



**MATURITY SCHEDULE**  
**(CUSIP 6-digit issuer number 01354P)**

**\$17,750,000**  
**CITY OF ALBUQUERQUE, NEW MEXICO**  
**Gross Receipts Tax Improvement Revenue Bonds**  
**Series 2016C**

<b><u>Maturity Date</u></b> <b><u>(July 1)</u></b>	<b><u>Principal</u></b> <b><u>Amount</u></b>	<b><u>Interest Rate</u></b>	<b><u>Yield</u></b>	<b><u>Cusip© No.*</u></b>
2017	\$590,000	2.000%	0.540%	FY5
2018	735,000	3.000	0.640	FZ2
2019	760,000	3.000	0.750	GA6
2020	780,000	3.000	0.890	GB4
2021	805,000	3.000	1.040	GC2
2022	830,000	4.000	1.230	GD0
2023	860,000	4.000	1.350	GE8
2024	895,000	5.000	1.450	GF5
2025	940,000	5.000	1.550	GG3
2026	990,000	5.000	1.640	GH1
2027	1,040,000	4.000	1.810 <sup>(1)</sup>	GJ7
2028	1,080,000	4.000	1.980 <sup>(1)</sup>	GK4
2029	1,120,000	4.000	2.070 <sup>(1)</sup>	GL2
2030	1,165,000	4.000	2.180 <sup>(1)</sup>	GM0
2031	1,215,000	4.000	2.240 <sup>(1)</sup>	GN8
2032	1,265,000	4.000	2.300 <sup>(1)</sup>	GP3
2033	1,315,000	4.000	2.350 <sup>(1)</sup>	GQ1
2034	1,365,000	4.000	2.400 <sup>(1)</sup>	GR9

(1) Priced to the first optional call date of July 1, 2026 at par.

\* Copyright 2016, American Bankers Association. CUSIP herein is provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers listed above are being provided solely for the convenience of bondholders only at the time of issuance of the Series 2016C Bonds and the City does not make any representation with respect to such CUSIP numbers nor undertake any responsibility for their accuracy now or at any time in the future. The CUSIP numbers are subject to being changed after the issuance of the Series 2016C Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Series 2016C Bonds.

**CITY OF ALBUQUERQUE**

**MAYOR**

Richard J. Berry

**CITY COUNCIL**

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

**ADMINISTRATION**

Robert J. Perry, Esq., Chief Administrative Officer

Michael Riordan, P.E., Chief Operations Officer

Natalie Howard, City Clerk

**DEPARTMENT OF FINANCE AND ADMINISTRATIVE SERVICES**

Lou D. Hoffman, CCM, P.E., Director

Olivia Padilla Jackson, Deputy Director

Cilia E. Aglialoro, CTP, Treasurer

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

Pamela Fanelli, CMA, City Controller

**OFFICE OF MANAGEMENT AND BUDGET**

Gerald E. Romero, Budget Officer

Jacques Blair, PhD., City Economist

**LEGAL DEPARTMENT**

Jessica Hernandez, Esq., City Attorney

**BOND COUNSEL**

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

**DISCLOSURE COUNSEL**

Sherman & Howard L.L.C., Denver, Colorado

**SPECIAL TAX COUNSEL**

Kutak Rock LLP, Denver, Colorado

**MUNICIPAL ADVISOR**

RBC Capital Markets, LLC, Albuquerque, New Mexico

No dealer, salesperson or other person has been authorized by the City of Albuquerque (the “City”) to give any information or to make any statements or representations, other than those contained in this Official Statement, and, if given or made, such other information, statements or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy any of the Series 2016C Bonds 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 in such jurisdiction. This Official Statement contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions or that they will be realized.

The information contained in this Official Statement has been obtained from the City and other sources which are deemed to be reliable. The Municipal Advisor and the Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Municipal Advisor and the Underwriters do not guarantee the accuracy or completeness of such information. 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.

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, as amended. When used in this Official Statement, the words “estimate,” “intend,” “expect” and similar expressions identify forward-looking statements. Any forward-looking statement is subject to uncertainty and risks that could cause actual results to differ, possibly materially, from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop forward-looking statements will not be realized or unanticipated events and circumstances may occur. Therefore, investors should be aware that there are likely to be differences between forward-looking statements and actual results; those differences could be material.

The Series 2016C Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon exemptions contained in such Act, nor have the Series 2016C Bonds been registered or qualified in any state. 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 2016C Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

**THIS OFFICIAL STATEMENT IS MADE AVAILABLE TO PROSPECTIVE PURCHASERS OF THE SERIES 2016C BONDS FOR REVIEW PRIOR TO PURCHASE AND IS IN A FORM DEEMED FINAL BY THE CITY AS OF ITS DATE (EXCEPT FOR PERMITTED OMISSIONS) FOR PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12, BUT IS SUBJECT TO REVISION, AMENDMENT AND COMPLETION. THE CITY HAS COVENANTED TO PROVIDE SUCH ANNUAL FINANCIAL STATEMENTS AND OTHER INFORMATION IN THE MANNER AS MAY BE REQUIRED BY REGULATIONS OF THE SECURITIES AND EXCHANGE COMMISSION OR OTHER REGULATORY BODY.**

## TABLE OF CONTENTS

	Page
INTRODUCTION .....	1
Generally.....	1
The City of Albuquerque .....	1
Purpose of the Series 2016C Bonds.....	1
Authority for Issuance.....	2
Sources of Payment for the Series 2016C Bonds .....	2
Terms of the Series 2016C Bonds.....	3
Outstanding Obligations .....	4
Additional Obligations.....	4
Commitment to Provide Continuing Disclosure.....	4
Forward-Looking Statements.....	4
Professionals Involved in the Offering .....	4
Offering and Delivery of the Series 2016C Bonds .....	5
Other Information .....	5
PLAN OF FINANCING .....	6
Sources and Uses of Funds .....	6
The Project.....	6
THE SERIES 2016C BONDS .....	6
Generally.....	6
Redemption Prior to Maturity .....	7
SECURITY AND SOURCES OF PAYMENT .....	9
Special, Limited Obligations .....	9
Pledged Revenues .....	9
Additional Obligations Payable From Pledged Revenues .....	14
OUTSTANDING PARITY OBLIGATIONS.....	15
State-Shared Gross Receipts Tax Obligations .....	15
Lodgers' Tax and Revenue .....	16
Hospitality Fee.....	17
Stadium Lease Payments and Surcharge .....	18
ANNUAL DEBT SERVICE REQUIREMENTS AND COVERAGE.....	19
Annual Debt Service Requirements for the Series 2016C Bonds.....	19
Estimated Total Combined Debt Service.....	19
Estimated Coverage Ratios.....	21
CERTAIN INVESTMENT CONSIDERATIONS .....	21

State Gross Receipts Tax Collections are Subject to Fluctuation .....	22
State Legislative Modifications Related to Pledged Revenues .....	22
Bankruptcy and Foreclosure .....	23
City Cannot Increase Distribution of Taxes.....	23
City’s Annual Audit.....	23
Government Employment and Federal Sequestration.....	24
Additional Bonds .....	24
Secondary Market .....	24
Bond Ratings.....	25
Potential Limitation of Tax Exemption of Interest on Series 2016C Bonds.....	25
Forward-Looking Statements.....	25
LITIGATION.....	25
CONTINUING DISCLOSURE UNDERTAKING .....	27
TAX MATTERS.....	27
General.....	27
Special Considerations With Respect to the Series 2016C Bonds.....	28
Backup Withholding .....	28
Changes in Federal and State Tax Law.....	28
Tax Treatment of Original Issue Premium .....	29
LEGAL MATTERS.....	29
INDEPENDENT ACCOUNTANTS .....	29
UNDERWRITING .....	29
RATINGS .....	30
ADDITIONAL INFORMATION.....	31
APPROVAL BY THE CITY .....	31
APPENDIX A ECONOMIC, DEMOGRAPHIC AND FINANCIAL INFORMATION, INCLUDING AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2015 .....	A-1
APPENDIX B DESCRIPTION OF SELECTED PROVISIONS OF THE BOND ORDINANCE.....	B-1
APPENDIX C FORMS OF OPINIONS OF BOND COUNSEL AND SPECIAL TAX COUNSEL ..	C-1
APPENDIX D FORM OF CONTINUING DISCLOSURE UNDERTAKING.....	D-1
APPENDIX E BOOK-ENTRY ONLY SYSTEM.....	E-1

## OFFICIAL STATEMENT

**\$17,750,000**  
**CITY OF ALBUQUERQUE, NEW MEXICO**  
**Gross Receipts Tax Improvement Revenue Bonds**  
**Series 2016C**

### INTRODUCTION

#### Generally

This Official Statement, which includes the cover page and appendices hereto, provides certain information in connection with the offer and sale of the City of Albuquerque, New Mexico Gross Receipts Tax Improvement Revenue Bonds, Series 2016C (the “Series 2016C Bonds”) in the original aggregate principal amount of \$17,750,000. Capitalized terms used herein and not defined have the meanings specified in City Ordinance Twenty-Second Council Bill No. F/S O-16-20, adopted by the City of Albuquerque, New Mexico (the “City”) on August 1, 2016 (the “Bond Ordinance”), and a resolution of the City Council (F/S R-16-71) adopted by the City on August 15, 2016 (the “Sale Resolution”, and together with the Bond Ordinance, the “Bond Legislation.”). See Appendix B – “DESCRIPTION OF SELECTED PROVISIONS OF THE BOND ORDINANCE.”

*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 2016C 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. In 2014, the City had a population of approximately 557,169 people and, as of January 1, 2016, spanned 189.18 square miles. The Albuquerque Metropolitan Statistical Area had a population of approximately 904,587 people as of 2014. For financial and other information concerning the City, see Appendix A – “ECONOMIC, DEMOGRAPHIC AND FINANCIAL INFORMATION, INCLUDING AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2015”. The City’s Fiscal Year ends June 30 and is referred to in this Official Statement as the “Fiscal Year.”

#### Purpose of the Series 2016C Bonds

Proceeds from the sale of the Series 2016C Bonds will be used for the purpose of paying (or reimbursing the City for payment of) costs of (i) acquiring and equipping public parks, public recreation buildings, libraries, visitor centers, other public recreation facilities, including, but not limited to, municipal pools, public memorials or cultural facilities, (ii) acquiring, improving and rehabilitating one or more public buildings or purchasing or improving any ground related thereto, (iii) improving municipal or public parking lots, (iv) reconstructing, resurfacing, repairing or otherwise improving existing alleys, streets, roads or bridges or any combination of the foregoing, (v) purchasing, acquiring or rehabilitating fire protection equipment and law enforcement equipment (collectively, the “Project”), and (vi) issuing the Series 2016C Bonds. See “PLAN OF FINANCING.”

## **Authority for Issuance**

The Series 2016C Bonds are being issued under the authority of and pursuant to the Constitution and laws of the State, including Sections 3-31-1 to 3-31-12 NMSA 1978, as amended, 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 2016C Bonds, including the Bond Legislation.

## **Sources of Payment for the Series 2016C Bonds**

### *Special Limited Obligations*

The Series 2016C Bonds will be special limited obligations of the City payable from Pledged Revenues (defined below), amounts on deposit in certain funds and accounts established and held under the Bond Ordinance and the earnings thereon.

All of the Series 2016C Bonds, together with the interest accruing thereon, shall be payable and collectible solely out of the Pledged Revenues, which are irrevocably so pledged by the Bond Ordinance. **The registered owner or owners of the Series 2016C Bonds may not look to any general or other fund for the payment of the principal of or interest on such obligations, except the designated special funds pledged therefor.** The Series 2016C Bonds shall not constitute an indebtedness or a debt within the meaning of any constitutional or statutory provision or limitation; nor shall they be considered or held to be general obligations of the City; and each of the Series 2016C Bonds shall recite that it is payable and collectible solely from the Pledged Revenues, the income from which is so pledged, and that the registered owner thereof may not look to any general or other municipal fund for the payment of principal and interest on the Series 2016C Bonds.

### *Pledged Revenues*

The Series 2016C Bonds are payable and collectible from an irrevocable first lien (but not necessarily an exclusive first lien) on the Pledged Revenues. "Pledged Revenues" is defined by the Bond Ordinance to mean the revenues from the State gross receipts tax derived pursuant to Section 7-9-4 NMSA 1978, imposed on persons engaging in business in the State, which revenues are remitted monthly by the Revenue Division of the Taxation and Revenue Department of the State to the City as authorized by Sections 7-1-6.1 and 7-1-6.4 NMSA 1978, and which remittances are equal to one and two hundred twenty-five thousandths percent (1.225%) of the taxable gross receipts reported to the City for the month for which such remittance is made; provided that if a greater amount of such gross receipts tax revenues are hereafter provided to be remitted to the City under applicable law, such additional amounts shall be included as revenues pledged pursuant to the Bond Ordinance; and provided further that the amount of revenues pledged pursuant to the Bond Ordinance shall never be less than the greater of: (i) 1.225% of the taxable gross receipts remitted to the City as set forth above, or (ii) the maximum amount at any time provided hereinafter to be remitted to the City under applicable law; and provided further, the City intends that Section 3-31-6(C) NMSA 1978 applies expressly to the amount of revenues pledged pursuant to the Bond Ordinance. Pledged Revenues also includes (i) the portion of the gross receipts tax distribution to the City to be made pursuant to Section 7-1-6.46 NMSA 1978, which represents the amount of State gross receipts tax revenues set forth in the sentence above that would have been remitted to the City but for the deductions provided by Sections 7-9-92 and 7-9-93 NMSA 1978 (the "Make-Whole Distributions"), and (ii) any similar distributions made to the City in lieu of State gross receipts tax revenues, but State gross receipts tax revenues do not include any similar distributions in lieu of any municipal local option gross receipts tax revenues. The City is not pledging and the term "Pledged Revenues" does not include any local option gross receipts tax income received by the City or any distributions pursuant to Section 7-1-6.46 NMSA 1978, related to those local option gross receipts taxes.

In the 2013 New Mexico legislative session, legislation was adopted that began reductions in Make-Whole Distributions starting in Fiscal Year 2016 related to tax deductions for food and medical expenses. The Make-Whole Distributions, under Section 7-1-6.46 NMSA 1978, were implemented when the deductions became law and were designed to make the municipalities financially whole as related to those deductions. Historically, the Make-Whole Distributions represent approximately 10% of the City's gross receipts tax distributions from the State. The Make-Whole Distributions will be reduced incrementally over a 15 year period. This legislation is projected to negatively impact the City's gross receipts tax revenues with an estimated decrease of \$2.3 million in Fiscal Year 2016 for all gross receipts taxes, and negatively impact the City's projected gross receipts tax growth rate by 0.7% over the life of the reductions. The negative impact on Pledged Revenues is projected to be approximately \$2.4 million in Fiscal Year 2017. To offset the negative financial impact, the legislation also authorizes additional local option tax authority for municipalities, up to 0.375%, if they choose to enact it. The City does not currently have plans to impose any of this additional taxing authority. See "CERTAIN INVESTMENT CONSIDERATIONS – State Legislative Modifications Related to Pledged Revenues."

### **Terms of the Series 2016C Bonds**

#### *Payments*

The Series 2016C Bonds will be dated their date of delivery. Interest on the Series 2016C Bonds is payable on January 1 and July 1, commencing January 1, 2017. The Series 2016C Bonds will be issued in the aggregate principal amounts and will mature on the dates and in the amounts shown on the inside cover page of this Official Statement. Payments on the Series 2016C Bonds will be made by the City Treasurer, as the initial Paying Agent and Registrar for the Series 2016C Bonds (the "Fiscal Agent").

#### *Denominations*

The Series 2016C 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 2016C Bonds will not receive physical delivery of bond certificates except as more fully described herein. Payments of principal of and interest on the Series 2016C 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. Upon receipt of such payments, DTC is to remit such payments to DTC participants for subsequent disbursement to the beneficial owners of the Series 2016C Bonds, all as more fully described in Appendix E – "BOOK-ENTRY ONLY SYSTEM."

*In reading this Official Statement, it should be understood that while the Series 2016C Bonds are in book-entry only form, references in other sections of this Official Statement to owners of the Series 2016C Bonds should be read to include the person for whom the Participant (as hereinafter defined) and indirect participants acquire an interest in the Series 2016C 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.*

#### *Redemption*

The Series 2016C Bonds are subject to optional redemption prior to maturity as provided herein. See "THE SERIES 2016C BONDS – Redemption Prior to Maturity" and Appendix B – "DESCRIPTION OF SELECTED PROVISIONS OF THE BOND ORDINANCE."

## **Outstanding Obligations**

As of July 2, 2016, the City's outstanding obligations secured by Pledged Revenues ("State-Shared Gross Receipts Tax Obligations") are outstanding in the aggregate principal amount of \$235,375,000. See "OUTSTANDING PARITY OBLIGATIONS" for a description of the additional lodgers' tax, hospitality fees and stadium lease payments and surcharges securing some of the State-Shared Gross Receipts Tax Obligations.

## **Additional Obligations**

So long as the City is current in the accumulations required to be made pursuant to any ordinance or resolution authorizing the issuance of State-Shared Gross Receipts Tax Obligations, and the debt service coverage requirements are satisfied, the Bond Ordinance permits the City to issue bonds or incur obligations payable from Pledged Revenues on parity with the lien thereon of the Series 2016C Bonds. No obligations may be issued with a lien on the Pledged Revenues senior to the lien thereon of the Series 2016C Bonds; however, the City may issue obligations with a subordinate lien on the Pledged Revenues. See "SECURITY AND SOURCES OF PAYMENT – Additional Obligations Payable from Pledged Revenues."

## **Commitment to Provide Continuing Disclosure**

The City will agree for the benefit of the owners of the Series 2016C Bonds that, so long as the Series 2016C Bonds remain outstanding, the City will provide when available its annual audited financial statements and certain other financial information and operating data with the Municipal Securities Rulemaking Board ("MSRB") using its Electronic Municipal Market Access System ("EMMA") in conformity with Rule 15c2-12, and will file notice of certain specific material events with the MSRB, or as otherwise requested by the MSRB, as described in "CONTINUING DISCLOSURE UNDERTAKING" and Appendix D hereto.

## **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," "anticipate," "forecast," "project," "intend," "propose," "plan," "expect" and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

## **Professionals Involved in the Offering**

At the time of the issuance and sale of the Series 2016C Bonds, Modrall, Sperling, Roehl, Harris & Sisk, P.A., Albuquerque, New Mexico, as Bond Counsel, will deliver a bond opinion, and Kutak Rock LLP, Denver, Colorado, as Special Tax Counsel, will deliver a tax opinion, the forms of which are included in Appendix C hereto. Certain legal matters will be passed upon for the City by the City Attorney and by Sherman & Howard L.L.C., Denver, Colorado, as Disclosure Counsel. The Underwriters are being represented by Hogan Lovells US LLP, Denver, Colorado. See "LEGAL MATTERS."

RBC Capital Markets, LLC (“RBC”) is employed as Municipal Advisor to the City in connection with the issuance of the Series 2016C Bonds. The Municipal Advisor’s fee for services rendered with respect to the sale of the Series 2016C Bonds is contingent upon the issuance and delivery of the Series 2016C Bonds. RBC, in its capacity as Municipal Advisor, has not verified and does not assume any responsibility for the possible impact of any present, pending or future actions taken by any legislative or judicial bodies. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification of, or assume responsibility for, the accuracy, completeness, or fairness of the information in this Official Statement.

### **Offering and Delivery of the Series 2016C Bonds**

The Series 2016C 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. See “UNDERWRITING.” It is anticipated that a single certificate for each maturity of the Series 2016C Bonds will be delivered to DTC in New York, New York on or about September 8, 2016.

### **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: Treasurer.

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 2016C Bonds.

The purchase of the Series 2016C Bonds involves special risks and the Series 2016C Bonds may not be appropriate investments for all types of investors. Each prospective investor is encouraged to read this Official Statement in its entirety and to give particular attention to the factors described under “CERTAIN INVESTMENT CONSIDERATIONS,” which, among other factors discussed herein, could affect the payment of debt service on the Series 2016C Bonds and could affect the market price of the Series 2016C Bonds to an extent that cannot be determined at this time.

## PLAN OF FINANCING

### Sources and Uses of Funds

The sources and uses of funds to be available in connection with the sale of the Series 2016C Bonds are set forth below.

#### SOURCES OF FUNDS:

Par Amount of Series 2016C Bonds .....	\$17,750,000
Reoffering Premium.....	<u>2,827,539</u>
<b>TOTAL SOURCES OF FUNDS</b>	<b><u>\$20,577,539</u></b>

#### USES OF FUNDS:

Project .....	\$20,275,000
Deposit to Debt Service Fund	2,502
Costs of Issuance <sup>(1)</sup> .....	<u>300,037</u>
<b>TOTAL USES OF FUNDS</b> .....	<b><u>\$20,577,539</u></b>

(1) The costs of issuance of the Series 2016C Bonds include underwriting discount, legal and accounting fees, printing, rating fees and other miscellaneous costs.

### The Project

Proceeds from the sale of the Series 2016C Bonds will be used to pay (or reimburse the City for payment of) costs of the Project described herein under “INTRODUCTION – Purpose of the Series 2016C Bonds.” Proceeds of the Series 2016C Bonds will also be used to pay costs of issuance of the Series 2016C Bonds.

## THE SERIES 2016C BONDS

### Generally

The Series 2016C Bonds will bear interest at the rates and mature on the dates set forth on the inside cover page of this Official Statement. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Series 2016C Bonds will be dated their date of delivery, and will bear interest from that date payable semi-annually on January 1 and July 1 of each year, commencing January 1, 2017 (each an “Interest Payment Date”). The Series 2016C Bonds will bear interest from the most recent date to which interest has been paid or provided, or if no interest has been paid or provided for, from their date until maturity.

The Series 2016C Bonds will be issued in denominations of \$5,000 or integral multiples thereof, will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of DTC. DTC will act as securities depository for the Series 2016C Bonds. Individual purchases may be made in book-entry form only. Purchasers will not receive certificates representing their interest in the Series 2016C Bonds purchased. So long as Cede & Co., as nominee of DTC, is the registered owner of the Series 2016C Bonds, references herein to the bondholders, owners or registered owners shall mean Cede & Co. and shall not mean the beneficial owners of the Series 2016C Bonds.

So long as Cede & Co. is the registered owner of the Series 2016C Bonds, principal of and interest on the Series 2016C Bonds are payable by wire transfer by the Fiscal Agent to Cede & Co., as nominee for DTC, which is required, in turn, to remit such amounts to the DTC Participants. See Appendix E – “BOOK-ENTRY ONLY SYSTEM.”

## **Redemption Prior to Maturity**

### *Optional Redemption*

The Series 2016C Bonds maturing on and after July 1, 2027 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, 2026 at the redemption price of 100% of the principal amount of the Series 2016C Bonds to be redeemed, plus accrued interest, if any, to the date fixed for redemption.

### *Partial Redemption*

If less than all of the Outstanding Series 2016C Bonds are to be redeemed, the Maturity Dates of the Series 2016C Bonds to be redeemed shall be selected by the City. If less than all Series 2016C Bonds of a given Maturity Date are redeemed, the Series 2016C Bonds of that Maturity Date to be redeemed shall be selected by lot in such manner as determined by the Fiscal Agent. However, the portion of any Series 2016C Bonds to be redeemed and the portion of any Series 2016C Bond not redeemed shall both be in Authorized Denominations. If, as indicated in a certificate of an Authorized Officer delivered to the Fiscal Agent, the City has offered to purchase all Series 2016C Bonds then Outstanding and less than all of the Series 2016C Bonds have been tendered to the City for purchase, the Fiscal Agent, at the direction of an Authorized Officer, shall select for redemption all, or any part designated by the City, of the Series 2016C Bonds which have not been tendered.

In selecting Series 2016C Bonds for redemption, the Fiscal Agent shall treat each Series 2016C Bond as representing that number of Series 2016C Bonds which is obtained by dividing the principal amount of any Series 2016C Bond by the minimum Authorized Denomination. If it is determined that one or more, but not all, of the units of principal amount represented by any Series 2016C Bond is to be called for redemption, then, upon notice of intention to redeem such unit or units, the Owner of such Series 2016C Bond (except with respect to Series 2016C Bonds registered to a Depository or its nominee, in which case a notation as to the amount redeemed may be made on such Series 2016C Bonds) shall promptly surrender such Series 2016C Bond to the Fiscal Agent for (i) payment to such Owner of the redemption price of the unit or units of principal amount called for redemption, and (ii) delivery to such Owner of a new Series 2016C Bond of the same Maturity Date in the aggregate principal amount of the unredeemed balance, without charge therefor.

If the Owner of any such Series 2016C Bond fails to present that Series 2016C Bond to the Fiscal Agent for payment, that Series 2016C Bond nevertheless shall become due and payable on the date fixed for redemption to the extent of the unit or units of principal amount called for redemption and interest shall cease to accrue on that principal amount.

### *Notice*

Notice of redemption of Series 2016C Bonds shall be given by the Fiscal Agent by sending a copy of such notice by registered or certified first class, postage prepaid mail not less than 30 days prior to the redemption date to all Depositories, to the Municipal Securities Rulemaking Board’s EMMA System and to the Owner of each Series 2016C Bond, or portion thereof, to be redeemed at the address shown as of the close of business on the fifth day prior to the mailing of notice on the Bond Register. The City shall give the Fiscal Agent notice of the redemption date and the Maturity Date and the principal

amounts of each maturity of Series 2016C Bonds to be called for redemption pursuant to the Bond Legislation at least five Business Days prior to the date that the Fiscal Agent is required to give Owners notice of redemption. Series 2016C Bonds to be called for mandatory sinking fund redemption shall be called for redemption by the Fiscal Agent without the necessity of any notice to the Fiscal Agent from the City. Neither the City's failure to give such notice, the Fiscal Agent's failure to give such notice to any Depository (other than as the Owner of Series 2016C Bonds being redeemed), or the registered Owner of any Series 2016C Bonds to be redeemed, or any defect therein, nor the failure of the Depository to notify a Participant or any Participant or Indirect Participant to notify a Beneficial Owner of any such redemption, shall affect the validity of the proceedings for the redemption of any Series 2016C Bonds for which proper notice was given.

The official notice of redemption to Owners shall state:

- (1) the CUSIP numbers of the Series 2016C Bonds to be redeemed,
- (2) the redemption date,
- (3) the redemption price,
- (4) the Series 2016C Bonds to be redeemed,
- (5) if less than all Outstanding Series 2016C Bonds are to be redeemed, the bond numbers and Maturity Dates of the Series 2016C Bonds to be redeemed and, in the case of a partial redemption of a Series 2016C Bond, the principal amount to be redeemed,
- (6) that, subject to the provisions for optional redemption under the Bond Legislation, if applicable, on the redemption date, the redemption price will become due and payable on each Series 2016C Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after that date,
- (7) the place where such Series 2016C Bonds are to be surrendered for payment of the redemption price, the name of a contact person (if the book-entry system is in effect), and the phone number at the office of the Paying Agent, and
- (8) if the redemption is an optional redemption pursuant to the Bond Legislation, that the redemption is conditional, if applicable, stating the conditions set forth in the Bond Legislation for optional redemptions.

The Paying Agent shall comply with any other terms regarding redemption and notice of redemption, as are required by any agreement with a Depository.

Except as provided in the Bond Legislation, notice having been given in the manner provided above, the Series 2016C Bonds or part thereof called for redemption shall become due and payable on the redemption date designated and the Series 2016C Bonds, or part thereof to be redeemed, for which the redemption price is on deposit with the Fiscal Agent, shall not be deemed to be Outstanding and shall cease to bear or accrue interest from and after such redemption date. Subject to the Bond Legislation, upon presentation of a Series 2016C Bond to be redeemed at the office of the Fiscal Agent on or after the redemption date, or, so long as the book-entry system is used for determining beneficial ownership of the Series 2016C Bond being redeemed, upon satisfaction of the terms of any other arrangement between the Fiscal Agent and the Depository, the Fiscal Agent will pay such Series 2016C Bonds or portion thereof called for redemption.

## SECURITY AND SOURCES OF PAYMENT

### Special, Limited Obligations

**The Series 2016C Bonds shall not constitute indebtedness or a debt of the City within the meaning of any constitutional, charter or statutory provision or limitation, nor shall they be considered or held to be general obligations of the City. Neither the credit nor the taxing power of the City is pledged for the payment of the principal of or the interest and premium, if any, on the Series 2016C Bonds and no owner has the right to compel the exercise of the taxing power of the City or the forfeiture of any of its property in connection with any default under the Bond Ordinance.**

The Series 2016C Bonds are special limited obligations of the City and are payable from the Pledged Revenues, on parity with the lien of the State-Shared Gross Receipts Tax Obligations on Pledged Revenues. The Series 2016C Bonds are also secured by any amounts which may be on deposit in the funds and accounts established under the Bond Ordinance.

### Pledged Revenues

#### *Generally*

The following section sets forth certain information relating to the Pledged Revenues. It is important for prospective purchasers to analyze the historical Pledged Revenues and factors which may impact future Pledged Revenues. The City has assumed that the information obtained from sources other than the City is accurate without independently verifying it, but has no reason to believe that such information may be inaccurate. For certain information concerning the City generally, see Appendix A – “ECONOMIC, DEMOGRAPHIC, AND FINANCIAL INFORMATION, INCLUDING AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2015.” **The information in Appendix A is provided to prospective purchasers for purposes of analyzing the financial and overall status of the City, although the Series 2016C Bonds are payable from the Pledged Revenues and otherwise as described under this caption.**

#### *Imposition of Tax*

The Gross Receipts and Compensating Tax Act (Sections 7-9-1 through 7-9-115 NMSA 1978, as amended), authorizes the State to impose the State gross receipts tax, (the “State Gross Receipts Tax”) which is currently levied by the State for the privilege of doing business in the State and is collected by the State Taxation and Revenue Department (the “Department”). The State Gross Receipts Tax is currently levied at 5.125% of taxable gross receipts. Of the 5.125 cents collected per dollar of taxable gross receipts reported for a particular municipality, 1.225 cents are remitted monthly to each municipality based on the prior month’s filings. The total gross receipts tax rate imposed in the City effective on July 1, 2016 is 7.3125%.

#### *Taxed Activities*

For the privilege of engaging in business in the State, the State Gross Receipts Tax is imposed upon any person engaging in business in the State. “Gross Receipts” is defined in the Gross Receipts and Compensating Tax Act as the total amount of money or the value of other consideration received from selling property in the State (including tangible personal property handled on consignment in the State), from leasing or licensing property employed in the State, from granting a right to use a franchise employed in the State, from selling services performed outside the State, the product of which is initially used in the State or from performing services in the State. The definition of gross receipts principally

excludes cash discounts allowed and taken, governmental gross receipts tax, leased vehicle gross receipts tax, local option gross receipts tax and Indian nation sales taxes payable on transactions for the reporting period, any type of time-price differential, amounts received solely on behalf of another in a disclosed agency capacity and amounts received by a New Mexico florist from the sale of flowers under certain circumstances. Unlike most other states, the State taxes sales and services, including legal services, utilities and certain medical services. The tax rate for construction businesses is determined by the location of each construction project. The tax rate for utilities is determined by the location of the meter used to record the amount of service consumed by the customer or the location of the telephone set. For cellular service, it is the location of the customer's place of primary use.

### *Exemptions*

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

### *Administration of the Tax*

Businesses must make their payments of State Gross Receipts Tax on or before the twenty-fifth of each month for taxable events in the prior month. Collection of the State Gross Receipts tax is administered by the Revenue Division of the Department (the "Revenue Division"), pursuant to Section 7-1-6 NMSA 1978. Collections are first deposited into a suspense fund for the purpose of making disbursements for refunds, among other items. On the last day of each month, the balance of the suspense fund is transferred to the State general fund, less the following disbursements to the municipalities in the State. The Revenue Division remits monthly to municipalities, including the City, an amount equal to the product of the quotient of 1.225% divided by the tax rate times the net receipts (total amount paid by taxpayers less any refunds disbursed) attributable to the gross receipts of businesses located in the municipality and other designated areas.

### *Remedies for Delinquent Taxes*

The Revenue Division may assess State Gross Receipts Taxes to a taxpayer who has not paid the taxes due to the State. If any taxpayer to whom State Gross Receipts Taxes have been assessed or upon whom demand for payment has been made does not make payment thereof (or protest the assessment or demand for payment) within 30 days after the date of assessment or demand for payment, the taxpayer becomes a delinquent taxpayer. Such taxpayer remains delinquent until payment of all the taxes due, including interest and penalties, or until security is furnished for the payment thereof. The Revenue Division may, under certain circumstances, enter into an agreement with a delinquent taxpayer to permit monthly installment payments for a period of not more than 60 months. Interest is due on any delinquent tax from the first day following the day on which it is due at the rate of 15.0% per year, compiled on a daily basis, until paid, without regard to any installment agreement. However, if the State Gross Receipts

Tax is paid within ten days after demand is made, no interest shall be imposed for the period after the date of demand.

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

*Historical Revenues*

The Pledged Revenues received by the City for the past five Fiscal Years are as follows:

**Historical Pledged Revenues**

<b>Fiscal Year</b>	<b>Revenues<sup>(1)</sup></b>
2012	\$173,705,642
2013	176,024,010
2014	179,377,813
2015	186,074,619
2016	190,154,484 <sup>(2)</sup>

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

(2) Unaudited.

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

*Historical Taxable Gross Receipts*

The table which follows provides information about the City’s taxable gross receipts by sector since Fiscal Year 2007.

**CITY OF ALBUQUERQUE**  
**Taxable Gross Receipts by Sector and Total Gross Receipts<sup>(1)</sup>**  
**Fiscal Years 2007-2016 (000,000)**

Category <sup>(2)</sup>	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Share of	
											2007	2016
Accommodation and Food Services	\$1,185	\$1,237	\$1,206	\$1,204	\$1,267	\$1,309	\$1,310	\$1,341	\$1,431	\$1,519	8.6%	10.8%
Admin and Support	126	128	127	143	141	129	151	150	171	233	0.9	1.7
Agriculture	7	7	7	4	4	4	5	7	9	14	0.1	0.1
Arts Entertainment and Recreation	56	60	78	80	86	91	88	98	112	122	0.4	0.9
Construction	1,934	1,562	1,446	1,080	1,014	1,008	1,080	1,122	1,154	1,214	14.0	8.6
Educational Services	81	95	91	112	143	123	99	111	103	90	0.6	0.6
Finance and Insurance	143	149	126	108	104	107	115	120	119	123	1.0	0.9
Health Care	690	681	703	721	746	768	799	823	938	1,006	5.0	7.1
Information and Cultural Industries	339	395	375	509	596	777	759	767	797	771	2.4	5.5
Management of Companies	1	18	17	17	15	10	20	23	24	(15)	0.0	(0.1)
Manufacturing	319	312	264	218	262	283	289	333	350	335	2.3	2.4
Mining	2	0	0	0	1	1	1	5	8	7	0.0	0.0
Other Services	1,611	1,653	1,624	1,355	1,421	1,299	1,414	1,400	1,374	1,390	11.6	9.9
Professional Scientific and Technical Services	1,412	1,437	1,511	1,381	1,497	1,462	1,452	1,487	1,547	1,636	10.2	11.6
Public Administration	4	7	2	1	1	0	0	2	2	1	0.0	0.0
Real Estate & Leasing	244	219	186	177	194	232	249	276	310	384	1.8	2.7
Retail Trade	4,151	4,309	4,005	3,884	3,833	3,950	4,023	3,966	4,040	4,125	30.0	29.3
Transportation and Warehousing	128	120	99	104	107	119	114	110	115	102	0.9	0.7
Unclassified Establishments	95	165	97	67	47	39	51	93	138	106	0.7	0.8
Utilities	459	461	460	450	520	550	570	567	564	525	3.3	3.7
Wholesale Trade	<u>857</u>	<u>671</u>	<u>557</u>	<u>484</u>	<u>469</u>	<u>384</u>	<u>386</u>	<u>372</u>	<u>384</u>	<u>380</u>	<u>6.2</u>	<u>2.7</u>
Total Taxable Gross Receipts <sup>(3)</sup>	\$13,859	\$13,689	\$12,983	\$12,107	\$12,474	\$12,656	\$12,993	\$13,195	\$13,689	14,066	100.0%	100.0%
Food - Hold Harmless Distribution	829	1,037	1,019	977	1,014	1,049	1,060	1,098	1,129	1,115		
Medical -Hold Harmless Distribution	<u>408</u>	<u>433</u>	<u>523</u>	<u>470</u>	<u>496</u>	<u>551</u>	<u>514</u>	<u>484</u>	<u>452</u>	<u>446</u>		
Total Taxable Gross Receipts base <sup>(3)</sup>	\$15,096	\$15,156	\$14,524	\$13,548	\$13,977	\$14,245	\$14,550	\$14,756	\$15,271	\$15,627		
Total Gross Receipts <sup>(3)</sup>	\$28,110	\$28,742	\$26,457	\$24,728	\$25,825	\$26,327	\$26,801	\$27,316	\$26,170	\$28,165		

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

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

(3) May not total due to rounding.

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

*Taxing Authority and Payments*

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

**Fiscal Year 2017 Gross Receipts Tax Rate  
(as of July 1, 2016)**

<b>Type of Tax &amp; Purpose</b>	<b>Percentage Imposed</b>
Municipal GRT	1.0000%
Municipal Infrastructure GRT	0.0625
Municipal Capital Outlay GRT	0.1250
Bernalillo County GRT	1.0000
State-Shared GRT	1.2250 <sup>(1)</sup>
State GRT	<u>3.9000</u>
Total	7.3125%

(1) Pledged Revenues.

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. Of the gross receipts taxes listed in the following table, the Series 2016C Bonds are payable only from the Pledged Revenues.

**Fiscal Year 2017 Taxing Authority and Gross Receipts Tax Imposed  
For the Benefit of the City of Albuquerque (as of July 1, 2016)**

<b>Type of Tax &amp; Purpose</b>	<b>Total Taxing Authority</b>	<b>Percentage Imposed</b>	<b>Unused Authority</b>
Municipal GRT			
General Purposes	0.5000%	0.5000%	0.0000%
Basic Services	0.5000	0.0000	0.5000
Transportation	0.2500	0.2500	0.0000
Public Safety	<u>0.2500</u>	<u>0.2500</u>	<u>0.0000</u>
<i>Total Municipal GRT</i>	<u>1.5000%</u>	<u>1.0000%</u>	<u>0.5000%</u>
Municipal Infrastructure GRT			
General Purpose	0.1250%	0.0625%	0.0625%
Econ. Dev. & Transit	0.1250	0.0000	0.1250
Municipal Environmental GRT	0.0625	0.0000	0.0625
Municipal Capital Outlay GRT	0.2500	0.1250 <sup>(2)</sup>	0.1250
Quality of Life GRT	0.2500	0.0000	0.2500
Hold Harmless GRT	0.3750	0.0000	0.3750
<i>Total Other GRT</i>	<u>1.1875%</u>	<u>0.1875%</u>	<u>1.000%</u>
Total Impositions by the City		<u>1.1875%</u>	
State-Shared GRT <sup>(1)</sup>		<u>1.2250%</u>	
Total Distribution to the City		<u>2.4125%</u>	

(1) Pledged Revenues.

(2) BioPark component of Municipal Capital Outlay GRT sunsets 15 years from July 1, 2016.

Source: City of Albuquerque, Office of City Treasurer.

### **Additional Obligations Payable From Pledged Revenues**

The City may issue additional State-Shared Gross Receipts Tax Obligations (in addition to certain refunding obligations), on parity with the Series 2016C Bonds, subject to the following requirements:

(a) the City must be current in the accumulations required to be made pursuant to any ordinance or resolution authorizing the issuance of any State-Shared Gross Receipts Tax Obligations; and

(b) the Pledged Revenues received by the City for either (i) the Fiscal Year or (ii) any twelve consecutive calendar months out of the eighteen calendar months immediately preceding the date of the issuance of such additional State-Shared Gross Receipts Tax Obligations shall have been sufficient to pay an amount representing two hundred and twenty-five percent (225%) of the combined maximum annual principal and interest payments (excluding any reserves therefore) coming due in any subsequent Fiscal Year on: (y) the then Outstanding State-Shared Gross Receipts Tax Obligations, and (z) the State-Shared Gross Receipts Tax Obligations proposed to be issued.

The City is not permitted to issue bonds or incur obligations payable from the Pledged Revenues having a lien thereon prior and superior to the lien of the Series 2016C Bonds and other Outstanding State-Shared Gross Receipts Tax Obligations on Pledged Revenues. Obligations with a lien of Pledged Revenues subordinate to the lien thereon of State-Shared Gross Receipts Tax Obligations may be issued without satisfying the requirements above.

## OUTSTANDING PARITY OBLIGATIONS

### State-Shared Gross Receipts Tax Obligations

The following obligations of the City payable from Pledged Revenues were outstanding as of July 2, 2016.

Issue	Principal Amt. of Original Issue	Outstanding Principal Amount
Taxable Gross Receipts Tax/Lodgers' Tax Refunding Revenue Bonds, Series 2004B <sup>(1)</sup>	\$28,915,000	\$26,315,000
Gross Receipts Tax Revenue Refunding Bonds (Beach, Bluewater and Manzano Vista Projects), Series 2008B <sup>(4)</sup>	11,275,000	890,000
Gross Receipts Tax/Lodgers' Tax Refunding Revenue Bonds, Series 2009A <sup>(1)</sup>	10,535,000	9,820,000
Gross Receipts Tax Refunding Revenue Bonds, Series 2009B	28,305,000	19,445,000
Gross Receipts Tax/Lodgers' Tax/Hospitality Fee Improvement and Refunding Revenue Bonds, Series 2011A <sup>(1)(2)</sup>	22,660,000	13,760,000
Gross Receipts Tax/Stadium Revenue Refunding Revenue Bonds, Taxable Series 2011B <sup>(3)</sup>	11,650,000	8,275,000
Gross Receipts Tax Improvement Revenue Bonds, Series 2013	42,030,000	38,355,000
Gross Receipts Tax/Lodgers' Tax Refunding and Improvement Revenue Bonds, Series 2014A <sup>(1)</sup>	36,960,000	36,645,000
Gross Receipts Tax Improvement Revenue Bonds, Series 2015A	39,085,000	38,820,000
Gross Receipts Tax Improvement Revenue Bonds, Taxable Series 2015B	10,110,000	8,990,000
Gross Receipts Tax Improvement Revenue Bonds, Series 2015C	2,080,000	2,080,000
Gross Receipts Tax/Lodgers' Tax Improvement Revenue Bonds, Taxable Series 2016A <sup>(1)</sup>	24,000,000	23,550,000
Gross Receipts Tax Refunding Revenue Notes (Beach, Bluewater and Manzano Vista Projects), Series 2016B <sup>(4)</sup>	<u>8,430,000</u>	<u>8,430,000</u>
<b>Total</b>	<b>\$276,035,000</b>	<b>\$235,375,000</b>

(1) These Bonds are also secured by lodgers' tax revenues described below under "Lodgers' Tax and Revenues."

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

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

(4) These Bonds are also secured by a pledge of the net system revenues of the City's housing programs.

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

## Lodgers' Tax and Revenue

**The Lodgers' Tax described below does not secure the Series 2016C Bonds, but does secure and may therefore defray debt service on certain State-Shared Gross Receipts Tax Obligations. See "State-Shared Gross Receipts Tax Obligations" herein.**

### *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 (not including State Gross Receipts Tax or local gross receipts tax). The Lodgers' Tax is collected by the City on a monthly basis from the persons and firms furnishing such lodging.

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 such Lodgers' Tax Revenues not pledged to the payment of bonds to satisfy this requirement.

### *Historical Lodgers' Tax Revenues*

The gross taxable rent, and lodgers' tax revenues collected by the City, for the last five Fiscal Years are as follows:

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

<b>Fiscal Year</b>	<b>Gross Taxable Rent<sup>(1)</sup></b>	<b>Lodgers' Tax Revenues</b>
2012	\$201,545,400	\$10,077,271
2013	204,103,740	10,354,566
2014	215,798,301	10,789,915
2015	228,461,360	11,423,068
2016 <sup>(2)</sup>	212,955,560	10,647,778

(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."

(2) Does not include accrued revenues for June 2016.

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

The following table sets forth estimated spending and future confirmed convention bookings in the City by number of individuals and room nights for Fiscal Years 2017-2020. While the numbers of future delegates and room nights are estimates based on historical convention history and therefore may be variable within a particular booking, cancellation of such confirmed future bookings is unlikely.

**CONFIRMED CONVENTION CENTER BOOKINGS**  
**Fiscal Years 2017-2020**

<b>Fiscal Year</b>	<b>Direct Spending</b>	<b>Attendance</b>	<b>Room Nights</b>
2017	\$14,959,532	30,950	33,572
2018	14,410,664	27,335	27,373
2019	10,746,866	22,385	15,884
2020	1,700,539	2,646	1,800

Source: Visit Albuquerque.

*Collection of the City's Lodgers' Tax*

Every vendor or person providing lodging in the City is required to collect the Lodgers' Tax on behalf of the City and remit the proceeds on the 25<sup>th</sup> day of the month to the City accompanied by a sworn statement declaring the gross receipts of the business for the previous calendar month with the City Clerk. Any vendor who fails to remit the Lodgers' Tax due by the 10<sup>th</sup> day of the following month is to be penalized for such failure in the amount of 10% of amount of tax due or an amount of \$100, whichever is greater. After the amount of any Lodgers' Tax is determined, the amount of tax due constitutes a lien in favor of the City upon the personal and real property of the vendor providing lodging. The lien has priority over any lien or encumbrance, except a lien for state and county taxes. Violations of the Lodgers' Tax ordinance for failure to pay the tax, to remit the proceeds of the tax to the City or to account properly for any lodging and the associated tax proceeds shall be punished with a penalty not exceeding 90 days in jail or a \$500 fine, or both.

**Hospitality Fee**

**The Hospitality Fee described below does not secure the Series 2016C Bonds, but does secure and may therefore defray debt service on certain State-Shared Gross Receipts Tax Obligations. See "State-Shared Gross Receipts Tax Obligations" herein.**

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

The hospitality fee revenues collected by the City for the last five Fiscal Years are as follows:

**Historical Hospitality Fee Revenues**

<b>Fiscal Year</b>	<b>Hospitality Fee Revenues</b>
2012	\$2,015,454
2013	2,070,913
2014	2,157,983
2015	2,284,614
2016	2,129,554 <sup>(1)</sup>

(1) Does not include accrued revenues for June 2016.

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

**Stadium Lease Payments and Surcharge**

**The stadium lease payments and surcharge described below do not secure the Series 2016C Bonds, but do secure and may therefore defray debt service on certain State-Shared Gross Receipts Tax Obligations. See “State-Shared Gross Receipts Tax Obligations” herein.**

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

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

The stadium lease revenues and surcharge revenues collected by the City for Fiscal Years 2012 to 2015 are as follows:

**Historical Stadium Lease and Surcharge Revenues**

<b>Fiscal Year</b>	<b>Stadium Revenues</b>
2012	\$1,805,796
2013	1,803,473
2014	1,762,693
2015	1,795,720

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

**ANNUAL DEBT SERVICE REQUIREMENTS AND COVERAGE**

**Annual Debt Service Requirements for the Series 2016C Bonds**

The following schedule shows the annual debt service requirements to be paid on the Series 2016C Bonds.

Series 2016C Bonds

<u>Calendar Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2017	\$590,000.00	\$566,181.81	\$1,156,181.81
2018	735,000.00	683,850.00	1,418,850.00
2019	760,000.00	661,800.00	1,421,800.00
2020	780,000.00	639,000.00	1,419,000.00
2021	805,000.00	615,600.00	1,420,600.00
2022	830,000.00	591,450.00	1,421,450.00
2023	860,000.00	558,250.00	1,418,250.00
2024	895,000.00	523,850.00	1,418,850.00
2025	940,000.00	479,100.00	1,419,100.00
2026	990,000.00	432,100.00	1,422,100.00
2027	1,040,000.00	382,600.00	1,422,600.00
2028	1,080,000.00	341,000.00	1,421,000.00
2029	1,120,000.00	297,800.00	1,417,800.00
2030	1,165,000.00	253,000.00	1,418,000.00
2031	1,215,000.00	206,400.00	1,421,400.00
2032	1,265,000.00	157,800.00	1,422,800.00
2033	1,315,000.00	107,200.00	1,422,200.00
2034	1,365,000.00	54,600.00	1,419,600.00
<b>TOTAL</b>	<b>\$17,750,000.00</b>	<b>\$7,551,581.81</b>	<b>\$25,301,581.81</b>

Source: Municipal Advisor.

**Estimated Total Combined Debt Service**

The Series 2016C Bonds constitute outstanding State-Shared Gross Receipts Tax Obligations. The following table sets forth the estimated combined debt service for the outstanding State-Shared Gross Receipts Tax Obligations upon issuance of the Series 2016C Bonds.

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

Calendar Year	Series 2004B	Series 2008B	Series 2009A	Series 2009B	Series 2011A	Series 2011B	Series 2013	Series 2014A	Series 2015A&B	Series 2015C	Series 2016	Series 2016B	Series 2016C	Combined Debt Service Requirements
2016	\$1,795,059	\$447,625	\$745,019	\$4,303,900	\$2,177,813	\$1,021,923	\$2,995,763	\$1,574,213	\$3,467,632	\$20,829	\$756,557	\$37,701	--	\$19,344,034
2017	1,802,541	479,500	806,019	4,309,900	2,110,813	1,024,673	2,999,513	1,573,213	4,426,453	226,906	803,985	193,890	\$1,156,182	21,913,587
2018	1,803,676	477,750	873,269	4,302,650	2,043,813	1,020,148	2,997,163	1,572,063	4,429,193	228,534	988,985	193,890	1,418,850	22,349,984
2019	1,818,733	--	1,485,669	4,362,400	1,410,313	1,023,398	2,998,513	1,570,763	4,426,958	230,074	1,113,435	813,890	1,421,800	22,675,946
2020	1,816,904	--	1,562,169	4,375,400	1,338,813	1,025,148	2,998,513	1,574,313	4,430,558	231,599	1,233,985	814,630	1,419,000	22,821,032
2021	1,818,996	--	1,642,169	4,313,400	1,258,188	1,022,248	2,996,113	1,572,563	4,428,708	227,889	1,360,635	815,025	1,420,600	22,876,534
2022	1,809,741	--	1,725,169	874,650	1,199,388	1,026,848	2,996,313	1,570,663	2,929,430	229,251	1,483,085	810,075	1,421,450	18,076,063
2023	1,864,678	--	453,706	--	1,196,388	1,023,448	2,999,700	1,573,613	2,933,450	230,525	2,826,335	809,895	1,418,250	17,329,988
2024	1,820,302	--	1,936,806	--	1,196,838	1,022,766	2,995,500	1,576,263	2,929,088	226,743	1,523,635	809,370	1,418,850	17,456,161
2025	1,891,735	--	1,954,150	--	1,196,388	1,019,516	2,998,750	1,576,063	2,928,588	227,896	1,573,135	813,500	1,419,100	17,598,821
2026	4,131,833	--	--	--	1,198,731	1,023,610	2,997,250	1,575,463	2,929,338	228,992	1,425,385	807,170	1,422,100	17,739,872
2027	4,220,896	--	--	--	1,198,631	--	2,996,000	1,574,463	2,931,088	--	1,481,235	815,610	1,422,600	16,640,523
2028	4,306,109	--	--	--	1,196,000	--	2,999,750	1,570,913	2,928,588	--	1,544,685	808,475	1,421,000	16,775,520
2029	4,396,918	--	--	--	--	--	2,998,000	1,571,850	2,928,538	--	1,599,460	811,110	1,417,800	15,723,676
2030	2,182,215	--	--	--	--	--	2,998,200	3,872,100	2,929,038	--	1,665,540	813,285	1,418,000	15,878,378
2031	403,866	--	--	--	--	--	2,999,988	5,747,275	2,929,638	--	1,722,260	--	1,421,400	15,224,427
2032	403,866	--	--	--	--	--	2,998,100	5,839,475	2,932,038	--	1,789,590	--	1,422,800	15,385,869
2033	403,866	--	--	--	--	--	2,998,100	5,935,075	2,931,038	--	1,856,815	--	1,422,200	15,547,094
2034	2,838,866	--	--	--	--	--	2,998,900	3,591,400	2,929,288	--	1,928,535	--	1,419,600	15,706,589
2035	268,967	--	--	--	--	--	1,759,500	6,253,800	2,932,038	--	2,004,150	--	--	13,218,455
2036	5,123,967	--	--	--	--	--	--	1,500,000	2,928,438	--	1,953,900	--	--	11,506,305
2037	--	--	--	--	--	--	--	6,687,200	2,930,438	--	2,060,455	--	--	11,678,093
2038	--	--	--	--	--	--	--	--	2,930,938	--	1,470,185	--	--	4,401,123
<b>Total</b>	<b>\$46,923,734</b>	<b>\$1,404,875</b>	<b>\$13,184,145</b>	<b>\$26,842,300</b>	<b>\$18,722,117</b>	<b>\$11,253,726</b>	<b>\$58,719,629</b>	<b>\$61,452,744</b>	<b>\$75,420,492</b>	<b>\$2,309,238</b>	<b>\$36,165,967</b>	<b>\$10,167,516</b>	<b>\$25,301,582</b>	<b>\$387,868,065</b>

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

## Estimated Coverage Ratios

The State gross receipts tax revenues of the City attributable to the 1.225% levy for Fiscal Year 2016 were \$190,154,484. The maximum calendar year combined debt service requirements for the outstanding State-Shared Gross Receipts Tax Obligations of the City as shown in the preceding table are \$22,876,534 (occurring in calendar year 2021). The coverage ratio of the Fiscal Year 2016 Pledged Revenues to such maximum calendar year combined debt service requirements is 8.4x. The City can make no assurances that Pledged Revenues in future years will maintain the Fiscal Year 2016 level. **Coverage ratios are understated because other sources of revenue such as Lodgers' Tax, hospitality fees, housing revenues and stadium revenues defray the debt service on certain State-Shared Gross Receipts Tax Obligations (other than the Series 2016C Bonds) described under "OUTSTANDING PARITY OBLIGATIONS" above.**

The following table shows the estimated coverage ratios for calendar years 2017-2021 of the Pledged Revenues for Fiscal Year 2016 (assuming the same amount is produced in each of those Fiscal Years) to the estimated calendar year combined debt service requirements of the Series 2016C Bonds and all other Outstanding State-Shared Gross Receipts Tax Obligations which will be outstanding after issuance of the Series 2016C Bonds. See "CERTAIN INVESTMENT CONSIDERATIONS – State Gross Receipts Tax Collections are Subject to Fluctuation."

### Estimated Coverage Ratios Outstanding State-Shared Gross Receipts Tax Obligations (Unaudited)

Calendar Year	Pledged Revenues for Fiscal Year 2016 <sup>(1)</sup>	Estimated Combined Debt Service Requirements for Series 2016C Bonds and Outstanding State-Shared Gross Receipts Tax Obligations <sup>(2)(3)</sup>	Estimated Coverage Ratios <sup>(1)(2)</sup>
2017	\$190,154,484	\$21,913,587	8.7x
2018	190,154,484	22,349,984	8.6x
2019	190,154,484	22,675,946	8.4x
2020	190,154,484	22,821,032	8.4x
2021	190,154,484	22,876,534	8.4x

(1) See "SECURITY AND SOURCES OF PAYMENT – Pledged Revenues."

(2) See "Total Combined Debt Service Outstanding State-Shared Gross Receipts Tax Obligations" table above.

(3) Calendar Year.

## CERTAIN INVESTMENT CONSIDERATIONS

The City expects that the Pledged Revenues will at all times be sufficient to make all required payments of principal and interest on the outstanding State-Shared Gross Receipts Tax Obligations, including the Series 2016C Bonds. A number of factors, however, could adversely affect the City's ability to make timely payments on the Series 2016C Bonds from the Pledged Revenues.

There follows a discussion of some, but not necessarily all, of the possible risk factors which should be carefully evaluated by prospective purchasers of the Series 2016C Bonds prior to purchasing any Series 2016C Bonds. The Series 2016C Bonds may not be suitable investments for all persons, and prospective purchasers should evaluate the risks and merits of an investment in the Series 2016C Bonds,

and should confer with their own legal and financial advisors before deciding to purchase the Series 2016C Bonds.

### **State Gross Receipts Tax Collections are Subject to Fluctuation**

State Gross Receipts Tax collections are subject to the fluctuations in spending related, in part, to national and local economic conditions, which influence the amount of gross receipts taxes collected. This causes gross receipts tax revenues to increase along with the increasing prices brought about by inflation, but also causes collections to be vulnerable to adverse economic conditions and reduced spending. The City's economic base and collections of Pledged Revenues are directly affected by economic activities in the City. The City's retail sales are affected by general economic circumstances.

The Pledged Revenues are based on the total gross receipts of the City. Various circumstances and developments, most of which are beyond the control of the City, may have an adverse effect on the future level of Pledged Revenues. Such circumstances may include, among others, adverse changes in national and local economic and financial conditions generally, reductions in the rates of employment and economic growth in the City, the State and the region, a decrease in rates of population growth and rates of residential and commercial development in the City, the State and the region and various other factors. For the Fiscal Year ended June 30, 2016, Pledged Revenues were \$190,154,484 (unaudited), an increase from \$186,074,619 for Fiscal Year 2015.

### **State Legislative Modifications Related to Pledged Revenues**

Revisions to laws of the State affecting taxed activities and distributions of gross receipts tax revenues could be adopted in the future by the State Legislature. Proposals affecting taxed activities and distributions are frequently considered by the State Legislature. There is no assurance that any future revisions to State laws will not adversely affect activities now subject to the gross receipts tax or distribution of gross receipts tax revenues to the City. Notwithstanding the foregoing, the provisions of State law authorizing the issuance of revenue bonds (including gross receipts tax bonds such as the Series 2016C Bonds) include a provision stating that any law which authorizes the pledge of revenues to the payment of revenue bonds, or which affects the pledged revenue "shall not be repealed or amended or otherwise directly or indirectly modified in such a manner as to impair adversely any such outstanding revenue bonds."

In the 2004 legislative session, a bill was adopted by the Legislature and signed into law that relieved from gross receipts taxes (i) food or food products for home consumption sold at an establishment that sells food for home preparation and consumption and (ii) receipts from payments by a managed health care provider or health care insurer for commercial contract services or Medicare Part C services provided by a health care provider. See Sections 7-9-92 and 7-9-93 NMSA 1978. The laws also provide, pursuant to Section 7-1-6.46 NMSA 1978, for distribution from the State general fund to municipalities to offset any reduced gross receipts tax distributions resulting from the food and health care services tax relief effected by Sections 7-9-92 and 7-9-93. Such offset distributions are included in the Pledged Revenues.

In the 2012 legislation session, the State Legislature amended the State Gross Receipts and Compensating Tax Act as related to certain manufacturing and construction gross receipts. Specifically, the amendment expanded the gross receipts tax deductions for sales of tangible property to manufacturers to include property consumed in the process of manufacturing, excluding tools and equipment. Additionally, the definition of "construction services" was expanded thereby increasing the scope of the deduction for sale of construction services to persons engaged in the construction business. The manufacturing services deductions are phased in at 20% a year with full implementation in Fiscal Year

2018. The full year impact of both the manufacturing and construction deductions in Fiscal Year 2017 is estimated to be a reduction in total Gross Receipts Tax revenues of approximately \$2 million. It reduces the City's expected growth in gross receipts tax by 0.2% in each of Fiscal Year 2016 and Fiscal Year 2017. See "Appendix A – ECONOMIC, DEMOGRAPHIC AND FINANCIAL INFORMATION INCLUDING AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2015."

In the 2013 New Mexico legislative session, legislation was adopted that begins reductions in Make-Whole Distributions starting in Fiscal Year 2016 related to tax deductions for food and medical expenses. The Make-Whole Distributions, under Section 7-1-6.46 NMSA 1978, were implemented when the deductions became law and were designed to make the municipalities financially whole as related to those deductions. Historically, the Make-Whole Distributions represent approximately 10% of the City's gross receipts tax distributions from the State. The Make-Whole Distributions will be reduced incrementally over a 15-year period. This legislation is projected to negatively impact the City's gross receipts tax revenues with an estimated decrease of \$2.3 million in Fiscal Year 2016 for all gross receipts taxes, and negatively impact the City's projected gross receipts tax growth rate by 0.7% over the life of the reductions. The negative impact on Pledged Revenues is projected to be approximately \$2.4 million in Fiscal Year 2017. To offset the negative financial impact, the legislation also authorizes additional local option tax authority for municipalities, up to 0.375%, if they choose to enact it. The City does not currently have plans to impose any of this additional taxing authority.

Other amendments to State laws affecting taxed activities and distribution of gross receipts tax revenues have been proposed from time to time and could be proposed in the future by the Legislature. There is no assurance that any future amendments will not adversely affect activities now subject to the gross receipts tax or distribution of gross receipts tax revenues to the City.

### **Bankruptcy and Foreclosure**

The ability of the State to collect gross receipts taxes owed from an owner or operator of a business may be adversely affected by the filing of a bankruptcy proceeding by the owner. The ability to collect delinquent gross receipts taxes using foreclosure and sale for non-payment of taxes may be forestalled or delayed by bankruptcy, reorganization, insolvency or other similar proceedings affecting the owner or operator of a business. The Federal bankruptcy laws provide for an automatic stay of foreclosure and sale proceedings, thereby delaying such proceedings, perhaps for an extended period. Delays in the exercise of remedies could result in gross receipts tax collections that may be insufficient to pay debt service on Series 2016C Bonds when due.

### **City Cannot Increase Distribution of Taxes**

The City has no control over the rate at which the Pledged Revenues are distributed to the City; the rate of distribution can be increased only by action of the State Legislature. Although it is possible that the State Legislature will increase the rate of distribution to the City, there is currently no legislation proposed or pending to increase the rate of distribution to the City.

### **City's Annual Audit**

Pursuant to certain of its prior continuing disclosure undertakings, the City was 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 (currently a 270-day deadline). Additionally, pursuant to State law, the City is required to provide an audit to the State Auditor by December 1 annually. In recent years (2007-2013), the City's annual audits have been delayed due to implementation of the City's accounting and human resources software and turnover in key City staff positions, thereby delaying the independent auditors'

preparation and release of the City's audit beyond the 180-day deadline. The City has made material progress with its internal procedures and the release date for its annual audit has improved over the past three years. See "CONTINUING DISCLOSURE UNDERTAKING."

### **Government Employment and Federal Sequestration**

Federal, State and local government employment constituted 21.3% of the non-agricultural employment in the City's economy (as of June 30, 2016). These governmental positions are subject to budgetary constraints at all three levels of government. As governments face decreased revenues and rising costs, certain employee positions may be eliminated or are not filled. The City economy experienced a reduction of 1,590 jobs in federal government employment in Fiscal Years 2012 through 2016. These losses are primarily due to continued budget cutting at the federal level, but also includes positions that were moved to civilian contract positions that are not counted as federal government employees. An unknown decrease in employment occurred due to agencies not filling vacancies due to the federal sequestration. On January 17, 2013, the United States Air Force put a hiring freeze on all civilian government employment to prepare for possible reductions. Kirtland Air Force Base has approximately six thousand civilian employees. Local governments experienced a reduction of 1,360 jobs in Fiscal Year 2012 through 2016 due to reductions in government funding and overall weakness in the economy. The State government offset some of these losses with an increase of 1,192 jobs during the same period. See Appendix A – "ECONOMIC, DEMOGRAPHIC AND FINANCIAL INFORMATION INCLUDING AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2015 - Historical Employment by Sector".

The Federal Budget Control Act of 2011 (the "Budget Control Act") passed by the U.S. Congress required the enactment of a plan to reduce the federal deficit by \$1.2 trillion over a ten-year period and automatic budget cuts referred to as "sequestration" to go into effect on January 2, 2013 if such enactment did not take place. On January 2, 2013, while such a plan was not enacted, Congress passed the American Taxpayer Relief Act of 2012 (the "Relief Act") which addressed certain revenue and spending issues and delayed the sequestration until March 1, 2013. On March 1, 2013, the President signed the executive order reducing the budgetary authority in accounts subject to sequester. Federal government employment declines in the City are potentially material due to sequestration and the related federal budget cuts. No assurance may be given that the details relating to the implementation of the sequestration order and its impact will not materially change.

### **Additional Bonds**

The City may issue additional State-Shared Gross Receipts Tax Obligations without bondholder consent, upon meeting coverage or other financial tests. See "SECURITY AND SOURCES OF PAYMENT – Additional Obligations Payable from Pledged Revenues." The issuance of such additional obligations may have an adverse effect on the ability of the City to pay debt service on the Series 2016C Bonds. If Pledged Revenues are insufficient to pay debt service on the Series 2016C Bonds and the outstanding State-Shared Gross Receipts Tax Obligations in any year, debt service will be paid on a proportionate basis.

### **Secondary Market**

Although the underwriters expect to maintain a secondary market in the Series 2016C Bonds, at this time no guarantee can be made that a secondary market for the Series 2016C Bonds will be maintained by the underwriters or others. Owners of Series 2016C Bonds should be prepared to hold their Series 2016C Bonds to maturity or prior redemption.

## **Bond Ratings**

There is no assurance that the ratings assigned to the Series 2016C Bonds will not be lowered or withdrawn at any time, the effect of which could adversely affect the market price or the marketability of the Series 2016C Bonds. See the information herein under the caption “RATINGS.”

## **Potential Limitation of Tax Exemption of Interest on Series 2016C Bonds**

From time to time, the President of the United States, the United States Congress and/or state legislatures have proposed and could propose in the future, legislation that, if enacted, could cause interest on the Series 2016C Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. Clarifications of the Internal Revenue Code of 1986, as amended, or court decisions may also cause interest on the Series 2016C Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation. The introduction or enactment of any such legislative proposals or any clarification of the Internal Revenue Code of 1986, as amended, or court decisions may also affect the market price for, or marketability of, the Series 2016C Bonds. Prospective purchasers of the Series 2016C Bonds should consult their own tax advisors regarding any such pending or proposed federal or state tax legislation, regulations or litigation, as to which Special Tax Counsel expresses no opinion. See “TAX MATTERS – Changes in Federal and State Tax Law.”

## **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” and similar expressions identify forward-looking statements. Any forward-looking statement is subject to uncertainty. Accordingly, such statements are subject to risks that could cause actual results to differ, possibly materially, from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop forward-looking statements will not be realized or unanticipated events and circumstances may occur. Therefore, investors should be aware that there are likely to be differences between forward looking statements and actual results. Those differences could be material and could impact the availability of Pledged Revenues to pay debt service on the Series 2016C Bonds.

## **LITIGATION**

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

### *New Mexico Tort Claims Act Limitations*

The New Mexico Tort Claims Act limits liability to (i) \$200,000 for damage to or destruction of property arising out of a single occurrence, (ii) \$300,000 for all past and future medical and medically-related expenses arising out of a single occurrence, (iii) \$400,000 to any person for any number of claims arising out of a single occurrence for all damages other than property damage and medical and medically-related expenses, as permitted under the New Mexico Tort Claims Act, and (iv) \$750,000 for all claims

other than medical or medically-related expenses arising out of a single occurrence. In two consolidated cases, the City had two judgments entered against it that exceeded these caps on damages under the New Mexico Tort Claims Act. In August 1998, the New Mexico Supreme Court declared the cap on damages unconstitutional as to these two cases only. However, the Court changed the standard from an “intermediate scrutiny” standard to a “rational basis” standard by which the constitutionality issue will be determined in future cases. Since the “rational basis” standard is a lesser standard of scrutiny, the City expects that the cap will be upheld, if challenged in the future. The City has not experienced a material adverse financial impact on claims as a result of the decision in these cases.

### *Risk Management*

The City is exposed to various risks of loss related to torts and civil rights claims (including law enforcement and employment related exposures); theft, damage and destruction of its real and personal assets; workers compensation losses; errors and omissions of City officers and officials; and natural disasters. The City uses the Risk Management Fund to account for and finance its uninsured risks of loss. Under this program, the Risk Management Fund provides coverage for up to a maximum of \$1,500,000 for each workers’ compensation incident, \$1,050,000 for each tort liability claim, and \$50,000 for each City real and contents damage claim. Losses in other categories and catastrophic losses in the mentioned categories are the subject of insurance and/or actuarially reviewed retentions. Whenever a risk exposure is insured, the City continues to benefit from case coverage on claims that were incurred during the insured claim year. The City has not reduced insurance coverage and has not exceeded coverage limits in the past three years.

The Risk Management Fund tracks claims on a fund by fund basis and assesses charges to each fund based on historical claims experience and the need to establish a reserve for unanticipated catastrophic losses. That reserve was \$1,000,000 at June 30, 2015, and is included in the unrestricted net position of the Risk Management Fund. The claims liabilities reported in the Risk Management Fund are based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic factors. Each year reserves are reviewed and increased or decreased based on information available at the time. The estimate of the claims liability also includes amounts for incremental claim adjustments expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. Moreover, pursuant to Section 41-4-25(B) NMSA 1978, in the event of a judgment against the City in excess of \$1,000,000 the City, with Council approval, may levy a tax on real property to provide for the payment of catastrophic losses. In addition, the City started fiscal year 2015 with \$44,935,000 available in the committed General Fund balance.

In 2013, the City conducted a review of both its philosophy for reserving funds and the tools used to analyze the reported claims liability. As a result of this review, and based on information pertaining to existing claims, the City determined that a higher reserve liability was needed. The City increased annual funding to the Risk Management Fund reserve in the amounts of \$2.5 million, \$2.1 million and \$3.6 million per year for Fiscal Years 2015, 2016 and 2017, respectively.

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

### **CONTINUING DISCLOSURE UNDERTAKING**

In connection with its issuance of the Series 2016C Bonds, the City will execute a Continuing Disclosure Undertaking, a form of which is attached as Appendix D hereto, under which it will agree for the benefit of the owners of Series 2016C Bonds (i) to provide audited annual financial statements of the City when available after the end of each Fiscal Year, including Fiscal Year 2016, and to provide certain annual financial information and operating data relating to the City within 270 days of the end of each Fiscal Year, and (ii) to provide timely notice of certain enumerated events, if material.

Pursuant to certain of its prior continuing disclosure undertakings, the City was 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 (no longer the applicable standard) and in other undertakings no later than 270 days after the end of the Fiscal Year. For Fiscal Years 2010 through 2012, the City's annual audits have been delayed due to implementation of the City's accounting and human resources software and turnover in key City staff positions, thereby delaying the independent auditors' preparation and release of the City's audit beyond the 180-day deadline, and in the case of the audits for 2010-2011 beyond 270 days from the end of the fiscal year. The City provided notice of late audits in 2011 and 2012 at 210 days after the close of the fiscal year, a thirty-day delay under the 180-day deadline. The City has made material progress with its internal procedures and the release date for its annual audit has improved over the past three years. The improvements relate to the City staff's increased mastery of the accounting and human resources software, as well as continuity in employment within the affected City departments. The City has timely filed Annual Financial Information as required under its Continuing Disclosure Undertakings, including audited financials for Fiscal Years 2013, 2014 and 2015 prior to the 270-day deadline. Additionally, in the past few years the City did not provide notice to the market of the adjustments in ratings calibrations used by Moody's Investors Services and Fitch Ratings. These rating modifications resulted in upgrades to certain outstanding City obligations. The City also did not provide notice to the market of the downgrade of Assured Guaranty Municipal Corp. which insured certain outstanding obligations of the City. The City intends to maintain compliance with its continuing disclosure undertakings in future years through the collective oversight and effort of current City finance staff and private consultants. The City believes it is in material compliance with its outstanding continuing disclosure obligations.

### **TAX MATTERS**

#### **General**

In the opinion of Kutak Rock LLP, Special Tax Counsel to the City, under existing laws, regulations, rulings and judicial decisions, interest on the Series 2016C Bonds is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum tax. The opinion described in the preceding sentence assumes the accuracy of certain representations and compliance by the City with covenants designed to satisfy the requirements of the Internal Revenue Code of 1986, as amended (the "Code") that must be met subsequent to the issuance of the Series 2016C Bonds. Failure to comply with such requirements could cause interest on the Series 2016C Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2016C Bonds. The City will covenant to comply with such requirements. Special Tax Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Series 2016C Bonds.

Notwithstanding Special Tax Counsel's opinion that interest on the Series 2016C Bonds is not a specific item of tax preference for purposes of the federal alternative minimum tax, such interest will be included in the adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of federal alternative minimum taxable income 75% of the excess of such corporations' adjusted current earnings over their federal alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses).

Special Tax Counsel is further of the opinion that under existing laws, regulations, rulings and judicial decisions, interest on the Series 2016C Bonds is exempt from State of New Mexico state income taxes.

### **Special Considerations With Respect to the Series 2016C Bonds**

The accrual or receipt of interest on the Series 2016C Bonds may otherwise affect the federal income tax liability of the owners of the Series 2016C Bonds. The extent of these other tax consequences will depend upon such owner's particular tax status and other items of income or deduction. Special Tax Counsel has expressed no opinion regarding any such consequences. Purchasers of the Series 2016C Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers otherwise entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Series 2016C Bonds.

### **Backup Withholding**

As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Series 2016C Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments made to any bondholder who fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The reporting requirement does not in and of itself affect or alter the excludability of interest on the Series 2016C Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

### **Changes in Federal and State Tax Law**

From time to time, there are legislative proposals in the Congress and in the various state legislatures that, if enacted, could alter or amend the federal and state tax matters referred to under this heading "TAX MATTERS" or adversely affect the market value of the Series 2016C Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series 2016C Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2016C Bonds or the market value thereof would be impacted thereby. Purchasers of the Series 2016C Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Special Tax Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2016C Bonds, and Special Tax

Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

### **Tax Treatment of Original Issue Premium**

The Series 2016C Bonds are being sold at a premium. An amount equal to the excess of the issue price of a Series 2016C Bond over its stated redemption price at maturity constitutes premium on such Series 2016C Bond. An initial purchaser of a Series 2016C Bond must amortize any premium over such Series 2016C Bond's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Series 2016C Bonds callable prior to their maturity, by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to the call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser's basis in such Series 2016C Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Series 2016C Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Series 2016C Bonds should consult with their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Series 2016C Bond.

### **LEGAL MATTERS**

In connection with the issuance and sale of the Series 2016C Bonds, Modrall, Sperling, Roehl, Harris & Sisk, P.A., Albuquerque, New Mexico, as Bond Counsel, expects to deliver the opinion attached in Appendix C hereto. Certain tax matters will be passed on by Kutak Rock LLP, Denver, Colorado, as Special Tax Counsel to the City in the form of its opinion in Appendix C hereto. Certain legal matters relating to the Series 2016C Bonds will be passed upon for the City by the office of the City Attorney and the City's Disclosure Counsel, Sherman & Howard L.L.C. Neither Disclosure Counsel nor Bond Counsel have participated in any independent verification of the information concerning the financial condition of the City contained in this Official Statement. The Underwriters are being represented by Hogan Lovells US LLP, Denver, Colorado.

### **INDEPENDENT ACCOUNTANTS**

Moss-Adams LLP audited the financial statements of the City as of and for the year ended June 30, 2015 and delivered their report to the New Mexico State Auditor and the City. The complete Comprehensive Annual Financial Report of the City of Albuquerque – Audited General Purpose Financial Statements – as of and for the Fiscal Year ended June 30, 2015, as well as for previous fiscal years, are public documents and are available from the New Mexico State Auditor and on the City website at <http://www.cabq.gov>. An excerpt from the 2015 audit is included in Appendix A to this Official Statement. Moss-Adams LLP has not been engaged to review this Official Statement or any information contained herein.

### **UNDERWRITING**

The Underwriters listed on the cover of this Official Statement have agreed to purchase (i) the Series 2016C Bonds from the City pursuant to a Bond Purchase Agreement dated August 15, 2016 (the "Bond Purchase Agreement"), for \$20,502,501.54 (being the par amount of the Series 2016C Bonds plus an original issue premium of \$2,827,539.05 and less an Underwriters' discount of \$75,037.51). The Bond Purchase Agreement provides that the Underwriters will purchase all of the Series 2016C Bonds if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth

in the Bond Purchase Agreement, including the approval of certain legal matters by counsel and certain other conditions. The price at which the Series 2016C Bonds are offered to the public (and the yield resulting therefrom) may vary from the initial public offering price appearing on the inside cover page of this Official Statement. In addition, the Underwriters may allow commissions or discounts from such initial offering prices to dealers and others.

The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the City, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short position in such securities and instruments. Such investment and securities activities may involve securities and investments of the City.

Citigroup Global Markets Inc., an underwriter of the Series 2016C Bonds, has entered into a retail distribution agreement with each of TMC Bonds, L.L.C. (“TMC”) and UBS Financial Services Inc. (UBSFS”). Under these distribution agreements, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of UBSFS and the electronic primary offering platform of TMC. As part of this arrangement, Citigroup Global Markets Inc. may compensate TMC (and TMC may compensate its electronic platform member firms) and UBSFS for their selling efforts with respect to the Series 2016C Bonds.

J.P. Morgan Securities LLC (“JPMS”), one of the underwriters of the Series 2016C Bonds, has entered into negotiated dealer agreements (each, a “Dealer Agreement”) with each of Charles Schwab & Co., Inc. (“CS&Co.”) and LPL Financial LLC (“LPL”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase Series 2016C Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2016C Bonds that such firm sells.

## **RATINGS**

The following ratings have been assigned to the Series 2016C Bonds: Moody’s has assigned the Series 2016C Bonds a rating of “Aa2”; S&P has assigned the Series 2016C Bonds a rating of “AAA”; and Fitch has assigned the Series 2016C Bonds a rating of “AA+”.

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 agencies. The City has furnished to each rating agency certain information and materials relating to the Series 2016C Bonds and the City, some of which may not have been included in this Official Statement. Generally, rating agencies base their ratings on such



## APPENDIX A

### ECONOMIC, DEMOGRAPHIC AND FINANCIAL INFORMATION, INCLUDING AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2015

#### ECONOMIC AND DEMOGRAPHIC INFORMATION

The statistics and other information set forth below have been obtained from the referenced sources. The City has assumed that the information obtained from sources other than the City is accurate without independently verifying it. Historical figures provided under this caption have not been adjusted to reflect economic trends such as inflation. The following information, to the extent obtained from sources other than the City, is not to be relied upon as a representation or guarantee of the City.

#### The City and Metropolitan Area

Albuquerque is the largest city in the State, accounting for roughly one-quarter of the State's population. Located at the center of the State in Bernalillo County (the "County") at the intersection of two major interstate highways and served by both rail and air, Albuquerque is the major trade, commercial and financial center of the State.

#### CITY OF ALBUQUERQUE Area in Square Miles

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

---

Source: City of Albuquerque Planning Department

## Population

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

### POPULATION

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

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

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

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

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

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

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

## Age Distribution

The following table sets forth a comparative age distribution profile for the City, the State and the United States as of January 1, 2015.

### POPULATION BY AGE GROUP

<u>Age</u>	<u>City</u>	<u>State</u>	<u>United States</u>
0-17	23.51%	24.49%	23.15%
18-24	9.45	9.74	9.91
25-34	15.30	13.28	13.29
35-44	12.93	11.78	12.67
45-54	12.70	12.59	13.60
55-64	12.24	13.05	12.70
65-74	7.99	8.92	8.46
75 and Older	5.88	6.15	6.22

---

Source: © 2015 Nielsen Company, *Site Reports*.

## Employment

### *General*

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

The information on non-agricultural employment for the State and the Albuquerque MSA reported in the following table represents estimates by the New Mexico Department of Workforce Solutions and U.S. Bureau of Labor statistics. More detailed information on non-agricultural employment can be found below under “Historical Employment by Sector” in the table entitled “Estimated Non-Agricultural Wage and Salary Employment for the Albuquerque MSA Fiscal Years 2007-2016”.

**NON-AGRICULTURAL EMPLOYMENT  
(000s)**

<b>Fiscal Year</b>	<b><u>ALBUQUERQUE MSA</u></b>		<b><u>NEW MEXICO</u></b>		<b><u>UNITED STATES</u></b>	
	<b><u>Employment</u></b>	<b><u>% Chg.</u></b>	<b><u>Employment</u></b>	<b><u>% Chg.</u></b>	<b><u>Employment</u></b>	<b><u>% Chg.</u></b>
2007	396.5	2.4%	838.5	2.1%	137,354	1.5%
2008	397.9	0.4	847.4	1.1	138,151	0.6
2009	389.0	(2.3)	831.8	(1.8)	134,374	(2.7)
2010	375.7	(3.4)	805.4	(3.2)	130,173	(3.1)
2011	373.2	(0.6)	802.5	(0.4)	131,002	0.6
2012	370.2	(0.8)	801.6	(0.1)	133,093	1.6
2013	373.2	0.8	808.7	0.9	135,212	1.6
2014	375.3	0.6	813.3	0.6	137,563	1.7
2015	378.5	0.9	824.3	1.3	140,430	2.1
2016	383.0	1.2	827.2	0.4	143,134	1.9

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

## CIVILIAN EMPLOYMENT/UNEMPLOYMENT RATES

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

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

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

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

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

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

Source: City survey of employers.

### Historical Employment by Sector

The following table describes by industry sector the estimated nonagricultural wage and salary employment for the Albuquerque MSA during the past ten years.

**ESTIMATED NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT FOR THE ALBUQUERQUE MSA  
FISCAL YEARS 2007-2016**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2015 to 2016</u>	Annual Average	Sector Share	
											Growth 2007- <u>2016</u>	<u>2016</u>	
												<u>ABQ</u>	<u>U.S.</u>
Total Nonagricultural	396,508	397,933	388,950	375,650	373,233	370,167	373,183	375,342	378,533	383,008	1.2%	-0.4%	100.0%
Natural Resources/Mining/Constr.	31,375	29,808	26,050	22,592	21,075	19,467	19,525	20,017	20,467	20,417	-0.2	-4.7	5.3
Manufacturing	24,133	22,883	20,250	17,517	17,650	17,775	17,617	16,925	16,433	16,175	-1.6	-4.3	4.2
Trade Transportation and Utilities	68,675	69,550	66,017	62,792	62,292	61,883	62,250	63,083	63,600	63,883	0.4	-0.8	16.7
• Wholesale Trade	13,692	13,692	12,700	12,217	11,817	11,717	11,783	11,775	11,892	11,767	-1.1	-1.7	3.1
• Retail Trade	44,167	44,825	43,025	41,125	40,942	40,650	40,775	41,567	41,767	42,342	1.4	-0.5	11.1
• Transportation, Warehousing and Utilities	10,817	11,033	10,292	9,450	9,533	9,517	9,692	9,742	9,942	9,775	-1.7	-1.1	2.6
Information	9,617	9,333	9,308	9,158	8,808	8,208	8,417	7,833	7,983	8,417	5.4	-1.5	2.2
Financial Activities	19,367	19,092	18,500	18,292	17,642	17,658	17,775	17,892	17,917	18,058	0.8	-0.8	4.7
Professional and Business Services	64,367	65,275	63,658	59,008	58,308	56,800	56,875	57,225	57,017	57,733	1.3	-1.2	15.1
Educational and Health Services	48,642	49,942	52,725	54,175	55,192	56,033	57,308	58,417	60,592	63,050	4.1	2.9	16.5
Leisure and Hospitality	39,158	39,408	37,950	37,200	37,225	38,000	39,258	40,217	41,583	41,850	0.6	0.7	10.9
Other Services	12,183	12,308	12,292	11,817	11,842	11,817	11,775	11,692	11,667	11,725	0.5	-0.4	3.1
Government	78,992	80,333	82,200	83,100	83,200	82,525	82,383	82,042	81,275	81,700	0.5	0.4	21.3
<b>LOCAL GOVERNMENT</b>	39,067	40,225	41,625	41,617	41,342	40,708	40,683	40,475	40,092	39,983	-0.3	0.3	10.4
<b>STATE GOVERNMENT</b>	25,375	25,625	25,658	25,850	26,083	26,342	26,800	27,233	26,967	27,533	2.1	0.9	7.2
<b>FEDERAL GOVERNMENT</b>	14,550	14,483	14,917	15,633	15,775	15,475	14,900	14,333	14,217	14,183	-0.2	-0.3	3.7

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

## Major Industries

The following narrative discusses the trends in each major sector of the Albuquerque economy. The latest information available to the City is for Fiscal Year 2016 (ending June 30, 2016) unless otherwise noted. The City makes no projections or representations, nor shall the provision of such information create any implication that there has been no change in the described employment sectors of the City or that any historical trends set forth herein will continue.

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

In general the Albuquerque economy has not recovered as well from the recession as the United States as a whole or the majority of other states or metropolitan areas. Albuquerque has shown growth the last four fiscal years, however, some of the growth in Fiscal Year 2013 is attributable to revisions of data. In Fiscal Year 2016, the changes in employment in the Albuquerque MSA were generally positive, increasing 1.2% above Fiscal Year 2015. Employment for the same period increased 0.4% and 1.9% in the State of New Mexico and the United States, respectively.

The unemployment rates in both Albuquerque and the State remained below the United States unemployment rate from Fiscal Years 2000 to 2013. In Fiscal Years 2014 through 2016 the rate in Albuquerque exceeded the U.S. rate. Even though the unemployment rate has declined in the Albuquerque MSA, the decline has slowed and some of reduction is due to workers leaving the labor force and not being counted as unemployed.

Trade, Transportation and Utilities. This sector is composed of retail trade, wholesale trade, transportation and utilities and constitutes approximately 16.7% of Albuquerque MSA employment. As a whole, employment in this sector decreased by an annual average of 0.8% from Fiscal Year 2007 to Fiscal Year 2016. From Fiscal Year 2013 to 2016, the sector showed some limited growth with an annual average increase of 0.9%. Retail trade is the largest employment sector in this grouping with 11.1% of total employment and a trend in employment that is similar to the entire group. Retail trade is an important sector for the City and makes up approximately 36% of gross receipts tax revenues. Gross receipts tax revenues from retail trade were adversely affected during the recession with layoffs in this sector and have only recently shown any growth.

Educational and Health Services. Albuquerque is a major regional medical center. Presbyterian Healthcare Services is one of the largest employers in the area. This is the fastest growing category in the Albuquerque MSA economy. From Fiscal Year 2007 to Fiscal Year 2016, the average annual growth was 2.9%. The sector now makes up 16.5% of non-agricultural employment. Much of this growth initially was due to a change in Medicare policy that allows payment for home healthcare. The expansion of the Medicaid program due to the Affordable Care Act is also expected to have a positive impact on employment in this sector. Although the educational sector is small in comparison to the health services sector, the educational sector has also grown substantially in the past several years. In Fiscal Year 2015 and 2016, the growth of the health services and educational sectors accelerated 3.7% and 4.1%, respectively.

Leisure and Hospitality. This sector includes eating and drinking establishments as well as hotels and other tourist-related facilities. Employment for the sector showed average annual growth of 1.4%

from Fiscal Year 2006 to Fiscal Year 2016. This sector has been one of the fastest growing sectors, and together with the educational and health services sector, were the only private sectors that exceeded the pre-recession maximum in 2016. The sector comprises 11% of total non-agricultural employment. Gross Receipts tax revenues for this sector has increased in every fiscal year since 2011 making it one of the largest contributors to gross receipts tax.

Lodging accounts for approximately 10% of the total gross receipts tax revenues for this sector. Lodgers' tax revenues in Fiscal Year 2009 showed a decline of 11.2%, with an additional 2% decline in Fiscal Year 2010. Lodgers' tax revenues have generally increased between Fiscal Year 2010 and Fiscal year 2015 with 5.2% growth and in Fiscal Year 2016 tax revenue will exceed the pre-recession peak.

Professional and Business Services. This sector includes temporary employment agencies, back-office operations, Sandia National Labs ("Sandia") and other scientific and research facilities. This sector had peak employment in Fiscal Year 2008 of 65,275 jobs, decreasing to 56,800 jobs in Fiscal Year 2012 and only growing to 57,733 by Fiscal Year 2016. Much of this decrease is due to declines in engineering and architectural services as construction slowed dramatically. The sector now accounts for 15.2% of non-agricultural employment in the Albuquerque MSA.

The budget for Sandia National Labs has remained about \$2.2 billion for Fiscal Years 2008 to 2010, and increased to approximately \$2.7 billion in the federal Fiscal Year 2014. There were some modest increases in Fiscal Years 2015 and 2016. The Sandia Science and Technology Park houses research facilities and/or manufacturing that benefit from the expertise available from Sandia. In addition to continued strength at Sandia, there have been major expansions and/or openings for Lowe's Fidelity Investments and Sitel. Both of these are customer support or call centers.

Manufacturing. This sector accounted for 4.3% of MSA employment in Fiscal Year 2014. Manufacturing employment has declined substantially with a loss of nearly 7,700 from Fiscal Year 2007 to Fiscal year 2016. Notably, events over the past few years include Schott Solar closing its manufacturing plant in June of 2012, resulting in a loss of 250 positions, and Bendix/King, a subsidiary of Honeywell Aerospace, moving its headquarters to Albuquerque with an estimated 140 jobs. United Poly Systems is taking over part of the former Shott Solar Plant and will manufacture plastic pipe and employ 25 individuals. Nova Corporation is using the remainder of the Shott plant for a data center, training and business incubator. They will use 133,000 square feet of space, but no estimate of employment was provided. The Flagship Food Group, a food manufacturer is expanding production and is expected to hire 125 workers, with expansion plans to employ 300 people. New Mexico Food Distributors is opening a freezer facility at Mesa del Sol that should allow them to create 80 new jobs.

Information. This sector includes businesses in publishing, broadcasting, telecommunications and internet service establishments. The sector had an average annual decline in employment of 1.9% from Fiscal Year 2007 to Fiscal Year 2016, in part due to closures of call centers for MCI, Comcast and QWEST (now Century Link). Currently this sector makes up 2.0% of non-agricultural employment. The film industry is included in this sector and there has been significant activity in this sector in recent years in large part due to the State's film tax credits program. In addition to movies and television shows being filmed in Albuquerque, a large sound studio (Albuquerque Studios) has been built within the City. In August of 2014 Comcast announced that they will build a new call center with employment of 450 people, which is currently under construction.

Government. From Fiscal Year 2007 to 2016 government employment (comprised of federal, state and local employees) has increased its share of non-agricultural employment in the City from 19.9% to 21.3%. However, the sector lost approximately 1,500 jobs from Fiscal Years 2011 to 2016 due to reductions in government funding and overall weakness in the economy. "Government," as defined by

the U.S. Department of Labor for purposes of reporting non- agricultural employment, does not include military employment, which represents approximately 4,860 jobs in the Albuquerque MSA. In addition, “government” does not include employment at Sandia which is operated by a private contractor, although funded by the federal government (primarily the Department of Energy), and its approximately 8,900 jobs are counted in the Professional and Business Services sector discussed above. Some of the largest employers in the Albuquerque MSA are in the government sector, including Albuquerque Public Schools, the University of New Mexico, Kirtland Air Force Base and the City.

Federal government employment in Albuquerque increased by approximately 1,225 jobs from Fiscal Year 2007 to Fiscal Year 2011, with many of these jobs with the U.S. Forest Service. However, from Fiscal Year 2011 through Fiscal Year 2015 there was a reduction of 1,092 federal jobs. The City believes the reductions in federal government employment in Fiscal Year 2012 were most likely due to federal agencies not filling vacancies in preparation for possible cuts through sequestration. Also, on January 17, 2013, the United States Air Force put a hiring freeze on all civilian government employment to prepare for possible reductions. Such hiring freeze is no longer in effect. State government employment has increased 2,158 jobs from Fiscal Year 2007 to 2016. Fiscal Year 2015 was the only year with a decrease in employment (267 jobs). The majority of these jobs are at the University of New Mexico and the University of New Mexico Hospital. Local government employment from Fiscal Year 2007 to Fiscal Year 2016 lost approximately 917 jobs after a rapid increase of 2,560 jobs in Fiscal Years 2007 to 2009. Local government includes tribal casinos in this sector, some of which have evolved into destination resorts. Several of these resorts are operated by private companies and employment is therefore included in the private sector. The largest portion of employment in the local government sector is the Albuquerque Public Schools.

Military. Federal military employment is not specifically categorized as a non-agricultural employment sector within the City. However, military employment is an important part of the Albuquerque economy. Kirtland Air Force Base is a major military installation and home to over 150 different operations. Kirtland Air Force Base has approximately 6,000 civilian employees. The University of New Mexico’s Bureau of Business and Economic Research estimated that total military employment in the Albuquerque MSA declined about 300 jobs between Fiscal Years 2007 and 2016. The general downtrend of military jobs reflects in part the decision of the military to replace some military jobs with civilians.

Financial Activities. This sector includes finance, insurance, credit intermediation and real estate. Currently, the Financial Activities sector comprises 4.7% of the non-agricultural employment in the City. Employment in this sector experienced 0.8% average annual decline from Fiscal Year 2005 to Fiscal Year 2015. From Fiscal Year 2007 to Fiscal Year 2012 the sector lost approximately 1,725 jobs. The job losses result primarily from the slowdown in the real estate market and the problems and consolidation of the financial sector in general. In Fiscal Year 2012 through 2016 the sector posted gains as real estate and banking improved by adding 417 jobs. Employment in this sector was assisted when Fidelity Financial located in Mesa del Sol in 2008. Fidelity Financial currently employs at least 500 individuals.

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

Between Fiscal Years 2003 through 2005, construction of single-family housing units peaked in the City with an annual average of 5,000 single-family housing permits. Single family permits began

declining in 2006 and fell to only 436 permits in Fiscal Year 2009. Single family permits have generally increased since 2009 and reached 915 in Fiscal Year 2016. The value of new commercial permits declined from Fiscal Years 2008 to 2010 but has showed increases through Fiscal Year 2016. However, the value of commercial permits in Fiscal Year 2016 was only 54% of the permit value in Fiscal Year 2008. Some of these declines in recent years were offset by public construction. In Fiscal Year 2012, despite a decrease in new commercial permit values, there was an increase of 6.7% overall in building permit values. While still at historically low levels, this was the first increase in total building permit values since Fiscal Year 2006. Total permit values generally continued this upward trend though Fiscal Year 2015 but showed a decline in the overall value of permits in Fiscal Year 2016, mostly due to declines in multi-family construction and additions and alterations. Additions and alterations showed strong growth with Fiscal Year 2013 being one of the highest totals in the past ten years largely due to public projects. Mostly due to the decline in public projects in Fiscal Year 2015 there was a decline in alterations. Fiscal Year 2016 showed a large increase in additions and alterations led by commercial and single-family permits.

## BUILDING PERMITS ISSUED IN THE CITY OF ALBUQUERQUE

Fiscal Year	Single Family		Multi-Family		Commercial		Public		Additions & Alterations	Total Permits
	Permits	\$ Value	Units	\$ Value	Permits	\$ Value	Permits	\$ Value	\$ Value	\$ Value
2007	2,490	\$467,022,842	1,083	\$103,574,132	125	\$206,558,035	4	\$14,681,069	\$268,512,462	\$1,060,348,540
2008	1,214	222,075,316	638	45,836,909	124	220,788,429	10	79,282,230	225,299,537	793,282,421
2009	436	77,223,886	198	18,549,849	81	103,040,438	20	58,529,283	233,224,405	490,567,861
2010	876	140,369,408	168	14,763,081	34	26,197,123	8	18,076,792	209,624,603	409,031,007
2011	725	120,749,010	278	37,022,789	45	65,940,484	1	3,300,300	165,845,129	392,857,712
2012	846	153,465,589	350	32,509,563	36	46,257,090	4	31,907,654	165,883,476	430,023,373
2013	923	170,470,736	945	73,378,214	63	78,523,292	4	5,545,791	226,949,710	554,867,742
2014	841	163,980,975	898	81,296,532	152	103,214,914	7	16,859,014	198,430,162	563,781,597
2015	871	167,352,011	449	39,390,742	112	116,776,561	10	17,257,410	165,159,484	505,936,208
2016	915	184,770,209	567	43,676,768	88	119,913,663	13	27,886,373	230,591,376	606,838,389
Growth 2015 to 2016	5.1%	10.4%	26.3%	10.9%	(21.4)%	2.7%	30.0%	61.6%	39.6%	19.9%

**Below**

Total Housing Units in the City of Albuquerque	Total Units	Single Family	Multi-Family	Mobile Homes & Others
As of 1990 Census	166,870	101,780	55,931	9,159
1990-2000 Housing Units Added	31,844	24,863	7,354	(373)
As of 2000 Census	198,714	126,643	63,285	8,786
2000-2010 Housing Units Added	40,452	35,858	3,554	1,040
As of 2010 Census	239,166	162,501	66,839	9,826
2011-2016 Housing Units Added (permitted)	8,608	5,121	3,487	NA
Estimated Units as of July 2016	247,774	167,622	70,326	9,826

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

## Income

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

### PER CAPITA PERSONAL INCOME

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

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

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

**PERCENT OF HOUSEHOLDS BY  
EFFECTIVE BUYING INCOME GROUPS**

<b>Effective Buying Income Group</b>	<b>Albuquerque MSA</b>	<b>New Mexico</b>	<b>United States</b>
Under \$25,000	26.4%	28.4%	23.5%
\$25,000 - \$34,999	11.4%	11.6%	10.2%
\$35,000 - \$49,999	13.8%	14.1%	13.6%
\$50,000 - \$74,999	17.9%	17.1%	17.8%
Over \$75,000	30.5%	28.8%	34.9%
2013 Est. Median Household Income	\$47,699	\$43,273	\$49,297
2014 Est. Median Household Income	\$44,391	\$44,292	\$51,579
2015 Est. Median Household Income	\$48,234	\$45,633	\$53,706

Source: © 2015 The Nielsen Company, *Sitereports*.

**FINANCIAL INFORMATION**

**General**

*Taxes and Revenues*

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

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

*Budget Process - Operating Funds*

The City operates on a Fiscal Year basis, from July 1 through June 30. Pursuant to the City Charter, the Mayor, in consultation with the Council, formulates the City's operating budget and submits it to the Council on or before April 1 of each year. Budget data is prepared on the modified accrual basis, consistent with the City's basis of accounting. Governmental funds, expendable trust funds, and agency

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

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

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

#### *Budget Process - Capital Funds*

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

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

## **The General Fund**

### *General Fund Revenues.*

The General Fund is the City's primary operating fund and is used to account for the general operations of the City and for all financial resources, except those required to be accounted for in another fund. The City has reserve accounts created by the City's policy to reserve one-twelfth of the General Fund budgeted amount. Set forth below are discussions of General Fund revenues in Fiscal Year 2015, the approved Fiscal Year 2016 budget, estimated revenues for Fiscal Year 2016 and the approved Fiscal Year 2017 budget.

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

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

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

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

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

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

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

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

### *Fiscal Year 2016 Approved Budget and Estimated Revenues*

This section describes the Fiscal Year 2016 approved budget for revenues and updated Fiscal Year 2016 estimates prepared during the Fiscal Year 2017 budget process. At the time of preparing the Fiscal Year 2016 budget, the Fiscal Year 2015 revenues were unaudited.

The approved Fiscal Year 2016 budget for revenues was \$499.3 million, an increase of \$9.5 million or 2.0% above the actual revenues for Fiscal Year 2015. Recurring revenues are budgeted to increase by 2.2% from the actual Fiscal Year 2015 revenues. The Fiscal Year 2016 estimate is approximately \$4 million above the approved budget. This increase is a combination of increased estimates of gross receipt taxes, building permits and charges for services.

*Gross Receipts Taxes.* The recurring gross receipts tax revenues for Fiscal Year 2016 were expected to increase 2.5% over Fiscal Year 2015 estimated revenue. However, the estimated Fiscal Year 2015 revenues did not include a non-recurring \$1.7 million payment from the Winrock Tax Increment District. The increase was based on expected economic growth, but tempered by the first year of reductions in the food and medical hold harmless distribution estimated at \$2.2 million. The estimate for Fiscal Year 2016 recurring gross receipt taxes is 2.7% growth above the actual Fiscal Year 2015 level or 3.0% higher if penalty and interest and the local share of compensating tax are excluded. Compensating tax is based on the state-wide compensating tax which fell dramatically with the fall in oil prices.

*Local Tax Revenues.* The Fiscal Year 2016 budgeted property tax revenues were expected to grow by 1.2% and franchise fee revenues including the Water Authority were expected to be 1.2% above Fiscal Year 2015 levels. The updated Fiscal Year 2016 estimate holds property taxes at the budgeted level, but reduces franchise revenues by \$412 thousand due to weakness in the natural gas and cable franchises. This reduction was somewhat offset by strength in the electricity franchise.

*Licenses and Permits.* Building permit revenues for Fiscal Year 2016 were expected to show relatively strong growth at 5.7% from the Fiscal Year 2015 estimated revenues. This estimate assumed that Fiscal Year 2015 was \$1.2 million below the original budget estimate and corresponds with the slower growth in building permit values. Other permits revenues show limited growth of approximately 1% and are tied to growth in population and the economy. The updated estimate for Fiscal Year 2016 includes an increase in building permits of \$691 thousand based on stronger commercial permit activity. This is a 10.4% increase over Fiscal Year 2015. There was a small downward adjustment of \$30 thousand in other permits.

*Charges for Services.* Charges for services are expected to increase \$1.2 million from the estimate for Fiscal Year 2015. \$946 thousand of this increase is due to increases in the indirect overhead charges to other City funds. The updated estimate includes an additional \$868 thousand for a variety of charges including daycare charges at community centers and construction related services.

*Other Transfers.* Transfers from other funds are expected to increase by \$1.7 million with \$1.3 million of this is due to one-time revenue that was received from the special assessments district fund as past projects were closed.

### *Fiscal Year 2017 Approved Budget (Revenues)*

This section describes the Fiscal Year 2017 revenues for the Fiscal Year 2017 budget that was approved in May of 2016. Fiscal Year 2017 revenues are estimated to be \$515.4 million or 2.4% above the Fiscal Year 2016 estimated actual. This budget also includes \$2.4 million in one-time revenue due to

the next increased loss in the Make-Whole Distributions in Fiscal Year 2018. The gross receipts tax base is expected to increase 2.9%; limited by the reduction in the Make-Whole Distributions.

*Gross Receipts Taxes.* Gross receipt tax revenues continue to increase although revenues have been erratic. In the first eight months of Fiscal Year 2016 gross receipts tax as measured by the 1% distribution are 2.9% above the same period in Fiscal Year 2015, but the monthly year over year growth has varied between a 2.7% decrease and a 14.4% increase. In Fiscal Year 2017 the one-percent distribution is expected to grow at 2.9%, limited by the additional reduction in the food and medical hold harmless distribution as well as reductions due to expanded activity at the Tax Increment Development Districts (“TIDDs”) and the manufacturing input gross receipts tax deductions.

*Local Tax Revenues.* Fiscal Year 2017 revenues are expected to increase only 1.6% due to the limitation of yield control. The amount of tax is then reduced by \$200 thousand to account for a distribution to the Mesa Del Sol TIDD. The adjusted growth rate in franchise revenues in Fiscal Year 2017 are expected to show slow growth of only 1.0%. This growth comes from the electric franchise, offset in part by declines in telephone and cable TV franchises. There are no rate increases built into any of the utility franchise estimates.

*Licenses and Permits.* Building permits are expected to grow 10% above the Fiscal Year 2016 estimate, continuing relatively strong growth. Other permits are expected to grow by \$241 thousand due to increases in fees charged by the Planning Department for permitting vacant buildings.

*Charges for Services.* Charges for services are expected to increase by \$1.4 million in Fiscal Year 2017 above the estimated for Fiscal Year 2016. There is an increase of \$830 thousand in funding positions to manage and oversee capital projects. The BioPark capital project funded by a new 0.125% tax is \$424 thousand with the remaining funding for transportation tax projects and general capital projects. There are increases in some planning review and inspection fees increasing revenue by \$86 thousand. Changes in the indirect overhead plan increase revenues from charges to enterprise funds by \$462 thousand.

*Other Transfers.* Transfers from other funds will decline by \$1.2 million. This reflects the one-time transfer of \$1.3 million from the Special assessments. Revenue is increased \$130 thousand with transfer from the Cultural and Recreation Projects to help fund operations of the Balloon Museum.

#### *Fiscal Year 2017 Approved Budget (Expenditures)*

The approved General Fund budgeted expenditures for Fiscal Year 2017 are \$526.4 million which reflects a 4.3% increase over the original Fiscal Year 2016 budget of \$504.5 million and a 2.1% increase over the revised budget that included mid-year appropriations of reserves for wage increases. The Fiscal Year 2017 budget includes \$13.5 million in non-recurring appropriations including funding for vehicles, computers, a subsidy to the Golf Fund, and costs related to the agreement between the US Department of Justice and the City.

Significant recurring cost increases include employee pay adjustments of 2% on average subject to negotiation with collective bargaining units, increased water costs at Parks, additional positions at Planning to accommodate increased building activity, additional transfers to debt service for new revenue bonds, and capital coming-on-line.

Health care costs were held relatively flat in part due to a successful wellness program. The Fiscal Year 2017 Budget also includes continued funding for social service contracts, special events, and economic development initiatives that were part of the Fiscal Year 2016 approved budget.

The City successfully entered into another fuel hedge agreement for Fiscal Year 2017. Prices were locked in at \$1.44 per gallon for unleaded and \$1.45 per gallon for diesel, not including taxes. Both of these prices are significantly lower than the prices set for Fiscal Year 2016. By utilizing this financial tool, the City is able to know with certainty what it will pay for most of its fuel, allowing for available dollars to be re-allocated for other purposes.

The Fiscal Year 2017 budget includes funding for a bolstered Clean City Initiative that will concentrate on re-stripping of streets, litter pick-up and weed control, as well as abandoned properties in blighted areas.

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

General Fund revenues for Fiscal Year 2016 are estimated at \$503.4 million, \$4.1 million or less than 1% higher than the original Fiscal Year 2016 budget. The budget for Fiscal Year 2017 is at \$515.4 million, \$11.9 million or 2.3% higher than the estimate for Fiscal Year 2016. Gross receipts tax revenue, which makes up 64% of General Fund revenues, is estimated to have grown 2.9% overall in Fiscal Year 2016 as compared to the final Fiscal Year 2015 amount. A detailed discussion of General Fund revenues is included in the “Revenue Analysis” section of this document.

Budgeted 2017 total General Fund reserves are at \$45.3 million. Two hundred thirty-six thousand dollars of that is held for securing a large sporting event to be held in Albuquerque. The base reserve is \$43.9 million, representing 1/12 of appropriations as required by policy and state law. Beyond that, \$1.2 million is reserved for fiscal prudence.

The Fiscal Year 2017 General Fund budget reflects a 3.2% increase in revenue as compared to the original Fiscal Year 2016 budget and 2.4% increase as compared to the revised estimate for Fiscal Year 2016. Appropriations for the General Fund are 4.4% higher for Fiscal Year 2017 as compared to the original Fiscal Year 2016 budget, mostly the reflection of money appropriated from reserve for wage increases. Those wage increases were appropriated mid-year in Fiscal Year 2016 which is why the percentage increase is 3.1% when comparing Fiscal Year 2017 to the estimated Fiscal Year 2016 column in the table below.

<b>GENERAL FUND</b> in (\$000's)							
(\$000's)	<b>Original Budget FY/16</b>	<b>Estimated Actual FY/16</b>	<b>Change Original FY/16 &amp; Est. FY/16</b>	<b>% Change Est. FY/15 to Original FY/16</b>	<b>Approved Budget FY/17</b>	<b>% Change Original FY/16 &amp; Appvd. FY/17</b>	<b>% Change Est. FY/16 &amp; Appvd. FY/17</b>
<b>Revenue:</b>							
Recurring	\$495,332	\$499,200	\$3,868	0.78%	\$512,950	3.56%	2.75%
Non-recurring	<u>4,005</u>	<u>4,210</u>	<u>205</u>	5.12%	<u>2,431</u>	-39.30%	-42.26%
<b>TOTAL</b>	<b>\$499,337</b>	<b>\$503,410</b>	<b>\$4,073</b>	<b>0.82%</b>	<b>\$515,381</b>	<b>3.21%</b>	<b>2.38%</b>
<b>Appropriations:</b>							
Recurring	\$493,635	\$493,430	(\$205)	-0.04%	\$512,929	3.91%	3.95%
Non-recurring	<u>10,843</u>	<u>16,928</u>	<u>6,085</u>	56.12%	<u>13,469</u>	24.22%	-20.43%
<b>TOTAL</b>	<b>\$504,478</b>	<b>\$510,358</b>	<b>\$5,880</b>	<b>1.17%</b>	<b>\$526,398</b>	<b>4.35%</b>	<b>3.14%</b>
Recurring Balance	\$1,697	\$5,770			\$21		

## General Fund Balances

The following table shows actual revenues, expenditures and fund balances for the General Fund in Fiscal Years 2011-2015, the approved budget and estimates for Fiscal Year 2016 and the approved budget for Fiscal Year 2017.

	Actual 2011	Actual 2012	Actual 2013	Actual 2014	Actual 2015	Approved Budget 2016	Estimated 2016	Approved Budget 2017	Average Annual Chg 12-17 budget
<b>REVENUES</b>									
Taxes:									
Property Tax	\$74,578	\$76,802	\$77,720	\$78,282	\$79,233	\$80,320	\$80,320	\$81,360	1.2%
Gross Receipts Tax	114,789	116,721	117,955	120,695	125,628	127,101	128,430	132,184	2.5%
Other Taxes	18,186	20,321	19,563	19,764	19,397	19,996	19,668	19,935	-0.4%
Water Authority PILOT/ Franchise	5,323	5,900	6,006	5,513	7,065	7,384	7,300	7,300	4.3%
Payment in lieu of taxes	1,741	1,756	1,706	1,714	1,847	1,756	1,756	1,803	0.5%
Total Taxes	214,617	221,501	222,950	225,968	233,170	236,557	237,474	242,582	1.8%
Licenses & Permits	9,629	10,370	11,342	11,705	11,307	11,314	11,973	12,897	4.5%
Intergovernmental Revenue:									
State and Federal Grants	114	118	262	55	--	--	--	--	-100.0%
State-Shared Revenue:									
Gross Receipts Tax <sup>(1)</sup>	173,587	176,610	178,753	182,859	190,912	192,892	194,124	199,827	2.5%
Other State-Shared	4,757	4,429	4,040	4,516	4,062	4,110	4,110	4,110	-1.5%
County	308	290	448	238	264	257	301	282	-0.6%
Total Intergovernmental Revenue	178,766	181,447	183,503	187,667	195,239	197,259	198,535	204,219	2.4%
Charges for Services	41,162	45,558	44,088	46,036	45,848	48,274	48,996	50,374	2.0%
Miscellaneous	2,362	2,782	2,825	2,235	1,648	2,130	2,629	2,705	-0.6%
Other Transfers	6,057	3,581	3,407	4,319	2,624	3,803	3,803	2,604	-6.2%
<b>TOTAL REVENUES</b>	<b>452,591</b>	<b>465,239</b>	<b>468,114</b>	<b>477,930</b>	<b>489,836</b>	<b>499,337</b>	<b>503,410</b>	<b>515,381</b>	<b>2.1%</b>
Beginning Fund Balance	45,163	53,225	59,223	58,339	63,444	51,013	63,309	56,360	1.2%
<b>TOTAL RESOURCES</b>	<b>497,754</b>	<b>518,464</b>	<b>527,338</b>	<b>536,269</b>	<b>553,280</b>	<b>550,350</b>	<b>566,719</b>	<b>571,741</b>	<b>2.0%</b>
<b>EXPENDITURES</b>									
General government	64,739	64,966	66,093	64,215	66,072	NA	NA	NA	
Public safety	218,142	220,378	219,690	217,958	229,495	NA	NA	NA	
Cultural and recreation	67,623	68,121	68,892	71,129	70,082	NA	NA	NA	
Municipal Development (Public Works and Streets)	23,899	24,507	25,338	24,110	29,477	NA	NA	NA	
Health	15,878	16,090	16,793	15,951	16,340	NA	NA	NA	
Human services	27,389	28,176	28,747	29,346	31,397	NA	NA	NA	
Other transfers out	28,362	37,002	43,447	50,118	47,108	NA	NA	NA	
<b>TOTAL EXPENDITURES</b>	<b>446,032</b>	<b>459,240</b>	<b>468,999</b>	<b>472,826</b>	<b>489,971</b>	<b>504,478</b>	<b>510,358</b>	<b>526,398</b>	<b>2.8%</b>
<b>ENDING FUND BALANCE</b>	<b>51,723</b>	<b>59,223</b>	<b>58,339</b>	<b>63,443</b>	<b>63,309</b>	<b>45,872</b>	<b>56,360</b>	<b>45,343</b>	<b>-5.2%</b>
<b>TOTAL ADJUSTMENTS</b>	<b>(2,879)</b>	<b>(2,994)</b>	<b>(2,185)</b>	<b>(3,249)</b>	<b>(3,470)</b>	<b>(72)</b>	<b>(35)</b>	<b>(35)</b>	<b>-59.0%</b>
Reserves	37,961	41,094	41,454	44,935	42,842	45,207	43,881	45,303	2.0%
<b>AVAILABLE FUND BALANCE</b>	<b>10,883</b>	<b>15,135</b>	<b>14,700</b>	<b>15,259</b>	<b>16,997</b>	<b>593</b>	<b>12,445</b>	<b>6</b>	
Ending fund balance as percent of total expenditure	11.6%	12.9%	12.4%	13.4%	--	9.1%	11.0%	8.6%	
Recurring revenues	449,557	462,059	465,784	471,811	484,920	495,332	499,200	512,950	2.0%
Recurring expenditures	441,549	447,242	455,484	455,670	465,657	493,635	493,430	512,928	2.3%

(1) These numbers are larger than the historical State-Shared Gross Receipts Tax Revenues shown under "SECURITY AND SOURCES OF PAYMENT" hereunder due to the inclusion of penalties, interest and the municipal share of compensatory tax.

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

## **Revenues**

### *Intergovernmental Revenues*

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

### *Municipally Determined Revenues*

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

Local Option Gross Receipts Taxes. The City has authority under the Municipal Local Option Gross Receipts Taxes Act (Sections 7-19D-1, et seq. NMSA 1978, as amended) to impose up to 1.50% municipal gross receipts tax on the gross receipts of any person engaging in business in the City. The municipal gross receipts tax imposed by the City on January 1, 2016 is 1.00%. The City is statutorily authorized to impose a municipal infrastructure gross receipts tax in the maximum amount of 0.25%. Currently, the City imposes a 0.0625% municipal infrastructure gross receipts tax for general purposes. The City has authority to impose an additional 0.0625% municipal infrastructure gross receipts tax for general purposes without a referendum and may impose, with voter approval, an additional 0.125% municipal infrastructure gross receipts tax for general municipal purposes, infrastructure, regional transit and/or economic development. The City has authority to impose a 0.0625% municipal environmental services gross receipts tax and a 0.25% municipal capital outlay gross receipts tax for municipal infrastructure and other purposes, but has declined to impose these taxes.

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

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

## **Property Taxes**

### *Generally*

The State Constitution limits the rate of real property taxes which all taxing jurisdictions can levy for operations to a maximum of 20 mills (\$20.00 per \$1,000 of assessed valuation). Beginning in Fiscal Year 1987, the maximum levy for City operations (the "operational levy") has been 7.650 mills. The operational levy is subject to yield control. The yield control provisions of Section 7-37-7.1 NMSA 1978, as amended, require that the Local Government Division of the New Mexico Department of Finance and

Administration annually adjust operational mill levies subject to yield control after the reassessment of property to prevent revenues on locally assessed residential and non-residential properties from increasing by more than the sum of 5% for inflation plus the growth in the tax base due to new value. In cases in which a rate is set for a governmental unit that is imposing a newly authorized rate pursuant to Section 7-37-7 NMSA 1978, the rate must be at a level that will produce in the first year of imposition revenues no greater than that which would have been produced if the valuation of property subject to the imposition had been the valuation in the Tax Year in which the increased rate was authorized by the taxing district. The yield control provisions do not apply to the property tax levy imposed to pay debt service on outstanding general obligation debt.

A 1998 amendment to the State Constitution allows the State Legislature to enact legislation providing for the assessment of residential properties at levels different than the current estimated market value of a home on the basis of age of the owner, income, or home ownership. Section 7-36-21.2 NMSA 1978, as amended, limits increases in the value of residential property for taxation purposes beginning with the Tax Year 2001 (“Statutory Valuation Cap”). The section provides that, with respect to properties within a county assessing properties in the aggregate at or greater than 85% of their market value, a property’s new valuation shall not exceed 103% of the previous year’s valuation or 106.1% of the valuation two years prior to the Tax Year in which the property is being valued. This does not apply to residential properties in their first year of valuation, physical improvements made to the property or instances where the owner or the zoning of the property has changed in the year prior to the Tax Year for which the value of the property is being determined. The constitutionality of the Statutory Valuation Cap has been challenged in a number of venues and the most recent challenge was certified to the New Mexico Court of Appeals. On March 28, 2012, the New Mexico Court of Appeals upheld the Statutory Valuation Cap and its application under Section 7-36-21.2 NMSA 1978. The New Mexico Supreme Court affirmed this decision on June 30, 2014. To the extent that judicial or legislative action is taken or a further constitutional amendment is passed amending the valuation provisions, it could have a material impact on the valuation of residential property.

*Rates*

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

<b>Purpose of Property Tax</b>	<b>Total Taxing Authority</b>	<b>Levy Imposed</b>	<b>Unused Authority</b>
Operations:			
Residential	7.650 mills	6.544 mills	1.106 mills
Commercial		6.544 mills	1.106 mills
Debt Service: <sup>(1)</sup>	12.000 mills <sup>(2)</sup>		
Residential		4.976 mills	7.024 mills
Commercial		4.976 mills	7.024 mills

(1) Debt service levy is a function of assessed value and bonds outstanding authorized in City general elections every two years.  
(2) The City is authorized to contract debt, after an election, and is required to levy a tax, not exceeding 12 mills on the dollar, for payment of the debt from such election. The 12 mill limitation is applicable at the time of bond issuance and prohibits issuance of a general obligation bond if the anticipated mill levy necessary to satisfy debt service is greater than 12 mills. An existing general obligation can require imposition of the mill levy in excess of 12 mills if so required to meet debt service obligations.

Source: City of Albuquerque, Office of City Treasurer.

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

*Limits Regarding General Obligation Indebtedness*

The aggregate amount of general obligation indebtedness of the City for general purposes under the State Constitution is limited to 4% of, and the single debt limitation to 12 mills on, the assessed value of taxable property within the City (excepting the construction or purchase of a water or sewer system with general obligation indebtedness, which has no limit). Schools are limited to 6% of the assessed valuation and counties are limited to 4% of the assessed valuation.

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

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

---

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

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

**CITY OF ALBUQUERQUE**  
**Direct and Overlapping General Obligation Debt**  
**As of January 1, 2016<sup>(1)</sup>**

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

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

**RATIOS**

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

- (1) The City issued additional general obligation debt in the approximate amount of \$78 million in March 2016.  
(2) Amount does not include any bonds which have been advance refunded and fully defeased by an escrow containing cash and securities.  
(3) Statutory maximum of general obligation debt of \$80,000,000.  
(4) United States Census Bureau.

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

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

**GENERAL OBLIGATION DEBT**

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

(1) United States Census Bureau.

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

(3) Available for debt service.

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

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

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

(1) The City issued additional general obligation debt in the amount of \$78,023,000 in March 2016.

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

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

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

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

Sources: City of Albuquerque Comprehensive Annual Financial Reports.

### *Tax Administration*

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

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

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

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

Source: Bernalillo County Treasurer's Office.

**Top 10 Ad Valorem Taxpayers for Tax Year 2015 (Fiscal Year 2016)<sup>(1)</sup>**

<b>Name of Taxpayer</b>	<b>Taxable Value<sup>(2)</sup> 2015 Assessed</b>	<b>Percentage of Total City Assessed Valuation</b>
Public Service Co. of New Mexico	\$175,028,144	1.19%
Qwest Communications	65,678,039	0.44
Gas Company of New Mexico	40,961,206	0.28
Comcast	29,590,859	0.20
Verizon	19,210,452	0.13
Simon Property Group	12,051,009	0.11
AHS Medical Center	12,051,009	0.08
Southwest Airlines	17,390,944	0.12
AT&T	10,525,008	0.07
T-Mobile	11,662,172	0.08
<b>Top Ten Centrally and Locally Assessed Values</b>	<b><u>\$398,060,166</u></b>	<b><u>2.68%</u></b>

- (1) Major taxpayers are those taxpayers that have a tax bill on a single piece of property of at least \$50,000. In figuring the total tax bills for these taxpayers, only their properties with tax bills of \$50,000 or more are included except Public Service Company (PNM), which has multiple tax bills. The list is compiled once a year, usually in November, and does not reflect final net taxable values. As a result of methodology, year to year comparisons may not be meaningful.
- (2) The aggregate net taxable value of the top 10 taxpayers for Tax Year 2015 represents only 2.68% of the total net taxable value of the City for 2015. See the following table entitled "City of Albuquerque History of Property (Ad Valorem) Tax Levy and Collection."

Source: Bernalillo County Treasurer's Office.

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

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

- (1) Includes both operating and debt service levies. Reported each January by the County Treasurer based on tax bills, including those under protest.
- (2) Decline in debt service collections due to shift in mill levy designation from debt service to operations.

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

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

<b>Fiscal Year</b>	<b>Total Tax Levy</b>	<b>City</b>	<b>Bernalillo County</b>	<b>State of New Mexico</b>	<b>Abq. Public Schools</b>	<b>Central NM Community College</b>	<b>Flood Control Authority</b>	<b>UNM Hospital</b>	<b>Conservancy District</b>
2005	46.160	11.149	9.536	1.028	8.493	3.174	0.934	6.500	5.346
2006	44.367	11.080	8.369	1.234	8.415	3.069	0.920	6.317	4.963
2007	44.766	11.148	8.575	1.291	8.489	3.489	0.936	6.487	4.655
2008	46.169	11.112	8.464	1.250	10.582	3.151	0.926	6.429	4.255
2009	46.535	11.180	8.697	1.150	10.637	3.187	0.937	6.500	4.247
2010	46.958	11.410	8.500	1.530	10.656	3.271	0.931	6.400	4.260
2011	47.285	11.410	8.825	1.530	10.656	3.273	0.931	6.400	4.260
2012	42.831	11.520	8.907	1.362	10.645	3.322	0.934	6.400	4.368
2013	43.089	11.520	9.082	1.360	10.652	3.400	0.935	6.400	4.313
2014	44.232	11.520	9.511	1.360	10.653	3.935	0.935	6.400	4.325
2015	48.625	11.520	9.701	1.360	10.780	3.550	0.935	6.400	4.379

Source: Bernalillo County Treasurer's Office.

**Retirement Plan**

The City participates in a pension plan organized on a statewide basis and operated by the State of New Mexico. The Public Employees' Retirement Association of New Mexico ("PERA"), established by Section 10-11-1 et seq. NMSA 1978, as amended, requires contributions to its plan (the "Plan"), computed as a percentage of salary, from both employee and employer for all full time employees. The majority of State and municipal employees in New Mexico participate in the Plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. As required by State law, eligible employees are required to contribute between 7.74% and 18.15% of their gross salary, depending on the specific plan type, and the City is required to contribute between 7.40% and 21.65% of eligible employees' gross covered salary, depending on the specific plan type. The City's liability under the Plan is limited to the periodic employer contributions that it is required to make for its participating employees. The City's required contributions to PERA for the years ending June 30, 2015, 2014 and 2013 were \$33,311,341, \$32,575,247 and \$31,526,501, respectively, which equal the legally required contributions for each year. The City's total contributions to PERA, including the employer required contributions and the portion the City pays for the employees for the years ending June 30, 2015, 2014 and 2013 were \$72,235,762, \$58,202,765 and \$60,980,095, respectively. On June 25, 2012, the Governmental Accounting Standards Board approved Statement No. 68 which requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. Statement No. 68 requires cost-sharing employers, such as the City, to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. Statement No. 68 is effective for fiscal years beginning after June 15, 2014.

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

Actuarial information is shown below:

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

Membership <sup>(1)</sup>	92,732
Actuarial Information	
Accrued Liability <sup>(2)</sup>	\$17,784,376,686
Actuarial Value of Assets <sup>(3)</sup>	\$13,482,815,522
Unfunded Actuarial Accrued Liability	\$4,301,561,164
Funded Ratio	75.8%

(1) Includes both state and municipal divisions.

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

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

Source: Public Employees Retirement Association

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

In Fiscal Year 2016, the City elected to early implement Governmental Accounting Standards Board Statement 82 which will result in a restatement for prior year net position. The impact of the restatement is expected to decrease overall net position by \$27.6 million (unaudited).

**Other Post-Employment Benefits**

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

The State of New Mexico Retiree Health Care Act (the “Health Care Act”) provides comprehensive core group health insurance for persons who have retired from certain public services in New Mexico. The purpose of the Health Care Act is to provide eligible retirees, their spouses, dependents, and surviving spouses and dependents with health insurance consisting of a plan, or optional plans, of benefits that can be purchased by funds deposited by the employer into the Retiree Health Care Fund and by co-payments or out-of-pocket payments of eligible retirees. Each participating retiree pays a monthly premium for the medical plus basic life plan. Each participating employer makes contributions to the Fund in the amount of 3.666% of each participating employee’s annual salary. Each participating employee contributes to the Fund an employee contribution equal to 1.833% of the employee’s annual salary. The City remitted \$2,918,196 in Fiscal Year 2015, \$5,350,483 in Fiscal Year 2014, \$5,470,619 in Fiscal Year 2013 and \$5,301,347 in Fiscal Year 2012, which equaled at least the required contributions for each year.

**EXCERPT FROM THE COMPREHENSIVE ANNUAL FINANCIAL REPORT  
OF THE CITY OF ALBUQUERQUE - AUDITED GENERAL  
PURPOSE FINANCIAL STATEMENTS - AS OF AND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

## REPORT OF INDEPENDENT AUDITORS

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

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

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

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

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

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

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Albuquerque Housing Authority, a component unit of the City, which represents all of the balances and activity reported for the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Albuquerque Housing Authority, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

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

### ***Opinions***

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

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

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

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

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

***Other Matters***

***Required Supplementary Information***

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

***Other Information***

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

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

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

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

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

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

*Mess Adams LLP*

Albuquerque, New Mexico  
December 15, 2015

**This page intentionally left blank**

**FINANCIAL SECTION**

the 1990s, the number of people who have been employed in the public sector has increased in all countries. The increase in public sector employment has been particularly rapid in the United Kingdom, where the public sector has grown from 10.5% of the total workforce in 1980 to 17.5% in 1997. This increase has been driven by a number of factors, including the expansion of the welfare state, the growth of the health and education sectors, and the expansion of the public sector in other areas such as housing and transport.

The increase in public sector employment has also been driven by a number of other factors, including the growth of the public sector in other areas such as housing and transport. The growth of the public sector in other areas has been driven by a number of factors, including the expansion of the welfare state, the growth of the health and education sectors, and the expansion of the public sector in other areas such as housing and transport.

The growth of the public sector in other areas has been driven by a number of factors, including the expansion of the welfare state, the growth of the health and education sectors, and the expansion of the public sector in other areas such as housing and transport. The expansion of the welfare state has been driven by a number of factors, including the growth of the health and education sectors, and the expansion of the public sector in other areas such as housing and transport.

The expansion of the welfare state has been driven by a number of factors, including the growth of the health and education sectors, and the expansion of the public sector in other areas such as housing and transport. The growth of the health and education sectors has been driven by a number of factors, including the expansion of the public sector in other areas such as housing and transport.

The expansion of the public sector in other areas such as housing and transport has been driven by a number of factors, including the growth of the health and education sectors, and the expansion of the public sector in other areas such as housing and transport. The growth of the health and education sectors has been driven by a number of factors, including the expansion of the public sector in other areas such as housing and transport.

The growth of the health and education sectors has been driven by a number of factors, including the expansion of the public sector in other areas such as housing and transport. The expansion of the public sector in other areas such as housing and transport has been driven by a number of factors, including the growth of the health and education sectors, and the expansion of the public sector in other areas such as housing and transport.

The expansion of the public sector in other areas such as housing and transport has been driven by a number of factors, including the growth of the health and education sectors, and the expansion of the public sector in other areas such as housing and transport. The growth of the health and education sectors has been driven by a number of factors, including the expansion of the public sector in other areas such as housing and transport.

The growth of the health and education sectors has been driven by a number of factors, including the expansion of the public sector in other areas such as housing and transport. The expansion of the public sector in other areas such as housing and transport has been driven by a number of factors, including the growth of the health and education sectors, and the expansion of the public sector in other areas such as housing and transport.

The expansion of the public sector in other areas such as housing and transport has been driven by a number of factors, including the growth of the health and education sectors, and the expansion of the public sector in other areas such as housing and transport. The growth of the health and education sectors has been driven by a number of factors, including the expansion of the public sector in other areas such as housing and transport.

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

This section of the City of Albuquerque's (City) Comprehensive Annual Financial Report (CAFR) presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

### **FINANCIAL HIGHLIGHTS**

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

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The City's basic financial statements contain three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplementary information to the basic financial statements.

#### **Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The *statement of net position* presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflow of resources with the differences between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether or not the financial position of the City is improving or deteriorating. The *statement of activities* presents information showing how the City's net position changed during the fiscal year. In this statement, all changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in

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

cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation and sick leave.

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

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

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

#### Fund Financial Statements

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

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

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

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

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

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

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

- **Agency fund** – The City's agency fund is reported as a fiduciary fund. Since the resources of this fund are not available to support the City's own programs, it is not reflected in the government-wide financial statements. The accounting used for fiduciary funds is much like that used for proprietary funds.
- **Trust fund** – The Albuquerque Pooled Other Post-Employment Benefits fiduciary trust fund has been established for the payment of non-pension post-employment benefits to retirees. The trust fund is used to account for resources held in the trust City of Albuquerque (City) and the Albuquerque Bernalillo County Water Utility Authority. The City of Albuquerque reports their allocable portion of the trust's net position.

**Notes to the Financial Statements**

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

**Required Supplementary Information (RSI)**

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

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

**Combining Statements**

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

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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

Statement of Net Position  
 (in millions)

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

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

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

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

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

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

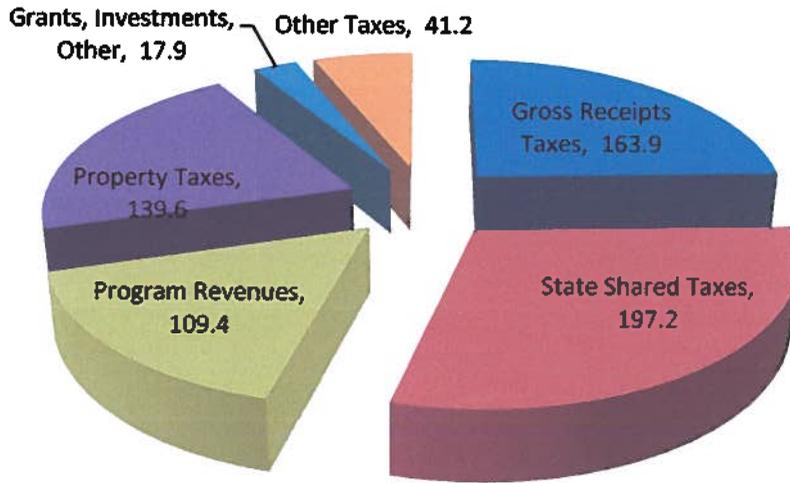
**CHANGE IN NET POSITION**  
(in millions of dollars)

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

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

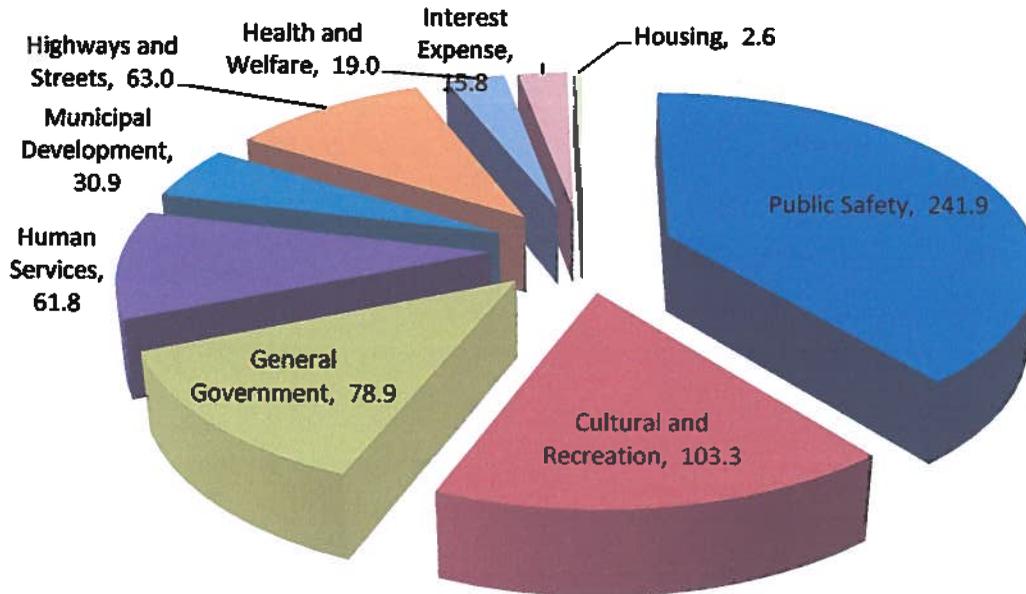
**Governmental Revenues by Source**

In Millions



**Governmental Expenditures by Function**

In Millions

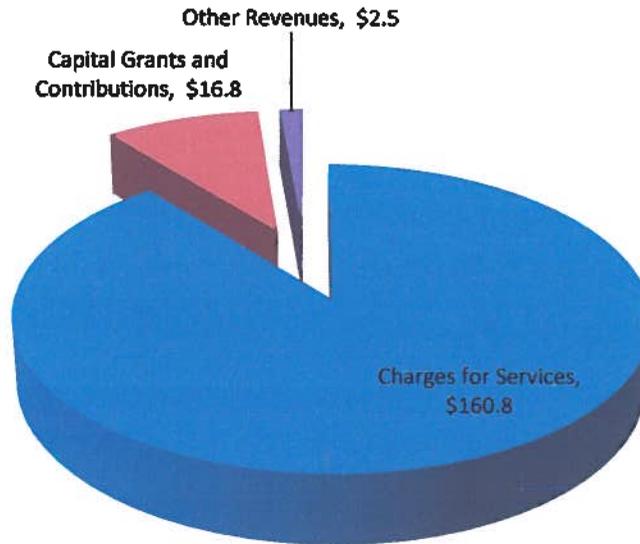


**Governmental activities** – Governmental activities increased the City's net position by \$19.8 million. Governmental activities revenue increased by \$7.9 million, or (1.2%) from \$661.3 million in fiscal year 2014 to \$669.2 million in fiscal year 2015. Key elements in the change of the City's governmental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

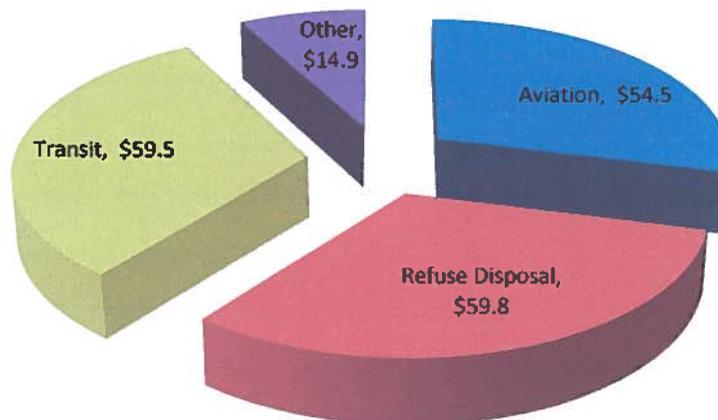
**CITY OF ALBUQUERQUE, NEW MEXICO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2015**

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

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



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



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

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

million in fiscal year 2015, or by 20.1%. Key factors for the decreases in the business type activities net position and revenues are explained below:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

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

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

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

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

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

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

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

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

The ratio of net general obligation bonded debt to taxable valuation and the amount of bonded debt per capita are useful indicators to management, citizens and investors of the City's debt position. The State's constitution provides for a legal debt limit of 4% of taxable valuation for general purpose only. The percentage for the City of Albuquerque is 2.95% of the \$12.2 billion taxable value of property within the City's boundaries. The City currently may issue up to an additional \$128 million of general purpose obligation bonds and has \$361.2 million of general purpose obligation debt outstanding subject to the legal debt limit at June 30, 2015. The net general bonded debt per capita is \$649. The highest per capita amount of \$675 was in fiscal year 2013. The lowest per capita amount was \$338 in the fiscal year ended 2003. The ratings on the City's uninsured general obligation bonds and gross receipts tax bonds for fiscal year 2015 are as follows:

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

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

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

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

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

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

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

Source Global Insight and FOR-UNM October 2014 Baseline Forecasts

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

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

#### **Request for Information**

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

**This page intentionally left blank**

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



**This page intentionally left blank**

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

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

The accompanying notes are an integral part of these financial statements

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

The accompanying notes are an integral part of these financial statements

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

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

**General Revenues:**

Taxes:

Property taxes

Franchise taxes

Hospitality taxes

Lodgers' taxes

Gross receipts taxes, local option

Payments in lieu of taxes

NM shared taxes and fees not restricted to specific programs

Grants and contributions not restricted to specific programs

Special assessments collected

Miscellaneous revenue

Unrealized gain (loss) on investments

Unrestricted investment earnings

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

**Transfers**

Total general revenues and transfers

Change in net position

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

Net position, June 30

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

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

The accompanying notes are an integral part of these financial statements

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

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

The accompanying notes are an integral part of these financial statements

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

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

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

The accompanying notes are an integral part of these financial statements

**This page intentionally left blank**

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

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

The accompanying notes are an integral part of these financial statements

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

The accompanying notes are an integral part of these financial statements

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

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

The accompanying notes are an integral part of these financial statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The accompanying notes are an integral part of these financial statements

Business-type Activities - Enterprise Funds

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

The accompanying notes are an integral part of these financial statements

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

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

The accompanying notes are an integral part of these financial statements

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

The accompanying notes are an integral part of these financial statements

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

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

The accompanying notes are an integral part of these financial statements

**Business-type Activities - Enterprise Funds**

**Governmental  
Activities -  
Internal  
Service  
Funds**

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

The accompanying notes are an integral part of these financial statements

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

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

The accompanying notes are an integral part of these financial statements

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

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

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

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

The accompanying notes are an integral part of these financial statements

## Business-type Activities - Enterprise Funds

Governmental  
Activities -  
Internal  
Service  
Funds

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

The accompanying notes are an integral part of these financial statements

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

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

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

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

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

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

**This page intentionally left blank**

**CITY OF ALBUQUERQUE, NEW MEXICO  
TABLE OF CONTENTS  
NOTES TO THE FINANCIAL STATEMENTS**

Note	Title	Page
I.	<b>Summary of significant accounting policies</b>	
A.	Reporting entity.....	58
B.	Government-wide and fund financial statements .....	58
C.	Measurement focus, basis of accounting, and financial statement presentation .....	59
D.	Assets, deferred outflows, liabilities, deferred inflows, and net position .....	60
	1. Deposits and investments .....	60
	2. Receivables and payables .....	61
	3. Inventories and prepaid items.....	62
	4. Land held for sale .....	62
	5. Capital assets .....	62
	6. Other assets .....	63
	7. Deferred outflows of resources and deferred inflows of resources .....	63
	8. Risk management .....	63
	9. Compensated absences .....	63
	10. Unearned revenue.....	64
	11. Special assessments.....	64
	12. Long-term obligations .....	64
	13. Net position .....	64
	14. Fund balance .....	65
	15. Pensions.....	66
	16. Statement of cash flows.....	66
	17. Estimated amounts reported in financial statements .....	66
	18. Bond premiums/issuance costs.....	67
	19. Interfund transactions .....	67
	20. New accounting pronouncements.....	67
	21. Reclassifications.....	67
II.	<b>Reconciliation of government-wide and fund financial statements</b>	
A.	Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.....	68
B.	Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities .....	69
III.	<b>Stewardship, compliance and accountability</b>	
A.	Budgetary information .....	70
B.	Deficit fund equity .....	71
IV.	<b>Detailed notes on all funds</b>	
A.	Cash and investments .....	72
B.	Receivables .....	75
C.	Capital assets .....	77
D.	Interfund receivables, payables, and transfers.....	81
E.	Leases.....	82
F.	Restricted assets .....	83
G.	Short-term and long-term obligations .....	84
H.	Refunded bonds.....	89
I.	Conduit bonds .....	89

**CITY OF ALBUQUERQUE, NEW MEXICO  
TABLE OF CONTENTS  
NOTES TO THE FINANCIAL STATEMENTS**

<b>Note</b>	<b>Title</b>	<b>Page</b>
IV.	<b>Detailed notes on all funds-continued</b>	
J.	Derivative fuel hedge instruments.....	89
K.	Segment information.....	91
L.	Defined benefit pension plan.....	92
M.	Post-employment benefits.....	95
N.	Landfill closure and postclosure care cost.....	97
O.	Restatement of previously reported net position.....	98
P.	Risk management.....	98
Q.	Albuquerque Housing Authority – Component Unit.....	99
R.	Albuquerque Housing Authority – Transfer of Operations.....	100
S.	Commitments and contingencies.....	100
T.	Budget violations.....	101
U.	Significant effects of subsequent events.....	101

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

**I. Summary of significant accounting policies**

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

**A. Reporting entity**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

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

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

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

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

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

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

The City reports the following fund types:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Obligations of Federal agencies or instrumentalities - interest bearing or discount form.

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

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

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

Checking accounts - at insured financial institutions.

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

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

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

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

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

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

**3. Inventories and prepaid items**

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

**4. Land held for sale**

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

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

**5. Capital assets**

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

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

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

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

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

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

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

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

**6. *Other assets***

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

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

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

**8. *Risk management***

Risk management activities are reported in the City's Risk management fund, a nonmajor internal service fund. Liabilities for workers' compensation, tort and other claims as of June 30, 2015, are accrued using a combination of actuarial evaluations and management estimates of the probable outcome of claims filed against the City, as well as an estimate of claims incurred but not reported. The long-term portion of the liability is discounted at 2.5% over the estimated payment period. Revenues consist primarily of charges to other funds, the amounts of which approximate the cost of claims and other risk management costs arising from the activities of those funds.

**9. *Compensated absences***

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

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

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

**10. Unearned revenue**

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

**11. Special assessments**

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

**12. Long-term obligations**

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

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

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

**13. Net position**

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

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

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

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

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

***14. Fund balance***

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

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

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

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

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

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

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

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

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

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

**15. Pensions**

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

**16. Statement of cash flows**

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

**17. Estimated amounts reported in financial statements**

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

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

**18. Bond premiums/issuance costs**

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

**19. Interfund transactions**

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

**20. New accounting pronouncements**

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

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

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

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

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

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

**21. Reclassifications**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**III. Stewardship, compliance and accountability**

**A. Budgetary information**

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

The Mayor has the authority to change individual program appropriations by the lesser of five percent of the original appropriation or \$100,000, provided that the total amount of appropriations for the fund, as approved by the City Council, does not change. Approved appropriations lapse at the end of the fiscal year to the extent that they have not been expended or encumbered except any appropriation continued by ordinance. An annual budget, which is not legally adopted, for the City of Albuquerque Housing Authority is prepared in accordance with the Department of Housing and Urban Development regulations on an accrual basis and includes both operating and debt service activities as a single budget. The Special Assessments Debt Service Fund spending is controlled primarily through bond indenture provisions and, accordingly, no annual budget is presented in the accompanying financial statements.

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

**B. Deficit fund equity**

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

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

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

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

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

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

**IV. Detailed notes on all funds**

**A. Cash and investments**

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

(In thousands of dollars)

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

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

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

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

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

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

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

Summarized information concerning the core portfolio investments is as follows:

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

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

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

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

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

**B. Receivables**

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

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

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

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

**Due from other governments**

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

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

Accounts receivable and allowance for uncollectible accounts

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

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

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

**C. Capital assets**

Capital asset activity for the year ended June 30, 2015, was as follows:

<u>Governmental activities</u>	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
<b>Assets not being depreciated:</b>				
Land	\$ 307,474,026	\$ 2,800,838	\$ -	\$ 310,274,864
Construction in progress	69,236,476	49,736,260	34,236,601	84,736,135
Right of way	1,145,191,669	-	-	1,145,191,669
	<u>1,521,902,171</u>	<u>52,537,098</u>	<u>34,236,601</u>	<u>1,540,202,668</u>
<b>Assets being depreciated:</b>				
Buildings	448,196,636	6,133,772	-	454,330,408
Infrastructure	2,088,274,758	67,195,496	-	2,155,470,254
Improvements	624,954,989	27,851,638	-	652,806,627
Machinery and equipment	159,631,241	15,476,495	8,328,372	166,779,364
Other	7,023,167	461,825	-	7,484,992
	<u>3,328,080,791</u>	<u>117,119,226</u>	<u>8,328,372</u>	<u>3,436,871,645</u>
<b>Less accumulated depreciation:</b>				
Buildings	113,957,466	11,023,336	-	124,980,802
Infrastructure	761,750,491	51,084,759	-	812,835,250
Improvements	325,350,738	20,479,722	-	345,830,460
Machinery and equipment	132,148,057	12,639,915	8,434,428	136,353,544
Other	706,517	1,450,816	-	2,157,333
	<u>1,333,913,269</u>	<u>96,678,548</u>	<u>8,434,428</u>	<u>1,422,157,389</u>
Capital assets being depreciated, net	<u>1,994,167,522</u>	<u>20,440,678</u>	<u>(106,056)</u>	<u>2,014,714,256</u>
Total capital assets, net	<u>\$ 3,516,069,693</u>	<u>\$ 72,977,776</u>	<u>\$ 34,130,545</u>	<u>\$ 3,554,916,924</u>

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

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

<u>Business-type activities</u>	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Assets not being depreciated:				
Land	\$ 60,065,418	\$ -	\$ 3,767,390	\$ 56,298,028
Land and improvements acquired from the U.S Air Force	-	-	-	-
Other	955,200	-	-	955,200
Construction work in progress	<u>15,877,033</u>	<u>13,527,317</u>	<u>10,249,233</u>	<u>19,155,117</u>
	76,897,651	13,527,317	14,016,623	76,408,345
Assets being depreciated:				
Buildings and improvements	432,636,394	4,771,400	52,420,447	384,987,347
Runways	302,616,380	14,531,255	80,000	317,067,635
Infrastructure	9,831,714	1,285,997	-	11,117,711
Improvements other than buildings	286,041,236	4,207,844	-	290,249,080
Machinery and equipment	199,488,111	6,512,746	6,776,498	199,224,359
Other	<u>16,870</u>	<u>-</u>	<u>-</u>	<u>16,870</u>
	1,230,630,705	31,309,242	59,276,945	1,202,663,002
Less accumulated depreciation:				
Buildings and improvements	257,030,174	3,463,062	50,757,816	209,735,420
Runways	255,575,320	30,454,370	-	286,029,690
Infrastructure	1,177,252	258,043	-	1,435,295
Improvements other than buildings	157,445,994	3,469,636	10,243,619	150,672,011
Machinery and equipment	148,020,338	20,404,618	4,921,593	163,503,363
Other	<u>1,687</u>	<u>-</u>	<u>-</u>	<u>1,687</u>
	819,250,765	58,049,729	65,923,028	811,377,466
Capital assets being depreciated, net	<u>411,379,940</u>	<u>(26,740,487)</u>	<u>(6,646,083)</u>	<u>391,285,536</u>
Total capital assets, net	\$ <u>488,277,591</u>	\$ <u>(13,213,170)</u>	\$ <u>7,370,540</u>	\$ <u>467,693,881</u>

In fiscal year 2015, the Airport Fund placed into service \$4.1 million improvements other than buildings and runways and \$1.8 million in machinery and equipment

The Airport Fund artwork reported as assets not depreciated, other totaled \$854,296 and Stadium Fund \$100,904 as of June 30, 2015. The Refuse Fund placed into service \$4.1 million in machinery and equipment, which included \$2.9 million in heavy equipment. The Refuse Fund Software reported as assets depreciated other totaled \$16,870 as of June 30, 2015. The Transit Fund placed into service \$86 thousand in buildings and improvements and \$218 thousand in machinery and equipment. The construction work in progress increased by \$13.5 million, which included \$7.3 million by the Airport department.

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

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

<u>Governmental activities:</u>	
General government	\$ 3,820,627
Public safety:	
Corrections	-
Fire protection	3,461,955
Police protection	6,190,983
Culture and recreation	20,827,695
Public works:	
Municipal development	518,493
Storm	16,945,624
Highways and streets:	
Transportation/Street maintenance	39,695,394
Traffic engineering	392,904
Health	680,163
Human services	3,881,681
Capital assets held by the City's internal service funds charged to the various functions on a prorated basis based on their usage of the assets	<u>116,522</u>
Total depreciation expense – governmental activities	<u>\$ 96,532,041</u>
 <u>Business-type activities:</u>	
Major funds:	
Airport	\$ 23,337,525
Refuse Disposal	8,346,229
Transit	13,099,485
Nonmajor funds	<u>2,678,588</u>
Total depreciation expense – business-type activities	47,461,827
Transfer of assets to/from governmental to business-type	225,138
Reinstated assets	113,490
Cost adjustments	<u>5,655</u>
Total business-type activities	<u>\$ 47,806,110</u>

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

**Discretely Presented Component Unit**

Capital asset activity for Albuquerque Housing Authority for the year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
<b>Assets not being depreciated:</b>				
Land	\$ 3,767,389	\$ -	\$ -	\$ 3,767,389
Construction work-in-progress	-	3,000	-	3,000
<b>Total assets, not being depreciated</b>	<u>3,767,389</u>	<u>3,000</u>	<u>-</u>	<u>3,770,389</u>
<b>Assets being depreciated:</b>				
Buildings and improvements	54,782,922	1,787,877	-	56,570,799
Machinery and Equipment	1,671,328	-	(15,646)	1,655,682
<b>Total assets, being depreciated</b>	56,454,250	1,787,877	(15,646)	58,226,481
<b>Less: accumulated depreciation for:</b>				
Buildings and improvements	49,724,270	865,544	-	50,589,814
Machinery and equipment	1,451,292	57,278	(15,646)	1,492,924
<b>Total accumulated depreciation</b>	<u>51,175,562</u>	<u>922,822</u>	<u>(15,646)</u>	<u>52,082,738</u>
Capital assets being depreciated, net	<u>5,278,688</u>	<u>865,055</u>	<u>-</u>	<u>6,143,743</u>
<b>Total capital assets, net</b>	<u>\$ 9,046,077</u>	<u>\$ 868,055</u>	<u>\$ -</u>	<u>\$ 9,914,132</u>

The Albuquerque Housing Authority (AHA) determined that \$2,416,494 in capital assets previously reported as construction work-in-progress should have been placed in service in prior years. AHA corrected this error by transferring these assets to building and improvements and calculated depreciation related to prior years. This correction resulted in the restatement of building and improvements, accumulated depreciation and net position. The amount of prior year depreciation recorded as a prior period adjustment was \$417,746. Additionally, \$36,107 in erroneously capitalized construction work-in-process was corrected as a prior period adjustment.

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

**D. Interfund receivables, payables, and transfers**

The interfund receivable and payable accounts have primarily been recorded when funds overdraw their share of pooled cash. The composition of interfund balances as of June 30, 2015, consists of the following:

	Due from other funds	Due to other funds
Major governmental funds	\$ 3,033,334	\$ -
Nonmajor governmental funds	-	3,696,698
Major enterprise funds	1,077,763	-
Nonmajor enterprise funds	-	414,399
<b>Total</b>	<b>\$ 4,111,097</b>	<b>\$ 4,111,097</b>

Interfund advances not expected to be repaid within one year are to be repaid from revenues or proceeds from the sale of assets are as follows as of June 30, 2015:

Receivable Fund	Payable Fund	Amount
Risk Management Fund *	Capital Acquisition Fund	\$ 171,000
	<b>Total advances</b>	<b>\$ 171,000</b>

\*Receivable set up to reimburse Risk Management fund for purchasing the Alameda Business Park land held by the Capital Acquisition fund.

Interfund transfers for the year ended June 30, 2015 were as follows:

From	To	Total
General Fund	Capital Acquisition Fund	\$ 6,925,000
General Fund	Transit Fund	19,499,000
General Fund	Nonmajor Governmental Funds	18,823,871
General Fund	Nonmajor Proprietary Funds	1,416,000
General Fund	Internal Service Funds	60,000
General Fund	Refuse Fund	384,000
Capital Acquisition Fund	Transit Fund	2,041,383
Refuse Disposal Fund	General Fund	2,399,268
Aviation Fund	Capital Acquisition Fund	1,300,000
Transit Fund	General Fund	364,789
Transit Fund	Capital Acquisition Fund	86,913
Transit Fund	Nonmajor Governmental Funds	13,545
Nonmajor Governmental Funds	General Fund	1,238,254
Nonmajor Governmental Funds	Capital Acquisition Fund	820,776
Nonmajor Governmental Funds	Nonmajor Governmental Funds	7,164,973
Nonmajor Governmental Funds	Transit Fund	13,239,799
Nonmajor Proprietary Funds	General Fund	202,331
Nonmajor Proprietary Funds	Nonmajor Governmental Funds	60,244
Internal Service Funds	General Fund	250,000
<b>Total transfers</b>		<b>\$ 76,290,146</b>

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

Transfers are summarized as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net In (Out)</u>
"Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Funds"	\$ 39,649,964	\$ (71,613,056)	\$ (31,963,092)
"Statement of Revenues, Expenses, and Changes in Net Position - All Proprietary Funds"			
Enterprise funds	36,580,182	(4,427,090)	32,153,092
Internal Service funds	<u>60,000</u>	<u>(250,000)</u>	<u>(190,000)</u>
Total transfers	<u>\$ 76,290,146</u>	<u>\$ (76,290,146)</u>	<u>\$ -</u>

The transfers from the General Fund to the other funds are for the purpose of: 1) providing a subsidy for the operations of the Transit and Open Space Management funds, 2) providing the City's local match for operating grants from federal and state agencies, 3) funding the purchase of police and fire vehicles, and various construction projects, and 4) transferring resources to debt service funds for the retirement of General Obligation and Sales Tax Refunding bonds.

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

Other transfers relating to funds within the nonmajor governmental funds type are: 1) for debt retirement and various other purposes, and 2) from permanent funds to the related expenditures for governmental special revenue funds.

**E. Leases**

The City has various lease commitments for real property. The lease commitments are for one to ten years, with most leases being for five years. About half of the leases have renewal options; the others do not. Lease Expenses of \$995,559 were incurred for the year ended June 30, 2015. Lease Commitments for future years are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
FY2016	\$974,900
FY2017	814,105
FY2018	280,392
FY2019	235,544
FY2020	101,462
FY2021-2025	260,100
FY2026-2030	260,100
FY2031-2035	<u>98,333</u>
Total	<u>\$3,024,936</u>

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

**F. Restricted assets**

Restricted assets arise principally from legal restrictions on expenditures of proceeds from general obligations bonds or sales tax revenue bonds in the governmental activities, or on expenditures of proceeds from revenue bonds of the enterprise funds. Restricted assets also include the investments restricted for use held in the City's permanent funds. The amount of restricted assets reported in the statement of net position at June 30, 2015, is as follows:

<u>Governmental activities</u>	
Capital Acquisition Fund	\$ 154,623,785
Acquisition and Management of Open Space Fund	16,722,454
Urban Enhancement Fund	<u>7,934,647</u>
Total	\$ <u>179,280,886</u>
 <u>Business-type activities</u>	
Airport Fund	\$ 108,306,707
Refuse Disposal Fund	23,611,011
Transit Fund	3,399,158
Nonmajor enterprise funds	<u>7,105,613</u>
Total	\$ <u>142,422,489</u>

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

**G. Short-term and long-term obligations**

Governmental activities:

Short-term obligations - On June 30, 2015, the City issued \$7,200,000 of Short-Term General Obligation Bonds, Series 2015C and \$491,000 Short-Term Lodgers' Tax Improvement Revenue Bonds - Taxable, Series 2015A. These bonds bear interest at the daily rate on the date of issuance applicable to the Local Government Investment Pool (LGIP) administered by the State Treasurer of New Mexico. The interest rate in effect for Series 2015C and Series 2015A was 0.237%. A portion of the proceeds of these bonds will be used to fund the City's CIP and GRT projects. The bonds mature on July 1, 2015. The change in short-term obligations of the governmental activities for the year ended June 30, 2015, is as follows:

	Balance July 1, 2014	Additions	Deletions	Balance July 1, 2015
Short-term General Obligation Bonds	\$3,225,000	\$7,200,000	\$3,225,000	\$7,200,000
Short-term Lodgers' Tax Improvement Revenue Bonds	-	491,000	-	491,000
	<u>\$3,225,000</u>	<u>\$7,691,000</u>	<u>\$3,225,000</u>	<u>\$7,691,000</u>

Long-term obligations - Bonded obligations of the City consist of various issues of general obligation, revenue, and special assessment bonds. Also included in long-term obligations are notes payable, claims and judgments, deferred credits, other postemployment benefits, and accrued vacation and sick leave. The City has complied with all revenue bond ordinances and bond covenants requirements for maintaining specific reserves for future debt service as of June 30, 2015.

The changes in the long-term obligations of the governmental activities for the year ended June 30, 2015, are as follows:

	Outstanding				Payable in one year
	July 1, 2014	Increases	Decreases	June 30, 2015	
General obligation bonds	\$ 390,300,000	\$ 42,696,000	\$ 46,805,000	\$ 386,191,000	\$ 43,470,000
Gross receipts tax revenue bonds	165,085,000	49,195,000	7,060,000	207,220,000	6,650,000
Fire fund loan	1,274,388	-	60,421	1,213,967	-
Special assessment bonds and notes with governmental commitment	24,038,951	-	1,717,068	22,321,883	858,534
Accrued vacation and sick leave	29,170,069	22,738,858	19,956,412	31,952,515	23,297,215
Claims	99,451,037	-	9,908,786	89,542,251	23,901,290
Net pension obligation - PERA	-	332,459,099	-	332,459,099	-
Other post employment obligation	4,545,536	3,110,662	4,082,069	3,574,129	-
Other liabilities	777,445	5,183	-	782,628	-
Other:					
Unamortized bond premiums	27,051,564	8,841,393	7,032,624	28,860,333	-
	<u>741,693,990</u>	<u>459,046,195</u>	<u>96,622,380</u>	<u>1,104,117,805</u>	<u>98,177,039</u>
Current portion of long-term obligations	<u>(99,434,684)</u>	<u>-</u>	<u>(1,257,645)</u>	<u>(98,177,039)</u>	<u>-</u>
Total	<u>\$ 642,259,306</u>	<u>\$ 459,046,195</u>	<u>\$ 95,364,735</u>	<u>\$ 1,005,940,766</u>	<u>\$ 98,177,039</u>

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

Total interest cost incurred for governmental activities for the year ended June 30, 2015, was \$21,528,699.72. all of which was charged to expense.

General Obligation bonds are direct obligations of the City for which its full faith and credit are pledged and are payable from taxes levied on property located within the City. The accrued sick leave and vacation obligations are being liquidated primarily by the General Fund. Limited amounts are being liquidated by other funds. The City's Risk Management Fund (an internal service fund) liquidates all claims payable.

The Constitution of the State of New Mexico limits the amount of general-purpose general obligation bonds that may be issued by a municipality to four percent of the taxable valuation of property located within the City. At June 30, 2015, based on the most recent assessed taxable valuation of \$12,228,594,693, the City may issue an additional \$127,948,788 of general-purpose general obligation bonds. Included in the general obligation bonds outstanding at June 30, 2015, are Storm Sewer bonds in the amount of \$32,196,000 that are not subject to the legal debt limit.

On June 20, 2015, the City issued \$37,970,000 of General Obligation General Purpose Bonds, Series 2015A with an average coupon rate of 1.72%. The proceeds of these bonds were deposited into the Capital Acquisition Fund to be used to finance certain City projects relating to public safety, citizens' centers, parks and recreation facilities, energy conservation, public facilities, and system modernization, libraries, streets, public transportation, and zoo and bio park facilities. The bonds require annual principal payments and semi-annual interest payments through July 1, 2027.

Also on June 20, 2015, the City issued \$4,726,000 of General Obligation Storm Sewer Bonds, Series 2015B with an average coupon rate of 3.25%. The proceeds of these bonds were deposited into the Capital Acquisition Fund to be used to finance certain storm sewer improvements. The bonds require semi-annual interest payments through July 1, 2028.

General obligation bonds outstanding at June 30, 2015, are as follows:

Issue	Amount	Interest Rate	Final Maturity	Call Provisions
September 11, 2007 B General Purpose	5,610,000	4.50/5.00%	July 1, 2016	Non-callable
September 11, 2007 C Storm Sewer	5,080,000	4.25/5.00%	July 1, 2016	100% beginning July 1, 2015
June 26, 2008 A General Purpose	10,350,000	3.25/4.00%	July 1, 2017	100% beginning July 1, 2016
June 26, 2008 B Storm Sewer	4,000,000	4.50%	July 1, 2017	100% beginning July 1, 2016
June 24, 2009 A General Purpose	24,420,000	2.00/4.00%	July 1, 2018	Non-callable
February 24, 2011 A General Purpose	96,300,000	3.00/4.375%	July 1, 2023	100% beginning July 1, 2020
May 22, 2012 A General Purpose	54,745,000	2.00/5.00%	July 1, 2024	100% beginning July 1, 2020
May 22, 2012 B Storm Sewer	8,035,000	3.00/4.00%	July 1, 2025	100% beginning July 1, 2020
May 8, 2013 A General Purpose	67,540,000	2.50/4.00%	July 1, 2026	100% beginning July 1, 2021
May 8, 2013 B Storm Sewer	4,980,000	2.80%	July 1, 2026	100% beginning July 1, 2021
May 28, 2014 A General Purpose	57,060,000	2.25/5.00%	July 1, 2026	100% beginning July 1, 2022
May 28, 2014 B Storm Sewer	5,375,000	3.50/3.75%	July 1, 2027	100% beginning July 1, 2022
June 10, 2015 A General Purpose	37,970,000	2.75/5.00%	July 1, 2027	100% beginning July 1, 2023
June 10, 2015 B Storm Sewer	4,726,000	3.00/3.50%	July 1, 2028	100% beginning July 1, 2023
June 30, 2015 C General Purpose ST	7,200,000	0.237%	July 1, 2015	Non-callable
	<u>\$ 393,391,000</u>			

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

Sales Tax Revenue Bonds and Notes of the City are secured by a pledge of up to 1.225% of State Shared Gross Receipts Tax (sales tax) revenues. Additionally, the City can pledge up to 50% of the Lodgers' and Hospitality Tax revenues for payment of these bonds and notes. Net revenue for the year was \$187,090,628 for State Shared Gross Receipts and \$13,650,018 for Lodgers' and Hospitality Tax. Total debt service expenditures for the year were \$15,156,562. Sales tax revenue bonds and notes outstanding at June 30, 2015, are as follows:

Issue	Amount	Interest Rate	Final Maturity	Call Provisions
October 6, 2004 B Refunding	26,885,000	2.39/4.90%	July 1, 2014	100% beginning October 6, 2004
June 4, 2008 A Refunding	-	3.74/4.99%	July 1, 2014	Non-callable
July 22, 2009 A Refunding	10,310,000	3.00/5.00%	July 1, 2025	100% beginning July 1, 2019
July 22, 2009 B Refunding	25,620,000	3.00/5.00%	July 1, 2022	100% beginning July 1, 2019
September 1, 2011 A Refunding	17,170,000	2.00/4.00%	July 1, 2028	100% beginning July 1, 2021
April 9, 2013 Improvement	41,080,000	1.50/5.00%	July 1, 2035	100% beginning July 1, 2023
June 10, 2014 A Refunding	36,960,000	2.00/4.00%	July 1, 2037	100% beginning July 1, 2023
May 27, 2015 A Improvement	39,085,000	2.00/5.00%	July 1, 2038	100% beginning July 1, 2025
May 27, 2015 B Improvement	10,110,000	0.55/2.95%	July 1, 2023	Non-callable
June 20, 2015 A Improvement ST	491,000	0.00237%	July 1, 2015	Non-callable
	<u>\$ 207,711,000</u>			

On May 27, 2015, the City issued \$39,085,000 of Gross Receipts Tax Improvement Revenue Bonds, Series 2015A. The bonds have an average coupon rate of 4.21% and require semi-annual interest payments until the bonds mature on July 1, 2038. The Series 2015A bonds are being issued for the purpose of funding tax-exempt projects for parks and recreation facilities, public facilities, system modernization, libraries, and public transportation.

On May 27, 2015, the City issued \$10,110,000 of Gross Receipts Tax Improvement Revenue Bonds, Taxable Series 2015B. The bonds have an average coupon rate of 1.94% and require semi-annual interest payments until the bonds mature on July 1, 2023. The Series 2015B bonds are being issued for the purpose of funding projects with the Local Economic Development Act.

Fire Fund Loan - On January 28, 2011, the City closed on a loan with New Mexico Finance Authority (NMFA) for \$1,441,625 with an average interest rate of 3.417%. The proceeds were used to design, construct, equip, and furnish Fire Station #7. The terms of the loan require annual principal payments and semi-annual interest payments beginning November 1, 2011, and maturing May 1, 2031. As part of the agreement, the City also entered into an intercept agreement with NMFA whereby the principal and interest payment required will be from annual distributions made to the City's Fire Fund by the State Treasurer pursuant to Section 59A-53-7, NMSA 1978. The State Treasurer will reduce the annual distribution to the City by \$100,926 beginning July 1, 2011, and then \$101,043 thereafter. The funds will be remitted directly to NMFA and held by NMFA until the November/May due dates. The balance due at June 30, 2015 is \$1,213,967.

Special Assessment Debt and Notes Payable is secured by pledges of revenues from special assessments levied. Special assessment debt is callable at 100% on any semi-annual interest payment date.

On October 30, 2012, the City executed a loan agreement with Banc of America Public Capital Corp for Special Assessment District No. 228. The tax-exempt loan payable for \$22,743,479 has a coupon rate of 3.0% and matures on January 1, 2028. The proceeds are being used to finance the construction of streets, storm and sanitary sewer lines, and water lines. The balance outstanding at June 30, 2015 was \$22,321,883.

On October 30, 2012, the City executed a loan agreement with Banc of America Leasing and Capital for Special Assessment District No. 228. The taxable loan payable for \$2,499,006 has a coupon rate of 2.30% and matures on January 1, 2015. The proceeds are being used to finance the construction of electrical and natural gas lines and telephone and cable television lines. The balance was paid in full as of June 30, 2015.

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

**Business-type activities:**

**Long-term obligations:** the changes in the business-type activities obligations for the year ended June 30, 2015, are as follows:

	<u>Outstanding</u>				Payable in one year
	July 1, 2014	Increases	Decreases	June 30, 2015	
Revenue bonds	\$ 114,915,417	\$ -	\$ 38,486,667	\$ 76,428,750	\$ 14,171,667
Loans and notes payable	4,999,600	-	3,558,153	1,441,446	1,441,446
Accrued vacation and sick leave	6,270,478	5,012,721	5,093,130	6,190,070	4,792,047
Landfill closure costs	2,001,997	815,022	-	2,817,019	-
Net pension obligation - PERA	-	42,794,638	-	42,794,638	-
Other post employment obligation	-	893,532	-	893,532	-
Other liabilities	507,869	3,020	353,828	157,061	-
Other:					
Deferred gain/loss on refunding	(608,343)	206,086	-	(402,257)	-
Unamortized bond premiums	781,564	-	320,589	460,975	-
Unamortized bond discounts	(14,246)	2,191	-	(12,055)	-
	<u>128,854,336</u>	<u>49,727,210</u>	<u>47,812,367</u>	<u>130,769,179</u>	<u>20,405,160</u>
Capitalized leases	85,051	-	85,051	-	-
Subtotal	<u>128,939,387</u>	<u>49,727,210</u>	<u>47,897,418</u>	<u>130,769,179</u>	<u>20,405,160</u>
Current portion	<u>(45,130,603)</u>	<u>-</u>	<u>(24,725,443)</u>	<u>(20,405,160)</u>	<u>-</u>
Business-type activity long-term obligations	<u>\$ 83,808,784</u>	<u>\$ 49,727,210</u>	<u>\$ 23,171,975</u>	<u>\$ 110,364,019</u>	<u>\$ 20,405,160</u>

Total interest cost incurred for business-type activities for the year ended June 30, 2015, was \$3,167,576 of which \$1,148,385 was capitalized and \$2,019,191 was charged to expense.

**Airport Revenue Bonds** are secured by pledges of net revenues of the airport. Airport Revenue bonds outstanding at June 30, 2015, are as follows:

Issue Dated	Amount	Interest Rate	Final Maturity	Call Provisions
March 23, 2004A, Refunding	\$7,500,000	1.63% to 5.11%	July 1, 2018	100% beginning July 1, 2005
March 11, 2008A, Refunding	8,590,000	3.00% to 5.00%	July 1, 2018	Not callable
May 14, 2008B, Refunding	1,150,000	3.445% to 4.905%	July 1, 2015	Not callable
May 14, 2008C, Refunding	2,690,000	3.50% to 4.375%	July 1, 2020	100% beginning July 1, 2018
November 12, 2009A, Refunding	14,268,750	3.00% to 4.50%	July 1, 2019	Not callable
May 19, 2011, Refunding	6,425,000	2.00% to 4.00%	July 1, 2016	Not callable
April 8, 2014A, Refunding	16,795,000	2.60%	July 1, 2024	Not callable
Total outstanding	<u>57,418,750</u>			
Unamortized:				
Premiums (discounts)	438,566			
Deferred loss on refunding	(333,152)			
Net outstanding	<u>\$57,524,164</u>			

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

Apartments Revenue Bonds are secured by pledges of net revenues of the City Apartments. In December of 2008, the City issued \$11,275,000 Gross Receipts Tax Revenue Bonds (Series 2008B) to refund the Series 2000 Bonds. This debt constitutes a limited obligation of the City and is payable solely from the resources of the Apartments. Respective revenues derived from them are pledged for the repayment of these bonds. The Series 2008B Gross Receipts Revenue Bonds mature on July 1, 2030, and bear an initial 4% coupon interest rate, increasing to 5.375% coupon rate at maturity. Interest is paid semiannually on January 1 and July 1. The initial payment was due July 1, 2009. Principal payment is due annually on July 1. The Series 2008B bonds are subject to optional and mandatory redemptions generally at par (unless long-term interest rates are in effect). A cumulative sinking fund redemption commencing January 1, 2011 is required. The Apartments debt in the amount of \$9,370,000 is outstanding at June 30, 2015 and maturities extend through July 1, 2030.

Refuse Loans - On July 9, 2004, the City entered into a tax-exempt loan agreement with New Mexico Finance Authority for \$5,800,000 with an average interest rate of 2.87%. The loan has been paid in full and the final payment of \$654,679 was paid on July 1, 2014.

On March 16, 2008, the City entered into a tax-exempt loan agreement with New Mexico Finance Authority for \$2,600,000 with an average interest rate of 3.31%. Final payment is due on July 1, 2015. The outstanding balance at June 30, 2015, was \$411,730.

Stadium Loans are secured by pledges of net revenues of the Albuquerque baseball stadium. On September 1, 2011, the City issued Gross Receipts Tax/ Stadium Revenues Refunding Revenue Bonds Taxable Series 2011B in the amount of \$11,650,000. The bonds have an average coupon rate of 3.23% and require annual principal payments and semi-annual interest payments through July 1, 2026. The outstanding balance at June 30, 2015, was \$8,906,249.

Transit Loans - On July 25, 2006, the City entered into a tax-exempt lease-purchase agreement with SunTrust Leasing Corporation for \$20,000,000 with an average interest rate of 4.3%. Final payment is due on July 1, 2016. The principal balance outstanding at June 30, 2015, was \$1,029,716.

Summary of Annual Debt Service Requirements - The annual debt service requirements on bonds, notes and capital leases outstanding at June 30, 2015, are as follows:

Year ending June 30, 2015	Governmental activities		Business-type activities	
	Principal	Interest	Principal	Interest
2016	\$ 60,974,378	\$ 22,404,471	\$ 16,879,408	\$ 2,911,393
2017	58,104,475	21,810,508	13,346,667	2,303,928
2018	53,160,748	19,540,159	10,360,000	1,782,065
2019	48,995,271	17,580,417	10,505,000	1,353,085
2020	43,399,928	15,616,770	6,275,415	1,018,271
2021 - 2025	191,585,847	51,379,944	15,445,000	2,828,830
2026 - 2030	91,837,203	23,602,280	5,490,000	808,615
2031 - 2035	48,605,000	11,768,706	835,000	22,441
2036 - 2040	27,975,000	2,210,634	-	-
2041 - 2044	-	-	-	-
<b>Total</b>	<b>\$ 624,637,850</b>	<b>\$ 185,913,889</b>	<b>\$ 79,136,490</b>	<b>\$ 13,028,628</b>

Arbitrage - Section 148 of the Internal Revenue Code generally provides that bonds issued by a municipality will be "arbitrage bonds", if any portion of the proceeds of the bonds are reasonably expected to be invested in obligations with a yield that is "materially higher" than the yield on the bonds. While municipalities are entitled to earn a certain amount of positive arbitrage during the period the bonds are outstanding, Section 148(f) generally requires that these earnings be paid to the Internal Revenue Service (IRS) at least every five years. As of June 30, 2015, the City has set aside \$782,629 in arbitrage interest due the IRS in connection with future filings and payments to the IRS. This amount is included in other liabilities in the Statement of Net Position. For fiscal year 2015, no payment is due to the IRS.

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

**Discretely presented component unit**

	Outstanding				Amount due within one year
	July 1, 2014	Increase	Decrease	June 30, 2015	
Capital lease	\$ 85,051	\$ -	\$ 85,051	\$ -	\$ -
Tenant security deposits (including pet deposits)	205,504	52,342	36,936	220,910	-
HUD payable	211,294	-	21,129	190,165	21,129
Accrued vacation and sick leave	149,080	219,713	226,130	142,663	74,972
	<u>\$ 650,929</u>	<u>\$ 272,055</u>	<u>\$ 369,246</u>	<u>\$ 553,738</u>	<u>\$ 96,101</u>

**H. Refunded bonds**

The City has refunded various bond issues by issuing refunding bonds, the proceeds of which have been placed in escrow and used to purchase securities of the United States Government and related agencies at various interest rates and maturities sufficient to meet all debt service requirements of the refunded debt. These assets are administered by trustees and are restricted to use for retirement of the refunded debt. The liability for the refunded bonds and the related securities and escrow accounts are not included in the accompanying general purpose financial statements as the City satisfied its obligation for payment of the refunded debt upon completion of the refunding transactions. Refunded debt outstanding at June 30, 2015, is as follows:

Gross Receipts Tax Revenue Bonds	\$30,455,000
----------------------------------	--------------

**I. Conduit bonds**

The City has acted from time to time as the issuer of conduit bonds, the proceeds of which have been immediately loaned to a private borrower. Such bonds are payable by the City only from amounts paid to the City by such conduit borrowers pursuant to a lease, loan or other agreement. The City has assigned its rights with respect to such bonds to various trustees that monitor amounts due by the borrowers and pay the principal and interest as due on such conduit bonds from the borrowers' payments. The City has no obligation to repay all or any portion of such bonds in the event the private borrowers fail to make their payments when due.

**Industrial Revenue Bonds** - As of June 30, 2015, there were twenty-five series of Industrial Revenue Bonds outstanding. The aggregate principal amount payable for the twenty-three series issued after July 1, 1995, is \$612.6 million. The aggregate principal amount payable for the two series issued prior to July 1, 1995, could not be determined; however, the original amount issued totaled \$28.9 million.

**J. Derivative Fuel Hedge Instruments**

The City of Albuquerque entered into commodity forward fuel hedging contracts beginning fiscal year 2012 in order to hedge or mitigate the effect of market price fluctuations of diesel and gasoline. The fuel hedge contract for fiscal year 2015 was entered in January 2014. The City entered into fuel hedging contracts for fiscal year 2016 before the fuel prices dropped to historical levels. In fiscal year 2016 through October 2015, the City has paid \$1.4 million to its' counter party due to actual gas prices falling below the fixed hedge price. In accordance with the requirements of GASB Statement No. 53, the fuel hedges are reported on the balance sheet at fair value. The City of Albuquerque determines the synthetic price created by the futures contract by calculating the fair value of the option contracts using New York Mercantile Exchange (NYMEX) closing settlement prices as of the last day of the reporting period. The synthetic fair value price is calculated by averaging the current market prices of the hedgeable item plus or minus the difference between the closing futures prices on the last day of the reporting period and the futures purchase prices at the time the contracts were established.

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

All potential hedging derivative instruments were evaluated for effectiveness at June 30, 2015 and were determined to be effective in substantially offsetting the changes in the cash flows of the hedgeable items. As of June 30, 2015 the total fair value of outstanding hedge instruments was a net position of \$709,892. Consistent with hedge accounting treatment required for derivative instruments that are determined to be effective in offsetting changes cash flows of the hedge item, changes in fair value are reported as deferred (inflows) outflows of resources on the Statements of Net Position until the contract expiration that occurs in conjunction with the hedged expected fuel purchase transaction.

The following information is related to the City of Albuquerque's outstanding fuel hedging derivative instruments on June 30, 2015:

Overall:

Type	Objective	Fixed Price Per Gallon	Notional Amount	Effective Date	Maturity Date	Fair Value
Commodity forward contract for No. 2 Heating Oil	Hedge market risk associated with the purchases of Diesel	\$2.84	1,965,440	7/1/2014	6/30/2015	\$288,215
Commodity forward contract for RBOB Gasoline	Hedge market risk associated with the purchases of Gasoline	\$2.59	1,511,250	7/1/2014	6/30/2015	\$421,677

Governmental Activities:

Type	Objective	Fixed Price Per Gallon	Notional Amount	Effective Date	Maturity Date	Fair Value
Commodity forward contract for No. 2 Heating Oil	Hedge market risk associated with the purchases of Diesel	\$2.84	534,998	7/1/2014	6/30/2015	\$78,395
Commodity forward contract for RBOB Gasoline	Hedge market risk associated with the purchases of Gasoline	\$2.59	1,331,397	7/1/2014	6/30/2015	\$371,497

Business Type Activities:

Type	Objective	Fixed Price Per Gallon	Notional Amount	Effective Date	Maturity Date	Fair Value
Commodity forward contract for No. 2 Heating Oil	Hedge market risk associated with the purchases of Diesel	\$2.84	1,430,442	7/1/2014	6/30/2015	\$209,821
Commodity forward contract for RBOB Gasoline	Hedge market risk associated with the purchases of Gasoline	\$2.59	179,853	7/1/2014	6/30/2015	\$50,180

Risk – The City of Albuquerque receives payments or makes payments based on the actual index rate on the fifth business day following the last pricing date. Each of the swap agreements provide for the applicable counterparty to make variable rate payments based on the NYMEX index. To the extent that the variable rate paid on the valuation dates is different than the rate received from the counterparties based on the NYMEX, the risk is there may be a loss or benefit to the City.

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

**K. Segment information**

Significant financial data of major enterprise funds are reported in the statements for enterprise funds in the basic financial statements section. Significant financial data of nonmajor enterprise funds as of and for the year ended June 30, 2015, is as follows:

(in thousands of dollars)

	Golf Course Fund	Apartment Fund	Housing Authority Fund	Parking Facilities Fund	Stadium Fund	Total
<b>CONDENSED STATEMENT OF NET POSITION</b>						
<b>Assets:</b>						
Current assets	\$ 1,109	\$ 1,107	\$ -	\$ 223	\$ 1,344	\$ 3,783
Restricted assets	88	2,530	-	4,430	57	7,105
Capital assets	5,034	11,060	-	16,807	13,153	46,054
<b>Total assets</b>	<b>6,231</b>	<b>14,697</b>	<b>-</b>	<b>21,460</b>	<b>14,554</b>	<b>56,942</b>
<b>Deferred Outflows of Resources:</b>						
Deferred gain/loss on refunding	230	-	-	230	84	544
<b>Total deferred outflows of resources</b>	<b>230</b>	<b>-</b>	<b>-</b>	<b>230</b>	<b>84</b>	<b>544</b>
<b>Liabilities:</b>						
Current liabilities	489	706	-	344	1,347	2,886
Liabilities payable from restricted assets	-	157	-	-	-	157
Bonds, notes payable, and other long-term liabilities	-	8,975	-	-	-	8,975
Accrued vacation and sick leave	1,338	-	-	1,183	81	2,602
<b>Total liabilities</b>	<b>\$ 1,827</b>	<b>\$ 9,838</b>	<b>\$ -</b>	<b>\$ 1,527</b>	<b>\$ 1,428</b>	<b>\$ 14,620</b>
<b>Deferred Inflows of Resources:</b>						
Deferred inflows related to pension activity	\$ 478	\$ -	\$ -	\$ 446	\$ 31	\$ 955
<b>Total deferred outflows of resources</b>	<b>\$ 478</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 446</b>	<b>\$ 31</b>	<b>\$ 955</b>
<b>Net position:</b>						
Net investment in capital assets	\$ 5,034	\$ 1,690	\$ -	\$ 16,807	\$ 3,571	\$ 27,102
<b>Net position restricted for:</b>						
Debt service	46	1,620	-	7	57	1,730
Construction	42	-	-	4,281	-	4,323
Housing vouchers	-	-	-	-	-	-
Unrestricted net position (deficit)	(966)	1,549	-	(1,378)	576	(219)
<b>Total net position</b>	<b>\$ 4,156</b>	<b>\$ 4,859</b>	<b>\$ -</b>	<b>\$ 19,717</b>	<b>\$ 4,204</b>	<b>\$ 32,936</b>
<b>CONDENSED STATEMENT OF REVENUES,</b>						
<b>EXPENSES AND CHANGES IN NET POSITION</b>						
Operating revenues	\$ 3,660	\$ 4,016	\$ -	\$ 4,248	\$ 1,808	\$ 13,732
Depreciation	(325)	(547)	-	(1,485)	(321)	(2,678)
Other operating expenses	(4,037)	(2,422)	-	(4,009)	(1,007)	(11,475)
<b>Operating income (loss)</b>	<b>(702)</b>	<b>1,047</b>	<b>-</b>	<b>(1,246)</b>	<b>480</b>	<b>(421)</b>
<b>Nonoperating revenues (expenses):</b>						
Interest on investments	7	1	-	67	3	78
Transfer of operations to Albuquerque Housing Authority	-	-	(24,797)	-	-	(24,797)
Housing assistance payments	-	-	-	-	-	-
Interest and other debt related expenses	-	(486)	-	-	(349)	(835)
Other	68	-	-	110	3	181
Transfers in	1,050	-	-	205	161	1,416
Transfers out	(75)	(60)	-	(127)	-	(262)
<b>Change in net position</b>	<b>348</b>	<b>502</b>	<b>(24,797)</b>	<b>(991)</b>	<b>298</b>	<b>(24,640)</b>
Beginning net position (Restated, see note)	3,808	4,357	24,797	20,708	3,906	57,576
<b>Ending net position</b>	<b>\$ 4,156</b>	<b>\$ 4,859</b>	<b>\$ -</b>	<b>\$ 19,717</b>	<b>\$ 4,204</b>	<b>\$ 32,936</b>
<b>CONDENSED STATEMENT OF CASH FLOWS</b>						
<b>Net cash provided (used) by:</b>						
Operating activities	\$ 44	\$ 1,598	\$ -	\$ 223	\$ 864	\$ 2,729
Noncapital financing activities	858	(60)	-	78	161	1,037
Capital and related financing activities	(439)	(1,171)	-	(140)	(1,026)	(2,776)
Investing activities	7	1	-	67	2	77
<b>Net increase (decrease)</b>	<b>470</b>	<b>368</b>	<b>-</b>	<b>228</b>	<b>1</b>	<b>1,067</b>
Beginning cash and cash equivalents	666	3,252	-	2,430	905	7,253
<b>Ending cash and cash equivalents</b>	<b>\$ 1,136</b>	<b>\$ 3,620</b>	<b>\$ -</b>	<b>\$ 2,658</b>	<b>\$ 906</b>	<b>\$ 8,320</b>

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

The Golf Course Fund charges a greens fee for the use of the City's golf courses. The Apartments Fund charges rental on housing for persons who meet eligibility requirements based on the level of income earned. The Stadium Fund provides a baseball stadium that is being used by an AAA class baseball team. The Parking Fund charges fees for the use of City-owned parking facilities. As of June 30, 2014, the Housing Authority is no longer reported a fund of the City of Albuquerque. They are included in the City's Financial Statements as a component unit in the fiscal year 2015.

**L. Defined benefit pension plan**

*General Information about the Pension Plan*

*Plan description.* Substantially all of the City's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at [www.pera.state.nm.us](http://www.pera.state.nm.us).

*Benefits provided.* The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. Effective July 1, 2013, new legislation enabled two benefit tiers under each PERA coverage plan. The coverage plans include Municipal General, Municipal Police and Municipal Fire Plans. Members are eligible to retire. Plan members are required to contribute between 7.74%-18.15% of their gross salary, depending on the specific plan type. The City is required to contribute between 7.40%-21.65% of the gross covered salary, depending on the specific plan type.

*Contributions.* The following are the plans covered by the City and the contribution requirements (in thousands of dollars) for the year ended June 30, 2015:

Group Covered	Employee		Employer	
	Percent	Amount	Percent	Amount
General, Management, and Bus Drivers	14.16%	\$ 22,103	9.55%	\$ 14,426
Temporary Employees	7.74%	44	7.40%	46
J-Series 20 Year	18.15%	161	17.05%	151
Police	17.78%	10,147	18.90%	10,774
Fire	17.70%	6,470	21.65%	7,914
		\$ <u>38,925</u>		\$ <u>33,311</u>

The contribution requirements of plan members and the City are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. In accordance with Chapter 10, Article 11, Section 5 NMSA 1978, the City has elected to make a percentage of the employees' contributions. The percentage of the employees' contributions paid by the City varies according to the specific plan type. The City's required contributions to PERA for the years ending June 30, 2015, 2014, and 2013 were \$33,311,341, \$32,575,247, and \$31,526,501, respectively. The City's total contributions to PERA, including the employer required contributions and the portion the City pays for the employees for the years ending June 30, 2015, 2014, and 2013 were \$72,235,762, \$58,202,765, and \$60,980,095, respectively.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

As of June 30, 2015, The City of Albuquerque reported a net pension liability of \$375,253,737 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of Albuquerque's proportion of the net pension liability was based on the City's share of contributions to the pension plan by type for fiscal year 2014. As June 30, 2014, the City of Albuquerque's proportional share was 18.35% of the Municipal General Division, 28.85% of the Municipal Police Division, and 33.08% of the Municipal Fire Division.

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

For the year ended June 30, 2015, the City recognized pension expense of \$51,964,385. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Change in assumptions	4,790,977	7,736,782
Net difference between projected and actual earnings on pension plan investments	-	110,108,409
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	60,217,368	-
Total	<u>\$ 65,008,345</u>	<u>\$ 117,845,191</u>

The amount of contributions related to fiscal year 2015 have been reported as deferred outflows of resources related to pensions and will be recognized as a reduction of the net pension liability in fiscal year 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended June 30:	Amount
2016	\$ 28,257,047
2017	28,257,047
2018	28,257,047
2019	28,257,047
2020	14,655
Thereafter	-

*Actuarial assumptions.* The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods including the measurement:

Actuarial Methods	
Actuarial valuation date	June 30, 2013
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Pay
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair Value

Actuarial Assumptions	
Investment rate of return	7.75% annual rate, net of investment
Payroll Growth	3.5% annual rate
Projected salary increases	3.5% to 14.25% annual rate
Inflation assumption	3.00% annual rate

The long-term expected rate of return on pension plan investments was determined using statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and

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

inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

ALL FUNDS - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	21.1%	5.00%
International Equity	24.8%	5.20%
Private Equity	7.0%	8.20%
Core and Global Fixed Income	26.1%	1.85%
Fixed Income Plus Sectors	5.0%	4.80%
Real Estate	5.0%	5.30%
Real Assets	7.0%	5.70%
Absolute Return	4.0%	4.15%
	100.0%	

*Discount rate.* The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASB 67. Therefore, the 7.75% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. Inflation rate assumption is 3% per annum, compounded annually.

*Sensitivity of the City of Albuquerque's proportionate share of the net pension liability to changes in the discount rate.* The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percent lower (6.75 percent) or 1-percent higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City's proportionate share of the net pension liability	\$ 644,248,812	\$ 375,253,737	\$ 171,591,810

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued PERA Financial Report.

**Payables to the pension plan**

As of June 30, 2015, there was a \$3,617,260 PERA contributions payable of which \$2,827,565 was for pay period June 26, 2015 and a \$789,695 accrual through June 30, 2015.

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

**M. Post-employment benefits**

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

Postemployment Life Insurance Benefits

Plan Description - The City's Life Insurance Benefit Plan (Plan) is a cost sharing multiple-employer plan administered as a formal trust by the City of Albuquerque. The Plan includes coverage for all City employees. The Plan also includes coverage for the employees of the Albuquerque Bernalillo County Water Authority (a separate legal entity, formerly a component unit of the City). The Albuquerque Pooled OPEB Trust Plan issues a separate report that can be obtained from the Accounting Division at P.O. Box 1293, Room 8010, 8<sup>th</sup> Floor, Albuquerque, NM 87103. The Water Utility Authority and the City have different benefit rules. Insurance benefits are authorized by the City's Merit System Ordinance and Personnel Rules and Regulations. Upon retirement with the City, an employee will continue to be covered by the City's plan at no cost to the employee. Coverage will be one-half of the coverage reflected on the most recent annual life insurance adjustment report immediately prior to retirement up to a maximum of \$25,000. Effective July 1, 2008 the minimum amount of coverage per retiree is \$12,500. The number of retired employees covered under the life insurance benefit was 4,654 at June 30, 2015, and the amount of life insurance coverage for these retired employees was \$102,731,600.

Funding Policy - In fiscal year 2014, the City of Albuquerque and the Water Utility Authority created a City of Albuquerque Pooled OPEB Trust Fund. Prior to July 1, 2013, the City had been contributing only the amount required to pay retiree life insurance premiums each year. The City has set the contribution rate each year based on an actuarial valuation. The contributions are expected to match or exceed the annual required contribution (ARC) calculated in the actuarial study in accordance with in the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan for the remainder of the 30 year closed period. Total contributions made for fiscal year ending June 30, 2015 exceeded the annual required contribution. Monthly invoices for retiree life insurance premiums are paid out of the trust. When expected benefit claims exceed retiree premiums, the City is allowed to treat the implicit subsidy as a contribution towards the OPEB liability. The City's total contributions to the trust for the year ending June 30, 2015 were \$2,918,196.

Annual OPEB Cost and Net OPEB Obligation - The City's annual postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the Plan, and the changes in the City's net OPEB obligation to the Plan.

Net OPEB obligation at beginning of year	\$ 4,815,877
Plus: Projected annual OPEB costs	
Interest on net OPEB obligation at beginning of year	227,277
Annual required contribution (ARC) for current fiscal year	2,867,370
ARC adjustment for current fiscal year	(254,326)
	2,840,321
Less: Employer contribution	
Implicit subsidy	(1,938,999)
Net OPEB obligation at end of year	\$ 4,467,661

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

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2015 and the three preceding years were as follows:

<u>Fiscal Year-ended</u>	<u>OPEB Contributions</u>	<u>Annual OPEB Cost</u>	<u>Percentage Contributed</u>
6/30/2012	\$ 892,000	\$ 3,909,642	22.82%
6/30/2013	\$ 1,560,915	\$ 3,832,304	40.73%
6/30/2014	\$ 11,412,100	\$ 3,207,329	355.81%
6/30/2015	\$ 2,918,196	\$ 2,840,321	102.74%

**Funding Status and Funding Progress** - As of June 30, 2015 the Plan was 24.92% funded using the criteria established by GASBS 45. The actuarial accrued liability for benefits was \$50,560,421 (\$10,384,703 for active employees and \$39,875,718 for retired employees). Plan assets as of June 30, 2015 was \$12,597,167. The covered payroll (annual payroll of active employees covered by the Plan) was \$269,614,080 and the ratio of the Unfunded Actuarial Accrued Liability (UAAL) to the covered payroll was 14.08%. The ARC as a percent of payroll is 1.06% of which 0.3% is the normal cost as a percent of payroll. The ARC per active employee is \$517. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and changes in life expectancies. Amounts determined regarding the funded status of the Plan and the annual required contributions of the City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress is presented as required supplementary information following the notes to the financial statements.

**Actuarial Methods and Assumptions** - Projections of benefits for financial reporting purposes are based on the Plan as understood by the City and the Plan members and include the types of benefits provided at the time of each valuation and the City's historical pattern of paying for the Plan. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the June 30, 2015, actuarial valuation, the Entry Age Normal (EAN) funding method was used where, for each plan member, the actuarial present value of benefits is levelly spread over the Plan member's earnings or service from entry age to assumed exit age. The EAN cost method is generally regarded by actuaries as the most stable of the funding methods. The goal of GASBS 45 is to match recognition of retiree life expense with the periods during which the benefit is earned and the City's actuary believe that EAN funding method effectively meets that goal in most circumstances. Another important issue in these calculations is the treatment of implicit subsidies where retiree coverage is subsidized by active employee costs. The City pays the same insurance premium rates for both active and retired employees, because the retired employees are on average older than active employees, there is an implicit subsidy of retiree coverage by active employee costs, which GASBS 45 generally requires be attributed to the retiree liability. The actuarial assumptions included a 5.0 percent investment rate of return on expected long-term returns on the City's Trust investments calculated on the funded level of the Plan at the valuation date. As of June 30, 2015, the City contributed \$1,938,999, excluding the implicit subsidy. Taxable interest and dividends earned during the year was \$362,449. Realized losses were (\$28,278). The change in Unrealized gains/losses and accrued income were (\$425,999) and \$113 respectively. The City intends to amortize the UAAL over a thirty-year period under the level percentage of pay method. The remaining amortization period at June 30, 2015, was 24 years. The ARC was based on a 5.0 percent discount rate.

**Retiree Health Care Act Contributions**

**Plan Description** - The City contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

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

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Retiree Health Care Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

**Funding Policy** - The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at [www.nmrhca.state.nm.us](http://www.nmrhca.state.nm.us).

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers are January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees who are members of an enhanced retirement plan (state police and adult correctional officer coverage plan 1; municipal police member coverage plans 3, 4 and 5; municipal fire member coverage plan 3, 4 and 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act [10-12B-1 NMSA 1978]), during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary, and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The City's contributions to the RHCA for the years ended June 30, 2015, 2014, and 2013 were \$5,394,698, \$5,350,483, and \$5,470,619, respectively, which equal the required contributions for each year.

**N. Landfill closure and post-closure care costs**

Federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post-closure care costs in the Refuse Disposal Fund as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$2,817,019 reported as accrued landfill closure costs from restricted assets at June 30, 2015, represents the cumulative amount reported to date based on the use of 29% of the estimated capacity of the Cerro Colorado Landfill.

The City will recognize the remaining estimated cost of closure and post-closure care of \$6,882,341 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2015. The City expects to close the landfill in the year 2077. Actual cost may be higher due to inflation, change in technology, or change in regulations. The City has set aside \$3,360,200 for future post-closure costs. This amount is reported as a restricted asset on the balance sheet. The City expects that future inflation costs will be paid from interest

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

earnings on these annual contributions. However, if interest earnings are inadequate, or additional post-closure care requirements are determined (due to change in technology or applicable laws or regulations, for example); these costs may need to be covered by charges to future landfill users or from future tax revenue.

Annually the City files a financial assurance report for closure and post-closure costs with the New Mexico Department of Environmental Quality as required by 20.9.5.16 NMAC. CDM Smith, an engineering and consulting firm, provides the Solid Waste Department with an Airspace Depletion Analysis report and the analytical data from the report is used to determine the estimated Landfill closure and post-closure care costs.

**O. Restatement of previously reported net position**

The City implemented GASB Statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the City to record beginning net pension obligation and the effects on net position of contributions made by the City during the measurement period (fiscal year ending June 30, 2014). The total restatement for governmental and business-type activities attributed to the implementation of GASBS 68 is (\$383,350,480) and (\$57,369,178) respectively. In addition to including a restatement for GASBS 68, the Housing Authority fund contains restatements for an erroneous transfer in the prior year as well as for assets not moved out of construction in process for prior years, which resulted in underreporting of depreciation; restatement amounts for the Housing Authority Fund are (\$2,768,386), (\$350,000) and (\$453,853) respectively. The result of excluding these items from the prior year financial statements resulted in the underreporting of expense and an over reporting of net position in the Housing Authority Fund. In addition, the Airport and Transit Funds are restated for unrecorded prior year grants accounts receivable which resulted in an understatement of receivables, net position and revenues by \$3,534,321 and \$1,610,179 respectively. As a result, net position for the governmental and business-type activities changed as follows:

	<u>June 30, 2014 as previously reported</u>	<u>Restatement of Net Position</u>	<u>July 1, 2014, as restated</u>
Governmental net position	\$ 3,398,680,358	\$ (377,582,494)	\$ 3,021,097,864
Internal service funds included in governmental net position:			
Communications Fund	849,150	(1,089,321)	(240,171)
Employee Insurance Fund	3,089,484	(548,272)	2,541,212
Fleet Management Fund	315,562	(1,741,538)	(1,425,976)
Risk Management Fund	(33,758,976)	(1,979,113)	(35,738,089)
Supplies Inventory Management Fund	2,661,486	(409,742)	2,251,744
<b>Total governmental activities</b>	<b>\$ 3,371,837,064</b>	<b>\$ (383,350,480)</b>	<b>\$ 2,988,486,584</b>
Business-type net position			
Major enterprise funds net position:			
Airport Fund	\$ 327,878,704	\$ (9,686,353)	\$ 318,192,351
Refuse Disposal Fund	76,394,614	(18,071,083)	58,323,531
Transit Fund	111,594,720	(17,074,446)	94,520,274
Non-major enterprise funds net position:			
Golf Course Fund	5,316,604	(1,508,691)	3,807,913
Apartments Fund	4,356,884	-	4,356,884
Housing Authority Fund	28,369,144	(3,572,239)	24,796,905
Parking Facilities Fund	22,117,553	(1,409,449)	20,708,104
Stadium Fund	4,004,659	(98,564)	3,906,095
<b>Total business-type activities</b>	<b>\$ 580,032,882</b>	<b>\$ (51,420,825)</b>	<b>\$ 528,612,057</b>

**P. Risk management**

The City is exposed to various risks of loss related to torts and civil rights claims (including law enforcement and employment related exposures); theft, damage and destruction of its real and personal assets; workers compensation losses; errors and omissions of City officers and officials; and natural disasters. The City uses the Risk Management Fund to account for and finance its uninsured risks of loss. Under this program, the Risk Management Fund provides coverage for up to a maximum of \$1,500,000 for each workers' compensation incident, \$1,050,000 for each tort liability claim, and \$50,000 for each City real and contents damage claim. Losses in other categories and catastrophic losses in the mentioned categories are the subject of insurance and/or actuarially reviewed retentions. Whenever a risk exposure is insured, the

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

City continues to benefit from case coverage on claims that were incurred during the insured claim year. The City has not reduced insurance coverage and has not exceeded coverage limits in the past three years.

The Risk Management Fund tracks claims on a fund by fund basis and assesses charges to each fund based on historical claims experience and the need to establish a reserve for unanticipated catastrophic losses. That reserve was \$1,000,000 at June 30, 2015, and is included in the unrestricted net position of the Risk Management Fund. The claims liabilities reported in the Risk Management Fund are based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic factors. Each year reserves are reviewed and increased or decreased based on information available at the time. The estimate of the claims liability also includes amounts for incremental claim adjustments expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. Based on historical data, the City believes the Risk Management Fund is adequately funded.

In the fiscal year ended in 2013, the City conducted a review of both its philosophy for reserving of funds and the tools used to analyze the reported claims liability. As a result of this review, and based on information pertaining to existing claims, the City determined that a higher claims liability was needed. The City plans to increase annual funding to the Risk Management Fund assets in the amount of \$2.5 million per year by increasing charges to other funds beginning in fiscal year 2015.

Finally, the City has reserve amounts created by the City's policy to reserve one-twelfth of the General Fund budgeted amount. The amounts and change in the Fund's claims liability in fiscal year 2015 and 2014 were:

	2015	2014
Claims liability at July 1	\$ 99,451,037	\$ 109,832,650
Current year claims and change in estimates	24,700,190	22,682,779
Claims liquidated	(34,608,976)	(33,064,392)
Claims liability at June 30	<u>89,542,251</u>	<u>99,451,037</u>
The components of the claims liability at June 30 are:		
Current portion	23,901,290	22,250,000
Noncurrent portion	65,640,961	77,201,037
Total claims liability	<u>\$ 89,542,251</u>	<u>\$ 99,451,037</u>

**Q. Albuquerque Housing Authority – Component Unit**

City of Albuquerque resolution 2010-97 created the Albuquerque Housing Authority (Authority) as a public body corporate separate from the municipal corporation of the City effective July 1, 2011. The Authority was delegated the powers necessary to operate as a public housing authority pursuant to NMSA 1978 3-45-5 of the Municipal Housing Law. City of Albuquerque resolution 2012-105 amended resolution 2010-97 to extend the time City employees working at the Authority could remain to June 30, 2014. Under the amended resolution, the Albuquerque Housing Authority operated as a fund of the City of Albuquerque. Effective July 1, 2014, all assets, debts, and employees that remained with the Authority were transferred to the Albuquerque Housing Authority. Under the guidelines of GASB statements 14 and 61, the Authority became a component unit of the City of Albuquerque.

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

**R. Albuquerque Housing Authority – Transfer of Operations**

As described in Note Q, the Albuquerque Housing Authority (Authority) became a public body corporate separate from the municipal corporation of the City. As a result of resolutions 2010-97 and 2012-105, the following assets, liabilities and net position has been transferred to the Albuquerque Housing Authority effective July 1, 2014. Under the guidelines of GASB statements 14 and 61, the Authority became a component unit of the City of Albuquerque.

City of Albuquerque, New Mexico  
 Albuquerque Housing Authority  
 Statement of Net Position  
 June 30, 2014

	Total
<b>ASSETS</b>	
Current assets:	
Cash, investments, and accrued interest	\$ 12,189,250
Accounts receivable, net of allowance for uncollectible accounts	141,630
Prepaid expenses	15,227
Inventories of supplies	198,820
<b>Total current assets</b>	<b>12,544,927</b>
Noncurrent assets:	
Restricted assets	8,464,569
Total capital assets	9,046,077
<b>Total noncurrent assets</b>	<b>17,510,646</b>
<b>Total assets</b>	<b>\$ 30,055,573</b>
<b>LIABILITIES</b>	
Current liabilities	\$ 1,952,727
Noncurrent liabilities	3,305,941
<b>Total liabilities</b>	<b>5,258,668</b>
<b>NET POSITION</b>	
Net investment in capital assets	8,749,732
Restricted for:	
Housing vouchers	9,783,784
Unrestricted	6,263,389
<b>Total net position</b>	<b>\$ 24,796,905</b>

**S. Commitments and contingencies**

Encumbrances for purchase orders, contracts, and other commitments for expenditures are recorded in memorandum accounts of the City's governmental funds. Encumbrances lapse for budgetary purposes at the end of each fiscal year and the subsequent year's appropriations provide authority to complete these transactions. For the General Fund and other operating funds, large non-recurring encumbrances are re-appropriated to the following fiscal year so that the commitment does not cause expenses to exceed appropriations.

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

Outstanding encumbrances as of June 30, 2015 are reported in the table below.

Government activities:	
Major Funds:	
General Fund	\$ 3,435,248
Capital Acquisition Fund	35,361,104
Nonmajor government funds	<u>13,083,011</u>
Total governmental activities	<u>\$ 51,879,363</u>

In addition, the business-type funds have uncompleted construction and other commitments for construction, improvements and replacements or from operating revenues:

Business-type activities:	
Major Funds:	
Airport Fund	\$ 70,479,890
Refuse Disposal Fund	15,525,147
Transit Fund	8,668,815
Nonmajor business-type funds	<u>4,322,898</u>
Total business-type activities	<u>\$ 98,996,750</u>

In the normal course of business, the City is subject to certain contingent liabilities and unasserted claims. These contingencies are evaluated in light of their probability of being asserted and the estimatability of the claims. Those claims that are probable and estimable have been accrued in the accompanying financial statements. Claims that are possible and/or not estimable are disclosed herein. Remote claims are monitored until such time as they are resolved, disclosed, or accrued. Except as discussed in the following paragraphs, it is the opinion of City management that the ultimate resolution of other litigation will not have a material effect on the financial position of the City.

The City has received a number of Federal and State grants for specific purposes. These grants are subject to audit and may result in requests for reimbursements to granting agencies for expenditures disallowed under the terms of the grants. Based on prior experience, City management believes that such discrepancies, if any, will not be material.

**T. Budget violations**

The City's spending was in compliance with appropriated budget at all fund levels. The City produces quarterly expenditure reports and provides the information to City Departments in an effort to stay in compliance with budgetary amounts.

**U. Significant effects of subsequent events**

The City of Albuquerque entered into commodity forward fuel hedging contracts beginning fiscal year 2012 in order to hedge or mitigate the effect of market price fluctuations of diesel and gasoline. The City entered into fuel hedging contracts for fiscal year 2016 before the fuel prices dropped to historical levels. In fiscal year 2016 through October 2015, the City has paid \$1.4 million to its' counter party due to actual gas prices falling below the fixed hedge price. The hedge is considered effective and a deferred outflow of resources has been recorded in fiscal year 2015.

## **APPENDIX B**

### **DESCRIPTION OF SELECTED PROVISIONS OF THE BOND ORDINANCE**

The following is a summary and excerpts, supplementing the information in the body of the Official Statement, of certain provisions of City Ordinance No. F/S O-16-20 which authorizes the issuance of the Series 2016C Bonds. The summary and excerpts do not purport to be complete and reference is made to Ordinance No. F/S O-16-20 for a full and complete statement of such provisions. See “ADDITIONAL INFORMATION.”

#### **Selected Definitions**

The following terms have the meanings specified, unless the context clearly requires otherwise:

**ACT.** The general laws of the State, including Sections 3-31-1 to 3-31-12 and Sections 6-18-1 to 6-18-16 NMSA 1978, as amended and supplemented, the Home Rule Powers, the City Charter, and all enactments of the Council, including the Bond Legislation, relating to the issuance of the Bonds.

**AUTHORIZED DENOMINATIONS.** Denominations of \$5,000 and integral multiples thereof.

**AUTHORIZED OFFICER.** The City’s Mayor, Chief Administrative Officer, Director of the Department of Finance and Administrative Services, City 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.

**BOND COUNSEL.** An attorney at law or a firm of attorneys designated by the City of nationally recognized standing in matters pertaining to the issuance of bonds issued by states and their political subdivisions.

**BOND INSURANCE POLICY.** A municipal bond insurance policy issued by a Credit Source insuring the payment when due of the principal of and interest on Tax Obligations.

**BOND LEGISLATION.** The Bond Ordinance and the Sale Resolution.

**BOND ORDINANCE.** City Twenty-Second Council Bill No. F/S O-16-20, as amended or supplemented from time to time.

**BOND PURCHASE AGREEMENT.** The Bond Purchase Agreement among the City and the Purchaser relating to the sale of the Bonds to the Purchaser.

**BOND REGISTER.** The books maintained by the Registrar for the registration, transfer and exchange of the Series 2016C Bonds.

**BUSINESS DAY.** Any day other than (i) a Saturday or Sunday, or (ii) any day in which the offices of the City or the offices of banks located in the State are authorized or required to remain closed.

**CITY.** The City of Albuquerque, in the County of Bernalillo and State of New Mexico.

**CITY CHARTER.** The Charter of the City adopted pursuant to the laws of the State at a special election on June 29, 1971 and amended thereafter from time to time.

**CLOSING DATE.** The date of the original issue, sale and delivery to the Purchaser or their designee of the Series 2016C Bonds.

**CODE.** The Internal Revenue Code of 1986, as amended from time to time. Each reference to a section of the Code in the Bond Ordinance shall be deemed to include the final and temporary United States Treasury regulations thereunder, as the same may be in effect from time to time, to the extent the same are applicable, unless the context clearly requires otherwise.

**COMPLETION DATE.** The date of completion of the construction, acquisition and improvement of the Project as a whole, or, as to any portion of the Project to be funded by the Bonds and as certified pursuant to the Bond Ordinance.

**CONTINUING DISCLOSURE UNDERTAKING.** The undertaking of the City for the benefit of Owners and beneficial owners pursuant to which the City will agree that, while the Series 2016C Bonds are Outstanding, the City will annually provide certain financial information and operating data and will provide notice of certain material events in accordance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended.

**COUNCIL.** The governing body in which is vested the legislative power of the City.

**COUNSEL.** An attorney at law (who may be counsel to the City).

**CREDIT FACILITY.** A letter of credit, line of credit, Bond Insurance Policy or Reserve Fund Insurance Policy, guaranty or similar agreement provided by a Credit Source whose senior unsecured debt is rated no lower than the current rating on the applicable Tax Obligations and in any event no lower than “AAA” by Moody’s, S&P and Fitch to the extent each such rating agency is then rating such Tax Obligations to provide support to pay the purchase price of, or the payment when due of the principal of and interest on, such Tax Obligations.

**CREDIT SOURCE.** Any bank, insurance company or other financial institution which provides a Credit Facility for a series of Obligations.

**DEBT SERVICE REQUIREMENTS.** With respect to Tax Obligations, as applicable, and for any given period, the sum of: (1) the amount required to pay the interest, or to make reimbursements for payments of interest, becoming due on the Tax Obligations during that period, plus (2) the amount required to pay the principal or accreted value, or to make reimbursements for the payment of principal or accreted value, becoming due on Tax Obligations during that period, whether at maturity, an accretion term date or upon mandatory sinking fund redemption dates, plus (3) the periodic payments required to be made by the City pursuant to a qualified exchange agreement minus (4) the periodic payments to be received by the City pursuant to a qualified exchange agreement. No payments required for any Tax Obligations which may be tendered or otherwise presented for payment at the option or demand of the owners or holders of the Tax Obligations, or which may occur because of the exercise of an option by the City, or which may otherwise become due by reason of any other circumstance or contingency, including acceleration or exchange termination payments, which constitute other than regularly scheduled payments of principal, accreted value, interest or other regularly scheduled payments on the Tax Obligations shall be included in any computation of Debt Service Requirements for that period.

Unless, at the time of computation of Debt Service Requirements, payments on the Tax Obligations are owed to, or the Tax Obligations are owned or held by, the provider of a Credit Facility pursuant to the provisions of that Credit Facility, the computation of interest for the purposes of this definition shall be made without considering the interest rate payable pursuant to a Credit Facility.

In any computation of Debt Service Requirements relating to the issuance of additional Senior Tax Obligations, there shall be deducted from that computation of Debt Service Requirements amounts

and investments which are irrevocably committed to make designated payments on the Tax Obligations during the applicable period, including, without limitation money on deposit in any debt service account, amounts on deposit in an escrow account irrevocably committed to make designated payments on the Tax Obligations, during the applicable period and earnings on such investments which are payable during the applicable period.

For the purpose of the definition of Debt Service Requirements, the accreted value of capital appreciation bonds becoming due shall be included in the calculation of accrued and unpaid and accruing interest and principal only from and after the date which is one year prior to the date on which the accreted value becomes payable. In addition, the definition of Debt Service Requirements shall include any Expense Component.

**DEFEASANCE OBLIGATIONS.** The following obligations which are not redeemable at the option of the City:

(1) Government Obligations; and

(2) if permitted by law, obligations described in Section 103(a) of the Code, (a) provisions for the payment of the principal of, premium, if any, and interest on which (i) shall have been made by the irrevocable deposit with a bank or trust company acting as a trustee, escrow agent or holder of such obligations, securities described in clause (1) of this definition, the maturing principal of and interest on which, when due and payable, without further investment or reinvestment thereof, will provide sufficient money to pay when due the principal of, premium, if any, and interest on such obligations, and (ii) which securities described in clause (1) of this definition are not available to satisfy any other claim, including any claim of such trustee or escrow agent or of any person claiming through such trustee or escrow agent or to whom such trustee or escrow agent may be obligated, including claims in the event of insolvency of such trustee or escrow agent or proceedings arising out of such insolvency or (b) rated in its highest rating category (without regard to any refinement or gradation thereof by numerical modifier or otherwise) by S&P, Moody's or Fitch.

**DEPOSITORY.** The following registered securities depository: The Depository Trust Company, 55 Water Street, New York, New York 10041-0099, <http://www.dtcc.com>; or in accordance with then-current guidelines of the Securities and Exchange Commission, to such other addresses and/or such other securities depositories, or no such depositories, as an Authorized Officer may designate in a certificate of the City.

**ELECTRONIC MEANS.** Telephone, telecopy, telegraph, facsimile transmission or any other similar means of electronic communication. Any communication by telephone as an Electronic Means shall promptly be confirmed in writing, which may be by one of the other means of electronic communication listed in this definition.

**EMMA.** The Municipal Securities Rulemaking Board's Electronic Municipal Market Access System located on its website at [emma.msrb.org](http://emma.msrb.org).

**EVENT OF DEFAULT.** Any of the events set forth in the Bond Ordinance.

**EXPENSES.** The reasonable and necessary fees, costs and expenses incurred by the City in connection with the issuance of the Series 2016C Bonds and any transaction or event contemplated by the Series 2016C Bonds and the Bond Ordinance including, without limitation: (i) costs of advertising and publication of legislation relating to the Series 2016C Bonds; (ii) costs of printing certificates for the Series 2016C Bonds and any disclosure documents; (iii) legal fees and expenses; (iv) fees and expenses of

any (a) fiscal service providers, (b) underwriter (including underwriter's discount), (c) financial advisor, (d) Independent Accountant, and (e) Qualified Counterparty; (v) the initial premium payable to any Insurer with respect to the Series 2016C Bonds; (vi) disclosure matters pertaining or allocable to, the Series 2016C Bonds; and (vii) all reasonable and necessary fees and administrative costs of the City relating to the foregoing.

**FISCAL AGENT.** Collectively, the Paying Agent and Registrar.

**FISCAL YEAR.** The twelve month period beginning on the first day of July of each year and ending on the last day of June of the next succeeding year, or any other twelve month period, which the City or other appropriate authority may establish as the fiscal year for the City.

**FITCH.** Fitch Ratings, its successors and their assigns, and, if such corporation is dissolved or liquidated or no longer performs the function of a securities rating agency, any other nationally recognized securities rating agency designated by the City.

**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.

**GROSS RECEIPTS TAX INCOME FUND.** The "City of Albuquerque Gross Receipts Tax Income Fund" continued in the Bond Ordinance.

**HOME RULE POWERS.** The authority of the 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.

**INDEPENDENT ACCOUNTANT.** Any certified public accountant, registered accountant, or firm of accountants duly licensed to practice and practicing as such under the laws of the State, appointed and paid by the City who (a) is, in fact, independent and not under the domination of the City, (b) does not have any substantial interest, direct or indirect, with the City, and (c) is not connected with the City as an officer or employee of the City, but who may be regularly retained to make annual or similar audits of the books or records of the City.

**INSURED BANK.** Any federally or state-chartered savings and loan association or federally or state-chartered commercial bank, the deposits of which are insured by the Federal Deposit Insurance Corporation and which has, or is the lead bank of a parent holding company which has, combined capital, surplus and undivided profits of not less than \$10,000,000.

**INSURED OBLIGATIONS.** Any Tax Obligations insured by a Bond Insurance Policy or payable with the proceeds of another Credit Facility.

**INSURER.** Any insurer or insurers issuing a Bond Insurance Policy or Surety Bond, or both.

**INTEREST PAYMENT DATE.** January 1 and July 1 of each year (or if such day is not a Business Day, then the next succeeding Business Day), commencing with the first such Interest Payment Date for the Series 2016C Bonds to be established in the Sale Resolution.

**MATURITY DATE.** The date or dates on which the Series 2016C Bonds mature.

**MOODY'S.** Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if such corporation is dissolved or liquidated or no longer performs the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the City.

**NMSA.** New Mexico Statutes Annotated, 1978 Compilation, as amended and supplemented.

**OFFICIAL STATEMENT.** The final disclosure document relating to the sale of the Series 2016C Bonds (including the cover page and all summary statements, appendices and other materials included or incorporated by reference or attached thereto), as amended or supplemented.

**OUTSTANDING.** When used in reference to Tax Obligations, on any particular date, the aggregate of all Tax Obligations issued and delivered under the applicable City ordinance or resolution authorizing the issuance of the Tax Obligations, except:

(1) those canceled 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 Tax Obligations, or otherwise relating thereto, provided that the payment of Insured Obligations with the proceeds of a Bond Insurance Policy shall not result in those Insured Obligations ceasing to be Outstanding;

(3) in the case of Variable Rate Obligations, any Tax Obligations deemed tendered but not yet presented for payment; and

(4) those in lieu of or in exchange or substitution for which other Tax Obligations shall have been delivered, unless proof satisfactory to the City and the Paying Agent for the applicable Tax Obligations is presented that any Tax Obligations for which new Tax Obligations were issued or exchanged are held by a bona fide holder or in due course.

**OWNER.** The registered owner of a Series 2016C Bond as shown, from time to time, on the registration books for the Series 2016C Bonds maintained by the relevant registrar for the City.

**PAYING AGENT.** The City Treasurer or other agent for the City for the payment of the Series 2016C Bonds and any co-paying agent or successor paying agent which is a trust company, national or state banking association or financial institution appointed by resolution of the Council or by an Authorized Officer from time to time.

**PAYMENT OBLIGATIONS.** All obligations of the City to pay the Credit Source the principal amount of, interest on, and fees, costs, expenses and other amounts related to drawings, term loans and other advances and Tax Obligations held by that Credit Source, pursuant to that Credit Facility.

**PERMITTED INVESTMENTS.** Any investment legally permitted pursuant to Section 6-10-10 NMSA 1978, the City Charter and the City Investment Policy.

**PERSON.** Any individual, corporation, partnership (in which case each partner shall be deemed a Person), joint venture, association, joint stock company, limited liability company, trust, unincorporated organization, or government or any agency or political subdivision of a government.

**PLEGGED REVENUES.** The revenues from the State gross receipts tax derived pursuant to Section 7-9-4 NMSA 1978, imposed on persons engaging in business in the State, which revenues are remitted monthly by the Revenue Division of the Taxation and Revenue Department of the State to the City as authorized by Sections 7-1-6 and 7-1-6.4 NMSA 1978, and which remittances as of the date of adoption of the Bond Ordinance are equal to one and two hundred twenty-five thousandths percent (1.225%) of the taxable gross receipts reported for the City for the month for which such remittance is made; provided that if a greater amount of such gross receipts tax revenues are hereafter provided to be remitted to the City under applicable law, such additional amounts shall be included as revenues pledged pursuant to the Bond Legislation; and provided further that the amount of revenues pledged pursuant to the Bond Legislation shall never be less than the greater of: (i) 1.225% of the taxable gross receipts remitted to the City as set forth above, or (ii) the maximum amount at any time provided hereinafter to be remitted to the City under applicable law; and provided further, the City intends that Section 3-31-6(C) NMSA 1978 applies expressly to the amount of revenues pledged pursuant to the Bond Legislation. Pledged Revenues also includes (i) the portion of the gross receipts tax distribution to the City to be made pursuant to Section 7-1-6.46 NMSA 1978, which represents the amount of State gross receipts tax revenues set forth in the sentence above that would have been remitted to the City but for the deductions provided by Sections 7-9-92 and 7-9-93 NMSA 1978 and (ii) any similar distributions made to the City in lieu of State gross receipts tax revenues, but State gross receipts tax revenues do not include any similar distributions in lieu of any municipal local option gross receipts tax revenues.

**PRELIMINARY OFFICIAL STATEMENT.** The initial disclosure document relating to the sale of the Series 2016C Bonds (including the cover page and all summary statements, appendices and other materials included or incorporated by reference or attached thereto), as amended or supplemented.

**PRINCIPAL PAYMENT DATE.** July 1 of each year (or if such day is not a Business Day, then the next succeeding Business Day), with the first such Principal Payment Date for the Series 2016C Bonds to be established in the Sale Resolution.

**PROJECT.** Collectively, means (i) acquiring and equipping public parks, public recreation buildings, libraries, visitor centers, other public recreation facilities, including but not limited to municipal pools, public memorials or cultural facilities, (ii) acquiring, improving and rehabilitating one or more public buildings or purchasing or improving any ground related thereto, (iii) improving municipal or public parking lots, (iv) reconstructing, resurfacing, repairing or otherwise improving existing alleys, streets, roads or bridges or any combination of the foregoing, including lighting, (v) purchasing, acquiring or rehabilitating fire protection equipment and law enforcement equipment, and (vi) paying expenses related to issuance of the Series 2016C Bonds.

**PURCHASER.** The purchaser of the Series 2016C Bonds as approved in the Sale Resolution.

**QUALIFIED COUNTERPARTY.** Any Person entering into a Qualified Exchange Agreement with the City, its successors and assigns, or any substitute Qualified Counterparty, appointed or consented to from time to time by an Authorized Officer.

**QUALIFIED EXCHANGE AGREEMENT.** Any financial arrangement between the City and a Qualified Counterparty which satisfies the requirements of the Exchange Act at the time the agreement is entered into.

**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.

REBATE FUND. The fund, if any, for the Series 2016C Bonds created by ordinance or resolution of the City relating to the Series 2016C Bonds for the purpose of depositing funds to be used to make rebate payments or alternative amounts in lieu of rebate to the federal government.

RECORD DATE. The fifteenth day of the month immediately preceding each Interest Payment Date.

REGISTRAR. The Treasurer or other agent for the City for the transfer and exchange of the Series 2016C Bonds and any co-registrar or successor registrar which is a trust company, national or state banking association or financial institution appointed by resolution of the Council or by an Authorized Officer from time to time.

RELATED DOCUMENTS. The Bond Purchase Agreement, the Continuing Disclosure Undertaking, and any other documents relating to the Series 2016C Bonds identified and approved in the Bond Legislation.

RESERVE FUND INSURANCE POLICY. Any policy of insurance or surety bond or other Credit Facility issued to the City to be deposited in a reserve account, the proceeds of which shall be used to prevent deficiencies in the payment of the principal of or interest on a series of Tax Obligations written by an Insurer whose policies of insurance, or issued by a Credit Source whose Credit Facility, would not adversely affect the rating of the Tax Obligations by Moody's, S&P or Fitch. At the time of the issuance of such policy, such Insurer or the component insurance companies thereof or the obligations thereof shall have received the highest policy claims rating accorded insurers by the A. M. Best Company or any comparable service and either of the two highest rating categories of Moody's, S&P or Fitch.

S&P. S&P Global Ratings, its successors and their assigns, and, if such corporation is dissolved or liquidated or no longer performs the functions of a securities rating agency, any other nationally recognized securities agency designated by the City.

SALE PRICE. The principal amount (plus any original issue premium and less any original issue discount) of the Series 2016C Bonds less an underwriter's discount to be set forth in the Sale Resolution not to exceed 1.0% of the principal amount of the Series 2016C Bonds (which discount includes expenses, fees, and attorneys' fees of the Purchaser) plus, in such case, accrued interest from the date of the Series 2016C Bonds to the Closing Date for the Series 2016C Bonds.

SALE RESOLUTION. A resolution, and all amendments thereto, of the Council setting and approving specifications for the Series 2016C Bonds within the parameters set in the Bond Ordinance, and relating to the issuance, sale and administration thereof.

SENIOR TAX OBLIGATIONS. The Series 2004B Bonds, the Series 2008B Bonds, the Series 2009A Bonds, the Series 2009B Bonds, the Series 2011A Bonds, the Series 2011B Bonds, the Series 2013 Bonds, the Series 2014A Bonds, Series 2015A Bonds, Series 2015B Bonds, Series 2015C Bonds, Series 2016A Bonds, Series 2016B Bonds, and any other Tax Obligations, issued or incurred after the adoption of the Bond Ordinance payable from the Pledged Revenues, with a lien on the Pledged Revenues on a parity with the lien on the Pledged Revenues of the Bonds.

SERIES 2004B BONDS. The "City of Albuquerque, New Mexico Taxable Gross Receipts Tax/Lodgers' Tax Refunding Revenue Bonds, Series 2004B."

SERIES 2008B BONDS. The "City of Albuquerque, New Mexico Gross Receipts Tax Revenue Refunding Bonds (Beach, Bluewater and Manzano Vista Projects), Series 2008B."

SERIES 2009A BONDS. The “City of Albuquerque, New Mexico Gross Receipts Tax/Lodgers’ Tax Refunding Revenue Bonds, Series 2009A.”

SERIES 2009B BONDS. The “City of Albuquerque, New Mexico Gross Receipts Tax Refunding Revenue Bonds, Series 2009B.”

SERIES 2011A BONDS. The “City of Albuquerque, New Mexico Gross Receipts Tax/Lodgers’ Tax/Hospitality Fee Improvement and Refunding Revenue Bonds, Series 2011A.”

SERIES 2011B BONDS. The “City of Albuquerque, New Mexico Gross Receipts Tax/Stadium Revenues Refunding Revenue Bonds, Taxable Series 2011B.”

SERIES 2013 BONDS. The “City of Albuquerque, New Mexico Gross Receipts Tax Improvement Revenue Bonds, Series 2013.”

SERIES 2014A BONDS. The “City of Albuquerque, New Mexico Gross Receipts Tax/Lodgers’ Tax Refunding & Improvement Revenue Bonds, Series 2014A.”

SERIES 2015A BONDS. The “City of Albuquerque, New Mexico Gross Receipts Tax Improvement Revenue Bonds, Series 2015A.”

SERIES 2015B BONDS. The “City of Albuquerque, New Mexico Gross Receipts Tax Improvement Revenue Bonds, Taxable Series 2015B.”

SERIES 2015C BONDS. The “City of Albuquerque, New Mexico Gross Receipts Tax Improvement Revenue Bonds, Series 2015C.”

SERIES 2016A BONDS. The “City of Albuquerque, New Mexico Gross Receipts Tax/Lodgers’ Tax Improvement Revenue Bonds, Taxable Series 2016A.”

SERIES 2016B BONDS. The “City of Albuquerque, New Mexico Gross Receipts Tax Refunding Revenue Notes (Beach, Bluewater and Manzano Vista Projects), Series 2016B.”

SERIES 2016C ACQUISITION/CONSTRUCTION FUND. The “City of Albuquerque, New Mexico Gross Receipts Tax Improvement Revenue Bonds, Series 2016C Acquisition/Construction Fund” created in the Bond Ordinance.

SERIES 2016C BONDS. The “City of Albuquerque, New Mexico Gross Receipts Tax Improvement Revenue Bonds, Series 2016C.”

SERIES 2016C DEBT SERVICE FUND. The “City of Albuquerque, New Mexico Gross Receipts Tax Improvement Revenue Bonds, Series 2016C Debt Service Fund” created in the Bond Ordinance.

SPECIAL RECORD DATE. A date established for payment of overdue interest on Series 2016C Bonds by the Paying Agent pursuant to the Bond Ordinance.

STATE. The State of New Mexico.

SUBORDINATE TAX OBLIGATIONS. All Tax Obligations now outstanding or hereafter issued or incurred with a lien on the Pledged Revenues subordinate to the lien of the Senior Tax Obligations on the Pledged Revenues.

**SURETY BOND.** Any policy of insurance or surety bond with respect to a series of Tax Obligations guaranteeing certain payments into a debt service reserve account or similar account with respect to that series of Tax Obligations, purchased to satisfy, in whole or in part, the reserve requirement for that series or to replace any money on deposit in a debt service reserve account or similar account.

**TAX OBLIGATIONS.** Senior Tax Obligations, Subordinate Tax Obligations and any other bonds, notes or other instruments which evidence a borrowing payable from and secured by the Pledged Revenues now Outstanding or hereafter issued or incurred.

**VARIABLE INTEREST RATE.** An interest rate which varies or fluctuates from time to time. Except for any historical period for which the actual rate or rates are determinable, and unless otherwise stated in the Bond Legislation, interest shall be calculated for Variable Interest Rate Obligations at the maximum interest rate then permitted on such Tax Obligations by the City ordinance authorizing the issuance of such Tax Obligations.

**VARIABLE RATE OBLIGATIONS.** Tax Obligations or Variable Rate Obligations, including reimbursement obligations pursuant to a Credit Facility, the interest rate on which is subject to change from time to time.

## **Flow of Pledged Revenues**

### *Funds*

The following special and separate funds are created or continued by the Bond Ordinance: (i) continues the Gross Receipts Tax Income Fund previously established and maintained by the City; (ii) creates the Series 2016C Debt Service Fund to be maintained by the City; and (iii) creates the Series 2016C Acquisition/Construction Fund to be maintained by the City.

### *Deposit and Priorities for Use of Pledged Revenues*

So long as any Series 2016C Bonds are Outstanding, the Pledged Revenues shall, immediately upon receipt thereof by the City, be set aside and deposited into the Gross Receipts Tax Income Fund. All money deposited into the Gross Receipts Tax Income Fund shall be held separate and apart from the City's general fund and applied only in accordance with the provisions of the Bond Ordinance and any other City ordinance authorizing the issuance of Tax Obligations. Money shall not be accumulated in or transferred from the Gross Receipts Tax Income Fund for the payment of the principal of, premium, if any, or interest on the Series 2016C Bonds or other Tax Obligations after the payment each month of, or the setting aside of funds each month sufficient to pay, the amounts required to be deposited pursuant to the Bond Ordinance.

### Debt Service Funds.

(1) As a first charge on the Pledged Revenues, the amounts necessary to pay the Debt Service Requirements on Senior Tax Obligations at the time Outstanding shall be withdrawn from the Gross Receipts Tax Income Fund and shall be concurrently credited to the Series 2016C Debt Service Fund or any relevant debt service account, with the same priority and, if insufficient to pay all of the enumerated Debt Service Requirements, pro-rated in proportion to the amounts of such Debt Service Requirements (monthly, in the case of the Series 2016C Bonds, in accordance with the Bond Ordinance):

(a) Prior to each interest payment date, that amount necessary to pay or reimburse the next maturing installment of interest on each series of Senior Tax Obligations then Outstanding.

(b) Prior to each principal payment date, that amount necessary to pay the next regularly scheduled installment of principal, whether at maturity or a mandatory sinking fund redemption date, of each series of Senior Tax Obligations then Outstanding.

(c) Prior to their respective due dates, the amounts necessary to pay or reimburse the provider of a Credit Facility for payments of Debt Service Requirements (but not tender price) on Senior Tax Obligations made by that Credit Source. The tender price of a series of Senior Tax Obligations and any interest payment owed to any Credit Source which exceeds the amount of interest which would be payable at the maximum bond interest rate on that series, shall be reimbursed from the Gross Receipts Tax Income Fund with the priority set forth in the Bond Ordinance.

(2) The City may pay the Debt Service Requirements on the Series 2016C Bonds and, unless otherwise required under the ordinance or resolution under which they were issued, any other Tax Obligations that are Senior Tax Obligations from Pledged Revenues as described above and in this paragraph in such order, in whole or in part, as to the use of Pledged Revenues as the City may from time to time determine in its sole discretion. Amounts from the Gross Receipts Tax Income Fund to be used to pay interest shall be deposited by the City into a separate account maintained by the City on or before the due date thereof.

Other Tax Obligations. To the extent not required to be deposited or paid pursuant to above, Pledged Revenues available in the Gross Receipts Tax Income Fund shall be used, as necessary, to pay (i) payment obligations owed by the City to the Credit Source for Senior Tax Obligations, including the tender price of and certain interest payments on, Senior Tax Obligations paid by that Credit Source; and (ii) fees, expenses and interest owed by the City to any other provider of fiscal services for a series of Senior Tax Obligations.

Debt Service Reserve Requirements. To the extent not required to be deposited or paid pursuant to above, Pledged Revenues available in the Gross Receipts Tax Income Fund shall be used, as necessary, to pay any debt service reserve account as required by the terms of any ordinance or resolution authorizing the issuance of Senior Tax Obligations.

Subordinate Tax Obligations. To the extent not required to be deposited or paid pursuant to above Pledged Revenues available in the Gross Receipts Tax Income Fund shall be used, as necessary, to pay Debt Service Requirements on Subordinate Gross Receipts Tax Obligations as the same accrue.

Use of Surplus Pledged Revenues. To the extent not required in any month to be deposited or paid pursuant to above or any ordinance or resolution authorizing the issuance of any Tax Obligations, any Pledged Revenues remaining in the Gross Receipts Tax Income Fund may be transferred from the Gross Receipts Tax Income Fund and applied to any other lawful purpose or purposes; as determined by the City, subject to any limitations imposed by the Code.

## **General Administration of Funds**

### Use of Amounts and Termination of Deposits in Debt Service Fund.

(1) Except as provided in paragraph (2) below, the money credited to the Series 2016C Debt Service Fund shall be used by the City only to pay, or to reimburse a Credit Source for the

payment of, the Debt Service Requirements of the Series 2016C Bonds. Money on deposit in the Series 2016C Debt Service Fund shall be transferred to the Paying Agent on or before each relevant payment date.

(2) No payment needs to be made into the Series 2016C Debt Service Fund or any debt service reserve fund for the Series 2016C Bonds, if no Debt Service Requirements on the Series 2016C Bonds are then past due and the amounts on deposit in the Series 2016C Debt Service Fund for the payment of such Series 2016C Bonds are at least equal to all Debt Service Requirements on such Series 2016C Bonds to their Maturity Dates or mandatory redemption dates, or to any date for which the City has exercised or has obligated itself to exercise its option to redeem such Series 2016C Bonds prior to their Maturity Dates or redemption dates. In such event, money in the Series 2016C Debt Service Fund shall be used for the payment of the Debt Service Requirements or such optional redemption payments, if applicable, when due, on the respective Series of Series 2016C Bonds. Any money in those accounts in excess of the amounts required by the preceding sentence may be used as provided in the Bond Ordinance.

Credit or deficiency. In making the determinations of the amounts to be transferred from the Gross Receipts Tax Income Fund as provided above or in this section, the City may take into account any amount then on deposit in any fund or escrow relating to the respective Series 2016C Bonds which is available and required to be used for the designated payment. If any deposit made to a fund for the payment of any Series 2016C Bonds is less than the amount required to be deposited, the City shall pay or credit to that fund from revenues in the Gross Receipts Tax Income Fund, as applicable to the respective Series of Series 2016C Bonds, the first money available to pay that deficiency using the priorities set forth above and in this section.

Transfer of Money. Each payment of principal and interest coming due on the Series 2016C Bonds shall be transferred from the applicable fund to the Paying Agent.

Variable Interest Rate. In making the computations required by above and this section, interest on Variable Interest Rate Tax Obligations which cannot be computed exactly shall be computed at the maximum interest rate permitted for those Tax Obligations unless otherwise required by the City ordinance authorizing the issuance of such Tax Obligations.

Investment of Money. Any money in any fund created or continued in the Bond Ordinance shall be invested in Permitted Investments. The investments purchased using money in any such fund shall be deemed at all times to be part of that fund. The interest accruing in the funds and any profit realized therefrom shall be credited to the fund in which the relevant investments are deemed to be held. Any loss resulting from such investment shall be charged to the applicable fund. The City Treasurer shall present for redemption or sale on the prevailing market any obligations purchased as an investment of money in the applicable fund whenever it shall be necessary to do so in order to provide money to meet any payment or transfer from such fund. Neither the City Treasurer nor any other officer of the City shall be liable or responsible for any loss resulting from any such investment made in accordance with the Bond Ordinance.

Deposits of Funds. The money and investments deposited in the funds created or continued in the Bond Ordinance shall be maintained and kept in one or more Insured Banks. Each payment shall be made into and credited to the proper fund at the designated time, except that when the designated time is not a Business Day, then such payment shall be made on the next succeeding Business Day. Nothing herein shall prevent the establishment of one or more such funds in insured banks for all of the accounts designated in the Bond Ordinance.

Valuation. The “value” of Permitted Investments shall be determined at least every six months as follows:

(1) if the price of the investment is not set as described in paragraph (4) below, as to investments the bid and asked prices of which are published on a regular basis in The Wall Street Journal (or, if not there, then in The New York Times): the average of the bid and asked prices for such investments published on or more recently prior to such time of determination;

(2) as to investments the bid and asked prices of which are not published on a regular basis in The Wall Street Journal or The New York Times: the average bid price at such time of determination for such investments by any two nationally recognized government securities dealers (selected by the City in its absolute discretion) at the time making a market in such investments or the bid price published by a nationally recognized pricing service;

(3) as to certificates of deposit and bankers acceptances: the face amount thereof, plus accrued interest;

(4) as to investments pursuant to which a financial institution is obligated to purchase the investment from the City at a fixed price through maturity of the investment; the price set forth in such agreement, provided that such institution, or the guarantor of such institution or agreement, shall be rated in one of the top two Rating Categories by S&P, Moody’s and Fitch if then rating the Series 2016C Bonds, or by another national rating agency; and

(5) as to any investment not specified above: the cost of the Permitted Investments (including any amount paid as accrued interest) or the principal amount thereof, whichever is less; except that Permitted Investments purchased at a premium may initially be valued at the cost thereof, but in each year after such purchase shall be valued at a lesser amount determined by ratably amortizing the premium over the remaining term.

No loss or profit on Permitted Investments shall be deemed to take place as a result of fluctuations in the market quotations prior to the sale or maturity thereof.

### **Selected Protective Covenants**

*Records.* The City shall keep proper books of record and account, separate and apart from all other records and accounts, showing complete and correct entries of all transactions relating to the Pledged Revenues.

*Duty to Impose Tax.* If State law or the City Charter or any City ordinance or part thereof, which affects the Pledged Revenues, shall ever be held to be invalid or unenforceable, the City shall immediately take any action which is legally available to the City necessary to produce sufficient Pledged Revenues to comply with the obligations of the City under the Bond Ordinance.

*Impairment of Contract.* In accordance with Section 3-31-6(C) NMSA 1978, no law, ordinance or resolution of the City which affects the Pledged Revenues or the Series 2016C Bonds shall be repealed or otherwise directly or indirectly modified in such a manner as to impair Outstanding Series 2016C Bonds or obligations of the City under the Bond Ordinance or any Related Documents, unless the Series 2016C Bonds or obligations have been discharged in full or provision has been fully made therefor.

## **Bonds Not Presented for Payment**

If any Series 2016C Bonds are not presented for payment when the principal becomes due either at maturity or at the date fixed for redemption thereof or otherwise, or if any check or draft mailed to an Owner in connection with a payment of interest on any Series 2016C Bonds is not cashed by an Owner, and an amount sufficient to pay those Series 2016C Bonds or interest is held by the Paying Agent for the benefit of the Owners, the Paying Agent shall segregate and hold such money in trust without liability for interest on that money to the Owners, for the benefit of the Owners of the applicable Series 2016C Bonds, who shall, except as provided in the following paragraph, then be restricted to only the amounts segregated for the satisfaction of any claim relating to that payment on such Series 2016C Bonds.

Any money which the Paying Agent segregates and holds in trust for the payment of the principal of, premium or interest on Series 2016C Bonds which remains unclaimed for three years after such payment has become due shall be paid to the City. After the payment of such unclaimed money to the City, the Owners shall look only to the City for the payment of those Series 2016C Bonds.

## **Defeasance**

If, when all Series 2016C Bonds become due and payable in accordance with their terms or otherwise as provided in the Bond Ordinance and the entire amount of the principal of, premium, if any, and interest due and payable on all of the Series 2016C Bonds is paid or if provisions are made for the payment thereof when due and payable, and all other sums payable under the Bond Legislation are paid, then all covenants, agreements and other obligations of the City to the Owners of the Series 2016C Bonds shall cease, terminate and become void and be discharged and satisfied. However, the covenants of the Bond Ordinance relating to the rebate requirements of Section 148(f) of the Code, as applicable, shall survive until all applicable requirements have been satisfied.

When all principal, interest and prior redemption premium, if any, in connection with any Series 2016C Bond have been duly paid or provided for, the pledge and lien of the Bond Legislation, and all obligations hereunder (except as provided for in the Bond Ordinance), shall be discharged with respect to that Series 2016C Bond and that Series 2016C Bond shall no longer be deemed to be Outstanding within the meaning of the Bond Legislation. There shall be deemed to be such due payment or to be adequate provisions for the prompt and complete payment of a Series 2016C Bond when the City has placed in escrow and in trust with a commercial bank or trust company 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 meet all requirements of principal, interest and prior redemption premium, if any, on that Series 2016C Bond as the same become due to its final maturity or upon the designated prior redemption date. The Defeasance Obligations shall become due prior to the respective times at which the proceeds thereof shall be needed, in accordance with a schedule established and agreed upon between the City and such bank or trust company at the time of the creation of the escrow, or the Defeasance Obligations shall be subject to redemption at the option of the owners thereof to assure such availability as so needed to meet such schedule.

If any Series 2016C Bonds are deemed to be paid and discharged pursuant to this section, within 15 days after the date of defeasance, the City shall irrevocably direct the Fiscal Agent to give written notice to each Owner of Series 2016C Bonds deemed paid and discharged at the address shown on the Bond Register on the date on which those Series 2016C Bonds are deemed paid and discharged. The notice shall state, to the extent applicable, the same information required by the Bond Ordinance for the redemption of Series 2016C Bonds and shall describe the Defeasance Obligations.

## **Registration, Transfer, Exchange and Ownership of Bonds**

*Registration, Transfer and Exchange.* The City shall cause books for the registration, transfer and exchange of the Series 2016C Bonds to be kept at the principal office of the Registrar. Upon surrender for transfer or exchange of any Series 2016C 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 such Registrar and properly executed, the City shall execute and the Registrar shall authenticate and deliver in the name of the transferee or Owner a new Series 2016C Bond or Bonds of the same series and Maturity Date, interest rate and same aggregate principal amount in Authorized Denominations.

*Owner of Bonds.* The person in whose name any Series 2016C 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 on Series 2016C Bonds in the Bond Ordinance. Payment of the principal on any Series 2016C Bonds 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 2016C Bonds to the extent of the amount paid.

*Replacement of Bonds.* If any Series 2016C Bond is lost, stolen, destroyed or mutilated, the Registrar shall, upon receipt of that Series 2016C Bond if mutilated, and evidence, information or indemnity which the Registrar may reasonably require, authenticate and deliver a replacement Series 2016C Bond or Bonds of the same aggregate principal amount, series and Maturity Date and interest rate, bearing a number or numbers not then outstanding. If any lost, stolen, destroyed or mutilated Series 2016C Bond has matured or been called for redemption, the Registrar may direct the Paying Agent to pay that Series 2016C Bond in lieu of replacement.

*Charges.* Exchanges and transfers of Series 2016C Bonds shall be made without charge to the Owners 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.

*Bonds Called for Redemption.* The Fiscal Agent shall not be required to transfer or exchange (i) any Series 2016C Bonds during the five-day period preceding the mailing of notice calling Series 2016C Bonds of such series for redemption and (ii) any Series 2016C Bonds called for redemption.

## **Events of Default**

Each of the following events shall constitute an “Event of Default” as used under the Bond Ordinance:

*Nonpayment of Principal.* Failure to pay the principal of any Series 2016C Bonds when the same becomes due and payable, either at maturity, or by proceedings for prior redemption, or otherwise.

*Nonpayment of Interest.* Failure to pay any installment of interest on any Bonds on the due date thereof.

*Incapable to Perform.* The City shall for any reason be rendered incapable of performing its obligations under the Bond Legislation.

*Other Default.* Default by the City in the due and punctual performance of its covenants or conditions, agreements and provisions contained in the Series 2016C Bonds or in the Bond Legislation on

its part to be performed, and the continuance of such default (other than a default set forth above) for 60 days after written notice specifying such default and requiring the same to be remedied has been given to the City by the Owners of 25% in aggregate principal amount of the Series 2016C Bonds then Outstanding.

### **Remedies on Events of Default**

Upon the happening and during the continuance of any Event of Default, the Owners of not less than 25% in aggregate principal amount of the Series 2016C Bonds then Outstanding affected by the Event of Default, including but not limited to a trustee or trustees therefor, may proceed against the City to:

- (1) protect and enforce the rights of the Owners by mandamus or other suit, action or special proceedings in equity or at law, in any court of competent jurisdiction, either for the appointment of a receiver or for the specific performance of any covenant or agreement contained in the Bond Ordinance or for the enforcement of any proper legal or equitable remedy as those Owners may deem necessary or desirable to protect and enforce their respective rights;
- (2) enjoin any act or thing which may be unlawful or in violation of any right of any Owner;
- (3) require the Council to act as if it were the trustee of an express trust; and
- (4) any combination of those remedies.

All proceedings shall be instituted and maintained for the equal benefit of all Owners of the Series 2016C Bonds then Outstanding. The failure of an Owner to exercise any right granted by the Bond Ordinance shall not relieve the City of any obligation to perform any duty. Each right or privilege of any such Owner (or trustee or receiver therefor) is in addition and cumulative to any other right or privilege and the exercise of any right or privilege by or on behalf of any Owner shall not be deemed a waiver of any other right or privilege of such Owner.

No remedy in the Bond Legislation is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative, and shall be in addition to every other remedy given under the Bond Legislation or now or hereafter existing at law or in equity or by statute.

All rights, remedies and powers provided by the Bond Legislation may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law and all the provisions relating to an Event of Default or the exercise of remedies upon the occurrence of an Event of Default are intended to be subject to all applicable provisions of law which may be controlling and to be limited to the extent necessary so that they shall not render the Bond Legislation invalid or unenforceable under the provisions of any applicable law.

### **Amendment of Bond Legislation**

*Limitations Upon Amendments.* Prior to any Series 2016C Bonds being issued, the Bond Legislation may be amended by ordinance or resolution of the Council without the consent of Owners. After Series 2016C Bonds have been issued, the Bond Legislation may be amended by ordinance or resolution of the Council without the consent of Owners:

- (1) To cure any ambiguity, or to cure, correct or supplement any defect or inconsistent provision contained in the Bond Legislation;

(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 or shadow rating on any Series 2016C 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 Legislation which, in the opinion of Bond Counsel, is not materially adverse to the Owners.

*Additional Amendments.* Except as provided above, the Bond Legislation may only be amended or supplemented by ordinance adopted by the Council 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 Outstanding Series 2016C Bonds which are affected by the amendment or supplement (not including Series 2016C Bonds which are then owned by or for the account of the City). However, no such ordinance shall have the effect of permitting:

(1) An extension of the maturity of any Series 2016C Bonds; or

(2) A reduction in the principal amount of, premium, if any, or interest rate on any Series 2016C Bonds; or

(3) The creation or continuance of a lien on or a pledge of the Pledged Revenues ranking prior to the lien or pledge of Obligations on the Pledged Revenues; or

(4) A reduction of the principal amount of Series 2016C Bonds required for consent to such amendment or supplement.

## APPENDIX C

### FORMS OF OPINIONS OF BOND COUNSEL AND SPECIAL TAX COUNSEL

September 8, 2016

City of Albuquerque  
Albuquerque, New Mexico

Re: City of Albuquerque, New Mexico, Gross Receipts Tax Improvement Revenue Bonds,  
Series 2016C

Ladies and Gentlemen:

We have acted as bond counsel to the City of Albuquerque, New Mexico (the “City”), in connection with its issuance of the City of Albuquerque, New Mexico, Gross Receipts Tax Improvement Revenue Bonds, Series 2016C, in the aggregate principal amount of \$17,750,000 (the “Series 2016C Bonds”), pursuant to City Ordinance Twenty-Second Council Bill No. F/S O-16-20, Enactment No. O-2016-20 adopted on August 1, 2016, and City Resolution Twenty-Second Council Bill No. F/S R-16-71, adopted August 15, 2016 (collectively, the “Bond Legislation”). Capitalized terms not otherwise defined herein shall have the meanings ascribed to them by the Bond Legislation.

We have examined the City’s certified proceedings, the City Charter, and such other documents and such law of the State of New Mexico (the “State”) and of the United States of America as we have deemed necessary to render this opinion letter. As to the questions of fact material to our opinion, we have relied upon the City’s certified proceedings and other representations and certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, and subject to the assumptions and qualifications set forth below, we are of the opinion that, under existing law on the date of this opinion:

1. The Series 2016C Bonds are valid and binding special, limited obligations of the City under and in accordance with the Bond Legislation.
2. The Bond Legislation has been duly authorized, executed and delivered by the City and the provisions of the Bond Legislation are valid and binding on the City.
3. The Series 2016C Bonds are payable as to principal, interest and any prior redemption premium, solely from, and are secured by a pledge (but not an exclusive pledge) of, the Pledged Revenues, and, to the extent stated in the Bond Legislation, certain of the funds and accounts created or continued in the Bond Legislation. The owners of the Series 2016C Bonds have no right to have taxes levied by the City for the payment of principal of or interest on the Series 2016C Bonds and the Series 2016C Bonds do not represent or constitute a debt or a pledge of, or a charge against, the general credit of the City.
4. The Bond Legislation creates the lien on the Pledged Revenues that it purports to create.

The opinions expressed herein are based upon existing laws as of the date of issuance and delivery of the Series 2016C Bonds. We express no opinion as of any date subsequent hereto, and our

engagement with respect to the Series 2016C Bonds has concluded with their issuance. We disclaim any obligation to update this opinion.

The obligations of the City related to the Series 2016C Bonds are subject to the reasonable exercise in the future by the State and its governmental bodies of the police power inherent in the sovereignty of the State and to the exercise by the United States of the powers (including bankruptcy powers) delegated to it by the United States Constitution. The obligations of the City and the security provided therefor, as contained in the Bond Legislation, may be subject to general principles of equity which permit the exercise of judicial discretion and are subject to the provisions of applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect.

The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of result.

We are passing upon only those matters set forth in this opinion and are not passing upon the accuracy or completeness of any statement made in connection with any sale of the Series 2016C Bonds or upon any tax consequences arising from the receipt or accrual or interest on, or the ownership of, the Series 2016C Bonds.

Respectfully submitted,

[Closing Date]

City of Albuquerque  
Albuquerque, New Mexico

Re: City of Albuquerque, New Mexico, Gross Receipts Tax Improvement Revenue Bonds  
Series 2016C

Ladies and Gentlemen:

We have acted as Special Tax Counsel to the City of Albuquerque, New Mexico (the “City”) in connection with the issuance and sale by the City of \$17,750,000 aggregate principal amount of its City of Albuquerque, New Mexico, Gross Receipts Tax Improvement Revenue Bonds, Series 2016C (the “Series 2016C Bonds”). The proceeds of the Series 2016C Bonds are expected to be used to finance, among other things (a) (i) the acquisition and equipping of public parks, public recreation buildings, libraries, visitor centers, other public recreation facilities, including but not limited to municipal pools, public memorials or cultural facilities, (ii) the acquisition, improvement and rehabilitation of one or more public buildings or the purchase or improvement of any ground related thereto, (iii) the improvement of municipal or public parking lots, (iv) the reconstruction, resurfacing, repair or improvement to existing alleys, streets, roads or bridges or any combination of the foregoing, including lighting, and (vi) the purchase, acquisition or rehabilitation of fire protection equipment and law enforcement equipment, and (b) certain costs of issuance of the Series 2016C Bonds.

In connection with the delivery of this opinion, we have examined the laws of the State of New Mexico and the United States of America relevant to the opinions herein; a certified copy of the record of the proceedings of the City with respect to the issuance of the Series 2016C Bonds, including certified copies of City of Albuquerque Ordinance Twenty-Second Council Bill No. F/S 0-16-20, Enactment No. 0-2016-\_\_\_\_\_, adopted by the City Council of the City on August 1, 2016, and a resolution of the City Council (F/S R-16-71) adopted by the City Council of the City on August 15, 2016 (collectively, the “Bond Legislation”); the Tax Compliance Certificate dated this date and executed by the City relating to the Series 2016C Bonds (the “Tax Certificate”); and such other documents as we deemed relevant and necessary in rendering this opinion.

We have assumed the accuracy and truthfulness of all public records and of all certifications, documents and other proceedings examined by us, and we have not independently verified the accuracy or truthfulness thereof. We also have assumed the genuineness of the signatures appearing upon such records, certifications, documents and proceedings.

From such examination, we are of the opinion that:

1. Under existing laws, regulations, rulings and judicial decisions, interest on the Series 2016C Bonds is excluded from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals and corporations. We note, however, that interest on the Series 2016C Bonds will be included in adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of federal alternative minimum taxable income 75% of the excess of such corporations’ adjusted current earnings over their federal alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses).

2. Under existing laws, regulations, rulings and judicial decisions, interest on the Series 2016C Bonds is exempt from New Mexico state income taxes.

The opinions set forth in numbered paragraphs 1 and 2 above are given in reliance on the opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A., Bond Counsel to the City, as to the valid issuance of the Series 2016C Bonds, and the opinion of the City Attorney of the City as to the due adoption and approval of the Bond Legislation, and assume the continued compliance by the City with certain requirements of the Internal Revenue Code of 1986, as amended, and certain covenants regarding federal tax law contained in the Bond Legislation and the Tax Certificate that must be met subsequent to the issuance of the Series 2016C Bonds. Failure to comply with such covenants could cause interest on the Series 2016C Bonds to be included in gross income retroactive to the date of issue of the Series 2016C Bonds. Although we are of the opinion that interest on the Series 2016C Bonds is excluded from gross income for federal tax purposes, the accrual or receipt of interest on the Series 2016C Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences. We express no opinion regarding other federal or State of New Mexico tax consequences arising with respect to the Series 2016C Bonds.

We have not been engaged to prepare and have not assumed or undertaken any responsibility for the preparation, accuracy, completeness or fairness of the Official Statement with respect to the Series 2016C Bonds or any other disclosure documents with respect to the Series 2016C Bonds. We are not responsible for any description of the revenues or other sources of security for or other matters relating to any evaluation of the likelihood of repayment of, or creditworthiness of, the Series 2016C Bonds or the adequacy of the security provided to owners of the Series 2016C Bonds. We also have not been engaged to review, and we did not review and do not opine on, the financial condition of the City or any other party to the Series 2016C Bonds; the feasibility of the projects to be financed with proceeds of the Series 2016C Bonds or the revenues or other sources of security for or other matters relating to an evaluation of the likelihood of payment of, or creditworthiness of the Series 2016C Bonds or the security provided to owners of the Series 2016C Bonds. We also have not been engaged to review, and we did not review and do not opine on, the validity of the Series 2016C Bonds or upon the validity of the pledge of Pledged Revenues (as defined in the Bond Legislation) securing the repayment of the Series 2016C Bonds.

The opinions expressed herein are based upon existing legislation as of the date hereof and we express no opinion as of any date subsequent hereto or with respect to any pending legislation, ruling or judicial decision.

This opinion 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 opinion without our express prior written consent. This opinion may not be utilized by the above addressee for any other purpose whatsoever and may not be quoted by the above addressee without our express prior written consent. Our engagement with respect to the Series 2016C Bonds has concluded with their issuance. We assume no obligation to review or supplement this opinion subsequent to its date, whether by reason of a change in the current laws, by legislative or regulatory action, by judicial decision or for any other reason.

Very truly yours,

## APPENDIX D

### FORM OF CONTINUING DISCLOSURE UNDERTAKING

\$17,750,000

CITY OF ALBUQUERQUE, NEW MEXICO  
Gross Receipts Tax Improvement Revenue Bonds, Series 2016C

#### CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (this “Disclosure Undertaking”) is executed and delivered by the CITY OF ALBUQUERQUE, NEW MEXICO (the “City”) in connection with the issuance of the City’s \$17,750,000 Gross Receipts Tax Improvement Revenue Bonds, Series 2016C (the “Series 2016C Bonds”). The Series 2016C Bonds are being issued pursuant to City Ordinance Twenty-Second Council Bill No. F/S O-16-20, adopted by the City of Albuquerque, New Mexico (the “City”) on August 1, 2015 (the “Bond Ordinance”) and a resolution of the City Council (F/S R-16-71) adopted by the City on August 15, 2016.

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 2016C 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 Ordinance, 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 “SECURITY AND SOURCES OF PAYMENT” in the Official Statement and in Appendix A to the Official Statement.

“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.

“EMMA” means the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System located on its website at [emma.msrb.org](http://emma.msrb.org).

“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.

“Official Statement” means the final Official Statement delivered in connection with the original issue and sale of the Series 2016C Bonds.

“Owners” means the registered owners of the Series 2016C Bonds, and so long as the Series 2016C Bonds are subject to the book-entry system, any Beneficial Owner, as such term is defined in the Bond Ordinance.

“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.

### SECTION 3. Provision of Annual Information.

(a) Annually while the Series 2016C Bonds remain outstanding, the City shall provide or cause to be provided to EMMA 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. If not filed with the Annual Financial Information, the Audited Financial Statements will be provided when available.

(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 EMMA 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 2016C Bonds:

1. principal and interest payment delinquencies;
2. non-payment related defaults, if material;
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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issued (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
7. modifications to the rights of the security holders, if material;
8. bond calls, if material, or tender offers;
9. defeasances;

10. release, substitution or sale of property securing repayment of the securities, if material;
11. rating changes;
12. bankruptcy, insolvency, receivership or a similar event with respect to the City or an obligated person;
13. the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. appointment of a successor or additional trustee, or a change of name of a trustee, if material.

(b) At any time the Series 2016C Bonds are outstanding and the City obtains knowledge of the occurrence of an Event, the City shall file, in a timely manner not in excess of ten (10) business days after the occurrence of the Event, a notice of such occurrence with EMMA.

(c) At any time the Series 2016C Bonds are outstanding, the City shall provide to EMMA, notice in a timely manner after the occurrence 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 2016C Bonds and shall extend to the earliest of (a) the date all principal and interest on the Series 2016C Bonds are deemed paid or legally defeased pursuant to the terms of the Bond Ordinance; (b) the date that the City is no longer an “obligated person” with respect to the Series 2016C 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 2016C 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 EMMA.

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 2016C Bonds obtained in the manner prescribed by the Bond Ordinance 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 EMMA, 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 EMMA.

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 2016C 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 2016C 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 2016C 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 ORDINANCE OR THE Series 2016C 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 2016C Bonds, and shall create no rights in any other person or entity.

Dated as of September 8, 2016

CITY OF ALBUQUERQUE, NEW MEXICO

By: \_\_\_\_\_  
Mayor

## APPENDIX E

### BOOK-ENTRY ONLY SYSTEM

#### Introduction

Unless otherwise noted, the information contained under the caption “General” below has been provided by DTC. The City makes no representations as to the accuracy or the completeness of such information. The Beneficial Owners of the Series 2016C 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 2016C 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 2016C 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 2016C BONDS; (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNERS OF SERIES 2016C BONDS; OR (F) ANY OTHER MATTER REGARDING DTC.

#### General

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Series 2016C Bonds. The Series 2016C 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 2016 Bond certificate will be issued for the Series 2016C Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world’s largest securities 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. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 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 is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. 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 rating of AA+. 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](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org). 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 that 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 2016C Bonds under the DTC system must be made by or through Direct or Indirect Participants, which will receive a credit for the Series 2016C Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2016 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 2016C 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 2016C Bonds, except in the event that use of the book-entry system for the Series 2016C Bonds is discontinued.

To facilitate subsequent transfers, all Series 2016C 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 2016C Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2016C Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2016C 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 2016C Bonds are in the book-entry only system, redemption notices will be sent to DTC. If less than all of the Series 2016C 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 redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2016C Bonds unless authorized by a Direct Participant in accordance with DTC's MMI 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 2016C Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2016C 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 agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by 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 Participant and not of

DTC, agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend 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 agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2016C 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 2016C 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 2016C Bonds will be printed and delivered to DTC.

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 the City does not take any responsibility for the accuracy thereof.