007
September 1, 1998 Refunding	39,145,000	3.80/5.00%	July 1, 2019	100% beginning July 1, 2008
May 4, 2000 A	5,500,000	a	July 1, 2020	100% on any interest payment date
May 4, 2000 B	18,700,000	a	July 1, 2020	100% on any interest payment date
August 1, 2001	41,170,000	3.20/4.75%	July 1, 2016	100% beginning July 1, 2012
March 23, 2004 A	20,610,000	1.63/5.11%	July 1, 2018	100% beginning July 1, 2005
March 23, 2004 B	30,000,000	2.0/4.5%	July 1, 2024	100% beginning July 1, 2007
Total outstanding	233,660,000			
Unamortized premiums	1,226,814			
Deferred refunding costs	(5,571,406)			
Net outstanding	<u>\$ 229,315,408</u>			

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

On March 23, 2004, the City issued the 2004A Refunding Bond for \$20,610,000 to partially pay off the 2000B Bond Series with a weighted average of interest at 4.23% and a final payment date of July 01, 2018. The City also, issued the 2004B Improvement Bond for \$30,000,000 with a weighted average of interest at 4.16% and a final payment date of July 01, 2024.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 10 LONG-TERM OBLIGATIONS, continued

B. Business-type activities, continued

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

On July 20, 2000, the City, pursuant to a mortgage and indenture of trust, issued its Affordable Housing Projects Refunding Revenue Bonds Series 2000 (Series 2000) in the aggregate principal amount of \$15,080,000 for the purpose of refunding and defeasing three bond issues of the City; 1) its Multifamily Mortgage Revenue Bonds (Beach Apartments Project), Series 1991, 2) its Multifamily Mortgage Revenue Bonds (Manzano Vista, formerly Dorado Village Apartments Project), Series 1994, and 3) its Affordable Housing Project/Gross Receipts Tax Subordinate Lien Revenue Bonds, Series 1996. The Series 2000 bonds consist of debt issued by three City owned trusts; Beach, Bluewater Village and Manzano Vista Apartments. The debt constitutes a limited obligation of the City and is payable solely from the resources of these trusts. The respective facilities and the revenues derived from these facilities are pledged for the repayment of the bonds. The mortgage and indenture of trust contain significant requirements for annual debt service and use of project revenues and resources. Required funds include escrow and expense funds, a debt service fund, use of project reserve funds (debt service, retained earnings coverage and sinking fund installment accounts) and restricted property reserve funds (rehabilitation, renovation, repair and replacement accounts).

The Series 2000 bonds mature in staggered amounts beginning July 1, 2001 with final payment due July 1, 2030 and bear a variable interest rate based upon similar tax free obligations (BMA index). At the option of the City, interest is paid on market rates for either daily, weekly, short term or Long-term interest rate periods. Based on interest rate periods, interest is paid no less than monthly or in the case of Long-term periods paid semi annually each July and January. At June 30, 2004 and 2003 interest was being paid monthly. The average interest rate on the Series 2000 bonds for the years ended June 30, 2004 and 2003 was .99% and 1.26% respectively. The weekly interest rate at June 30, 2004 and 2003 was 1.06% and .97% respectively.

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

The Series 2000 bonds are subject to optional and mandatory redemptions generally at par, unless Long-term rates are in effect, as required by the mortgage and indenture of trust commencing July 1, 2001. The Apartments debt in the amount of \$14,080,000 is outstanding at June 30, 2004 and maturities extend through July 1, 2030.

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

Golf Course Revenue bonds outstanding at June 30, 2004 are as follows:

<u>Issue</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Call Provisions</u>
February 1, 2001	\$ 2,095,000	5.70/6.70%	July 1, 2011	100% beginning July 1, 2007
Unamortized discounts	<u>(3,923)</u>			
Net outstanding	<u>\$ 2,091,077</u>			

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 10 LONG-TERM OBLIGATIONS, continued

B. Business-type activities, continued

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

Refuse Disposal Revenue Bonds outstanding at June 30, 2004, are as follows:

<u>Issue</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Call Provisions</u>
September 1, 1992	\$ 1,085,000	5.20/5.60%	July 1, 2005	102% beginning July 1, 2002
July 1, 1995	8,950,000	3.85/5.30%	July 1, 2009	Not callable
February 1, 1998	7,480,000	3.75/5.00%	July 1, 2013	100% beginning July 1, 2007
May 1, 2001A	2,505,000	4.00/4.10%	July 1, 2008	Not callable
May 1, 2001B	<u>10,775,000</u>	3.63/5.25%	July 1, 2012	Not callable
Total outstanding	30,795,000			
Unamortized premiums	213,172			
Deferred refunding costs	<u>(300,897)</u>			
Net outstanding	<u>\$ 30,707,275</u>			

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

On October 4, 2002, the City entered into a Taxable Stadium Lease loan agreement with the New Mexico Finance Authority in the amount of \$6,000,000 with an average interest rate of 5.2%. Final payment is due on July 1, 2026. The balance due on June 30, 2004 was \$6,000,000.

On December 27, 2002, the City entered into a Taxable Surcharge loan agreement with the New Mexico Finance Authority in the amount of \$9,000,000 with an average interest rate of 4.2%. Final payment is due on July 1, 2026. The balance due on June 30, 2004 was \$9,000,000.

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

Housing Authority Debt. The U.S. Housing and Urban Development Department (HUD) guaranteed third party debt consisting of new Housing Authority (HA) revenue bonds and permanent notes, payable to the Federal Financing Bank, were issued to provide for the development and modernization of low rent housing units. These bonds and notes are payable by HUD and secured by annual contributions to the HA. HUD regulations state that the bonds and notes do not constitute a debt of the HA and, accordingly, these have not been reported in the accompanying financial statements. At June 30, 2004, the outstanding balance of the revenue bonds was \$980,000 with annual payments required through 2013 and the outstanding balance of the permanent notes was \$7,910,046 with annual payments required through 2017.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 10 LONG-TERM OBLIGATIONS, continued

C. Summary of Annual Debt Service Requirements

The annual debt service requirements on the obligations outstanding at June 30, 2004 are as follows:

Year ending June 30	Governmental activities		Business-type activities	
	Principal	Interest	Principal	Interest
2004	\$ 93,091,565	\$ 14,053,903	\$ 11,394,920	\$ 13,333,511
2005	43,402,579	12,064,055	13,335,061	14,762,791
2006	35,151,348	10,592,276	15,852,182	13,918,642
2007	31,546,910	9,188,509	19,051,314	12,929,604
2008	27,824,476	8,041,419	18,642,890	11,905,920
2009-2013	107,648,011	26,335,722	113,407,015	41,833,103
2014-2018	39,688,404	16,065,568	73,676,184	14,206,762
2019-2023	38,675,000	7,676,995	19,404,338	3,265,447
2024-2028	15,430,000	788,250	8,886,096	545,185
2029-2031	-	-	1,980,000	31,435
Total	\$ 432,458,293	\$ 104,806,697	\$ 295,630,000	\$ 126,732,400

D. Arbitrage

Section 148 of the Internal Revenue Code provides generally that bonds issued by a municipality will be "arbitrage bonds", if any portion of the proceeds of the bonds are reasonably expected to be invested in obligations with a yield that is "materially higher" than the yield on the bonds. While municipalities are entitled to earn a certain amount of positive arbitrage during the period the bonds are outstanding, Section 148(f) generally requires that these earnings be paid to the Internal Revenue Service (IRS) at least every five years. As of June 30, 2004, the City has set aside an amount of \$1,099,628 in arbitrage interest due the IRS in connection with future filings and payments to the IRS. This amount is reported as a deferred credit in the statement of net assets.

NOTE 11 DEMAND BONDS

Included in long-term debt (Notes 10A and 10B) is \$114,180,000 of various demand bonds, the proceeds of which were used to (a) provide funds for certain capital improvements, (b) establish bond reserve funds in accordance with the trust agreements, (c) establish a construction period interest account, and (d) pay costs incurred to issue the bonds. The bonds are included in the summary of annual debt service requirements in Note 10C assuming retirement in accordance with the related mandatory sinking fund redemption requirements.

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

At June 30, 2004, no amounts were drawn on the "take out" agreements, which are as follows:

Sales Tax Revenue Bonds March 7, 1995

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

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 11 DEMAND BONDS, continued

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

Remarketing Agent	Citigroup
Terms of "Take-Out" Agreement:	
Purchaser	Bayerische Hypo-und Vereinsbank, AG
Method of Purchase	Direct Pay Letter of Credit
Expiration Date	November 30, 2004
Annual Fee	.25% on the stated amount of the letter of credit
Stated Amount at Time of Issuance	\$67,963,699 (Principal outstanding plus 35 days of interest at 15%)
Bonds Outstanding at 6/30/2004	\$50,300,000
Annual Debt Service Requirements	Range of payment is from \$6,166,000 to \$6,924,000

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

Remarketing Agent	Dain Rauscher, Inc.
Insured by	Ambac Assurance Inc.
Terms of "Take-Out" Agreement:	
Purchaser	Morgan Guaranty Trust Company of New York
Method of Purchase	Liquidity Facility
Expiration Date	May 3, 2005
Annual Fee	.175% on the stated amount of the liquidity facility
Stated Amount at Time of Issuance	\$47,858,193 (Principal outstanding plus 35 days of interest at 12% for 2000A and 15% for Series 2000B)
Bonds Outstanding at 6/30/2004	\$24,200,000
Annual Debt Service Requirements	Range of payment is from \$421,000 to \$3,471,000

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

Remarketing Agent	Dain Rauscher, Inc.
Insured by	MBIA Insurance Corporation
Terms of "Take-Out" Agreement:	
Purchaser	Bank of America, N.A.
Method of Purchase	Liquidity Facility
Expiration Date	Jan 20, 2005
Annual Fee	.11% on the stated amount of the liquidity facility
Stated Amount at Time of Issuance	\$27,733,333 (Principal outstanding plus 200 days of interest at 15%)
Bonds Outstanding at 6/30/2004	\$24,300,000
Annual Debt Service Requirements*	Range of payment is from \$1,326,000 to \$3,290,000

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

Remarketing Agent	Newman & Associates, Inc.
Insured by	MBIA Insurance Corporation
Terms of "Take-Out" Agreement:	
Purchaser	Bank of America, N.A.
Method of Purchase	Liquidity Facility
Expiration Date	July 20, 2005
Annual Fee	.125% on the stated amount of the liquidity facility
Stated Amount at Time of Issuance	\$16,085,333 (Principal outstanding plus 200 days of interest at 12%)
Bonds Outstanding at 6/30/2004	\$14,080,000
Annual Debt Service Requirements*	Range of payment is from \$349,500 to \$1,021,000

* Based on interest rate in effect on June 30, 2004.

NOTE 12 REFUNDED BONDS

The City has refunded various bond issues by issuing refunding bonds, the proceeds of which have been placed in escrow and used to purchase securities of the United States Government and related agencies at various interest rates and maturities sufficient to meet all debt service requirements of the refunded debt. These assets are administered by trustees and are restricted to use for retirement of the refunded debt. The liability for the refunded bonds and the related securities and escrow accounts are not included in the accompanying general purpose financial statements as the City satisfied its obligation for payment of the refunded debt upon completion of the refunding transactions. Refunded debt outstanding at June 30, 2004, is as follows:

Sales Tax Revenue Bonds	<u>\$21,891,000</u>
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CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 13 CONDUIT BONDS

The City has acted from time to time as the issuer of conduit bonds, the proceeds of which have been immediately loaned to a private borrower. Such bonds are payable by the City only from amounts paid to the City by such conduit borrowers pursuant to a lease, loan or other agreement. The City has assigned its rights with respect to such bonds to various trustees 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, 2004, there were sixty-nine series of Industrial Revenue Bonds outstanding. The aggregate principal amount payable for the thirty-four series issued after July 1, 1995, is \$626.4 million. The aggregate principal amount payable for the thirty-five series issued prior to July 1, 1995, could not be determined; however, the original amount issued totaled \$593.3 million.

Metropolitan Redevelopment Bonds

As of June 30, 2004, there were nine series of Metropolitan Redevelopment Bonds outstanding. The aggregate principal amount payable for the three series issued after July 1, 1995 is \$4.59 million. The aggregate principal amount for the six series issued prior to July 1, 1995, could not be determined; however, the original amount issued totaled \$24.9 million.

NOTE 14 DEFICIT FUND EQUITIES

Capital Projects Funds

While the total unreserved fund balance is not in a deficit position, deficit unreserved fund balances for certain purposes result because capital expenditures and encumbrances are made in anticipation of additional revenues and transfers. The resulting deficit fund balance of various purposes at June 30, 2004 is as follows:

Capital Acquisition Fund

Bosque	<u>\$ 199,063</u>
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Quality of Life Fund

Quarter Cent Storm Drain	\$ 83,444
Rio Grande Bosque RR	<u>260</u>
	<u>\$ 83,704</u>

Internal Service Funds

The deficit fund net assets of the Risk Management Fund decreased to \$12,585,384 at June 30, 2004 from the \$12,651,150 deficit fund net assets at June 30, 2003. The City has implemented a five-year recovery plan that began in fiscal year ended June 30, 2003 that will reduce the deficit net assets by increasing charges to other funds.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 15 INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2004, were as follows:

<u>From</u>	<u>To</u>		
General Fund	Corrections and Detention Fund	\$	20,155,000
General Fund	Capital Acquisition Fund		3,770,000
General Fund	Transit Fund		15,924,660
General Fund	Nonmajor Proprietary Funds		1,625,000
General Fund	Nonmajor Governmental Funds		9,208,520
General Fund	Internal Service Funds		74,000
Corrections Fund	Nonmajor Governmental Funds		32,564
Capital Acquisition Fund	Transit Fund		4,062,609
Refuse Disposal Fund	General Fund		1,058,863
Transit Fund	General Fund		161,068
Nonmajor Governmental Funds	Capital Acquisition Fund		4,500,000
Nonmajor Governmental Funds	Transit Fund		5,526,810
Nonmajor Governmental Funds	General Fund		452,000
Nonmajor Governmental Funds	Nonmajor Governmental Funds		8,811,512
Nonmajor Proprietary Funds	General Fund		229,214
Nonmajor Proprietary Funds	Nonmajor Governmental Funds		64,827
Internal Service Funds	General Fund		<u>269,000</u>
Total transfers			<u>\$ 75,925,647</u>
		<u>Transfers In</u>	<u>Transfers Out</u>
Exhibit A-4, "Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Funds		\$ 48,712,568	\$ 74,142,675
Exhibit A-8, "Statement of Revenues, Expenses, and Changes in Net Assets - All Proprietary Funds			
Enterprise funds		27,139,079	1,513,972
Internal Service funds		<u>74,000</u>	<u>269,000</u>
Total transfers		<u>\$ 75,925,647</u>	<u>\$ 75,925,647</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 Parking Facilities funds, 2) funding the City's share of the cost of operations of the Corrections and Detention Fund with Bernalillo County, 3) providing the City's local match for operating grants from federal and state agencies, 4) funding the purchase of police and fire vehicles, and various construction projects, and 5) transferring resources to debt service funds for the retirement of General Obligations and Sales Tax Refunding bonds.

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

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

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 16 SEGMENT INFORMATION

Significant financial data for identifiable activities of major enterprise funds are reported in the statements for proprietary funds in the basic financial statements section. Significant financial data for identifiable activities of nonmajor enterprise funds as of and for the year ended June 30, 2004, (in thousands of dollars) is as follows:

	Golf Course Fund	Apart- ments Fund	Parking Facilities Fund	Stadium Fund	Total
CONDENSED STATEMENT OF NET ASSETS					
Assets:					
Current assets	\$ 452	\$ 505	\$ 79	\$ 1,597	\$ 2,633
Restricted assets	1,921	2,498	8,408	10	12,837
Capital assets	5,568	15,211	27,500	21,913	70,192
Other assets	51	358	255	215	879
Total assets	<u>7,992</u>	<u>18,572</u>	<u>36,242</u>	<u>23,735</u>	<u>86,541</u>
Liabilities:					
Current liabilities	550	270	302	778	1,900
Liabilities payable from restricted assets	-	101	-	-	101
Bonds and other long-term liabilities	1,932	13,880	24	14,625	30,461
Advance from other funds	-	-	23,500	-	23,500
Total liabilities	<u>2,482</u>	<u>14,251</u>	<u>23,826</u>	<u>15,403</u>	<u>55,962</u>
Net assets:					
Invested in capital assets, net of related debt	4,511	1,689	9,576	7,407	23,183
Net assets restricted for:					
Debt service	30	1,553	1,868	10	3,461
Construction	1,111	-	1,137	-	2,248
Unrestricted net assets (deficit)	(142)	1,079	(165)	915	1,687
Total net assets	<u>\$ 5,510</u>	<u>\$ 4,321</u>	<u>\$ 12,416</u>	<u>\$ 8,332</u>	<u>\$ 30,579</u>
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS					
Operating revenues	\$ 3,718	\$ 3,124	\$ 3,743	\$ 1,825	\$ 12,410
Depreciation	(332)	(690)	(1,267)	(1,040)	(3,329)
Other operating expenses	(3,595)	(2,154)	(3,278)	(463)	(9,490)
Operating income (loss)	(209)	280	(802)	322	(409)
Nonoperating revenues (expenses):					
Investment earnings	19	12	19	10	60
Interest and other debt related expenses	(166)	(238)	(262)	(835)	(1,501)
Other	64	-	(1)	18	81
Capital contributions	-	-	(1)	336	335
Transfers in	-	-	1,625	-	1,625
Transfers out	(54)	(65)	(175)	-	(294)
Change in net assets	(346)	(11)	403	(149)	(103)
Beginning net assets	5,856	4,332	12,013	8,481	30,682
Ending net assets	<u>\$ 5,510</u>	<u>\$ 4,321</u>	<u>\$ 12,416</u>	<u>\$ 8,332</u>	<u>\$ 30,579</u>
CONDENSED STATEMENT OF CASH FLOWS					
Net cash provided (used) by:					
Operating activities	\$ 254	\$ 774	\$ 481	\$ 1,362	\$ 2,871
Noncapital financing activities	(54)	(65)	293	-	174
Capital and related financing activities	(528)	(511)	(1,230)	(767)	(3,036)
Investing activities	19	12	107	10	148
Net increase (decrease)	(309)	210	(349)	605	157
Beginning cash and cash equivalents	2,677	2,402	5,131	715	10,925
Ending cash and cash equivalents	<u>\$ 2,368</u>	<u>\$ 2,612</u>	<u>\$ 4,782</u>	<u>\$ 1,320</u>	<u>\$ 11,082</u>

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 16 SEGMENT INFORMATION, continued

The types of services provided by each individual fund are stated below:

Golf Course Fund. This fund charges a greens fee for the use of the City's golf courses.

Apartments Fund. This fund charges rental on housing for persons who meet eligibility requirements based on the level of income earned.

Parking Facilities Fund. This fund provides parking space for the City's residents in the downtown area.

Stadium Fund. This fund provides a baseball stadium that is being used by an AAA class baseball team.

NOTE 17 DEFINED BENEFIT PENSION PLAN

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

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

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

FUNDING POLICY - Covered employees are required by State statute to contribute a percentage of their gross salary; the City of Albuquerque is also required by State statute to contribute a certain percent depending on the type of plan. The following are the plans covered by the City, contribution requirements, and contributions actually made (in thousands of dollars) for the year ended June 30, 2004.

<u>Group Covered</u>	<u>Employee</u>		<u>Employer</u>	
	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>
General - Management, Blue Collar and White Collar	3.29%	\$ 4,830	19.01%	\$ 27,935
General - Bus Drivers	13.15%	764	9.15%	532
General - Other	7.00%	187	7.00%	187
Police	16.30%	6,885	18.50%	7,814
Fire	16.20%	4,267	21.25%	5,597
		<u>\$ 16,933</u>		<u>\$ 42,065</u>

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

<u>Fiscal year ended June 30</u>	<u>Employee</u>	<u>Employer</u>
2003	\$17,032	\$42,347
2002	17,168	43,344

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

The payroll for employees covered by PERA for the year ended June 30, 2004, was \$223,993,582; the total payroll for all employees of the City of Albuquerque was \$260,225,145.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 18 POST-EMPLOYMENT BENEFITS

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

LIFE INSURANCE BENEFITS: Life insurance benefits authorized by the City's Merit System Ordinance and Personnel Rules and Regulations for eligible employees are reduced by 50%, not to exceed \$25,000, upon retirement. Life insurance benefits are paid through premiums to an insurance company under an indemnity plan. The insurance company has the right to adjust the premiums based on claims paid. Historically, the claims paid in any one year have not exceeded the premiums. The City recognizes the cost of providing the life insurance benefits by charging the insurance premiums to expenditures. The life insurance costs for the fiscal year ended June 30, 2004, were approximately \$179,890. The number of retired employees covered under the life insurance benefit was 2,977 at June 30, 2004, and the amount of life insurance coverage for these retired employees was \$58,906,900.

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

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

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

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

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

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

The City of Albuquerque remitted \$2,911,917 in employer contributions and \$1,455,958 in employee contributions in the fiscal year ended June 30, 2004.

NOTE 19 DEFERRED COMPENSATION

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

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 20 LANDFILL CLOSURE AND POSTCLOSURE CARE COST

Federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post-closure care costs in the Refuse Disposal Fund (Enterprise) as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$1,412,016 reported as other liabilities payable from restricted assets at June 30, 2004, represents the cumulative amount reported to date based on the use of 16.1% of the estimated capacity of the Cerro Colorado and South Broadway Landfills. The City will recognize the remaining estimated cost of closure and post-closure care of \$6,835,813 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 2004. The City expects to close the landfill in the year 2037. Actual cost may be higher due to inflation, change in technology, or change in regulations.

The City has set aside \$1,713,546 for future post-closure costs. This amount is reported as a restricted asset on the balance sheet. The City expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate, or additional post-closure care requirements are determined (due to change in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

NOTE 21 RISK MANAGEMENT

The City is exposed to various risks of loss related to: torts and civil rights 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 (an internal service fund) to account for and finance its uninsured risks of loss. Under this program, the Risk Management Fund provides coverage for up to a maximum of \$500,000 for each workers' compensation incident, \$1,050,000 for each tort liability claim, and \$50,000 for each City real and contents damage claim. At various periods in past years, certain risk exposures were insured and the City continues to benefit from case coverage on claims that were incurred during those claim 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, 2004, and is included in the unrestricted net assets (deficit) of the Risk Management Fund. The claims liabilities reported in the Risk Management Fund are based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

During fiscal year 2004, the City had an actuarial review of the adequacy of the reserves for both the Workers Compensation and Tort Liability programs. The actuarial review recommended that the City increase the amounts reserved in anticipation of severe adverse developments in reported cases and for claims that may have occurred but have not yet been reported. The City increased its "incurred but not yet reported" reserves to reflect \$2,900,000 of the proposed amount. The City feels that reserving the entire proposed amount is excessive. However, the City will engage two actuarial firms in the upcoming year in an attempt to verify the necessity of the additional reserves recommended by the existing study. Historical data contribute to the confidence that the Risk Management Fund is adequate for unanticipated developments. The cash balance grew by \$7,006,808 during this fiscal year and the City has a funding plan in place to address the remaining deficit in the Risk Management Fund. Further, if necessary, the City Council can add catastrophic losses directly to the tax rolls. In addition, the City has other cash resources in excess of the balance not addressed. The City began fiscal year 2005 with a \$15,300,000 available in the General Fund balance largely the result of unanticipated revenue and reversions from fiscal year 2004. The City has available \$1,560,000 in cash that was refunded to the City due to an unfulfilled IRB obligation and \$2,000,000 in a special reserve. Finally, the City has reserve amounts that are created by the City's policy to reserve one-twelfth of the General Fund budgeted expenditures amount.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 21 RISK MANAGEMENT, continued

The amounts and changes in the Fund's claims liability in fiscal year 2004 and 2003 were:

	2004	2003
Claims liability at July 1	\$ 40,601,564	\$ 39,298,513
Current year claims and change in estimates	23,545,885	17,507,793
Claims liquidated	(16,569,201)	(16,204,742)
 Claims liability at June 30	 \$ 47,578,248	 \$ 40,601,564
 The components of the claims liability at June 30 are:		
Current portion	\$ 17,989,500	\$ 11,153,000
Noncurrent portion	29,588,748	29,448,564
 Total claims liability	 \$ 47,578,248	 \$ 40,601,564

NOTE 22 RESTATEMENT OF PRIOR PERIOD FUND BALANCES OR NET ASSETS

The fund balances and net assets of various funds were restated as of June 30, 2003 for the following reasons:

1. The City erroneously included \$1,453,379 of bank accounts in the Apartments Fund. However, those accounts should have been reported in the City Housing Fund. In addition, the City under-reported the cash balance in the City Housing Fund by an additional \$53,059. The fund balance of the City Housing Fund was increased by \$1,506,438 while the net assets of the Apartments Fund was reduced by \$1,453,379.
2. The Apartments Fund under reported the cost and accumulated depreciation of an apartment building included in the fund. Accordingly, the Invested in capital assets, net of related debt of the fund was increased by \$292,514.
3. The Joint Water and Sewer Fund incorrectly reported expenditures associated with the construction of a portion of the sustainable water supply system as an expense. However, those expenditures should have been capitalized. Accordingly, the capital assets and the Invested in Capital Assets, Net of Related Debt was increased by \$18,096,596
4. In the Refuse Disposal Fund and in the Joint Water and Sewer Fund, the City has provided an allowance for doubtful accounts on accounts receivable that are delinquent over 120 days from the due date for payment by its customers. Upon a review of its policies, the City has determined that the allowance was unwarranted because of the City's authority, by ordinance, to place a lien on the property served by those funds. As a result, the ability to collect those accounts is assured. Therefore, the allowance for doubtful accounts was reduced and the unrestricted net assets was increased by \$987,492 in the Joint Water and Sewer Fund and by \$112,498 in the Refuse Disposal Fund.
5. In June 2003, the City received an advance payment of \$1,999,900 in connection with the sale of bonds. The advance payment was reported as proceeds from the sale of bonds in the Capital Acquisition Fund in fiscal year ended June 30, 2003. However, the bond issue had not been completed until July, 2003. Accordingly, the deferred revenue was increased and the unreserved fund balance was decreased by that amount.

A summary of the effect of the restatements is as follows:

	Governmental	Business
Net assets as previously reported	\$ 746,323,908	\$ 815,980,591
Restatement for:		
1. Cash accounts	1,506,438	(1,453,379)
2. Under-reported cost of an apartment	-	292,514
3. Sustainable water supply asset	-	18,096,596
4. Allowance for doubtful accounts	-	1,099,990
5. Advance payment on bond issue	(1,999,900)	-
Restated balances	\$ 745,830,446	\$ 834,016,312

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 23 ALBUQUERQUE BERNALLILLO COUNTY WATER UTILITY AUTHORITY – COMPONENT UNIT

In 2003, the New Mexico Legislature adopted Senate Bill 887 (Laws 2003, Chapter 437, codified as Section 72-1-10, NMSA 1978) creating the Albuquerque Bernalillo County Water Utility Authority (Authority) and transferred all functions, appropriations, money, records, equipment and other real and personal property of the City’s Joint Water and Sewer Fund (Fund) to the Authority. The Authority is comprised of a board of three City Councilors, three County of Bernalillo Commissioners, and the Mayor of the City.

Under the provisions of the legislation, the Water/Wastewater System transferred to the Authority on December 17, 2003, after completion of an audit as of June 30, 2003 of the Water/Wastewater System by the New Mexico Public Regulation Commission. Accordingly, the Authority reports all transactions of the Water/Wastewater System for the year from July 1, 2003 through June 30, 2004. In addition, the City reports the transfer, on July 1, 2003, of the Fund’s net assets of \$538,744,820. The net assets of the Fund was restated as discussed in Note 22.

To facilitate the Water/Wastewater System transfer, the City, County of Bernalillo, and the Authority entered into a joint powers agreement governing policy matters and a memorandum of understanding governing operational matters. Both of these documents provide a framework for the Authority to operate successfully and without interruption in services provided to the community. The memorandum of understanding runs through December 31, 2006. In accordance with those documents, the City provides accounting and other services for the Authority as well as receiving water and wastewater services from the Authority.

The City and the Authority engaged in transactions that are summarized below:

The Authority paid the City for the following services:

Payments in lieu of taxes	\$ 5,110,928
Administrative indirect overhead, including accounting and other central services	2,941,618
Supplies	1,444,304
Fleet Management Services	1,271,287
Telephone	222,563
Office services and parking	70,808
Total	<u>\$ 11,061,508</u>

The City paid the Authority for the following services:

Water and sewer services	<u>\$ 4,179,721</u>
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The Authority’s Comprehensive Annual Financial Report as of and for the year ended June 30, 2004 is available by contacting the Authority at the following address; Fifth floor, P.O. Box 1293, Albuquerque, NM 87103.

NOTE 24 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. Accordingly, no reservation of fund balance has been created except in limited instances. These typically are for property purchases and will be re-appropriated in the ensuing year. Encumbrances that are outstanding, but not re-appropriated, are a commitment of the City and the outstanding amount is reported in the table below.

Government activities:

Major Funds:	
General Fund	\$ 3,871,424
Corrections Fund	1,535,127
Capital Acquisition Fund	41,375,245
Nonmajor Government Funds	29,988,502
Internal Service Funds	1,029,180
Total Government Funds	<u>\$ 77,799,478</u>

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 24 COMMITMENTS AND CONTINGENCIES, continued

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

Business-type activities:

Major Funds:

Aviation Fund	\$ 10,639,035
Refuse Disposal Fund	3,607,307
Transit Operating Fund	21,548,003
Housing Authority Fund	146,898
Nonmajor Business-type Funds	<u>2,174,574</u>
Total Business Funds	<u>\$ 38,115,817</u>

The City has various lease commitments for real property. The lease commitments are for one to three years, with most leases being for two years. About half of the leases have renewal options; the others do not. Lease expenses of \$707,916 were incurred for the year ended June 30, 2004. Lease commitments for future years are as follows:

2005	\$679,494
2006	387,578
2007	263,087
2008	186,637

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

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

1. The City is a defendant in a legal proceeding that does not fall under the New Mexico Tort Claims Act; this legal proceeding alleges that certain time incurred by some of the City of Albuquerque's police officers is subject to overtime compensation. The ultimate outcome of these legal proceedings cannot presently be determined. Accordingly, no provision for any additional liability that may result upon the ultimate outcome has been recognized in the accompanying general-purpose financial statements and schedules.
2. The City is a defendant in a legal proceeding arising from the City's condemnation of property east of the Four Hills Subdivision. The property taken by the City is located between Four Hills and the property owned by claimants. As part of the condemnation, the claimants allege that the City had denied them access to their property from April, 1988 until February, 2002. The claimants seek approximately \$20 million in damages. The claim is being vigorously defended, and the City expects that the award for damages will be significantly lower.
3. The City is a defendant in a legal proceeding arising from another condemnation of property by the City. The condemnation of property for the Westside Transit facility near the I-40 / Unser boulevard interchange was completed with the owner of the property. However, the owner of a billboard, with a lease that was vacated during the condemnation on that property, is seeking approximately one million dollars for the loss of income over the remaining thirty years of the lease. A portion of any damage claim will be covered by the Federal Transportation Agency. The City is vigorously defending its position of the claim and expects the award to the claimant to be significantly lower than the alleged damage to the owner.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 24 COMMITMENTS AND CONTINGENCIES, continued

The Attorney General's office of the State of New Mexico is conducting an investigation of the practices and handling procedures relating to the custody of evidence in connection with criminal court cases, which are held by the City's police department. The City has not been informed of any results of such investigation and does not anticipate that there will be a material effect on the City's financial statements.

The City has received a number of Federal and State grants for specific purposes. These grants are subject to audit that may result in requests for reimbursements to granting agencies for expenditures disallowed under the terms of the grants. Based on prior experience, City management believes that such disallowances, if any, will not be material.

NOTE 25 SUBSEQUENT EVENTS

Bond issues:

On July 9, 2004, the City entered into a tax-exempt loan agreement with New Mexico Finance Authority for \$5,800,000. The loan will be used for the purpose of extending, repairing, replacing, equipping and improving the City's solid waste and refuse disposal system.

On September 9, 2004, the City secured a loan agreement with the New Mexico Finance Authority for \$5,700,000. The proceeds of this loan will be used to equip and furnish the Albuquerque Convention Center. The loan will be financed by hospitality fees at an average interest rate of 3.44% for ten years

On October 6, 2004 the City issued Series 2004 A & B Gross Receipts Tax/Lodgers' Tax Refunding Revenue Bonds for \$60,880,000. The proceeds of these bonds were used to partially refund Gross Receipts Tax Bonds, Series 1991B, 1996, and 1999B. The new bonds have interest rates ranging from 2.39% to 5.00%, and maturities through July 1, 2037

Bond election:

On November 2, 2004, the City voters approved a \$52 million bond issue for the construction and betterment of streets and roads within the City of Albuquerque.

APPENDIX B

Description of Bond Ordinance

The following are excerpts or summaries of provisions of City Ordinance Sixteenth Council Bill No. O-05-118 which authorizes the issuance and sale of the Series 2005 Bonds. This Appendix B is qualified by reference to the Bond Ordinance on file with the City Clerk.

Certain Definitions

ACT. Sections 3-30-1 to 3-30-9, 6-15-1 to 6-15-10, 6-15-21 and 6-15-22, the Public Securities Short-Term Interest Rate Act, being Sections 6-18-1 to 6-18-16 NMSA 1978, as amended, S.B. 670, Laws of 2005, Chapter 158, the City Charter, the Home Rule Powers and the Bond Ordinance.

AUTHORIZED DENOMINATIONS. Denominations of \$5,000 or integral multiples of \$5,000.

AUTHORIZED OFFICER. The City's Mayor, Chief Administrative Officer, Director of Department of Finance and Administrative Services, Treasurer, or other officer or employee of the City when designated by a certificate signed by the Mayor of the City from time to time.

BEST BID. The following bid of the Purchaser for the Series 2005A Bonds and the Series 2005B Bonds:

- (1) the principal amount of \$102,170,000 for the Series 2005A Bonds and the Series 2005B Bonds, bearing interest at the rates set forth in the Bond Ordinance; plus
- (2) a premium of \$5,104,184.05.

The true interest cost for the Series 2005A Bonds and the Series 2005B Bonds stated as a percentage is 3.387908%; the total interest cost for the Series 2005A Bonds and the Series 2005B Bonds stated in dollars is \$23,067,958.30; and the net effective interest rate on Series 2005A Bonds and the Series 2005B Bonds is less than 4.0 per annum.

BOND ORDINANCE. City Ordinance Sixteenth Council Bill No. O-05-118, as amended or supplemented from time to time.

BOND SCHEDULES. The schedules in the preambles to the Bond Ordinance specifying the aggregate of the indebtedness authorized at the 2003 Election and the 2004 Election and the indebtedness for each Series 2005 Bonds Project authorized at the 2003 Election and the 2004 Election.

DEFEASANCE OBLIGATIONS. (1) Government Obligations or; (2) if permitted by law, other obligations which would result in the defeased Series 2005 Bonds receiving the same

rating from any national rating agency then rating those Series 2005 Bonds as would have been received if the obligations described in clause (1) of this definition had been used.

DEPOSITORIES. The following registered securities depository: The Depository Trust Company, attn: Call Notification Department, 55 Water Street, 50th Floor, New York, New York 10041-0099, FAX (212) 855-7232, 7234 or 7285; or, in accordance with then-current guidelines of the Securities and Exchange Commission, to such other address and/or such other securities depositories as an Authorized Officer of the City may designate.

FISCAL YEAR. The twelve-month period used by the City for its general accounting purposes as the same may be changed from time to time, presently being the period beginning July 1 of each year and ending June 30 of the next succeeding year.

GOVERNMENT OBLIGATIONS. Direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America or certificates or receipts established by the United States Government or its agencies or instrumentalities representing direct ownership of future interests or principal payments on direct obligations of, or obligations fully guaranteed by, the United States of America or any of its agencies or instrumentalities, the obligations of which are backed by the full faith and credit of the United States, which obligations are held by a custodian in safekeeping on behalf of the holders of such receipts, and rated or assessed in its highest Rating Category by S&P, Moody's and Fitch, if then rating the Series 2005 Bonds.

HOME RULE POWERS. The powers of the City as a home rule city to exercise legislative powers given pursuant to the City Charter adopted by the City pursuant to Article X, Section 6 of the State Constitution and all enactments of the Council relating to the issuance of the Series 2005 Bonds, including the Bond Ordinance.

INTEREST PAYMENT DATE. For the Series 2005A Bonds and the Series 2005B Bonds, January 1 and July 1 in each year (or if such day is not a business day, then the next succeeding business day) beginning January 1, 2006.

OUTSTANDING. When used in reference to bonds, on any particular date, the aggregate of all such bonds issued and delivered under the applicable City ordinance authorizing the issuance of such bonds except:

- (1) those cancelled at or prior to such date or delivered to or acquired by the City at or prior to such date for cancellation;
- (2) those which have been paid or are deemed to be paid in accordance with the City ordinance or resolution authorizing the issuance of the applicable bonds or otherwise relating thereto;
- (3) in the case of variable rate bonds, bonds deemed tendered, but not yet presented for payment; and

- (4) those in lieu of or in exchange or substitution for which other bonds shall have been delivered, unless proof satisfactory to the City and the paying agent for the applicable bonds is presented that any bond for which a new bond was issued or exchanged is held by a bona fide holder or in due course.

As used in this definition, the term bond includes any evidence of debt.

OWNER. The registered owner or owners of any Series 2005 Bond as shown on the registration books for the Series 2005 Bonds maintained by the Registrar.

PAYING AGENT. The City Treasurer or any trust company, national or state banking association or financial institution qualified to act and appointed as the paying agent for the Series 2005 Bonds by an Authorized Officer from time to time.

PERMITTED INVESTMENTS. Any of the following which at the time are legal investments for the City for the money to be invested:

- (1) Cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with Government Obligations);
- (2) Government Obligations;
- (3) Obligations of, or obligations guaranteed as to principal and interest by any agency or instrumentality of the United States which are backed by the full faith and credit of the United States, including but not limited to: General Services Administration - participation certificates; Government National Mortgage Association (GNMA) - GNMA guaranteed mortgage-backed securities and GNMA guaranteed participation certificates; U.S. Department of Housing & Urban Development - local authority bonds; and U.S. Export-Import Bank - all fully guaranteed obligations;
- (4) Obligations of the following government-sponsored agencies; Federal Home Loan Mortgage Corporation - participation certificates and senior debt obligations; Farm Credit System (formerly: Federal Land Banks and Banks for Cooperatives) - consolidated system-wide bonds and notes; Federal Home Loan Banks - consolidated debt obligations; Federal National Mortgage Association - senior debt obligations and mortgaged-backed securities (excluding stripped mortgage securities which are valued greater than par on the portion of unpaid principal); Student Loan Marketing Association - senior debt obligations (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date) and letter of credit backed issues; Financing Corporation - debt obligations; and Resolution Funding Corporation - debt obligations;
- (5) Certificates of deposit, time deposits and banker's acceptances of any bank or savings and loan association, the short-term obligations of which are rated in the

highest Rating Categories by S&P, Moody's and Fitch, if then rating the Series 2005 Bonds, provided that such deposits must be fully secured by securities designated in paragraphs (2), (3), (4) and (11) of this definition and held in safekeeping for, or on behalf of, or held in book-entry form in the name of, the City;

- (6) Deposits which are fully insured by the Federal Deposit Insurance Corporation or which are secured by obligations described in paragraphs (2), (3), (4) and (11) of this definition, collateralized at 102%;
- (7) Accounts with banks and savings and loan associations located in Bernalillo County, provided that the banks and savings and loan associations, and the collateral securing the investments permitted as described by this paragraph, satisfy the requirements of applicable State law.
- (8) Obligations, the interest on which is excluded from gross income of the recipient for federal income tax purposes and which are rated in the highest Rating Category by S&P, Moody's and Fitch, if then rating the Series 2005 Bonds;
- (9) Money market instruments and other securities of commercial banks, broker-dealers or recognized financial investors, which securities or institutions are rated in the highest Rating Category by S&P, Moody's and Fitch, if then rating the Series 2005 Bonds, or which securities are guaranteed by a person or entity whose long-term debt obligations are rated in the highest Rating Category by S&P, Moody's and Fitch, if then rating the Series 2005 Bonds, including, without limitation, securities of, or other interests in, any open-end or closed-end management type investment company or investment trust registered under the provisions of 15 U.S.C. Sections 80(a)-1 et seq., which invest only in, or whose securities are secured only by, obligations of the type set forth in paragraphs (2), (3), (4) and (11) of this definition;
- (10) The "short-term investment fund" described in Section 6-10-10.1 N.M.S.A. 1978 or other similar pooled fund maintained by the State for the investment of public funds of local public bodies of the State.
- (11) Stripped Securities: (i) U.S. Treasury STRIPS and (ii) REFCORP STRIPS (stripped by Federal Reserve Bank of New York);
- (12) Repurchase agreements involving the purchase and sale of, and guaranteed investment contracts, the par value of which is collateralized by a perfected first pledge of, or security interest in, or the payments of which are unconditionally guaranteed by, securities described in parts (2), (3), (4) and (11) of this definition, which collateral is held by the City, or for the benefit of the City, by a party other than the provider of the guaranteed investment contract or repurchase agreement, with a collateralized value of at least 102% of the par value of such repurchase agreement or guaranteed investment contract of 102% of the market value thereof,

valued at intervals of no less than monthly and which collateral is not subject to any other pledge or security interest; and

- (13) Agreements which permit the City to require a commercial bank, broker-dealer or recognized financial institution to purchase from the City at a fixed price obligations described in paragraphs (2), (3), (4) and (11) of this definition; provided that, if required by law, the contract relating to such agreement is approved by resolution of the Council and all other requirements of law relating to any such investment are satisfied and provided further than such institution, or the guarantor of such institution or agreement, shall be rated in one of the top two Rating Categories of S&P, Moody's and Fitch, if then rating the Series 2005 Bonds, or by another national rating agency.

PURCHASER. Lehman Brothers and members of the purchasing syndicate for the Series 2005A Bonds and the Series 2005B Bonds.

RATING CATEGORY. A generic securities rating category, without regard, in the case of a long-term rating category, to any refinement or gradation of such long-term rating category by a numerical modifier or otherwise.

RECORD DATE. The twenty-fifth day of the calendar month preceding each Interest Payment Date.

REGISTRAR. The City Treasurer or any national trust company, national or state banking association or financial institution qualified to act and appointed as the registrar for the Series 2005 Bonds by an Authorized Officer from time to time.

SERIES 2005 BONDS. The Series 2005A Bonds and the Series 2005B Bonds, collectively, which consist of a portion of the 2003 Election Bonds and the 2004 Election Bonds.

SERIES 2005 BONDS PROJECTS. Collectively, the projects to be financed by the Series 2005A Bonds and the Series 2005B Bonds designated under the heading "Series 2005 Bond Projects" below.

SERIES 2005A BONDS. The Series 2005 Bonds in the original principal amount of \$90,595,000 designated as the "City of Albuquerque, New Mexico General Purpose Bonds, Series 2005A" authorized to be issued and sold by the Bond Ordinance.

SERIES 2005B BONDS. The Series 2005 Bonds in the original principal amount of \$11,575,000 designated as the "City of Albuquerque, New Mexico General Obligation Storm Sewer Bonds, Series 2005B" authorized to be issued and sold by the Bond Ordinance.

STATE. The State of New Mexico.

Series 2005 Bond Projects

Proceeds of the Series 2005 Bonds will be used for the following 2005 Bond Projects and to pay expenses relating to the issuance of the Series 2005 Bonds.

- (1) \$1,724,565 to design, construct, equip, landscape, renovate, rehabilitate, recondition, furnish, enhance, and otherwise improve and to acquire land and vehicles for, municipal fire department facilities, equipment and apparatus;
- (2) \$1,688,360 to design, construct, renovate, rehabilitate, recondition, equip, landscape, furnish, enhance and otherwise improve, and to acquire land and vehicles for, municipal police department facilities;
- (3) \$27,344,197 to design, develop, construct, rehabilitate, renovate, expand, furnish, landscape, study, protect, enhance and otherwise improve, and to acquire land, vehicles and equipment for, park and recreational facilities, including public parks, swimming pools, open space, medians, bikeways, bosque and trails;
- (4) \$5,327,984 to equip, improve, acquire, design, survey, develop, construct, rehabilitate, renovate, modernize, maintain, expand, enhance, upgrade and otherwise improve public buildings, facilities and systems;
- (5) \$2,256,081 to design, construct, renovate, rehabilitate, automate, upgrade, landscape and otherwise improve, and to acquire books, media and equipment for, public libraries;
- (6) \$5,229,100 to design, develop, construct, rehabilitate, renovate, study, enhance and otherwise improve, and to acquire land, vehicles and equipment for, public transportation facilities; and
- (7) \$5,008,384 to design, develop, construct, rehabilitate, renovate, repair, refurbish, expand, enhance and otherwise improve, and to acquire exhibits, furniture and equipment for, the municipal zoo, botanic garden, aquarium and museums.
- (8) \$9,505,926 to design, develop, construct, equip, renovate, rehabilitate, expand, repair, study, landscape, enhance and otherwise improve, and to acquire land for, city-owned community centers including those for families, youth and senior citizens;
- (9) \$11,576,370 to design, construct, rehabilitate, renovate, expand, enhance, monitor and otherwise improve, and to acquire land for, the storm sewer system; and
- (10) \$52,514,950 to study, design, construct, reconstruct, rehabilitate, renovate, sign, enhance, landscape and otherwise improve, and to acquire land and equipment for, municipal streets and roads, interstate roadways and interchanges, trails, bikeways, walkways, sidewalks, railroad crossings and bridges.

Payment of Series 2005 Bonds

The principal of and premium, if any, on the Series 2005 Bonds shall be payable upon presentation and surrender of the Series 2005 Bonds at the principal office of the Paying Agent at or after their maturity. Interest on Series 2005 Bonds shall be payable by check or draft mailed to the Owners (or by such other arrangement as may be mutually agreed to by the Paying Agent and an Owner). An Owner shall be deemed to be that person or entity shown on the registration books for the Series 2005 Bonds maintained by the Registrar at the address appearing in the registration books at the close of business on the applicable Record Date. However, interest which is not timely paid or provided for shall cease to be payable to the Owners of the Series 2005 Bonds (or of one or more predecessor Series 2005 Bonds) as of the regular Record Date, but shall be payable to the Owners of those Series 2005 Bonds (or of one or more predecessor Series 2005 Bonds) at the close of business on a special record date for the payment of the overdue interest. The special record date shall be fixed by the Paying Agent and Registrar whenever money becomes available for payment of the overdue interest and notice of the special record date shall be given to the Owners of such Series 2005 Bonds not less than ten days prior to that date. Payment shall be made in the coin or currency of the United States of America that is at the time of payment legal tender for the payment of public and private debts. If the principal amount of any Series 2005 Bond presented for payment remains unpaid at maturity, the unpaid principal shall continue to bear interest at the rate designated in that Series 2005 Bond. Payments of Series 2005 Bonds shall be made without deduction for exchange or collection charges.

Registration, Transfer, Exchange and Ownership of Series 2005 Bonds

Registration, Transfer and Exchange

The City shall cause books for registration, transfer and exchange of the Series 2005 Bonds to be kept at the principal office of the Registrar. Upon surrender for transfer or exchange of any Series 2005 Bonds at the principal office of the Registrar duly endorsed by the Owner or his attorney duly authorized in writing, or accompanied by a written instrument or instruments of transfer or exchange in form satisfactory to the Registrar and properly executed, the City shall execute and the Registrar shall authenticate and deliver in the name of the transferee or Owner, as appropriate, a new Series 2005 Bond or Series 2005 Bonds of the same series, maturity, interest rate and same aggregate principal amount in Authorized Denominations.

Owner of Series 2005 Bonds

The person in whose name any Series 2005 Bond is registered shall be deemed and regarded as its absolute Owner for all purposes, except as may otherwise be provided with respect to the payment of interest described above under the heading "Payment of Series 2005 Bonds." Payment of either the principal of or interest on any Series 2005 Bond shall be made only to or upon the order of its Owner or his legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability on Series 2005 Bonds to the extent of the amount paid.

Replacement of Series 2005 Bonds

If any Series 2005 Bond is lost, stolen, destroyed or mutilated, the Registrar shall, upon receipt of that Series 2005 Bond, if mutilated, and the evidence, information or indemnity which the Registrar and the City may reasonably require, authenticate and deliver a replacement Series 2005 Bond or Series 2005 Bonds of the same series, aggregate principal amount, maturity and interest rate, bearing a number or numbers not then outstanding. If any lost, stolen, destroyed or mutilated Series 2005 Bond has matured or been called for redemption, the Registrar may direct the Paying Agent to pay that Series 2005 Bond in lieu of replacement.

Charges

Exchanges and transfers of Series 2005 Bonds shall be made without charge to the Owner or any transferee except that the Registrar may make a charge sufficient to reimburse the Registrar for any tax, fee or other governmental charge required to be paid with respect to that transfer or exchange.

Book Accounts

The Series 2005 Bonds will be credited as follows: \$1,724,565 for fire protection; \$1,688,360 for police protection; \$27,344,197 for parks and recreational facilities; \$5,327,984 for facilities and equipment; \$2,256,081 for public libraries; \$5,229,100 for transit facilities; \$5,008,384 for the zoo, biological park and museums; \$9,505,926 for citizens' centers; \$11,576,370 for storm sewers; and \$52,514,950 for streets.

General Administration of Funds

To the extent practicable, any money in any fund or account shall be invested in Permitted Investments within any limitations imposed by the Bond Ordinance. Obligations purchased as an investment of money in any fund or account shall be deemed at all times to be part of that fund or account, and the interest accruing and any profit realized on those investments shall be credited to that fund or account, unless otherwise stated in the Bond Ordinance (subject to withdrawal at any time for the uses directed and permitted for such money by the Bond Ordinance) and any loss resulting from such investment shall be charged to that fund or account. The City Treasurer shall present for redemption or sale on the prevailing market any Permitted Investment in a fund or account when necessary to provide money to meet a required payment or transfer from that fund or account.

Protective Covenants

The City covenants and agrees with the Owners:

- (1) Use of Series 2005 Bond Proceeds. When issued, the City will proceed without unreasonable delay to use the proceeds of the Series 2005 Bonds for the acquisition and construction of the respective Series 2005 Bonds Projects for

which the Series 2005 Bonds are issued in the amounts described under the caption “DESCRIPTION OF BOND ORDINANCE – Series 2005 Bonds Projects.”

- (2) Payments. The City will pay the principal of and the interest on every Series 2005 Bond at the place, on the date and in the manner described under the caption “DESCRIPTION OF BOND ORDINANCE – Payment of Series 2005 Bonds” and “The Series 2005 Bonds”.
- (3) City’s Existence. The City will maintain its corporate identity and existence so long as any of the Series 2005 Bonds remain outstanding, unless another political subdivision by operation of law succeeds to the liabilities and rights of the City, without adversely affecting to any substantial degree the privileges and rights of any Owner. The City may annex and de-annex land.
- (4) Continuing Disclosure. The City will execute, deliver and comply with the Continuing Disclosure Undertaking for the benefit of the Purchaser.

Series 2005 Bonds Not Presented When Due

If any Series 2005 Bonds are not duly presented for payment when due at maturity and if money sufficient to pay those Series 2005 Bonds is on deposit with the Paying Agent for the benefit of the Owners of those Series 2005 Bonds, all liability of the City to those owners for the payment of the Series 2005 Bonds shall be completely discharged, those Series 2005 Bonds shall not be deemed to be Outstanding and it shall be the duty of the Paying Agent to segregate and to hold the money received for payment in trust, without liability for interest to the Owners, for the benefit of those Owners.

Amendment of Bond Ordinance

Amendment

The Bond Ordinance may be amended by resolution or ordinance of the City Council without the consent of the Owners:

- (1) To cure any ambiguity, or to cure, correct or supplement any defect or inconsistent provision contained in the Bond Ordinance;
- (2) To grant to the Owners any additional rights, remedies, powers or authority that may lawfully be granted to them;
- (3) To obtain or maintain a rating on the Series 2005 Bonds from any rating agency which amendment, in the judgment of Bond Counsel, does not materially adversely affect the Owners;
- (4) To achieve compliance with federal securities or tax laws; and

- (5) To make any other changes in the Bond Ordinance which, in the opinion of Bond Counsel, is not materially adverse to the Owners.

Additional Amendments

Except as provided above, the Bond Ordinance may only be amended or supplemented by ordinance adopted by the City Council in accordance with the laws of the State, without receipt by the City of any additional consideration, but with the written consent of the Owners of a majority of the principal amount of the Series 2005 Bonds affected by such amendment or supplement then Outstanding (not including Series 2005 Bonds which are then owned by or for the account of the City); provided, however, that no such ordinances shall be the effect of permitting:

- (1) An extension of the maturity of any Series 2005 Bond; or
- (2) A reduction in the principal amount of or interest rate on any Series 2005 Bond; or
- (3) A reduction of the principal amount of Series 2005 Bonds required for consent to such amendment or supplement.

Defeasance

When all principal and interest in connection with all or any part of the Series 2005 Bonds have been paid or provided for, the pledge and lien and all obligations under the Bond Ordinance with respect to those Series 2005 Bonds shall be discharged and those Series 2005 Bonds shall no longer be deemed to be outstanding within the meaning of the Bond Ordinance.

Without limiting the preceding paragraph, there shall be deemed to be such payment when the City Council has caused to be placed in escrow and in trust with an escrow agent located within or without the State and exercising trust powers, an amount sufficient (including the known minimum yield from Defeasance Obligations in which such amount may be initially invested) to pay all requirements of principal and interest on the Series 2005 Bonds to be defeased as the same become due to their final maturities. The escrow agent shall have received evidence satisfactory to it that the cash and Defeasance Obligations delivered will be sufficient to provide for the payment of the Series 2005 Bonds to be defeased as stated above. Neither the Defeasance Obligations nor money deposited with the escrow agent shall be withdrawn or used for any purpose other than as provided in the escrow agreement relating thereto and the Defeasance Obligations and money shall be segregated and held in trust for the payment of the principal or redemption price of, and interest on the Series 2005 Bonds with respect to which such deposit has been made. The Defeasance Obligations shall become due prior to the respective times at which the proceeds are needed in accordance with a schedule established and agreed upon between the City and the escrow agent at the time of the creation of the escrow, or the Defeasance Obligations shall be subject to redemption only at the option of the holders or owners thereof to assure the availability of the proceeds as needed to meet the schedule.

If any Series 2005 Bonds are deemed to be paid and discharged pursuant to this section entitled "Defeasance," then, within 15 days after the date of defeasance, the City shall cause a written notice to be given to each Owner of Series 2005 Bonds deemed paid and discharged at the address shown on the Series 2005 Bond register for the Series 2005 Bonds on the date on which those Series 2005 Bonds are deemed paid and discharged stating the numbers of the Series 2005 Bonds deemed paid and discharged (if less than all Series 2005 Bonds are deemed paid and discharged), describing the Defeasance Obligations and specifying any date or dates on which the Series 2005 Bonds defeased are to be paid.

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APPENDIX C

Form of Opinion of Bond Counsel

June ____, 2005

City of Albuquerque
Albuquerque, New Mexico

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Albuquerque (the "City"), State of New Mexico of its \$90,595,000 General Obligation General Purpose Bonds, Series 2005A and its \$11,575,000 General Obligation Storm Sewer Bonds, Series 2005B (collectively, the "Bonds"). The Bonds are authorized to be issued pursuant to City Ordinance Sixteenth Council Bill No. O-05-118 ("Bond Legislation").

We have examined the Bond Legislation, the Tax Compliance Certificate of the City relating to the Bonds and such other laws and certified proceedings and other documents and matters, and have made such further inquiries and investigations, as we have considered necessary in rendering this opinion.

Based upon the foregoing, in our opinion, under the existing law:

1. The Bonds are valid and binding general obligations of the City.
2. Principal of and interest on the Bonds, unless paid from other sources, are payable from the proceeds of the levy of general (ad valorem) taxes on all property within the City subject to ad valorem taxes levied by the City, which taxes are unlimited as to rate or amount.
3. The interest on the Bonds is excludable from gross income for federal income tax purposes under Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"), is not treated as an item of tax preference for purposes of the alternative minimum tax imposed by the Code on individuals and corporations and is not subject to the State of New Mexico income taxation so long as that interest is excluded from gross income for federal income tax purposes. We express no opinion regarding any other tax consequences regarding the Bonds.

In giving the foregoing opinions with respect to the treatment of interest on the Bonds and the status of the Bonds under federal tax laws, we have assumed and relied upon compliance

with the City's covenants and the accuracy of the City's representations and certifications contained in the transcript of proceedings by the City relating to the issuance and sale of the Bonds. The accuracy of those representations and certifications, which we have not independently verified, and the City's compliance with those covenants may be necessary for the interest on the Bonds to be and to remain excludable from gross income for federal income tax purposes and for certain of the other tax effects stated above. Failure to comply with certain of those requirements subsequent to issuance of the Bonds could cause interest on the Bonds to be included in gross income for federal income tax purposes and to be subject to New Mexico state income tax retroactively to the date of issuance of the Bonds.

The rights of the holders of the Bonds and the enforceability thereof are subject to the provisions of the bankruptcy laws of the United States of America and other applicable bankruptcy, insolvency, reorganization and moratorium or similar laws relating to or affecting creditors' rights now or hereafter in effect, and their enforcement may be subject to the exercise of judicial discretion and to general equity principles.

The scope of our engagement has not extended beyond the examinations and the rendering of the opinions expressed herein, and we are not passing upon the accuracy or completeness of any information furnished to any person in connection with the offer or sale of the Bonds. The opinions expressed herein are based on existing law as of the date hereof and we express no opinion herein as of any subsequent date or with respect to any pending legislation or as to any other matters.

This letter is issued to and for the sole benefit of the above addressee and is issued for the sole purpose of the transaction specifically referred to herein. No person other than the above addressee may rely upon this letter without our express prior written consent. This letter may not be utilized by you for any other purpose whatsoever and may not be quoted by you without our express prior written consent, except that this opinion may be included in the transcript of proceedings relating to the issuance and sale of the Bonds. We assume no obligation to review or supplement this letter subsequent to its date, whether by reason of a change in the current law, legislative or regulatory action, judicial decision or for any other reason.

Very truly yours,

APPENDIX D

Form of Continuing Disclosure Undertaking

\$102,170,000

CITY OF ALBUQUERQUE, NEW MEXICO General Obligation Bonds

\$90,595,000

**General Purpose Bonds,
Series 2005A**

\$11,575,000

**Storm Sewer Bonds,
Series 2005B**

CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the “Disclosure Undertaking”) is executed and delivered by the CITY OF ALBUQUERQUE, NEW MEXICO (the “City”) in connection with the issuance of the City’s \$90,595,000 General Obligation General Purpose Bonds, Series 2005A, and \$11,575,000 General Obligation Storm Sewer Bonds, Series 2005B (collectively, the “Series 2005 Bonds”). The Series 2005 Bonds are being issued pursuant to City Ordinance Sixteenth Council Bill No. O-05-118 (the “Bond Legislation”).

The City covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Undertaking. This Disclosure Undertaking is being executed and delivered by the City for the benefit of the Owners of the Series 2005 Bonds and in order to allow the Participating Underwriters (as defined by Rule 15c2-12) to comply with Rule 15c2-12.

SECTION 2. Definitions. In addition to the definitions set forth in the Bond Legislation, which apply to any capitalized term used in this Disclosure Undertaking unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Financial Information” means the financial information or operating data with respect to the City, delivered at least annually pursuant to Section 3 hereof, of the type set forth in the Official Statement, including but not limited to, the type of financial information and operating data with respect to the City set forth in “FINANCIAL INFORMATION.”

“Audited Financial Statements” means the annual financial statements for the City, prepared in accordance with generally accepted accounting principles consistently applied, as in effect from time to time, audited by a firm of certified public accountants.

“Events” means any of the events listed in Section 4(a) of this Disclosure Undertaking.

“Fiscal Year” means the Fiscal Year of the City, ending June 30.

“MRSB” means the Municipal Securities Rulemaking Board. The current address of the MRSB is 1900 Duke Street, Suite 600, Alexandria, Virginia 22314; fax 703-683-1930.

“National Repository” means any Nationally Recognized Municipal Securities Information Repository recognized by the SEC from time to time, for purposes of Rule 15c2-12. As of the date hereof, the following are National Repositories:

Bloomberg Municipal Repository, Skillman, NJ
DPC Data Inc., Fort Lee, NJ
FT Interactive Data, New York, NY
Standard & Poor’s, Securities Evaluation, Inc., New York, NY

“Official Statement” means the final Official Statement delivered in connection with the original issue and sale of the Series 2005 Bonds.

“Owners” means the registered owners of the Series 2005 Bonds, and so long as the Series 2005 Bonds are subject to the book-entry system, any Beneficial Owner, as such term is defined in the Bond Legislation.

“Repository” shall mean each National Repository and the State Repository.

“Rule 15c2-12” shall mean Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” means the Securities and Exchange Commission.

“State Repository” shall mean any public or private repository or entity designated by the State of New Mexico as a state repository for the purpose of the Rule. As of the date hereof, there is no State Repository for the State of New Mexico.

SECTION 3. Provision of Annual Information.

(a) Annually while the Series 2005 Bonds remain outstanding, the City shall provide or cause to be provided to each Repository Annual Financial Information and Audited Financial Statements.

(b) Annual Financial Information shall be provided by the City not later than 270 days after the end of each Fiscal Year. The Audited Financial Statements will be provided when available but in no event later than 270 days after the end of each Fiscal Year.

(c) The City may provide Annual Financial Information and Audited Financial Statements with respect to the City by specific cross reference to other documents which have been submitted to each Repository or filed with the SEC. If the document so referenced is a final official statement within the meaning of Rule 15c2-12, such final official statement must also be available from the MSRB. The City shall clearly identify each other document incorporated by cross reference.

SECTION 4. Reporting of Events.

(a) This Section 4 shall govern the giving of notices of the occurrence of any of the following Events with respect to the Series 2005 Bonds:

1. principal and interest payment delinquencies;
2. non payment related defaults;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions or events affecting the tax exempt status of the security;
7. modifications to the rights of the security holders;
8. bond calls (other than mandatory sinking fund redemption);
9. defeasances;
10. release, substitution or sale of property securing repayment of the securities; and
11. rating changes.

(b) At any time the Series 2005 Bonds are outstanding and the City obtains knowledge of the occurrence of an Event, the City shall file, in a timely manner, a notice of such occurrence with the MSRB and each State Repository, if the occurrence of such Event is material for Owners of the Series 2005 Bonds. Notwithstanding the foregoing, notice of Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying Event is given to Owners of affected Series 2005 Bonds pursuant to the Bond Legislation.

(c) At any time the Series 2005 Bonds are outstanding, the City shall provide, in a timely manner, to the MSRB and the State Repository, notice of any failure of the City to timely provide the Annual Financial Information and Audited Financial Statements as specified in Section 3 hereof.

SECTION 5. Term. This Disclosure Undertaking shall be in effect from and after the issuance and delivery of the Series 2005 Bonds and shall extend to the earliest of (a) the date all principal and interest on the Series 2005 Bonds is deemed paid or legally defeased pursuant to the terms of the Bond Legislation; (b) the date that the City is no longer an “obligated person” with respect to the Series 2005 Bonds within the meaning of Rule 15c2-12; and (c) the date on which those portions of Rule 15c2-12 which require this Disclosure Undertaking are determined to be invalid by a court of competent jurisdiction in a non-appealable action, have been repealed retroactively or otherwise do not apply to the Series 2005 Bonds, the determination of (a), (b) or (c) herein to be made in any manner deemed appropriate by the City, including by an opinion of Counsel experienced in federal securities laws selected by the City. The City shall file a notice of any such termination with each Repository and the MSRB.

SECTION 6. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Undertaking, the City may amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking may be waived, if (a) such amendment or waiver is consented to by the Owners of no less than a majority in aggregate principal amount of the Series 2005 Bonds obtained in the manner prescribed by the Bond Legislation or (b) if such amendment or waiver is otherwise consistent with Rule 15c2-12, as determined by an opinion of Counsel experienced in federal securities laws selected by the City. Written notice of any such amendment or waiver shall be provided by the City to each Repository and the MSRB, and the Annual Financial Information shall explain the reasons for the amendment and the impact of any change in the type of information being provided. If any amendment changes the accounting principles to be followed in preparing financial statements, the Annual Financial Information for the year in which the change is made will present a comparison between the financial statement or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The City shall provide notice of any such amendment or waiver to each Repository.

SECTION 7. Additional Information. Nothing in this Disclosure Undertaking shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other annual information or notice of occurrence of an event which is not an Event, in addition to that which is required by this Disclosure Undertaking; provided that the City shall not be required to do so. If the City chooses to include any annual information or notice of occurrence of an event in addition to that which is specifically required by this Disclosure Undertaking, the City shall have no obligation under this Disclosure Undertaking to update such information or include it in any future annual filing or notice of occurrence of an Event.

SECTION 8. Default and Enforcement. If the City fails to comply with any provision of this Disclosure Undertaking, any Owner of the Series 2005 Bonds may take action to seek specific performance by court order to compel the City to comply with its obligations under this Disclosure Undertaking; provided that any Owner of the Series 2005 Bonds seeking to require the City to so comply shall first provide at least 30 days' prior written notice to the City of the City's failure (giving reasonable details of such failure), following which notice the City shall have 30 days to comply and, provided further, that only the Owners of no less than a majority in aggregate principal amount of the Series 2005 Bonds may take action to seek specific performance in connection with a challenge to the adequacy of the information provided by the City in accordance with this Disclosure Undertaking, after notice and opportunity to comply as provided herein, and such action shall be taken only in a court of competent jurisdiction in the State of New Mexico. A DEFAULT UNDER THIS DISCLOSURE UNDERTAKING SHALL NOT BE DEEMED AN EVENT OF DEFAULT UNDER THE BOND LEGISLATION OR THE SERIES 2005 BONDS, AND THE SOLE REMEDY UNDER THIS DISCLOSURE UNDERTAKING IN THE EVENT OF ANY FAILURE OF THE CITY TO COMPLY WITH THIS DISCLOSURE UNDERTAKING SHALL BE AN ACTION TO COMPEL PERFORMANCE.

SECTION 9. Beneficiaries. The Disclosure Undertaking shall inure solely to the benefit of the City, the Participating Underwriters and Owners from time to time of the Series 2005 Bonds, and shall create no rights in any other person or entity.

Dated as of June __, 2005.

CITY OF ALBUQUERQUE, NEW MEXICO

By: _____

Title: _____

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APPENDIX E

Book-Entry-Only System

Introduction

Unless otherwise noted, the information contained under the caption “General” below has been provided by DTC. Neither the City nor the Underwriters make any representations as to the accuracy or the completeness of such information. The Beneficial Owners of the Series 2005 Bonds should confirm the following information with DTC, the Direct Participants or the Indirect Participants.

NEITHER THE CITY NOR THE FISCAL AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (B) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SERIES 2005 BONDS UNDER THE BOND ORDINANCE, (C) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2005 BONDS; (D) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR INTEREST DUE WITH RESPECT TO THE OWNER OF THE SERIES 2005 BONDS; (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNERS OF SERIES 2005 BONDS; OR (F) ANY OTHER MATTER REGARDING DTC.

General

The Series 2005 Bonds will be delivered in book-entry-only form. DTC will act as securities depository for the Series 2005 Bonds. The Series 2005 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Series 2005 Bond certificate will be issued for each maturity of each series of the Series 2005 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers,

banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: “AAA.” The DTC Rules applicable to Direct Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The City undertakes no responsibility for and makes no representations as to the accuracy or the completeness of the content of such material contained on DTC’s website as described in the preceding sentence including, but not limited to, updates of such information or links to other Internet sites accessed through the aforementioned website.

Purchases of the Series 2005 Bonds under the DTC system must be made by or through Direct or Indirect Participants, which will receive a credit for the Series 2005 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2005 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2005 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2005 Bonds, except in the event that use of the book-entry system for the Series 2005 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2005 Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2005 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2005 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2005 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

While the Series 2005 Bonds are in the book-entry-only system, redemption notices will be sent to DTC. If less than all of the Series 2005 Bonds are being redeemed, DTC’s practice is

to determine by lot the amount of the interest of each Direct Participant in such issue to be prepaid.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2005 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2005 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2005 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Fiscal Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct and Indirect Participant and not of DTC, the Fiscal Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Fiscal Agent, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2005 Bonds at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor depository is not obtained, certificates representing the Series 2005 Bonds are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, certificates representing the Series 2005 Bonds will be printed and delivered.

The information in this Appendix concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but neither the City nor the Underwriters take any responsibility for the accuracy thereof.

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APPENDIX F

Form of Specimen Bond Insurance

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Financial Guaranty Insurance Policy

Obligor:

Policy Number:

Obligations:

Premium:

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.



President



Secretary

Effective Date:

Authorized Representative

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Form No.: 2B-0012 (1/01)



Authorized Officer of Insurance Trustee

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