

*In the opinion of Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming continuous compliance with certain covenants set forth in the documents relating to the Series 2017A Bonds and certain requirements of the Internal Revenue Code of 1986, as amended (the “Code”), as described herein, interest on the Series 2017A Bonds is (a) excludable from gross income of the owners thereof for federal income tax purposes under Section 103 of the Code and (b) is not a specific preference item for purposes of the federal alternative minimum tax for individuals and corporations, but such interest on the Series 2017A Bonds will be included in the adjusted current earnings of certain corporations. Bond Counsel is also of the opinion based on existing laws of the State of New Mexico as enacted and construed that interest on the Bonds is exempt from all taxation by the State of New Mexico or any political subdivision thereof. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2017A Bonds. See “TAX MATTERS” herein.*

**\$22,850,000**  
**CITY OF ALBUQUERQUE, NEW MEXICO**  
**General Obligation**  
**General Purpose Bonds**  
**Series 2017A**

**Dated: Date of Delivery**

**Due: July 1, as shown on inside cover**

The City of Albuquerque, New Mexico General Obligation General Purpose Bonds, Series 2017A (the “Series 2017A Bonds”) are being issued as fully registered bonds to be sold in denominations of \$5,000 or any integral multiple thereof. The Depository Trust Company (“DTC”) will act as securities depository for the Series 2017A Bonds through its nominee, Cede & Co. One fully registered bond equal to the principal amount of each maturity of the Series 2017A Bonds will be registered in the name of Cede & Co. Individual purchases of Series 2017A Bonds will be made in book-entry form only and beneficial owners of the Series 2017A Bonds will not receive physical delivery of bond certificates, except as described herein. Upon receipt of payments of principal and interest, DTC will remit such payments to its participants for subsequent disbursement to the beneficial owners of the Series 2017A Bonds.

Principal of and interest on the Series 2017A Bonds will be payable to DTC, or its nominee, as owner of the Series 2017A Bonds, by the City Treasurer of the City of Albuquerque, New Mexico, as Paying Agent. Interest on the Series 2017A Bonds is payable on January 1 and July 1, commencing January 1, 2018.

**See Inside Cover Page for Maturities, Principal Amounts, Interest Rates and Yields**

*The Series 2017A Bonds are subject to optional redemption prior to maturity as provided herein.*

**The Series 2017A Bonds constitute general obligation indebtedness of the City, payable from property taxes levied against all taxable property in the City, without limitation of rate or amount, and the full faith and credit of the City is pledged for the payment of the Series 2017A Bonds.**

*In connection with the issuance of the Series 2017A Bonds, the City will commit to provide certain annual information and notice of certain material events as described herein under the caption “CONTINUING DISCLOSURE UNDERTAKING.”*

Certain legal matters will be passed on by Modrall, Sperling, Roehl, Harris & Sisk, P.A., Albuquerque, New Mexico as Bond Counsel. Certain legal matters will also be passed on for the City by the office of the City Attorney and by Sherman & Howard L.L.C., Denver, Colorado, Disclosure Counsel to the City. RBC Capital Markets, LLC serves as Municipal Advisor to the City. It is expected that the Series 2017A Bonds will be delivered to DTC in New York, New York on or about April 11, 2017.

MATURITY SCHEDULE  
(CUSIP © 6-digit issuer number: 013518)

\$22,850,000  
General Obligation  
General Purpose Bonds  
Series 2017A

<u>Maturity Date</u> <u>(July 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u> <sup>†</sup>	<u>Cusip</u> ® <u>No.</u>
2018	\$1,760,000	5.00%	0.90%	5D3
2019	1,760,000	5.00	1.10	5E1
2020	1,760,000	5.00	1.30	5F8
2021	1,760,000	5.00	1.49	5G6
2022	1,760,000	5.00	1.72	5H4
2023	1,760,000	5.00	1.96	5J0
2024	1,760,000	5.00	2.17	5K7
2025	1,760,000	5.00	2.32	5L5
2026	1,760,000	5.00	2.44	5M3
2027	1,760,000	4.00	2.58 <sup>(1)</sup>	5N1
2028	1,760,000	3.00	2.88 <sup>(1)</sup>	5P6
2029	1,760,000	3.00	3.01	5Q4
2030	1,730,000	3.00	3.09	5R2

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

† Provided by Hutchinson, Shockey, Erley & Co., the initial purchaser of the Series 2017A Bonds. See “UNDERWRITING.”

## **CITY OF ALBUQUERQUE**

### **MAYOR**

Richard J. Berry

### **CITY COUNCIL**

Ken Sanchez	District 1
Isaac Benton (President)	District 2
Klarissa J. Peña	District 3
Brad Winter (Vice-President)	District 4
Dan Lewis	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 J. Riordan, P.E., Chief Operations Officer  
Natalie Y. 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 S. 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  
William W. Zarr, Assistant City Attorney

### **BOND COUNSEL**

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

### **DISCLOSURE COUNSEL**

Sherman & Howard L.L.C., Albuquerque, New Mexico

### **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 2017A 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 has reviewed the information in this Official Statement in accordance with, and as part of, its respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Municipal Advisor does 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 Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon exemptions contained in such Act, nor have the 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 Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

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.

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## **OFFICIAL STATEMENT**

**\$22,850,000**

**CITY OF ALBUQUERQUE, NEW MEXICO**

**General Obligation**

**General Purpose Bonds**

**Series 2017A**

### **INTRODUCTION**

#### **Generally**

This Official Statement, which includes the cover page and appendices hereto, provides certain information in connection with the offer and sale by the City of Albuquerque, New Mexico (the “City”) of its General Obligation General Purpose Bonds, Series 2017A (the “Series 2017A Bonds”) in the original aggregate principal amount of \$22,850,000. Capitalized terms used herein and not defined have the meanings specified in City Ordinance Twenty-Second Council Bill No. F/S O-17-36 adopted by the City on March 6, 2017 (the “Bond Ordinance”). See “Description of Bond Ordinance – Certain Definitions” in Appendix B hereto.

*This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of Series 2017A 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 2015, the City had a population of approximately 559,121 people and, as of January 1, 2016, spanned 189.18 square miles. The Albuquerque Metropolitan Statistical Area had a population of approximately 907,301 people as of 2015. For financial and other information concerning the City, see Appendix A – “Economic, Demographic and Financial Information, Including Audited Financial Statements.” The City’s Fiscal Year ends June 30 and is referred to in this Official Statement as the “Fiscal Year.”

## **Purposes of the Series 2017A Bonds**

Proceeds from the sale of the Series 2017A Bonds will be used to finance certain City projects relating to public safety, citizens' centers, facilities and equipment, libraries, and streets (collectively, the "Series 2017A Projects").

## **Authority for Issuance**

The Series 2017A Bonds are being issued under the authority of and pursuant to the regular municipal election of the City held on October 6, 2015, the Constitution and laws of the State of New Mexico, including Sections 3-30-1 to 3-30-9 and 6-15-1 to 6-15-22 NMSA 1978, the powers of the City as a home rule municipality 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 2017A Bonds, including the Bond Ordinance.

## **Sources of Payment for the Series 2017A Bonds**

The Series 2017A Bonds constitute general obligation indebtedness of the City, payable from property taxes levied against all taxable property in the City, without limitation of rate or amount, and the full faith and credit of the City is pledged for the payment of the Series 2017A Bonds. See "FINANCIAL INFORMATION – Property Taxes." See also "SECURITY AND SOURCES OF PAYMENT."

## **Terms of the Series 2017A Bonds**

### *Payments*

The Series 2017A Bonds will be dated their date of issuance. Interest on the Series 2017A Bonds is payable on January 1 and July 1, commencing January 1, 2018. The Series 2017A 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.

### *Denominations*

The Series 2017A 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 2017A Bonds will not receive physical delivery of bond certificates except as more fully described herein. Payments of principal of and interest and redemption premium, if any, on the Series 2017A 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 the DTC participants for subsequent disbursement to the beneficial owners of the Series 2017A Bonds, all as more fully described in "THE SERIES 2017A BONDS – Book-Entry Only System" and Appendix E – "Book-Entry Only System."



*In reading this Official Statement, it should be understood that while the Series 2017A Bonds are in book-entry only form, references in other sections of this Official Statement to owners of the Series 2017A Bonds should be read to include the person for whom the Participant (as hereinafter defined) and indirect participants acquire an interest in the Series 2017A 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 2017A Bonds are subject to optional redemption prior to maturity as provided herein.

For a more complete description of the Series 2017A Bonds and the Bond Ordinance, see “THE SERIES 2017A BONDS” and Appendix B – “Description of Bond Ordinance.”

### **Tax Considerations**

In the opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A., Bond Counsel, interest on the Series 2017A Bonds is excludable from gross income for federal income tax purposes and is exempt from New Mexico state income taxes.

The form of the bond counsel opinion is attached as Appendix C hereto. For a discussion of such opinion and certain other tax consequences incident to the ownership of the Series 2017A Bonds, see “TAX MATTERS” herein.

### **Commitment to Provide Continuing Information**

The City will agree for the benefit of the owners of the Series 2017A Bonds that, so long as the Series 2017A 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 2017A Bonds, Modrall, Sperling, Roehl, Harris & Sisk, P.A., as Bond Counsel, will deliver the bond counsel opinion attached as Appendix C hereto. Certain legal matters relating to the Series 2017A Bonds will be passed upon for the City by its Disclosure Counsel, Sherman & Howard L.L.C., and by the office of the City Attorney. See “LEGAL MATTERS.”

RBC Capital Markets, LLC (“RBC”) is employed as Municipal Advisor to the City in connection with the issuance of the Series 2017A Bonds. The Municipal Advisor’s fee for services rendered with respect to the sale of the Series 2017A Bonds is contingent upon the issuance and delivery of the Series 2017A 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 2017A Bonds**

The Series 2017A 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. It is anticipated that a single certificate for each maturity of the Series 2017A Bonds will be delivered to DTC in New York, New York on or about April 11, 2017.

## **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: City 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 2017A Bonds.

## **PLAN OF FINANCING**

### **Sources and Uses of Bond Proceeds**

The estimated sources and uses of Series 2017A Bond proceeds are set forth below.

SOURCES OF BOND PROCEEDS	<u>Estimated Amount</u>
Principal amount of the Series 2017A Bonds	\$22,850,000
Net Premium <sup>(1)</sup>	<u>2,547,892</u>
<b>TOTAL SOURCES OF PROCEEDS</b>	<b>\$25,397,892</b>
<b>USES OF BOND PROCEEDS:</b>	
Costs of the Series 2017A Projects <sup>(2)</sup>	\$22,850,000
Deposit to Debt Service Fund	2,213,000
Underwriter's Discount	84,892
Costs of Issuance <sup>(3)</sup>	<u>250,000</u>
<b>TOTAL USES OF PROCEEDS</b>	<b>\$25,397,892</b>

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(1) The net premium will be applied to payment of costs of issuance and debt service for the Series 2017A Bonds.

(2) See "The Series 2017A Projects" under this caption.

(3) The costs of issuance of the Series 2017A Bonds include legal fees, Municipal Advisor fees, ratings, printing and other miscellaneous costs.

### **The Series 2017A Projects**

The City purposes and the amounts for which the Series 2017A Bonds will be issued are as follows: \$3,815,000 for public safety; \$5,570,000 for citizens' centers; \$5,705,000 for facilities and equipment; \$4,085,000 for libraries; and \$3,675,000 for streets.

## Annual Debt Service Requirements

The following schedule shows the annual debt service requirements to be payable for the Series 2017A Bonds.

Twelve-Month Period (ending July 1)	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2018	\$1,760,000	\$1,246,544	\$3,006,544
2019	1,760,000	931,900	2,691,900
2020	1,760,000	843,900	2,603,900
2021	1,760,000	755,900	2,515,900
2022	1,760,000	667,900	2,427,900
2023	1,760,000	579,900	2,339,900
2024	1,760,000	491,900	2,251,900
2025	1,760,000	403,900	2,163,900
2026	1,760,000	315,900	2,075,900
2027	1,760,000	227,900	1,987,900
2028	1,760,000	157,500	1,917,500
2029	1,760,000	104,700	1,864,700
2030	<u>1,730,000</u>	<u>51,900</u>	<u>1,781,900</u>
TOTAL	\$22,850,000	\$6,779,744	\$29,629,744

Source: Municipal Advisor.

## THE SERIES 2017A BONDS

### Generally

Set forth below is a summary of certain provisions of the Series 2017A Bonds. Other information describing the Series 2017A Bonds appears elsewhere in this Official Statement. This summary and such other information should be read together and are qualified in their entirety by reference to the Bond Ordinance and the Series 2017A Bonds. Copies of the approved form of the Bond Ordinance are available from the City as provided in “ADDITIONAL INFORMATION.” See also “Description of Bond Ordinance” in Appendix B hereto.

The Series 2017A Bonds will be dated their date of issuance. Interest on the Series 2017A Bonds is payable semi-annually on January 1 and July 1, commencing on January 1, 2018. The Series 2017A Bonds will be sold in the aggregate principal amount of \$22,850,000. The Series 2017A Bonds will be sold through a public competitive sale, will mature on the dates and in the amounts and in the denominations shown on the inside front cover.

The Series 2017A Bonds are being issued under the authority of and pursuant to the Constitution and laws of the State, the home rule power of the City derived from the State Constitution and the City Charter, and the Bond Ordinance.

A series of general obligation bonds designated as the City of Albuquerque, New Mexico Short-Term General Obligation Bonds, Series 2017B in the aggregate principal amount of \$11,257,000 are expected to be sold at a private sale to the State of New Mexico on or about April 11, 2017. The Series 2017B Bonds are being sold in accordance with Section 6-15-5 NMSA 1978. The Series 2017B Bonds will mature on July 1, 2017 and are being issued to finance various projects, including facilities for storm sewer, parks and recreation, public transportation and zoo and cultural purposes, as approved in the October 6, 2015 bond election.

### **Book-Entry Only System**

Individual purchases of the Series 2017A Bonds will be made in book-entry form only and purchasers of the Series 2017A Bonds will not receive physical delivery of bond certificates, except as more fully described herein. Payments of principal of and interest and redemption premium, if any, on the Series 2017A Bonds will be made directly to The Depository Trust Company (“DTC”) or its nominee, Cede & Co., by the City Treasurer, as Paying Agent and Registrar (the “Fiscal Agent”), so long as DTC or Cede & Co. is the sole registered owner. Upon receipt of such payments, DTC is to remit such payments to the DTC participants (the “Participants”) for subsequent disbursement to the beneficial owners of the Series 2017A Bonds. In reading this Official Statement, it should be understood that while the Series 2017A Bonds are in book-entry only form, references in other sections of this Official Statement to owners of Series 2017A Bonds (“Owners”) should be read to include the person for whom the Participants and indirect participants acquire an interest in the Series 2017A Bonds, but (i) all rights of ownership must be exercised through DTC and the book-entry only system, and (ii) notices that are to be given to Owners by the City or the Fiscal Agent will be given only to DTC. See Appendix E – “Book-Entry Only System.”

### **Redemption of the Series 2017A Bonds**

The Series 2017A 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 2017A Bonds be redeemed, plus accrued interest, if any, to the date fixed for redemption.

## **SECURITY AND SOURCES OF PAYMENT**

### **General Obligation Pledge**

The Series 2017A Bonds constitute general obligation debt of the City, the security for which is described in “FINANCIAL INFORMATION – Property Taxes.” The primary security for the general obligation debt of the City, including the Series 2017A Bonds, is the City’s levy, pursuant to constitutional and statutory requirements, of an ad valorem tax on all real property in the City subject to ad valorem taxation. See “Tax Levies” under this caption. The tax levy is required to be in an amount sufficient to pay the principal of and interest on the Series 2017A Bonds when due, subject to the provisions of federal bankruptcy law and other laws affecting creditors’ rights.

In addition to the basic ad valorem property tax security described above, the Bond Ordinance provides further security by pledging the full faith and credit of the City for the

payment of the principal of and interest on the Series 2017A Bonds when due. Included in such pledge are all funds of the City, except those specifically limited to another use or prohibited from use for such debt service by the State Constitution, state or federal law, the City Charter, revenue bond trust agreements or City ordinances pledging funds for payment of revenue bonds.

### **Tax Levies**

Pursuant to the Bond Ordinance, in order to pay the principal of and interest on the Series 2017A Bonds when due and, at the option of the City, to reimburse the General Fund or other funds advanced for the payment of principal of or interest on the Series 2017A Bonds for which property taxes were not available, there is to be an annual assessment and levy upon all of the taxable property of the City subject to taxation which provides an amount sufficient to pay the principal of and the interest on the Series 2017A Bonds when due.

The taxes are assessed, levied and collected annually. The City Council is required by the Bond Ordinance to take all reasonable action to insure the levy and collection of taxes in amounts sufficient at the time to pay the principal of and interest on the Series 2017A Bonds. The money produced by the levy of taxes provided in the Bond Ordinance to pay the principal of and interest on the Series 2017A Bonds is to be appropriated for that purpose and included in the annual budget and the appropriation bills adopted and passed by the City Council each year. The taxes collected are to be applied only to the payment of the principal of and interest on the Series 2017A Bonds when due and as otherwise required by law. To the extent property taxes are not available for the purpose, the principal of and interest accruing on the Series 2017A Bonds are to be paid from the City's General Fund or from any other fund lawfully available for that purpose.

### **Additional General Obligation Indebtedness**

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

## **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 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 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 2016, the approved Fiscal Year 2017 budget and Five-Year-Forecast for Fiscal Year 2017.



*Fiscal Year 2016 Approved Budget, Revised Estimates and Actual (Revenues).*

This section describes the Fiscal Year 2016 approved budget for revenues and the actual audited revenues.

The approved Fiscal Year 2016 budget for revenues was \$499.3 million, an increase of \$9.5 million or 2.0% above the estimated revenues for Fiscal Year 2015. The actual revenues are \$499.9 million. Actual revenues were \$550 thousand above budget, but well below the revised estimate made during the Fiscal Year 2017 budget, which was \$503.4 million. Much of this shortfall from the revised estimate was attributable to slower growth in gross receipt taxes than was anticipated. Strengths in Fiscal Year 2016 included growth in property taxes, building permits and charges for service. Recurring revenues were \$496.2 million, an increase of \$852 thousand over the original budget. Actual revenues were \$3 million below the revised estimate.

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. 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 revised 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. The actual receipts were \$2.4 million below the revised estimate. Much of this shortfall was due to a large prior period taxpayer amended return.

Local Tax Revenues. The Fiscal Year 2016 budgeted property tax revenues were expected to grow by 1.2%. The growth in the tax base surpassed this expectation and actual revenues were \$926 thousand above the budget and the revised estimate. Franchise fee revenues, including the City's Water Authority, were expected to be 1.2% above Fiscal Year 2015 levels, but the revised estimate adjusted these down by \$412 thousand due to weakness in natural gas revenues. Actual revenues are \$2.1 million below the budgeted level, due to an additional weakness in the electricity franchise revenue. This occurred due to a lower cost of fuel and a reduction in the final price of electricity. Also, there was a one million dollar quarterly cable franchise payment that was received too late in the year to accrue to Fiscal Year 2016.

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. Revenues were adjusted and the revised estimates were increased by \$610 thousand. Actual revenues were 15% above Fiscal Year 2015, exceeding the revised estimate by \$300 thousand. Other permit revenues were expected to show limited growth, but actual revenues were \$375 thousand below the revised estimate.

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. Actual revenues were \$1.6 million below the revised estimate. An

amount equal to \$1.1 million of this shortfall is from charges for positions overseeing capital construction projects. This is directly offset by a reduction in general fund expenditures.

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. Actual revenue was \$13 thousand below the budget.

#### *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 the Fiscal Year 2017 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. Revenues for Fiscal Year 2017 are projected 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.

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)							
<b>((\$000's))</b>	<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		

#### *Five-Year Forecast Fiscal Year 2017*

The Five-Year Forecast was submitted to City Council in December 2016. It provides a re-estimate of Fiscal Year 2017 data, including updates based on the most recent information available. Revenues for Fiscal Year 2017 are estimated at \$511.9 million or \$3.5 million below the approved Fiscal Year 2017 approved budget. The primary source of this shortfall is Gross Receipts Tax revenue which was \$4.4 million below the budget estimate. This reduction is due to a shortfall in Fiscal Year 2016 and a reduction in expected growth in Fiscal Year 2017 from 2.9% to 2.3%. This lowering of the Gross Receipts Tax estimate is partially offset by strengths in property tax and building permit revenues.

The revised expenses for Fiscal Year 2017 are estimated to be \$3.5 million above the approved budget, including non-recurring expenses for re-appropriated encumbrances from Fiscal Year 2016. The combination of lower than expected revenue and no reversion leaves a \$2.8 million deficit, which will have to be dealt with in the coming months.

## *General Fund Balances*

The following table shows actual revenues, expenditures and fund balances for the General Fund in Fiscal Years 2012-2016 and the approved budget for Fiscal Year 2017.

	Actual 2012	Actual 2013	Actual 2014	Actual 2015	Actual 2016	Approved Budget 2017	Five-Year Forecast 2017	Average Annual Chg 12-17 budget
<b>REVENUES</b>								
Taxes:								
Property Tax	\$76,802	\$77,720	\$78,282	\$79,233	\$81,246	\$81,360	\$82,384	1.2%
Gross Receipts Tax	116,721	117,955	120,695	125,628	127,451	132,184	130,274	2.5%
Other Taxes	20,321	19,563	19,764	19,397	17,541	19,935	19,230	-0.4%
Water Authority PILOT/ Franchise	5,900	6,006	5,513	7,065	7,338	7,300	7,338	4.3%
Payment in lieu of taxes	1,756	1,706	1,714	1,847	1,885	1,803	1,803	0.5%
Total Taxes	221,501	222,950	225,968	233,170	235,461	242,582	241,029	1.8%
Licenses & Permits	10,370	11,342	11,705	11,307	11,899	12,897	13,584	4.5%
Intergovernmental Revenue:								
State and Federal Grants	118	262	55	--		27,235		-100.0%
State-Shared Revenue:								
Gross Receipts Tax	176,610	178,753	182,859	190,912	192,660	199,827	197,329	2.5%
Other State-Shared	4,429	4,040	4,516	4,062	4,461	4,110	4,110	-1.5%
County	290	448	238	264	278	282	282	-0.6%
Total Intergovernmental Revenue	181,447	183,503	187,667	195,239	197,399	204,219	201,721	2.4%
Charges for Services	45,558	44,088	46,036	45,848	47,348	50,374	50,153	2.0%
Miscellaneous	2,782	2,825	2,235	1,648	3,991	2,705	2,794	-0.6%
Other Transfers	3,581	3,407	4,319	2,624	3,790	2,604	2,604	-6.2%
<b>TOTAL REVENUES</b>	465,239	468,114	477,930	489,836	499,887	515,381	511,885	2.1%
Beginning Fund Balance	53,225	59,223	58,339	63,444	63,309	56,360	61,009	1.2%
<b>TOTAL RESOURCES</b>	518,464	527,338	536,269	553,280	563,196	571,741	572,894	2.0%
<b>EXPENDITURES</b>								
General government	64,966	66,093	64,215	66,072	69,495	NA	NA	
Public safety	220,378	219,690	217,958	229,495	232,902	NA	NA	
Cultural and recreation	68,121	68,892	71,129	70,082	72,350	NA	NA	
Municipal Development (Public Works and Streets)	24,507	25,338	24,110	29,477	28,919	NA	NA	
Health	16,090	16,793	15,951	16,340	17,732	NA	NA	
Human services	28,176	28,747	29,346	31,397	32,438	NA	NA	
Other transfers out	37,002	43,447	50,118	47,108	49,408	NA	NA	
<b>TOTAL EXPENDITURES</b>	459,240	468,999	472,826	489,971	503,242	526,398	529,926	2.8%
ENDING FUND BALANCE	59,223	58,339	63,443	63,309	59,953	45,343	42,968	-5.2%
<b>TOTAL ADJUSTMENTS</b>	(2,994)	(2,185)	(3,249)	(3,470)	(4,142)	(35)	(495)	-59.0%
Reserves	41,094	41,454	44,935	42,842	43,881	45,303	45,303	2.0%
<b>AVAILABLE FUND BALANCE</b>	15,135	14,700	15,259	16,997	11,930	6	(2,830)	
Ending fund balance as percent of total expenditure	12.9%	12.4%	13.4%	--	11.9%	8.6%	8.1%	
Recurring revenues	462,059	465,784	471,811	484,920	496,160	512,950	509,864	2.0%
Recurring expenditures	447,242	455,484	455,670	465,657	486,388	512,928	512,929	2.3%

Source: 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, 2017 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. Also, under legislation passed in the 2013 State legislative session, the City is authorized to impose up to 0.375% in gross receipts taxes related to the reduction in hold-harmless payments from the State. The City has currently not elected to impose any of this taxing authority.

Real Property Tax. The City is authorized to impose a maximum levy of 7.650 mills for City operations. In Fiscal Year 2016, 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. 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 2016 (Fiscal Year 2017) 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 2016 (Fiscal Year 2017) 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 Test for Maximum General Purpose G.O. Bonds**

4% of Assessed Value of \$12,809,839,300	\$512,393,572
Outstanding (General Purpose subject to 4% limitation):	373,989,000
Available for Future Issues:	<u>\$138,404,572</u>



**CITY OF ALBUQUERQUE**  
**Assessed Valuation**  
**(County Tax Year<sup>(1)</sup> 2016)**

Market Value of Property Assessed	\$44,379,959,331
(1/3 Market Value)	14,793,319,777
Less Exemptions	(2,353,249,532)
Plus Centrally Assessed (Corporate)	<u>369,769,055</u>
Certified Net Tax Base	\$12,809,839,300

(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**  
**Outstanding General Obligation Bonds**  
**As of January 1, 2017**

Issue	Principal Amount Of Original Issue	Current Outstanding
<b><u>General Purpose G.O. Bonds:</u></b>		
June 2008	\$39,000,000	\$ 800,000
June 2009	54,970,000	12,200,000
February 2011	135,000,000	74,900,000
May 2012	61,760,000	43,345,000
May 2013	70,040,000	55,465,000
May 2014	57,060,000	47,450,000
May 2015	37,970,000	34,690,000
March 2016	<u>71,523,000</u>	<u>71,523,000</u>
Total	<u>\$534,848,000</u>	<u>\$340,373,000</u>
<b><u>Water, Sewer and Storm Sewer G.O. Bonds:</u></b>		
June 2008	\$4,000,000	\$ 4,000,000
May 2012	8,035,000	8,035,000
May 2013	4,980,000	4,980,000
May 2014	5,375,000	5,375,000
May 2015	4,726,000	4,726,000
March 2016	<u>6,500,000</u>	<u>6,500,000</u>
Total	<u>\$33,616,000</u>	<u>\$ 33,616,000</u>
<b><u>Total General Obligation Bonds</u></b>	<b><u>\$568,464,000</u></b>	<b><u>\$373,989,000</u></b>

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

**CITY OF ALBUQUERQUE**  
**Direct and Overlapping General Obligation Debt**  
**As of January 1, 2017**

Gross G.O. Bonded Debt	\$373,989,000
Less G.O. Sinking Fund Balance	<u>22,761,332</u>
Net G.O. Bonded Debt	<u>\$351,227,668</u>

	<u>G.O. Debt</u>	<u>Tax Year 2016 Assessed Valuation</u>	<u>% Applicable to City</u>	<u>Gross Overlapping</u>
City of Albuquerque	\$373,989,000	\$12,809,839,299	100.00%	\$373,989,000
Albuquerque Public Schools	623,630,000	15,849,486,540	80.82	504,028,951
Albuquerque Metropolitan Arroyo Flood Control Authority	41,750,000	15,024,543,172	85.26	35,595,810
Central New Mexico Community College	101,840,000	18,007,524,468	71.14	72,444,940
Bernalillo County	127,265,000	15,592,904,243	82.15	104,550,389
State of New Mexico	326,755,000	61,607,964,708	20.79	67,940,551
Total Direct and Overlapping G.O. Debt	\$1,595,229,000			\$1,158,549,641

**RATIOS**

Direct and Overlapping G.O. Debt as Percent of Taxable Assessed Valuation	9.044%
Direct and Overlapping G.O. Debt as Percent of Actual Market Valuation	2.611%
Assessed Valuation Per Capita (2015 Population 559,121)	\$22,911
Direct and Overlapping G.O. Debt Per Capita	\$2,072

(1) Amount does not include any bonds which have been advance refunded and fully defeased by an escrow containing cash and securities.

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
2016	559,121	12,815,757	373,989	5,095	368,894	2.88	659.77

(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, 2017**

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
2017	\$47,463,000	\$15,678,079	\$63,141,079
2018	42,620,000	12,976,010	55,596,010
2019	36,530,000	11,190,310	47,720,310
2020	36,530,000	9,591,210	46,121,210
2021	36,525,000	7,992,110	44,517,110
2022	36,525,000	6,393,260	42,918,260
2023	36,535,000	4,940,310	41,475,310
2024	25,835,000	3,544,685	29,379,685
2025	25,915,000	2,622,935	28,537,935
2026	20,145,000	1,752,635	21,897,635
2027	14,081,000	1,092,185	15,173,185
2028	9,285,000	578,550	9,863,550
2029	6,000,000	240,000	6,240,000
<b>TOTAL</b>	<b>\$373,989,000</b>	<b>\$78,592,279</b>	<b>\$452,581,279</b>

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**

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>	<b>Total General Fund Expenditures (Excluding G.O. Debt Service)<sup>(1)</sup></b>	<b>Debt Service as a % of Total General Fund Expenditures (Excluding G.O. Debt Service)</b>
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
2016	53,625,000	13,959,443	67,584,443	503,242,418	13.4

(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>
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
2016	12,016,112,244	369,769,055	423,958,000	12,809,839,299	3.19

(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.

## Principal Ad Valorem Taxpayers for Tax Year 2016 (Fiscal Year 2017)<sup>(1)</sup>

Name of Taxpayer	Taxable Value <sup>(2)</sup> 2016 Assessed	Percentage of Total City Assessed Valuation
Public Service Co. of New Mexico	\$217,445,956	1.70%
Qwest Communications	46,606,908	0.36
Gas Company of New Mexico	43,323,650	0.34
Comcast	29,511,523	0.23
Verizon	20,869,351	0.16
Southwest Airlines	18,504,192	0.14
Mall at Cottonwood	15,802,710	0.12
AT&T	14,554,372	0.11
Lovelace Medical Center	11,930,499	0.09
High Desert LLC	<u>11,514,030</u>	<u>0.09</u>
Top Ten Centrally and Locally Assessed Values	<u>\$430,063,191</u>	<u>3.36%</u>

- (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, 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 2016 represents only 3.36% of the total net taxable value of the City for 2016. 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

Fiscal Year	Total Current Tax Levy <sup>(1)</sup>	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Total Collections as Percent of Current Levy	City Debt Service Collections	Percent of Total City Levy
2007	\$109,792,820	\$106,845,546	97.32%	\$2,374,766	\$109,220,312	99.48%	\$77,749,060	70.8%
2008	121,750,532	117,075,560	96.16	4,107,019	121,182,579	99.53	86,949,406	71.7
2009	128,698,136	122,483,590	95.17	3,188,928	125,672,518	97.65	89,078,618	69.4
2010	137,620,118	128,323,241	93.24	4,025,478	132,348,719	96.17	59,720,924 <sup>(2)</sup>	43.4
2011	136,017,057	128,514,760	94.48	4,454,464	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	140,002,022	99.87	59,021,550	42.1
2016	142,214,748	138,314,977	97.26	5,303,082	143,618,059	100.99	62,371,854	43.9

- (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: Bernalillo County Treasurer's Office.

**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>
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	6.40	4.325
2015	44.185	11.520	9.461	1.360	10.729	3.423	0.932	6.357	4.536
2016	47.348	11.520	8.561	1.360	10.487	3.776	0.848	6.198	4.598

Source: Bernalillo County Treasurer's Office.

## Gross Receipts Taxes

### *State Gross Receipts Taxes*

**Imposition of Tax.** The Gross Receipts and Compensating Tax Act (Sections 7-9-1 through 7-9-91 NMSA 1978, as amended), authorizes the State to impose the State gross receipts tax, (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 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 January 1, 2017 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 state-shared Gross Receipts Tax Revenues received by the City for the past five Fiscal Years are as follows:

**Historical State-Shared Gross Receipts Tax 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

(1) In the 2013 legislative session, legislation was adopted that begins 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.

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

Certain of the revenues received from this tax are pledged to the payment of gross receipts tax bonds of the City. Some of those bonds are also secured by other revenues of the City, such as lodgers' taxes. See "FINANCIAL INFORMATION – Lodgers' Tax and Hospitality Fee."

*Municipal and Other Gross Receipts Taxes*

Imposition of Tax. In addition to receiving a distribution from the State, the Municipal Local Option Gross Receipts Taxes Act (Sections 7-19D-1 through 7-19D-18 NMSA 1978, as amended) authorizes the City under State law to impose up to 1.50% municipal gross receipts tax in increments of one-eighth of one percent on the gross receipts of any person engaging in business in the City. The City currently imposes 1.00% municipal gross receipts tax. One half of one percent (0.50%) is used for general purposes. An additional 0.25% municipal gross receipts tax is imposed to provide for street maintenance, roadway improvements, an increase in the level of services provided by the public transit system, and construction of a bikeway system. A 0.25% increment of municipal gross receipts tax is imposed to provide for public safety, a variety of social-service programs and detention facility expenses. The City has also imposed a 0.0625% municipal infrastructure gross receipts tax for general purposes. The City has authority to impose, but has not imposed a second 0.0625% municipal infrastructure gross receipts tax, without a referendum; an additional 0.125% municipal infrastructure tax for general municipal purposes, infrastructure, regional transit and/or economic development, with a positive

referendum; a 0.125% municipal capital outlay gross receipts tax for municipal infrastructure and other purposes, with a positive referendum; a 0.25% quality of life gross receipts tax; and a 0.0625% municipal environmental services gross receipts tax without a referendum. Also, under legislation passed in the 2013 State legislative session, the City is authorized to impose up to 0.375% in gross receipts taxes related to the reduction in hold-harmless payments from the State. The City has currently not elected to impose any of this taxing authority.

On December 18, 2006, the City Council formed five tax increment development districts (the “Districts”) for the Mesa del Sol project in southeast Albuquerque. Pursuant to the City Council’s action, 67% of certain gross receipts tax generated within the Districts will be available for payment of bonds, the proceeds of which will be used for construction of public infrastructure within the Districts by the developer of the project. The remaining 33% of applicable gross receipts tax revenues generated within the Districts but not dedicated to Mesa del Sol will flow to the City. It is anticipated that these tax increment revenues that the City has dedicated to the Districts will be pledged to future issuance of the Districts’ tax increment revenue bonds. The State began collecting tax revenues for the Districts in January 2008. On October 27, 2009, District No. 1 issued its Taxable Short-Term Revenue Bond, Series 2009A which was retired on October 28, 2009. On December 9, 2011, District No. 1 issued its Taxable Short-Term Revenue Bond, Series 2011 which was retired on December 12, 2011. On December 4, 2012, District No. 1 issued its Taxable Short-Term Revenue Bond, Series 2012 which was retired on December 5, 2012. On December 19, 2013, District No. 1 issued its Taxable Short-Term Revenue Bond, Series 2013 which was retired on December 20, 2013. On December 16, 2014, District No. 1 issued its Taxable Short-Term Tax Bond, Series 2014 which was retired on December 17, 2014. The Districts’ obligations are not the obligations of the City.

On October 6, 2008, the City formed tax increment development districts for Winrock Town Center and Quorum at ABQ Uptown. In 2012, the City dissolved the Quorum at ABQ Uptown tax increment development district and is negotiating a rebate payment to the City from the developer. The Winrock Town Center Tax Increment Development District 1 (“Winrock District 1”) and the Winrock Town Center Tax Increment Development District 2 (collectively, the “Winrock Districts”) continue in existence. The City dedicated 70% of certain local option gross receipts tax increments and 75% of property tax increment generated within the Winrock Districts. On July 8, 2015, Winrock District 1 issued its Senior Lien Gross Receipts Tax Increment Bonds, Series 2015 in the aggregate principal amount of \$43,325,000. The tax increment revenues that the City dedicated to the Winrock Districts are pledged to such tax increment revenue bonds that are financing public infrastructure improvements that will ultimately be dedicated to the City.

Historical Revenues. The revenues received by the City as a result of its imposition of municipal gross receipts tax and municipal infrastructure gross receipts tax for the past five fiscal years are as follows:

**CITY OF ALBUQUERQUE**  
**Historical Municipally Imposed Gross Receipts Tax Revenues**

<b>Fiscal Year</b>	<b>Revenues</b>
2012	\$149,966,442
2013	143,258,103
2014	146,394,108
2015	151,903,863
2016	154,648,522

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

*Taxing Authority and Payments*

The following table outlines the gross receipts taxes 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 January 1, 2017)**

<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%

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:

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

<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%	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>1.0000%</u>
Total Impositions by the City		<u>1.1875%</u>	
State-Shared GRT		<u>1.2250%</u>	
Total Distribution to the City		<u>2.4125%</u>	

Source: City of Albuquerque, Office of City Treasurer.

*Historical Taxable Gross Receipts*

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

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

<u>Category<sup>(2)</sup></u>	<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>2016</u>	Share of	
											<u>2007</u>	<u>2016</u>
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	\$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.

## **Lodgers' Tax and Hospitality Fee**

### *Lodgers' Tax*

The lodgers' tax is levied pursuant to the Lodgers' Tax Act (Sections 3-38-13 through 3-38-24 NMSA 1978, as amended) and is imposed, with certain limited exceptions, on all revenues derived from the furnishing of lodging within the City. The tax rate imposed by the City is 5% and is imposed on the gross taxable rent paid for lodging (but not including state gross receipts tax or local gross receipts tax).

Lodgers' tax revenues are pledged to the payment of the City's gross receipts/lodgers' tax bonds in an amount equal to fifty percent (50%) of the revenues produced by the City's imposition of the lodgers' tax, less certain administrative costs. Under the Lodgers' Tax Act, a municipality located in a class A county, such as the City, imposing an occupancy tax (such as the lodgers' tax) of more than two percent (2%) is required to use not less than one-half of the proceeds derived from the tax for the purposes of advertising, publicizing, and promoting the convention center and certain other tourist facilities or attractions within the City. The City uses the 50% of the lodgers' tax revenues not pledged to the payment of bonds to satisfy this requirement.

### *Hospitality Fee*

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.

### *Historical Lodgers' Tax Revenues and Hospitality Fee Revenues*

The gross taxable rent, lodgers' tax revenues and hospitality fee 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>	<b>Hospitality Fee Revenues</b>
2012	\$201,545,400	\$10,077,270	\$2,015,454
2013	204,103,740	10,205,187	2,041,037
2014	215,798,301	10,789,915	2,157,983
2015	228,461,360	11,423,068	2,275,003
2016	237,347,900	11,867,395	2,373,479

(1) Defined by the Lodgers' Tax Act to mean "the total amount of rent paid for lodging, not including the State Gross Receipts Tax or local sales taxes."

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

### **Employee Contracts**

There were 5,333 full-time employment positions funded by the City for Fiscal Year 2017. Approximately 84% of City employees are affected by union contracts. There are eight bargaining units within the City. The City's union contracts are as follows: Albuquerque Officers' Association (A.F.S.C.M.E. Local 1888, AFL-CIO); Clerical and Technical Employees (A.F.S.C.M.E. Local 2962, AFL-CIO); Transit Union (A.F.S.C.M.E. Local 624 AFL-CIO); Blue Collar Workers (A.F.S.C.M.E. Local 624, AFL-CIO); Albuquerque Area Firefighters Union; Albuquerque Police Officers' Association; Prisoner Transport Officers; and Management Union (A.F.S.C.M.E. Local 3022, AFL-CIO). All collective bargaining agreements are current at this time.

### **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, 2016, 2015 and 2014 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, 2016, 2015 and 2014 were \$60,217,368, \$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. As of June 30, 2016, the City reported a net pension liability of \$493,703,754 for its proportionate share of the net pension liability.

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, 2016**

Membership <sup>(1)</sup>	100,974
Actuarial Information	
Accrued Liability <sup>(2)</sup>	\$19,474,241
Actuarial Value of Assets <sup>(3)</sup>	\$14,654,814
Unfunded Actuarial Accrued Liability	\$4,819,427

(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 7.25% annual return for the first 10 years and 7.75% thereafter. Annual returns are smoothed in over a four-year period.

Source: Public Employees Retirement Association.

As of June 30, 2016, PERA has an amortization or funding period of 56 years, based on the employer and member contribution rates in effect as of July 1, 2016. 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 75.3% as of June 30, 2016 and the UAAL of the PERA Fund increased \$108 million to approximately \$4.8 billion. The State's portion of the UAAL of the PERA Fund is 52.9%, or \$2.5 billion. Prior to a 2013 pension reform, the funded ratio was 65.3% and the UAAL of the PERA Fund was calculated to be approximately \$6.2 billion. The primary cause of the slight increase in the funded ratio is due to use of pensionable wages and the increase in accrued actuarial liability is reflective of the lower than expected investment return from the 2016 plan years. On a market value basis, PERA's funded ratio is approximately 69.18% as of June 30, 2016. Current 30-year projections indicate the PERA Fund will be 76.8% funded in 2043.

## **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 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, 2016, the Albuquerque Pooled OPEB Trust has over \$14.9 million in cash and a net position of \$15.5 million. The Irrevocable Trust is managed by the City in conjunction with Wells Fargo Trust and Custody.

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 (the “RHCF”) 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 2.000% of each participating employee’s annual salary. Each participating employee contributes to the Fund an employee contribution equal to 1.000% of the employee’s annual salary. The City’s contributions to the RHCF for the years ended June 30, 2016, 2015 and 2014 were \$5,526,285, \$5,394,698, and \$5,350,483, respectively, which equal the required contributions for each year.

## **Capital Implementation Program**

### *General*

The City finances a substantial portion of its traditional municipal capital improvements with general obligation bonds. Historically, the City issues general obligation bonds annually to finance capital improvements. However, certain improvements are financed with revenue bonds. The City’s Capital Implementation Program consists of a ten-year program, with a general obligation bond election held every odd-numbered year to approve the two-year capital budget portion of the program.

### *Albuquerque Rapid Transit*

A portion of the City’s Capital Improvement Program is dedicated to the design and construction of the Albuquerque Rapid Transit project (the “ART Project”) which, upon completion, will be an approximately 9-mile transit corridor along Central Avenue. Funding for the ART Project includes approximately (a) \$26 million of City funds already raised through

bond financings and infrastructure tax, (b) \$31 million in federal grants already received by the City, and (c) a \$69 million Small Starts Capital Grant that has been recommended by the Federal Transportation Administration (the “FTA”) and was placed in President Obama’s budget in February 2016. Congress has not yet appropriated funds for the Small Starts Capital Grant, but if appropriated, such funds are expected to be available to the City in October 2017. The City is advancing the amount of the Small Starts Capital Grant with the expectation that it will be reimbursed such amount upon receipt of such funds from the FTA. The City is confident that Congress will appropriate such funds and the FTA will award the funds to the City on a timely basis. However, if such funds are not received, the City anticipates that the amount originally attributable to the Small Starts Capital Grant would be raised through a combination of revenue bonds, general obligation bonds and other City monies available for infrastructure.

### *Impact Fees*

The City’s impact fee ordinance was adopted by the Council on November 19, 2012 and implemented on December 8, 2012. Two lawsuits challenging the impact fee ordinance were filed in Bernalillo County District Court by developers in January 2013. The lawsuits allege that impact fee credits held by the developers under the City’s previous impact fee ordinance were unlawfully devalued by the ordinance adopted on November 19, 2012. It is premature to speculate how the lawsuits might affect the City’s impact fee ordinance or the collection of impact fees. The City is also involved in an administrative appeal regarding cash refunds requested by an impact fee credit holder. It is similarly premature to speculate how this administrative appeal might affect the City’s impact fee ordinance or the collection of impact fees.

An impact fee is a one-time charge imposed on new development to help fund the costs of capital improvements that are necessitated by and attributable to new development. Impact fees may not be charged retroactively and may not be used for maintenance or repair. The cost calculation formulas recognize that new development in areas where major infrastructure already exists will have lower costs.

The seven types of new infrastructure that the City impact fees support are: (i) road, (ii) drainage, (iii) fire, (iv) police, (v) park, (vi) open space, and (vii) trail. Service areas have been identified for each type of infrastructure.

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

### **Total Impact Fees**

<b>Fiscal Year</b>	<b>Total Collected</b>
2012	\$1,491,618
2013 <sup>(1)</sup>	1,486,701
2014	1,050,649
2015	1,556,858
2016	2,067,078

(1) In November 2012 City Council passed a new impact fee ordinance. These impact fees are phased in by calendar year: 20% in 2013, 40% in 2014, 60% in 2015, 80% in 2016 and 100% January 2017.

Source: City of Albuquerque, Planning Department.

### **FORWARD LOOKING STATEMENTS**

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

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVES KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

### **LITIGATION**

There is no action, suit, proceeding, inquiry, investigation or controversy of any nature pending, or to the City's knowledge threatened, involving the City (i) in any way questioning (A) the authority of any officer of the City to exercise the duties and responsibilities of his or her office or (B) the existence, powers or authority of the City material to the Series 2017A Bonds or the security for the Series 2017A Bonds; (ii) seeking to restrain or enjoin the issuance, sale, execution or delivery of, or the performance by the City of its obligations under, the Series 2017A Bonds; (iii) in any way contesting or affecting (A) the issuance, sale, execution or delivery of the Series 2017A Bonds or (B) the validity or enforceability of the Series 2017A Bonds, any of the documents relating to the Series 2017A Bonds or any action contemplated by or pursuant to any of the foregoing; (iv) which, except as and to the extent disclosed below may

result, either individually or in the aggregate, in final judgments against the City materially adversely affecting its financial condition; or (v) asserting that the Preliminary Official Statement or the Official Statement contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. On the Closing Date, the City will deliver a no-litigation certificate as to the foregoing.

### **New Mexico Tort Claims Act Limitations**

The New Mexico Tort Claims Act limits liability to (i) \$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 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. 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. 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 \$42,842,000 available in the committed General Fund balance.

In the fiscal year ended June 30, 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. Beginning in fiscal year 2015, the City began funding a “Risk Recovery” plan through an allocation to the respective departments. The original goal was to recover \$36.3 million over ten years. It was not until Fiscal Year 2017 that the targeted \$3.6 million was fully budgeted. More recent claims and reserves for claims have raised the targeted Risk Recovery amount to \$52.4 million, the balance of which is intended to be collected over the remaining 7 years of the recovery period. It should be noted that these allocation amounts are subject to annual appropriations by the City Council. The amount collected from other funds in Fiscal Year 2016 was \$12,165,000.

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 2016, attached hereto as Appendix A.

## **TAX MATTERS**

### **General**

In the opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A., Bond Counsel, to be delivered at the time of original issuance of the Series 2017A Bonds, under existing laws, regulations rulings and judicial decisions, and assuming compliance with covenants described herein, interest on Series 2017A Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax for individual corporations. Bond Counsel is also of the opinion, based on existing laws of the State of New Mexico as enacted and construed, that interest on the Series 2017A Bonds is exempt from all taxation by the State of New Mexico or any political subdivision thereof for present State of New Mexico income tax purposes.

The Internal Revenue Code of 1986, as amended (the “Code”), imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal

tax purposes of interest on obligations such as the Series 2017A Bonds. The City has made various representations and warranties with respect to, and has covenanted in the Bond Ordinance and other certificates to comply with the applicable provisions of the Code to assure that interest on the Series 2017A Bonds will remain excludable from gross income. Failure to comply with these covenants or the inaccuracy of these representations and warranties may result in interest on the Series 2017A Bonds being included in gross income from the date of issue of the Series 2017A Bonds. The opinion of Bond Counsel assumes compliance with the covenants and the accuracy of such representations and warranties.

Although Bond Counsel has opined that interest on the Series 2017A Bonds is not a specific preference item for purposes of the alternative minimum tax provisions contained in the Code, interest on the Series 2017A Bonds will be included in the adjusted current earnings of certain corporations, and such corporation's adjusted current earnings over its alternative minimum taxable income (determined without regard to this adjustment and prior to reduction for certain net operating losses).

Although Bond Counsel has rendered an opinion that interest on the Series 2017A Bonds is excludable from gross income for federal income tax purposes, the accrual or receipt of interest on the Series 2017A 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. Bond Counsel expresses no opinion regarding any such consequences. Purchasers of the Series 2017A 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 or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations are advised to consult their tax advisors as to the tax consequences of purchasing or owning the Series 2017A Bonds.

The opinions expressed by Bond Counsel are based upon existing law as of the date of issuance and delivery of the Series 2017A Bonds, and Bond Counsel expresses no opinion as of any date subsequent thereto or with respect to any pending legislation.

### **Internal Revenue Service Audit Program**

The Internal Revenue Service (the "Service") has an ongoing program auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. No assurances can be given as to whether the Service will commence an audit of the Series 2017A Bonds. If an audit is commenced, under current procedures the Service will treat the City as the taxpayer and the Bond owners may have no right to participate in such procedure. Neither the Municipal Advisor nor Bond Counsel is obligated to defend the tax-exempt status of the Series 2017A Bonds. The City has covenanted in the Bond Ordinance not to take any action that would cause the interest on the Series 2017A Bonds to lose its exclusion from gross income except to the extent described above for the owners thereof for federal income tax purposes. None of the City, the Municipal Advisor nor Bond Counsel is responsible to pay or reimburse

the costs of any Bond owner with respect to any audit or litigation relating to the Series 2017A Bonds.

### **Original Issue Discount**

The Series 2017A Bonds maturing on June 1, 2029 and June 1, 2030 were offered at a discount (“original issue discount”) equal generally to the difference between public offering price and principal amount. For federal income tax purposes, original issue discount on a bond accrues periodically over the term of the bond as interest with the same tax exemption and alternative minimum tax status as regular interest. The accrual of original issue discount increases the holder’s tax basis in the bond for determining taxable gain or loss from sale or from redemption prior to maturity. Holders of Series 2017A Bonds offered at an original issue discount should consult their tax advisors for an explanation of the accrual rules.

### **Original Issue Premium**

The Series 2017A Bonds maturing between June 1, 2018 through June 1, 2028 were offered at a premium (“original issue premium”) over their principal amount. For federal income tax purposes, original issue premium is amortizable periodically over the term of a bond through reductions in the holders’ tax basis in the bond for determining taxable gain or loss from sale or from redemption prior to maturity. Amortizable premium is accounted for as reducing the tax-exempt interest on the bond rather than creating a deductible expense or loss. Holders of Series 2017A Bonds offered at an original issue premium should consult their tax advisors for an explanation of the amortization rules.

## **CONTINUING DISCLOSURE UNDERTAKING**

In connection with its issuance of the Series 2017A 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 2017A Bonds (i) to provide audited annual financial statements of the City when available after the end of each Fiscal Year, including Fiscal Year 2015, 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.

The City’s annual audit for the fiscal year ending June 30, 2011 was delayed due to implementation of the City’s accounting and human resources software and turnover in key City staff positions, thereby delaying the independent auditor’s review and preparation of the City’s audit beyond the applicable deadline. The City provided notice of late audit in the filing of its annual report in 2012 at 210 days after the close of the fiscal year, but has not separately provided a failure to file notice. The City has made material progress with its internal procedures and the release date for its annual audit has improved over the past two 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 2012, 2013, 2014 and 2015 in a timely manner. 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.

## **LEGAL MATTERS**

In connection with the issuance and sale of the Series 2017A Bonds, Modrall, Sperling, Roehl, Harris & Sisk, P.A., as Bond Counsel, will deliver the bond opinion included in Appendix C hereto. Certain legal matters relating to the Series 2017A Bonds will be passed upon for the City by the office of the City Attorney and Disclosure Counsel, Sherman & Howard L.L.C. Neither Disclosure Counsel nor Bond Counsel has participated in any independent verification of the information concerning the financial condition of the City contained in this Official Statement.

## **INDEPENDENT ACCOUNTANTS**

Moss-Adams LLP audited the financial statements of the City as of and for the year ended June 30, 2016 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, 2016, 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 City sold the Series 2017A Bonds at public sale to Hutchinson, Shockey, Erley & Co. at a price of \$25,312,999.99 (equal to the par amount of the Series 2017A Bonds, plus original issue premium of \$2,547,892.20, and less underwriter's discount of \$84,892.21.

## **RATINGS**

The Series 2017A Bonds have been rated "Aa1," "AAA" and "AA+" by Moody's Investors Service, Inc., Standard & Poor's Ratings Service and Fitch, Inc., respectively.

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 2017A Bonds and the City, some of which may not have been included in this Official Statement. Generally, rating agencies base their ratings on such information and materials and on investigation, studies and assumptions by the rating agencies. The respective ratings are not a recommendation to buy, sell or hold the Series 2017A Bonds, and there can be no assurance that a rating when assigned will

continue for any given period of time or that it will not be lowered or withdrawn entirely by a rating agency if, in its judgment, circumstances so warrant. Any downward change in or withdrawal of a rating may have an adverse effect on the marketability and/or market price of the Series 2017A Bonds.

### **ADDITIONAL INFORMATION**

All quotations from, and summaries and explanations of, the statutes, regulations and documents contained herein do not purport to be complete and reference is made to said laws, regulations and documents for full and complete statements of their provisions. Copies, in reasonable quantity, of such laws, regulations and documents may be obtained during the offering period upon request directly to the City at One Civic Plaza, N.W., Albuquerque, New Mexico 87102, Attention: 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 2017A Bonds.

### **APPROVAL BY THE CITY**

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

CITY OF ALBUQUERQUE, NEW MEXICO

By: /s/ Richard J. Berry  
Mayor

## **APPENDIX A**

### **Economic and Demographic Information, Including Audited Financial Information for Fiscal Year 2016**

#### **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**

	<b><u>Square Miles</u></b>
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, 2017	189.18

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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.

<b>Year</b>	<b>City</b>	<b>Bernalillo County</b>	<b>Albuquerque MSA</b>	<b>State</b>
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>	551,723	669,492	897,024	2,078,226
2012 <sup>(3)</sup>	554,888	672,948	901,103	2,084,792
2013 <sup>(3)</sup>	556,880	674,942	903,502	2,086,890
2014 <sup>(3)</sup>	557,894	675,647	904,720	2,085,567
2015 <sup>(3)</sup>	559,121	676,685	907,301	2,085,109

(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, 2017.

### PERCENT OF POPULATION BY AGE GROUP

<b>Age</b>	<b>City</b>	<b>State</b>	<b>United States</b>
0-17	22.86%	23.92%	22.77%
18-24	9.14	9.80	9.75
25-34	15.15	13.28	13.43
35-44	13.30	11.87	12.62
45-54	12.25	11.91	13.09
55-64	12.34	13.00	12.88
65-74	8.77	9.69	9.06
75 and Older	6.18	6.53	6.40

Source: © 2017 Claritas LLC.

## 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**

<b>Fiscal Year</b>	<b>Civilian Labor Force</b>	<b>Number Employed</b>	<b><u>Unemployment Rates</u></b>		
			<b>Albuquerque MSA</b>	<b>New Mexico</b>	<b>United States</b>
2007	403,694	388,349	3.8%	3.9%	4.5%
2008	405,568	389,723	3.9	3.9	5.0
2009	407,287	381,530	6.3	6.1	7.6
2010	413,790	380,742	8.0	8.0	9.8
2011	423,309	390,636	7.7	7.8	9.3
2012	419,466	388,204	7.5	7.4	8.5
2013	417,738	388,848	6.9	7.0	7.8
2014	414,480	386,339	6.8	6.9	6.8
2015	414,382	388,099	6.3	6.6	5.7
2016	414,931	390,407	5.9	6.4	5.0

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 2016.

**MAJOR EMPLOYERS IN THE ALBUQUERQUE AREA<sup>(1)</sup>**  
**By Number of Employees – 2016**

<b>Organization</b>	<b>Employees</b>	<b>Description</b>
Albuquerque Public Schools	14,810	Education
Kirtland AFB (Civilian)	10,125	Defense
Sandia National Labs	8,400	Research Development
Presbyterian	7,310	Healthcare
UNM Hospital	5,950	Healthcare
City of Albuquerque	5,395	Government
State of New Mexico	4,950	Government
University of New Mexico	4,200	Education
Lovelace	4,000	Healthcare
Bernalillo County	2,648	Government
New Mexico Veterans Affairs Hospital	2,100	Healthcare
Rio Rancho Public Schools	2,000	Education
Sandia Resort & Casino	2,000	Resort & Casino
Intel Corporation	1,900	Semiconductor Manufacturer
Central NM Community College	1,840	Education

(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>2016</u>	<u>2015 to</u> <u>2016</u>	<u>Annual</u> <u>Average</u> <u>Growth</u> <u>2007-2016</u>	<u>Sector Share</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	375,417	380,250	375,342	378,533	383,008	1.2%	-0.4%
Natural Resources/Mining/Constr.	31,375	29,808	26,050	22,592	21,075	19,467	19,525	20,000	20,642	20,017	20,467	20,417	-0.2	-4.7
Manufacturing	24,133	22,883	20,250	17,517	17,650	17,775	17,617	16,917	16,467	16,925	16,433	16,175	-1.6	-4.3
Trade Transportation and Utilities	68,675	69,550	66,017	62,792	62,292	61,883	62,250	63,058	63,258	63,083	63,600	63,883	0.4	-0.8
• Wholesale Trade	13,692	13,692	12,700	12,217	11,817	11,717	11,783	11,767	11,883	11,775	11,892	11,767	-1.1	-1.7
• Retail Trade	44,167	44,825	43,025	41,125	40,942	40,650	40,775	41,558	41,592	41,567	41,767	42,342	1.4	-0.5
• Transportation, Warehousing and Utilities	10,817	11,033	10,292	9,450	9,533	9,517	9,692	9,733	9,783	9,742	9,942	9,775	-1.7	-1.1
Information	9,617	9,333	9,308	9,158	8,808	8,208	8,417	7,833	7,850	7,833	7,983	8,417	5.4	-1.5
Financial Activities	19,367	19,092	18,500	18,292	17,642	17,658	17,775	17,942	17,900	17,892	17,917	18,058	0.8	-0.8
Professional and Business Services	64,367	65,275	63,658	59,008	58,308	56,800	56,875	57,225	58,483	57,225	57,017	57,733	1.3	-1.2
Educational and Health Services	48,642	49,942	52,725	54,175	55,192	56,033	57,308	58,408	60,483	58,417	60,592	63,050	4.1	2.9
Leisure and Hospitality	39,158	39,408	37,950	37,200	37,225	38,000	39,258	40,233	41,442	40,217	41,583	41,850	0.6	0.7
Other Services	12,183	12,308	12,292	11,817	11,842	11,817	11,775	11,692	11,867	11,692	11,667	11,725	0.5	-0.4
Government	78,992	80,333	82,200	83,100	83,200	82,525	82,383	82,108	81,858	82,042	81,275	81,700	0.5	0.4
<b>LOCAL GOVERNMENT</b>	39,067	40,225	41,625	41,617	41,342	40,708	40,683	40,467	39,925	40,475	40,092	39,983	-0.3	0.3
<b>STATE GOVERNMENT</b>	25,375	25,625	25,658	25,850	26,083	26,342	26,800	27,308	27,708	27,233	26,967	27,533	2.1	0.9
<b>FEDERAL GOVERNMENT</b>	14,550	14,483	14,917	15,633	15,775	15,475	14,900	14,333	14,225	14,333	14,217	14,183	-0.2	-0.3

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 the 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. 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 growing to 57,733 by Fiscal Year 2016. Much of the decrease between 2008 and 2012 was 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 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 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 resulted 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%
<b>Below</b>										
<b>Total Housing Units in the City of Albuquerque</b>				<b>Total Units</b>		<b>Single Family</b>		<b>Multi-Family</b>		<b>Mobile Homes &amp; Others</b>
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		N/A
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

Calendar Year	Albuquerque MSA	New Mexico	United States
2006	\$32,911	\$30,364	\$38,144
2007	33,717	31,703	39,821
2008	35,195	33,447	41,082
2009	34,218	32,523	39,376
2010	34,097	33,109	40,277
2011	35,547	34,729	42,453
2012	35,678	35,410	44,267
2013	35,006	34,724	44,462
2014	36,944	36,656	46,414
2015	38,563	37,938	48,112

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>2017 Effective Buying Income Group</b>	<b>Albuquerque MSA</b>	<b>New Mexico</b>	<b>United States</b>
Under \$25,000	26.57%	28.88%	23.97%
\$25,000 - \$34,999	12.27	12.72	11.85
\$35,000 - \$49,999	16.42	16.51	16.31
\$50,000 - \$74,999	19.60	18.67	19.32
Over \$75,000	25.14	23.22	28.55
2014 Est. Median Household Income	\$44,391	\$44,292	\$51,579
2015 Est. Median Household Income	\$48,234	\$45,633	\$53,706
2016 Est. Median Household Income	\$48,792	\$45,445	\$55,551
2017 Est. Median Household Income	\$50,192	\$47,043	\$57,462

Source: © 2017 Claritas, LLC; © 2014-2016 The Nielsen Company.

**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, 2016**



## REPORT OF INDEPENDENT AUDITORS

The Honorable Richard J. Berry, Mayor  
City Council Members of the City of Albuquerque  
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, the remaining fund information, and the budgetary comparisons for the general fund and special revenue funds of the City of Albuquerque (the City) as of and for the year ended June 30, 2016, 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 capital project funds, debt service fund, 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, 2016, 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 activities 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  
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 opinion.

### ***Opinions***

In our opinion, 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 remaining fund information of the City as of June 30, 2016, 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, non-major enterprise, internal service fund, other post-employment benefit fund, and agency fund of the City as of June 30, 2016, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the major capital project funds, debt service 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.O to the financial statements, the City adopted GASB Statement No. 82, *Pension Issues (an amendment of GASB Statements No. 67, No. 68 and No. 73)*, during the year ended June 30, 2016. The financial statements as of June 30, 2015 were restated as a result of the adoption. Our opinion is not modified with respect to this matter.

The Honorable Richard J. Berry, Mayor  
City Council Members of the City of Albuquerque  
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, schedule of funding progress – Albuquerque pooled trust fund, schedule of pension contributions, schedule of proportionate share of net pension liability, and notes to required supplementary information related to pension activity 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 basic financial statements, the combining and individual fund financial statements and the budgetary comparisons. The Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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 Honorable Richard J. Berry, Mayor  
City Council Members of the City of Albuquerque  
Mr. Timothy Keller, New Mexico State Auditor

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 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, 2016 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, 2016

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
JUNE 30, 2016

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, 2016. 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. In fiscal year 2016, PERA early implemented GASB Statement 82 which addressed pension issues related to employer paid member contributions. The implementation of GASB 82 also required a restatement of beginning net position of \$22.5 million to governmental activities and a \$4.5 million adjustment to the City's proprietary funds for a total of \$27.0 million. In fiscal year 2016 the City identified a required separation of the municipal general municipal and municipal police division contributions which required an adjustment to net position between governmental activities and the aviation fund totaling \$1.7 million. In addition, the City's Transit Fund recorded a prior period adjustment to account for capital contributions in the proper year in the amount of \$500 thousand.
- The City's total net position increased by \$2.4 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, 2016, unrestricted net position totaled (\$268.8) million. Unrestricted net position was affected by the implementation of GASB Statement 68 and 82.
- As of June 30, 2016, the City's governmental funds reported combined ending fund balances of \$465.0 million. Of the total fund balance, \$18.5 million is fund balance available for spending at the government's discretion (sum of unassigned and assigned fund balance).
- As of June 30, 2016, fund balance of the general fund was \$60.0 million. At the close of the current fiscal year, unassigned fund balance of the general fund was \$16.0 million or 3.5% of the total general fund expenditures of \$453.8 million.
- During fiscal year 2016, net position of the City's business type enterprise funds increased by \$41.8 million yielding net position of \$563.6 million as of June 30, 2016.
- The City's governmental activities long-term obligations increased by \$155.3 million during the current year. The key factors in this change were increases in the pension obligation of \$102.8 million (after restatement of the pension obligation due to GASB Statement 68), an increase in accrued vacation, sick leave, and claims totaling \$0.8 million, a decrease in other post-employment obligations of \$0.4 million, followed by an increase in long term debt of \$52.1 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 cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation and sick leave.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
JUNE 30, 2016

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, 2016 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, 2016 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.

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.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
JUNE 30, 2016

- 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 for the 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, 2016

**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
	2016	2015	2016	2015	2016	2015	
Assets:							
Current and other assets	\$ 724.3	\$ 682.1	\$ 219.3	\$ 214.0	\$ 943.4	\$ 896.1	
Capital assets	3,531.2	3,554.9	488.2	467.7	4,019.4	4,022.6	
Total assets	4,255.5	4,237.0	707.5	681.7	4,962.9	4,918.7	0.9 %
Deferred Outflows of Resources:							
Deferred gain/loss on refunding	3.6	3.9	0.2	0.4	3.8	4.3	
Deferred outflow related to fuel hedge	-	1.4	-	1.3	-	2.7	
Deferred outflow related to pension activity	49.3	35.3	5.0	4.5	54.3	39.8	
Total deferred outflows of resources	52.9	40.6	5.2	6.2	58.1	46.8	19.4 %
Liabilities:							
Long-term liabilities outstanding	1,161.3	1,006.0	112.7	112.5	1,274.1	1,118.5	
Other liabilities	179.5	177.9	33.8	36.8	213.2	214.7	
Total liabilities	1,340.8	1,183.9	146.5	149.3	1,487.3	1,333.2	10.4 %
Deferred Inflows of Resources:							
Deferred revenue	6.1	5.1	0.8	-	6.9	5.1	
Deferred inflows related to pension activity	13.4	101.1	1.8	16.8	15.2	117.9	
Total deferred inflows of resources	19.5	106.2	2.6	16.8	22.1	123.0	-456.6 %
Net position:							
Net investment in capital assets	3,024.7	3,074.3	444.6	412.1	3,469.3	3,486.4	
Restricted	190.9	165.6	120.3	109.1	311.2	274.7	
Unrestricted	(267.5)	(252.4)	(1.3)	0.6	(268.8)	(251.8)	
Total net position	\$ 2,948.1	\$ 2,987.5	\$ 563.6	\$ 521.8	\$ 3,511.7	\$ 3,509.3	0.1 %

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 98.8% 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 \$311.2 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 and 82 in fiscal years 2015 and 2016. 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. This implementation affected available balances creating negative unrestricted net position.

The City's net position increased by \$2.4 million during the current fiscal year. The increase in net position is explained in the governmental and business-type activities discussion.

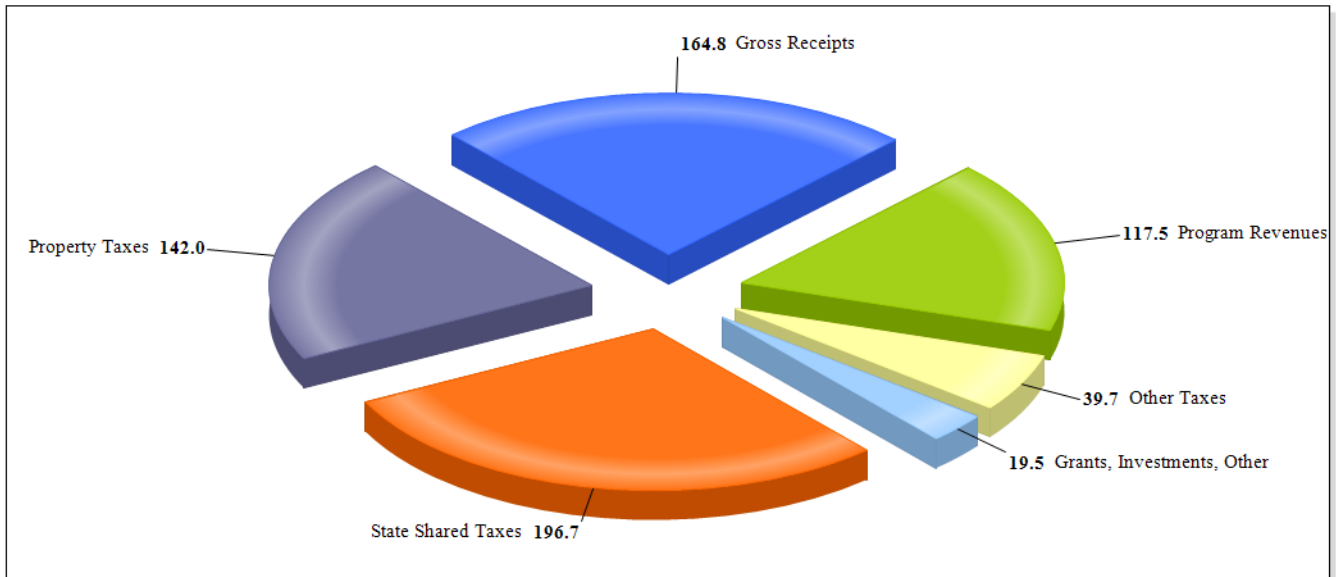


**CITY OF ALBUQUERQUE, NEW MEXICO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
JUNE 30, 2016

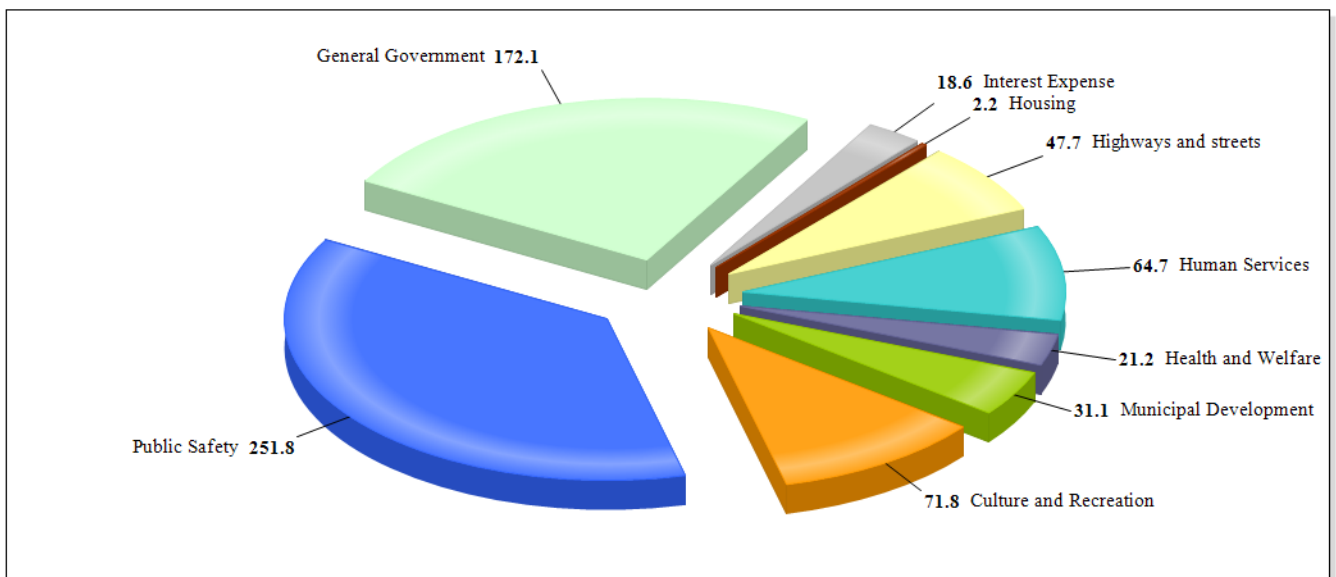
	Change in Net Position (in millions)						Total Percent Change
	Governmental Activities		Business-type Activities		Total		
	2016	2015	2016	2015	2016	2015	
Revenues:							
Program revenues:							
Charges for services	\$ 70.3	\$ 66.0	\$ 162.0	\$ 160.8	\$ 232.3	\$ 226.8	2.4 %
Operating Grants and Contributions	31.0	37.2	-	-	31.0	37.2	(20.0)%
Capital Grants and Contributions	16.2	6.2	28.8	16.8	45.0	23.0	48.9 %
General revenues:							
Gross receipts taxes, local option	164.8	164.0	-	-	164.8	164.0	0.5 %
Property taxes	142.0	139.6	-	-	142.0	139.6	1.7 %
Other taxes	39.7	41.2	-	-	39.7	41.2	(3.8)%
Shared taxes and fees	196.7	197.2	-	-	196.7	197.2	(0.3)%
Grants, investment income, and other	19.5	17.9	3.6	3.1	23.1	21.0	9.1 %
Total revenues	680.2	669.3	194.4	180.7	874.6	850.0	2.8 %
Expenses:							
General government	172.1	81.6	-	-	172.1	81.6	(52.6)%
Public safety	251.8	250.3	-	-	251.8	250.3	(0.6)%
Culture and recreation	71.8	106.9	-	-	71.8	106.9	48.9 %
Public works/municipal development	31.1	32.0	-	-	31.1	32.0	2.9 %
Health and welfare	21.2	19.7	-	-	21.2	19.7	(7.1)%
Human services	64.7	63.9	-	-	64.7	63.9	(1.2)%
Highways and streets	47.7	2.7	-	-	47.7	2.7	(94.3)%
Housing	2.2	65.2	-	-	2.2	65.2	2,863.6 %
Interest and other charges	18.6	15.8	-	-	18.6	15.8	(15.1)%
Airport	-	-	53.6	57.2	53.6	57.2	6.7 %
Refuse disposal	-	-	60.9	61.3	60.9	61.3	0.7 %
Transit	-	-	60.7	61.2	60.7	61.2	0.8 %
Nonmajor enterprise funds	-	-	15.8	15.2	15.8	15.2	3.8 %
Total expenses	681.2	638.1	191.0	194.9	872.2	833.0	4.5 %
Excess (deficiency) before transfers	(1.0)	31.2	3.4	(14.2)	2.4	17.0	(608.3)%
Transfers	(38.4)	(32.2)	38.4	32.2	-	-	- %
Special item - transfer of Housing Authority operations	-	-	-	(24.8)	-	(24.8)	- %
Increase (decrease) in net position	(39.4)	(1.0)	41.8	(6.8)	2.4	(7.8)	425.0 %
Beginning net position July 1 restated	2,987.5	2,988.5	521.8	528.6	3,509.3	3,517.1	(0.2)%
Ending net position June 30	\$ 2,948.1	\$ 2,987.5	\$ 563.6	\$ 521.8	\$ 3,511.7	\$ 3,508.7	20,945.3 %

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**Governmental Revenues by Source**  
in Millions



**Governmental Expenditures by Function**  
in Millions



Governmental activities – Governmental activities decreased the City's net position by \$39.4 million. Governmental activities

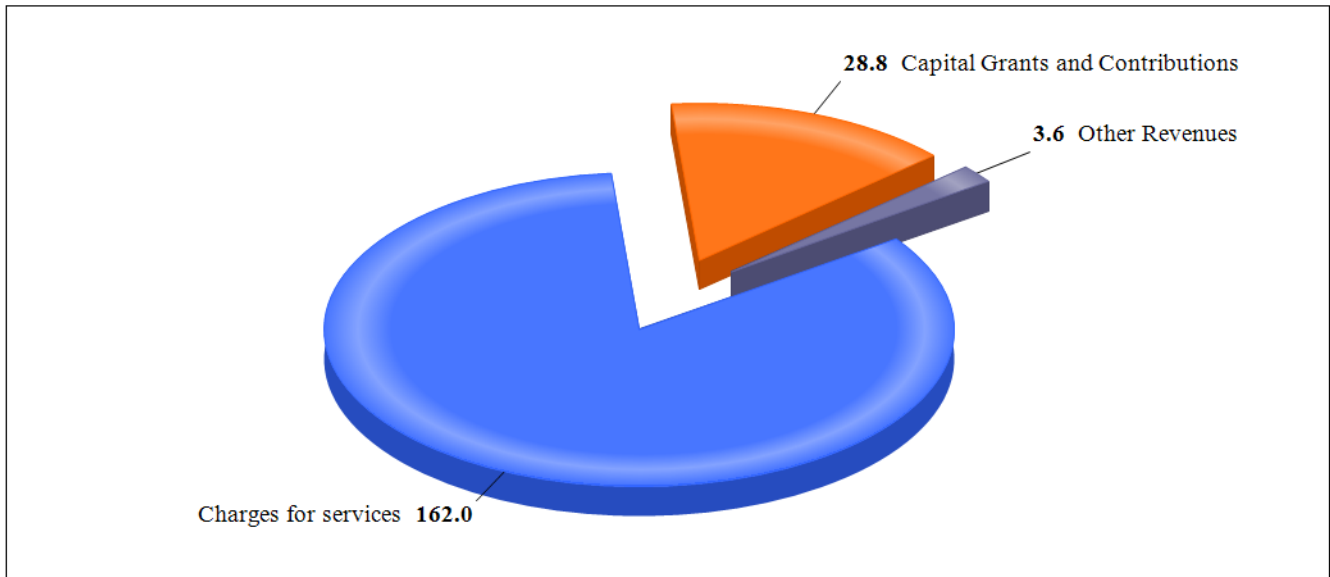
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revenue increased by \$10.9 million, or (1.6%) from \$669.3 million in fiscal year 2015 to \$680.2 million in fiscal year 2016. Key elements in the change of the City's governmental activities revenues are as follows:

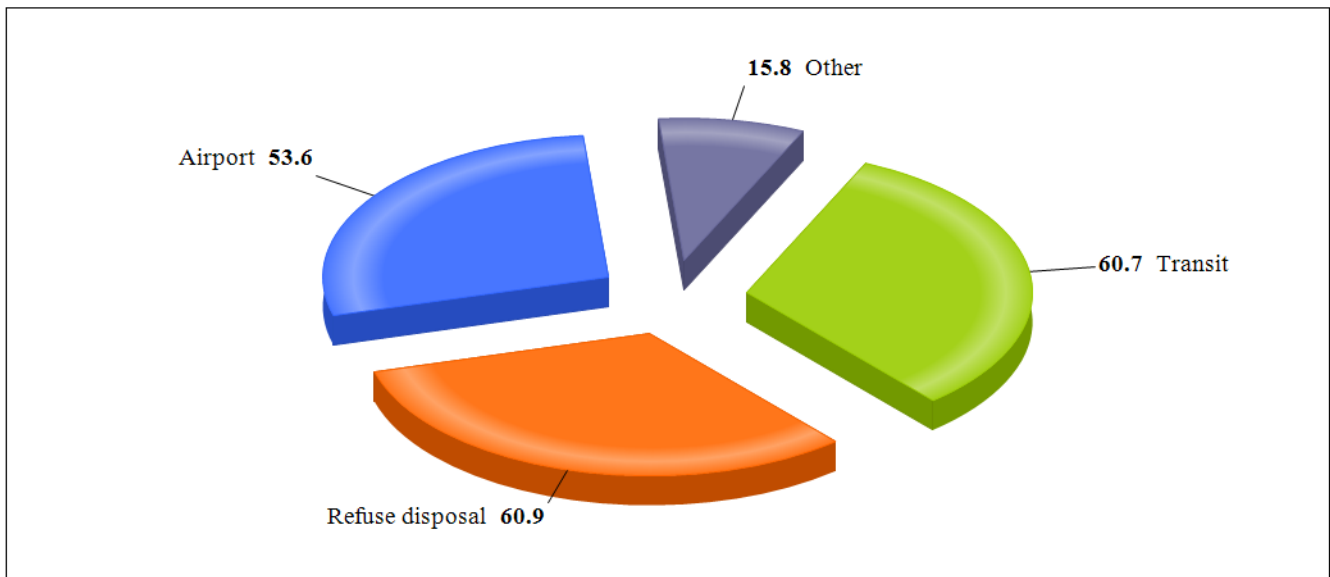
- Gross receipts tax revenue and state shared taxes and fees, which together account for approximately 53% of the City's governmental activities revenue, increased by \$0.3 million, from \$361.2 million to \$361.5 million, or by 0.1% from prior year. The Gross receipts tax revenue grew by .6%. The budgeted projections are adjusted for one time distributions or hold backs and do not include accruals. As a result the percentages in the government wide will differ with projected increases in GRT. State Shared taxes showed a slight reduction in revenues of \$500 thousand compared to fiscal year 2015. Additional economic and budgetary facts are discussed in the economic factors section of the management discussion and analysis.
- Program revenues increased by \$7.9 million compared to fiscal year 2015 from \$109.4 million to \$117.4 million in fiscal year 2016. Program revenue consisting of charges for services, operating grants, capital grants, and contributions account for approximately 17.1% of the City's governmental activities revenues. Charges for services increased by \$3.3 million primarily due increases in charges for services in the general fund and other nonmajor governmental funds. Operating grants and contributions decreased by \$6.2 million and capital grants and contributions decreased by \$9.9 million. Building permit revenues increased by \$400 thousand from \$3.0 million in 2015 to \$3.4 million in fiscal year 2016. Total licensing and permits increased by \$300 thousand in fiscal year 2016.
- Property taxes, which account for approximately 20.9% of the City's governmental activities revenues, increased by \$2.4 million from \$139.6 million to \$142.0 million. In fiscal year 2016 (tax year 2015) taxable assessed property valuations within the City increased \$206.8 million from \$12.21 billion to \$12.41 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 2016.
- Grants, investments, and other revenues, which account for approximately 2.9% of the City's governmental activities revenues, decreased from \$17.9 million to \$19.5 million. The difference is primarily explained by thean increase in unrestricted investment earnings.
- Other taxes such as franchise, hospitality, lodgers', and payments in lieu of taxes increased by \$1.5 million from \$41.2 million in fiscal year 2015 to \$39.7 million in fiscal year 2016, or by (3.6)%. 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.

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**Business-type Activities Revenues by Source**  
in Millions



**Business-type Activities Expenses**  
in Millions



Business-type activities – Business-type activities increased the City's net position by \$3.4 million in fiscal year 2016 before

**CITY OF ALBUQUERQUE, NEW MEXICO**  
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transfers of \$38.4 million Business-type activities revenues increased \$13.7 million from \$180.7 million in fiscal year 2015 to \$194.4 million in fiscal year 2016, or by 7.6%. Key factors for the increases in the business type activities net position and revenues are explained below:

- The Airport Fund had an increase in net position of \$22.4 million in fiscal year 2016 compared to a \$19.5 million increase in 2015. The charges for services increased from \$56.1 million in fiscal year 2015 to \$56.3 million in fiscal year 2016. Passenger facilities charges (PFCs) remained constant at \$8.9 million. Operating expenses slightly decreased from \$53.8 million in fiscal year 2015 to \$53.6 in fiscal year 2016, and capital contributions decreased from \$8.6 million in fiscal year 2015 to \$8.2 million in fiscal year 2016.
- The net position for the Refuse Disposal Fund remained constant at \$9.3 million in fiscal year 2016 compared to an increase of \$9.3 million in 2015. Charges for services increased \$0.9 million. Operating costs increased by \$1.0 million primarily due to wage increases.
- The Transit Fund had a increase in net position of \$11.7 million in fiscal year 2016 compared to an decrease of \$5.3 million in fiscal year 2015. Charges for services dropped slightly from \$11.7 million in fiscal year 2015 to \$12.0 in fiscal year 2016. Operating expenses slightly increased from \$60.0 million in 2015 to \$60.8 million in 2016 primarily due to wage increases.

**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 \$464.5 million, an increase of \$53.3 million in comparison with the prior year. Of the total balance at year-end, \$361.5 million is restricted fund balance which primarily consists of funds reserved for capital projects and improvements and \$25.7 million is nonspendable, which relates to long term receivables and property held for resale.

Revenues of governmental funds overall totaled approximately \$690.9 million in the fiscal year ended June 30, 2016, which represents an increase of \$22.8 million from the previous year total of \$668.1 million. Intergovernmental revenues increased by \$3.8 million of which \$2.2 million was attributed to an increase in the General Fund, an increase in the Capital Acquisition Fund of \$2.4 million and a decrease in the nonmajor governmental funds of \$800 thousand. Miscellaneous revenues increased by \$7.4 million from \$8.6 million in fiscal year 2015 to \$16.0 million in fiscal year 2016, primarily due to an increase in contributions to the City's Capital Acquisition Fund for economic development and Bio Park improvements. City's governmental funds expenditures of \$723.2 million decreased by \$10.3 million from the previous year's total of \$733.5 million. The primary cause of the decrease is attributed to a decrease in capital outlay of \$61.4 million, followed by increases in spending in municipal development and highways and streets of \$12.4 million, general public of \$9.5 million, public safety of \$9.4 million, culture and recreation of \$8.1 million, and other program increases totaling \$5.7 million.

General Fund – This is the City's chief operating fund. At the end of the current fiscal year, the total fund balance was \$60.0 million, of which \$16.0 million assigned and unassigned fund balance and \$43.9 million is committed for subsequent years' operations. The net change in fund balance for the current fiscal year was a decrease of \$3.4 million. The total revenues of \$494.2 million for the current fiscal year were \$8.8 million more than the previous fiscal year. The primary cause of the increase was due to increases in gross receipts taxes of \$1.9 million, intergovernmental revenue of \$2.2 million, property taxes of \$2.2 million, followed by a decrease in franchise taxes of \$1.6 million. Total expenditures of \$453.8 million represent an increase of \$11.0 million from the previous fiscal year. Increases in expenditures were attributed to public safety of \$4.3 million, public works and highway and streets of \$0.7 million, human services of \$1.0 million, general government of \$3.7 million, and capital outlay of \$0.8 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 decreased by \$5.6 million and from \$8.7 million in fiscal year 2015 to \$14.3 million in fiscal year 2016. Property tax revenues dedicated to the repayment of GO Bonds increased by \$2.0 million from \$60.8 million in fiscal year 2015 to \$62.8 million in fiscal year 2016. In fiscal year 2016, total property tax revenue increased by \$2.4 million. The City's property tax rates have remained constant

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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. General government expenditures increased from \$1.2 million in fiscal year 2015 to \$8.1 million in fiscal year 2016. The primary cause of the increase in expenditures related to the implementation of the Voice over IP and several ERP projects. Highways and streets increased from \$2.6 million to \$16.2 million. The increase was primarily due to transfers to the Transit division for capital purchases and a Local Economic Development Act expenditure. General government expenditures increased from \$1.2 million in fiscal year 2015 to \$8.1 million in fiscal year 2016. The primary cause of the increase in expenditures related to the implementation of the Voice over IP and several ERP projects. Highways and streets increased from \$2.6 million to \$16.2 million. The increase was primarily due to transfers to the Transit division for capital purchases and a Local Economic Development Act expenditure. During the 2016 fiscal year, the Capital Acquisition Fund balance increased by \$47.0 million from \$231.5 million in fiscal year 2015 to \$278.5 million. The increase in fund balance during the year is attributed to an increase in new bond proceeds and refunding bonds and premiums of \$11.4 million, an increase in revenues of \$10.9 million, a decrease of transfers of \$(5.8) million, followed by a decrease in capital outlay of \$51.9 million exceeding total expenditures of \$86.5 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	\$ 26.8
Refuse Disposal Fund	(1.8)
Transit Fund	(26.9)
Nonmajor enterprise funds	0.6
Total	<u>\$ (1.3)</u>

**Internal Service Funds** – Internal Service Funds are used to account for certain governmental activities and had an unrestricted net position of \$(37.3) million in fiscal year 2016 as compared to unrestricted net position of \$(26.9) million in fiscal year 2015. 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 increased funding to the Risk Management Fund reserve beginning in fiscal year 2016. Claims paid out increased in fiscal year 2016. The communications fund has a fund balance of \$(749.0) thousand. Fleet management has a fund balance of \$(1.4) million. The City has taken steps to increase revenue and reduce costs in the Fleet fund and showed a positive operating profit 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 2016 Approved Operating Budget was \$915.3 million, after interfund eliminations. The General Fund portion was \$504.7 million with total reserves of \$45.2 million including an additional \$1.9 million of recurring money for social service contracts and wage increases. Overall General Fund revenue was expected to grow at 2.6% while appropriations were held at growth of 2.24%. There were no major changes in programs or services delivered to the public in FY/16 as compared to FY/15. Significant cost increases included employee pay adjustments targeted by collective bargaining unit, transfers to debt service in order to issue \$45 million in new revenue bonds for critical capital projects, and \$4.1 million in staff, professional and contractual services costs related to the agreement between the US Department of Justice and the Albuquerque Police Department. Mid-year adjustments to the FY/16 budget were made by the

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Council adding more money for employee pay adjustments that, in the end, averaged 4% for transit and security employees, 4.4% for police officers and 1.5% for most other employees. .

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

Capital Assets – The City's capital assets of governmental and business-type activities as of June 30, 2016, total \$4.0 billion, net of accumulated depreciation. The decrease in capital assets in the current fiscal year was \$3.3 million or (0.1)% Capital assets are summarized as follows (in millions):

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 312.5	\$ 310.3	\$ 56.7	\$ 56.3	\$ 369.2	\$ 366.6
Right of way	1,145.2	1,145.2	-	-	1,145.2	1,145.2
Other	4.1	5.3	1.0	1.0	5.1	6.3
Buildings	327.7	330.2	177.7	175.3	505.4	505.5
Runways	-	-	11.3	31.0	11.3	31.0
Improvements other than buildings and runways	329.4	306.2	161.2	139.6	490.6	445.8
Equipment	32.0	30.4	46.3	35.7	78.3	66.1
Infrastructure	1,330.1	1,342.6	9.5	9.7	1,339.6	1,352.3
Construction in progress	50.2	84.7	24.5	19.2	74.7	103.9
Total	<u>\$ 3,531.2</u>	<u>\$ 3,554.9</u>	<u>\$ 488.2</u>	<u>\$ 467.8</u>	<u>\$ 4,019.4</u>	<u>\$ 4,022.7</u>

Governmental activities - In fiscal year 2016, the majority of the infrastructure that was placed into service consisted of \$35.3 million of street infrastructure along with \$2.2 million of storm infrastructure. Of this amount, \$3.5 million was dedicated street infrastructure and \$1.5 million was dedicated storm infrastructure. The construction in progress consists of expenditures made by the Capital Acquisition and Impact Fees Construction Capital fund, \$31.8 million was placed into service during fiscal year 2016. The following was placed in service: \$10.2 million buildings, \$44 million non-structural, \$2.3 million land, and \$37.5 million of infrastructure. Machinery and equipment purchases totaled \$15 million, of which \$7.4 million was for public safety. Other capital asset activity totaled \$258 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 2016, the Airport Fund placed into service \$14.3 million improvements other than buildings and runways and \$1.3 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, 2016. The Refuse Fund placed into service \$14.1 million in machinery and equipment, which included \$11.9 million in heavy equipment. The Refuse Fund Software reported as assets depreciated other totaled \$16,870 as of June 30, 2016. The Transit Fund placed into service \$954 thousand in improvements other than buildings and \$14.7 million in machinery and equipment. The construction work in progress increased by \$9.1 million, which included \$7.2 million by the Transit 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 \$1.3 billion in long term obligations. Total bonded debt is \$711.1 million of which \$64.2 million is due or payable within the next fiscal year. The City has implemented GASB Statement No. 68 which resulted in an increase in long term debt of \$435.3 million. The remaining debt is for loans, accrued vacation and sick leave pay, and claims payable. During the fiscal year ended June 30, 2016, the City issued GO Bonds in the amount of \$78.0 million plus an additional \$6.9 million of short term GO Bonds. The GO Bonds were issued to finance projects relating to streets \$30.0 million, public safety \$9.1 million, parks and recreation \$7.7 million, affordable housing and metropolitan redevelopment \$6.9 million, senior, family, community centers, and community enhancement \$6.6 million, storm sewer systems \$6.5 million, energy conservation, public facilities, and system modernization \$5.7 million, library bonds \$4.6 million, public transportation \$4.2 million, zoo, biological park museum, and cultural facilities \$3.7 million. In addition, the City issued \$24.0 million gross receipts tax improvement revenue bonds general obligation purpose bonds. The GRT bonds were issued to finance projects relating to the convention center and a downtown parking structure. The City's business-type activities had long-term obligations of \$127.0 million, of which \$17.2 million is due or payable within the next fiscal year. The City issued \$8.4 million gross receipts tax refunding revenue bonds related to

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apartment projects. 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 3.15% of the \$12.4 billion taxable value of property within the City's boundaries. The City currently may issue up to an additional \$105.1 million of general purpose obligation bonds and has \$391.5 million of general purpose obligation debt outstanding subject to the legal debt limit at June 30, 2016. The net general bonded debt per capita is \$768, which is the highest per capita since fiscal year 2013 at \$675. 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 2016 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+
Airport Revenue Bondss	Aa3	A+	A+
Refuse Removal/Disposal Revenue Bonds	A1	AA	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 2017 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/15 and growth continued into FY/16. Growth in FY/16 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/17 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/17 was estimated at 1.6% due, in large part, due to slow growth in property taxes and franchise fees.

The following table presents the underlying assumptions used in the FY/17 budget process:



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National Variables	2015	2016	2017
Real GDP growth	2.7 %	2.5 %	3.1 %
Federal funds rate	0.1 %	0.9 %	1.4 %
10 U.S. bonds	2.8 %	3.4 %	2.7 %
CPI U	1.6 %	1.3 %	2.2 %
Unemployment rate (U.S.)	5.8	5.6	5.0
Total non-farm employment	1.9	1.6	1.4
Manufacturing employment	1.2	1.0	0.9
Consumer sentiment index- University of Michigan	87.5	91.1	94.3
Exchange rates	1.0	1.0	1.2
Current trade account (billions of \$)	(368.3)	(363.2)	(476.9)
Change in output per hour	1.1 %	1.7 %	1.5 %
Natural gas-Henry Hub \$ per MCF	3.9	3.9	3.0
West TX intermediate (dollars per bbl)	92.3	89.0	55.0
Wage growth	2.1 %	2.5 %	2.6 %

**Albuquerque Variables**

**Employment Growth and Unemployment in Albuquerque MSA**

Total non-Ag ABQ	0.8 %	1.4 %	1.6 %
Private-non construction	1.0 %	1.6 %	1.8 %
Construction employment (growth)	1.9 %	3.4 %	1.5 %
Manufacturing (ABQ)	(1.1)%	0.8 %	2.9 %
Unemployment rate (Alb.)	6.5 %	6.1 %	5.3 %

**Construction units permitted in City of Albuquerque**

Single-family permits	864.0	1,012.0	1,536.0
Multi-family permits	929.0	841.0	737.0
Total residential permits	1,793.0	1,853.0	2,273.0

Source Global Insight and FOR-UNM October 2015 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.

**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.

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## **FINANCIAL SECTION**

### **BASIC FINANCIAL STATEMENTS**



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# CITY OF ALBUQUERQUE, NEW MEXICO

## STATEMENT OF NET POSITION

JUNE 30, 2016

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	Albuquerque Housing Authority
<b>ASSETS</b>				
Current assets:				
Cash, investments, and accrued interest	\$ 297,299,166	\$ 98,202,557	\$ 395,501,723	\$ 9,676,779
Cash held by others	231,587	650,623	882,210	-
Taxes receivable, net	76,160,315	-	76,160,315	-
Accounts receivable, net of allowance for uncollectible accounts	3,634,829	7,683,786	11,318,615	248,025
Futures contract receivable	120,834	137,307	258,141	-
Due from other governments	16,897,602	5,279,527	22,177,129	-
Customer deposits	487,860	-	487,860	-
Internal balances	(294,227)	294,227	-	-
Inventories of supplies	1,930,836	3,984,159	5,914,995	161,968
Prepaid expenses	153,983	39,433	193,416	105,140
Restricted assets:				
Cash with fiscal agent held for debt service	73,976,671	14,162,693	88,139,364	-
Total current assets	470,599,456	130,434,312	601,033,768	10,191,912
Noncurrent assets:				
Long-term accounts and notes receivable	23,768,032	-	23,768,032	-
Restricted assets:				
Cash, investments, and accrued interest	223,248,372	80,635,172	303,883,544	9,128,188
Grants receivables	-	6,521,892	6,521,892	-
Accounts receivable-developers, net of allowance for uncollectible accounts	-	1,517,582	1,517,582	-
Land held for resale	6,651,615	-	6,651,615	-
Escrow deposits	-	165,524	165,524	221,621
Total restricted assets	229,899,987	88,840,170	318,740,157	9,349,809
Capital assets:				
Land and construction in progress	1,507,928,797	82,201,075	1,590,129,872	4,035,587
Capital assets depreciated and amortized	3,531,793,132	1,237,397,396	4,769,190,528	58,747,252
Accumulated depreciation and amortization	(1,508,546,441)	(831,368,828)	(2,339,915,269)	(52,983,899)
Total capital assets	3,531,175,488	488,229,643	4,019,405,131	9,798,940
Total noncurrent assets	3,784,843,507	577,069,813	4,361,913,320	19,148,749
Total assets	4,255,442,963	707,504,125	4,962,947,088	29,340,661
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred gain/loss on refunding	3,619,289	247,558	3,866,847	-
Deferred outflow related to pension activity	49,245,480	4,978,952	54,224,432	243,845
Total deferred outflows of resources	\$ 52,864,769	\$ 5,226,510	\$ 58,091,279	\$ 243,845

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

# CITY OF ALBUQUERQUE, NEW MEXICO

## STATEMENT OF NET POSITION

JUNE 30, 2016

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	Albuquerque Housing Authority
<b>LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b>				
<b>LIABILITES</b>				
Current liabilities:				
Accounts payable	\$ 22,345,998	\$ 4,967,141	\$ 27,313,139	\$ 216,600
Accrued employee compensation and benefits	20,960,209	3,411,862	24,372,071	56,282
Accrued vacation and sick leave	24,021,270	5,004,705	29,025,975	67,949
Customer deposits	2,672,783	874,328	3,547,111	-
Unearned revenue	6,964,475	1,454,331	8,418,806	-
Contracts, claims, and other payable	417,311	-	417,311	325,484
Payable from restricted assets:				
Contracts, claims, and other payable	2,295,070	3,796,943	6,092,013	21,129
Current portion:				
Claims	23,856,422	-	23,856,422	-
Bonds and notes payable	64,153,534	12,931,666	77,085,200	-
Accrued interest	11,798,743	1,305,820	13,104,563	-
Total current liabilities	179,485,815	33,746,796	213,232,611	687,444
Non-current liabilities:				
Liabilities payable from restricted assets:				
Landfill closure costs	-	2,917,444	2,917,444	-
Other	-	158,588	158,588	-
Total liabilities payable from restricted assets	-	3,076,032	3,076,032	-
Long-term payable:				
Bonds and notes payable, net of current portion, discounts and premiums	646,914,365	49,014,179	695,928,544	-
Total long-term payable	646,914,365	49,014,179	695,928,544	-
Other:				
Accrued vacation, sick leave, and claims	75,124,560	1,424,397	76,548,957	85,715
Net pension obligation - PERA	435,261,170	58,442,584	493,703,754	2,300,187
Other post employment benefit obligation	3,211,961	802,992	4,014,953	-
Other liabilities	790,853	-	790,853	369,527
Total other	514,388,544	60,669,973	575,058,517	2,755,429
Total non-current liabilities	1,161,302,909	112,760,184	1,274,063,093	2,755,429
Total liabilities	1,340,788,724	146,506,980	1,487,295,704	3,442,873
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - gross receipts taxes	2,457,515	-	2,457,515	-
Deferred revenue - hospitality taxes	31,059	-	31,059	-
Deferred revenue - lodgers' taxes	155,296	-	155,296	-
Deferred revenue - infrastructure taxes	3,362,943	-	3,362,943	-
Deferred revenue - fuel hedge	120,834	137,307	258,141	-
Deferred inflows related to pension activity	13,389,993	1,797,799	15,187,792	564,713
Deferred inflows related to refunding activity	-	659,279	659,279	-
Total deferred inflows of resources	19,517,640	2,594,385	22,112,025	564,713
NET POSITION				
Net investment in capital assets	3,024,668,686	444,579,993	3,469,248,679	9,629,905
Restricted for:				
Debt service	22,083,560	9,087,395	31,170,955	-
Construction	125,518,149	111,250,913	236,769,062	-
Housing and economic development	8,750,732	-	8,750,732	15,947,015
Federal and state funded programs	8,614,644	-	8,614,644	-
Expendable	838,521	-	838,521	-
Nonexpendable	25,058,926	-	25,058,926	-
Unrestricted	(267,531,850)	(1,289,031)	(268,820,881)	-
Total net position	\$ 2,948,001,368	\$ 563,629,270	\$ 3,511,630,638	\$ 25,576,920

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

# CITY OF ALBUQUERQUE, NEW MEXICO

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues	
			Charges for Services	Operating Grants and Contributions
Governmental activities:				
General government	\$ 172,114,372	\$ (3,046,608)	\$ 39,439,221	\$ 500,189
Public safety	251,868,575	999,749	6,304,857	3,196,645
Culture and recreation	71,810,012	308,595	9,675,936	3,159,280
Public works/municipal development	31,089,477	542,021	893,154	-
Health and welfare	21,153,507	439,331	5,971,371	-
Human services	64,657,086	430,448	7,752,161	17,787,392
Housing	2,228,411	326,464	-	1,544,374
Highways and streets	47,663,579	-	155,573	4,835,201
Interest and other charges	18,610,091	-	-	-
Total governmental activities	<u>681,195,110</u>	<u>-</u>	<u>70,192,273</u>	<u>31,023,081</u>
Business-type activities:				
Airport	53,566,747	-	65,132,863	-
Refuse disposal	60,950,119	-	71,271,880	-
Transit	60,659,364	-	12,038,381	-
Golf course	5,082,673	-	3,514,692	-
Apartments	3,935,505	-	4,055,929	-
Parking facilities	5,182,873	-	4,181,357	-
Stadium	1,594,816	-	1,774,028	-
Total business-type activities	<u>190,972,097</u>	<u>-</u>	<u>161,969,130</u>	<u>-</u>
Total primary government	<u>\$ 872,167,207</u>	<u>\$ -</u>	<u>\$ 232,161,403</u>	<u>\$ 31,023,081</u>
Component unit:				
Albuquerque Housing Authority	31,061,774	-	2,245,433	28,247,425
Total component unit	<u>\$ 31,061,774</u>	<u>\$ -</u>	<u>\$ 2,245,433</u>	<u>\$ 28,247,425</u>

### General revenues:

#### Taxes

Property taxes

Franchise taxes

Hospitality taxes

Lodgers' taxes

Gross receipts taxes, local option

Payment in lieu of taxes

Shared taxes and fees

Grants and contributions not restricted to specific programs

Miscellaneous revenue

Gain (loss) on investments

Unrestricted investment earnings

Transfers

Total general revenues and transfers

Change in net position

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

Net position, June 30

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



# CITY OF ALBUQUERQUE, NEW MEXICO

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2016

Program	Net (Expenses) Revenue and Change in Net Position			
Revenues, cont.				
Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Unit
\$ 6,080,000	\$ (129,141,570)	\$ -	\$ (129,141,570)	\$ -
1,318,265	(240,049,059)	-	(240,049,059)	-
3,160,329	(55,505,872)	-	(55,505,872)	-
627,830	(29,026,472)	-	(29,026,472)	-
3,910,574	(10,832,231)	-	(10,832,231)	-
95,552	(38,591,533)	-	(38,591,533)	-
958,462	600,889	-	600,889	-
-	(42,672,805)	-	(42,672,805)	-
-	(18,610,091)	-	(18,610,091)	-
<u>16,151,012</u>	<u>(563,828,744)</u>	<u>-</u>	<u>(563,828,744)</u>	<u>-</u>
8,200,734	-	19,766,850	19,766,850	-
-	-	10,321,761	10,321,761	-
20,495,343	-	(28,125,640)	(28,125,640)	-
-	-	(1,567,981)	(1,567,981)	-
114,279	-	234,703	234,703	-
-	-	(1,001,516)	(1,001,516)	-
-	-	179,212	179,212	-
<u>28,810,356</u>	<u>-</u>	<u>(192,611)</u>	<u>(192,611)</u>	<u>-</u>
<u>\$ 44,961,368</u>	<u>\$ (563,828,744)</u>	<u>\$ (192,611)</u>	<u>\$ (564,021,355)</u>	<u>\$ -</u>
925,724	-	-	-	356,808
<u>\$ 925,724</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 356,808</u>

\$ 142,026,302	\$ -	\$ 142,026,302	\$ -
25,360,699	-	25,360,699	-
2,373,479	-	2,373,479	-
11,867,396	-	11,867,396	-
164,817,850	-	164,817,850	-
21,472	-	21,472	-
196,698,864	-	196,698,864	-
39,611	-	39,611	-
11,033,710	1,305,751	12,339,461	255,372
544,585	-	544,585	-
8,018,541	2,320,979	10,339,520	19,066
<u>(38,443,272)</u>	<u>38,443,272</u>	<u>-</u>	<u>-</u>
<u>524,359,237</u>	<u>42,070,002</u>	<u>566,429,239</u>	<u>274,438</u>
(39,469,507)	41,877,391	2,407,884	631,246
<u>2,987,470,875</u>	<u>521,751,879</u>	<u>3,509,222,754</u>	<u>24,945,674</u>
<u>\$ 2,948,001,368</u>	<u>\$ 563,629,270</u>	<u>\$ 3,511,630,638</u>	<u>\$ 25,576,920</u>

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

# CITY OF ALBUQUERQUE, NEW MEXICO

## BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2016

	<u>General Fund</u>	<u>GO Bond Debt Service Fund</u>
<b>ASSETS</b>		
Cash, investments, and accrued interest	\$ 53,538,160	\$ 13,249,511
Cash held by others	-	-
Taxes receivable	63,634,923	3,663,472
Other receivables	3,121,047	-
Due from other government units	1,750,860	-
Due from other funds	4,432,129	-
Prepaid items	102,774	-
Land held for sale	-	-
Restricted assets:		
Cash with fiscal agent held for debt service	-	60,549,238
Total assets	<u>126,579,893</u>	<u>77,462,221</u>
<b>LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b>		
<b>LIABILITIES</b>		
Accounts payable	8,146,134	10,590
Contracts and other payable	-	-
Accrued employee compensation and benefits	19,318,294	-
Current - claims and judgments	-	-
Due to other funds	2,157,104	-
Advances from other funds	-	-
Unearned revenue	103,823	-
Deposits	2,672,784	-
Matured bonds and interest payable	-	60,549,238
Total liabilities	<u>32,398,139</u>	<u>60,559,828</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred revenue - property taxes	3,174,260	2,616,113
Deferred revenue - gross receipts taxes	31,054,545	-
Deferred revenue - gasoline taxes	-	-
Deferred revenue - hospitality taxes	-	-
Deferred revenue - lodgers' taxes	-	-
Deferred revenue - infrastructure taxes	-	-
Deferred revenue - special assessments	-	-
Total deferred inflows of resources	<u>34,228,805</u>	<u>2,616,113</u>
<b>FUND BALANCES (DEFICIT)</b>		
Nonspendable	102,774	-
Restricted	-	14,286,280
Committed	43,881,000	-
Assigned	-	-
Unassigned	15,969,175	-
Total fund balances (deficit)	<u>59,952,949</u>	<u>14,286,280</u>
Total liabilities, deferred inflows and net position	<u>\$ 126,579,893</u>	<u>\$ 77,462,221</u>

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

Capital Acquisition Fund	Nonmajor Governmental Funds	Total
\$ 282,141,430	\$ 112,664,650	\$ 461,593,751
-	231,587	231,587
-	8,722,783	76,021,178
188,474	24,210,721	27,520,242
4,692,122	10,161,288	16,604,270
-	-	4,432,129
4,738	51,208	158,720
-	6,651,615	6,651,615
-	13,427,434	73,976,672
<u>287,026,764</u>	<u>176,121,286</u>	<u>667,190,164</u>
6,826,350	4,978,209	19,961,283
557,183	1,740,365	2,297,548
180,061	1,114,178	20,612,533
-	237,500	237,500
29,890	5,191,239	7,378,233
171,000	-	171,000
4,000	15,834,085	15,941,908
-	-	2,672,784
808,000	14,595,040	75,952,278
<u>8,576,484</u>	<u>43,690,616</u>	<u>145,225,067</u>
-	-	5,790,373
-	-	31,054,545
-	396,115	396,115
-	31,059	31,059
-	155,296	155,296
-	3,362,943	3,362,943
-	16,179,137	16,179,137
<u>-</u>	<u>20,124,550</u>	<u>56,969,468</u>
-	25,639,462	25,742,236
278,450,280	68,746,932	361,483,492
-	15,344,190	59,225,190
-	2,575,536	2,575,536
-	-	15,969,175
<u>278,450,280</u>	<u>112,306,120</u>	<u>464,995,629</u>
<u>\$ 287,026,764</u>	<u>\$ 176,121,286</u>	<u>\$ 667,190,164</u>

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

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2016**

Total fund balances governmental funds	\$ 464,995,629
Capital assets used in governmental activities (except for internal service funds) are not financial resources and, therefore, are not reported in the funds.	3,530,737,502
Long-term obligation 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)	(1,110,030,471)
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.	(36,815,406)
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.	52,380,820
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 a deferred inflows and unearned revenue in the funds. Deferred inflows also contain amounts related to pension activity. (Note II.A)	46,733,294
Net position of governmental activities	<u>\$ 2,948,001,368</u>

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**CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2016**

	<u>General Fund</u>	<u>GO Bond Debt Service Fund</u>
<b>REVENUES</b>		
Taxes		
Gross receipts taxes, local option	\$ 127,451,166	\$ -
Property taxes	81,246,205	62,371,854
Lodgers' and hospitality taxes	-	-
Franchise taxes	24,878,910	-
Payment in lieu of taxes	21,472	-
Licenses and permits	11,898,779	-
Intergovernmental federal	-	-
Intergovernmental - state	197,399,128	-
Charges for services	47,346,003	-
Fines and forfeitures	208,767	-
Investment earnings	1,114,357	411,423
Special assessments	-	-
Miscellaneous	2,669,353	-
Total revenues	<u>494,234,140</u>	<u>62,783,277</u>
<b>EXPENDITURES</b>		
Current:		
General government	69,444,561	-
Public Safety	232,544,540	-
Culture and recreation	72,166,877	-
Public works	11,217,057	-
Highways and streets	17,339,766	-
Health	17,469,294	-
Human services	32,419,632	-
Housing	-	-
Debt service:		
Principal retirement	-	53,625,000
Interest	-	13,959,442
Fiscal agent fees and other fees	-	1,328,119
Capital outlay	1,232,920	-
Total expenditures	<u>453,834,647</u>	<u>68,912,561</u>
Excess (deficiency) of revenues over expenditures	<u>40,399,493</u>	<u>(6,129,284)</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers in	5,652,775	-
Transfers out	(49,407,837)	-
Unrealized gain (loss) on investments	-	-
Premiums on bonds issued	-	11,720,738
Bonds and notes issued	-	-
Total other financing sources (uses)	<u>(43,755,062)</u>	<u>11,720,738</u>
Net change in fund balances	(3,355,569)	5,591,454
Fund balances, July 1 (Restated, see note O)	<u>63,308,518</u>	<u>8,694,826</u>
Fund balances, June 30	<u>\$ 59,952,949</u>	<u>\$ 14,286,280</u>

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

Capital Acquisition Fund	Nonmajor Governmental Funds	Total
\$ -	\$ 37,616,442	\$ 165,067,608
-	-	143,618,059
-	14,240,875	14,240,875
389,922	-	25,268,832
-	-	21,472
-	2,938,256	14,837,035
7,353,445	28,268,536	35,621,981
1,467,703	7,908,785	206,775,616
-	9,691,648	57,037,651
-	773,416	982,183
3,745,572	2,033,797	7,305,149
-	4,389,714	4,389,714
8,110,584	5,562,171	16,342,108
<u>21,067,226</u>	<u>113,423,640</u>	<u>691,508,283</u>
8,066,273	16,243,238	93,754,072
5,544,660	6,547,225	244,636,425
9,277,273	9,680,223	91,124,373
16,171,616	-	27,388,673
5,654	5,557,971	22,903,391
135,445	3,099,373	20,704,112
2,171,745	27,538,602	62,129,979
-	1,672,016	1,672,016
-	10,648,378	64,273,378
-	9,637,956	23,597,398
-	-	1,328,119
45,107,098	23,346,246	69,686,264
<u>86,479,764</u>	<u>113,971,228</u>	<u>723,198,200</u>
<u>(65,412,538)</u>	<u>(547,588)</u>	<u>(31,689,917)</u>
5,256,000	31,597,638	42,506,413
(4,000,873)	(26,755,975)	(80,164,685)
-	225,600	225,600
264,378	-	11,985,116
110,973,000	-	110,973,000
<u>112,492,505</u>	<u>5,067,263</u>	<u>85,525,444</u>
47,079,967	4,519,675	53,835,527
231,370,313	107,786,445	411,160,102
<u>\$ 278,450,280</u>	<u>\$ 112,306,120</u>	<u>\$ 464,995,629</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**  
**YEAR ENDED JUNE 30, 2016**

Net change in fund balances - total governmental funds	\$ 53,835,527
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)	(23,698,525)
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)	(52,369,312)
Internal service funds are used by the City to change 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.	(9,837,956)
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 new change of balances.	(7,766,965)
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.	(57,133)
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.	1,438,880
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.	(1,014,023)
Change in net position of governmental activities	<u>\$ (39,469,507)</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, 2016**

	Original	Final	Actual	Variance with Final Budget Over/Under
Revenues:				
Taxes:				
Gross receipts tax-local option	\$ 127,101,000	\$ 128,430,000	\$ 127,451,166	\$ (978,834)
Current property tax	77,680,000	77,680,000	78,272,641	592,641
Delinquent property tax	2,640,000	2,640,000	2,973,564	333,564
Franchise taxes:				
Electric	9,344,000	9,800,000	9,050,390	(749,610)
Gas	4,367,000	3,908,000	3,507,030	(400,970)
Cable television	4,362,000	4,101,000	3,141,845	(959,155)
Telephone	1,703,000	1,639,000	1,632,661	(6,339)
Telecommunications	220,000	220,000	208,823	(11,177)
Water Authority	7,384,000	7,300,000	7,338,161	38,161
Payments in lieu of taxes	-	-	21,472	21,472
Total taxes	234,801,000	235,718,000	233,597,753	(2,120,247)
Licenses and permits:				
Building permits	3,012,000	3,342,000	3,411,982	69,982
Plan checking permits	1,487,000	1,614,000	1,687,010	73,010
Business registration fees	1,235,000	1,235,000	1,062,849	(172,151)
Plumbing/mechanical permits	815,000	953,000	876,911	(76,089)
Restaurant inspections	1,200,000	1,200,000	1,265,211	65,211
Electrical/refrigeration permits	619,000	699,000	877,276	178,276
Other licenses and permits	193,000	186,000	173,717	(12,283)
Right of way usage permits	214,000	214,000	157,773	(56,227)
Liquor licenses	215,000	215,000	155,504	(59,496)
Animal licenses	250,000	250,000	239,601	(10,399)
Food retailers inspections	226,000	226,000	221,166	(4,834)
Swimming pool inspections	125,000	125,000	123,541	(1,459)
Flood plan certification	130,000	138,000	169,859	31,859
Reroofing permits	76,000	84,000	107,709	23,709
Loading zone permits	12,000	12,000	9,764	(2,236)
Solicitation permits	5,000	5,000	11,087	6,087
Excavation permits	250,000	250,000	475,080	225,080
Barricading permits	1,200,000	1,200,000	872,739	(327,261)
Total licenses and permits	11,264,000	11,948,000	11,898,779	(49,221)
Intergovernmental:				
State shared:				
Gross receipts tax	190,830,000	192,812,000	191,334,512	(1,477,488)
Municipal road - gas tax	2,432,000	2,432,000	2,423,554	(8,446)
Motor vehicle license distribution	1,678,000	1,678,000	2,037,645	359,645
Municipal comp tax	2,062,000	1,312,000	1,325,703	13,703
Grants:				
Bernalillo County-shared operations	257,000	301,000	277,714	(23,286)
Total intergovernmental	197,259,000	198,535,000	197,399,128	(1,135,872)

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2016**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget Over/Under</u>
Revnues (continued):				
Charges for services:				
General government:				
Administrative charges to other funds	27,030,000	27,045,000	25,532,105	(1,512,895)
Legal services	2,295,000	2,495,000	2,329,886	(165,114)
Grounds maintenance	-	-	7,251	7,251
Small business loan fees	-	25,000	26,500	1,500
Engineering fees	680,000	680,000	764,351	84,351
Engineering inspections	280,000	243,000	247,250	4,250
Shooting range fees	260,000	256,000	265,269	9,269
Records search fees	165,000	210,000	218,306	8,306
Filing of plats and subdivisions	215,000	196,000	195,685	(315)
Administrative fees	176,000	101,000	43,124	(57,876)
Photocopying	155,000	135,000	191,344	56,344
Hearing officer charges	55,000	55,000	34,012	(20,988)
Sign fees	94,000	94,000	80,082	(13,918)
Zoning plan check fees	95,000	109,000	126,116	17,116
Office services	26,000	26,000	24,068	(1,932)
Planning services	192,000	167,000	221,936	54,936
Land mediation charges	10,000	10,000	11,842	1,842
Sale of maps and publications	-	-	248	248
AGIS services	-	1,000	520	(480)
Public safety:				
Police services	4,074,000	4,423,000	4,281,088	(141,912)
Fire services	1,052,000	1,012,000	1,200,288	188,288
Culture and recreation:				
Zoo admissions	2,529,000	2,529,000	2,536,544	7,544
Cultural affairs	1,629,000	1,629,000	1,621,249	(7,751)
Albuquerque aquarium and gardens	1,661,000	1,661,000	1,667,026	6,026
Latch key program	801,000	858,000	867,749	9,749
Swimming pools	698,000	681,000	646,857	(34,143)
Sports programs	473,000	473,000	461,199	(11,801)
Other recreation charges	208,000	208,000	210,904	2,904
Museum charges	128,000	133,000	146,130	13,130
Other zoo charges	264,000	264,000	280,380	16,380
Community centers	143,000	101,000	108,791	7,791
Tournament/field rental	80,000	80,000	64,128	(15,872)
Outdoor recreation fees	-	-	12,523	12,523

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2016**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget Over/Under</u>
Revenues (continued):				
Charges for services:				
Highways and streets:				
Other street division charges/permits	309,000	309,000	75,946	(233,054)
Health:				
Animal control charges	1,355,000	1,355,000	1,348,223	(6,777)
Human services:				
Childcare services	512,000	633,000	625,780	(7,220)
Senior center memberships	272,000	239,000	237,738	(1,262)
Senior meal programs	144,000	190,000	206,021	16,021
Other	42,000	44,000	34,470	(9,530)
Senior dances	35,000	35,000	36,771	1,771
DSA Route #2	173,000	302,000	334,904	32,904
Senior coffee	12,000	12,000	21,399	9,399
Total charges for services	<u>48,322,000</u>	<u>49,019,000</u>	<u>47,346,003</u>	<u>(1,672,997)</u>
Fines and forfeits:				
Air quality penalties	120,000	120,000	208,767	88,767
Total fines and forfeits	<u>120,000</u>	<u>120,000</u>	<u>208,767</u>	<u>88,767</u>
Interest:				
Interest on investments	430,000	430,000	1,114,357	684,357
Total interest	<u>430,000</u>	<u>430,000</u>	<u>1,114,357</u>	<u>684,357</u>
Miscellaneous:				
Community center rentals	354,000	363,000	370,275	7,275
Jury duty and witness fees	2,000	2,000	1,660	(340)
Rental of City property	810,000	842,000	912,707	70,707
Other miscellaneous	354,000	623,000	584,163	(38,837)
Sales of real property	30,000	134,000	282,642	148,642
Collections from property damage	-	-	20	20
Contributions and donations	2,000	2,000	293,488	291,488
Liens and recoveries	30,000	115,000	224,398	109,398
Total miscellaneous	<u>1,582,000</u>	<u>2,081,000</u>	<u>2,669,353</u>	<u>588,353</u>
Total revenues	<u>493,778,000</u>	<u>497,851,000</u>	<u>494,234,140</u>	<u>(3,616,860)</u>

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2016**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget Over/Under</u>
Expenses:				
Current:				
General government:				
Accounting	3,738,000	3,764,000	3,499,973	264,027
Administrative hearing office	446,000	452,000	399,692	52,308
Chief administrative officer	1,598,000	1,613,000	1,599,516	13,484
Citizen services	3,647,000	3,689,000	3,235,250	453,750
Citywide financial support	1,109,000	1,109,000	1,232,343	(123,343)
Urban design and development	1,853,000	1,973,000	1,858,910	114,090
Council services	3,545,000	3,290,000	3,261,916	28,084
DFAS - strategic support	386,000	390,000	406,250	(16,250)
Downtown ABQ main street	-	60,000	45,000	15,000
Downtown clean and safe services	-	386,000	381,009	4,991
Dues and memberships	446,000	446,000	436,956	9,044
Early retirement	6,300,000	7,414,000	7,413,746	254
Economic development	1,307,000	1,627,000	1,566,112	60,888
Economic development investment	1,027,000	1,250,000	1,050,411	199,589
ED - Convention center	2,080,000	2,137,000	1,994,257	142,743
City Buildings	8,561,000	8,657,000	8,670,293	(13,293)
International trade	55,000	130,000	127,722	2,278
Joint committee- intergov. legislation	158,000	158,000	158,000	-
Legal services	5,670,000	5,777,000	5,166,991	610,009
Mayor's office	993,000	1,001,000	916,570	84,430
Office of inspector general	339,000	352,000	198,740	153,260
Office of internal audit	808,000	816,000	729,212	86,788
Office of management and budget	1,088,000	1,097,000	981,432	115,568
Office of the city clerk	1,772,000	1,778,000	1,619,812	158,188
One stop shop	6,229,000	6,353,000	5,520,151	832,849
Open and ethical elections	505,000	505,000	505,000	-
Personnel services	2,484,000	2,501,000	2,324,246	176,754
Planning - strategic support	1,718,000	1,748,000	1,703,949	44,051
Purchasing	1,292,000	1,303,000	1,284,549	18,451
Real property	815,000	821,000	718,193	102,807
Treasury	1,290,000	1,298,000	1,281,538	16,462
Technology and innovation	9,725,000	9,855,000	9,083,425	771,575
B/C/J/Q Union Time	131,000	131,000	123,458	7,542
Total general government	<u>71,115,000</u>	<u>73,881,000</u>	<u>69,494,622</u>	<u>4,386,378</u>

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2016**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget Over/Under</u>
Expenses (continued):				
Current:				
Public safety:				
Police department:				
Data management for APD	824,000	832,000	712,194	119,806
Police oversight	1,005,000	1,049,000	877,456	171,544
Investigative services	30,888,000	30,991,000	27,137,526	3,853,474
Neighborhood policing	87,436,000	88,501,000	89,118,329	(617,329)
Off duty police overtime	1,825,000	1,825,000	1,636,205	188,795
PD - Administrative support	16,818,000	17,049,000	16,433,101	615,899
Prisoner transport	1,951,000	1,966,000	1,971,287	(5,287)
Professional standards	19,285,000	19,602,000	19,420,402	181,598
Fire department:				
AFD headquarters	2,687,000	2,707,000	2,705,552	1,448
Dispatch	3,998,000	4,038,000	4,035,050	2,950
Emergency response	58,974,000	59,758,000	59,740,910	17,090
Fire prevention	4,305,000	4,349,000	4,309,519	39,481
Logistics	1,860,000	1,878,000	1,849,152	28,848
Technical services	648,000	656,000	644,977	11,023
Training	2,289,000	2,312,000	2,310,154	1,846
Total public safety	<u>234,793,000</u>	<u>237,513,000</u>	<u>232,901,814</u>	<u>4,611,186</u>
Culture and recreation:				
Aquatics	4,434,000	4,451,000	4,426,822	24,178
Balloon museum	952,000	956,000	955,737	263
Biopark	13,005,000	13,055,000	13,084,901	(29,901)
CIP Biopark	90,000	91,000	94,626	(3,626)
CIP library	64,000	65,000	65,116	(116)
CIP parks	563,000	569,000	537,187	31,813
Community events	3,080,000	3,175,000	3,155,758	19,242
Community recreation	8,051,000	8,098,000	7,702,638	395,362
Cultural services - strategic support	1,644,000	1,654,000	1,656,390	(2,390)
Explora	1,438,000	1,438,000	1,461,937	(23,937)
Library	11,896,000	11,971,000	11,895,256	75,744
Museum	3,049,000	3,063,000	3,060,517	2,483
Parks and recreation - strategic support	1,054,000	1,064,000	1,106,579	(42,579)
Parks management	16,606,000	17,725,000	17,719,027	5,973
Firearm safety	593,000	601,000	629,608	(28,608)
Public arts and urban enhancement	277,000	280,000	286,298	(6,298)
Recreation	2,646,000	2,659,000	2,626,518	32,482
Senior affairs - strategic support	1,910,000	1,918,000	1,865,910	52,090
Special events parking	19,000	19,000	19,000	-
Total culture and recreation	<u>71,371,000</u>	<u>72,852,000</u>	<u>72,349,825</u>	<u>502,175</u>

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2016**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget Over/Under</u>
Expenses (continued):				
Current:				
Municipal development:				
Construction	1,771,000	1,780,000	1,659,458	120,542
Design recovered CIP	3,994,000	4,016,000	3,334,772	681,228
Design recovered storm drain	2,061,000	2,079,000	1,703,018	375,982
Storm drainage	2,508,000	2,871,000	2,744,430	126,570
MD - Strategic support	2,367,000	2,410,000	2,137,689	272,311
Street CIP	4,213,000	4,240,000	3,943,955	296,045
Street services	13,517,000	13,532,000	13,395,811	136,189
Total municipal development	<u>30,431,000</u>	<u>30,928,000</u>	<u>28,919,133</u>	<u>2,008,867</u>
Health:				
Animal care and control	11,029,000	11,299,000	11,037,698	261,302
Code enforcement	3,763,000	4,093,000	3,707,111	385,889
Consumer health protection	1,146,000	1,157,000	1,137,234	19,766
Environmental services	635,000	645,000	635,041	9,959
Strategic support	691,000	703,000	702,775	225
Urban biology	514,000	518,000	511,866	6,134
Total health	<u>17,778,000</u>	<u>18,415,000</u>	<u>17,731,725</u>	<u>683,275</u>
Human services:				
SA - Basic services	92,000	102,000	101,762	238
Affordable housing	2,043,000	2,043,000	1,810,489	232,511
Child care	5,750,000	5,774,000	4,746,826	1,027,174
Emergency shelter	1,097,000	1,097,000	1,058,016	38,984
Health & social services	3,484,000	3,593,000	3,767,323	(174,323)
Mental health services	2,687,000	2,639,000	2,421,946	217,054
Partner with public education	5,666,000	5,613,000	4,681,219	931,781
FC - Strategic support	1,284,000	1,295,000	1,360,050	(65,050)
Reduce youth gangs	1,280,000	1,450,000	1,463,047	(13,047)
Subst. abuse treatment & prevention	4,881,000	4,952,000	3,782,656	1,169,344
FC - Supportive services	1,809,000	2,614,000	2,318,603	295,397
Transitional housing	167,000	167,000	167,000	-
Well being- seniors	4,760,000	4,826,000	4,758,591	67,409
Total human services	<u>35,000,000</u>	<u>36,165,000</u>	<u>32,437,528</u>	<u>3,727,472</u>
Total expenses	<u>460,488,000</u>	<u>469,754,000</u>	<u>453,834,647</u>	<u>15,919,353</u>

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2016**

	Original	Final	Actual	Variance with Final Budget Over/Under
Excess of revenues over expenditures	<u>33,290,000</u>	<u>28,097,000</u>	<u>40,399,493</u>	<u>12,302,493</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	5,559,000	5,580,000	5,652,775	72,775
Transfers out	<u>(43,990,000)</u>	<u>(49,300,000)</u>	<u>(49,407,837)</u>	<u>(107,837)</u>
Total other financing sources (uses)	<u>(38,431,000)</u>	<u>(43,720,000)</u>	<u>(43,755,062)</u>	<u>(35,062)</u>
Net change in fund balance	(5,141,000)	(15,623,000)	(3,355,569)	12,267,431
Fund balance, July 1	<u>63,308,518</u>	<u>63,308,518</u>	<u>63,308,518</u>	<u>-</u>
Fund balance, June 30	<u>\$ 58,167,518</u>	<u>\$ 47,685,518</u>	<u>\$ 59,952,949</u>	<u>\$ 12,267,431</u>

# CITY OF ALBUQUERQUE, NEW MEXICO

## STATEMENT OF NET POSITION

### PROPRIETARY FUNDS

JUNE 30, 2016

	Airport Fund	Refuse Disposal Fund
<b>ASSETS</b>		
Current assets		
Cash, investments, and accrued interest	\$ 59,962,463	\$ 33,455,564
Cash held by others	-	-
Receivables, net of allowance for uncollectible	2,213,620	3,881,933
Futures contract receivable	-	-
Due from other funds	-	-
Advances to other funds	-	-
Prepaid items	30,257	-
Due from other government units	-	-
Customer deposits	-	-
Inventories	797,126	570,455
Restricted assets:		
Cash with fiscal agent held for debt service	13,306,732	-
Total current assets	<u>76,310,198</u>	<u>37,907,952</u>
Noncurrent assets:		
Restricted assets:		
Cash, investments, and accrued interest	68,379,492	5,862,037
Accounts receivable-developers-net of allowance for uncollectible	-	-
Grants receivable - restricted	6,521,892	-
Escrow deposits	-	-
Total restricted assets	<u>74,901,384</u>	<u>5,862,037</u>
Capital assets:		
Land	41,093,819	5,550,766
Buildings and improvements	200,399,308	44,738,699
Runways and other improvements	327,217,267	-
Infrastructure	-	11,269,994
Improvements other than buildings	266,891,306	-
Machinery and equipment	24,296,573	67,487,601
Other	854,296	-
Total capital assets before depreciation	860,752,569	129,047,060
Less: accumulated depreciation	<u>592,718,607</u>	<u>72,571,190</u>
Capital assets, net of depreciation	268,033,962	56,475,870
Construction in progress	<u>7,564,630</u>	<u>2,508,480</u>
Total capital assets	<u>275,598,592</u>	<u>58,984,350</u>
Total noncurrent assets	<u>350,499,976</u>	<u>64,846,387</u>
Total assets	<u>\$ 426,810,174</u>	<u>\$ 102,754,339</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred gain/loss on bond refunding	190,362	-
Deferred outflows related to pension activity	<u>1,557,290</u>	<u>1,585,311</u>
Total deferred outflows of resources	<u>1,747,652</u>	<u>1,585,311</u>

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



Business-type Activities - Enterprise Funds			Governmental Activities
Transit Fund	Nonmajor Enterprise Funds	Total	Internal Service
\$ 3,223,348	\$ 1,561,182	\$ 98,202,557	\$ 58,960,288
-	650,623	650,623	-
1,006,091	582,142	7,683,786	71,093
137,307	-	137,307	120,834
1,091,761	-	1,091,761	3,084,372
-	-	-	171,000
-	9,176	39,433	-
5,279,527	-	5,279,527	243,994
-	-	-	487,860
2,616,578	-	3,984,159	1,930,838
-	855,961	14,162,693	-
<u>13,354,612</u>	<u>3,659,084</u>	<u>131,231,846</u>	<u>65,070,279</u>
1,298,107	5,095,536	80,635,172	-
-	1,517,582	1,517,582	-
-	-	6,521,892	-
-	165,524	165,524	-
<u>1,298,107</u>	<u>6,778,642</u>	<u>88,840,170</u>	<u>-</u>
4,930,660	5,108,043	56,683,288	283,842
83,566,056	93,653,606	422,357,669	1,231,765
-	-	327,217,267	-
-	-	11,269,994	-
7,583,192	-	274,474,498	46,466
105,346,946	4,946,848	202,077,968	1,177,443
-	100,904	955,200	-
<u>201,426,854</u>	<u>103,809,401</u>	<u>1,295,035,884</u>	<u>2,739,516</u>
<u>105,757,405</u>	<u>60,321,626</u>	<u>831,368,828</u>	<u>2,301,530</u>
<u>95,669,449</u>	<u>43,487,775</u>	<u>463,667,056</u>	<u>437,986</u>
<u>14,489,477</u>	<u>-</u>	<u>24,562,587</u>	<u>-</u>
<u>110,158,926</u>	<u>43,487,775</u>	<u>488,229,643</u>	<u>437,986</u>
<u>111,457,033</u>	<u>50,266,417</u>	<u>577,069,813</u>	<u>437,986</u>
<u>\$ 124,811,645</u>	<u>\$ 53,925,501</u>	<u>\$ 708,301,659</u>	<u>\$ 65,508,265</u>
-	57,196	247,558	-
<u>1,598,122</u>	<u>238,229</u>	<u>4,978,952</u>	<u>483,949</u>
<u>1,598,122</u>	<u>295,425</u>	<u>5,226,510</u>	<u>483,949</u>

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

COMBINING STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2016

	Airport Fund	Refuse Disposal Fund
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 1,102,023	\$ 1,915,546
Accrued employee compensation and benefits	706,128	1,224,855
Accrued vacation and sick leave	1,100,306	2,031,664
Accrued fuel cleanup costs	-	-
Fare tokens outstanding	-	-
Deposits	650,076	69,810
Due to other funds	117,074	243,980
Current portion of judgements	-	-
Liabilities payable from restricted assets:		
Contracts and other payable	3,515,968	280,975
Unearned revenue	799,107	-
Current portion - revenue bonds, notes payable, and capital leases	12,241,666	-
Accrued interest payable	1,065,067	36,553
Total current liabilities	<u>21,297,415</u>	<u>5,803,383</u>
Noncurrent liabilities:		
Liabilities payable from restricted assets:		
Accrued landfill closure costs	-	2,917,444
Tennant security deposits	-	-
Total liabilities payable from restricted assets	<u>-</u>	<u>2,917,444</u>
Revenue bonds, notes payable and capital leases, net of current portion and unamortized discounts	<u>32,308,991</u>	<u>-</u>
Other:		
Noncurrent - claims and judgments	-	-
Noncurrent - accrued vacation and sick leave	820,114	191,809
Net pension obligation PERA	16,139,871	19,223,887
OPEB obligation	160,598	281,047
Total other	<u>17,120,583</u>	<u>19,696,743</u>
Total noncurrent liabilities	<u>49,429,574</u>	<u>22,614,187</u>
Total liabilities	<u>70,726,989</u>	<u>28,417,570</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows - fuel hedge	-	-
Deferred inflows related to pension activity	532,550	573,233
Deferred inflows related to refunding activity	-	-
Total deferred inflows of resources	<u>532,550</u>	<u>573,233</u>
<b>NET POSITION (DEFICIT)</b>		
Invested in capital assets	245,984,159	62,344,314
Restricted:		
Debt service	8,193,525	429,763
Construction in progress	76,299,442	14,401,506
Unrestricted	<u>26,821,161</u>	<u>(1,826,736)</u>
Total net position (deficit)	<u>\$ 357,298,287</u>	<u>\$ 75,348,847</u>

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

Business-type Activities - Enterprise Funds			Governmental Activities
Transit Fund	Nonmajor Enterprise Funds	Total	Internal Service
\$ 1,461,893	\$ 487,679	\$ 4,967,141	\$ 2,391,635
1,293,185	187,694	3,411,862	349,512
1,615,133	257,602	5,004,705	479,201
-	-	-	179,811
136,100	-	136,100	-
-	18,342	738,228	-
252,938	183,542	797,534	432,499
-	-	-	23,856,422
-	-	3,796,943	-
630,102	25,122	1,454,331	-
-	690,000	12,931,666	-
-	204,200	1,305,820	-
<u>5,389,351</u>	<u>2,054,181</u>	<u>34,544,330</u>	<u>27,689,080</u>
-	-	2,917,444	-
-	158,588	158,588	-
-	158,588	3,076,032	-
-	16,705,188	49,014,179	-
-	-	-	68,588,119
377,456	35,018	1,424,397	10,587
19,857,416	3,221,410	58,442,584	6,135,501
281,047	80,300	802,992	80,300
<u>20,515,919</u>	<u>3,336,728</u>	<u>60,669,973</u>	<u>74,814,507</u>
<u>20,515,919</u>	<u>20,200,504</u>	<u>112,760,184</u>	<u>74,814,507</u>
<u>25,905,270</u>	<u>22,254,685</u>	<u>147,304,514</u>	<u>102,503,587</u>
137,307	-	137,307	120,834
602,781	89,235	1,797,799	183,199
-	659,279	659,279	-
<u>740,088</u>	<u>748,514</u>	<u>2,594,385</u>	<u>304,033</u>
110,158,927	26,092,593	444,579,993	437,986
11,842	452,265	9,087,395	-
16,445,241	4,104,724	111,250,913	-
<u>(26,851,601)</u>	<u>568,145</u>	<u>(1,289,031)</u>	<u>(37,253,392)</u>
<u>\$ 99,764,409</u>	<u>\$ 31,217,727</u>	<u>\$ 563,629,270</u>	<u>\$ (36,815,406)</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, 2016**

	<u>Airport Fund</u>	<u>Refuse Disposal Fund</u>
<b>OPERATING REVENUES:</b>		
Charges for services	\$ 56,257,898	\$ 71,271,881
<b>OPERATING EXPENDITURES:</b>		
Salaries and employee benefits	15,635,856	27,139,812
Professional services	3,249,325	271,443
Utilities	2,564,234	1,483,141
Supplies	772,969	2,387,408
Travel	26,918	6,705
Fuels, repairs and maintenance	2,412,787	8,051,936
Contractual services	2,392,530	6,823,056
Claims and judgements	-	-
Insurance premiums	770,009	2,975,502
Landfill closure costs	-	100,425
Other operating expenses	1,844,982	2,935,510
Depreciation	23,887,076	9,154,562
Total operating expenditures	<u>53,556,686</u>	<u>61,329,500</u>
Operating income (loss)	<u>2,701,212</u>	<u>9,942,381</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
Interest on investments	1,919,006	567,612
Passenger facility charges	8,874,963	-
Gain (loss) on disposition of property and equipment	-	(188,733)
Interest expense	(372,617)	-
Amortization of bond discounts/premiums	62,203	-
Fiscal agent fees and other fees	-	-
OPEB expense	18,108	31,690
Pension contribution expense	282,244	622,906
Other	703,094	385,325
Total non-operating revenues (expenses)	<u>11,487,001</u>	<u>1,418,800</u>
Income (loss) before capital contributions, special items, and transfers	14,188,213	11,361,181
Capital contribution	8,200,734	-
Transfers in	-	384,000
Transfers out	-	(2,470,714)
Change in net position	22,388,947	9,274,467
Net position, July 1(restated, see Note O)	<u>334,909,340</u>	<u>66,074,380</u>
Net position, June 30	<u>\$ 357,298,287</u>	<u>\$ 75,348,847</u>

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

Business-type Activities - Enterprise Funds			Governmental Activities
Transit Fund	Nonmajor Enterprise Funds	Total	Internal Service
\$ 12,038,382	\$ 13,526,008	\$ 153,094,169	\$ 115,940,063
28,956,469	4,075,860	75,807,997	7,556,034
85,440	1,060,099	4,666,307	1,309,774
1,013,016	3,219,407	8,279,798	727,790
440,428	163,818	3,764,623	1,761,967
25,615	1,274	60,512	28,295
8,926,084	1,468,568	20,859,375	8,289,523
1,319,615	1,073,144	11,608,345	6,069,867
-	-	-	40,673,605
3,346,980	349,999	7,442,490	58,042,622
-	-	100,425	-
5,693,166	912,895	11,386,553	1,560,624
10,963,974	2,580,888	46,586,500	85,075
60,770,787	14,905,952	190,562,925	126,105,176
(48,732,405)	(1,379,944)	(37,468,756)	(10,165,113)
31,738	(197,378)	2,320,978	885,099
-	-	8,874,963	-
(13,840)	-	(202,573)	39,885
(21,881)	(802,886)	(1,197,384)	-
-	(1,743)	60,460	-
-	(182,758)	(182,758)	-
31,690	9,054	90,542	9,054
586,108	88,412	1,579,670	176,378
(432,106)	92,307	748,620	1,741
181,709	(994,992)	12,092,518	1,112,157
(48,550,696)	(2,374,936)	(25,376,238)	(9,052,956)
20,495,343	114,279	28,810,356	-
40,118,978	1,048,000	41,550,978	-
(376,453)	(260,538)	(3,107,705)	(785,000)
11,687,172	(1,473,195)	41,877,391	(9,837,956)
88,077,237	32,690,922	521,751,879	(26,977,450)
\$ 99,764,409	\$ 31,217,727	\$ 563,629,270	\$ (36,815,406)

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

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENT OF CASH FLOWS**  
**ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	Airport Fund	Refuse Disposal Fund
Cash flows from operating activities:		
Cash received from customers	\$ 56,718,983	\$ 70,876,061
Cash received from other funds for goods and services	-	-
Cash payments to employees for services	(15,147,549)	(26,121,680)
Cash payments to suppliers for goods and services	(12,025,289)	(17,887,772)
Cash payments to other funds for goods and services	(3,611,012)	(6,456,939)
Cash payments to claimants and beneficiaries	-	-
Net cash provided by (used for) operating activities	25,935,133	20,409,670
Cash flow from noncapital financing activities:		
Operating grants received	129,818	-
Other non capital receipts (payments)	398,931	(53,110)
Transfers from other funds	-	384,000
Transfers to other funds	-	(2,470,714)
Net cash provided by (used for) noncapital financing activities	528,749	(2,139,824)
Cash flows from capital and related financing activities:		
Proceeds from bonds or notes payable	-	-
Principal paid on revenue bond maturities and refunded bonds	(13,101,666)	(411,730)
Interest and other expenses paid on revenue bond maturities	(1,977,497)	-
Acquisition and construction of capital assets	(26,813,210)	(16,854,916)
Capital grants and contributions received	6,391,862	-
Passenger facilities charges	8,874,963	-
Proceeds from sale (retirement) of property and equipment	58,012	438,435
Net cash provided by (used for) capital and related financing activities	(26,567,536)	(16,828,211)
Cash flows from investing activities:		
Interest received on investments	1,919,006	597,083
Net cash provided by investing activities	1,919,006	597,083
Net increase (decrease) in cash and cash equivalents	1,815,352	2,038,718
Cash and cash equivalents, July 1	139,833,335	37,278,883
Cash and cash equivalents, June 30	\$ 141,648,687	\$ 39,317,601

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

## Business-type Activities - Enterprise Funds

Transit Fund	Other Enterprise Funds	Totals	Governmental Activities - Internal Service Funds
\$ 12,077,480	\$ 13,965,726	\$ 153,638,250	\$ 1,702,077
-	-	-	111,243,475
(27,838,508)	(3,891,092)	(72,998,829)	(7,236,075)
(11,713,614)	(6,986,344)	(48,613,019)	(74,562,812)
(9,185,547)	(1,731,022)	(20,984,520)	(2,265,540)
-	-	-	(37,939,280)
(36,660,189)	1,357,268	11,041,882	(9,058,155)
-	-	129,818	-
(432,106)	115,411	29,126	17,967
40,118,978	1,048,000	41,550,978	-
(376,453)	(260,538)	(3,107,705)	(785,000)
39,310,419	902,873	38,602,217	(767,033)
-	-	-	-
(1,029,716)	(955,721)	(15,498,833)	-
(21,881)	(1,198,663)	(3,198,041)	-
(22,335,982)	(15,049)	(66,019,157)	(20,170)
19,443,712	114,279	25,949,853	-
-	-	8,874,963	-
-	-	496,447	1,659
(3,943,867)	(2,055,154)	(49,394,768)	(18,511)
31,738	(197,377)	2,350,450	885,099
31,738	(197,377)	2,350,450	885,099
(1,261,899)	7,610	2,599,781	(8,958,600)
5,783,354	8,321,216	191,216,788	67,918,888
\$ 4,521,455	\$ 8,328,826	\$ 193,816,569	\$ 58,960,288

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

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENT OF CASH FLOWS**  
**ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	Airport Fund	Refuse Disposal Fund
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ 2,701,212	\$ 9,942,381
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	23,887,076	9,154,562
Adjustment to allowance for bad debt	21,813	(495,021)
Provision for landfill liability	-	100,425
Decrease (increase) in assets:		
Receivables	162,377	135,039
Due from other governments	-	-
Due from other funds	-	-
Inventories of supplies	(26,515)	125,007
Prepaid expenses	(19,694)	-
Customer deposits	-	-
Increase (decrease) in liabilities:		
Accounts payable	(8,189)	(34,880)
Customer deposits	(28,842)	(35,838)
Accrued landfill closure costs and fuels cleanup	-	-
Accrued employee compensation and benefits	488,307	1,018,132
Fare tokens outstanding and customer deposits	-	-
Due to other funds	117,074	243,980
Contracts and other payable	(1,665,223)	255,883
Claims and judgments	-	-
Due to other governments	-	-
Unearned revenue	305,737	-
Net cash provided by (used for) operating activities	<u>\$ 25,935,133</u>	<u>\$ 20,409,670</u>
Cash and cash equivalents at June 30 consist of:		
Current assets:		
Cash, investments, and accrued interest	\$ 59,962,463	\$ 33,455,564
Cash with fiscal agents held for debt service	13,306,732	-
Cash held by others	-	-
Restricted assets:		
Cash, investments, and accrued interest	68,379,492	5,862,037
Escrow deposits	-	-
Total cash and cash equivalents, June 30	<u>\$ 141,648,687</u>	<u>\$ 39,317,601</u>
Schedule of non-cash capital and related financing activities:		
Increase (decrease) in fair value of investments	\$ 523,442	\$ 156,460
Issued bonds at par	\$ -	\$ -
Defeased bonds	\$ -	\$ -

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



Business-type Activities - Enterprise Funds			Governmental
Transit Fund	Other Enterprise Funds	Totals	Activities - Internal Service Funds
\$ (48,732,405)	\$ (1,379,944)	\$ (37,468,756)	\$ (10,165,113)
10,963,974	2,580,888	46,586,500	85,076
-	-	(473,208)	-
-	-	100,425	-
(589,910)	456,890	164,396	52,529
-	-	-	(15,146)
(13,998)	-	(13,998)	(3,039,271)
254,742	-	353,234	330,064
-	1,882	(17,812)	-
-	-	-	(167,965)
284,355	(216,084)	25,202	212,999
-	107,112	42,432	-
-	-	-	20,094
1,117,961	80,128	2,704,528	308,961
(1,094)	-	(1,094)	-
252,938	(253,960)	360,032	417,327
(826,854)	-	(2,236,194)	-
-	-	-	2,902,290
-	-	-	-
630,102	(19,644)	916,195	-
<u>\$ (36,660,189)</u>	<u>\$ 1,357,268</u>	<u>\$ 11,041,882</u>	<u>\$ (9,058,155)</u>
\$ 3,223,348	\$ 1,561,182	\$ 98,202,557	\$ 58,960,288
-	855,961	14,162,693	-
-	650,623	650,623	-
1,298,107	5,095,536	80,635,172	-
-	165,524	165,524	-
<u>\$ 4,521,455</u>	<u>\$ 8,328,826</u>	<u>\$ 193,816,569</u>	<u>\$ 58,960,288</u>
\$ -	\$ 12,565	\$ 692,467	\$ 234,057
\$ -	\$ 8,430,000	\$ 8,430,000	\$ -
\$ -	\$ (8,975,000)	\$ (8,975,000)	\$ -

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

**CITY OF ALBUQUERQUE, NEW MEXICO**

## STATEMENT OF FIDUCIARY NET POSITION

## FIDUCIARY FUND

JUNE 30, 2016

	Albuquerque Pooled OPEB Trust Fund	Agency Fund
<b>ASSETS</b>		
Cash, investments, and accrued interest	\$ -	\$ 4,278,520
Restricted cash, investments, and accrued interest	-	225,090
Long term investments at fair value		
Investments	14,905,511	-
Interest receivable	991	-
Accounts receivable	619,162	45,273
Total assets	<u>15,525,664</u>	<u>4,548,883</u>
<b>LIABILITIES</b>		
Accounts payable	\$ -	\$ 1,327
Deposits	-	4,547,556
Total liabilities	<u>-</u>	<u>4,548,883</u>
<b>NET POSITION (DEFICIT)</b>		
Net position held in trust for OPEB benefits	15,525,664	
Total net position (deficit)	<u>\$ 15,525,664</u>	

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

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**STATEMENT OF CHANGES IN PLAN NET POSITION**  
**FIDUCIARY FUND**  
**JUNE 30, 2016**

	<u>Albuquerque Pooled OPEB Trust Fund</u>
<b>ADDITIONS</b>	
Employer contributions	\$ 2,220,009
Investment income	
Unrealized gain (loss) on investments	(75,662)
Investment income	<u>348,816</u>
Total additions	<u>2,493,163</u>
<b>DEDUCTIONS</b>	
Contractual services	27,358
Insurance premiums	<u>363,506</u>
Total deductions	<u>390,864</u>
Change in net position	2,102,299
<b>NET POSITION (DEFICIT)</b>	
Beginning of year	<u>13,423,365</u>
End of year	<u><u>\$ 15,525,664</u></u>

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

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**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, 2016, 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, 2016**

**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.

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.

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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.

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

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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.

## ***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

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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.

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



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**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 measureable 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, 2016, 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.

**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

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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 \$311,202,840 of restricted net position, of which \$28,280,985 is restricted by enabling legislation.

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

**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

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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.

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

Fund Balance Category	General Fund	GO Bond Debt Service Fund	Capital Acquisition Fund	Nonmajor Governmental Funds	Total
Nonspendable:					
Prepaid Expenditures	\$ 102,774	\$ -	\$ -	\$ -	\$ 102,774
Land Held for Resale	-	-	-	6,651,615	6,651,615
Permanent Fund Principal Investment	-	-	-	18,987,847	18,987,847
Total nonspendable fund balances	102,774	-	-	25,639,462	25,742,236
Restricted for:					
General Government	-	-	14,302,453	6,718,543	21,020,996
Public Safety - Fire	-	-	13,663,449	302,995	13,966,444
Public Safety - Police	-	-	21,825,654	-	21,825,654
Culture and Recreation	-	-	51,977,605	49,245	52,026,850
Municipal Development Public Works	-	-	44,133,899	132,897	44,266,796
Highway and Streets	-	-	111,132,777	48,678,947	159,811,724
Health	-	-	-	2,969,557	2,969,557
Human Services	-	-	21,414,443	586,931	22,001,374
Housing	-	-	-	114,722	114,722
Debt Service	-	14,286,280	-	7,770,002	22,056,282
Total restricted fund balances	-	14,286,280	278,450,280	67,323,839	360,060,399
Committed to:					
Capital Projects	-	-	-	1,013,712	1,013,712
Culture and Recreation	-	-	-	1,561,334	1,561,334
Housing	-	-	-	10,175,980	10,175,980
Public Safety - Police	-	-	-	1,396,758	1,396,758
General Government	43,881,000	-	-	1,124,730	45,005,730
Debt Service	-	-	-	27,278	27,278
Total committed fund balances	43,881,000	-	-	15,299,792	59,180,792
Assigned to:					
Capital Projects	-	-	-	2,573,084	2,573,084
General Government	-	-	-	2,452	2,452
Total assigned fund balances	-	-	-	2,575,536	2,575,536
Unassigned:	15,969,175	-	-	1,467,491	17,436,666
Total Fund Balances:	\$ 59,952,949	\$ 14,286,280	\$ 278,450,280	\$ 112,306,120	\$ 464,995,629

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**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.

**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 2016:

- GASB Statement No. 72, *Fair Value Measurement and Application*
- GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*
- GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*

The following GASB pronouncements have been issued, but are not yet effective at June 30, 2016:

- 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. 77, *Tax Abatement Disclosures*
- GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*

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- GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*
- GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*

Information related to GASB Statement No. 72 can be found in Note A of 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.

**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	\$ (373,989,000)
Gross receipts tax revenue bonds and notes payable	(217,780,000)
Special assessments bonds and notes payable	(19,746,281)
Fire fund loan	(1,152,657)
Unamortized bond premiums	(34,246,427)
Accrued rebatable arbitrage payable reported as other liability	(790,853)
Accrued vacation, sick leave and other	(30,067,922)
Net pension obligation	(429,125,669)
OPEB Obligation	<u>(3,131,662)</u>
Net adjustment to reduce fund balance – total governmental funds to arrive at net position - governmental activities	<u><u>\$ (1,110,030,471)</u></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	\$ 28,597,030
Property taxes	5,790,374
Gasoline taxes	396,115
Rehab and Developer loans	8,978,932
Special Assessments	16,177,637
Deferred inflows related to pension activity	<u>(13,206,794)</u>
Net adjustment to governmental fund balance to arrive at net position of governmental activities	<u><u>\$ 46,733,294</u></u>

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Deferred outflows of resources are not financial resources and, therefore, are not reported in the funds. The details of this difference, are as follows:

Deferred outflows related to pension activity	\$ 48,761,531
Deferred outflows related to refunding activity	<u>3,619,289</u>
Net adjustment to governmental fund balance to arrive at net position of governmental activities	<u><u>\$ 52,380,820</u></u>

**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	\$ 69,686,264
Dedicated infrastructure from developers	4,940,249
Depreciation expense	(97,401,616)
Transfers and cost adjustments	98,720
Net gain (loss) on disposition of capital assets	<u>(1,022,142)</u>
Net adjustment to change in governmental fund balances to arrive at change in net position of governmental activities	<u><u>\$ (23,698,525)</u></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:

Debt issued or incurred:	
General Obligation bonds	\$ (110,973,000)
Bond premium	(11,985,116)
Arbitrage costs	(8,225)
Amortization:	
Bond Discount	(275,371)
Bond premium	6,599,022
Principal repayments:	
General obligation bonds	53,625,000
Gross receipts tax revenue bonds	8,870,000
Fire Fund Loan	61,310
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><u>\$ (52,369,312)</u></u>

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. The details of the

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difference are as follows:

Gross receipts taxes	\$ (249,759)
NM shared taxes and fees	(422,549)
Franchise taxes	91,868
Property taxes	(1,591,757)
Collections on real estate contracts, rehab and developer loans, net of deferred gains	(2,098,209)
Special assessments	<u>(3,496,559)</u>
Net adjustment to net change in governmental fund balance to arrive at change in net position of governmental activities	<u>\$ (7,766,965)</u>

The change in liability for the City's portion of pension and other paid employee benefits obligations do not require the use of current financial resources and, therefore, are not reported in the funds. The details of this difference are as follows:

Change in pension obligation	\$ 1,367,136
Change in other paid employee benefits obligation	<u>(353,113)</u>
Net adjustment to net change in governmental fund balance to arrive at change in net position of governmental activities	<u>\$ 1,014,023</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 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.

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**B. Deficit fund equity**

As of June 30, 2016, the following funds had fund balance/net position deficits:

<u>Internal Service Funds:</u>	
Communications	\$ (695,053)
Fleet Management	(1,095,007)
Risk Management	\$(39,722,868)

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 and the implementation of GASB Statement No. 82, Pension Issues early implemented in fiscal year 2016. The implementation of GASB Statement 82 required an additional prior period adjustment to the beginning fund balance for fiscal year 2016. Additional information can be found in Note L of the Notes to the Financial Statements.

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. In fiscal year 2015, the City implemented a plan to increase annual funding to the Risk Management Fund by increasing charges to other funds. Additional information can be found in Note IV, P.



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**IV. Detailed notes on all funds**

**A. Cash and investments**

Cash, investments, and accrued interest and cash with fiscal agents at June 30, 2016, consist of the following:

	(In thousands of dollars)				
	City of Albuquerque				
	Governmental Activities	Business-type Activities	Fiduciary Funds	Total	Component Unit
Held with fiscal agents, net of unamortized discounts and premiums:					
U.S. Treasury obligations	\$ 75,948	\$ 24,763	\$ 546	\$ 101,257	\$ -
Local government obligations	4,700	1,532	33	6,265	-
Equity investments	109,386	29,446	649	139,481	-
Obligations of federal agencies or instrumentalities	209,022	68,153	1,503	278,678	-
Money market	123,511	41,170	-	164,681	-
State of New Mexico local government investment pool	-	-	-	-	8,084
Held in trust by Wells Fargo Bank in U.S. Treasury Fund	491	2,835	-	3,326	-
Total investments	<u>523,058</u>	<u>167,899</u>	<u>2,731</u>	<u>693,688</u>	<u>8,084</u>
Demand deposits	70,956	25,508	1,543	98,007	10,721
Total bank deposits	<u>70,956</u>	<u>25,508</u>	<u>1,543</u>	<u>98,007</u>	<u>10,721</u>
Accrued interest receivable	704	231	5	940	-
Imprest cash funds	38	13	-	51	-
Escrow deposits	-	167	-	167	222
Total other	<u>742</u>	<u>411</u>	<u>5</u>	<u>1,158</u>	<u>222</u>
Total cash, investments, accrued interest, and cash with fiscal agents	<u>\$ 594,756</u>	<u>\$ 193,818</u>	<u>\$ 4,279</u>	<u>\$ 792,853</u>	<u>\$ 19,027</u>
Financial statement presentation:					
Unrestricted cash, investments, and accrued interest:					
Cash, investments, and accrued interest	297,299	98,203	4,279	399,781	9,677
Cash, investments held for debt service	73,977	14,163	-	88,140	-
Cash held by others	232	651	-	883	-
Total unrestricted cash investments, and accrued interest	<u>371,508</u>	<u>113,017</u>	<u>4,279</u>	<u>488,804</u>	<u>9,677</u>
Restricted noncurrent cash, investments, and accrued interest:					
Cash, investments, and accrued interest	223,248	80,635	-	303,883	9,128
Escrow deposits	-	166	-	166	222
Total restricted cash, investments, and accrued interest	<u>223,248</u>	<u>80,801</u>	<u>-</u>	<u>304,049</u>	<u>9,350</u>
Total cash, investments, accrued interest, and cash with fiscal agents	<u>\$ 594,756</u>	<u>\$ 193,818</u>	<u>\$ 4,279</u>	<u>\$ 792,853</u>	<u>\$ 19,027</u>

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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The following is a summary of the fair value hierarchy of the fair value of investments of the City as of June 30, 2016:

		Fair Value Measurement Using (In thousands of dollars)		
		Level 1	Level 2	Level 3
		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
Investments by Fair Value Level	Total			
US Government agency obligations	\$ 278,678	\$ -	\$ 278,678	\$ -
<b>Money Market Funds</b>				
City investments	164,680	164,680	-	-
Apartment fund	2,835	2,835	-	-
City housing fund	491	491	-	-
Mutual funds -ETFs	120,404	120,404	-	-
US Government securities	101,257	101,257	-	-
Municipal bonds	6,266	-	6,266	-
<b>Mutual Funds</b>				
Open space trust	10,765	10,765	-	-
Urban enhancement trust	8,312	8,312	-	-
Total Investments	693,688	408,744	284,944	-
OPEB Trust fund	14,905	14,905	-	-
Real estate - lands held for sale	6,652	-	-	6,652
Investment derivative instruments	258	-	-	258
Total Investments by Fair Value Level	\$ 715,503	\$ 423,649	\$ 284,944	\$ 6,910

Investments classified in Level 1 of the fair value hierarchy, valued at \$423.65 million, are valued using quoted prices in active markets. Level 1 investments include US Government securities, mutual funds, money market funds and fixed income securities.

US Government agency obligations totaling \$278.68 million and municipal bonds totaling \$6.27 million classified in Level 2 of the fair value hierarchy are valued using matrix pricing techniques maintained by various pricing vendors. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by our custodian bank.

Lands held for sale totaling \$6.7 million classified in Level 3 of the fair value hierarchy are valued based on the most recent assessed value from the respective County Assessor's Office or the most recent appraisal. The City is exposed to basis risk on the land held for sale because the value of the land is subject to the economic conditions of the surrounding area.

Investment derivative instruments totaling \$258 thousand classified in Level 3 of the fair value hierarchy are valued using the dollar offset method. The Dollar Offset method compares changes in expected cash flows of the hedge derivative instruments with changes in the expected cash flows of the hedged item, which can be made from reporting period to reporting period. The instruments are comprised of two fuel hedge commodity swap contracts. The contracts are intended to hedge the variable price exposure (cash flows) related to the City's expectation of physical gasoline and diesel purchases. The risk of the derivative instrument is discussed in the derivative note disclosure.

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

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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, 2016, the City's bank balances of \$194,869,294 were not exposed to any custodial credit risk.

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, 2016, 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, 2016, 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, 2016, 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), United States Treasuries and local government obligations. These investments comprise 7%, 13%, 15%, 20%, 15%, 9%, 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, 2016, core segment bond maturities are allocated as follows: 0-12 months – 17%; 1-2 years – 26%; 2-5 years –57%. Holdings in the STO LGIP represent less than 1% of the total portfolio.

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Summarized information concerning the core portfolio investments is as follows:

Core Portfolio Investments (Agencies summarized by GSE)	Amounts (in thousands)	Weighted Average Days to Maturity	Weighted Average Days to Call	Standard & Poor's Rating	Moody's Rating
Federal Home Loan Banks	\$ 35,457	1,084	N/A	AA+	Aaa
Federal National Mortgage Association	67,110	621	N/A	AA+	Aaa
Federal Farm Credit Bank	75,687	1,011	149	AA+	Aaa
Federal Home Loan Mortgage	100,423	865	121		
Corporate bond mutual fund	77,056	914	N/A		
Municipal bond ETF	43,348	N/A	N/A		
U.S. Treasury securities	101,257	827	31		
Local government obligations	6,266	718	33		
Total core portfolio	<u>\$ 506,604</u>				

**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, 2016, was 869 days. The weighted average days to call of the core segment was 130 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, 2016, was as follows:

	Us Bank	Bank of America	Bank of Albuquerque	Wells Fargo Bank	NM Bank & Trust	Compass Bank
Total amount on deposit	\$ 619	\$ 250	\$ 28,261	\$ 164,350	\$ 1,147	\$ 242
Less FDIC coverage	(250)	(250)	(250)	(250)	(250)	(250)
Total uninsured public	369	-	28,011	164,100	897	-
50% collateral requirement	185	-	14,005	82,050	448	-
Pledged securities, fair value	489	-	31,145	185,703	500	-
Pledged in excess of (less than) requirement	<u>\$ 304</u>	<u>\$ -</u>	<u>\$ 17,140</u>	<u>\$ 103,653</u>	<u>\$ 52</u>	<u>\$ -</u>

**B. Receivables**

Taxes receivable at June 30, 2016, are from the following sources:

Gross receipts tax	\$ 60,787,639
Property tax	8,182,320
Lodgers' tax	1,278,931
Hospitality tax	261,255
Other taxes	5,650,170
Total	<u>\$ 76,160,315</u>

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The property taxes above include a receivable of \$3,663,472 in the General Obligation Bond Debt Service Fund and \$4,518,848 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 2016 tax levy had a taxable value of \$12,385,677,182. 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 2015 (fiscal year 2016) is 4.976 mills and the operational levy is 6.493 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 \$22.2 million, represents \$20.0 million in federal and state grant receivables, and \$2.0 million from other governmental agencies.

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, 2016, are as follows:

	Total Receivables	Allowance for Uncollectible Accounts	Net Receivables
Current portion of accounts and notes receivable:			
Governmental activities:			
Major funds:			
General fund	\$ 26,765,794	\$ 23,644,747	\$ 3,121,047
Nonmajor funds:			
Governmental funds	523,532	80,843	442,689
Internal service funds	71,343	250	71,093
Total governmental activities	<u>\$ 27,360,669</u>	<u>\$ 23,725,840</u>	<u>\$ 3,634,829</u>
Business-type activities:			
Major funds:			
Airport	\$ 3,186,057	\$ 972,437	\$ 2,213,620
Refuse disposal	5,365,534	1,483,601	3,881,933
Transit	1,006,091	-	1,006,091
Nonmajor enterprise funds	1,240,854	658,711	582,143
Total business-type activities	<u>\$ 10,798,536</u>	<u>\$ 3,114,749</u>	<u>\$ 7,683,787</u>
Governmental activities:			
Major funds:			
Special assessments debt service	\$ 17,589,281	\$ 60,208	\$ 17,529,073
Nonmajor funds:			
Rehabilitation loans	5,704,928	2,746,975	2,957,953
Notes receivable	584,573	-	584,573
Developer loans	2,696,433	-	2,696,433
Total governmental activities	<u>\$ 26,575,215</u>	<u>\$ 2,807,183</u>	<u>\$ 23,768,032</u>
Restricted assets - accounts receivable - developers:			
Business-type activities:			
Nonmajor funds:			
Developer loans	\$ 2,674,501	\$ 1,156,920	\$ 1,517,581
Total business-type activities	<u>\$ 2,674,501</u>	<u>\$ 1,156,920</u>	<u>\$ 1,517,581</u>

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**C. Capital assets**

Capital asset activity for the year ended June 30, 2016, was as follows:

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
<u>Governmental activities</u>				
Assets not being depreciated:				
Land	\$ 310,274,864	\$ 2,290,729	\$ 66,477	\$ 312,499,116
Construction in progress	84,736,135	31,794,424	66,292,547	50,238,012
Right of way	1,145,191,669	-	-	1,145,191,669
	<u>1,540,202,668</u>	<u>34,085,153</u>	<u>66,359,024</u>	<u>1,507,928,797</u>
Assets being depreciated:				
Buildings	454,330,408	10,153,548	711,340	463,772,616
Infrastructure	2,155,470,254	37,540,086	-	2,193,010,340
Improvements	652,806,627	43,996,812	-	696,803,439
Machinery and equipment	166,779,364	15,021,707	11,336,882	170,464,189
Other	7,484,992	257,556	-	7,742,548
	<u>3,436,871,645</u>	<u>106,969,709</u>	<u>12,048,222</u>	<u>3,531,793,132</u>
Less accumulated depreciation:				
Buildings	124,980,802	11,099,357	9,613	136,070,546
Infrastructure	812,835,250	50,118,759	-	862,954,009
Improvements	345,830,460	21,529,494	-	367,359,954
Machinery and equipment	136,353,544	13,612,026	11,479,525	138,486,045
Other	2,157,333	1,518,554	-	3,675,887
	<u>1,422,157,389</u>	<u>97,878,190</u>	<u>11,489,138</u>	<u>1,508,546,441</u>
Capital assets being depreciated, net	<u>2,014,714,256</u>	<u>9,091,519</u>	<u>559,084</u>	<u>2,023,246,691</u>
Total capital assets, net	<u>\$ 3,554,916,924</u>	<u>\$ 43,176,672</u>	<u>\$ 66,918,108</u>	<u>\$ 3,531,175,488</u>

In fiscal year 2016, the majority of the infrastructure that was placed into service consisted of \$35.3 million of street infrastructure along with \$2.2 million of storm infrastructure. Of this amount, \$3.5 million was dedicated street infrastructure and \$1.5 million was dedicated storm infrastructure. The construction in progress consists of expenditures made by the Capital Acquisition and Impact Fees Construction Capital fund, \$31.8 million was placed into service during fiscal year 2016. The following was placed in service: \$10.2 million buildings, \$44 million non-structural, \$2.3 million land, and \$37.5 million of infrastructure. Machinery and equipment purchases totaled \$15 million, of which \$7.4 million was for public safety. Other capital asset activity totaled \$258 thousand for software development.

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<u>Business-type activities</u>	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
Assets not being depreciated:				
Land	\$ 56,298,028	\$ 385,260	\$ -	\$ 56,683,288
Land and improvements acquired from the U.S. Air Forces	-	-	-	-
Other	955,200	-	-	955,200
Construction work in progress	19,155,117	9,125,511	3,718,041	24,562,587
	<u>76,408,345</u>	<u>9,510,771</u>	<u>3,718,041</u>	<u>82,201,075</u>
Assets being depreciated:				
Buildings and improvements	384,987,347	6,065,343	-	391,052,690
Runways	317,067,635	10,149,632	-	327,217,267
Infrastructure	11,117,711	152,283	-	11,269,994
Improvements other than buildings	290,249,080	15,530,397	-	305,779,477
Machinery and equipment	199,224,359	30,080,039	27,243,300	202,061,098
Other	16,870	-	-	16,870
	<u>1,202,663,002</u>	<u>61,977,694</u>	<u>27,243,300</u>	<u>1,237,397,396</u>
Less accumulated depreciation:				
Buildings and improvements	209,735,420	3,629,336	-	213,364,756
Runways	286,029,690	29,932,984	-	315,962,674
Infrastructure	1,435,295	272,593	-	1,707,888
Improvements other than buildings	150,672,011	(6,098,238)	-	144,573,773
Machinery and equipment	163,503,363	19,181,392	26,926,705	155,758,050
Other	1,687	-	-	1,687
	<u>811,377,466</u>	<u>46,918,067</u>	<u>26,926,705</u>	<u>831,368,828</u>
Capital assets being depreciated, net	<u>391,285,536</u>	<u>15,059,627</u>	<u>316,595</u>	<u>406,028,568</u>
Total capital assets, net	<u>\$ 467,693,881</u>	<u>\$ 24,570,398</u>	<u>\$ 4,034,636</u>	<u>\$ 488,229,643</u>

In fiscal year 2016, the Airport Fund placed into service \$14.3 million improvements other than buildings and runways and \$1.3 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, 2016. The Refuse Fund placed into service \$14.1 million in machinery and equipment, which included \$11.9 million in heavy equipment. The Refuse Fund Software reported as assets depreciated other totaled \$16,870 as of June 30, 2016. The Transit Fund placed into service \$954 thousand in improvements other than buildings and \$14.7 million in machinery and equipment.

The construction work in progress increased by \$9.1 million, which included \$7.2 million by the Transit department.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
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Depreciation expense was charged to functions/programs of the City as follows:

<u>Governmental activities:</u>	
General government	\$ 3,890,285
Public safety:	
Corrections	-
Fire protection	3,687,189
Police protection	6,440,334
Culture and recreation	21,819,364
Public works:	
Municipal development	455,247
Storm	17,194,086
Highways and streets:	
Transportation/Street maintenance	38,872,413
Traffic engineering	387,980
Health	747,757
Human services	3,906,954
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>114,364</u>
Total depreciation expense - governmental activities	<u><u>\$ 97,515,973</u></u>
<u>Business-type activities:</u>	
Major funds:	
Airport	\$ 23,887,076
Refuse Disposal	9,154,562
Transit	10,963,974
Nonmajor funds	<u>2,580,888</u>
Total depreciation expense - business-type activities	46,586,500
Transfer of assets to/from governmental to business-type	<u>331,567</u>
Total business-type activities	<u><u>\$ 46,918,067</u></u>

Discretely Presented Component Unit

Capital asset activity for Albuquerque Housing Authority for the year ended June 30, 2016, was as follows:

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
Assets not being depreciated:				
Land	\$ 3,767,389	\$ -	\$ -	\$ 3,767,389
Construction in progress	3,000	812,753	547,555	268,198
Total assets not being depreciated:	<u>3,770,389</u>	<u>812,753</u>	<u>547,555</u>	<u>4,035,587</u>
Assets being depreciated:				
Buildings and improvements	56,570,799	547,555	-	57,118,354
Machinery and equipment	1,655,682	-	26,784	1,628,898
Total assets being depreciated:	58,226,481	547,555	26,784	58,747,252
Less accumulated depreciation:				
Buildings and improvements	50,589,814	731,115	-	51,320,929
Machinery and equipment	1,492,924	176,938	6,892	1,662,970
Total accumulated depreciation	<u>52,082,738</u>	<u>908,053</u>	<u>6,892</u>	<u>52,983,899</u>
Capital assets being depreciated, net	<u>6,143,743</u>	<u>(360,498)</u>	<u>19,892</u>	<u>5,763,353</u>
Total capital assets, net	<u><u>\$ 9,914,132</u></u>	<u><u>\$ 452,255</u></u>	<u><u>\$ 567,447</u></u>	<u><u>\$ 9,798,940</u></u>



**CITY OF ALBUQUERQUE, NEW MEXICO**  
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**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, 2016, consists of the following:

	Due from other funds	Due to other funds
General Fund	\$ 4,432,129	\$ 2,157,104
Capital Acquisition Fund	-	29,889
Nonmajor governmental funds	-	5,191,237
Transit Fund	1,091,761	252,938
Airport Fund	-	117,074
Refuse Fund	-	243,980
Nonmajor enterprise funds	-	183,541
Internal service funds	3,084,372	432,499
Total	<u>\$ 8,608,262</u>	<u>\$ 8,608,262</u>

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, 2016:

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

\*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, 2016 were as follows:

From	To	Total
General Fund	Capital Acquisition Fund	\$ 1,941,000
General Fund	Transit Fund	22,577,000
General Fund	Nonmajor Governmental Fund	23,457,837
General Fund	Nonmajor Proprietary Funds	1,048,000
General Fund	Refuse Fund	384,000
Capital Acquisition Fund	Transit Fund	4,000,059
Capital Acquisition Fund	Nonmajor Governmental Funds	814
Refuse Disposal Fund	General Fund	2,470,715
Transit Fund	General Fund	389,998
Transit Fund	Nonmajor Governmental Funds	(13,545)
Nonmajor Governmental Funds	General Fund	2,342,334
Nonmajor Governmental Funds	Capital Acquisition Fund	3,315,000
Nonmajor Governmental Funds	Nonmajor Governmental Funds	7,556,722
Nonmajor Governmental Funds	Transit Fund	13,541,919
Nonmajor Proprietary Funds	General Fund	199,729
Nonmajor Proprietary Funds	Nonmajor Governmental Funds	60,809
Internal Service Funds	General Fund	250,000
Internal Service Funds	Nonmajor Governmental Funds	535,000
Total transfers		<u>\$ 84,057,391</u>

**CITY OF ALBUQUERQUE, NEW MEXICO**  
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Transfers are summarized as follows:

"Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Funds"	\$ 42,506,413	\$ (80,164,686)	\$ (37,658,273)
"Statement of Revenues, Expenses, and Changes in Net Position - All Proprietary Funds"			
Enterprise Funds	41,550,978	(3,107,705)	38,443,273
Internal Service Funds	-	(785,000)	(785,000)
Total transfers	<u>\$ 84,057,391</u>	<u>\$ (84,057,391)</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, Open Space Management, and Golf 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 \$1,196,719 were incurred for the year ended June 30, 2016. Lease Commitments for future years are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
FY 2017	\$ 861,912
FY 2018	330,383
FY 2019	263,236
FY 2020	217,399
FY 2021	170,276
FY 2022-2026	503,754
FY 2027-2031	260,040
FY 2032-2036	178,333
Total	<u>\$ 2,785,333</u>

**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 cash with fiscal agent held for debt service and the investments restricted for use held in the City's permanent funds. The amount of current restricted assets reported in the statement of net position at June 30, 2016 is \$88,139,365 and is comprised of cash held with fiscal agent for debt service, of which \$73,976,672 is in governmental activities and \$14,162,693 in business-type activities. The amount of non-current restricted assets reported in the statement of net position at June 30, 2016, is as follows:

<u>Governmental activities</u>	
Capital Acquisition Fund	\$ 204,260,526
Acquisition and Management of Open Space Fund	17,439,231
Urban Enhancement Fund	8,200,230
Total	<u>\$ 229,899,987</u>
<u>Business-type activities</u>	
Airport Fund	\$ 74,901,384
Refuse Disposal Fund	5,862,037
Transit Fund	1,298,107
Nonmajor enterprise funds	6,778,642
Total	<u>\$ 88,840,170</u>

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**G. Short-term and long-term obligations**

Governmental activities:

Short-term obligations - On June 30, 2016, the City issued \$6,870,000 of Short-Term General Obligation Bonds, Series 2016C. 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 2016C was 0.498%. A portion of the proceeds of these bonds will be used to fund the City's CIP projects. The bonds mature on July 1, 2016. The change in short-term obligations of the governmental activities for the year ended June 30, 2016, is as follows:

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
Short-term General Obligation Bonds	\$ 7,200,000	\$ 6,870,000	\$ 7,200,000	\$ 6,870,000
Short-term Lodgers' Tax Improvement Revenue Bonds	491,000	-	491,000	-
State Infrastructure Bank Loan	-	800,000	-	800,000
	<u>\$ 7,691,000</u>	<u>\$ 7,670,000</u>	<u>\$ 7,691,000</u>	<u>\$ 7,670,000</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, net pension obligation - PERA, 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, 2016.

The changes in the long-term obligations of the governmental activities for the year ended June 30, 2016, are as follows:

	Outstanding				Payable in one year
	July 1, 2015	Additions	Deductions	June 30, 2016	
General obligation bonds	\$ 386,191,000	\$ 78,023,000	\$ 43,470,000	\$ 420,744,000	\$ 46,755,000
Gross receipts tax revenue bonds	207,220,000	26,080,000	6,650,000	226,650,000	8,870,000
Fire fund loan	1,213,967	-	61,310	1,152,657	-
Special assessment bonds and notes with governmental commitment	22,321,883	-	1,717,068	20,604,815	858,534
Accrued vacation and sick leave	31,952,515	22,275,371	23,670,175	30,557,711	24,021,270
Claims	89,542,251	3,683,918	781,628	92,444,541	23,856,422
Net pension obligation - PERA	332,459,099	146,744,164	43,942,093	435,261,170	-
Other post employment obligation	3,574,129	-	362,167	3,211,962	-
Other liabilities	782,628	8,225	-	790,853	-
Other:					
Unamortized bond premiums	28,860,333	11,985,116	6,599,023	34,246,426	-
	<u>1,104,117,805</u>	<u>288,799,794</u>	<u>127,253,464</u>	<u>1,265,664,135</u>	<u>104,361,226</u>
Current portion of long-term obligations	<u>(98,177,039)</u>	<u>-</u>	<u>6,184,187</u>	<u>(104,361,226)</u>	<u>-</u>
Total	<u>\$ 1,005,940,766</u>	<u>\$ 288,799,794</u>	<u>\$ 133,437,651</u>	<u>\$ 1,161,302,909</u>	<u>\$ 104,361,226</u>

Total interest cost incurred for governmental activities for the year ended June 30, 2016, was \$23,597,399, 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.

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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, 2016, based on the most recent assessed taxable valuation of \$12,414,140,796, the City may issue an additional \$105,107,632 of general-purpose general obligation bonds. Included in the general obligation bonds outstanding at June 30, 2016, are Storm Sewer bonds in the amount of \$36,156,000 that are not subject to the legal debt limit.

On March 24, 2016, the City issued \$71,523,000 of General Obligation General Purpose Bonds, Series 2016A with an average coupon rate of 4.42%. 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, 2028.

Also on March 24, 2016, the City issued \$6,500,000 of General Obligation Storm Sewer Bonds, Series 2016B with an average coupon rate of 3.00%. 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, 2029.

General obligation bonds outstanding at June 30, 2016, are as follows:

Issue	Amount	Interest Rate	Final Maturity	Call Provisions
September 11, 2007 B General Purpose	\$ 2,805,000	4.50/5.00%	July 1, 2016	Non-callable
September 11, 2007 C Storm Sewer	2,540,000	4.25/5.00%	July 1, 2016	100% beginning Jul 1, 2015
June 26, 2008 A General Purpose	5,575,000	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	18,310,000	2.00/4.00%	July 1, 2018	Non-callable
February 24, 2011 A General Purpose	85,600,000	3.00/4.375%	July 1, 2023	100% beginning July 1, 2020
May 22, 2012 A General Purpose	49,045,000	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	61,505,000	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	52,255,000	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
March 24, 2016 A General Purpose	71,523,000	2.5/5.00%	July 1, 2028	100% beginning July 1, 2025
March 24, 2016 B General Purpose	6,500,000	3.00%	July 1, 2029	100% beginning July 1, 2025
Total long-term outstanding	<u>\$ 420,744,000</u>			
Short Term - June 30, 2016 C Improvement	6,870,000	.4981%	July 1, 2016	Non-callable
Total general obligation bonds outstanding	<u>\$ 427,614,000</u>			

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 \$190,154,484 for State Shared Gross Receipts and \$14,240,875 for Lodgers' and Hospitality Tax. Total debt service expenditures for the year were \$16,532,315.

On December 8, 2015, the City issued \$2,080,000 of State Shared Gross Receipts Tax Revenue Bonds, Series 2015C. The Series 2015C bonds are being issued for the purpose of funding the acquisition of a DWI Seizure lot and to make improvements to the project. The bonds have an average coupon rate of 1.75% and require semi-annual interest payments until the bonds mature on July 1, 2026.

On February 16, 2016, the City issued \$24,000,000 of Gross Receipts Tax/Lodgers' Tax Improvement Revenue Bonds, Taxable Series 2016. The Series 2016 bonds are being issued for the purpose of funding to improve the City's Convention Center, Civic Plaza and downtown parking structure. The bonds have an average coupon rate of 3.28% and require semi-annual interest payments until the bonds mature on July 1, 2038.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
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Sales tax revenue bonds and notes outstanding at June 30, 2016, are as follows:

Issue	Amount	Interest Rate	Final Maturity	Call Provisions
October 6, 2004 B Refunding	\$ 26,640,000	2.39/4.90%	July 1, 2036	100% beginning October 6, 2004
July 22, 2009 A Refunding	10,100,000	3.00/5.00%	July 1, 2025	100% beginning July 1, 2019
July 22, 2009 B Refunding	22,625,000	3.00/5.00%	July 1, 2022	100% beginning July 1, 2019
September 1, 2011 A Refunding	15,435,000	2.00/4.00%	July 1, 2028	100% beginning July 1, 2021
April 9, 2013 Improvement	39,730,000	1.50/5.00%	July 1, 2035	100% beginning July 1, 2023
June 10, 2014 A Refunding	36,845,000	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
December 8, 2015 C State Shared	2,080,000	1.75%	July 1, 2026	100% beginning July 1, 2021
February 16, 2016 Improvement	24,000,000	3.00/3.90%	July 1, 2038	100% beginning July 1, 2025

\$ 226,650,000

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, 2016 is \$1,152,657.

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, 2016 was \$20,604,815.

Business-type activities:

Long-term obligations - The changes in the business-type activities obligations for the year ended June 30, 2016, are as follows:

	Outstanding			Payable in one	
	July 1, 2015	Additions	Deductions	June 30, 2016	year
Revenue bonds	\$ 76,428,750	\$ 8,430,000	\$ 23,146,667	\$ 61,712,083	\$ 12,931,666
Loans and notes payable	1,441,447	-	1,441,447	-	-
Accrued vacation and sick leave	6,190,069	4,870,398	4,631,365	6,429,102	5,004,705
Landfill closure costs	2,817,019	100,425	-	2,917,444	-
Net pension obligation - PERA	42,794,638	15,647,946	-	58,442,584	-
Other post employment obligation	893,532	-	90,540	802,992	-
Other liabilities	157,061	1,527	-	158,588	-
Other:					
Unamortized bond premiums	460,975	-	218,250	242,725	-
Unamortized bond discounts	(12,055)	3,092	-	(8,963)	-
Subtotal	131,171,436	29,053,388	29,528,269	130,696,555	17,936,371
Current portion	(20,405,160)	-	(2,468,789)	(17,936,371)	-
Business-type activity long-term obligations	<u>\$ 110,766,276</u>	<u>\$ 29,053,388</u>	<u>\$ 27,059,480</u>	<u>\$ 112,760,184</u>	<u>\$ 17,936,371</u>

**CITY OF ALBUQUERQUE, NEW MEXICO**  
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Total interest cost incurred for business-type activities for the year ended June 30, 2016, was \$2,503,063 of which \$1,305,679 was capitalized and \$1,197,384 was charged to expense.

Airport Revenue Bonds are secured by pledges of net revenues of the airport. Airport Revenue bonds outstanding at June 30, 2016, are as follows:

Issue	Amount	Interest Rate	Final Maturity	Call Provisions
March 23, 2004 A, Refunding	\$ 5,660,000	1.63% to 5.11%	July 1, 2018	100% beginning July 1, 2005
March 11, 2008 A, Refunding	6,590,000	3.00% to 5.00%	July 1, 2018	Non-callable
May 14, 2008 C, Refunding	2,270,000	3.50% to 4.375%	July 1, 2020	100% beginning July 1, 2018
November 12, 2009 A, Refunding	11,547,083	3.00% to 4.50%	July 1, 2019	Non-callable
May 19, 2011, Refunding	3,270,000	2.00% to 4.00%	July 1, 2016	Non-callable
April 8, 2014 A, Refunding	<u>14,980,000</u>	2.60%	July 1, 2024	Non-callable
Total outstanding	44,317,083			
Unamortized:				
Premiums (discounts)	233,573			
Deferred loss on refunding	<u>(190,362)</u>			
Net outstanding	<u>\$ 44,360,294</u>			

Apartments Revenue Bonds – On April 21, 2016, the City issued \$8,430,000 Gross Receipts Tax Refunding Revenue Bonds (Beach, Bluewater, and Manzano Vista Projects) Series 2016B to refund the Series 2008B 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 2016B Gross Receipts Tax Refunding Revenue Bonds mature on July 1, 2030, and bear a 2.3% coupon interest rate. The Series 2016B bonds are subject to optional redemption generally at par (unless long-term interest rates are in effect). The Apartments debt in the amount of \$8,430,000 is outstanding at June 30, 2016.

Refuse Loans - 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%. The final payment of \$411,730 was made on July 1, 2015.

Stadium Loans are secured by pledges of net revenues of the Albuquerque baseball stadium. Revenue in fiscal year 2016 totaled \$1.8 million. The annual debt service payment including interest for fiscal year 2016 was \$1.0 million. 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 Stadium debt in the amount of \$8,965,000 is outstanding at June 30, 2016.

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%. The loan has been paid in full and the final payment of \$1,029,716 was made on January 1, 2016.

Summary of Annual Debt Service Requirements - The annual debt service requirements on bonds outstanding at June 30, 2016, are as follows:

Year ending June 30, 2016	Governmental activities		Business-type activities	
	Principal	Interest	Principal	Interest
2017	\$ 64,274,475	\$ 25,146,729	\$ 12,931,667	\$ 2,029,341
2018	59,318,748	23,592,427	9,925,000	1,587,322
2019	55,027,155	21,199,864	10,050,000	1,180,072
2020	49,493,717	18,983,306	6,415,417	860,593
2021	50,085,484	16,809,402	3,550,000	627,286
2022-2026	214,671,326	54,802,880	14,070,000	1,733,294
2027-2031	100,755,567	24,562,139	4,770,000	243,870
2032-2036	56,740,000	11,535,570	-	-
2037-2041	25,655,000	1,359,867	-	-
Total	<u>\$ 676,021,472</u>	<u>\$ 197,992,184</u>	<u>\$ 61,712,084</u>	<u>\$ 8,261,778</u>

**CITY OF ALBUQUERQUE, NEW MEXICO**  
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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, 2016, the City has set aside \$790,854 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 2016, no payment is due to the IRS.

**Discretely presented component unit**

	Outstanding				Amount due within one year
	July 1, 2015	Additions	Deductions	June 30, 2016	
Tenant security deposits (including pet deposits)	\$ 220,910	\$ 54,931	\$ 54,220	\$ 221,621	\$ -
HUD payable	190,165	-	21,130	169,035	21,129
Accrued vacation and sick leave	142,663	64,207	53,206	153,664	67,949
	<u>\$ 553,738</u>	<u>\$ 119,138</u>	<u>\$ 128,556</u>	<u>\$ 544,320</u>	<u>\$ 89,078</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, 2016, is as follows:

Gross Receipts Tax Revenue Bonds	\$ 37,315,000
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**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, 2016, there were twenty-two series of Industrial Revenue Bonds outstanding. The aggregate principal amount payable for the twenty series issued after July 1, 1995, is \$341.1 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 City entered into fuel hedging contracts for fiscal year 2017 in May 2016. In accordance with the requirements of GASB Statement No. 53, effective fuel hedges are reported on the balance sheet at fair value. The City of Albuquerque determined the fair market value utilizing the dollar offset method.

The City's two hedging derivative instruments were evaluated for effectiveness at June 30, 2016 and were determined to be

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effective in substantially offsetting the changes in the cash flows of the hedgeable items. As of June 30, 2016 the total fair value of outstanding hedge instruments totaled \$258,142. 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, 2016:

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	\$ 1.45	1,805,469	7/1/2016	6/30/2017	\$ 193,415
Commodity forward contract for RBOB Gasoline	Hedge market risk associated with the purchase of Gasoline	\$ 1.44	1,434,108	7/1/2016	6/30/2017	\$ 64,726

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	\$ 1.45	618,411	7/1/2016	6/30/2017	\$ 66,249
Commodity forward contract for RBOB Gasoline	Hedge market risk associated with the purchase of Gasoline	\$ 1.44	1,209,423	7/1/2016	6/30/2017	\$ 54,585

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	\$ 1.45	1,187,058	7/1/2016	6/30/2017	\$ 127,166
Commodity forward contract for RBOB Gasoline	Hedge market risk associated with the purchase of Gasoline	\$ 1.44	224,685	7/1/2016	6/30/2017	\$ 10,141

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.

**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, 2016, is as follows:



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(in thousands of dollars)

CONDENSED STATEMENT OF NET POSITION	Golf Course Fund	Apartments Fund	Parking Facilities Fund	Stadium Fund	Total
Assets					
Current assets	\$ 666	\$ 1,318	\$ 525	\$ 1,150	\$ 3,034
Restricted assets	89	2,612	4,077	-	10,855
Capital assets	4,706	10,531	15,454	12,797	46,145
Total assets	<u>\$ 5,461</u>	<u>\$ 14,461</u>	<u>\$ 20,057</u>	<u>\$ 13,947</u>	<u>\$ 60,036</u>
Deferred outflows of resources					
Deferred gain/loss on bond refunding	\$ -	\$ -	\$ -	\$ 57	\$ 57
Deferred outflows related to pension activity	123	-	107	8	238
Total deferred outflows of resources	<u>\$ 123</u>	<u>\$ -</u>	<u>\$ 107</u>	<u>\$ 65</u>	<u>\$ 295</u>
Liabilities					
Current liabilities	538	177	289	1,051	2,052
Liabilities payable from restricted assets	-	159	-	-	159
Bonds, notes payable, and other long-term liabilities	-	8,430	-	8,275	16,705
Accrued vacation and sick leave	1,689	-	1,542	105	3
Total liabilities	<u>2,226</u>	<u>8,766</u>	<u>1,831</u>	<u>9,429</u>	<u>22,252</u>
Deferred Inflows of Resources					
Deferred inflows related to pension activity	43	-	43	3	89
Deferred inflows related to refunding activity	-	659	-	-	659
Total deferred inflows of resources	<u>43</u>	<u>659</u>	<u>43</u>	<u>3</u>	<u>748</u>
Net Position (Deficit)					
Invested in capital assets	4,706	2,101	15,454	3,832	26,093
Restricted					
Debt service	46	336	7	63	452
Construction in progress	43	-	4,062	-	4,105
Unrestricted	(1,480)	2,599	(1,234)	683	568
Total net position	<u>\$ 3,315</u>	<u>\$ 5,036</u>	<u>\$ 18,289</u>	<u>\$ 4,578</u>	<u>\$ 31,218</u>
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (in thousands)	Golf Course Fund	Apartments Fund	Parking Facilities Fund	Stadium Fund	Total
Operating revenues	\$ 3,515	\$ 4,056	\$ 4,181	\$ 1,774	\$ 13,526
Depreciation	(337)	(535)	(1,353)	(356)	(2,581)
Other operating expenses	(4,801)	(2,747)	(3,869)	(907)	(12,324)
Operating income (loss)	<u>(1,623)</u>	<u>774</u>	<u>(1,041)</u>	<u>511</u>	<u>(1,379)</u>
Nonoperating revenues (expenses):					
Interest on investments	5	3	(210)	4	(198)
Interest expense	-	(471)	-	(332)	(803)
Other	121	(183)	67	1	6
Capital contribution	-	114	-	-	114
Transfers in	850	-	-	198	1,048
Transfers out	(75)	(61)	(125)	-	(261)
Change in net position	<u>(722)</u>	<u>176</u>	<u>(1,309)</u>	<u>382</u>	<u>(1,473)</u>
Beginning net position (Restated, set note)	4,037	4,859	19,598	4,197	32,691
Ending net position	<u>\$ 3,315</u>	<u>\$ 5,035</u>	<u>\$ 18,289</u>	<u>\$ 4,579</u>	<u>\$ 31,218</u>

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CONDENSED STATEMENT OF CASH FLOWS (in thousands)	Golf Course Fund	Apartments Fund	Parking Facilities Fund	Stadium Fund	Total
Net cash provided (used) by:					
Operating activities	\$ (1,243)	\$ 1,378	\$ 461	\$ 762	\$ 1,358
Noncapital financing activities	863	(61)	(97)	198	903
Capital and realted financing activities	(9)	(1,031)	-	(1,014)	(2,054)
Investing activities	5	3	(211)	4	(199)
Net increase (decrease)	(384)	289	153	(50)	8
Beginning cash and cash equivalents	1,136	3,620	2,659	906	8,321
Ending cash and cash equivalents	<u>\$ 752</u>	<u>\$ 3,909</u>	<u>\$ 2,812</u>	<u>\$ 856</u>	<u>\$ 8,329</u>

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.

**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 .

*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 when they meet the age and service credit requirement for the plan they participate in. 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, 2016:

Group Covered	Employee		Employer	
	Percent	Amount	Percent	Amount
General, Management, and Bus Drivers	14.00 %	\$ 22,858	9.00 %	\$ 14,913
Temporary Employees	7.00 %	44	7.00 %	46
J-Series 20 Year	18.00 %	168	17.00 %	158
Police	17.00 %	9,823	18.00 %	10,430
Fire	17.00 %	6,758	21.00 %	8,267
		<u>\$ 39,651</u>		<u>\$ 33,814</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

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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, 2016, 2015, and 2014 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, 2016, 2015, and 2014 were \$60,217,368, \$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, 2016, The City of Albuquerque reported a net pension liability of \$493,703,754 for its proportionate share of the net pension liability. The total net pension liability reported by PERA for the City of Albuquerque totaled \$501,582,036. The net pension liability amount includes a liability for Albuquerque Metropolitan Arroyo Flood Control Authority (AMAFCA) of \$1,583,014, and Mid-Region Council of Governments of New Mexico (MRCOG) of \$6,295,270. The net pension liability was measured as of June 30, 2015, 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 2015. As June 30, 2015, the City of Albuquerque's proportional share was 18.47% (excludes AMAFCA and MRCOG's proportional share) of the Municipal General Division, 29.03% of the Municipal Police Division, and 32.07% of the Municipal Fire Division. GASB 82 was implemented as of June 30, 2015 by PERA. PERA no longer considers the member contributions paid by the employer in the contribution calculations. As a result of the implementation of GASB 82, a prior period adjustment of \$26,965,416 was required to adjust the portion of member contributions paid by the City of Albuquerque recorded in deferred outflows in fiscal year 2015.

For the year ended June 30, 2016, the City recognized its proportional share of the pension contribution expense of \$31,120,182. The proportional share of the pension contribution expense by plan type is as follows:

<b>Plan Type</b>	<b>Pension Contribution Expense</b>
Municipal General	\$ 6,849,174
Municipal Police	\$ 9,389,659
Municipal Fire	\$ 14,884,349

At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>City of Albuquerque - Overall</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>
Differences between expected and actual experience	\$ 16,273,884	\$ (4,166,976)
Change in assumptions	3,491,046	(659,644)
Net difference between projected and actual earnings on pension plan investments	-	(6,370,957)
Changes in proportion and differences between City contributions and proportionate share of contributions	457,521	(3,990,215)
City contributions subsequent to the measurement date	34,001,993	-
Total	<u>\$ 54,224,444</u>	<u>\$ (15,187,792)</u>

<b>General Municipal</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ (4,166,976)
Change in assumptions	-	(73,284)
Net difference between projected and actual earnings on pension plan investments	-	(595,090)
Changes in proportion and differences between City contributions and proportionate share of contributions	-	(823,698)
City contributions subsequent to the measurement date	15,178,412	-
Total	<u>\$ 15,178,412</u>	<u>\$ (5,659,048)</u>

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	Deferred Inflows of Resources	Deferred Outflows of Resources
<b>General Police Division</b>		
Differences between expected and actual experience	\$ 9,755,234	\$ -
Change in assumptions	-	(387,258)
Net difference between projected and actual earnings on pension plan investments	-	(5,775,867)
Changes in proportion and differences between City contributions and proportionate share of contributions	457,521	-
City contributions subsequent to the measurement date	10,506,074	-
Total	<u>\$ 20,718,829</u>	<u>\$ (6,163,125)</u>

	Deferred Inflows of Resources	Deferred Outflows of Resources
<b>General Fire Division</b>		
Differences between expected and actual experience	\$ 6,518,650	\$ -
Change in assumptions	3,491,046	(199,102)
Changes in proportion and differences between City contributions and proportionate share of contributions	-	(3,166,517)
City contributions subsequent to the measurement date	8,317,507	-
Total	<u>\$ 18,327,203</u>	<u>\$ (3,365,619)</u>

The amount of contributions related to fiscal year 2016 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 2017. 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:	City Overall	General Municipal Division	General Police Division	General Fire Division
2017	\$ (5,531,395)	\$ (5,469,510)	\$ (1,047,089)	\$ 985,204
2018	(5,531,395)	(5,469,510)	(1,047,089)	985,204
2019	(5,531,395)	(5,469,510)	(1,047,089)	985,204
2020	\$ 21,378,265	\$ 10,498,915	\$ 7,190,886	\$ 3,688,464

*Actuarial assumptions.* The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods including the measurement:

Actuarial Methods	
Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Pay
	Solved for based on statutory rates
Amortization period	
Asset valuation method	Fair Value

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

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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 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:

<u>ALL FUNDS - Asset Class</u>	<u>Target Allocation</u>	
US Equity	21.1	%
International Equity	24.8	%
Private Equity	7.0	%
Core and Global Fixed Income	26.1	%
Fixed Income Plus Sectors	5.0	%
Real Estate	5.0	%
Real Assets	7.0	%
Absolute Return	4.0	%
	<u>100.0</u>	<u>%</u>

*Discount rate.* The discount rate used to measure the total pension liability was 7.75%. 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:

<u>Plan</u>	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
City of Albuquerque, Overall	\$ 775,664,999	\$ 493,703,754	\$ 260,233,726
Municipal General	320,621,063	188,570,318	78,306,488
Municipal Police	230,553,781	139,610,198	65,001,202
Municipal Fire	\$ 224,490,155	\$ 165,523,236	\$ 116,926,036

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, 2016, there was a \$4,095,210 PERA contributions payable of which \$2,931,237 was for pay period June 24, 2016 and \$1,163,973 was for the accrual through June 30, 2016.

**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.

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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 4,932 at June 30, 2016, and the amount of life insurance coverage for these retired employees was \$109,147,850.

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 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, 2016 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, 2016 were \$3,371,247.

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	<u>\$ 4,467,661</u>
Plus: Projected annual OPEB costs	
Interest on net OPEB obligation at beginning of year	223,383
Annual required contribution (ARC) for current fiscal year	2,954,164
ARC adjustment for current fiscal year	<u>(259,010)</u>
	<u>2,918,537</u>
Less: Employer contribution	<u>(2,178,477)</u>
Implicit subsidy	<u>(1,192,770)</u>
Net OPEB obligation at end of year	<u>\$ 4,014,951</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2016 and the three preceding years were as follows:

Fiscal Year-ended	OPEB Contributions	Annual Required Contribution	Percentage Contributed
6/30/2014	\$ 11,141,759	\$ 3,259,587	341.82 %
6/30/2015	3,188,537	2,867,370	111.20 %
6/30/2016	\$ 3,371,247	\$ 2,954,164	114.12 %

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Funding Status and Funding Progress - As of June 30, 2016 the Plan was 28.49% funded using the criteria established by GASBS 45. The actuarial accrued liability for benefits was \$51,574,420 (\$10,237,105 for active employees and \$41,337,315 for retired employees). Plan assets as of June 30, 2016 was \$14,692,095. The covered payroll (annual payroll of active employees covered by the Plan) was \$281,349,614 and the ratio of the Unfunded Actuarial Accrued Liability (UAAL) to the covered payroll was 13.11%. The ARC as a percent of payroll is 1.2% of which 0.25% is the normal cost as a percent of payroll. The ARC per active employee is \$505. 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, 2016, the City contributed \$2,178,477, excluding the implicit subsidy. Taxable interest and dividends earned during the year was \$348,817. Realized losses were (\$75,662). 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, 2016, was 23 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.

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

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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, 2016, 2015, and 2014 were 5,526,285, \$5,394,698, and \$5,350,483, 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 \$2,917,444 reported as accrued landfill closure costs from restricted assets at June 30, 2016, represents the cumulative amount reported to date based on the use of 30.1% of the estimated capacity of the Cerro Colorado Landfill.

The City will recognize the remaining estimated cost of closure and post-closure care of \$6,781,916 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 2016. The City expects to close the landfill in the year 2075. Actual cost may be higher due to inflation, change in technology, or change in regulations. The City has set aside \$3,476,042 for future post-closure costs. This amount is reported as a restricted asset on the balance sheet. The City expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate, or additional post-closure care requirements are determined (due to change in technology or applicable laws or regulations, for example); these costs may need to be covered by charges to future landfill users or from future tax revenue.

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 82, Pension Issues (an amendment of GASB Statements No. 67, No. 68 and No. 73), in the fiscal year ending June 30, 2016. The implementation of the statement required the City to record beginning



**CITY OF ALBUQUERQUE, NEW MEXICO**  
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**JUNE 30, 2016**

net position obligation and the effects on the net position of contributions made by the City during the measurement period (fiscal year ending June 30, 2015). The total restatement for governmental and business-type activities attributed to the implantation of GASB 82 is (\$22,516,254) and (\$4,449,188), respectively. In addition to including a restatement for GASB 82, the Culture and Recreation Fund and the Capital Acquisition Fund contain restatements due to prior expenditures recorded to the incorrect fund. Restatements for the Culture and Recreation Fund and Capital Acquisition Fund are \$80,886 and (\$80,886), respectively. In addition, the Transit Fund was restated for unrecorded prior year grants receivable, which resulted in an understatement of \$449,758. As a result, net position for the governmental and business-type activities changed as follows:

	June 30, 2015, as previously reported	Restatement of Net Position	July 1, 2015 as restated
Governmental net position	\$ 2,801,781,622	\$ (20,268,231)	\$ 2,781,513,391
Capital Acquisition Fund	231,451,198	(80,886)	231,370,312
Non-major governmental funds			
Culture/Recreation Fund	1,483,736	80,886	1,564,622
Internal service funds included in governmental net position:			
Communications Fund	(445,288)	(103,453)	(548,741)
Employee Insurance Fund	1,368,050	(60,874)	1,307,176
Fleet Management Fund	(1,135,203)	(156,969)	(1,292,172)
Risk management Fund	(28,381,092)	(195,451)	(28,576,543)
Supplies Inventory Management Fund	2,159,700	(26,870)	2,132,830
Total governmental activities	<u>\$ 3,008,282,723</u>	<u>\$ (20,811,848)</u>	<u>\$ 2,987,470,875</u>
Business-type net position			
Major enterprise funds net position:			
Airport Fund	337,652,730	(2,743,390)	334,909,340
Refuse Disposal Fund	67,614,720	(1,540,340)	66,074,380
Transit Fund	89,202,924	(1,175,687)	88,027,237
Non-major enterprise funds net position:			
Golf Course Fund	4,155,712	(118,372)	4,037,340
Apartments Fund	4,858,863	-	4,858,863
Parking Facilities Fund	19,716,511	(118,701)	19,597,810
Stadium Fund	4,204,254	(7,345)	4,196,909
Total business-type activities	<u>\$ 527,405,714</u>	<u>\$ (5,703,835)</u>	<u>\$ 521,701,879</u>

**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 \$2,000,000 for public safety employees and \$1,500,000 for all other employees 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 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, 2016, 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.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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. 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 June, 30 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 claims liability was needed. Beginning in fiscal year 2015, the City began funding a "Risk Recovery" plan through an allocation to the respective departments. The original goal was to recover \$36.3 million over ten years. It was not until Fiscal Year 2017 that the targeted \$3.6 million was fully budgeted. More recent claims and reserves for claims have raised the targeted Risk Recovery amount to \$52.4 million, the balance of which is intended to be collected over the remaining 7 years of the recovery period. It should be noted that these allocation amounts are subject to annual appropriations by the City Council. The amount collected from other funds in fiscal year 2016 was \$2,165,000.

The amounts and change in the Fund's claims liability in fiscal year 2016 and 2015 were:

	2016	2015
Claims liability at July 1	\$ 89,542,251	\$ 99,451,037
Current year claims and change in estimates	39,911,548	24,700,190
Claims liquidated	<u>(37,009,258)</u>	<u>(34,608,976)</u>
Claims liability at June 30	<u>92,444,541</u>	<u>89,542,251</u>
The components of the claims liability at June 30 are:		
Current portion	23,856,422	23,901,290
Noncurrent portion	<u>68,588,119</u>	<u>65,640,961</u>
Total claims liability	<u>\$ 92,444,541</u>	<u>\$ 89,542,251</u>

**Q. 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.

Outstanding encumbrances as of June 30, 2016 are reported in the table below.

Government activities:	
Major Funds:	
General Fund	\$ 3,461,830
Capital Acquisition Fund	29,518,024
Nonmajor government funds	<u>10,546,224</u>
Total governmental activities	<u>\$ 43,526,078</u>

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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	\$ 76,299,442
Refuse Disposal Fund	14,401,506
Transit Fund	16,445,241
Nonmajor business-type funds	<u>4,104,724</u>

Total business-type activities	<u><u>\$111,250,913</u></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 is a defendant in a legal proceeding that does not fall under the New Mexico Tort Claims Act; this legal proceeding alleges that certain time incurred by some of the City of Albuquerque's Fire Department, Transit Department and other employees are subject to overtime compensation. The ultimate outcome of these legal proceedings cannot presently be determined; the case is currently awaiting the Courts consideration on how the calculations are to be determined. Accordingly, no provision for any additional liability that may result upon the ultimate outcome has been recognized in the accompanying financial statements and schedules.

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.

**R. 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.

**S. Significant effects of subsequent events**

Prior to fiscal year 2016, the City of Albuquerque received a food and medical "hold harmless" distribution from the State of about \$37 million per year. Hold-harmless distributions were enacted by the State Legislature in 2004 and served to hold counties and municipalities harmless to the fiscal effects of a gross receipts tax deduction for food sold at retail stores and some medical services. During the 2013 Legislative Session, House Bill 641 was passed which among other things, approved a 15-year phase-out of those distribution beginning in fiscal year 2016 and ending in fiscal year 2030. The City's reduction for fiscal year 2016 was estimated at \$2.2 million and is included as non-recurring revenue in fiscal 2017.

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**FINANCIAL SECTION**

**REQUIRED SUPPLEMENTARY INFORMATION**



**CITY OF ALBUQUERQUE, NEW MEXICO**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FUNDING PROCESS PROGRESS FOR LIFE INSURANCE BENEFIT PLAN**  
**ALBUQUERQUE POOLED OPEB TRUST FUND**  
**YEAR ENDED JUNE 30, 2016**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability Entry Age Normal	UAAL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2014	\$ 10,705,827	\$ 47,303,392	\$ 36,597,565	22.63%	\$ 243,300,781	15.04%
6/30/2015	12,634,569	50,560,421	37,925,852	24.99%	269,614,080	14.07%
6/30/2016	\$ 14,692,095	\$ 51,574,420	\$ 36,882,325	28.49%	\$ 281,349,614	13.11%

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**SCHEDULE OF PENSION CONTRIBUTIONS**  
**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) OF NEW MEXICO**  
**LAST FISCAL YEAR\***

	Fiscal Year	
	2014	2015
<b>GENERAL MUNICIPAL PLAN</b>		
Contractually required contribution	\$ 14,418,788	\$ 15,232,749
Contribution in relation to the contractually required contribution	<u>(14,418,788)</u>	<u>(15,232,749)</u>
Contribution deficiency (excess)	-	-
Covered employee payroll	\$ 151,191,059	\$ 166,682,259
Contributions as a percentage of covered-employee payroll	9.5 %	9.1 %
<b>Police Plan</b>		
Contractually required contribution	\$ 10,278,610	\$ 10,753,611
Contribution in relation to the contractually required contribution	<u>(10,278,610)</u>	<u>(10,753,611)</u>
Contribution deficiency (excess)	\$ -	\$ -
Covered employee payroll	\$ 55,812,821	\$ 68,877,124
Contributions as a percentage of covered-employee payroll	18.4 %	15.6 %
<b>Fire Plan</b>		
Contractually required contribution	\$ 7,825,934	\$ 7,909,259
Contribution in relation to the contractually required contribution	<u>(7,825,934)</u>	<u>(7,909,259)</u>
Contribution deficiency (excess)	\$ -	\$ -
Covered employee payroll	\$ 37,118,229	\$ 43,510,526
Contributions as a percentage of covered-employee payroll	21.1 %	18.2 %

\* Adjustments were made to fiscal year 2014 to reflect required contributions  
(excludes the amount paid on behalf of the employee)

\*A Full 10-year schedule will be displayed as it becomes available.



**CITY OF ALBUQUERQUE, NEW MEXICO**  
**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) OF NEW MEXICO**  
**LAST FISCAL YEAR\***

	Fiscal Year	
	2014	2015
<b>GENERAL MUNICIPAL PLAN</b>		
Proportion of the net pension liability (asset)	18.4 %	18.5 %
Proportionate share of the net pension liability (asset)	143,197,639	188,570,318
Covered employee payroll	151,191,059	166,682,259
Proportionate share of the net pension liability (asset)	94.7 %	113.1 %
<b>Police Plan</b>		
Proportion of the net pension liability (asset)	28.8 %	29.0 %
Proportionate share of the net pension liability (asset)	94,045,917	139,610,198
Covered employee payroll	55,812,821	68,877,124
Proportionate share of the net pension liability (asset)	168.5 %	202.7 %
<b>Fire Plan</b>		
Proportion of the net pension liability (asset)	33.1 %	32.1 %
Proportionate share of the net pension liability (asset)	138,010,181	165,523,236
Covered employee payroll	37,118,229	43,510,526
Proportionate share of the net pension liability (asset)	372.0 %	380.4 %
Plan fiduciary net position as a percentage of the total pension liability **	81.3 %	77.0 %

\* Amounts presented for each fiscal year were determined as of fiscal year ended June 30, 2015. A Full 10-year schedule will be displayed as it becomes available.

\*\* This percentage will be the same for all plans

**CITY OF ALBUQUERQUE, NEW MEXICO**  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION RELATAED TO PENSION ACTIVITY  
FOR THE YEAR ENDED JUNE 30, 2016

*Change of benefit terms:* There were no changes to the benefit terms which impact the measurements provided in the Public Employees Retirement Association GASB 67 Supplement Report.

*Change in assumptions:* Actuarial assumptions were changed during the fiscal year. The new actuarial assumptions are contained in Appendix A the Public Employees Retirement Association GASB 67 Supplement Report and are the basis used for the calculations of the TPL contained in the supplemental report. Assumption changes effective June 30, 2015 primarily include lower rate of inflation, changes to rates of mortality, retirement, withdrawal, disability, and salary increases.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL OBLIGATION BOND DEBT SERVICE FUND**  
**YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>			Variance with
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget- Over/Under</u>
<b>REVENUES:</b>				
Taxes	\$ 62,142,000	\$ 62,142,000	\$ 62,371,854	\$ 229,854
Investment earnings	216,000	216,000	411,423	195,423
Total revenues	<u>62,358,000</u>	<u>62,358,000</u>	<u>62,783,277</u>	<u>425,277</u>
<b>EXPENDITURES:</b>				
Debt service:				
Principal retirement	48,352,000	53,672,000	53,625,000	47,000
Interest	14,080,000	14,081,000	13,959,442	121,558
Fiscal agent fees and other fees	100,000	1,160,000	1,328,119	(168,119)
Total expenditures	<u>62,532,000</u>	<u>68,913,000</u>	<u>68,912,561</u>	<u>439</u>
Excess (Deficiency) of Revenues Over (Under)				
Expenses	<u>(174,000)</u>	<u>(6,555,000)</u>	<u>(6,129,284)</u>	<u>425,716</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Premiums on bonds issued	-	6,381,000	11,720,738	5,339,738
Total other financing sources (uses):	<u>-</u>	<u>6,381,000</u>	<u>11,720,738</u>	<u>5,339,738</u>
Net change in fund balance	<u>(174,000)</u>	<u>(174,000)</u>	<u>5,591,454</u>	<u>5,765,454</u>
Fund balance, July 1	<u>9,261,409</u>	<u>4,627,409</u>	<u>8,694,826</u>	<u>4,067,417</u>
Fund balance, June 30	<u>\$ 9,087,409</u>	<u>\$ 4,453,409</u>	<u>\$ 14,286,280</u>	<u>\$ 9,832,871</u>

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**SCHEDULE OF EXPENDITURES COMPARED TO APPROPRIATIONS BY PURPOSE**  
**BUDGET AND ACTUAL - CAPITAL ACQUISITION FUND**  
**YEAR ENDED JUNE 30, 2016**

	Final Budget	Prior Years' Actual	Project Budget Remaining July 1, 2015	Current Year Actual	Project Budget Remaining June 30, 2016
<b><u>Capital Acquisition Fund</u></b>					
Capital Outlay and Other:					
Bosque	\$ 1,000,000	\$ 1,000,086	\$ (86)	\$ -	\$ (86)
City building	7,424,800	7,756,474	(331,674)	-	(331,674)
Community services	69,279,467	48,545,022	20,734,445	534,115	20,200,330
Convention Center	25,589,533	24,844,341	745,192	(70,253)	815,445
Environmental improvements	3,413,214	2,580,786	832,428	296,843	535,585
Facilities and Equipment	133,654,013	75,215,659	58,438,354	9,288,792	49,149,562
Libraries	43,811,177	22,501,333	21,309,844	3,562,131	17,747,713
Miscellaneous capital projects	50,255,176	14,598,180	35,656,996	11,743,328	23,913,668
Museum	14,498,189	9,929,184	4,569,005	684,190	3,884,815
Open Space	6,935,515	6,872,832	62,683	3,586	59,097
Parks and recreation	196,676,657	150,546,536	46,130,121	11,421,687	34,708,434
Planning	13,486,798	13,026,528	460,270	139,156	321,114
Public Safety	129,137,701	99,696,417	29,441,284	10,367,092	19,074,192
Rio Grande Zoo	31,971,319	26,063,784	5,907,535	1,428,342	4,479,193
Senior citizens facility	71,084,204	47,626,638	23,457,566	4,753,888	18,703,678
Storm Sewer	56,478,462	24,399,515	32,078,947	3,962,046	28,116,901
Street improvements	413,618,751	301,201,427	112,417,324	22,833,501	89,583,823
Trails	145,827	92,182	53,645	40,356	13,289
Transit	34,376,071	21,950,778	12,425,293	9,491,837	2,933,456
Total capital acquisition fund	<u>\$ 1,302,836,874</u>	<u>\$ 898,447,702</u>	<u>\$ 404,389,172</u>	<u>\$ 90,480,637</u>	<u>\$ 313,908,535</u>

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# CITY OF ALBUQUERQUE, NEW MEXICO

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN PROJECT FUND BALANCES BY PURPOSE CAPITAL ACQUISITION FUND YEAR ENDED JUNE 30, 2016

	Bosque	City Building	Community Services	Convention Center
<b>REVENUES:</b>				
Taxes:				
Franchise taxes	\$ -	\$ -	\$ -	\$ -
Total taxes	-	-	-	-
Intergovernmental:				
Grants:				
Federal Aviation Administration	-	-	-	-
Federal Highway Administration	-	-	-	-
State Highway Department	-	-	-	-
State Agency of Aging	-	-	-	-
State NM Library	-	-	-	-
State Dept of Finance & Administration	-	-	95,552	-
State Community Schools	-	-	-	-
Total intergovernmental	-	-	95,552	-
Interest on investments	-	9,041	105,177	8,077
Miscellaneous:				
Sales of real property	-	-	-	-
Contributions in aid of construction/Other Contrib	-	-	-	-
Other revenue (expenditure)	-	-	767,995	-
Total miscellaneous	-	-	767,995	-
Total revenues	-	9,041	968,724	8,077
<b>EXPENDITURES</b>				
Capital Outlay	-	-	534,115	(70,253)
Total expenditures	-	-	534,115	(70,253)
Excess (deficiency) of revenues over expenditures	-	9,041	434,609	78,330
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in from other funds	-	-	-	15,000
Transfers out to other funds	-	-	-	-
Internal transfers in	-	-	81,262	-
Internal transfers out	-	-	(80,489)	-
Proceeds of notes payable and bonds issued	-	-	11,085,000	-
Total other financing sources (uses)	-	-	11,085,773	15,000
Net change in fund balances	-	9,041	11,520,382	93,330
Fund balances, July 1	145,677	1,287,448	1,147,345	788,743
Fund balances, June 30	\$ 145,677	\$ 1,296,489	\$ 12,667,727	\$ 882,073

# CITY OF ALBUQUERQUE, NEW MEXICO

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN PROJECT FUND BALANCES BY PURPOSE CAPITAL ACQUISITION FUND YEAR ENDED JUNE 30, 2016

Environmental Improvements	Facilities & Equipment	Libraries	Miscellaneous Capital Projects	Museum	Open Space	Parks & Recreation
\$ -	\$ -	\$ -	\$ 389,922	\$ -	\$ -	\$ -
-	-	-	389,922	-	-	-
-	-	168,885	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	627,830	-	-	-	-	17,912
-	-	528,048	-	-	-	-
-	-	316,941	-	-	-	911,339
-	-	-	-	-	-	213,913
-	627,830	1,013,874	-	-	-	1,143,164
-	235,085	42,282	659,290	8,728	(121)	166,349
-	-	-	-	-	-	-
-	95,093	-	6,000,000	-	-	5,000
-	1,466	-	-	1,000,000	-	17
-	96,559	-	6,000,000	1,000,000	-	5,017
-	959,474	1,056,156	7,049,212	1,008,728	(121)	1,314,530
296,843	9,288,792	3,562,131	11,743,328	684,190	3,586	11,421,687
296,843	9,288,792	3,562,131	11,743,328	684,190	3,586	11,421,687
(296,843)	(8,329,318)	(2,505,975)	(4,694,116)	324,538	(3,707)	(10,107,157)
-	1,616,000	-	230,964	-	-	85,203
-	-	-	-	-	-	-
13,262	23,511	16,235	4,082	5,864	-	35,924
-	(49,386)	(16,350)	-	(13,874)	-	(14,055)
(10,150)	37,297,705	8,600,000	(39,958,177)	500,000	-	25,130,000
3,112	38,887,830	8,599,885	(39,723,131)	491,990	-	25,237,072
(293,731)	30,558,512	6,093,910	(44,417,247)	816,528	(3,707)	15,129,915
(1,117,626)	14,463,318	22,332,979	98,905,628	(410,783)	(745,442)	9,831,817
\$ (1,411,357)	\$ 45,021,830	\$ 28,426,889	\$ 54,488,381	\$ 405,745	\$ (749,149)	\$ 24,961,732

# CITY OF ALBUQUERQUE, NEW MEXICO

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN PROJECT FUND BALANCES BY PURPOSE CAPITAL ACQUISITION FUND YEAR ENDED JUNE 30, 2016

	Planning	Public Safety	Rio Grande Zoo	Senior Citizen Facility
<b>REVENUES:</b>				
Taxes:				
Franchise taxes	\$ -	\$ -	\$ -	\$ -
Total taxes	-	-	-	-
Intergovernmental:				
Grants:				
Federal Aviation Administration	-	-	-	-
Federal Highway Administration	-	-	-	-
State Highway Department	-	-	-	-
State Agency of Aging	-	-	-	946,618
State NM Library	-	-	-	-
State Dept of Finance & Administration	80,000	954,499	3,292	11,844
State Community Schools	-	-	-	-
Total intergovernmental	80,000	954,499	3,292	958,462
Interest on investments	1,206,738	85,637	25,108	179,647
Miscellaneous:				
Sales of real property	-	-	-	-
Contributions in aid of construction/Other Contrib	-	-	-	-
Other revenue (expenditure)	390	51,908	-	-
Total miscellaneous	390	51,908	-	-
Total revenues	1,287,128	1,092,044	28,400	1,138,109
<b>EXPENDITURES</b>				
Capital Outlay	139,156	10,367,092	1,428,342	4,753,888
Total expenditures	139,156	10,367,092	1,428,342	4,753,888
Excess (deficiency) of revenues over expenditures	1,147,972	(9,275,048)	(1,399,942)	(3,615,779)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in from other funds	8,833	3,300,000	-	-
Transfers out to other funds	-	-	-	-
Internal transfers in	-	20,814	6,516	109,113
Internal transfers out	-	(20,814)	(7,642)	(116,582)
Proceeds of notes payable and bonds issued	-	11,165,000	3,700,000	-
Total other financing sources (uses)	8,833	14,465,000	3,698,874	(7,469)
Net change in fund balances	1,156,805	5,189,952	2,298,932	(3,623,248)
Fund balances, July 1	(394,871)	31,646,650	(10,698,893)	19,382,230
Fund balances, June 30	\$ 761,934	\$ 36,836,602	\$ (8,399,961)	\$ 15,758,982



# CITY OF ALBUQUERQUE, NEW MEXICO

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN PROJECT FUND BALANCES BY PURPOSE CAPITAL ACQUISITION FUND YEAR ENDED JUNE 30, 2016

Storm Sewer	Street Improvements	Trails	Transit	Total
\$ -	\$ -	\$ -	\$ -	\$ 389,922
-	-	-	-	389,922
-	-	-	-	168,885
-	674,039	-	-	674,039
-	3,230,825	39,611	-	3,270,436
-	-	-	-	1,592,360
-	-	-	-	528,048
-	-	-	-	2,373,467
-	-	-	-	213,913
-	3,904,864	39,611	-	8,821,148
196,639	701,465	-	116,430	3,745,572
-	11,517	-	-	11,517
87,270	(6,438)	-	-	6,180,925
28,123	68,243	-	-	1,918,142
115,393	73,322	-	-	8,110,584
312,032	4,679,651	39,611	116,430	21,067,226
3,962,046	22,682,920	40,356	9,491,837	90,330,056
3,962,046	22,682,920	40,356	9,491,837	90,330,056
(3,650,014)	(18,003,269)	(745)	(9,375,407)	(69,262,830)
-	-	-	-	5,256,000
-	(150,581)	-	-	(150,581)
354,498	1,140,780	205	108,557	1,920,623
(347,102)	(1,145,772)	-	(108,557)	(1,920,623)
6,500,000	30,150,581	-	17,077,419	111,237,378
6,507,396	29,995,008	205	17,077,419	116,342,797
2,857,382	11,991,739	(540)	7,702,012	47,079,967
19,986,657	26,034,752	25,611	(1,240,927)	231,370,313
\$ 22,844,039	\$ 38,026,491	\$ 25,071	\$ 6,461,085	\$ 278,450,280

## **APPENDIX B**

### **Description of Bond Ordinance**

The following are excerpts or summaries of provisions of City Ordinance Twenty-Second Council Bill No. O-17-36 which authorizes the issuance and sale of the Series 2017 Bonds. This Appendix B is qualified by reference to the Bond Ordinance on file with the City Clerk.

#### **Certain Definitions**

**ACT.** Sections 3-30-1 to 3-30-9 NMSA 1978, Sections 6-15-1 to 6-15-10, Section 6-15-22 NMSA 1978, the Public Securities Short-Term Interest Rate Act, being Sections 6-18-1 to 6-18-16 NMSA 1978, as amended, the City Charter, the Home Rule Powers and the Bond Ordinance.

**AUTHORIZED AT 2015 ELECTION.** The amount of debt authorized at the 2015 Election to be incurred by the City for each separate project listed in the Bond Schedule.

**AUTHORIZED DENOMINATIONS.** Denominations of \$5,000 and integral multiples of \$5,000 for the Series 2017A Bonds; provided however that the Series 2017B Bonds may be sold in such odd lot denominations as an Authorized Officer of the City may determine.

**AUTHORIZED OFFICER.** The City's Mayor, Chief Administrative Officer, Director of Department of Finance and Administrative Services, Treasurer, or other officer or employee of the City when designated by a certificate signed by the Mayor of the City from time to time.

**BEST BID – SERIES 2017A Bonds.** The following bids of the Purchaser for the Series 2017A Bonds: the principal amount of \$22,850,000.00 for the Series 2017A Bonds, plus a net premium of \$2,547,892.20, bearing interest at the rates set forth in Section 5(D) of the Bond Ordinance. The true interest cost for the Series 2017A Bonds, taken as a whole and stated as a percentage, is 2.46501%; and the total interest cost for the Series 2017A Bonds stated in dollars is \$6,779,744.44. The net effective interest rate on Series 2017A Bonds is less than 10% per annum.

**BOND COUNSEL.** An attorney or attorneys at law or firm or firms of attorneys, designated by the City, of nationally recognized standing in matters pertaining to the issuance of, and the tax-exempt nature of interest on, bonds issued by states and their political subdivisions.

**BOND ORDINANCE.** This ordinance, being City Ordinance Twenty-Second Council Bill No. O-17-36, as amended or supplemented from time to time.

**BOND PURCHASE AGREEMENT (2017B).** The agreement between the City and the State pursuant to which the Series 2017B Bonds will be sold to the State.

**BOND SCHEDULE.** The schedule in the preambles to the Bond Ordinance specifying the aggregate of the indebtedness authorized at the 2015 Election and the indebtedness for each Series 2017 Bond Project authorized at the 2015 Election.

**BUSINESS DAY.** Any day other than (i) a Saturday or Sunday or (ii) any day on which the offices of the City or the offices of banks located in the cities in which the principal offices of the Paying Agent and Registrar are located are authorized or required to remain closed or (iii) a day on which the New York Stock Exchange is closed.

**CITY.** The City of Albuquerque, in the County of Bernalillo and State of New Mexico.

**CONTINUING DISCLOSURE UNDERTAKING.** The agreement of the City pursuant to which the City will agree for the benefit of Owners and beneficial owners that, while the Series 2017A Bonds are Outstanding, the City will annually provide certain financial information and operating data and will provide notice of certain material events.

**COUNCIL.** The Council, the governing body of the City, and any successor thereto.

**DEFEASANCE OBLIGATIONS.** (1) Government Obligations or; (2) if permitted by law, other obligations which would result in defeased Series 2017 Bonds receiving the same rating from any national rating agency then rating those Series 2017 Bonds as would have been received if the obligation described in clause (1) of this definition had been used.

**DEPOSITORIES.** The following registered securities depository: The Depository Trust Company, 570 Washington Boulevard, Jersey City, New Jersey 07310, <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.

**EXPENSES.** The reasonable and necessary fees, costs and expenses incurred by the City in connection with the issuance of the Series 2017 Bonds including, without limitation, costs of advertising and publication of the Bond Ordinance, costs of printing the Series 2017 Bonds, if any, and any disclosure documents, legal fees and expenses, fees and expenses of the Paying Agent and Registrar, and disclosure matters pertaining or allocable to, the Series 2017 Bonds, and necessary fees and administrative costs of the City relating to the foregoing.

**FISCAL YEAR.** The twelve-month period used by the City for its general accounting purposes as the same may be changed from time to time, presently being the period beginning July 1 of each year and ending June 30 of the next succeeding year.

**GOVERNMENT OBLIGATIONS.** Direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America or certificates or receipts established by the United States Government or its agencies or instrumentalities representing direct ownership of future interests or principal payments on direct obligations of, or obligations fully guaranteed by, the United States of America or any of its agencies or instrumentalities, the obligations of which are backed by the full faith and credit of the United States, which obligations are held by a custodian in safekeeping on behalf of the holders of such receipts, and rated or assessed in its highest Rating Category by S&P, Moody's and Fitch, if then rating the Series 2017 Bonds.

**HOME RULE POWERS.** The powers of the City as a home rule city to exercise legislative powers given pursuant to the City Charter adopted by the City pursuant to Article X,

Section 6 of the State Constitution and all enactments of the Council relating to the issuance of the Series 2017 Bonds, including the Bond Ordinance.

**INTEREST AND SINKING FUND.** The fund created in Section 18 of the Bond Ordinance for the payment of debt service on the Series 2017 Bonds.

**INTEREST PAYMENT DATE.** For the Series 2017A Bonds, each January 1 and July 1 (or if such day is not a Business Day, then the next succeeding Business Day), beginning January 1, 2018. For the Series 2017B Bonds, July 3, 2017, the maturity date of the Series 2017 Bonds.

**OUTSTANDING.** When used in reference to bonds, on any particular date, the aggregate of all such bonds issued and delivered under the applicable City ordinance authorizing the issuance of such bonds except:

- (1) those 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 bonds or otherwise relating thereto;
- (3) in the case of variable rate bonds, bonds deemed tendered, but not yet presented for payment; and
- (4) those in lieu of or in exchange or substitution for which other bonds shall have been delivered, unless proof satisfactory to the City and the paying agent for the applicable bonds is presented that any bond for which a new bond was issued or exchanged is held by a bona fide holder or in due course.

As used in this definition, the term bond includes any evidence of debt.

**OWNER.** The registered owner or owners of any Series 2017 Bond as shown on the registration books for the Series 2017 Bonds maintained by the Registrar.

**PAYING AGENT.** The City Treasurer or any trust company, national or state banking association or financial institution qualified to act and appointed as the paying agent for the Series 2017 Bonds by an Authorized Officer from time to time.

**PERMITTED INVESTMENTS.** Any investment legally permitted pursuant to Section 6-10-10 NMSA 1978, the City Charter and the City Investment Policy.

**PURCHASER.** With respect to the Series 2017A Bonds, Hutchinson, Shockey, Erley & Co., and members of the purchasing syndicate for the Series 2017A Bonds. With respect to the Series 2017B Bonds, the State of New Mexico.

**RATING CATEGORY.** A generic securities rating category, without regard, in the case of a long-term rating category, to any refinement or gradation of such long-term rating category by a numerical modifier or otherwise.

**RECORD DATE.** The twenty-fifth day of the calendar month preceding each Interest Payment Date.

**REGISTRAR.** The City Treasurer or any trust company, national or state banking association or financial institution qualified to act and appointed as the registrar for the Series 2017 Bonds by an Authorized Officer from time to time.

**SERIES 2017 BOND NOTICE.** The notice of bond sale for publication and the Official Notice of Bond Sale for the Series 2017A Bonds set forth in the Series 2017 Bond Notice Resolution given pursuant to Section 6-15-5 NMSA 1978, as amended.

**SERIES 2017 BOND NOTICE RESOLUTION.** City Resolution Twenty-Second Council Bill No. R-17-158, authorizing the giving of notice to receive bids for the sale of the Series 2017A Bonds.

**SERIES 2017 BONDS.** The Series 2017A Bonds and the Series 2017B Bonds, which consist of a portion of the 2015 Election Bonds.

**SERIES 2017 BONDS PROJECTS.** Collectively, the projects to be financed by the Series 2017 Bonds.

**SERIES 2017A Bonds.** The Series 2017A Bonds in the original principal amount of \$22,850,000 designated as the “City of Albuquerque, New Mexico General Obligation General Purpose Bonds, Series 2017A” authorized to be issued and sold by the Bond Ordinance.

**SERIES 2017B BONDS.** The Series 2017B Bonds in the original principal amount of \$11,257,000 designated as the “City of Albuquerque, New Mexico General Obligation Short-Term Bonds, Series 2017B” authorized to be issued and sold by the Bond Ordinance.

**STATE.** The State of New Mexico.

**2015 ELECTION.** The City’s municipal election held on October 6, 2015.

**2015 ELECTION BONDS.** The general obligation bonds of the City authorized to be issued at the 2015 Election.

### **Series 2017 Bond Projects**

Proceeds of the Series 2017 Bonds shall be used for the following Series 2017 Bond Projects and to pay Expenses relating to the issuance of such Series 2017 Bonds, with net premium applied for payment of Expenses:

(1) \$3,815,000 to design, develop, study, construct, modernize, automate, renovate, rehabilitate, recondition, landscape, furnish, enhance, and otherwise improve, and to acquire

land, buildings, property, vehicles, apparatus, and equipment for, police and fire department facilities;

(2) \$5,570,000 to plan, design, develop, construct, demolish, equip, reconstruct, renovate, rehabilitate, expand, repair, study, landscape, streetscape, enhance and otherwise improve, and to acquire property for, City-owned community centers including those for families, youth, senior citizens, and for economic development projects and for infrastructure and/or facility improvements associated with Metropolitan Redevelopment Area projects and for community enhancement projects;

(3) \$3,060,000 to study, map, plan, design, develop, construct, rehabilitate, renovate, expand, furnish, equip, enhance and otherwise improve and to acquire property, vehicles and equipment for park and recreational facilities, including public parks and facilities within those parks, swimming pools, tennis courts, sports fields and other recreational facilities, open space, medians, bikeways, bosque lands and trails;

(4) \$5,705,000 to modernize, make energy- and/or water-efficient, upgrade, equip, improve, acquire, design, survey, develop, construct, rehabilitate, renovate, maintain, expand, furnish, enhance, and otherwise improve, and to acquire property, vehicles and equipment for, public buildings, facilities, and systems;

(5) \$4,085,000 to acquire property, study, plan, design, develop, construct, reconstruct, renovate, rehabilitate, modernize, preserve, automate, upgrade, landscape and otherwise improve, and to acquire books, media, and equipment for, public libraries;

(6) \$3,675,000 to study, design, develop, construct, reconstruct, rehabilitate, renovate, automate, modernize, sign, enhance, landscape and otherwise improve, and to acquire property and equipment for municipal streets and roads, interstate roadways and interchanges, medians, trails, bikeways, walkways, sidewalks, railroad crossings, and bridges;

(7) \$217,000 to design, develop, construct, rehabilitate, renovate, expand, recondition, modernize, automate, study, furnish, enhance and otherwise improve, and to acquire property, vehicles, and equipment for public transportation facilities;

(8) \$7,740,000 to plan, design, develop, construct, reconstruct, rehabilitate, renovate, expand, extend, enhance, study, monitor and otherwise improve, and to acquire property and equipment for the storm sewer system;

(9) \$240,000 to study, design, develop, construct, reconstruct, rehabilitate, renovate, repair, refurbish, modernize, preserve, maintain, expand, enhance, landscape and otherwise improve, and to acquire artifacts, animals, plant material, exhibits, furnishings and equipment for the Zoo, Tingley Beach, Aquarium, Botanic Garden and/or City-owned museums and cultural facilities.

### **Payment of Series 2017 Bonds**

The principal of and premium, if any, on the Series 2017 Bonds shall be payable upon presentation and surrender of the Series 2017 Bonds at the principal office of the Paying Agent at

or after their maturity. Interest on Series 2017 Bonds shall be payable by check or draft mailed to the Owners (or by such other arrangement as may be mutually agreed to by the Paying Agent and an Owner). An Owner shall be deemed to be that person or entity shown on the registration books of the Series 2017 Bonds maintained by the Registrar at the address appearing in the registration books at the close of business on the applicable Record Date. However, interest which is not timely paid or provided for shall cease to be payable to the Owners of the Series 2017 Bonds (or of one or more predecessor Series 2017 Bonds) as of the regular Record Date, but shall be payable to the Owners of the Series 2017 Bonds (or of one or more predecessor Series 2017 Bonds) at the close of business on a special record date for the payment of the overdue interest. The special record date shall be fixed by the Paying Agent and Registrar whenever money becomes available for payment of the overdue interest and notice of the special record date shall be given to the Owners of such Series 2017 Bonds not less than ten days prior to that date. Payment shall be made in the coin or currency of the United States of America that is at the time of payment legal tender for the payment of public and private debts. If the principal amount of any Series 2017 Bond presented for payment remains unpaid at maturity, the unpaid principal shall continue to bear interest at the rate designated in that Series 2017 Bond. Payments of Series 2017 Bonds shall be made without deduction for exchange or collection charges.

## **Registration, Transfer, Exchange and Ownership of Series 2017 Bonds**

### *Registration, Transfer and Exchange*

The City shall cause books for registration, transfer and exchange of the Series 2017 Bonds to be kept at the principal office of the Registrar. Upon surrender for transfer or exchange of any Series 2017 Bonds at the principal office of the Registrar duly endorsed by the Owner or his attorney duly authorized in writing, or accompanied by a written instrument or instruments of transfer or exchange in form satisfactory to the Registrar and properly executed, the City shall execute and the Registrar shall authenticate and deliver in the name of the transferee or Owner, as appropriate, a new Series 2017 Bond or Series 2017 Bonds of the same series, maturity, interest rate and same aggregate principal amount in Authorized Denominations.

### *Owner of Series 2017 Bonds*

The person in whose name any Series 2017 Bond is registered shall be deemed and regarded as its absolute Owner for all purposes, except as may otherwise be provided with respect to the payment of interest described above under the heading "Payment of Series 2017 Bonds." Payment of either the principal or interest on any Series 2017 Bond shall be made only to or upon the order of its Owner or his legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability on Series 2017 Bonds to the extent of the amount paid.

### *Replacement of Series 2017 Bonds*

If any Series 2017 Bond is lost, stolen, destroyed or mutilated, the Registrar shall, upon receipt of that Series 2017 Bond, if mutilated, and the evidence, information or indemnity which the Registrar and the City may reasonably require, authenticate and deliver a replacement Series

2017 Bond or Series 2017 Bonds of the same series, aggregate principal amount, maturity and interest rate, bearing a number or numbers not then outstanding. If any lost, stolen, destroyed or mutilated Series 2017 Bond has matured or been called for redemption, the Registrar may direct the Paying Agent to pay that Series 2017 Bond in lieu of replacement.

### *Charges*

Exchanges and transfers of Series 2017 Bonds shall be made without charge to the Owner or any transferee except that the Registrar may make a charge sufficient to reimburse the Registrar for any tax, fee or other governmental charge required to be paid with respect to that transfer or exchange.

### **General Administration of Funds**

To the extent practicable, any money in any fund or account shall be invested in Permitted Investments within any limitations imposed by the Bond Ordinance. Obligations purchased as an investment of money in any fund or account shall be deemed at all times to be part of that fund or account, and the interest accruing and any profit realized on those investments shall be credited to that fund or account, unless otherwise stated in the Bond Ordinance (subject to withdrawal at any time for the uses directed and permitted for such money by the Bond Ordinance) and any loss resulting from such investment shall be charged to that fund or account. The City Treasurer shall present for redemption or sale on the prevailing market any Permitted Investment in a fund or account when necessary to provide money to meet a required payment or transfer from that fund or account.

### **Protective Covenants**

The City covenants and agrees with the Owners:

- (1) Use of Series 2017 Bond Proceeds. When issued, the City will proceed without unreasonable delay to use the proceeds of the Series 2017 Bonds for the acquisition and construction of the respective Series 2017 Bonds Projects for which the Series 2017 Bonds are issued in the amounts described under the caption "DESCRIPTION OF BOND ORDINANCE – Series 2017 Bonds Projects."
- (2) Payments. The City will pay the principal of and the interest on every Series 2017 Bond at the place, on the date and in the manner described under the caption "DESCRIPTION OF BOND ORDINANCE – Payment of Series 2017 Bonds" and in the Series 2017 Bonds.
- (3) City's Existence. The City will maintain its corporate identity and existence so long as any of the Series 2017 Bonds remain outstanding, unless another political subdivision by operation of law succeeds to the liabilities and rights of the City, without adversely affecting to any substantial degree the privileges and rights of any Owner. The City may annex and de-annex land.



## **Series 2017 Bonds Not Presented When Due**

If any Series 2017 Bonds are not duly presented for payment when due at maturity, and if money sufficient to pay those Series 2017 Bonds is on deposit with the Paying Agent for the benefit of the Owners of those Series 2017 Bonds, all liability of the City to those Owners for the payment of the Series 2017 Bonds shall be completely discharged, those Series 2017 Bonds shall not be deemed to be Outstanding and it shall be the duty of the Paying Agent to segregate and to hold the money received for payment in trust, without liability for interest to the Owners, for the benefit of those Owners.

## **Amendment of Bond Ordinance**

### *Amendment*

The Bond Ordinance may be amended by resolution or ordinance of the 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 Ordinance;
- (2) To grant to the Owners any additional rights, remedies, powers or authority that may lawfully be granted to them;
- (3) To obtain or maintain a rating on the Series 2017 Bonds from any rating agency which amendment, in the judgment of Bond Counsel, does not materially adversely affect the Owners;
- (4) To achieve compliance with federal securities or tax laws; and
- (5) To make any other changes in the Bond Ordinance which, in the opinion of Bond Counsel, are not materially adverse to the Owners.

### *Additional Amendments*

Except as provided above, the Bond Ordinance may only be amended or supplemented by ordinance adopted by the Council in accordance with the laws of the State, without receipt by the City of any additional consideration, but with the written consent of the Owners of a majority of the principal amount of the Series 2017 Bonds affected by such amendment or supplement then Outstanding (not including Series 2017 Bonds which are then owned by or for the account of the City); provided, however, that no such ordinance shall have the effect of permitting:

- (1) An extension of the maturity of any Series 2017 Bond; or
- (2) A reduction in the principal amount of or interest rate on any Series 2017 Bond; or
- (3) A reduction of the principal amount of Series 2017 Bonds required for consent to such amendment or supplement.

## **Defeasance**

When all principal and interest in connection with all or any part of the Series 2017 Bonds have been paid or provided for, the pledge and lien and all obligations under the Bond Ordinance with respect to those Series 2017 Bonds shall be discharged and those Series 2017 Bonds shall no longer be deemed to be outstanding within the meaning of the Bond Ordinance.

Without limiting the preceding paragraph, there shall be deemed to be such payment when the Council has caused to be placed in escrow and in trust with an escrow agent located within or without the State and exercising trust powers, an amount sufficient (including the known minimum yield from Defeasance Obligations in which such amount may be initially invested) to pay all requirements of principal and interest on the Series 2017 Bonds to be defeased as the same become due to their final maturities. The escrow agent shall have received evidence satisfactory to it that the cash and Defeasance Obligations delivered to it will be sufficient to provide for the payment of the Series 2017 Bonds to be defeased as stated above. Neither the Defeasance Obligations nor money deposited with the escrow agent shall be withdrawn or used for any purpose other than as provided in the escrow agreement relating thereto and the Defeasance Obligations and money shall be segregated and held in trust for the payment of the principal or redemption price of, and interest on the Series 2017 Bonds with respect to which such deposit has been made. The Defeasance Obligations shall become due prior to the respective times at which the proceeds are needed in accordance with a schedule established and agreed upon between the City and the escrow agent at the time of the creation of the escrow, or the Defeasance Obligations shall be subject to redemption only at the option of the holders or owners thereof to assure the availability of the proceeds as needed to meet the schedule.

If any Series 2017 Bonds are deemed to be paid and discharged pursuant to this section entitled "Defeasance," then, within fifteen (15) days after the date of defeasance, the City shall cause a written notice to be given to each Owner of Series 2017 Bonds deemed paid and discharged at the address shown on the Series 2017 Bond register for the Series 2017 Bonds on the date on which those Series 2017 Bonds are deemed paid and discharged stating the numbers of the Series 2017 Bonds deemed paid and discharged (if less than all Series 2017 Bonds are deemed paid and discharged), describing the Defeasance Obligations and specifying any date or dates on which the Series 2017 Bonds defeased are to be paid.

## **APPENDIX C**

### **Form of Opinion of Bond Counsel**

April 11, 2017

City of Albuquerque  
Albuquerque, New Mexico

**City of Albuquerque, New Mexico**  
**\$22,850,000**  
**General Obligation General Purpose Bonds**  
**Series 2017A**

Ladies and Gentlemen:

We have acted as bond counsel to the City of Albuquerque, New Mexico (the “City”), in connection with the issuance of its \$22,850,000 General Obligation General Purpose Bonds, Series 2017A (the “Bonds”). The Bonds are authorized to be issued pursuant to City Ordinance Twenty-Second Council Bill No. F/S O-17-36 (the “Bond Ordinance”).

We have examined the Bond Ordinance, the Tax Compliance Certificate of the City relating to the Bonds and such other laws, certified proceedings, documents and other matters, and have made such further inquiries and investigations, as we have considered necessary in rendering this opinion.

Based upon the foregoing, in our opinion, under the existing law:

1. The Bonds constitute valid and binding general obligations of the City and the principal of and interest on the Bonds, unless paid from other sources, are to be paid from the proceeds of the levy of ad valorem taxes on all property within the City subject to ad valorem taxes levied by the City, which taxes are unlimited as to rate or amount.

2. Under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is not includible in gross income for federal income tax purposes. We are also of the opinion that interest on the Bonds is not a specific preference item for purposes of the alternative minimum tax provisions contained in the Internal Revenue Code of 1986, as amended; however, such interest on the Bonds will be included in the adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of alternative minimum tax 75% of the excess of a corporation’s adjusted current earnings over its alternative minimum taxable income (determined without regard to this adjustment and prior to reduction for certain net operating losses). Although we are of the opinion that interest on the Bonds is not includible in gross income for federal income tax purposes, the accrual or receipt of interest on the 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.

3. The Bonds and the income from the Bonds are exempt from all taxation by the State or any political subdivision of the State.

The opinions set forth above in paragraph 2 are subject to continuing compliance by the City with covenants regarding federal tax law contained in the proceedings and other documents relevant to the issuance by the City of the Bonds. Failure to comply with these covenants may result in interest on the Bonds being included in gross income retroactive to their date of issuance. Our opinion assumes compliance with such covenants.

The accrual or receipt of interest on the 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. Other than as described in this opinion, we have not addressed nor are we opining on the tax consequences to any person of the investment in, or the receipt of interest on, the Bonds.

The opinions expressed herein represent our legal judgment based upon existing legislation as of the date of issuance and delivery of the Bonds that we deem relevant to render such opinions and are not a guarantee of a result, and we express no opinion as of any date subsequent thereto or with respect to any pending legislation.

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 Bonds.

Respectfully submitted,

## **APPENDIX D**

### **Form of Continuing Disclosure Undertaking**

**\$22,850,000**  
**CITY OF ALBUQUERQUE, NEW MEXICO**  
**General Obligation**  
**General Purpose Bonds**  
**Series 2017A**

### **CONTINUING DISCLOSURE UNDERTAKING**

This Continuing Disclosure Undertaking (the “Disclosure Undertaking”) is executed and delivered by the CITY OF ALBUQUERQUE, NEW MEXICO (the “City”) in connection with the issuance of the City’s General Obligation General Purpose Bonds, Series 2017A (the “Series 2017A Bonds”). The Series 2017A Bonds are being issued pursuant to City Ordinance Twenty-Third Council Bill No. F/S O-17-36 (the “Bond Legislation”).

The City covenants and agrees as follows:

**SECTION 1. Purpose of the Disclosure Undertaking.** This Disclosure Undertaking is being executed and delivered by the City for the benefit of the Owners of the Series 2017A Bonds and in order to allow the Participating Underwriters (as defined by Rule 15c2-12) to comply with Rule 15c2-12.

**SECTION 2. Definitions.** In addition to the definitions set forth in the Bond Legislation, which apply to any capitalized term used in this Disclosure Undertaking unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Financial Information” means the financial information or operating data with respect to the City, delivered at least annually pursuant to Section 3 hereof, of the type set forth in the Official Statement, including but not limited to, the type of financial information and operating data with respect to the City set forth in “FINANCIAL INFORMATION.”

“Audited Financial Statements” means the annual financial statements for the City, prepared in accordance with generally accepted accounting principles consistently applied, as in effect from time to time, audited by a firm of certified public accountants.

“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 2017A Bonds.

“Owners” means the registered owners of the Series 2017A Bonds, and so long as the Series 2017A Bonds are subject to the book-entry system, any Beneficial Owner, as such term is defined in the Bond Legislation.

“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 2017A 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 March 31<sup>st</sup> 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 2017A 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 2017A 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 2017A Bonds are outstanding, the City shall provide to EMMA, notice in a timely manner not in excess of ten (10) business days 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 2017A Bonds and shall extend to the earliest of (a) the date all principal and interest on the Series 2017A Bonds are deemed paid or legally defeased pursuant to the terms of the Bond Legislation; (b) the date that the City is no longer an “obligated person” with respect to the Series 2017A 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 2017A 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 2017A Bonds obtained in the manner prescribed by the Bond Legislation or (b) if such amendment or waiver is otherwise consistent with Rule 15c2-12, as determined by an opinion of Counsel experienced in federal securities laws selected by the City. Written notice of any such amendment or waiver shall be provided by the City to 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 2017A 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 2017A 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 2017A Bonds may take action to seek specific performance in connection with a challenge to the adequacy of the information provided by the City in accordance with this Disclosure Undertaking, after notice and opportunity to comply as provided herein, and such action shall be taken only in a court of competent jurisdiction in the State of New Mexico. A DEFAULT UNDER THIS DISCLOSURE UNDERTAKING SHALL NOT BE DEEMED AN EVENT OF DEFAULT UNDER THE BOND LEGISLATION OR THE SERIES 2017A 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 2017A Bonds, and shall create no rights in any other person or entity.

Dated as of \_\_\_\_\_, 2017.

CITY OF ALBUQUERQUE, NEW MEXICO

By: \_\_\_\_\_

Title: \_\_\_\_\_

## **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 2017A 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 2017A 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 2017A 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 2017A BONDS; (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNERS OF SERIES 2017A 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 2017A Bonds. The Series 2017A 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 2014 Bond certificate will be issued for the Series 2017A 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 3.8 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 2017A Bonds under the DTC system must be made by or through Direct or Indirect Participants, which will receive a credit for the Series 2017A Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2014 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 2017A 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 2017A Bonds, except in the event that use of the book-entry system for the Series 2017A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2017A 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 2017A 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 2017A Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2017A 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 2017A Bonds are in the book-entry only system, redemption notices will be sent to DTC. If less than all of the Series 2017A 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 2017A 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 2017A 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 2017A 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 2017A 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 2017A 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 2017A 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 neither the City nor the Underwriters take any responsibility for the accuracy thereof.