

PRELIMINARY OFFICIAL STATEMENT DATED JANUARY 25, 2019

NEW ISSUE
Book-Entry Only

RATING: S&P – “AA-”

In the opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A., Bond Counsel, under existing laws, regulations, rulings and judicial decisions, and assuming compliance with certain covenants described in “TAX EXEMPTION” herein, interest on the Series 2019 Bonds (including original issue discount treated as interest) (a) is excludable from the gross income of the recipients thereof for federal income tax purposes, under Section 103 of the Internal Revenue Code of 1986, as amended, and (b) is not an item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended, for purposes of the federal alternative minimum tax imposed on individuals. 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 2019 Bonds is exempt from all taxation by the State of New Mexico or any political subdivision thereof. For a more complete description of such opinion of Bond Counsel and a description of certain provisions of the Internal Revenue Code of 1986, as amended, which may affect the federal tax treatment of interest on the Series 2019 Bonds for certain owners of such bonds, see “TAX EXEMPTION” herein.

\$15,880,000*
CITY OF RIO RANCHO, NEW MEXICO
Water and Wastewater System Refunding Revenue Bonds,
Series 2019

Dated: Date of Delivery

Due: May 15, as shown on inside cover

The City of Rio Rancho, New Mexico Water and Wastewater System Refunding Revenue Bonds, Series 2019 (the “Series 2019 Bonds” or “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, New York, New York (“DTC”) will act as securities depository for the Series 2019 Bonds through its nominee, Cede & Co. One fully registered bond equal to the principal amount of each maturity of the Series 2019 Bonds will be registered in the name of Cede & Co. Individual purchases of Series 2019 Bonds will be made in book-entry form only and beneficial owners of the Series 2019 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 2019 Bonds.

The Series 2019 Bonds are being issued pursuant to the general laws of the State of New Mexico, including Sections 3-31-1 to 3-31-12 New Mexico Statutes Annotated 1978, as amended (the “Act”), and enactments of the Governing Body of the City (the “Governing Body”) relating to the issuance of the Series 2019 Bonds, including the Master Ordinance and the Bond Ordinance (both as defined herein). Principal of and interest on the Series 2019 Bonds will be payable to DTC, or its nominee, as owner of the Series 2019 Bonds, by BOKF, NA, Albuquerque, New Mexico, as Paying Agent and Registrar. Interest on the Series 2019 Bonds is payable on May 15 and November 15 of each year in which the Series 2019 Bonds are outstanding, commencing May 15, 2019.

See Inside Cover Page for Maturities, Principal Amounts, Interest Rates, Prices, Yields and CUSIP Numbers

The Series 2019 Bonds are not subject to optional redemption prior to maturity as provided herein.

The Series 2019 Bonds are being issued for the purpose of financing the costs of (i) refunding, defeasing, refinancing, paying and discharging the City’s outstanding Water and Wastewater System Revenue Bonds, Series 2009 maturing on and after May 15, 2020 in the aggregate principal amount of \$16,325,000, (ii) purchasing a Reserve Fund Insurance Policy for the Series 2019 Reserve Account and (iii) paying costs pertaining to issuance of the Series 2019 Bonds. The Series 2019 Bonds, together with the interest accruing thereon, will be payable and collectible solely out of Net Revenues. Net Revenues consist of all income and revenue directly or indirectly derived from the operation and use of the System, less Operation and Maintenance Expenses, all as herein defined. Upon issuance, the owners of the Series 2019 Bonds may not look to any general or other funds of the City for the payment of the principal of or interest and premium, if any, on such obligations, except for the Net Revenues. The Series 2019 Bonds do not constitute an indebtedness of the City within the meaning of any charter or statutory provision or limitation, nor will they be considered or held to be general obligations of the City. Neither the full faith and credit of the City nor the general taxing power or general resources of the City, the State of New Mexico or any political subdivision or public agency thereof is pledged to the payment of the Series 2019 Bonds.

In connection with the issuance of the Series 2019 Bonds, the City will commit to provide certain annual information and notice of certain 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. Modrall, Sperling, Roehl, Harris & Sisk, P.A., has also acted as special counsel to the City in connection with the preparation of this Official Statement. Certain legal matters will be passed on by McCall, Parkhurst & Horton L.L.P., Dallas Texas, as counsel to the Underwriter. RBC Capital Markets, LLC serves as Financial Advisor to the City. It is expected that the Series 2019 Bonds will be delivered to DTC in New York, New York on or about February 21, 2019.

BAIRD

Dated: _____, 2019

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. Under no circumstances shall the Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

MATURITY SCHEDULE

\$15,880,000*

CITY OF RIO RANCHO, NEW MEXICO
Water and Wastewater System Refunding Revenue Bonds,
Series 2019

<u>Maturity Date</u> <u>(May 15)</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP No.†</u>
2019	\$ 170,000				
2020	4,975,000				
2021	5,240,000				
2022	5,495,000				

† The CUSIP numbers listed above are being provided solely for the convenience of bondholders only at the time of issuance of the Series 2019 Bonds and none of the City, the Financial Advisor or the Underwriter make any representation with respect to such CUSIP numbers nor undertake any responsibility for their accuracy now or at any time in the future. The CUSIP numbers are subject to being changed after the issuance of the Series 2019 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Series 2019 Bonds. *CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. Copyright© 2018 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database.*

* Preliminary, subject to change.

CITY OF RIO RANCHO, NEW MEXICO

Mayor

Greggory D. Hull

Governing Body

Jim Owen	District 1
Dawnn Robinson	District 2
Bob Tyler	District 3
Marlene Feuer	District 4
Jennifer Flor	District 5
David Bency	District 6

Administration

John Craig	City Manager
Carole Jaramillo	Director of Financial Services
Yolanda Lucero	Acting City Clerk
Greg Lauer	City Attorney
Jim Chiasson	Utilities Director

BOND COUNSEL & DISCLOSURE COUNSEL

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(505) 872-5999

PAYING AGENT/REGISTRAR AND REFUNDING ESCROW AGENT

BOKF, NA
100 Sun Ave. NE, Suite 500
Albuquerque, New Mexico 87109

VERIFICATION AGENT

Causey, Demgen & Moore, P.C.

No dealer, broker, salesperson or other person has been authorized by the City of Rio Rancho (the “City”) or the Underwriters 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, which includes the cover page and appendices thereto, does not constitute an offer to sell or solicitation of an offer to buy any of the Series 2019 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 Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter 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 is “deemed final” by the City for purposes of Rule 15c2-12(b)(1) (the “Rule”) of the United States Securities and Exchange Commission (the “SEC”) except for the omission of certain information permitted by the Rule.

This Official Statement contains statements relating to future results that are “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995, as amended. When used in this Official Statement, the words “estimate,” “intend,” “expect” and similar expressions identify forward-looking statements. Any forward-looking statement is subject to uncertainty and risks that could cause actual results to differ, possibly materially, from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop forward-looking statements will not be realized or unanticipated events and circumstances may occur. Therefore, investors should be aware that there are likely to be differences between forward-looking statements and actual results; those differences could be material.

The Series 2019 Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon exemptions contained in such Act, nor have the Series 2019 Bonds been registered or qualified in any state. Neither the SEC nor any other federal, state, municipal or other governmental entity, nor any agency or department thereof, has passed upon the merits of the Series 2019 Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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OFFICIAL STATEMENT

\$15,880,000*

CITY OF RIO RANCHO, NEW MEXICO Water and Wastewater System Refunding Revenue Bonds, Series 2019

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 Rio Rancho, New Mexico (the “City”) of its Water and Wastewater System Refunding Revenue Bonds, Series 2019 (the “Series 2019 Bonds” or “Bonds”) in the original principal amount of \$15,880,000*. Capitalized terms used herein and not defined have the meanings specified in City Ordinance No. O38, Enactment No. 19-07 adopted by the City on January 9, 2019, Ordinance No. 59, Enactment No. 94-059 adopted by the Council on December 14, 1994, as supplemented and amended by Ordinance No. 13, Enactment No. 95-013 adopted by the Council on May 17, 1995, Substitute Ordinance No. 25, Enactment No. 98-028 adopted by the Council on November 18, 1998, and by Ordinance No. 16, Enactment No. 17-18 adopted on August 9, 2017 (collectively, the “Master Ordinance” and, together with Ordinance No. O38, Enactment No. 19-07, the “Bond Ordinance”). See “THE SERIES 2019 BONDS” and “SECURITY AND SOURCES OF PAYMENT.”

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 2019 Bonds to potential investors is made only by means of the entire Official Statement.

The City of Rio Rancho

The City of Rio Rancho, New Mexico is a political subdivision of the State of New Mexico (the “State”), organized and existing under the Constitution and general laws of the State. The City was incorporated in 1981, operates under a Council-Manager form of government with the Mayor elected at large, and is located in central New Mexico, adjacent to Albuquerque, New Mexico’s largest city. The City has a land area of approximately 105 square miles. Rio Rancho is the third largest city in New Mexico and over the last 3 decades has been one of the fastest growing cities in the nation, with a current population of 96,159 and a 5-year projected population of 104,132. The City’s Fiscal Year ends June 30 and is referred to in this Official Statement as the “Fiscal Year.”

Purposes of the Series 2019 Bonds

The Series 2019 Bonds are being issued to provide funds to (i) refund, defease, refinance, pay and discharge the City’s outstanding Water and Wastewater System Revenue Bonds, Series 2009 maturing on and after May 15, 2020 in the aggregate principal amount of \$16,325,000 (the “Refunded Bonds”), (ii) purchase a Reserve Fund Insurance Policy for deposit to the Series 2019 Reserve Account and (iii) pay all costs pertaining to issuance of the Series 2019 Bonds. The City’s purposes in refunding and discharging

*Preliminary, subject to change.

the Refunded Bonds are to lower the interest rate and the overall annual debt service requirements of the City's debt.

Authority for Issuance

The Series 2019 Bonds are being issued under the authority of and pursuant to the Constitution and laws of the State of New Mexico, including Sections 3-31-1 to 3-31-12 NMSA 1978, as amended, the powers of the City as a home rule city under authority given by the Constitution of the State and the City Charter and all enactments of the Governing Body relating to the issuance of the Series 2019 Bonds, including the Bond Ordinance.

Sources of Payment for the Series 2019 Bonds

Special Limited Obligations

The Series 2019 Bonds will be special, limited obligations of the City, payable solely from Net Revenues (defined below), Series 2019 Bond proceeds, amounts on deposit in certain funds and accounts established and held under the Bond Ordinance, including the Series 2019 Reserve Account, and the earnings thereon. See "SECURITY AND SOURCES OF PAYMENT."

All of the Series 2019 Bonds, together with the interest accruing thereon, shall be payable and collectible solely out of the Net Revenues, which are irrevocably so pledged by the Bond Ordinance. **The registered owner or owners of the Series 2019 Bonds may not look to any general or other fund for the payment of the principal of or interest on such obligations, except the designated special funds pledged therefor.** The Series 2019 Bonds shall not constitute an indebtedness or a debt within the meaning of any constitutional or statutory provision or limitation; nor shall they be considered or held to be general obligations of the City; and each of the Series 2019 Bonds shall recite that it is payable and collectible solely from the Net Revenues, the income from which is so pledged, and that the registered owner thereof may not look to any general or other fund for the payment of principal and interest on the Series 2019 Bonds.

Net Revenues

The Series 2019 Bonds are special, limited obligations of the City and are payable as to principal, interest and premium, if any, exclusively from the Net Revenues. The Series 2019 Bonds constitute a first lien (but not an exclusive first lien) on the Net Revenues, with priority over the lien of any subordinate bonds to be issued separately under the Master Ordinance. Net Revenues are defined in the Master Ordinance to mean the Gross Revenues of the System after deducting Operation and Maintenance Expenses. Gross Revenues include all income and revenues directly or indirectly derived by the City from the operation and use of the System. Operation and Maintenance Expenses include all reasonable and necessary current expenses of the System, paid or accrued, related to operating, maintaining and repairing the System.

Pursuant to the Master Ordinance, the City has covenanted to fix rates and collection charges in connection with the use of the System and to increase such rates and other charges from time to time if and when necessary to produce (a) Gross Revenues of the System sufficient to maintain the funds and accounts established in the Master Ordinance and to pay annual Operation and Maintenance Expenses, and (b) in each Fiscal Year, Net Revenues at least equal to the greater of (i) the Debt Service Requirements on all Outstanding System Bonds payable in whole or in part from Net Revenues in such Fiscal Year and the deposits required by the Master Ordinance to be made into the various funds of the Master Ordinance in

such year or (ii) 115% of the Debt Service Requirements on all Outstanding System Bonds payable in whole or in part from Net Revenues in such Fiscal Year.

Series 2019 Reserve Account

Upon issuance of the Series 2019 Bonds, the City will deposit Bond proceeds or a reserve fund insurance policy in the amount of \$_____ (representing the maximum annual debt service on the Series 2019 Bonds), equal to the Series 2019 Reserve Requirement, into the Series 2019 Reserve Account. The funds in the Series 2019 Reserve Account shall be maintained by the City and used for debt service for the Series 2019 Bonds upon a deficiency in Net Revenues.

Terms of the Series 2019 Bonds

Payments

The Series 2019 Bonds will be dated their date of initial delivery. Interest on the Series 2019 Bonds is payable on May 15 and November 15 of each year in which the Series 2019 Bonds are outstanding, commencing May 15, 2019. The Series 2019 Bonds will be issued in the aggregate principal amounts and will mature on the dates and in the amounts shown on the inside of the cover page of this Official Statement. Payments on the Series 2019 Bonds will be made by BOKF, NA, Albuquerque, New Mexico, the initial Paying Agent and Registrar for the Series 2019 Bonds.

Denominations

The Series 2019 Bonds are issuable in denominations of \$5,000 or integral multiples thereof.

Book-Entry System

Individual purchases will be made in book-entry only form and purchasers of the Series 2019 Bonds will not receive physical delivery of bond certificates except as more fully described herein. Payments of principal of and interest on the Series 2019 Bonds will be made directly to The Depository Trust Company (“DTC”) or its nominee, Cede & Co., by the Paying Agent, so long as DTC or Cede & Co. is the sole registered owner. Upon receipt of such payments, DTC is to remit such payments to DTC participants for subsequent disbursement to the beneficial owners of the Series 2019 Bonds, all as more fully described in Appendix D - “Book-Entry Only System.”

In reading this Official Statement, it should be understood that while the Series 2019 Bonds are in book-entry only form, references in other sections of this Official Statement to owners of the Series 2019 Bonds should be read to include the person for whom the Participant (as hereinafter defined) and indirect participants acquire an interest in the Series 2019 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.

No Optional Redemption

The Series 2019 Bonds are not subject to redemption prior to maturity.

For a more complete description of the Series 2019 Bonds and the Bond Ordinance, see “THE SERIES 2019 BONDS” and “SECURITY AND SOURCES OF PAYMENTS.”

Tax Considerations

In the opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A., Bond Counsel, interest on the Series 2019 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 B hereto. For a discussion of such opinion and certain other tax consequences incident to the ownership of the Series 2019 Bonds, see “TAX EXEMPTION” herein.

Outstanding Parity Obligations Payable from Pledged Revenues

After issuance of the Series 2019 Bonds and the defeasance of the Refunded Bonds, the City will have the following outstanding obligations with a parity lien on the Net Revenues, in addition to the Series 2019 Bonds: (i) Water and Wastewater System Refunding Revenue Bonds, Series 2013 with an outstanding par amount of \$10,455,000, (ii) Water and Wastewater System Refunding Revenue Bonds, Series 2015 with an outstanding par amount of \$25,940,000, (iii) 2016 New Mexico Finance Authority Senior Lien Loan Agreement with an outstanding principal amount of \$22,799,167, and (iv) 2016 New Mexico Finance Authority Senior Lien Refunding Loan Agreement with an outstanding principal amount of \$8,953,333.

Pursuant to the Bond Legislation, the City is not permitted to incur other obligations payable from Net Revenues which are senior to the Series 2019 Bonds. However, the City will be permitted to incur parity obligations in accordance with certain tests and upon satisfaction of certain tests as described in “SECURITY AND SOURCES OF PAYMENT — Parity Bonds,” and to incur obligations payable from Net Revenues which are junior to the Series 2019 Bonds.

Outstanding Subordinate Obligations Payable from Pledged Revenues

After issuance of the Series 2019 Bonds, the City will have the following outstanding obligations with a lien on the Net Revenues subordinate and junior to the lien thereon of the Series 2019 Bonds and outstanding parity obligations described above: (i) 2016 New Mexico Finance Authority Refunding Loan Agreement with an outstanding principal amount of \$20,932,500, and (ii) 2016 New Mexico Finance Authority Water Trust Board Loan Agreement with an outstanding principal amount of \$337,537. See “City of Rio Rancho Outstanding Subordinate Water and Wastewater System Obligations As of June 30, 2018” herein.

Commitment to Provide Continuing Information

The City will agree for the benefit of the owners of the 2019 Bonds that, so long as the 2019 Bonds remain outstanding, the City will provide annually its audited financial statements and certain other financial information and operating data with the Municipal Securities Rulemaking Board using its Electronic Municipal Market Access System (“EMMA”) in conformity with Rule 15c2-12, and will file notice of certain specific events with the Municipal Securities Rulemaking Board, as described in “CONTINUING DISCLOSURE UNDERTAKING” and Appendix C herein.

Professionals Involved in the Offering

At the time of the issuance and sale of the Series 2019 Bonds, Modrall, Sperling, Roehl, Harris & Sisk, P.A., as Bond Counsel, will deliver the bond counsel opinion attached as Appendix B hereto. Certain legal matters relating to the Series 2019 Bonds will be passed upon for the City by the office of the City Attorney. Modrall, Sperling, Roehl, Harris & Sisk, P.A., has also acted as special counsel to the City in

connection with the preparation of this Official Statement. Certain legal matters will be passed upon for the Underwriter by its counsel, McCall, Parkhurst & Horton L.L.P. See “LEGAL MATTERS.”

RBC Capital Markets, LLC (“RBC”) is employed as Financial Advisor to the City in connection with the issuance of the Series 2019 Bonds. The Financial Advisor’s fee for services rendered with respect to the sale of the Series 2019 Bonds is contingent upon the issuance and delivery of the Series 2019 Bonds. The Financial Advisor may also receive a fee for conducting a competitive bid process regarding the investment of certain proceeds of the Series 2019 Bonds. The Financial 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 2019 Bonds

The Series 2019 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 2019 Bonds will be delivered to DTC in New York, New York on or about February 21, 2019.

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 3200 Civic Center Circle, NE, Rio Rancho, New Mexico 87144-4503, Attention: Financial Services Director.

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 2019 Bonds.

The purchase of the Series 2019 Bonds involves special risks and the Series 2019 Bonds may not be appropriate investments for all types of investors. Each prospective investor is encouraged to read this Official Statement in its entirety and to give particular attention to the factors described under “CERTAIN INVESTMENT CONSIDERATIONS,” which, among other factors discussed herein, could affect the payment of debt service on the Series 2019 Bonds and could affect the market price or marketability of the Series 2019 Bonds to an extent that cannot be determined at this time.

CERTAIN INVESTMENT CONSIDERATIONS

The City expects that the Net Revenues will at all times be sufficient to make all required payments of principal and interest on the Series 2019 Bonds. A number of factors, however, could adversely affect the City’s ability to make timely payments on the Series 2019 Bonds from the Net Revenues.

There follows a discussion of some, but not necessarily all, of the possible risk factors which should be carefully evaluated by prospective purchasers of the Series 2019 Bonds prior to purchasing any Series 2019 Bonds. The Series 2019 Bonds may not be suitable investments for all persons, and prospective

purchasers should evaluate the risks and merits of an investment in the Series 2019 Bonds, and should confer with their own legal and financial advisors before deciding to purchase the Series 2019 Bonds.

Net Revenues are Subject to Fluctuation

The ability of the City to pay debt service requirements on the Series 2019 Bonds depends primarily upon the receipt of Net Revenues. No assurance can be made that the Net Revenues of the System, estimated or otherwise, will be realized by the City in amounts sufficient to pay debt service requirements for the Series 2019 Bonds and other System Bonds. Among other matters, which may include, without limitation, drought, general national and local economic conditions and changes in law and government regulations (including initiatives on water conservation, moratoriums and growth) could adversely affect the amount of Net Revenues realized by the City. In addition, the realization of future Net Revenues is subject to, among other things, the capabilities of the management of the City, the availability of water rights to meet System needs, the ability of the City to provide services to its customers and the ability of the City to establish, maintain and collect rates and charges sufficient to pay for Operation and Maintenance Expenses and Debt Service Requirements on all Outstanding System Bonds.

The City has implemented long term plans to provide a framework for meeting the future demands on the System. Increases in expenses may require a significant increase in rates and charges to facilitate the completion of such maintenance and improvements. Such rate increases could increase the likelihood of nonpayment by customers of the System or decrease demand for such services, both of which would adversely affect the collection of Net Revenues. Although the City has covenanted to maintain rates and charges at the level necessary to pay debt service requirements for the Series 2019 Bonds and other System Bonds, there can be no assurance that such amounts will be collected in the amount and at the time necessary to pay the debt service requirements for the Series 2019 Bonds and other System Bonds.

Additional Bonds

The City may issue additional System Bonds without Bondholder consent, upon meeting coverage or other financial tests. See “SECURITY AND SOURCES OF PAYMENT -- Parity Bonds.” The issuance of such additional obligations may have an adverse effect on the ability of the City to pay debt service on the Series 2019 Bonds. If Net Revenues are insufficient to pay debt service on the Series 2019 Bonds and the Outstanding System Bonds in any year, debt service will be paid on a proportionate basis.

Secondary Market

No guarantee can be made that a secondary market for the Series 2019 Bonds will be established and maintained. Owners of Series 2019 Bonds should be prepared to hold their Series 2019 Bonds to maturity.

Bond Rating

There is no assurance that the rating assigned to the Series 2019 Bonds will not be lowered or withdrawn at any time, the effect of which could adversely affect the market price or the marketability of the Series 2019 Bonds. See the information herein under the caption “RATING.”

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. Any forward-looking statement is subject to uncertainty. Accordingly, such statements are subject to risks that could cause actual results to differ, possibly materially, from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop forward-looking statements will not be realized or unanticipated events and circumstances may occur. Therefore, investors should be aware that there are likely to be differences between forward looking statements and actual results. Those differences could be material and could impact the availability of Net Revenues to pay debt service on the Series 2019 Bonds.

PLAN OF FINANCING

Sources and Uses of Bond Proceeds

The sources and uses of Series 2019 Bond proceeds are set forth below.

SOURCES OF BOND PROCEEDS:

Principal amount of the Series 2019 Bonds	\$
Net Premium	
TOTAL SOURCES OF BOND PROCEEDS	\$

USES OF BOND PROCEEDS:

Deposit to Escrow Fund	\$
Underwriter's Discount	
Costs of Issuance ⁽¹⁾	
TOTAL USES OF BOND PROCEEDS	\$

⁽¹⁾ Includes financial advisor fees, legal fees, fees of the paying agent/registrar, fees of the escrow bank, cost of purchasing a Reserve Fund Insurance Policy, and other miscellaneous costs and expenses related to the issuance of the Series 2019 Bonds and refunding, paying and discharging the Refunded Bonds.

The Refunding Project

The Refunding Project consists of (i) refunding, defeasing, refinancing, paying and discharging the City's outstanding Water and Wastewater System Revenue Bonds, Series 2009 maturing on and after May 15, 2020 in the aggregate principal amount of \$16,325,000 (the "Refunded Bonds"), (ii) purchasing a Reserve Fund Insurance Policy for deposit to the Series 2019 Reserve Account and (iii) paying all costs pertaining to issuance of the Series 2019 Bonds. The City's purposes in refunding and discharging the Refunded Bonds are to lower the interest rate and the overall annual debt service requirements of the City's debt.

The principal and interest due on the Series 2009 Bonds maturing on May 15, 2019 will be paid on the scheduled principal and interest payment date. The principal and interest due on the Series 2009 Bonds maturing on and after May 15, 2020 (the "Refunded Bonds") are to be paid on May 15, 2019, the first optional redemption date for Refunded Bonds. All payments of principal and interest due on the Series 2009 Bonds maturing on and after May 15, 2019 shall be paid as herein described from funds to be deposited pursuant to a certain Escrow Agreement (the "Escrow Agreement") between the City and BOKF, NA, Albuquerque, New Mexico (the "Escrow Agent"). The Bond Ordinance provides that from the proceeds of the sale of the Series 2019 Bonds received from the Underwriter, the City will deposit with the Escrow

Agent the amount necessary to accomplish the discharge and final payment of the Series 2009 Bonds on May 15, 2019. Such funds will be held by the Escrow Agent in a special escrow account (the “Escrow Fund”) and used to purchase direct obligations of the United States of America (the “Federal Securities”). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal and interest on the Series 2009 Bonds.

Causey, Demgen & Moore, P.C. (the “Verification Agent”) will verify at the time of delivery of the Series 2019 Bonds to the purchasers, the mathematical accuracy of (i) the schedules and demonstrate the Federal Securities will mature and bear interest in such amounts which, together with uninvested funds, if any, in the Escrow Fund, will be sufficient to pay when due, the principal of and interest on the Refunded Bonds on their redemption date. Such maturing principal of and interest on the Federal Securities will not be available to pay the Series 2019 Bonds. See “VERIFICATION OF CERTAIN MATHEMATICAL COMPUTATIONS.”

By the deposit of the Federal Securities and cash, if necessary, with the Escrow Agent pursuant to the Escrow Agreement, the City will have affected the defeasance of the Series 2009 Bonds in accordance with the requirements of the ordinances authorizing issuance of the Series 2009 Bonds, and applicable law, and the Series 2009 Bonds will no longer be outstanding as Parity Bonds. The City has covenanted in the Escrow Agreement to make timely deposits to the Escrow Account of any additional amounts required to pay the principal of, premium and interest on the Series 2009 Bonds if, for any reason, the cash balance on deposit or scheduled to be on deposit in the Escrow Account is insufficient to make such payments.

Annual Debt Service Requirements

The following schedule shows, for each Fiscal Year of the City, the annual debt service requirements to be payable for the Series 2019 Bonds.

Fiscal Year (ending June 30)	Principal*	Interest ^{*(1)}	Total Debt Service ^{*(1)}
2019	\$ 170,000	\$ 185,267	\$ 355,267
2020	4,975,000	785,500	5,760,500
2021	5,240,000	536,750	5,776,750
2022	5,495,000	274,750	5,769,750
Total	\$15,880,000	\$1,782,267	\$17,662,267

⁽¹⁾Assumes an average annual interest rate of 5.000%.

THE SERIES 2019 BONDS

Generally

The Series 2019 Bonds will bear interest at the rates and mature on the dates set forth on the inside cover page of this Official Statement. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Series 2019 Bonds will be dated their date of initial delivery, and will bear interest from that date payable semi-annually on May 15 and November 15 of each year, commencing May 15, 2019 (each an “Interest Payment Date”). The Series 2019 Bonds will bear interest from the most recent

* Preliminary, subject to change.

date to which interest has been paid or provided, or if no interest has been paid or provided for, from their date until maturity.

The Series 2019 Bonds will be issued in denominations of \$5,000 or integral multiples thereof, will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of DTC. DTC will act as securities depository for the Series 2019 Bonds. Individual purchases may be made in book-entry form only. Purchasers will not receive certificates representing their interest in the Series 2019 Bonds purchased. So long as Cede & Co., as nominee of DTC, is the registered owner of the Series 2019 Bonds, references herein to the Bondholders, owners or registered owners shall mean Cede & Co. and shall not mean the beneficial owners of the Series 2019 Bonds.

So long as Cede & Co. is the registered owner of the Series 2019 Bonds, principal of and interest on the Series 2019 Bonds are payable by wire transfer by the Paying Agent to Cede & Co., as nominee for DTC, which is required, in turn, to remit such amounts to the DTC Participants. See Appendix D - "Book-Entry Only System."

Book-Entry Only System

Individual purchases of the Series 2019 Bonds will be made in book-entry only form and purchasers of the Series 2019 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 2019 Bonds will be made directly to The Depository Trust Company, New York, New York ("DTC") or its nominee, Cede & Co., by the BOKF, NA, Albuquerque, New Mexico, 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 2019 Bonds. In reading this Official Statement, it should be understood that while the Series 2019 Bonds are in book-entry only form, references in other sections of this Official Statement to owners of Series 2019 Bonds ("Owners") should be read to include the person for whom the Participants and indirect participants acquire an interest in the Series 2019 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 D – "Book-Entry Only System."

Redemption Prior to Maturity

No Optional Redemption

The Series 2019 Bonds are not subject to redemption prior to maturity.

SECURITY AND SOURCES OF PAYMENT

Special, Limited Obligations

The Series 2019 Bonds shall not constitute indebtedness or a debt of the City within the meaning of any constitutional, charter or statutory provision or limitation, nor shall they be considered or held to be general obligations of the City. Neither the credit nor the taxing power of the City is pledged for the payment of the principal of or the interest and premium, if any, on the Series 2019 Bonds and no owner has the right to compel the exercise of the taxing power of the City or the forfeiture of any of its property in connection with any default under the Bond Ordinance.

The Series 2019 Bonds are special, limited obligations of the City and are payable as to principal, interest and premium, if any, exclusively from the Net Revenues. The Series 2019 Bonds constitute a first lien (but not an exclusive first lien) on the Net Revenues, with priority over the lien of any subordinate bonds to be issued separately under the Master Ordinance. The Net Revenues consist of Gross Revenues (as described below) less Operation and Maintenance Expenses (as described below).

Net Revenues

The Net Revenues will be received and held by the City for the benefit of the Owners of the Series 2019 Bonds, and will be disbursed, allocated and applied solely for the uses and purposes described in the Bond Ordinance. Amounts on deposit in each of the funds and accounts established pursuant to the Master Ordinance will be invested in Permitted Investments. Investment income on amounts in any fund or account will be credited to such fund or account, and any loss will be charged to such fund or account.

Gross Revenues

Gross Revenues are all income and revenues directly or indirectly derived by the City from the System, or any part of the System, and include, without limitation, all revenues received by the City, or any municipal corporation or agency succeeding to the rights of the City, from the availability or operation and use of the System and from the sale and use of water, water and wastewater services or facilities, or any other service, commodity or facility or any combination thereof furnished to the City and public and private customers of the System, including but not limited to connection or impact fees. Gross Revenues also include:

- (a) all income derived from the investment of any money in the Acquisition Fund, Water and Wastewater Fund, Debt Service Fund and Rate Stabilization Fund and from surplus Net Revenues, all as defined in the Master Ordinance;
- (b) money released from the Rebate Fund to the City;
- (c) money released from the Rate Stabilization Fund to the extent that the amount released is used to pay Operation and Maintenance Expenses or Debt Service Requirements on System Bonds in the year released; and
- (d) property insurance proceeds which are not necessary to restore or replace the property lost or damaged and the proceeds of the sale or other disposition of any part of the System.

Gross Revenues do not include:

- (a) any money received as (i) a water quality testing fee, (ii) grants or gifts from the United States of America, the State or other sources or (iii) the proceeds of any charge or tax intended as a replacement therefor or other capital contributions from any source which are restricted as to use, including, without limitation revenues derived from the Water Rights Acquisition Surcharge imposed and collected by the City;
- (b) taxes and/or fees collected by the City and remitted to other governmental agencies;
- (c) condemnation proceeds or the proceeds of any insurance policy, except any insurance proceeds derived in respect of loss of use or business interruption; and

- (d) the proceeds of System Bonds or any other bonds or refunding bonds.

Operation and Maintenance Expenses are all reasonable and necessary current expenses of the System, in any particular Fiscal Year or period to which such term is applicable, paid or accrued, related to operating, maintaining and repairing the System, including, without limiting the generality of the foregoing:

- (a) legal and overhead expenses of the various City departments directly related and reasonably allocable to the administration of the System;

- (b) insurance premiums for the System, including, without limitation, premiums for property insurance, public liability insurance and workmen's compensation insurance, whether or not self-funded;

- (c) premiums, expenses and other costs (other than required reimbursements of insurance proceeds and other amounts advanced to pay Debt Service Requirements on System Bonds) for Credit Facilities;

- (d) expenses other than Expenses paid from the proceeds of System Bonds;

- (e) the costs of audits of the books and accounts of the System;

- (f) amounts required to be deposited in the Rebate Fund;

- (g) salaries, administrative expenses, labor costs, surety bonds and the cost of materials and supplies used for or in connection with the current operation of the System; and

- (h) any fees required to be paid under any operation, maintenance and/or management agreement with respect to the System.

Operation and Maintenance Expenses do not include any allowance for depreciation, payments in lieu of taxes, liabilities incurred by the City as a result of its negligence or other misconduct in the operation of the System, any charges for the accumulation of reserves for capital replacements or any Operation and Maintenance Expenses payable from moneys other than Gross Revenues.

Application of Gross Revenues

As long as any System Bonds are outstanding, all Gross Revenues shall be deposited in the Water and Wastewater Fund and transferred from that Fund to the following funds and accounts or for payment of the following amounts in the order listed:

- (a) *Operation and Maintenance Expenses.* A sufficient amount of Gross Revenues shall be set aside each month to be used to pay the current Operation and Maintenance Expenses as they become due.

- (b) *Debt Service Accounts for Parity Bonds.* Net Revenues shall be transferred to the Debt Service Accounts established for each series of Outstanding Parity Bonds payable in whole or in part from Net Revenues to pay Debt Service Requirements on Parity Bonds as they become due.

- (c) *Reserve Account.* Net Revenues shall be transferred to each Reserve Account for each series of Parity Bonds payable in whole or in part from Net Revenues with a Reserve Requirement to

the extent that deposits are required to be made as a result of any draws on a Reserve Account Insurance Policy or deficiency in the Reserve Requirement for an applicable series of Parity Bonds.

(d) *Subordinated Bonds.* Net Revenues shall be used to pay Debt Service Requirements on Subordinated Bonds payable in whole or in part from Net Revenues and to fund any Reserve Requirement for applicable Subordinated Bonds.

(e) *Replacement Fund.* At the option of the City, Net Revenues may be transferred to the Replacement Fund to be used for the purposes stated in the Master Ordinance.

(f) *Rate Stabilization Fund.* At the option of the City, Net Revenues may be transferred to the Rate Stabilization Fund to be used for the purposes stated in the Master Ordinance.

(g) *Surplus Net Revenues.* Net Revenues shall be retained in the Water and Wastewater Fund or used for any other lawful System purpose, including, but not limited to, redeeming or purchasing System Bonds or paying costs and expenses of the City relating to the administration of System Bonds, but shall not be transferred to the general fund of the City except for Operation and Maintenance Expenses owed by the System to the City and taxes, payments in lieu of taxes, assessments and other municipal or governmental charges of the City lawfully levied or assessed upon the System.

(h) *Accumulation of Revenues.* Gross Revenues need not be retained for any use or in any fund or account created under the Master Ordinance in excess of the Gross Revenues required for any current use or deposit. For the purposes of this subparagraph, the term current shall mean the month during which the Net Revenues are being distributed and the immediately following month.

Rate Covenant

(a) Unless otherwise provided in a Resolution of Sale applicable to a series of System Bonds, the City has covenanted that it will at all times fix rates and collect charges for each class of service rendered by the System, and will, from time to time, amend or adjust such rates so that Gross Revenues of the System shall always be sufficient to provide for the payment of the Debt Service Requirements on all Outstanding System Bonds payable in whole or in part from Net Revenues as and when the same become due and payable, to maintain the funds and accounts established in the Master Ordinance or applicable Resolutions of Sale, to provide for the payment of expenses of administration, Operation and Maintenance Expenses of the System which may be necessary to preserve the same in good repair and working order, including the necessary reserves therefor and all other payments necessary to meet ongoing legal obligations to be paid at that time; and

(b) Unless otherwise provided in a Resolution of Sale applicable to a series of System Bonds, the City further covenants that it will at all times fix, charge and collect such rates and charges as shall be required in order that in each Fiscal Year the Net Revenues shall at least equal the *greater* of (a) the Debt Service Requirements on all Outstanding System Bonds payable in whole or in part from Net Revenues in such Fiscal Year and the deposits required by the Master Ordinance to be made into the various funds of the Master Ordinance in such year, or (b) 115% of the Debt Service Requirements on all Outstanding System Bonds payable in whole or in part from Net Revenues in such Fiscal Year. For purposes of determining compliance with this subsection, Net Revenues shall include funds withdrawn from the Rate Stabilization Fund, but only if the Net Revenues for such Fiscal Year (without considering withdrawals from the Rate Stabilization Fund) were at least equal to 100% of the Debt Service Requirements on all Outstanding System Bonds payable in whole or in part from Net Revenues in such Fiscal Year.

Failure by the City to comply with the Rate Covenant in any Fiscal Year will not constitute an event of default under the Master Ordinance so long as the City, within 180 days, adopts the schedule of rates and charges recommended or approved by a Consulting Engineer which would bring the City into compliance with the Rate Covenant. The City is also required under the Master Ordinance in each Fiscal Year to complete a review of its financial condition for the purpose of estimating whether the Net Revenues for such Fiscal Year and for the next succeeding Fiscal Year will be sufficient to comply with the Rate Covenant set forth above. If the City determines that the Net Revenues may not be so sufficient, it will forthwith cause the Consulting Engineer to make a study for the purpose of recommending a schedule of fees, rates and charges for the System which, in the opinion of the Consulting Engineer, will cause sufficient Gross Revenues to be collected in such Fiscal Year to comply with the Rate Covenant and will cause additional Gross Revenues to be collected in such Fiscal Year sufficient to eliminate the amount of any deficiency at the earliest practicable time within such Fiscal Year. The City will as promptly as practicable adopt and place in effect the schedule of fees, rates and charges recommended or approved by the Consulting Engineer pursuant to the Master Ordinance. As an alternative to establishing fees, rates and charges necessary to meet the Rate Covenant, the City may establish a reduction in Operation and Maintenance Expenses for the System.

Reserve Account

Pursuant to the Master Ordinance, separate Reserve Accounts to be maintained and controlled by the City or its designee shall be established as part of the Debt Service Fund for each series of System Bonds for which there is a Reserve Requirement*. Each Reserve Account may be funded with the proceeds of the applicable series of System Bonds, a Reserve Account Insurance Policy (which is anticipated in connection with the Series 2019 Bonds), Net Revenues or any combination thereof. A Reserve Account Insurance Policy may be substituted for an equivalent amount of cash in a Reserve Account. A sum equal to the amount in a Reserve Account and the proceeds of a Reserve Account Insurance Policy used to pay Debt Service Requirements on a series of System Bonds plus interest, if any, owed on amounts advanced pursuant to a Reserve Account Insurance Policy will be deposited in the Reserve Account for that series of System Bonds from the first Net Revenues received by the City which are not required by the Master Ordinance to be used for another purpose. If the amount of Net Revenues available for deposit in the Debt Service Fund is not sufficient to pay the entire amount required to be deposited in the Debt Service Accounts and/or Reserve Accounts, the Net Revenues available shall be deposited in the Debt Service Accounts and Reserve Accounts pro rata based upon the amount required to be deposited in each Account to the total Net Revenues available for deposit, in accordance with priorities established in the Master Ordinance.

The Bond Ordinance requires that a Reserve Account be created for the Series 2019 Bonds and funded in an amount equal to the Series 2019 Reserve Requirement. Amounts on deposit in the Reserve Account for the Series 2019 Bonds (the "Series 2019 Reserve Account") shall only be used to make payments of principal and interest on the Series 2019 Bonds. Initially, on the date of issuance of the Series 2019 Bonds, the Reserve Requirement for the Series 2019 Bonds (the "Series 2019 Reserve Requirement") will be funded from proceeds of the Series 2019 Bonds or with a Reserve Account Insurance Policy.

No payments need be made into the Series 2019 Reserve Account as long as the sum of the money in the Series 2019 Reserve Account is equal to or greater than the Series 2019 Reserve Requirement or the

* "Reserve Requirement" means an amount not to exceed an amount equal to the lesser of ten percent (10%) of the principal amount for a series of System Bonds, the maximum annual Debt Service Requirement on that series of System Bonds or 125% of average annual Debt Service Requirements on that series of System Bonds, calculated on the date of initial issuance of the series and recalculated on the date of any optional redemption or purchase by the City for cancellation of System Bonds of that series from the date of original issuance of that series as if the System Bonds redeemed or purchased were never issued.

City has purchased a Reserve Account Insurance Policy sufficient to satisfy the Series 2019 Reserve Requirement. Money in the Series 2019 Reserve Account will be accumulated and maintained as a continuing reserve to be used, except as provided in the Master Ordinance, only to prevent deficiencies in the payment of the principal of or interest on the Series 2019 Bonds.

If the amount on deposit in the Debt Service Account for the Series 2019 Bonds (the “Series 2019 Debt Service Account”) on a payment date and available Net Revenues are not sufficient to pay the amount becoming due on the Series 2019 Bonds on that date, an amount equal to the deficiency will be transferred from the Series 2019 Reserve Account to the Series 2019 Debt Service Account.

Any amount on deposit in the Series 2019 Reserve Account in excess of the Series 2019 Reserve Requirement may be withdrawn at any time from the Series 2019 Reserve Account and deposited in the Replacement Fund. However, any excess which represents original proceeds of the Series 2019 Bonds or interest thereon will first be used to pay Debt Service Requirements on the Series 2019 Bonds or costs of issuance for the Series 2019 Bonds.

Rate Stabilization Fund

Under certain circumstances, the City may use amounts on deposit in the Rate Stabilization Fund to satisfy its Rate Covenant obligation or to meet the prerequisites for the issuance of additional Parity Bonds. See “Parity Bonds” and “Rate Covenant” herein. Presently, there are no amounts on deposit in the Rate Stabilization Fund and the City does not have current plans to deposit excess System revenues into the Rate Stabilization Fund.

Parity Bonds

Parity Bonds payable in whole or in part from Net Revenues may be issued for System purposes, including without limitation (a) financing the costs of Projects; or (b) providing additional funds for deposit into a Reserve Account for the particular series of Parity Bonds, the Expense Account or the Replacement Account, and paying the costs incident to the issuance of such Parity Bonds or any combination of the foregoing.

Parity Bonds Test. Parity Bonds may be issued for System purposes including, but not limited to, (a) financing the costs of Projects; or (b) providing funds for deposit into a Reserve Account, the Expense Account or the Replacement Account and paying the costs incident to the issuance of such Parity Bonds or any combination of the foregoing.

The tests described below shall be performed without adjustment for interest accrued (other than amounts representing capitalized interest) in the Acquisition Fund. Except as permitted by the Master Ordinance, prior to the issuance of additional Parity Bonds, the City shall be current in making all deposits required by the Master Ordinance and either of the following tests shall be satisfied:

(a) a certificate prepared by an Authorized Officer of the City showing that the Net Revenues for the Historical Test Period (i.e. any 12 consecutive months out of the 18 months next preceding the delivery of the proposed Parity Bonds) were at least equal to 115% of the maximum combined annual Debt Service Requirements for all Parity Bonds which will be Outstanding immediately after the issuance of the proposed Parity Bonds; or

(b) a certificate prepared by a Consulting Engineer showing that:

(i) for each Fiscal Year during the period from the date of delivery of such certificate until the latest Estimated Completion Date, the Consulting Engineer estimates that the City will be in compliance with the Rate Covenant; and

(ii) the estimated Net Revenues for each of the two Fiscal Years immediately following the latest Estimated Completion Date for the specified project to be financed with proceeds of such Parity Bonds will be at least equal to 120% of the maximum combined annual Debt Service Requirements for all Parity Bonds which will be Outstanding immediately after the issuance of the proposed Parity Bonds.

For purposes of subsection (b) above, in estimating Net Revenues, the Consulting Engineer may take into account (i) reasonable Gross Revenues from specified System projects expected to become available, (ii) any increase in fees, rates, charges, rentals or other sources of Gross Revenues which has been approved by the City and will be in effect during the period for which the estimates are provided, and (iii) any other increases in Gross Revenues which the Consulting Engineer believes to be a reasonable assumption for such period.

For purposes of subsection (b) above, in estimating Net Revenues, the Consulting Engineer may take into account funds reasonably expected to be available for withdrawal from the Rate Stabilization Fund, but only if the estimated Net Revenues for each of such Fiscal Years (without considering withdrawals from the Rate Stabilization Fund), as certified to the Consulting Engineer by an Authorized Officer of the City, will be at least equal to 100% of the maximum combined annual Debt Service Requirements for all Parity Bonds which will be Outstanding immediately after the issuance of the proposed Parity Bonds.

With respect to Operation and Maintenance Expenses, the Consulting Engineer shall use such assumptions as the Consulting Engineer believes to be reasonable, taking into account, (a) historical Operation and Maintenance Expenses, (b) Operation and Maintenance Expenses associated with the specified System projects, and (c) such other factors, including inflation and changing operations or policies of the City, as the Consulting Engineer believes to be appropriate. The Consulting Engineer shall include in the certificate or in a separate accompanying report a description of the assumptions used and the calculations made in determining the estimated Net Revenues and shall also set forth the calculations of the maximum combined annual Debt Service Requirements, which calculations may be based upon information provided by another Consulting Engineer.

For purposes of preparing the certificate or certificates described above, the Consulting Engineer or Consulting Engineers may rely upon financial statements prepared by the City which have not been subject to audit by an independent certified public accountant if audited financial statements for the Fiscal Year or period are not available; provided, however, that an Authorized Officer of the City shall certify as to their accuracy and that such financial statements were prepared substantially in accordance with generally accepted accounting principles, subject to year-end adjustments.

Superior Obligations. As long as Parity Bonds are Outstanding, the City will not issue additional System Bonds having a lien on the Net Revenues prior and superior to the lien of Parity Bonds on Net Revenues.

Subordinate Obligations. Nothing contained in the Master Ordinance prevents the City from issuing bonds or other obligations with no lien on Net Revenues or a lien on Net Revenues subordinate to the lien of the Parity Bonds on Net Revenues.

Refunding Bonds. The Master Ordinance provides for the issuance of refunding bonds subject to certain conditions. If at any time the City shall find it desirable to refund any System Bonds payable from Net Revenues, the System Bonds may be refunded, regardless of whether the priority of the lien for the payment of the refunding System Bonds payable in whole or in part from Net Revenues is changed, except that no obligation may be created having a lien on Net Revenues superior to the lien of Parity Bonds on Net Revenues.

Limitation upon Issuance of Refunding Parity Bonds. No refunding bonds or other refunding obligations shall be issued as Parity Bonds unless (i) there is delivered a certificate of the Authorized Officer of the City showing that the combined Debt Service Requirements on all Outstanding Parity Bonds payable in whole or in part from Net Revenues after the issuance of refunding Parity Bonds will not exceed by more than 10% the combined Debt Service Requirements on all Outstanding Parity Bonds payable in whole or in part from Net Revenues authorized prior to the issuance of such refunding Parity Bonds, and the City is in current compliance with the Rate Covenant, or (ii) the refunding Parity Bonds are issued in compliance with the Parity Bonds test. See “SECURITY AND OTHER SOURCES OF PAYMENT FOR THE BONDS-Parity Bonds.”

OUTSTANDING WATER AND WASTEWATER SYSTEM OBLIGATIONS

System Obligations

The following obligations of the City payable from Net Revenues were outstanding on June 30, 2018.

**City of Rio Rancho
Outstanding Parity Water and Wastewater System Obligations
As of June 30, 2018**

Issue	Principal Amount of Original Issue	Outstanding Principal Amount
Water and Wastewater System Refunding Revenue Bonds, Series 2009*	\$57,990,000	\$21,245,000
Water and Wastewater System Revenue Bonds, Series 2013	16,600,000	10,455,000
Water and Wastewater System Refunding Revenue Bonds, Series 2015	27,365,000	25,940,000
2016 New Mexico Finance Authority Senior Lien Loan Agreement	22,900,000	22,799,167
2016 New Mexico Finance Authority Senior Lien Refunding Agreement	9,080,000	8,953,333
Total	<u>\$133,935,000</u>	<u>\$89,392,500</u>

* The Refunded Bonds will be defeased and refunded on May 15, 2019 with proceeds of the Series 2019 Bonds deposited in the Escrow Fund. The Series 2009 Bonds maturing on May 15, 2019 in the amount of \$4,920,000 will be redeemed on such date with available funds of the City, not from proceeds of the Series 2019 Bonds.

City of Rio Rancho
Outstanding Subordinate Water and Wastewater System Obligations
As of June 30, 2018

<u>Issue</u>	<u>Principal Amount of Original Issue</u>	<u>Outstanding Principal Amount</u>
2016 New Mexico Finance Authority Refunding Loan Agreement	\$21,825,000	\$20,932,500
2016 New Mexico Finance Authority Water Trust Board Loan Agreement	384,000	337,537
Total	<u>\$22,209,000</u>	<u>\$21,270,037</u>

Total Combined Debt Service

The Series 2019 Bonds constitute System Obligations. The table on the following page sets forth the combined debt service for the outstanding System Obligations upon issuance of the Series 2019 Bonds.

ANNUAL DEBT SERVICE SUMMARY

The following table sets forth the amounts required in each such fiscal year to pay scheduled annual debt service on the Series 2019 Bonds, outstanding Parity Bonds, and outstanding subordinate obligations, as well as the debt service coverage ratio, based on Fiscal Year 2018 Net Revenues of \$23,972,719.

City of Rio Rancho Debt Service/Coverage⁽¹⁾⁽²⁾

Year Ending June 30	Series 2009 Bonds ⁽²⁾	Series 2013 Bonds	Series 2015 Bonds	Series 2016 Loans	Series 2019 Bonds*	Combined Parity Debt Service*	Parity Debt Service Coverage	Subordinate Debt Service	Combined Total Debt Service*	Total Debt Service Coverage ⁽³⁾
2019	\$5,574,125	\$1,790,900	\$1,421,000	\$2,240,400	\$355,267	\$10,850,567	2.11x	\$1,805,778	\$13,187,470	1.82x
2020	-	1,791,700	1,426,400	2,235,150	5,760,500	11,213,750	2.14x	1,806,527	13,020,277	1.84x
2021	-	1,790,300	1,423,000	2,242,650	5,776,750	11,232,700	2.13x	1,805,028	13,029,077	1.84x
2022	-	1,791,700	1,424,200	2,242,150	5,769,750	11,227,800	2.14x	1,801,277	13,029,077	1.84x
2023	-	1,785,700	3,046,200	2,243,900	-	7,075,800	3.39x	1,800,278	8,876,078	2.70x
2024	-	1,781,700	3,041,200	2,237,650	-	7,060,550	3.40x	1,316,777	8,377,327	2.86x
2025	-	1,508,950	3,046,450	2,243,650	-	6,799,050	3.53x	1,319,777	8,118,827	2.95x
2026	-	-	3,046,200	2,239,650	-	5,285,850	4.54x	1,317,777	6,603,627	3.63x
2027	-	-	3,043,600	2,238,650	-	5,282,250	4.54x	1,319,776	6,602,026	3.63x
2028	-	-	3,047,400	2,240,450	-	5,287,850	4.53x	1,320,576	6,608,426	3.63x
2029	-	-	3,047,200	2,240,150	-	5,287,350	4.53x	1,320,377	6,607,727	3.63x
2030	-	-	3,043,000	2,238,350	-	5,281,350	4.54x	1,236,255	6,517,605	3.68x
2031	-	-	3,044,800	2,239,150	-	5,283,950	4.54x	1,234,055	6,518,005	3.68x
2032	-	-	3,047,200	2,237,350	-	5,284,550	4.54x	1,235,655	6,520,205	3.68x
2033	-	-	-	2,237,950	-	2,237,950	10.71x	1,235,855	3,473,805	6.90x
2034	-	-	-	2,240,750	-	2,240,750	10.70x	1,234,655	3,475,405	6.90x
2035	-	-	-	1,465,550	-	1,465,550	16.36x	1,237,055	2,702,605	8.87x
2036	-	-	-	1,468,350	-	1,468,350	16.33x	1,217,550	2,685,900	8.93x
2037	-	-	-	1,466,450	-	1,466,450	16.35x	1,216,950	2,683,400	8.93x
2038	-	-	-	1,468,450	-	1,468,450	16.33x	1,215,450	2,683,900	8.93x
2039	-	-	-	1,464,350	-	1,464,350	16.37x	1,213,050	2,677,400	8.95x
2040	-	-	-	1,464,150	-	1,464,150	16.37x	1,214,750	2,678,900	8.95x
2041	-	-	-	1,467,750	-	1,467,750	16.33x	1,215,400	2,683,150	8.93x
Total:	\$5,574,125	\$12,240,950	\$36,147,850	\$46,103,100	\$17,662,267	\$117,728,117		\$31,640,628	\$149,368,870	

(1) Amounts are rounded to the nearest dollar.

(2) Debt service and coverage do not include debt service on the Refunded Bonds.

(3) Based on Net Revenues for Fiscal Year ended on June 30, 2018, which were \$23,972,719. There is no assurance that Net Revenues received in the future will equal the Net Revenues used in coverage computations. A 1.75% annual rate increase for water service in Fiscal Years 2020-2024 will be considered for adoption by the City.

* Preliminary, subject to change.

**Historical and Pro Forma Coverage Ratios
for Outstanding Parity and Subordinate Water and Wastewater System Obligations**

The following tables show the ratio of Net Revenues to the actual Debt Service Requirements payable on outstanding Parity Bonds for Fiscal Years 2014 through 2018.⁽¹⁾

**Annual Disclosure Report
City of Rio Rancho, New Mexico
Water & Wastewater System Revenue Bonds
System Financial Information ⁽¹⁾**

	2014	2015	2016	2017	2018
Operating Revenue:					
Water Operations Revenues	\$19,881,925	\$19,095,887	\$20,340,830	\$22,479,135	\$22,951,915
Other Water Revenues	1,449,934	1,473,271	959,518	935,323	1,309,805
Wastewater Operations Revenues	17,005,208	17,991,473	18,753,614	21,309,494	21,820,368
Other Wastewater Revenues	112,940	204,866	179,533	176,129	110,619
Total Operating Revenues	\$38,450,007	\$38,765,497	\$40,233,495	\$44,900,081	\$46,192,707
Operating Expenses:					
Water Production	\$ 3,651,567	\$ 4,455,263	\$ 3,698,568	\$ 3,350,731	\$ 3,622,836
Transmission & Distribution ^{(2), (3)}	2,684,603	4,534,468	3,290,063	3,637,674	4,169,266
Wastewater Treatment	2,937,962	2,724,239	2,510,892	2,279,517	3,030,384
Recycled Water	-	-	-	102,432	232,870
Customer Service	1,120,225	1,163,691	1,195,977	1,243,619	1,307,587
Contractor General & Administrative	6,430,518	6,687,790	6,932,568	7,056,406	7,670,991
Utilities Department/General & Administrative	1,921,439	1,809,842	1,969,319	4,627,792	2,233,790
Total Operating Expenses	\$18,746,314	\$21,375,293	\$19,597,386	\$22,298,171	\$22,267,723
Net Operating Revenue	\$19,703,693	\$17,390,204	\$20,636,109	\$22,601,910	\$23,924,983
Non-operating Revenue (Expenses):					
Impact Fees	\$ 396,811	\$ 843,418	\$ 1,012,049	\$ 670,110	\$ 891,054
Investment Income	4,238	18,169	40,316	211,015	271,729
Other Revenue	163,796	249,146	279,944	293,358	301,806
Water Rights Acquisition Fee	2,853,403	2,812,108	2,738,909	2,917,723	2,985,452
Water Rights Operating Expense	(2,853,403)	(2,812,108)	(2,738,909)	(2,917,723)	(2,985,452)
Interest Expense	(4,162,490)	(3,932,066)	(3,409,661)	(7,479,475)	(5,429,356)
Other Expense	(7,937)	(145,274)	(7,409)	(16,968)	-
Payment-in lieu of taxes	(773,301)	(839,410)	(896,166)	(835,655)	(865,572)
General & Administrative	(1,269,735)	(1,326,144)	(1,369,168)	(1,346,042)	(1,416,853)
Allowance for Doubtful Accounts	(2,281,562)	(225,676)	(143,747)	(554,810)	191,466
Net Income (loss) before Depreciation & Amortization	\$11,773,512	\$12,032,367	\$16,142,267	\$13,543,443	\$17,869,258
Depreciation & Amortization ⁽⁴⁾	(7,440,964)	(7,512,319)	(7,497,635)	(9,002,427)	(7,591,620)
Net Income (Loss)	\$4,332,548	\$4,520,049	\$8,644,633	\$4,541,016	\$10,277,638
Add Back:					
Depreciation and Amortization	\$7,440,964	\$7,512,319	\$7,497,635	\$9,002,427	\$7,591,620
Interest Expense	4,162,490	3,932,066	3,409,661	7,479,475	5,429,356
Payment-In-Lieu-Of Taxes	773,301	839,410	896,166	835,655	865,572
Allowance for Doubtful Accounts	2,281,562	225,676	143,747	554,810	(191,466)
Net Revenue Available for Debt Service	\$18,990,866	\$17,029,519	\$20,591,841	\$22,413,383	\$23,972,719
Parity (Senior) Lien Debt Service	\$10,405,507	\$10,427,230	\$10,200,099	\$10,723,168	\$10,897,300
Coverage Ratio (Parity (Senior) Lien)	183%	163%	202%	209%	220%
Parity (Senior) and Subordinate Debt Service	\$11,186,358	\$11,200,170	\$10,913,030	\$11,880,306	\$12,112,955
Coverage Ratio (Parity (Senior) and Subordinate Lien)	170%	152%	189%	189%	198%

⁽¹⁾ System financial information is derived from the City's financial statements, however this table is not an audited financial statement. The table has been restated beginning with FY2014 to include Impact Fees in Gross Revenues and General & Administrative (G&A) expense in O&M Expense for the calculation of Net Available Revenue for Debt Service per the Master Ordinance definition of terms. Prior to FY 2012, Impact Fees had previously been excluded from Non-operating Revenue due their volatile nature and because they are restricted as to use for growth related infrastructure. G&A expense is a recurring expense associated with administration of the Utility System and is therefore included in O&M expense.

- (2) 2014 Operating Expense for Transmission and Distribution has been restated to exclude an amount of \$517,576 related to water service line replacement funded by state capital outlay appropriations. The calculation of Net Revenue Available for Debt Service, and Debt Service Coverage Ratios does not include Intergovernmental Revenues.
- (3) Operating Expense for Transmission and Distribution excludes amounts related to water service line replacement funded by state capital outlay appropriations in FY2015: \$1,158,244, FY2016: \$1,058,383, and FY2017: \$40,797.36 . The calculation of Net Revenue Available for Debt Service and Bond Debt Service Coverage Ratios does not include Intergovernmental Revenues.
- (4) Amortization of Deferred Bond Items was consolidated with the Interest Expense item on the City's financial statements in FY14.

Source: City of Rio Rancho.

**City of Rio Rancho
Water & Wastewater Utilities
Projected Operating Results**

	Fiscal Year				
	2019	2020	2021	2022	2023
Operating Revenue:					
Water Operations Revenues	\$22,174,661	\$23,174,252	\$23,872,675	\$24,592,892	\$25,335,499
Other Water Revenues	1,348,600	962,544	976,449	990,566	1,004,898
Wastewater Operations Revenues	22,246,691	22,961,644	23,326,832	23,697,625	24,068,420
Other Wastewater Revenues	109,187	112,463	115,836	119,312	122,891
Total Operating Revenues ⁽¹⁾	\$45,879,139	\$47,210,903	\$48,291,792	\$49,400,395	\$50,531,708
Operating Expenses:					
Water Production	\$ 4,363,490	\$ 3,726,678	\$ 3,776,398	\$ 3,884,806	\$ 3,996,466
Transmission & Distribution	5,021,632	4,288,770	4,345,989	4,470,748	4,599,250
Wastewater Treatment costs	3,649,917	3,117,244	3,158,833	3,249,513	3,342,913
Recycled Water	280,478	239,545	242,740	249,709	256,886
Customer Service	1,574,911	1,345,066	1,363,012	1,402,140	1,442,441
Contractor General & Administrative Utilities Department/General & Administrative	9,239,251	7,890,864	7,996,141	8,225,685	8,462,114
	2,674,398	2,284,093	2,314,567	2,381,011	2,449,448
Total Operating Expenses	\$26,804,077	\$22,892,259	\$23,197,681	\$23,863,611	\$24,549,519
Net Operating Revenue	\$19,075,062	\$24,318,644	\$25,094,111	\$25,536,784	\$25,982,189
Non-operating Revenue (Expenses):					
Impact Fees	\$ 778,703	\$ 787,048	\$ 798,953	\$ 811,037	\$ 814,913
Investment Income	20,000	34,404	29,985	26,134	32,321
Other Revenue	230,000	206,704	209,923	213,191	216,508
Water Rights Acquisition Fee	3,000,000	3,015,388	3,023,149	3,031,028	3,038,003
Water Rights Operating Expense	(3,000,000)	(3,015,388)	(3,023,149)	(3,031,028)	(3,038,003)
Interest Expense ⁽²⁾	(4,429,886)	(4,217,645)	(3,800,046)	(3,361,348)	(2,898,299)
Other Expense	-	-	-	-	-
Payment-in-lieu of taxes - Property General & Administrative	(893,670)	(879,729)	(888,343)	(897,644)	(907,689)
	(1,459,812)	(1,428,016)	(1,470,856)	(1,514,982)	(1,560,432)
Allowance for Doubtful Accounts	-	-	-	-	-
Net Income (loss) before Depreciation & Amortization	\$13,320,397	\$18,821,410	\$19,973,727	\$20,813,172	\$21,679,511
Depreciation & Amortization	(7,600,000)	(7,600,000)	(7,600,000)	(7,600,000)	(7,600,000)
Net Income (Loss)	\$5,720,397	\$11,221,410	\$12,373,727	\$13,213,172	\$14,079,511

**City of Rio Rancho
Water & Wastewater Utilities
Projected Operating Results
(continued)**

	Fiscal Year				
	2019	2020	2021	2022	2023
Add Back:					
Depreciation and Amortization	\$ 7,600,000	\$ 7,600,000	\$ 7,600,000	\$ 7,600,000	\$ 7,600,000
Interest Expense	4,429,886	4,217,645	3,800,046	3,361,348	2,898,299
Payment-in-lieu of taxes - Property	893,670	879,729	888,343	897,644	907,689
Allowance for Doubtful Accounts	-	-	-	-	-
Net Revenue Available for Debt Service	\$18,643,953	\$23,918,784	\$24,662,116	\$25,072,164	\$25,485,499
Annual Debt Service (Parity Bonds)⁽³⁾	\$11,736,958	\$11,213,750	\$11,232,700	\$11,227,800	\$7,075,800
Debt Service Coverage Ratio (Parity Bonds)	159%	213%	220%	223%	360%
Annual Debt Service (Senior and Subordinate Debt)	\$13,459,613	\$12,937,155	\$12,954,605	\$12,945,955	\$8,792,955
Debt Service Coverage Ratio (Senior and Subordinate Debt)	139%	185%	190%	194%	290%

⁽¹⁾ Projected revenue does not include any rate increases. A 1.75% increase per year in FY20 through FY24 will be proposed to the Governing Body during the FY20 budget process.

⁽²⁾ Does not include Debt Service for Water Rights purchases.

⁽³⁾ Projected amount for Debt Service includes the Series 2019 Bonds. The City may finance other improvements to the System over the next five years utilizing a variety of sources, including Parity Bonds. See “MANAGEMENT OF THE WATER AND WASTEWATER OPERATIONS—Capital Project Expenditures” herein.

CERTAIN INFORMATION CONCERNING THE WATER SYSTEM

Customer Characteristics

The Water System was initially constructed in the early 1960s to accommodate subdivision development by AMREP Southwest, Inc. (“AMREP”), Rio Rancho’s primary real estate developer, which purchased 92,000 acres for development. Initially, the Water System was owned by AUC, a wholly owned subsidiary of AMREP. In 1990, the Water System was sold to RRUC, a wholly owned subsidiary of United Water. In 1995, the City acquired the Water System from United Water through a condemnation action. Today, the Water System supplies potable water to approximately 34,856 residential, commercial, and industrial users, an increase in customer base of 8% since 2009. All the water services are metered. The following table presents a breakout of the types of customers connected to the Water System and their volume of water usage for the five-year period beginning in Calendar Year 2014 through Calendar Year 2018.

HISTORICAL OPERATING STATISTICS - WATER SYSTEM

	Calendar Year 2014	Calendar Year 2015	Calendar Year 2016	Calendar Year 2017	Calendar Year 2018
CUSTOMER CONNECTIONS:					
Residential	30,939	31,458	32,199	32,674	33,373
Commercial	1,454	1,499	1,445	1,446	1,437
Industrial	11	11	11	11	11
City	35	35	35	35	35
Total	32,439	33,003	33,690	34,166	34,856
METER WATER SALES:					
(thousands of gallons):					
Residential	2,126,542	2,051,074	2,092,711	2,198,916	2,153,658
Commercial	936,456	878,870	900,528	889,603	916,330
Industrial	43,702	26,151	23,244	27,359	40,308
City	13,935	14,663	15,433	14,504	12,494
Total	3,120,635	2,970,758	3,031,916	3,130,382	3,122,790

Source of Supply

The water supply is derived entirely from groundwater pumping from the Middle Rio Grande Basin aquifer. The City currently has 15 active wells, varying in age from new to just over 40 years old. An additional 13 well sites are permitted but undrilled. Many of these wells are very deep, with about one half exceeding 1,000 feet. Production capacities vary from less than 100 gallons per minute (“gpm”) to 1,800 gpm. If all well facilities are in operation, the total well field capacity is about 21,180 gpm. Each well site contains chlorination facilities to provide disinfection. These well sites have adequate security and are located on land totaling approximately 26 acres.

Pumping Facilities

The Water System consists of a variety of pumping facilities that are used to distribute water to customers. The wells are equipped with either line shaft turbine pumps or submersible pumps ranging in pumping capacity from 500 gpm to 3,000 gpm. Booster stations are located near several of the well sites. These booster pumps include both horizontal centrifugal and vertical turbine pumps with capacities ranging from 500 to 3,000 gpm. The largest booster station can deliver 8,400 gpm with multiple pumps running concurrently. Booster pump-associated motor horsepower ranges from 20 to 200. Station piping electrical controls and associated well and pump housing are included with each well pumping facility.

Storage Tanks

Eighteen storage tanks providing a total storage capacity of 44 million gallons are located at various sites throughout the City. All tank facilities have cathodic protection.

Transmission and Distribution Mains

Water is delivered to customers through a large number of transmission and distribution lines. Approximately one half of the transmission lines and a large majority of the distribution lines are polyvinyl chloride (“PVC”) pipe. Ductile iron and concrete cylinder pipe also provide a portion of the total transmission and distribution systems. The oldest lines in the City were installed in 1962 but most were

installed between 1970 and the present. The total length of transmission and distribution lines is approximately 579 miles.

The City ranges in elevation from just over 5,000 feet to over 6,200 feet above sea level. The distribution system is divided into nine pressure zones with each pressure zone being designed to provide water pressure between 30 and 125 pounds per square inch. The pressure zones help to ensure that sufficient pressure is provided at higher elevations without causing excessive pressures at lower elevations. Water flows between pressure zones through pressure reducing valves.

Current System Production and Adequacy

Fifteen wells diverted 10,804.0 acre-feet of groundwater production in calendar year 2018, 10,879.1 acre-feet in calendar year 2017 and approximately 11,054.5 acre-feet in calendar year 2016. The summer average water demand for calendar year 2017 was approximately 13.0 million gallons per day (“mgd”) and the winter average water demand was approximately 7.6 mgd. The peak day demand for calendar year 2017 occurred on June 20, 2017, when production requirements reached 17.1 mgd. The peak demand for calendar year 2016 occurred on July 19, 2016 when production requirements reached 18.3 mgd. The summer average water demand on production facilities for calendar year 2016 was approximately 13.6 mgd and the winter average water demand was approximately 7.6 mgd. The Water System’s total effective storage capacity (total storage capacity less operational and fire flow reserves) is estimated at approximately 44 million gallons. Industry practice is to have effective storage capacity equivalent to the maximum day demand. Based on this standard, the Water System presently has sufficient storage capacity.

Water System pressures fall within the range required for adequate fire protection within the System’s service area. The Insurance Services Office (“ISO”) evaluates Water System adequacy for fire protection on behalf of fire insurance companies throughout the country. In 2015, the ISO evaluated the Water System in order to rate the public protection class for fire risk within the City. The City’s ISO score was 2 out of 10 with 1 being the highest rating and 10 being the lowest. The previous rating was 3 out of 10. Rio Rancho’s 2015 ISO score places it in the top 2% of the nation which combines the water system and evaluations of both the fire department and its response to alarms. Out of 48,000 communities that are ISO rated in the country fewer than 920 have achieved a 2 rating and fewer than 100 have a rating of 1.

The ISO plans to complete an evaluation of the Water System every three to five years. The next ISO evaluation is expected to be completed in 2022.

Quality of Groundwater Supplies

Based on water quality data submitted to the New Mexico Environment Department (“NMED”), the quality of the drinking water supplies meets applicable state and federal standards. As allowed by the NMED, several of the samples reported to the NMED represent a composite or blend of more than one water supply source.

The NMED’s review of the contaminants of concern, including trace organic and inorganic compounds and radiological constituents, indicated no test result in excess of drinking water standards. Prior to the City’s acquisition of the Water System in 1995, the United States Environmental Protection Agency (“EPA”) had noted infrequent violations of microbiological standards. Those violations occurred in 1991 and 1992 and are believed to be the result of sampling error, low chlorine dosages at the wells, or disinfection problems at the hose bibs where the samples were collected. The most recent sanitary survey of the Water System was conducted October 24 through October 26, 2017 by the NMED. In the sanitary survey, NMED noted that (4) four significant deficiencies were identified and corrected by October 26,

2017. No further action is required on behalf of the Rio Rancho Water & Wastewater Service water system. The next survey will be conducted in 2020.

Municipal water providers are required under the Safe Drinking Water Act (“SDWA”) to annually report through a Consumer Confidence Report (“CCR”) any contaminants found in drinking water supplies. The 2017 CCR indicates there were no violations of the SDWA out of the 150 contaminants tested; none of the tested contaminate levels were above the Safe Drinking Water Act Regulations. There was a sampling violation. The 2017 CCR indicated that from January 3, 2013 to July 10, 2017, the City’s contractor did not properly monitor and/or complete all required testing for total coliform and chlorine residuals at certain areas with the distribution system. Therefore, the City cannot guarantee the drinking water met required standards during that time. The violation was discovered through an internal audit and was immediately self-reported to the NMED. The problem has been corrected and new procedures have been implemented to ensure that this situation does not occur in the future.

The City is located in a geologic area in which arsenic is naturally present in the aquifer in organic and inorganic forms, and is closely associated with past or present volcanic activity. The City is 100% reliant on groundwater from its aquifers. The arsenic levels in the City’s municipal wells range from 5 ppb to 57 ppb. All potable water is treated to less than 10 ppb. The City has met and has continuously complied with the federal drinking water standards since 2009.

The City utilizes two different arsenic treatment processes, absorption and coagulation and filtration utilizing iron media. Absorption is a removal process which uses granular iron media to absorb arsenic from the untreated water. The media containing the arsenic is disposed of when it becomes saturated, approximately every 6 months. Coagulation filtration utilizes the injection of liquid ferric chloride into untreated water, which attracts the arsenic, is then filtered out and is disposed of continuously. The waste for each of these processes is considered non-hazardous and is taken to the Waste Management landfill for disposal. Arsenic absorption is used for wells with arsenic levels below 20 ppb. Coagulation filtration is used for wells with arsenic levels over 20 ppb.

The City estimates that capital outlay for the permanent arsenic treatment facilities was approximately \$46.4 million between 2006 and 2011. Of this amount, \$32.9 million was funded with proceeds of bonds, \$13.5 million was funded with U.S. Army Corps of Engineers grants and the remainder was paid from other sources. The City has been partially reimbursed for the construction expenses by the U.S. Army Corps of Engineers. The U.S. Army Corps of Engineers has made several reimbursements to the City totaling \$4,038,895. The remaining balance of \$2,497,860 is anticipated to be paid in February 2019.

Water Rights

The City currently has the right to divert groundwater from the Rio Grande Underground Basin up to 26,439.77 acre-feet per annum. This right is subject to conditions contained in two primary permits, each for the right to divert 12,000 acre-feet per annum (collectively denoted RG-6745 through RG-6745-S-34), as well as the terms and conditions of Office of the State Engineer (“OSE”) Permit No. 02997 into RG-6745 et al.(20.16 acre-feet), and OSE Declaration No. RG-26259 (Well 9) (2,419.51 acre-feet).

In 1979, the City was granted the right to divert 12,000 acre-feet per annum from 22 wells (RG-6745 through RG-6745-S-22). As a condition of this permit, the City is required to offset surface water impacts but only at the time the depletive effects from the City’s groundwater pumping actually affect the surface water of the Rio Grande. Surface water effects can be offset through discharge of effluent to the Rio Grande, the acquisition and transfer of water rights in the middle Rio Grande, or a combination thereof. Prior to 2003, the City had acquired 1,871.27 acre-feet of consumptive use rights for offset under this

permit. These previously acquired rights and continued discharge of effluent currently satisfy any applicable offset requirements and will for many years.

In 1997, the City was granted the right to divert an additional 20.16 acre-feet based on the transfer of surface water rights. This additional 20.16 acre-feet has no offset requirement or other relevant conditions. The City has one pre-basin well pursuant to Declaration No. RG-26259 from which it is authorized to divert up to 2,419.51 acre-feet per annum but only from City Well 9. As this is a pre-basin well, there is no requirement to offset any stream impacts.

In 2003, the City was granted the right to divert 12,000 acre-feet per annum from 12 additional wells (RG-6745 through RG-6745-S-34). The right to divert the 12,000 acre-feet per annum is conditioned on the requirement to acquire offsetting water rights over a 55 year accounting period, commencing in the year the City commenced pumping in excess of 14,430.16 acre-feet, which occurred in 2008. The permit requires the acquisition of 728 acre-feet every five years over the 55 year accounting period, or 8,000 acre-feet. The 2003 permit contains a penalty for failing to adhere to the acquisition rate of 728 acre-feet every five years. The penalty would require the City curtail its pumping by “3% on an annual basis” until it is in compliance with the acquisition schedule. At the end of the 55 year accounting period, the acquired water rights of the City in combination with discharge of effluent must offset the effects of the City’s groundwater pumping under the 2003 permit.

The City has satisfied its permit obligations for the first four accounting periods, 2008-2012, 2013-2017, 2018-2022 and 2023-2027 and recently acquired or has under contract 1,215 acre-feet which meets its 2028-2032 obligations and approximately 66% of its obligations for the 2033-2037 accounting period. The City is diligently pursuing acquisition of water rights for purposes of complying with permit conditions requiring acquisition of offsetting water rights.

In June 2010, the City established a Water Rights Acquisition Fee to create a dedicated revenue stream to fund the purchase of the water rights.⁽¹⁾ The Water Rights Acquisition Fee is charged monthly to each water account. The initial Water Rights Acquisition Fee of \$3.00 was increased to \$5.00 in September 2011 and increased again in January 2013 to \$6.00. To ensure that the cost of purchasing water rights is equitably distributed among the City’s customers, the City changed the method of calculating the Water Rights Acquisition Fee in 2013. Currently, customers are charged the greater of a \$6.00 minimum fee or volume fee of \$0.50 per thousand gallons on each monthly bill.

⁽¹⁾ The Water Rights Acquisition Fee is excluded from the definition of Gross Revenues in the Master Ordinance.

Water Conservation Program

The City has had a proactive water conservation program since 1998. The program includes a water conservation ordinance, outreach and education of Rio Rancho adults and children, and a water use auditing process.

The Water Conservation Ordinance addresses water waste, fugitive water, and water by request (restaurants, hotels and motels). To reduce water waste the ordinance requires compliance with irrigation time-of-day restrictions from April 1 to October 31 annually. Fugitive water is reduced by restricting washing of impervious surfaces (driveways, etc.) and restricting irrigation water from draining onto streets. The ordinance prohibits food establishments from automatically serving water to customers and requires hotels and motels to give the option to change linens or not for a guest’s stay. The City employs Water Conservation Specialists whose duties include patrolling the City for violations of the ordinance, counseling and citing violations.

Outreach and education of Rio Rancho children about conservation have been a focal point of the Water Conservation Program. The City is a chief sponsor and participator of the Rio Rancho Children's Water Festival, which includes hands-on activities specifically designed for fourth grade children. Water conservation instruction and activities are also conducted in the schools both in-class and in the after-school programs.

Rio Rancho adults receive water conservation outreach and education in various forms. The Water Conservation staff members write and produce three newsletters yearly that are mailed to all residences and businesses in the City. The City conservation staff also makes presentations to civic groups.

Water use audits are offered free of charge to residential, irrigation and commercial water users. The audits show the customer its current water use and suggest methods for reducing the usage amount through leak detection and repair, upgrade and maintenance of equipment, and replacement of showerheads and aerators. Audits are often requested by customers who experience an increase in water usage, usually due to a leak.

Water conservation reduces the City costs for infrastructure, drilling new wells, water treatment, chemicals, electricity and purchasing water rights. Conservation also reduces the costs for wastewater treatment, wastewater plants, electricity and chemicals by reducing the amount of water flowing to the treatment plants.

Most Significant Consumer of Water Served by the Water System

The City's largest water customer is the City. The City consumes water for irrigation of public parks and playing fields. In Fiscal Year 2018, the city consumed approximately 133,384,000 gallons from the Utilities' system.

Intel Corporation, the City's largest industrial customer, used approximately 22,878,000 gallons in fiscal year 2018. Intel operates a semiconductor manufacturing business located adjacent to the City's corporate limits and produces computer chips. Intel has developed its own water wells and production facilities in addition to using City water. Intel's wastewater is discharged to the Albuquerque Bernalillo County Water Utility Authority. As a result, Intel's operations do not impact the City's Wastewater System.

Top Ten Water Users in the City of Rio Rancho

The following are the top ten water users in the City of Rio Rancho for Fiscal Year 2018:

<u>Customer Name</u>	<u>Consumption in Thousands</u>	<u>Revenue</u>	<u>% of Revenue</u>
City of Rio Rancho (irrigation)	133,384	\$788,299	3.25%
Rio Rancho Schools (irrigation)	106,617	662,982	2.73%
Chamisa Hills (effluent irrigation)	69,918	86,698	0.36%
Northern Meadows Assc. (irrigation)	55,614	345,363	1.42%
City of Rio Rancho (effluent irrigation)	29,856	37,021	0.15%
Presbyterian Medical Center	24,602	138,755	0.57%
Intel	22,878	122,169	0.50%
Rio Rancho Schools (general)	19,628	110,702	0.46%
North Hills Assc. (irrigation)	17,493	108,632	0.45%
Loma Colorado Comm. Assc. (irrigation)	16,927	105,117	0.43%

Source: City of Rio Rancho

Water Rate Adjustments

The City of Rio Rancho is a home rule municipality. As such, it is authorized by State law to establish its own rate structure without approval from any State agency. In January 2013, the Governing Body passed an ordinance to increase the monthly base and volume charges 8.8% annually over a five-year period (Fiscal Years 2013 through 2017). To encourage conservation, the single family residential three block rate structure was revised to reduce the consumption in each block. The rate increase effective in FY2014 was revised by the Governing Body from 8.8% to 7.8% in June, 2013. Subsequently rate increases scheduled for FY2015 – FY2017 were amended from an 8.8% increase to a 7.8% increase in June, 2014. In January 2016 recycled water rates were amended from 60% of the potable Commercial Irrigation rate to 20% of the potable Commercial Irrigation rate. The recycled water rate was amended again in August 2018 to \$0.65 per thousand gallons.

Pursuant to its practice of conducting periodic rate analysis for the Water System, in fiscal year 2018 the City engaged Stantec Consulting Services (“Stantec”) to perform a Rate Study for the Water System for the Study period FY2019 – FY2024. The financial planning framework analysis determined that rate increases would be needed to cash-fund all anticipated capital expansions and improvements to the Water System during the Study period, as well as increases in operational costs. The study was presented to the Governing Body in a work session held on June 19, 2018. After that work session, the City revised the list of anticipated expansions and improvements to be cash funded during the Study period, and the rate study recommendation of 8.5% increases in FY2020 and FY2021 was accordingly revised to annual increases of 1.75% for Fiscal Years 2020 through 2024, to meet anticipated operational costs and to fund a more limited scope of capital improvements to the Water System. The proposed increases to the Water System’s fixed and commodity charges, as well as alternative possible funding sources for the anticipated expansions and improvements, will be proposed to the Governing Body during the fiscal year 2020 budget process.

Under the terms of the Master Ordinance, the City must at all times fix rates and collect charges sufficient to provide for the Debt Service Requirements on all Outstanding System Bonds. See “SECURITY AND OTHER SOURCES OF PAYMENT-Rate Covenant.” The City’s current water rate structure is presented below:

WATER RATE STRUCTURE

Meter Size (inch)	Monthly Service Charge						
	2013 Rate	2014 Rate	2015 Rate	2016 Rate	2017 Rate	2018 Rate	2019 Rate
5/8	\$ 8.53	\$ 9.20	\$ 9.92	\$ 10.69	\$ 11.53	\$ 11.53	\$ 11.53
3/4	8.67	9.35	10.08	10.87	11.71	11.71	11.71
1	9.75	10.51	11.33	12.21	13.17	13.17	13.17
1 1/4	11.34	12.22	13.17	14.20	15.31	15.31	15.31
1 1/2	13.47	14.52	15.65	16.87	18.19	18.19	18.19
2	14.94	16.11	17.37	18.72	20.18	20.18	20.18
3	64.61	69.65	75.08	80.94	87.25	87.25	87.25
4	86.56	93.31	100.59	108.43	116.89	116.89	116.89
6	135.32	145.87	157.25	169.51	182.74	182.74	182.74
8	145.07	156.39	168.59	181.74	195.91	195.91	195.91
10	248.69	268.09	289.00	311.54	335.84	335.84	335.84

Customer Class	Volume Charge per 1,000 gallons						
	2013 Rate	2014 Rate	2015 Rate	2016 Rate	2017 Rate	2018 Rate	FY19 Rate
Single-Family Residential⁽¹⁾							
First 6,000 gallons	\$ 3.94	\$ 4.25	\$ 4.58	\$ 4.94	\$ 5.32	\$ 5.32	\$ 5.32
7,000 to 10,000 gallons	4.27	4.60	4.96	5.35	5.76	5.76	5.76
Over 10,000 gallons	4.60	4.96	5.35	5.76	6.21	6.21	6.21
Multi-Family Residential⁽¹⁾							
2 to 4 housing units	4.02	4.33	4.67	5.03	5.42	5.42	5.42
More than 4 housing units	4.17	4.50	4.85	5.23	5.64	5.64	5.64
Commercial							
Industrial	3.95	4.26	4.59	4.95	5.34	5.34	5.34
City	3.77	4.06	4.38	4.72	5.09	5.09	5.09
Irrigation⁽²⁾							
Commercial	4.60	4.96	5.35	5.76	6.21	6.21	6.21
City	4.38	4.72	5.09	5.49	5.91	5.91	5.91
Reclaimed Water ⁽²⁾	50%	50%	60%	20%	20%	20%	0.65 ⁽³⁾
Bulk Water	10.00	10.00	10.00	10.00	10.00	10.00	10.00

⁽¹⁾In order to promote water conservation the City instituted a multi-tiered residential rate structure.

⁽²⁾Percentage of potable irrigation rate.

⁽³⁾The recycled water rate was amended in August 2018 to \$0.65 per thousand gallons.

Comparison of Water Rates

The following table presents a comparison of residential water rates for the City of Albuquerque, City of Las Cruces, City of Santa Fe (Sangre de Cristo), and City of Rio Rancho. This chart assumes water consumption at 10,000 gallons per month.

<u>Service Size</u>	<u>Fixed</u>	<u>Commodity Charge</u>
City of Albuquerque		
(Albuquerque Bernalillo County Water Utility Authority)		
5/8"	\$15.91	\$1.69
3/4"	\$15.91	\$1.69
City of Las Cruces		
5/8"	\$12.09	\$2.53
3/4"	\$12.09	\$2.53
City of Santa Fe		
(Sangre de Cristo Water Division)		
5/8"	\$18.42	\$6.06
3/4"	\$18.42	\$6.06
City of Rio Rancho		
5/8"	\$11.53	\$5.76
3/4"	\$11.71	\$5.76

Source: City of Rio Rancho.

Water/Sewer Billing and Collections

The City imposes all rates and charges through a water and sewer rate ordinance. Charges are billed to the customer. In cases of leased property, the tenant will have payment responsibility, and service will be discontinued if payment is not made. In cases of owner-occupied property, if the property owner does not pay the utility bill, property liens may be filed and foreclosed as provided by state law.

The City performs all meter reading services in connection with the System. Meters are read and billed once per month. Customers are billed within the same approximate time frame each month, within approximately two days after their meters are read. The payment is delinquent if not made within 24 days following the billing date on a utility statement. The City may cause the water supply to be turned off and discontinue service to the property if any charge remains unpaid on the customer's utility statement. A late payment penalty of 10% is imposed on delinquent amounts.

CERTAIN INFORMATION CONCERNING THE WASTEWATER SYSTEM

The Wastewater System was constructed over the same approximate time period as the Water System in order to provide wastewater service to residential, commercial, and industrial customers in Rio Rancho. However, since many of the homes initially constructed were supplied with septic tanks, the majority of Wastewater System facilities were not installed until after 1979. Currently, the City estimates that there are more than 5,000 residential customers who have individual septic tanks and are not served by the Wastewater System. Wastewater service connections totaled approximately 30,014 as of the end of calendar year 2018, which is a growth rate of 13% since 2009. The following table presents a breakout of

the types of Wastewater System customers connected to the system and the total amount of wastewater treated (expressed in gallons) over the five-year period from January 1, 2014 through December 31, 2018.

HISTORICAL OPERATING STATISTICS - WASTEWATER SYSTEM

	Calendar Year 2014	Calendar Year 2015	Calendar Year 2016	Calendar Year 2017	Calendar Year 2018
CUSTOMER CONNECTIONS:					
Residential	27,845	28,312	28,648	29,207	29,688
Commercial	1,018	1,049	983	781	193
Industrial	-	-	-	-	604
Public Authority	28	28	26	26	27
Total	28,891	29,389	29,657	30,014	30,512
TOTAL WASTEWATER TREATED					
(1000s of Gallons):	1,739,276	1,639,999	1,614,794	1,534,024	1,587,987

Source: City of Rio Rancho.

The Wastewater System includes approximately 388 miles of collector lines, interceptor lines, and force mains ranging in diameter from 2 to 30 inches, 26 active lift stations, and five treatment plants.

Effluent is primarily discharged to the Rio Grande under two EPA discharge permits, and sludge produced from wastewater treatment is disposed of at the Sandoval County landfill. In 2018, the Wastewater System treated approximately 1,587,987 gallons of wastewater. The Wastewater System encompasses about 50 acres for treatment plant and lift station sites. As with the Water System, a supervisory control and data acquisition (“SCADA”) system was installed to constantly monitor facility operations to detect power outages, relay intruder alarms, and provide for production records.

Collection System

All mains are constructed of PVC or vitrified clay pipe. Most of the collection system is designed to carry wastewater flows by gravity except for areas where the topography requires the pumping by wastewater lift stations and associated lines known as force mains. There are approximately 95,432 feet of force mains in the Wastewater System. Most of the collection mains are no more than 20 years old. The industry estimates PVC wastewater mains will last at least 50 years.

In addition to collection mains, almost all wastewater customers have individual service connections to the collection system. Almost all of these are 4 inches in diameter, and they average 45 feet in length. The collection system includes 7,476 manholes.

Lift Stations

The Wastewater System has 26 active lift stations. All but two are duplex stations, i.e. they contain two pumps. The remaining two lift stations have been designed with three pumps. Capacities of the lift stations vary from about 36 gpm up to 3,600 gpm per station. Most lift stations are relatively new with many constructed over the last decade.

Treatment Plants

Four separate wastewater treatment plants (each a “WWTP”) provide secondary biological treatment of the City’s sewage, two of which (WWTP No. 5 and No. 6) are membrane biological reactors.

All of the City's wastewater treatment facilities are operating within their capacity limitations and in accordance with federal and state requirements.

WWTP No. 1 is the oldest of the four plants. This plant was constructed in 1970 and was expanded or upgraded in 1979, 1980, 1997, and 2001. Its current capacity is 1.25 mgd. This plant uses the conventional plug flow activated sludge process. Effluent from this plant is discharged through an outfall line which also services WWTP No. 2. WWTP No. 1 will be replaced with a lift station and force main. The influent will be diverted to WWTP No. 6. It is anticipated that WWTP No. 1 will be decommissioned once WWTP No. 6 expansion is fully operational in late 2020.

WWTP No. 2 was constructed in 1985 and designed to treat 0.5 mgd by the extended aeration activated sludge treatment process. The facility contains an effluent return pumping facility designed to pump treated effluent for landscape irrigation from this location. In 1988, the facility was expanded by adding a separate activated sludge treatment process of 1.5 mgd. In 1999, an additional 3.5 mgd nitrification/denitrification facility was constructed along-side the current treatment facility. At that time the vitalization system and the floor in the belt press building was also renovated.

WWTP No. 3 is not currently in operation. The City however maintains an EPA permit for future population increases. WWTP No. 4 has been demolished and is no longer in service.

WWTP No. 5 is located in the Mariposa subdivision and has an ultimate design capacity of 2.0 mgd. The first phase of WWTP No. 5 was completed in 2006 and has a treatment capacity of 0.25 mgd and can be expanded relatively easily to 0.5 mgd by adding Zenon membranes, blowers and associated equipment. This wastewater treatment plant will be expanded as needed. The treatment method is membrane bio-reactor ("MBR") which will produce an effluent that may be used for all purposes except drinking water. MBR treatment is in compliance with the City's goal for an aggressive water reuse program to preserve its water resources.

WWTP No. 6 is located in the Cabezon subdivision and can potentially be expanded significantly beyond its current capacity of 0.6 mgd. The first phase of WWTP No. 6 was completed in 2006. The treatment method is MBR. The City is nearing completion of the construction to expand capacity of WWTP No. 6 to 1.2 mgd. Construction of the recycled water tank, booster station and recycled water transmission lines have been completed. Loan proceeds from the New Mexico Environment Department were used to fund construction. The effluent usage will allow the City to better manage its ground water resources and extends the City's pumping permit. Currently WWTP No. 6 is being expanded from a 1.2 mgd to a 1.8 mgd MBR. Once the expansion is in operation in late 2020, this plant will replace WWTP No. 1 which treats approximately 0.5 mgd per day.

Historical flows at the WWTPs are operating at approximately 56% of design capacity.

Sludge Disposal and Effluent Discharge

Digested sludge produced from all treatment plants is delivered to a 0.5 million gallon central sludge processing facility at WWTP No. 2. In 1999, a sludge belt filter press was installed to de-water sludge and process dried sludge to be delivered for disposal at the landfill. The City is currently permitted to sell treated effluent from WWTP No. 1, No. 2 and No. 6 to several customers, the country club area, Vista Verde Cemetery and the City of Rio Rancho.

Recycled Water Program

One of the City's approaches to serve its growing population is to expand the recycled water program to maximize the beneficial use of all available water sources. Recycled wastewater is a reliable, drought-proof water source that can be tailored to meet the needs of specific end uses ranging from irrigation to indirect potable reuse. When the demand for recycled water is low, the purified water source can be stored in surface reservoirs or subsurface aquifers. Aquifer recharge offers the advantage of nearly infinite storage capacity, preservation of the quality of the purified water, and elimination of water losses associated with evaporation from open surface reservoirs.

The City's recycled water program has two main objectives: (1) inject recycled water into the groundwater to recharge the aquifer and store water for future use, and (2) replace potable water use for irrigation of parks, medians and other uses. The City's aquifer recharge site consists of one injection well surrounded by an extensive groundwater monitoring network on approximately 2.5 acres of fenced land near Loma Colorado. The direct injection facility was brought on line in July 2017. It will be able to replenish groundwater at the rate of up to one million gallons per day.

Permits from the Office of the State Engineer and the New Mexico Environment Department are required for aquifer recharge, which were obtained by the City in 2015. The piping network needed to transport recycled water to be used for irrigation of golf courses, cemeteries, parks and medians has been completed. A recycled water reservoir and booster station located near WWTP No. 6 was completed at an approximate cost of \$6,000,000. Project expenditures for the Aquifer Storage Demonstration, Advance Water Treatment Facility and the Recycled Storage Tank projects total approximately \$16.5 million.

Reclaimed water will undergo an on-site advanced water treatment ("AWT") process prior to direct injection to ensure that the groundwater supply is not impaired by chemicals or pathogens. This process includes Advanced Oxidation (AOP) and Biologically Activated Carbon ("BAC") and disinfection prior to injection. Construction and testing of the facility was completed in July 2017.

Effluent Quality

The City is currently in compliance with the standards set forth in the NPDES permit issued in November, 2010.

Wastewater Rate Adjustments

As a home rule municipality, the City is authorized by State law to establish its own rate structure for the Wastewater System without approval from any State agency. In January 2013, the Governing Body passed an ordinance to increase the monthly base and volume charges 8.8% annually over a five-year period (Fiscal Years 2013 – 2017). The rate increase effective in FY2014 was revised by the Governing Body from 8.8% to 7.8% in June, 2013. Subsequently rate increases scheduled for FY2015 – FY2017 were amended from an 8.8% increase to a 7.8% increase in June, 2014.

Pursuant to its practice of conducting periodic rate analysis for the Water System, in Fiscal Year 2018 the City engaged Stantec to perform a Rate Study for the Wastewater System for Study period FY2019 – FY2024. The financial planning framework analysis determined that rate increases would be needed to fund all anticipated capital expansions and improvements to the Wastewater System during the Study period. The Study was presented to the Governing Body in a work session held on June 19, 2018. After that work session, the City revised the list of

anticipated expansions and improvements to be cash-funded during the Study period, and the rate study recommendation of 2.0% increases in FY2020 and FY2022 was revised accordingly to reflect no increases in fiscal year 2020 through fiscal year 2024. The proposed increases to the Wastewater System’s fixed and commodity charges have not been presented to the Governing Body for adoption but, together with alternative possible funding sources for the anticipated expansions and improvements, will be proposed to the Governing Body during the fiscal year 2020 budget process.

The City’s current wastewater rate structure is presented below:

WASTEWATER RATE STRUCTURE

Meter Size (inch)	Monthly Service Charge (\$ per bill)					2018 Rate	2019 Rate
	2013 Rate	2014 Rate	2015 Rate	2016 Rate	2017 Rate		
All Sizes	\$10.97	\$11.83	\$12.75	\$13.75	\$14.82	\$14.82	\$14.82

Customer Class	Volume Charge (\$per 1,000 gallons)					2018 Rate	2019 Rate
	2013 Rate	2014 Rate	2015 Rate	2016 Rate	2017 Rate		
Residential, Multifamily, Commercial	\$7.70	\$8.30	\$8.95	\$9.65	\$10.40	\$10.40	\$10.40
City	7.32	7.89	8.51	9.17	9.88	9.88	9.88

Comparison of Wastewater Rates

The following table presents a comparison of residential wastewater rates for the Cities of Albuquerque, Las Cruces, Santa Fe, and Rio Rancho. This chart assumes wastewater production at 10,000 gallons per month.

Wastewater Rates Comparisons

Service Size	Fixed	Commodity Charge
City of Albuquerque (Albuquerque Bernalillo County Water Utility Authority)		
5/8"	\$10.53	\$1.68
3/4"	\$10.53	\$1.68
City of Las Cruces		
5/8"	\$ 5.38	\$2.34
3/4"	\$ 5.38	\$2.34
City of Santa Fe (Sangre de Cristo Water Division)		
5/8"	\$7.53	\$4.64
3/4"	\$7.53	\$4.64
City of Rio Rancho		
5/8"	\$14.82	\$10.40
3/4"	\$14.82	\$10.40

Source: City of Rio Rancho, New Mexico.

Supervisory Control and Data Acquisition (SCADA) Systems for Water Production and Wastewater Treatment

The Water Production and Wastewater Handling and Treatment Facilities are managed and monitored by means of a SCADA System. The SCADA system enables authorized operators of each system to remotely monitor and to make operational changes to the water production and wastewater handling processes from a central location. The SCADA system also monitors each process and sends alarm notices to operators if any operating parameters exceed prescribed limits.

Data from each of the processes is transmitted to a central operations location. The data is used to optimize all processes by, for example, monitoring operational parameters. The data is used to: (1) prepare production and quality control reports for historical reference to plan system needs, (2) create reports for regulatory agencies of the State of New Mexico and U.S. Environmental Protection Agency (“EPA”) and (3) assist in creating trend analysis to determine operating chemical and equipment needs.

The Utilities Department is involved in an ongoing upgrade and expansion of the SCADA system as the Water and Wastewater System expands to help provide operational data for more efficient operations. The purpose of the upgrades is to improve the quality and dependability of the Water and Wastewater System, including the Arsenic Treatment Facilities.

System Financial Information

The historical financial results of the System, Utility Fund Assets, Liabilities and Fund Balance, and Revenues and Expenditures are summarized in the following tables for fiscal years 2014 through 2018.

Utility Fund – Assets⁽¹⁾

ASSETS	Fiscal Year Ending June 30				
	2014	2015	2016	2017	2018
Current assets					
Cash and investments	\$17,414,295	\$16,657,474	\$24,668,314	\$25,467,650	\$22,180,667
Accounts receivable	5,773,346	5,613,548	6,236,383	6,665,330	6,313,824
Due from other governments	1,358,357	114,213	327,557	15,712	-
Other receivables	-	-	-	-	88,314
Total current assets	<u>\$24,545,998</u>	<u>\$22,385,235</u>	<u>\$31,232,254</u>	<u>\$32,148,692</u>	<u>\$28,582,805</u>
Non-current notes receivable					
Cash and investments	\$ 7,202,850	\$11,701,194	\$4,850,960	\$28,432,614	\$41,262,306
Goodwill (net of amortization)	3,749,325	3,570,430	-	-	-
Total restricted assets	<u>\$10,952,175</u>	<u>\$15,271,624</u>	<u>\$4,850,960</u>	<u>\$28,432,614</u>	<u>\$41,262,306</u>
Capital assets					
Net capital assets	\$263,792,013	\$260,217,045	\$261,644,076	\$288,528,648	\$292,289,790
Construction work in progress	27,280,184	33,679,299	35,917,632	12,321,259	7,445,961
Total capital assets	<u>\$291,072,197</u>	<u>\$293,896,344</u>	<u>\$297,561,708</u>	<u>\$300,849,907</u>	<u>\$299,735,751</u>
Deferred charges					
Excess Consideration for Acquisition	-	-	3,391,536	3,212,641	3,033,746
Deferred Pension Plan items	-	124,853	145,543	852,502	536,331
Deferred OPEB Items	-	-	-	-	28,945
Deferred bond items	1,236,219	1,112,072	3,218,427	3,748,973	3,351,547
Total deferred charges	<u>\$ 1,236,219</u>	<u>\$1,236,925</u>	<u>\$6,755,506</u>	<u>\$7,814,116</u>	<u>\$6,950,569</u>
Total assets and deferred outflows	<u><u>\$327,806,589</u></u>	<u><u>\$322,790,128</u></u>	<u><u>\$340,400,428</u></u>	<u><u>\$369,245,329</u></u>	<u><u>\$376,531,431</u></u>

Source: City of Rio Rancho, New Mexico

⁽¹⁾ Information appearing in the table is derived from the City's audited financial statements, but this table is not audited.

Utility Fund-Liabilities and Fund Balance⁽¹⁾

LIABILITIES	Fiscal Year Ending June 30				
	2014	2015	2016	2017	2018
Current liabilities					
Accounts payable	\$ 2,038,685	\$1,489,865	\$1,312,859	\$1,603,584	\$2,038,472
Accrued liabilities	769,415	780,566	711,808	752,717	613,175
Accrued payroll	-	-	-	-	-
Accrued interest payable	-	-	-	-	-
Compensated absences payable	107,775	94,035	85,509	96,926	94,504
Arbitrage payable	-	-	-	-	-
Deposits held for others	984,050	1,012,982	1,041,755	983,683	1,050,783
Current portion of notes and bonds payable	8,632,755	7,775,273	7,942,313	8,306,669	9,458,841
Total current liabilities	\$ 12,532,680	\$ 11,152,721	\$11,094,244	\$11,743,579	\$13,255,775
Non-current liabilities					
Compensated absences payable	722	24,657	-	8,534	15,509
Revenue bonds payable	94,829,110	87,968,275	80,323,055	121,782,779	112,338,055
Notes payable	31,819,391	37,524,573	39,552,802	15,484,861	14,526,020
Net Pension Liability ⁽²⁾	-	1,211,785	1,594,062	2,724,298	2,299,950
Net OPEB Liability ⁽³⁾	-	-	-	-	1,708,006
Total non-current liabilities	\$126,649,223	\$126,729,290	\$121,469,919	\$140,000,472	\$130,887,540
Deferred Pension Items ⁽²⁾	-	474,904	40,973	41,664	275,869
Deferred OPEB Items ⁽³⁾	-	-	-	-	388,738
Total deferred inflows	-	474,904	40,973	41,664	664,607
Total liabilities and deferred inflows	\$139,181,903	\$138,356,915	\$132,605,136	\$151,785,715	\$144,807,922
Fund equity					
Invested in capital assets, net	156,357,986	161,123,193	172,961,965	183,835,615	169,066,414
Restricted for revenue bonds debt service	7,198,137	7,479,784	4,850,960	3,252,011	28,099,464
Unrestricted	25,068,563	25,830,236	29,982,367	30,371,988	34,557,631
Total net assets	\$188,624,686	\$194,433,213	\$207,795,292	\$217,459,614	\$231,723,509

Source: City of Rio Rancho, New Mexico.

⁽¹⁾ Information appearing in the table is derived from the City's audited financial statements, but this table is not audited.

⁽²⁾ In FY2015, the City implemented GASB Statement No. 68 to reflect the City's proportionate share of its Net Pension Liability of the New Mexico Public Employees Retirement Association.

⁽³⁾ In FY2018, the City implemented GASB Statement No. 75 to reflect the City's retroactive recognition of its proportionate share of Other Post-Employment Benefits liability of the New Mexico Retiree Health Care Authority.

MANAGEMENT OF THE WATER AND WASTEWATER SYSTEM OPERATIONS

The City has retained a professional management firm to operate and maintain the System on behalf of the City. The management firm is responsible for the day-to-day operation and maintenance of the System.

In 2002 the City issued a Request for Proposals (“RFP”) to firms experienced in providing contract operation and maintenance services for water and wastewater utilities. Based on the results of interviews with certain firms, together with the formal proposals received from each, the City selected Operations Management International, Inc. (“OMI”) to operate and maintain the System. The operation and maintenance contract was for a term of four years starting July 1, 2002, and included the right to extend the term up to an additional four-year term after the initial term had expired. The City negotiated an extension which was approved in 2006 for an additional four years. In 2010, the City again issued a RFP for contract operations and maintenance of the water and wastewater system because the original 2002 solicitation had expired. The City received one proposal, which was from OMI. The City negotiated new terms and entered into a four year operations and maintenance agreement. The new agreement added two significant deliverables, financial purchasing function and an Asset Management Program. Both deliverables have been completed and are ongoing functions of the Systems operations and maintenance.

In July, 2014 the City issued a RFP for a consultant to conduct a study consisting of an in-depth examination of the City’s current management and operations contract. Based on the proposals submitted, The Eisenhardt Group, Inc. was selected as the successful candidate. Eisenhardt interviewed key City and OMI staff and reviewed relevant contract documents and background information. The Eisenhardt Group also conducted a comprehensive review of the existing contract. The review concluded that OMI has done a good job managing the City’s assets but recommended that the City renegotiate certain features of the contract with OMI. The amended contract became effective July 1, 2015 for a period of five years. In November 2018, the contract was amended to include renewals after the initial term for a one (1) year term extension with a maximum of a ten (10) year term.

OMI was founded in 1980 as a subsidiary of CH2M Hill Companies, LTD (“CH2M Hill”), which provides consulting, design, design-build, operations, and program management services for government, civil, industrial and energy clients in the areas of water transportation, environmental, energy, facilities and resources. In January 2017 Jacobs Engineering Group acquired the CH2M Hill companies. Jacobs is headquartered in Dallas, Texas and has over 77,000 employees in over 400 locations around the world. The company provides a full spectrum of services including scientific, technical, professional and construction management, program management, management for business industrial commercial government and infrastructure sectors. The City’s contract with OMI remains unchanged.

The Utilities Department oversees OMI’s contract performance in the area of water production, distribution, new construction of water mains, repair of existing water mains, wastewater collection, wastewater treatment and maintenance of the System. The Director of Utilities oversees the permit conditions issued by the EPA and State of New Mexico for system requirements and reporting for safe drinking water and clean water. The City’s Utilities Accounting and Utility Services Divisions handle the budget preparation, accounting and billing for the System with overall budget and financial oversight by the City’s Financial Services Department.

Utilities Director

The Utilities Director is responsible for planning, implementation and management of the City’s water utilities system, pursuant to the policies, rules and regulations promulgated by the Governing Body. The Utilities Director is responsible for compliance with all federal, state and local regulations regarding

water health, safety and environmental issues for the City. The Utilities Director is also responsible for the management of the contract firm OMI, which operates the utilities' water, wastewater and recycled water operations.

The current Utilities Director, Jim Chiasson, was appointed to the position in January 2017. Prior to his appointment, he spent the previous 16 ½ years with the New Mexico Environment Department's Construction Programs Bureau where he served in various capacities including the last 7 years as Bureau Chief. He also spent 4 years directing operations for the Santa Fe Solid Waste Management Agency in Santa Fe and over 3 ½ years working for a private consulting firm in Albuquerque. He has over 29 years of experience designing, constructing and operating water, wastewater and solid waste facilities. Mr. Chiasson graduated from Syracuse University with a Bachelor of Science degree in mechanical engineering and holds a Master's degree in civil engineering from the University of New Mexico. He is a registered professional engineer in the State of New Mexico.

Capital Project Expenditures

The City approves an Infrastructure Capital Improvement Plan ("ICIP") on an annual basis, which includes Water and Wastewater System projects and other capital projects. The ICIP forecasts the City's capital needs for the next five years. Project priorities are adjusted annually to address specific needs and changing conditions.

Water System. Within the next five fiscal years, the City expects to make additional improvements to the Water System. The following table presents the higher priority improvements expected to be made to the Water System and associated cost estimates.

Project Title	Fiscal Years 2019 – 2024
Install/Replace Water Lines	\$18,881,164
Renovate/Paint Water Storage Tanks	10,326,386
Water Rights Acquisition	10,278,200
Re-drill Well 9 & Equip for Arsenic Removal	10,100,000
Re-drill Well 13	9,877,681
New Well 9 Storage Tank	2,800,000

The City expects to finance a portion of these Water System improvements with revenues from the System, developers' contributions, federal grants, state loans and through an issuance of Parity Bonds. The ICIP also includes several projects for which funding sources have not yet been identified. The ICIP identifies additional Water System improvement projects at an estimated cost of approximately \$77,778,184.

Wastewater System. Over the next five fiscal years, the City expects to make additional improvements to the Wastewater System. The following table presents the higher priority improvements expected to be made to the Wastewater System and associated cost estimates.

Project Title	Fiscal Years 2019 – 2024
Replace WWTP 1	\$23,725,523
Install/Replace Sanitary Sewer Lines	11,397,509
WWTP 2 Upgrades	10,329,858
WWTP 2 UV Improvement	2,607,000
NM528 Relief Force Main from Willow Creek to LS 15	2,600,000
WWTP 2 Solids Handling Rehabilitation	1,853,400

The City expects to finance a portion of these Wastewater System improvements with revenues from the System, state grants, and issuance of Parity Bonds and state loans. The ICIP also includes several projects for which funding sources have not yet been identified. The ICIP identifies additional Wastewater System improvement projects at an estimated cost of approximately \$68,218,709.

THE CITY

General

The City of Rio Rancho is currently the third largest city in New Mexico and has experienced rapid growth historically. Rio Rancho is located in central New Mexico at 5,679 feet above sea level, and is adjacent to Albuquerque, New Mexico’s largest city. In the early 1960s, the AMREP Corporation purchased 55,000 acres of land on the outskirts of Albuquerque, originally called Rio Rancho Estates. AMREP marketed the area to residents in the Midwest and eastern states. When home building began in 1962, many of the first residents were middle-income retirees. In 1966, the 100th family moved to Rio Rancho and by 1977 the population had grown to 5,000. In 1971, AMREP purchased and platted an additional 35,000 acres. Rio Rancho Estates at that time included 92,000 acres and was larger, geographically, than the city of Albuquerque.

By the late 1970’s the area had grown to a community of about 11,000. In September of 1981 the City of Rio Rancho was formally incorporated as a New Mexico municipality. Rapid employment, population and housing growth characterized Rio Rancho in the 1980’s and continued through the 1990’s. Population and housing stock tripled between 1980 and 1990. The City’s population grew by approximately 45 percent between the 2000 census and the 2010 census and has overtaken Santa Fe as the third largest City in the State behind Albuquerque and Las Cruces. The City has a land area of approximately 103 square miles and a population of approximately 96,159 (estimated 2018).

Government

The City was incorporated in 1981 and operates under a home rule charter, adopted by voter approval in March, 1992, with a Council-Manager form of government. Nonpartisan elections are held for members of the Governing Body of the City (the “Governing Body”) for the election of councilors from six single member districts and for a Mayor to be nominated and elected at large by the residents and qualified voters of the City. Under the City Charter, the Mayor is a voting member of the Governing Body, but only for the purpose of breaking tie votes or in the absence of a councilor.

Members of the Governing Body are elected for staggered four-year terms. The members and the date of expiration of their current terms are as follows:

<u>Name</u>	<u>Office</u>	<u>Current Term Expires</u>
Greggory D. Hull	Mayor	March, 2022
Jim Owen	Councilor, District 1	March, 2020
Dawnn Robinson	Councilor, District 2	March, 2022
Bob Tyler	Councilor, District 3	March, 2022
Marlene Feuer	Councilor, District 4	March, 2020
Jennifer Flor	Councilor, District 5	March, 2022
David Bency	Councilor, District 6	March, 2020

Administrative Officers

Greggory D. Hull, Mayor. The Mayor is a member of the Governing Body of the City and the Chief Executive Officer of the City. The Mayor presides at meetings of the Governing Body and is a member of the Governing Body entitled to vote in the absence of a councilor or to break a tie. As Chief Executive Officer of the City, the Mayor exercises all administrative and executive powers, except to the extent that those powers are vested with the City Manager; represents the City in intergovernmental relationships; presents an annual State of the City report to the Governing Body; and performs other duties and exercise such other powers as specified in the City Charter, City ordinances and resolutions, or by the Governing Body. Mr. Hull was first elected as Mayor of Rio Rancho in April 2014 via a runoff election for a four-year term, and was re-elected in March 2018 for another four-year term.

John C. Craig, Acting City Manager. Mr. Craig began serving as Deputy City Manager of Rio Rancho in January 2015. He has over 15 years of city management experience as well as previous employment at Moody’s Investors Service rating bonds for various governmental agencies. As Deputy Manager, John is responsible for direct oversight of the Departments of Information Technology and Libraries, as well as management of all facets of the organization. Prior to relocating to Rio Rancho, John served as County Manager of Talbot County, Maryland, City Manager of Barre, Vermont, and was Strategic Planning Director in the District of Columbia (Washington, D.C.). After graduating with his Master’s degree in Public Administration from Columbia University in New York City, John worked for several years in public finance at Moody’s Investors Service.

Carole Jaramillo, Director of Financial Services. The Chief Financial Officer of the City is the Director of Financial Services, who also serves as the City Treasurer. The Director of Financial Services is appointed by the City Manager and is confirmed by the Governing Body. The Director of Financial Services is responsible for the City’s cash and investments, accounting, budgeting, contracts, procurement, and Motor Vehicle Division. Ms. Jaramillo has served as Director of Financial Services since 2016. She previously served as Santa Fe County Finance Director, and prior to that served as the payroll supervisor, budget administrator and accountant with Santa Fe County. Prior to her public sector experience, Ms. Jaramillo spent her career in the not-for-profit sector serving various entities in financial capacities of accountant, assistant controller and finance director. Ms. Jaramillo studied Business Administration at George Mason University in Fairfax, Virginia and is an alumna of the Leadership New Mexico Local Government Leadership and Core Programs.

Greg Lauer, City Attorney. The City Attorney serves as chief legal advisor to the Council, City Manager, and all department heads, offices and agencies. The City Attorney represents the City in all legal proceedings and performs any other duties prescribed by law. The City Attorney is appointed by the City

Manager and confirmed by the Governing Body. Mr. Lauer has served as City Attorney since December, 2016.

Other Employees

The City has 707 full-time equivalent employees. The City's police force consists of 135 sworn officers. The City operates a library, an aquatic center, a senior citizens center, six fire stations, a municipal water and sewer utility, and a solid waste collection and disposal system, contracted by the City. The City also operates outdoor swimming pools, ball fields and playgrounds with paid staff members during an active summer recreational program. The City has three employee unions, including Police, Fire, and AFSCME. The City considers its relations with its employees to be good.

Retirement Plan; Other Post-Employment Benefits

Public Employees Retirement Association

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. As required by State law, the City contributes to the plan amounts which vary from 9.5% to 21.6% of eligible employees' salaries. The City has also elected to pay 75% of the employees' required contributions on behalf of its employees. The City's contractual obligation under the Plan is limited to the periodic employer contributions that it is required to make for its participating employees. The City remitted \$6,992,627 in Fiscal Year 2018, \$6,854,511 in Fiscal Year 2017, and \$6,655,970 in Fiscal Year 2016, which equaled the required contributions for each year, including amounts paid on behalf of the employees.

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 governmental participants in cost-sharing multi-employer plans, 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 became effective for fiscal years beginning after June 15, 2014. As reported in the City's fiscal year 2018 audited financial statements, the City's proportionate share of PERA's net pension liability was \$68.0 million at June 30, 2018. The City Utility System's share of the City's liability was 3.38% or \$2.3 million for the employees whose PERA contributions are made from Utility System revenue. These amounts were reported in the City's audited financial statements for Fiscal Year 2018 along with other information required by GASB Statement No. 68. See Note 11 of the City's Fiscal Year 2018 audited financial statements.

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.nmpera.org/financial-overview.

Actuarial information is shown below:

**State of New Mexico Public Employees Retirement Fund
Summary Information as of June 30, 2018**

Membership ⁽¹⁾	116,411
Actuarial Information	
Actuarial Accrued Liability ⁽²⁾	\$21,313,451,183
Actuarial Value of Assets ⁽³⁾	\$15,252,860,672
Unfunded Actuarial Accrued Liability	\$6,060,590,511
Funded Ratio	71.6%

Source: Public Employees Retirement Association

⁽¹⁾ Includes active, inactive and retired members of both the 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 are smoothed in over a four-year period.

In Fiscal Year 2013, PERA reported an Unfunded Actuarial Accrued Liability (“UAAL”) of \$4.6 billion, approximately \$1.6 billion less than the previous fiscal year. The decline in the UAAL was the result of comprehensive pension reform legislation proposed by the PERA Board and enacted by the State Legislature during the 2013 legislative session. Senate Bill 27 significantly amended the Public Employees’ Retirement Act by creating a new tier of reduced benefits for new hires. The law reduces the cost of living adjustments for all current and future retirees; delays the application of cost of living adjustments for certain future retirees; suspends the cost of living adjustments for certain return-to-work retirees; provides for an increase in the statutory employee contribution rate of 1.5% (subject to certain requirements) for employees earning \$20,000 or more in annual salary; provides for an increase in the statutory employer contribution of 0.4% beginning in Fiscal year 2015; increases age and service requirements; lengthens the base average salary calculation amount from three to five years for future employees; increases the vesting period for employees from five to eight years for most members; lowers the annual service credit by 0.5% for most members; and makes several other clarifying and technical changes. Also as a result of the passage of pension reform legislation, PERA’s 30 year projected funded ratio increased from 29% to 108.8%. PERA reported a \$6.1 billion UAAL as of June 30, 2018 and the current funded ratio for all PERA divisions is 71.6%. The increase in the UAAL the result of an actuarial loss due to investment experience and changes in inflation rates, payroll growth rates, and other non-investment related items. PERA’s Fiscal Year 2018 actuarial value of assets was 6.90% compared to an expected return of 7.25%.

In Fiscal Year 2018, PERA reported an audited Net Pension Liability (“NPL”) of \$6.2 billion, using methods and assumptions required under GASB Statement No. 67, the reporting standard applicable to pension plans. PERA annually prepares a “Schedule of Employer Allocations and Pension Amounts” that provides employer participants the information they need to comply with GASB Statement No. 68, including each employer’s proportionate share of the NPL. This Schedule is audited by PERA’s independent auditors and is reviewed by the New Mexico State Auditor.

New Mexico Retiree Health Care Authority

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 (RHC) 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 2.0 % to 2.5% of each participating employee's annual salary. Starting in Fiscal Year 2014, each participating employee contributes to the Fund an employee contribution equal to 1.25% of the employee's annual salary. The City remitted \$636,785 in Fiscal Year 2018, \$657,119 in Fiscal Year 2017, \$604,964 and in Fiscal Year 2016, which equaled the required contributions for each year.

In June 2015, the Governmental Accounting Standards Board approved Statement No. 75 which requires governments providing other post-employment benefits ("OPEB") to recognize their long-term obligation for those benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of OPEB. Statement No. 75 requires governmental participants in cost-sharing multi-employer plans, such as the City, to record a liability and expense equal to their proportionate share of the collective net OPEB liability and expense for the cost-sharing plan. Statement No. 75 became effective for fiscal years beginning after June 15, 2017. As reported in the City's fiscal year 2018 audited financial statements, the City's proportionate share of the RHC net OPEB liability was \$34.2 million at June 30, 2018. The City Utility System's share of the City's liability was 5.0% or \$1.7 million for the employees whose RHC contributions are made from Utility System revenue. These amounts were reported in the City's audited financial statements for Fiscal Year 2018 along with other information required by GASB Statement No. 75.

Economy

The City's economy and surrounding area have been based primarily on the Intel manufacturing plant, government and related activities, retail trade, tourism, arts and entertainment, and recreation. In 2011 and 2012, Presbyterian Rust Medical Center and University of New Mexico Sandoval Regional Medical Center hospitals opened in the City, adding approximately 960 new jobs and over \$61,000,000 in annual payroll. These hospitals have attracted additional medical offices in the surrounding areas, most notably along the Unser corridor in the Petroglyphs Medical Plaza and Unser Pavilion sites. Rust Medical Center completed an additional tower to allow for another 120 beds and more office space at the end of 2015.

Construction of The Neighborhood at Rio Rancho, a \$50 million lifecare facility with capacity for 350 residents, was completed in April, 2016. The facility employs 143 personnel with an annual payroll of \$4.5 million.

The City has been able to attract industry to provide employment for its residential growth. Intel Corporation is the largest employer with approximately 1,200 employees. Intel has upgraded or completely overhauled its Rio Rancho site five times since the 1980's, most recently in 2009 to go from 45-nanometer transistors on chips to 32 nanometers. While the number of employees has fluctuated over the years, the City believes that Intel will continue to be a significant presence in the City, based in part on the large investment in infrastructure made by the company in the City, as well as the broader array of products manufactured at the Rio Rancho site, in contrast with facilities located elsewhere. Hewlett-Packard has operated a customer support center since 2009 and currently employs approximately 650 workers with \$45 million payroll. Lectrosonics, a manufacturer of wireless microphone systems and audio processing products for the film, broadcast media, and theatre industries, operates its world headquarters in Rio Rancho and employs over 150 people. Overall, industrial development in Rio Rancho has helped the community grow and has diversified the greater Albuquerque area economy.

The Customer Contact Center industry has played a key role in Rio Rancho for two decades. Recent expansions and re-investments include Alliance Data Systems, Bank of America, Convergys Corporation and S&P Data. Safelite Solutions opened a customer care center in Rio Rancho in 2017, with plans to hire

approximately 600 workers, and to fill 900 total positions by 2019. The company actually hired nearly 1,000 employees by end of 2017.

Rio Rancho continues to experience growth in both businesses and employees. Recent announcements of growth include Bosque Brewing Company relocating its headquarters to Rio Rancho, a new Dollar General store and Warhammer/Games Workshop opening. Redevelopment will continue through 2019 in some key areas in the City, bringing new entertainment, lifestyle amenities, and services to residents, including Elevate Trampoline Park. The area surrounding the Plaza at Enchanted Hills, on the north end of the City, continues recent growth and have added new retailers/amenities in the last year, including Big R, Dunkin Donuts, Mister Car Wash, Santa Ana Star Hotel, and Enchanted Hills Medical Offices. The southern part of the City, its traditional economic hub, is poised for continued growth in 2019 as Morningstar Senior Living, Fish Factory Swim School, La Esperanza Daycare, Advantage Assisted Living and several other commercial and residential projects come to fruition. These new businesses and retailers continue to enhance the products and services residents see and will add to and diversify the City's gross receipts tax revenue base.

Because of its accessibility and tourist facilities, the greater Albuquerque area is the gateway for tourism in New Mexico as well as an attraction in its own right. Attractions include the historic "Old Town" of Albuquerque, the Sandia Peak ski area, the Sandia Tramway, a number of nationally recognized museums and the Sandia National Forest. Other attractions include the Albuquerque International Balloon Fiesta and the New Mexico State Fair. There are also several Indian pueblos within easy driving distance which draw many tourists because of their historical significance, cultural beauty and Indian arts.

The national economic recession had significant impacts on the Rio Rancho economy. The City felt the recession most in 2010 and 2011, with unemployment in the metro area peaking at 8.3%, foreclosure activity peaking in mid-2010, and annual city construction permits reaching historically low levels in 2011. Since 2012, the Albuquerque metro area housing market has slowly improved, following national trends. In calendar year 2017, the City issued 455 single-family housing permits, significantly down from 568 issued in 2016. In calendar year 2018, the City issued 494 permits, compared with the 455 in calendar year 2017. The City issued 511 permits in fiscal year 2018.

Education

Rio Rancho Public Schools ("RRPS") was created on July 9, 1993, by the State Board of Education. RRPS is the State's newest district and is the State's first charter district under a pilot project authorized by the New Mexico Legislature in 1999. RRPS had an enrollment of 17,177 students at the 40th day reporting period of the 2018-19 school year. RRPS includes one early childhood center, ten elementary schools, four middle schools, two traditional high schools, one virtual education center and one alternative high school. A portion of the City of Rio Rancho is also part of the Central New Mexico Community College District, a post-secondary institution providing occupational education for certificate programs and academic course work leading to associate degrees. In addition, within the Albuquerque metropolitan area, the University of New Mexico provides undergraduate and graduate studies in a broad range of academic areas. The University of New Mexico and Central New Mexico Community College both have branch campuses in the City.

Transportation

The metropolitan area is served by interstate highways running east-west and north-south. Two general aviation facilities are located in the area, including the Albuquerque International Sunport, which has six major airlines and a regional airline providing service to the metropolitan area. City bus service is

provided to the New Mexico Railrunner station located in the adjacent Town of Bernalillo, which provides rail service to the Cities of Albuquerque and Belen to the south, and the City of Santa Fe to the north.

City Revenues and Budgets

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 an ordinance imposing the tax 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. Permits and inspection fees are established in relation to the cost of providing control and inspection and as permitted by law. Other fees, including fees charged participants in recreational programs, rider charges for transit services, and fees charged for filing of plats and subdivisions, help offset some of the costs of providing these services.

The City adheres to the following procedure in establishing its annual budget: the City Manager prepares a Recommended Budget, which is forwarded to the Mayor by April 15th for the fiscal year commencing the following July 1; public input is sought by the Governing Body during public hearings held in early May; the budget is approved by the Governing Body and forwarded for approval to the State of New Mexico, Local Government Division of the Department of Finance and Administration by June 1; the budget is returned to the City with recommended changes and modifications, if any; and the final budget is approved by the Governing Body by July 31.

The City was awarded the Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award in 2018, which is the 12th consecutive year the City has achieved this designation. The City also received the Certificate of Achievement of Excellence in Financial Reporting, for the 13th consecutive year for the City's 2017 CAFR.

The operating budget includes proposed expenditures and the means of financing them. The City Manager is authorized to transfer budgeted amounts within a division up to an annual maximum amount of \$20,000, but he must obtain approval of the Governing Body for all other funding adjustments. As a management control device, the City employs formal budgetary integration at the line item level. Deficit financing is not permitted under New Mexico law. The level of classification detail at which expenditure may not legally exceed appropriation for each budget item is the fund level (i.e., General, Water Utility, etc.).

Financial Statement

The following General Fund Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances have been included herein for informational purposes only. Figures were taken from the audit reports prepared by the City. Audited figures are excerpts of the audit reports and do not purport to be complete. Reference is made to the complete audit reports which are available upon request.

**CITY OF RIO RANCHO, NEW MEXICO
BALANCE SHEET – GENERAL FUND⁽¹⁾**

Fiscal Year Ended June 30

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
ASSETS					
Cash and investments	\$10,088,322	\$10,106,652	\$10,217,505	\$11,410,307	\$4,939,583 ⁽²⁾
Property taxes receivable	558,053	514,135	510,039	474,958	483,078
Gross Receipts taxes receivable	-	-	3,172,065*	3,112,614*	3,337,520*
Accounts receivables	1,236,343	1,134,035	1,093,582	1,052,854	1,220,916
Interest receivable	-	-	-	-	5,083
Due from federal government	54,764	123,295	23,219	1,825,436	22,613
Due from state government	4,263,302	5,193,630	2,011,695	45,136	2,017,497
Due from local government	-	28,166	-	-	-
Due from other funds	402,956	1,877,873	2,375,199	582,181	3,669,932 ⁽²⁾
Total Assets	<u>\$16,603,740</u>	<u>\$18,977,786</u>	<u>\$19,403,304</u>	<u>\$18,503,486</u>	<u>\$15,696,222</u>
LIABILITIES					
Accounts payable	\$ 761,591	\$ 964,971	\$ 620,561	\$ 571,776	\$ 514,837
Accrued liabilities	1,412,406	2,009,895	2,214,924	1,132,657	1,074,638
Unearned revenues	291,383	306,738	200,706	-	-
Total Liabilities	<u>\$2,465,380</u>	<u>\$3,281,604</u>	<u>\$3,036,191</u>	<u>\$1,704,433</u>	<u>\$1,589,475</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue – property taxes	\$413,908	\$370,560	\$355,236	\$334,170	\$367,539
Total deferred inflows of resources	<u>\$413,908</u>	<u>\$370,560</u>	<u>\$355,236</u>	<u>\$334,170</u>	<u>\$367,539</u>
FUND BALANCES (DEFICITS)					
Restricted	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	\$13,724,452	\$15,325,622	\$16,011,877	\$16,464,883	\$13,739,208
Total fund balance (deficits)	<u>13,724,452</u>	<u>15,325,622</u>	<u>16,011,877</u>	<u>16,464,883</u>	<u>13,739,208</u>
Total liabilities, deferred inflows of resources and fund balances (deficits)	<u>\$16,603,740</u>	<u>\$18,977,786</u>	<u>\$19,403,304</u>	<u>\$18,503,486</u>	<u>\$15,696,222⁽²⁾</u>

Source: City of Rio Rancho, New Mexico

* The City’s CAFR began separately tracking “gross receipts tax revenue receivable” from amounts “Due from State Government” beginning with FY2016.

⁽¹⁾ Information appearing in the table is derived from the City’s audited financial statements, but this table is not audited.

⁽²⁾ In March of 2018 voters approved issuance of \$14.1 million in general obligation bonds to fund road improvement projects (\$10.0 m) and public safety improvements (\$4.1 m). Pursuant to a resolution stating the City’s intent to reimburse itself from proceeds of the general obligation bonds, prior to the issuance of the bonds the City made a general fund transfer of \$3,234,913 to the general obligation bond fund for project expenditures. That amount is reflected as an increase in Due from other Funds, a reduction in Cash and investments, an increase in Transfers out, and a reduction in Fund Balance. This amount was reimbursed to the general fund upon issuance of the 2018 Series General Obligation Bonds in August 2018.

CITY OF RIO RANCHO, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GENERAL FUND⁽¹⁾

Fiscal Year Ended June 30

	2014	2015	2016	2017	2018
REVENUES					
Property taxes	\$13,757,763	\$14,359,894	\$14,911,082	\$15,368,332	\$15,850,889
Municipal and state shared taxes	25,033,909	28,736,225	29,328,679	29,353,218	29,003,383
License and permits	360,856	424,379	337,255	348,097	328,867
Intergovernmental federal	124,360	674,143	57,159	155,469	90,085
Intergovernmental county/local	51,000	104,666	73,334	106,660	109,769
Charges for services	4,434,902	6,008,983	5,994,511	5,962,428	6,054,697
Fines and forfeits	1,537,896	1,126,728	899,214	898,981	919,182
Franchise fees	3,422,738	3,463,842	3,338,941	3,423,653	3,491,594
Contributions and donations	-	-	-	-	-
Investment income (expense)	-	-	-	-	2,178
Other revenues	3,453,136	3,817,730	2,298,738	1,981,780	2,160,394
Total revenues	\$52,176,560	\$58,795,437	\$57,238,913	\$57,598,618	\$58,011,038
EXPENDITURES					
Current					
General government	\$ 7,986,365	\$ 8,214,795	\$7,572,593	\$8,360,040	\$8,176,600
Public safety	26,706,477	28,261,140	25,486,674	26,540,673	26,718,536
Public works	7,409,927	7,479,175	7,336,879	7,267,354	7,318,832
Culture and recreation	7,795,463	7,913,583	7,794,687	8,026,958	8,354,398
Economic development	1,770,720	1,943,003	2,174,628	2,166,351	2,602,796
Capital outlay	955,694	938,803	389,234	564,720	805,444
Total expenditures	\$52,624,646	\$54,750,499	\$50,754,695	\$52,926,096	\$53,976,606
Excess (deficiency) of revenues over expenditures	(\$ 448,086)	\$ 4,044,938	\$6,484,218	\$4,672,522	\$4,034,432
OTHER FINANCING SOURCES (USES)					
Loan proceeds	\$ 1,346,284	-	-	-	-
Sale of land proceeds	-	-	-	-	-
Transfer in	3,771	-	2	-	3,443
Transfer out	(1,382,429)	(2,443,768)	(5,797,965)	(4,219,516)	(6,763,550) ⁽²⁾
Total other financing sources (uses)	(32,374)	(2,443,768)	(5,797,963)	(4,219,516)	(6,760,107)
Net change in fund balances	(\$ 480,460)	\$1,601,170	\$686,255	\$453,006	(\$ 2,725,675)⁽²⁾
Fund balances - beginning of year	\$14,204,912				
Restatement	-				
Fund balances – beginning of year, as restated	\$14,204,912	\$13,724,452	\$15,325,622	\$16,011,877	\$16,464,883
Fund balances – end of year	\$13,724,452	\$15,325,622	\$16,011,877	\$16,464,883	\$13,739,208 ⁽²⁾

Source: City of Rio Rancho, New Mexico

⁽¹⁾ Information appearing in the table is derived from the City's audited financial statements, but this table is not audited.

⁽²⁾ In March of 2018 voters approved issuance of \$14.1 million in general obligation bonds to fund road improvement projects (\$10.0 m) and public safety improvements (\$4.1 m). Pursuant to a resolution stating the City's intent to reimburse itself from proceeds of the general obligation bonds, prior to the issuance of the bonds the City made a general fund transfer of \$3,234,913 to the general obligation bond fund for project expenditures. That amount is reflected as an increase in Due from other Funds, a reduction in Cash and investments, an increase in Transfers out, and a reduction in Fund Balance. This amount was reimbursed to the general fund upon issuance of the 2018 Series General Obligation Bonds in August 2018.

ECONOMIC AND DEMOGRAPHIC STATISTICS

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

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.

<u>Population</u>				
<u>Year</u>	<u>City</u>	<u>Sandoval County</u>	<u>Albuquerque MSA</u>	<u>State</u>
2000 ⁽¹⁾	51,733	89,908	729,649	1,819,046
2005	67,598	107,436	797,146	1,912,884
2006	72,857	114,231	815,979	1,937,916
2007	77,757	120,401	833,044	1,964,402
2008	81,906	125,368	845,913	1,984,356
2009	85,169	128,985	857,903	2,009,671
2010	87,357	131,561	887,077	2,059,179
2011	84,355	134,200	896,838	2,077,744
2012	87,068	135,246	900,368	2,083,590
2013	89,098	136,151	902,083	2,085,161
2014	90,627	136,867	902,069	2,083,207
2015	91,807	138,327	903,489	2,082,264
2016	92,966	140,224	906,877	2,085,432
2017	96,159	142,507	910,726	2,088,070

Source: United States Census Bureau, Annual Estimates & American Community Survey.

⁽¹⁾ April of 2000 is the month and year of the Census. It is reported as the benchmark; all other years are as of July 1 of the year. The Census in 2000 expanded the Albuquerque MSA to include Torrance County.

Source: U.S. Dept. of Commerce, Bureau of the Census

Age Distribution

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

Percentage of Population

<u>Age</u>	<u>Rio Rancho</u>	<u>Sandoval County</u>	<u>New Mexico</u>	<u>United States</u>
0 – 17	24.2%	23.0%	23.9%	22.8%
18 – 24	9.1%	7.7%	9.8%	9.8%
25 – 34	11.9%	11.7%	13.3%	13.4%
35 – 44	13.7%	12.5%	11.9%	12.6%
45 – 54	13.1%	12.6%	11.9%	13.1%
55 and older	28.1%	32.4%	29.2%	28.3%

Source: Spotlight, December 2018.

Income

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

Per Capita Personal Income

<u>Calendar Year</u>	<u>Albuquerque MSA</u>	<u>New Mexico</u>	<u>United States</u>
2008	\$35,195	\$33,344	\$41,082
2009	34,218	32,523	39,376
2010	34,097	33,111	40,278
2011	35,555	34,737	42,463
2012	35,691	35,431	44,283
2013	35,029	34,753	44,489
2014	37,006	36,767	46,486
2015	38,643	37,938	48,429
2016	39,665	38,393	49,204
2017	n/a	39,023	50,392

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

Employment

The following table provides a ten-year history of average employment in the Albuquerque MSA, the State and the United States.

Civilian Employment/Unemployment Rates

<u>Calendar Year</u>	<u>Albuquerque MSA Civilian Labor Force</u>	<u>Albuquerque MSA Number Employed</u>	<u>Albuquerque MSA</u>	<u>New Mexico</u>	<u>United States</u>
2007	402,249	389,243	3.7%	3.8%	4.6%
2008	407,340	388,753	4.6%	4.5%	5.8%
2009	404,223	372,776	7.8%	7.5%	9.3%
2010	424,757	390,672	8.0%	8.1%	9.6%
2011	421,179	389,467	7.5%	7.5%	8.9%
2012	417,541	387,707	7.1%	7.1%	8.1%
2013	415,510	387,163	6.8%	6.9%	7.4%
2014	414,728	387,526	6.6%	6.7%	6.2%
2015	415,937	390,238	6.2%	6.5%	5.3%
2016	422,320	396,546	6.1%	6.7%	4.9%
2017	427,008	401,966	5.9%	6.2%	4.4%

Source: New Mexico Department of Workforce Solutions

Major Employers

Some of the largest employers in the Albuquerque MSA are set forth below. No independent investigation into their affairs has been made and consequently there can be no representation as to the stability or financial condition of the companies listed hereafter, or the likelihood that such companies will maintain their status as major employers in the area.

MAJOR EMPLOYERS By Number of Employees – 2017

<u>ORGANIZATION</u>	<u>EMPLOYEES</u>	<u>DESCRIPTION</u>
Rio Rancho Public Schools	2,213	Public School District
Intel Corporation	1,200	Semiconductor Manufacturer
Presbyterian Healthcare Services	800	Hospital/Medical Services
City of Rio Rancho	653	Local Government
HP, Inc.	650	Computer & Computer Parts Manufacturer
Safelite Solutions, LLC	600	Vehicle Glass Repair and Replacement
University of NM Hospitals	425	Healthcare
S & P Data, LLC	375	Customer Support and Data Analysis
Wal-Mart*	250	Retail
Veterans of Foreign Wars*	250	Nonprofit Service Organization

Source: Albuquerque Economic Development and the City of Rio Rancho

* Used low end of employment range reported.

Historical Employment by Sector

The following table describes by industry sector the estimated nonagricultural wage and salary employment for Sandoval County during the past five years.

Sandoval County Employment Report

Sector	2014	2015	2016	2017	2018*
Grand Total	29,293	29,542	29,155	30,494	30,171
Total Private	21,314	21,723	21,345	22,738	22,394
Agriculture, Forestry, Fishing & Hunting	20	23	31	0	58
Mining	93	102	101	120	112
Utilities	64	61	62	65	65
Construction	1,513	1,499	1,462	1,621	1,560
Manufacturing	3,263	3,134	2,393	2,306	2,317
Wholesale Trade	373	335	621	439	393
Retail Trade	3,050	3,192	3,281	3,332	3,231
Transportation & Warehousing	367	298	283	296	264
Information	605	612	218	166	168
Finance & Insurance	454	444	437	408	496
Real Estate & Rental & Leasing	393	414	428	418	423
Professional & Technical Services	866	836	784	780	821
Management of Companies & Enterprises	53	32	30	0	28
Administrative & Waste Services	2,813	3,166	3,491	4,573	4,299
Educational Services	313	323	247	246	214
Health Care & Social Assistance	2,635	2,950	3,155	3,593	3,623
Arts, Entertainment & Recreation	490	459	467	292	358
Accommodation & Food Services	3,395	3,245	3,258	3,415	3,376
Other Services, ex. Public Administration	554	597	596	596	587
Unclassified	0	0	0	0	0
Total Government	7,538	7,819	7,810	7,756	7,777
Federal	365	366	368	357	349
State	238	341	337	3353	322
Local	6,935	7,112	7,105	7,063	7,106

Source: State of New Mexico, Department of Workforce Solutions –Quarterly Census of Employment and Wages

*Through First Quarter of 2018.

The following table reflects the Percent of Households by Effective Buying Income Groups (“EBI”) for the City, the State and the United States. 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**

Effective Buying Income Group	<u>Rio Rancho</u>	<u>New Mexico</u>	<u>United States</u>
Under \$25,000	16.2%	27.3%	20.4%
\$25,000 - \$34,999	6.3	10.7	9.2
\$35,000 - \$49,999	13.3	13.7	12.9
\$50,000 - \$74,999	21.1	16.8	17.1
Over \$75,000	43.1	31.5	40.5
2016 Est. Median Household Income	\$60,089	\$45,445	\$55,551
2017 Est. Median Household Income	\$60,082	\$47,043	\$57,462
2018 Est. Median Household Income	\$65,957	\$48,044	\$60,133

Source: Spotlight, December 2018.

Gross Receipts

The following tables show the total reported gross receipts, total reported retail gross receipts, and taxable gross receipts generated in the City and the State of New Mexico for the past five years. For the purposes of these tables, gross receipts means the total amount of money received from selling goods and services in the State of New Mexico, from leasing property employed in the State and from performing services in the State. Gross receipts includes, among other things, food sales and services such as legal and medical services.

Historical Total Gross Receipts Reported For City and State

Fiscal Year	City of Rio Rancho		State of New Mexico	
	Retail Trade	Total	Retail Trade	Total
2018	\$552,484,704	\$1,804,094,284	\$19,794,918,932	\$123,862,735,598
2017	477,767,429	1,814,053,248	22,416,935,108	92,909,354,007
2016	547,230,108	1,747,546,570	24,532,529,977	107,507,232,815
2015	531,278,121	1,547,725,273	24,843,218,177	119,726,977,705
2014	498,556,576	1,605,658,367	24,429,905,906	107,584,699,939

Historical Taxable Gross Receipts Reported For City and State

Fiscal Year	Taxable Gross Receipts Reported in City of Rio Rancho	Taxable Gross Receipts Reported in State of New Mexico
2018	\$1,062,651,847	\$56,393,960,332
2017	93,873,152	45,293,376,687
2016	1,080,064,569	51,754,649,990
2015	901,047,154	59,811,838,324
2014	940,165,150	51,174,138,495

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.

UNDERWRITING

Robert W Baird & Co. Incorporated, as the Underwriter (the “Underwriter”) has agreed, subject to certain conditions, to purchase the Series 2019 Bonds from the City pursuant to a Bond Purchase Agreement dated January __, 2019 (the “Bond Purchase Agreement”), at a price of \$_____ (representing the par amount of the Series 2019 Bonds of \$_____, plus a net original issue premium of \$_____, and less an underwriter’s discount of \$_____). The Bond Purchase Agreement provides that the Underwriter will purchase all of the Series 2019 Bonds if any are purchased. The obligation of the Underwriter to accept delivery of the Series 2019 Bonds is subject to certain terms and conditions set forth in the Bond Purchase Agreement, including the approval of certain legal matters by counsel and certain other conditions.

The prices at which the Series 2019 Bonds are offered to the public (and the yields resulting therefrom) may vary from the initial public offering prices appearing on the inside cover page of this Official Statement. The Series 2019 Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriter and other dealers depositing Series 2019 Bonds into investment trusts) at prices lower than the public offering prices of such Series 2019 Bonds and such public offering prices may be changed, from time to time, by the Underwriter.

The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

LITIGATION AND INSURANCE

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 2019 Bonds or the security for the Series 2019 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 2019 Bonds; (iii) in any way contesting or affecting (A) the issuance, sale, execution or delivery of the Series 2019 Bonds or (B) the validity or enforceability of the Series 2019 Bonds, any of the documents relating to the Series 2019 Bonds or any action contemplated by or pursuant to any of the foregoing; (iv) which, except as and to the extent disclosed below may result, either individually or in the aggregate, in final judgments against the City materially adversely affecting its financial condition; or (v) asserting that the Preliminary Official Statement or the Official Statement contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. On the Closing Date, the City will deliver a no-litigation certificate as to the foregoing.

New Mexico Tort Claims Act Limitations

The New Mexico Tort Claims Act limits liability to (i) \$100,000 for damage to or destruction of property arising out of a single occurrence, (ii) \$300,000 for all past and future medical and medically-related expenses arising out of a single occurrence, (iii) \$400,000 to any person for any number of claims arising out of a single occurrence for all damages other than property damage and medical and medically-related expenses, as permitted under the New Mexico Tort Claims Act, and (iv) \$750,000 for all claims other than medical or medically-related expenses arising out of a single occurrence.

Insurance

The City maintains insurance on its assets and operations, including the System, and believes its coverages are customary for similar entities insuring similar operations and assets.

TAX EXEMPTION

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 2019 Bonds, under existing laws, regulations rulings and judicial decisions, and assuming compliance with covenants described herein, interest on Series 2019 Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference under Section 57 of the Code (as defined below) for purposes of the federal alternative minimum tax imposed on individuals. 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 2019 Bonds is exempt from all taxation by the State of New Mexico or any political subdivision thereof.

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 Bonds. The City has made various representations and warranties with respect to, and has covenanted in the Master Ordinance and other documents, instruments and certificates to comply with the applicable provisions of the Code to assure that interest on the Bonds will not become includible in gross income. Failure to comply with these covenants or the inaccuracy of these representations and warranties may result in interest on the Series 2019 Bonds being included in gross income from the date of

issue of the Series 2019 Bonds. The opinion of Bond Counsel assumes compliance with the covenants and the accuracy of such representations and warranties.

Although Bond Counsel has rendered an opinion that interest on the Series 2019 Bonds is excludable from gross income for federal income tax purposes, the accrual or receipt of interest on the Series 2019 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. Before purchasing any of the Series 2019 Bonds, potential purchasers should consult their tax advisors as to the tax consequences of purchasing or owning the Series 2019 Bonds.

The opinions expressed by Bond Counsel are based upon existing law as of the date of issuance and delivery of the Series 2019 Bonds, and Bond Counsel expresses no opinion as of any date subsequent thereto or with respect to any pending legislation.

From time to time, there are legislative proposals in Congress that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Series 2019 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted, it would apply to Series 2019 Bonds issued prior to enactment. Each purchaser of the Series 2019 Bonds should consult his or her own tax advisor regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax 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 2019 Bonds. If an audit is commenced, under current procedures the Service will treat the City as the taxpayer and the Series 2019 Bond owners may have no right to participate in such procedure. None of the Financial Advisor, the Underwriters or Bond Counsel is obligated to defend the tax-exempt status of the Series 2019 Bonds. The City has covenanted in the Bond Ordinance not to take any action that would cause the interest on the Series 2019 Bonds to become includable in gross income except to the extent described above for the owners thereof for federal income tax purposes. None of the City, the Financial Advisor, the Underwriters or 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 2019 Bonds.

Original Issue Premium

The Series 2019 Bonds may be 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 2019 Bonds offered at an original issue premium should consult their tax advisors for an explanation of the amortization rules.

Original Issue Discount

The Series 2019 Bonds may be 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. The amount of original issue discount deemed received by the holder is excludable from gross income of the holder for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative

minimum tax imposed on individuals. 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 Bonds offered at an original issue discount should consult their tax advisors for an explanation of the accrual rules.

CONTINUING DISCLOSURE UNDERTAKING

The City will enter into an undertaking (the "Undertaking"), a form of which is attached hereto as Appendix C, for the benefit of the holders of the Series 2019 Bonds to provide certain financial information and operating data and to provide notice of certain events, pursuant to the requirements of section (b)(5)(i) of Rule 15c2-12 of the Securities and Exchange Commission (17 C.F.R. § 240.15c2-12). A failure by the City to provide any information required thereunder shall not constitute an Event of Default under the Bond Ordinance.

The City has previously entered into continuing disclosure undertakings with respect to certain other obligations of the City in accordance with Rule 15c2-12. On March 24, 2017, the City's disclosure dissemination agent filed a notice that the City had filed its audited financial statements for Fiscal Year 2013 four days late; failed to file its Annual Disclosure for Fiscal Year 2013; and had inadvertently omitted certain data from its Annual Disclosures for Fiscal Years 2014 and 2015, which data were included in the City's Annual Disclosure for Fiscal Year 2016. The City believes that it has not otherwise been in default under those continuing disclosure agreements in any material respect in connection with the filing of audited annual financial statements, annual financial information and notice of material events.

VERIFICATION OF CERTAIN MATHEMATICAL COMPUTATIONS

The mathematical accuracy of (i) the computations of the adequacy of the principal amounts and the interest thereon of the Federal Securities and other funds to be deposited in the Escrow Fund, to provide for the payment, of the principal of, premium and interest on the Refunded Bonds when due or upon early redemption thereof, and (ii) the computations made supporting the conclusion that the yield on the Federal Securities held pursuant to the Escrow Agreement is less than the yield on the Series 2019 Bonds for federal income tax purposes, will be verified by certified public accountants. Such verification will be based, in part, upon information supplied to the certified public accountant and consultant by the Financial Advisor.

LEGAL MATTERS

Modrall, Sperling, Roehl, Harris & Sisk, P.A., Albuquerque, New Mexico, as Bond Counsel, will render an opinion with respect to the validity of the Series 2019 Bonds and will render the opinions described above under "TAX EXEMPTION." The proposed form of such opinion is attached hereto as Appendix B. Modrall, Sperling, Roehl, Harris & Sisk, P.A., has also acted as Special Counsel to the City in connection with the preparation of the Official Statement. Certain legal matters relating to the Series 2019 Bonds will be passed upon for the City by the office of the City Attorney. The fees of Bond Counsel and Special Counsel are contingent upon the issuance and delivery of the Series 2019 Bonds. Certain legal matters will be passed upon for the Underwriter by its counsel, McCall, Parkhurst & Horton L.L.P ("Underwriter's Counsel"). Bond Counsel, Special Counsel and Underwriter's Counsel have not participated in any independent verification of the information concerning the financial condition of the City contained in this Official Statement.

INDEPENDENT ACCOUNTANTS

CliftonLarsonAllen LLP audited the financial statements of the City as of and for the year ended June 30, 2018 and delivered their report to the New Mexico State Auditor and the City. The complete Comprehensive Annual Financial Report of the City of Rio Rancho – Audited General Purpose Financial Statements – as of and for the Fiscal Year ended June 30, 2018, as well as for previous fiscal years, are public documents and are available from the New Mexico State Auditor. An excerpt from the 2018 audit is included in Appendix A to this Official Statement. CliftonLarsonAllen LLP has not been engaged to

review this Official Statement or any information contained herein.

RATING

The City has received a rating on the Series 2019 Bonds from S&P Global Ratings, a division of S&P Global Inc. ("S&P"). The Series 2019 Bonds have been rated "AA-" by S&P.

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 the rating agency certain information and materials relating to the Series 2019 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 rating is not a recommendation to buy, sell or hold the Series 2019 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 2019 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 3200 Civic Center Circle NE, Rio Rancho, New Mexico 87144-4503, Attention: Financial Services Director.

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 2019 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 RIO RANCHO, NEW MEXICO

By: _____
Greggory D. Hull, Mayor

APPENDIX A

**Excerpt From the Comprehensive Annual Financial Report of the
City of Rio Rancho - Audited General
Purpose Financial Statements - as of and
for the Fiscal Year Ended June 30, 2018**

APPENDIX B

Form of Opinion of Bond Counsel

_____, 2019

City of Rio Rancho
Rio Rancho, New Mexico

§ _____
CITY OF RIO RANCHO, NEW MEXICO
Water and Wastewater System Refunding Revenue Bonds
Series 2019

Ladies and Gentlemen:

We have acted as bond counsel to the City of Rio Rancho, New Mexico (the “City”) in connection with the issuance and sale of its \$ _____ Water and Wastewater System Refunding Revenue Bonds, Series 2019 (the “Bonds”). The Bonds are issued pursuant to the Constitution and laws of the State of New Mexico (the “State”), City Ordinance No. O38, Enactment No. 19-07, adopted by the City on January 9, 2019 (“Ordinance No. O38”), Ordinance No. 59, Enactment No. 94-059 adopted by the Council on December 14, 1994, as amended by Ordinance No. 13, Enactment No. 95-013 adopted by the Council on May 17, 1995, by Substitute Ordinance No. 25, Enactment No. 98-028 adopted by the Council on November 18, 1998, and and by Ordinance No. 16, Enactment No. 17-18 adopted on August 9, 2017 (collectively, the “Master Ordinance” and, together with the Ordinance No. O-38, the “Bond Ordinance”). Except as expressly defined herein, capitalized terms used herein have the same meanings as such terms have in the Bond Ordinance.

We have examined the laws of the State and the United States of America relevant to the opinions herein, and other proceedings and documents relevant to the issuance by the City of the Bonds. As to the questions of fact material to our opinion, we have relied upon representations of the City contained in the certified proceedings and other certifications furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, and subject to the assumptions and qualifications set forth below, we are of the opinion that, under existing law on the date of this opinion:

1. The Bonds are valid and binding special, limited obligations of the City under and in accordance with the Bond Ordinance.
2. The Bond Ordinance has been duly authorized, executed and delivered by the City and the provisions of the Bond Ordinance are valid and binding on the City.
3. The Bonds are payable as to principal and interest solely from, and are secured by a pledge (but not an exclusive pledge) of System Net Revenues of the City, as more fully described in the Bond Ordinance. The owners of the Bonds have no right to have taxes levied by the City for the payment of principal or interest on the Bonds, and the Bonds do not represent or constitute a debt or pledge of, or a charge against, the general credit of the City.

4. The Bond Ordinance creates the lien on the System Net Revenues that it purports to create.

5. Under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is excludable from 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 calculating the alternative minimum tax imposed on individuals under provisions contained in the Internal Revenue Code of 1986, as amended (the "Code"). Although we are of the opinion that interest on the Bonds is excludable from 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.

6. 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 5 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.

The opinions expressed herein are based upon existing legislation as of the date of issuance and delivery of the Bonds, and we express no opinion as of any date subsequent thereto or with respect to any pending legislation. We disclaim any obligation to update this opinion.

The obligations of the City related to the Bonds are subject to the reasonable exercise in the future by the State and its governmental bodies of the police power inherent in the sovereignty of the State and to the exercise by the United States of the powers (including bankruptcy powers) delegated to it by the United States Constitution. The obligations of the City and the security provided therefor, as contained in the Bond Ordinance, may be subject to general principles of equity which permit the exercise of judicial discretion and are subject to the provisions of applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect.

The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of result.

We are passing upon only those matters set forth in this opinion and are not passing upon the accuracy or completeness of any statement made in connection with any sale of the Bonds or upon any tax consequences arising from the receipt or accrual or interest on, or the ownership of, the Bonds except those specifically addressed in paragraphs 5 and 6 above.

Respectfully submitted,

APPENDIX C

Form of Continuing Disclosure Undertaking

\$ _____
CITY OF RIO RANCHO, NEW MEXICO
Water and Wastewater System Refunding Revenue Bonds,
Series 2019

CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the “Disclosure Undertaking”) is executed and delivered by the CITY OF RIO RANCHO, NEW MEXICO (the “City”) in connection with the issuance of the City’s Water and Wastewater System Refunding Revenue Bonds, Series 2019 (the “Series 2019 Bonds”). The Series 2019 Bonds are being issued pursuant to City Ordinance No. O38, Enactment No. 19-07 (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 2019 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 Sections 3(a) and 3(b), consisting of information of the type set forth in “ANNUAL DEBT SERVICE SUMMARY,” “CERTAIN INFORMATION CONCERNING THE WATER SYSTEM,” “HISTORICAL OPERATING STATISTICS - Water System,” “CERTAIN INFORMATION CONCERNING THE WASTEWATER SYSTEM,” and “HISTORICAL OPERATING STATISTICS – Wastewater System” in the Official Statement. Annual Financial Information will include Audited Financial Statements if available.

“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.

“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.

“Financial Obligation” means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided however that a “financial obligation” shall not include municipal securities as to which a final official statement (as defined in Rule 15c2-12) has been provided to the MSRB consistent with Rule 15c2-12.

“Official Statement” means the final Official Statement delivered in connection with the original issue and sale of the Series 2019 Bonds.

“Owners” means the registered owners of the Series 2019 Bonds, and so long as the Series 2019 Bonds are subject to the book-entry system, any Beneficial Owner, as such term is defined in the Bond Legislation.

“Report Date” means March 31 of each year, beginning in 2020.

“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 United States Securities and Exchange Commission.

SECTION 3. Provision of Annual Information.

(a) Annually while the Series 2019 Bonds remain outstanding, the City shall provide or cause to be provided to EMMA Annual Financial Information and Audited Financial Statements.

(b) Annual Financial Information shall be provided by the City not later than 270 days after the end of each Fiscal Year. If not filed with the Annual Financial Information, the Audited Financial Statements will be provided when available.

(c) The City may provide Annual Financial Information and Audited Financial Statements with respect to the City by specific cross reference to other documents which have been submitted to EMMA or filed with the SEC. If the document so referenced is a final official statement within the meaning of Rule 15c2-12, such final official statement must also be available from the MSRB. The City shall clearly identify each other document incorporated by cross reference.

SECTION 4. Reporting of Events.

(a) This Section 4 shall govern the giving of notices of the occurrence of any of the following Events with respect to the Series 2019 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 Issue (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 Series 2019 Bonds;
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 Series 2019 Bonds, 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 the City or the sale of all or substantially all of the assets of the City, 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;
14. appointment of a successor or additional trustee, or a change of name of a trustee, if material;
15. the incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material; and
16. a default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties.

(b) At any time the Series 2019 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 2019 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 2019 Bonds and shall extend to the earliest of (a) the date all principal and interest on the Series 2019 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 2019 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 2019 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 2019 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 2019 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 2019 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 2019 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 2019 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 Underwriter and Owners from time to time of the Series 2019 Bonds, and shall create no rights in any other person or entity.

Dated as of _____, 2019.

CITY OF RIO RANCHO, NEW MEXICO

By: _____

Title: _____

APPENDIX D

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 2019 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 2019 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 2019 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 2019 BONDS; (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNERS OF SERIES 2019 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 2019 Bonds. The Series 2019 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 2019 Bond certificate will be issued for the Series 2019 Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates.

Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s rating of AA+. The DTC Rules applicable to Direct Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and 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 2019 Bonds under the DTC system must be made by or through Direct or Indirect Participants, which will receive a credit for the Series 2019 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2019 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 2019 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 2019 Bonds, except in the event that use of the book-entry system for the Series 2019 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2019 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 2019 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 2019 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2019 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 2019 Bonds are in the book-entry only system, redemption notices will be sent to DTC. If less than all of the Series 2019 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 2019 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 2019 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 2019 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 2019 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 2019 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 2019 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.