

**NEW ISSUE
BOOK-ENTRY ONLY**

See “RATING” herein

In the opinion of Orrick, Herrington & Sutcliffe LLP, Special Tax Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2019A-B Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Special Tax Counsel, interest on the Series 2019A-B Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Special Tax 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 2019A-B Bonds is exempt from all taxation by the State of New Mexico or any political subdivision thereto. Special Tax Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2019A-B Bonds. See “TAX MATTERS” herein.

\$32,895,000*
CITY OF ALBUQUERQUE, NEW MEXICO
Gross Receipts Tax/Lodgers’ Tax Refunding and
Improvement Revenue Bonds
Series 2019A

\$8,735,000*
CITY OF ALBUQUERQUE, NEW MEXICO
Gross Receipts Tax Refunding Revenue Bonds
Series 2019B

Dated: Date of Delivery

Due: July 1, as shown on inside cover

The City of Albuquerque, New Mexico Gross Receipts Tax/Lodgers’ Tax Refunding and Improvement Revenue Bonds, Series 2019A (the “Series 2019A Bonds”), and the City of Albuquerque, New Mexico Gross Receipts Tax Refunding Revenue Bonds, Series 2019B (the “Series 2019B Bonds,” and together with the Series 2019A Bonds, the “Series 2019A-B Bonds”) are being issued as fully registered bonds to be sold in denominations of \$5,000 or any integral multiple thereof. The Depository Trust Company (“DTC”) will act as securities depository for the Series 2019A-B Bonds through its nominee, Cede & Co. One fully registered bond equal to the principal amount of each maturity of the Series 2019A-B Bonds will be registered in the name of Cede & Co. Individual purchases of Series 2019A-B Bonds will be made in book-entry form only and beneficial owners of the Series 2019A-B 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 2019A-B Bonds.

Principal of and interest on the Series 2019A-B Bonds will be payable to DTC, or its nominee, as owner of the Series 2019A-B Bonds, by the City Treasurer of the City of Albuquerque, New Mexico, as Paying Agent and Registrar. Interest on the Series 2019A-B Bonds will be payable semi-annually on each January 1 and July 1, commencing January 1, 2020 until maturity, or in the case of the Series 2019A Bonds, prior redemption.

See Inside Cover Page for Maturities, Principal Amounts, Interest Rates, Prices or Yields and CUSIPS.

The Series 2019A Bonds will be subject to optional redemption as described herein. The Series 2019B Bonds will not be subject to optional redemption prior to maturity.

The Series 2019A Bonds are being issued for the purpose of financing the cost of (i) refunding the City’s outstanding Gross Receipts Tax/Lodgers’ Tax Refunding Revenue Bonds, Series 2009A, (ii) studying, designing, developing, constructing, reconstructing, rehabilitating, renovating, modernizing, signing, enhancing and otherwise improving the City’s tourist-related facilities and attractions and (iii) expenses related to issuance of the Series 2019A Bonds. The Series 2019B Bonds are being issued for the purpose of financing the cost of (i) refunding the City’s outstanding Gross Receipts Tax Refunding Revenue Bonds, Series 2009B, and (ii) expenses related to the issuance of the Series 2019B Bonds.

The Series 2019A-B Bonds are special, limited obligations of the City, payable from and secured by an irrevocable first lien (but not necessarily an exclusive first lien) on: (i) the revenues received by the City from the State of New Mexico gross receipts tax which are equal to 1.225% (or such greater amount as is hereafter provided to be remitted under applicable law) of the taxable gross receipts reported to the City for the month for which remittance is made and certain revenues received by the City in lieu of such gross receipts tax revenues; and (ii) amounts on deposit in certain funds and accounts which may be established and held under the Bond Ordinance relating to the Series 2019A-B Bonds. The Series 2019A Bonds are also payable from and secured by a pledge of 50% of Lodgers’ Tax Revenues pursuant to the Lodgers’ Tax Act, Sections 3-38-13 through 3-38-24 NMSA 1978. The Series 2019A-B Bonds will not constitute indebtedness within the meaning of any constitutional, charter or statutory provision or limitation, nor will they be considered or held to be general obligations of the City.

In connection with the issuance of the Series 2019A-B Bonds, the City will commit to provide certain annual information and notice of certain events as described herein under the caption “CONTINUING DISCLOSURE UNDERTAKING.”

This Cover Page, including the inside cover page, contains information for convenient and quick reference only. It is not a summary of this Official Statement. Investors must read this entire Official Statement to obtain information essential and material to the making of an informed investment decision, paying particular attention to the matters discussed under the caption “CERTAIN INVESTMENT CONSIDERATIONS.”

* Preliminary, subject to change.

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 be passed on by Orrick, Herrington & Sutcliffe LLP, Austin, Texas, as Special Tax Counsel. Certain legal matters will also be passed on for the City by the office of the City Attorney and by Sherman & Howard L.L.C., Albuquerque, New Mexico, as Disclosure Counsel to the City. The Underwriters are being represented by McCall, Parkhurst & Horton L.L.P., Dallas, Texas. RBC Capital Markets, LLC, Albuquerque, New Mexico, serves as Municipal Advisor to the City. It is expected that the Series 2019A-B Bonds will be delivered to DTC in New York, New York on or about November 13, 2019.

BAIRD

WELLS FARGO SECURITIES

Official Statement dated October __, 2019

MATURITY SCHEDULE

\$32,895,000*

CITY OF ALBUQUERQUE, NEW MEXICO
Gross Receipts Tax/Lodgers' Tax Refunding and
Improvement Revenue Bonds
Series 2019A

Maturity Date <u>(July 1)</u>	Principal <u>Amount*</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>Cusip© No.**</u>
2020	\$1,270,000			
2021	1,335,000			
2022	1,365,000			
2023	150,000			
2024	1,640,000			
2025	1,830,000			
2026	110,000			
2027	260,000			
2028	430,000			
2029	610,000			
2030	810,000			
2031	1,015,000			
2032	1,240,000			
2033	1,480,000			
2034	1,725,000			
2035	1,990,000			
2036	2,390,000			
2037	2,720,000			
2038	10,525,000			

\$8,735,000*

CITY OF ALBUQUERQUE, NEW MEXICO
Gross Receipts Tax Refunding Revenue Bonds
Series 2019B

Maturity Date <u>(July 1)</u>	Principal <u>Amount*</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>Cusip© No.**</u>
2020	\$4,035,000			
2021	3,970,000			
2022	730,000			

* Preliminary, subject to change.

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CITY OF ALBUQUERQUE

MAYOR

Tim Keller

CITY COUNCIL

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

ADMINISTRATION

Sarita Nair, JD, MCRP, Chief Administrative Officer
Lawrence Rael, MPA, Chief Operations Officer
Katy Duhigg, JD, City Clerk
Sanjay M. Bhakta, CPA, CGFM, CFE, CGMA, Chief Financial Officer

DEPARTMENT OF FINANCE AND ADMINISTRATIVE SERVICES

Renée Martinez, Director
Cilia E. Aglialoro, CTP, Treasurer
Pamela S. Fanelli, CMA, City Controller
Christopher H. Daniel, CFA, CPA, CTP, Chief Investment Officer

OFFICE OF MANAGEMENT AND BUDGET

Renée Martinez, Acting Budget Officer
Christine Boerner, City Economist

LEGAL DEPARTMENT

Esteban Aguilar, Jr., JD, City Attorney
Alan M. Varela, JD, Assistant City Attorney

BOND COUNSEL

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

DISCLOSURE COUNSEL

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

MUNICIPAL ADVISOR

RBC Capital Markets, LLC, Albuquerque, New Mexico

SPECIAL TAX COUNSEL

Orrick, Herrington & Sutcliffe LLP, Austin, Texas

No dealer, salesperson or other person has been authorized by the City of Albuquerque (the “City”) to give any information or to make any statements or representations, other than those contained in this Official Statement, and, if given or made, such other information, statements or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy any of the Series 2019A-B Bonds in any jurisdiction in which such offer or solicitation is not authorized, or in which any person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. This Official Statement contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions or that they will be realized.

The information contained in this Official Statement has been obtained from the City and other sources which are deemed to be reliable. The Municipal Advisor and Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Municipal Advisor and Underwriters do not guarantee the accuracy or completeness of such information. The information in this Official Statement is subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or others since the date hereof.

This Official Statement contains statements relating to future results that are “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995, as amended. When used in this Official Statement, the words “estimate,” “anticipate,” “forecast,” “project,” “intend,” “propose,” “plan,” “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 2019A-B 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 2019A-B Bonds been registered or qualified in any state. Neither the United States Securities and Exchange Commission (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 2019A-B Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

THIS PRELIMINARY OFFICIAL STATEMENT IS MADE AVAILABLE TO PROSPECTIVE PURCHASERS OF THE SERIES 2019A-B BONDS FOR REVIEW PRIOR TO PURCHASE AND IS IN A FORM DEEMED FINAL BY THE CITY AS OF ITS DATE (EXCEPT FOR PERMITTED OMISSIONS) FOR PURPOSES OF SEC RULE 15c2-12, BUT IS SUBJECT TO REVISION, AMENDMENT AND COMPLETION. THE CITY HAS COVENANTED TO PROVIDE SUCH ANNUAL FINANCIAL STATEMENTS AND OTHER INFORMATION IN THE MANNER AS MAY BE REQUIRED BY REGULATIONS OF THE SEC OR OTHER REGULATORY BODY.

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OFFICIAL STATEMENT

\$32,895,000*
CITY OF ALBUQUERQUE, NEW MEXICO
Gross Receipts Tax/Lodgers' Tax
Refunding and Improvement Revenue Bonds
Series 2019A

\$8,735,000*
CITY OF ALBUQUERQUE, NEW MEXICO
Gross Receipts Tax Refunding Revenue Bonds
Series 2019B

INTRODUCTION

Generally

This Official Statement, which includes the cover page and appendices hereto, provides certain information in connection with the offer and sale by the City of Albuquerque, New Mexico (the "City") of its Gross Receipts Tax/Lodgers' Tax Refunding and Improvement Revenue Bonds, Series 2019A (the "Series 2019A Bonds") in the original aggregate principal amount of \$32,895,000* and its Gross Receipts Tax Refunding Revenue Bonds, Series 2019B (the "Series 2019B Bonds" and, collectively, with the Series 2019A Bonds, the "Series 2019A-B Bonds") in the original aggregate principal amount of \$8,735,000*. Capitalized terms used herein and not defined have the meanings specified in City Ordinance Council Bill No. F/S O-19-77, adopted by the City on October 7, 2019 (the "Bond Ordinance"). See Appendix B – "DESCRIPTION OF SELECTED PROVISIONS OF THE BOND ORDINANCE."

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of Series 2019A-B Bonds to potential investors is made only by means of the entire Official Statement.

The City of Albuquerque

The City, founded in 1706, is the largest city in the State of New Mexico (the "State"), accounting for approximately one-quarter of the State's population. The City is a home rule municipality, with its charter originally adopted in 1971, and has a Mayor-Council form of government with a salaried full-time Mayor elected every four years. In 2018, the City had a population of approximately 560,218 people and, as of 2018, spanned 189.18 square miles. The Albuquerque Metropolitan Statistical Area had a population of approximately 915,927 people as of 2018. For financial and other information concerning the City, see Appendix A – "ECONOMIC, DEMOGRAPHIC AND FINANCIAL INFORMATION, INCLUDING AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2018". The City's Fiscal Year ends June 30 and is referred to in this Official Statement as the "Fiscal Year."

Purpose of the Series 2019A-B Bonds

Proceeds from the sale of the Series 2019A Bonds will be used to finance the cost of (i) refunding \$7,955,000 principal amount presently outstanding of the City's Gross Receipts Tax/Lodgers' Tax Refunding Revenue Bonds, Series 2009A, (ii) studying, designing, developing, constructing, reconstructing, rehabilitating, renovating, modernizing, signing, enhancing and otherwise improving the City's tourist-related facilities and attractions, and (iii) expenses related to issuance of the Series 2019A Bonds. Proceeds from the sale of the Series 2019B Bonds will be used to finance the cost of (i) refunding \$8,855,000 principal amount presently outstanding of the City's Gross Receipts Tax Refunding Revenue

* Preliminary, subject to change.

Bonds, Series 2009B and (ii) expenses related to the issuance of the Series 2019B Bonds. Collectively, the two series of bonds to be refunded are referred to herein as the “Refunded Bonds” and the refunding of the Refunded Bonds is referred to herein as the “Refunding Project.” See “PLAN OF FINANCING – The Refunding Project.” The improvements to be funded from the proceeds of the Series 2019A Bonds are referred to herein as the “Improvement Project.” See “PLAN OF FINANCING – The Improvement Project.”

Authority for Issuance

The Series 2019A-B Bonds are being issued under the authority of and pursuant to the Constitution and laws of the State, including Sections 3-31-1 to 3-31-12 and Sections 3-38-13 to 3-38-24 NMSA 1978, as amended, the powers of the City as a home rule city under authority given by the Constitution of the State and the City Charter and all enactments of the City Council relating to the issuance of the Series 2019A-B Bonds, including the Bond Ordinance.

Sources of Payment for the Series 2019A Bonds

Special Limited Obligations

The Series 2019A Bonds will be special limited obligations of the City payable from State-Shared Gross Receipts Tax Revenues and Pledged Lodgers’ Tax Revenues (both defined below and collectively, the “Series 2019A Pledged Revenues”), amounts on deposit in certain funds and accounts established and held under the Bond Ordinance and the earnings thereon.

All of the Series 2019A Bonds, together with the interest accruing thereon, shall be payable and collectible solely out of the Series 2019A Pledged Revenues, which are irrevocably so pledged by the Bond Ordinance. **The registered owner or owners of the Series 2019A 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 2019A 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 2019A Bonds shall recite that it is payable and collectible solely from the Series 2019A Pledged Revenues, the income from which is so pledged, and that the registered owner thereof may not look to any general or other municipal fund for the payment of principal and interest on the Series 2019A Bonds.

Series 2019A Pledged Revenues

The Series 2019A Bonds are payable and collectible from an irrevocable first lien (but not necessarily an exclusive first lien) on the Series 2019A Pledged Revenues comprised of both the State-Shared Gross Receipts Tax Revenues and the Pledged Lodgers’ Tax Revenues. “State-Shared Gross Receipts Tax Revenues” is defined by the Bond Ordinance to mean the revenues from the State gross receipts tax derived pursuant to Section 7-9-4 NMSA 1978, imposed on persons engaging in business in the State, which revenues are remitted monthly by the Revenue Division of the Taxation and Revenue Department of the State to the City as authorized by Sections 7-1-6.1 and 7-1-6.4 NMSA 1978, and which remittances as of the date of adoption of the Bond Ordinance are equal to one and two hundred twenty-five thousandths percent (1.225%) of the taxable gross receipts reported to the City for the month for which such remittance is made; provided that if a greater amount of such gross receipts tax revenues are hereafter provided to be remitted to the City under applicable law, such additional amounts shall be included as revenues pledged pursuant to the Bond Ordinance; and provided further that the amount of revenues pledged pursuant to the Bond Ordinance shall never be less than the greater of: (i) 1.225% of the taxable gross receipts remitted to the City as set forth above, or (ii) the maximum amount at any time provided hereinafter to be remitted to the City under applicable law; and provided further, the City

intends that Section 3-31-6(C) NMSA 1978 applies expressly to the amount of revenues pledged pursuant to the Bond Ordinance. State-Shared Gross Receipts Tax Revenues also includes (i) the portion of the gross receipts tax distribution to the City to be made pursuant to Section 7-1-6.46 NMSA 1978, which represents the amount of State-Shared Gross Receipts Tax Revenues set forth in the sentence above that would have been remitted to the City but for the deductions provided by Sections 7-9-92 and 7-9-93 NMSA 1978 (the “Make-Whole Distributions”), and (ii) any similar distributions made to the City in lieu of State-Shared Gross Receipts Tax Revenues, but State-Shared Gross Receipts Tax Revenues do not include any similar distributions in lieu of any municipal local option gross receipts tax revenues. The City is not pledging and the term “State-Shared Gross Receipts Tax Revenues” does not include any local option gross receipts tax income received by the City or any distributions pursuant to Section 7-1-6.46 NMSA 1978, related to those local option gross receipts taxes.

In the 2013 New Mexico legislative session, legislation was adopted that began reductions in Make-Whole Distributions starting in Fiscal Year 2016 related to tax deductions for food and medical expenses. The Make-Whole Distributions, under Section 7-1-6.46 NMSA 1978, were implemented when the deductions became law and were designed to make the municipalities financially whole as related to those deductions. Historically, the Make-Whole Distributions represented approximately 10% of the City’s gross receipts tax distributions from the State. The Make-Whole Distributions will be reduced incrementally over a 15 year period. See “CERTAIN INVESTMENT CONSIDERATIONS – State Legislative Modifications Related to State-Shared Gross Receipts Tax Revenues.” Under legislation passed in the 2013 State legislative session, the City was authorized to impose up to 0.375% in gross receipts taxes related to the reduction in Make-Whole Distributions from the State. On March 5, 2018, the City Council approved an ordinance imposing such 0.375% increase. The increase became effective July 1, 2018 and after July 1, 2019 remained in effect but was “de-earmarked.” See “SECURITY AND SOURCES OF PAYMENT – State-Shared Gross Receipts Tax Revenues – Taxing Authority and Payments.” **Such 0.375% increase does not generate State-Shared Gross Receipts Tax Revenues and is not pledged as security for the 2019A-B Bonds.**

“Pledged Lodgers’ Tax Revenues” is defined to mean fifty percent (50%) of the Lodgers’ Tax Revenues received by the City, after deduction of the administrative costs pertaining to the Lodgers’ Tax, provided that the City is not pledging, and the term “Pledged Lodgers’ Tax Revenues” does not include, any of the Lodgers’ Tax Revenues in excess of fifty percent (50%) thereof. “Lodgers’ Tax Revenues” means revenues received by the City pursuant to the Lodgers’ Tax Act (Sections 3-38-13 through 3-38-24 NMSA 1978, as amended) which tax is imposed, with certain limited exceptions, on all revenues derived from the furnishing of lodging within the City. The tax rate imposed by the City is 5% and is imposed on the gross taxable rent paid for lodging (but not including state gross receipts tax or local gross receipts tax). Under the Lodgers’ Tax Act, a municipality located in a class A county, such as the City, imposing an occupancy tax (such as the Lodgers’ Tax) of more than two percent (2%) is required to use not less than one-half of the proceeds derived from the tax for the purposes of advertising, publicizing, and promoting the convention center and certain other tourist facilities or attractions within the City. The City uses the 50% of the Lodgers’ Tax Revenues not pledged to the payment of bonds to satisfy this requirement.

It is the City’s practice to pay debt service on obligations secured by the Pledged Lodgers’ Tax Revenues (the “Lodgers’ Tax Obligations”) solely from available Pledged Lodgers’ Tax Revenues and only access State-Shared Gross Receipts Tax Revenues if there is a deficiency in Pledged Lodgers’ Tax Revenues available for debt service. Since Fiscal Year 2004, the City has paid debt service on outstanding Lodgers’ Tax Obligations solely from Pledged Lodgers’ Tax Revenues. Accordingly, the City expects to pay debt service on the Series 2019A Bonds solely from available Pledged Lodgers’ Tax Revenues and only access State-Shared Gross Receipts Tax Revenues if there is a deficiency in Pledged Lodgers’ Tax Revenues available for the payment of debt service on the Series 2019A Bonds.

Sources of Payment for the 2019B Bonds

Special Limited Obligations

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

All of the Series 2019B Bonds, together with the interest accruing thereon, shall be payable and collectible solely out of the Series 2019B Pledged Revenues, which are irrevocably so pledged by the Bond Ordinance. **The registered owner or owners of the Series 2019B Bonds may not look to any general or other fund for payment of the principal of or interest on such obligations, except the designated special funds pledged therefor.** The Series 2019B 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 2019B Bonds shall recite that it is payable and collectible solely from the Series 2019B Pledged 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 2019B Bonds.

Series 2019B Pledged Revenues

The Series 2019B Bonds are payable and collectible solely from an irrevocable and first lien (but not necessarily an exclusive first lien) on the Series 2019B Pledged Revenues. The Series 2019B Pledged Revenues are comprised of the State-Shared Gross Receipts Tax Revenues (provided that the City is not pledging and the term “Series 2019B Pledged Revenues” does not include any local option gross receipts tax income received by the City or any distributions pursuant to Section 7-1-6.46, NMSA 1978, related to those local option gross receipts taxes). See “SECURITY AND SOURCES OF PAYMENT – State-Shared Gross Receipts Tax Revenues – Imposition of Tax.”

Terms of the Series 2019A-B Bonds

Payments

The Series 2019A-B Bonds will be dated their date of initial delivery to the Underwriters. Interest on the Series 2019A-B Bonds is payable on January 1 and July 1, commencing January 1, 2020 until maturity, or in the case of the Series 2019A Bonds, prior redemption. The Series 2019A-B Bonds will be issued in the aggregate principal amounts and will mature on the dates and in the amounts shown on the inside cover page of this Official Statement. Payments on the Series 2019A-B Bonds will be made by the City Treasurer, as the initial Paying Agent and Registrar for the Series 2019A-B Bonds (the “Fiscal Agent”).

Denominations

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

Book-Entry System

Individual purchases will be made in book-entry form only and purchasers of the Series 2019A-B Bonds will not receive physical delivery of bond certificates except as more fully described herein. Payments of principal of and interest on the Series 2019A-B 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 2019A-B Bonds, all as more fully described in Appendix E – “BOOK-ENTRY ONLY SYSTEM.”

In reading this Official Statement, it should be understood that while the Series 2019A-B Bonds are in book-entry only form, references in other sections of this Official Statement to owners of the Series 2019A-B Bonds should be read to include the person for whom the Participant (as hereinafter defined) and indirect participants acquire an interest in the Series 2019A-B Bonds, but (i) all rights of ownership must be exercised through DTC and the book-entry only system as described more fully herein, and (ii) notices that are to be given to owners by the City or the Paying Agent will be given only to DTC.

Redemption

The Series 2019A Bonds are subject to optional redemption prior to maturity as provided herein. The Series 2019B Bonds will not be subject to optional redemption prior to maturity. See “THE SERIES 2019A-B BONDS – Redemption Prior to Maturity” and Appendix B – “DESCRIPTION OF SELECTED PROVISIONS OF THE BOND ORDINANCE.”

Outstanding Obligations

As of October 1, 2019, the outstanding Lodgers’ Tax Obligations are outstanding in the aggregate principal amount of \$101,545,000. As of October 1, 2019, the City’s outstanding obligations secured by State-Shared Gross Receipts Tax Revenues (“State-Shared Gross Receipts Tax Obligations”) are outstanding in the aggregate principal amount of \$214,845,000. The City also has outstanding obligations secured by a dual pledge of State-Shared Gross Receipts Tax Revenues and an additional source of pledged revenues. See “OUTSTANDING PARITY OBLIGATIONS.”

Additional Obligations

So long as the City is current in the accumulations required to be made pursuant to any ordinance or resolution authorizing the issuance of State-Shared Gross Receipts Tax Obligations, and the debt service coverage requirements are satisfied, the Bond Ordinance permits the City to issue bonds or incur obligations payable from State-Shared Gross Receipts Tax Revenues on parity with the lien thereon of the Series 2019A-B Bonds. No obligations may be issued with a lien on the State-Shared Gross Receipts Tax Revenues senior to the lien thereon of the Series 2019A-B Bonds; however, the City may issue obligations with a subordinate lien on the State-Shared Gross Receipts Tax Revenues. See “SECURITY AND SOURCES OF PAYMENT – Additional Obligations Payable from State-Shared Gross Receipts Tax Revenues.”

If the City is current in the accumulations required to be made pursuant to any ordinance or resolution authorizing the issuance of Lodgers’ Tax Obligations, the City is permitted without restriction to issue bonds or incur obligations payable from the Pledged Lodgers’ Tax Revenues on parity with the lien thereon of the Series 2019A Bonds. No obligations may be issued with a lien on the Pledged Lodgers’ Tax Revenues senior to the lien thereon of the Series 2019A Bonds; however, the City may issue obligations with a subordinate lien on the Pledged Lodgers’ Tax Revenues. See “SECURITY AND SOURCES OF PAYMENT – Additional Lodgers’ Tax Obligations.”

Commitment to Provide Continuing Disclosure

The City will agree for the benefit of the owners of the Series 2019A-B Bonds that, so long as the Series 2019A-B Bonds remain outstanding, the City will provide when available its annual audited financial statements and certain other financial information and operating data with the Municipal

Securities Rulemaking Board (“MSRB”) using its Electronic Municipal Market Access System (“EMMA”) in conformity with Rule 15c2-12, and will file notice of certain specific events with the MSRB, or as otherwise requested by the MSRB, as described in “CONTINUING DISCLOSURE UNDERTAKING” and Appendix D hereto.

Forward-Looking Statements

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

Professionals Involved in the Offering

At the time of the issuance and sale of the Series 2019A-B Bonds, Modrall, Sperling, Roehl, Harris & Sisk, P.A., Albuquerque, New Mexico, as Bond Counsel, will deliver a bond opinion and Orrick, Herrington & Sutcliffe LLP, Austin, Texas, as Special Tax Counsel, will deliver a tax opinion, the forms of which are included in Appendix C hereto. Certain legal matters will be passed upon for the City by the City Attorney and by Sherman & Howard L.L.C., Denver, Colorado, as Disclosure Counsel. See “LEGAL MATTERS.” The Underwriters are being represented in connection with their purchase of the Series 2019A-B Bonds by McCall, Parkhurst & Horton L.L.P., Dallas, Texas.

RBC Capital Markets, LLC (“RBC”) is employed as Municipal Advisor to the City in connection with the issuance of the Series 2019A-B Bonds. The Municipal Advisor’s fee for services rendered with respect to the sale of the Series 2019A-B Bonds is contingent upon the issuance and delivery of the Series 2019A-B Bonds. RBC, in its capacity as Municipal Advisor, has not verified and does not assume any responsibility for the possible impact of any present, pending or future actions taken by any legislative or judicial bodies. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification of, or assume responsibility for, the accuracy, completeness, or fairness of the information in this Official Statement.

Offering and Delivery of the Series 2019A-B Bonds

The Series 2019A-B Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel and the satisfaction of certain other conditions. See “UNDERWRITING.” It is anticipated that a single certificate for each maturity of the Series 2019A-B Bonds will be delivered to DTC in New York, New York on or about November 13, 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 One Civic Plaza, N.W., Albuquerque, New Mexico 87102, Attention: Treasurer.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or owners of any of the Series 2019A-B Bonds.

The purchase of the Series 2019A-B Bonds involves special risks and the Series 2019A-B 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 2019A-B Bonds and could affect the market price of the Series 2019A-B Bonds to an extent that cannot be determined at this time.

PLAN OF FINANCING

Sources and Uses of Funds

The sources and uses of funds to be available in connection with the sale of the Series 2019A-B Bonds are set forth below.

SOURCES OF FUNDS:

	<u>2019A Bonds</u>	<u>2019B Bonds</u>	<u>Total</u>
Par Amount	\$32,895,000*	\$8,735,000*	\$41,630,000*
Net Reoffering Premium (Discount).....			
City Contributions.....			
TOTAL SOURCES OF FUNDS	<u>\$</u>	<u>\$</u>	<u>\$</u>

USES OF FUNDS:

Improvement Project.....	\$		
Refunding Project			
Underwriters' Discount ⁽¹⁾			
Costs of Issuance ⁽²⁾			
TOTAL USES OF FUNDS	<u>\$</u>	<u>\$</u>	<u>\$</u>

(1) See “Underwriting.”

(2) The costs of issuance of the Series 2019A-B Bonds include legal and accounting fees, printing, rating fees and other miscellaneous costs.

The Improvement Project

A portion of the proceeds from the sale of the Series 2019A Bonds will be used to study, design develop, construct, reconstruct, rehabilitate, renovate, modernize, sign, enhance and otherwise improve the City’s facilities and attractions intended to be used by or visited by tourists. See “INTRODUCTION – Purpose of the Series 2019A-B Bonds.”

* Preliminary, subject to change.

The Refunding Project

A portion of the proceeds from the sale of the Series 2019A-B Bonds will be used to refund the Refunded Bonds on November 13, 2019. Proceeds of the Series 2019A-B Bonds will also be used to pay costs of issuance of the Series 2019A-B Bonds. See “INTRODUCTION – Purpose of the Series 2019A-B Bonds.”

THE SERIES 2019A-B BONDS

Generally

The Series 2019A-B 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 2019A-B Bonds will be dated their date of initial delivery to the Underwriters, and will bear interest from that date payable semi-annually on January 1 and July 1 of each year, commencing January 1, 2020 (each an “Interest Payment Date”) until maturity, or in the case of the Series 2019A Bonds, prior redemption. The Series 2019A-B Bonds will bear interest from the most recent date to which interest has been paid or provided, or if no interest has been paid or provided for, from their date until maturity.

The Series 2019A-B 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 2019A-B Bonds. Individual purchases may be made in book-entry form only. Purchasers will not receive certificates representing their interest in the Series 2019A-B Bonds purchased. So long as Cede & Co., as nominee of DTC, is the registered owner of the Series 2019A-B Bonds, references herein to the bondholders, owners or registered owners shall mean Cede & Co. and shall not mean the beneficial owners of the Series 2019A-B Bonds.

So long as Cede & Co. is the registered owner of the Series 2019A-B Bonds, principal of and interest on the Series 2019A-B Bonds are payable by wire transfer by the Fiscal Agent to Cede & Co., as nominee for DTC, which is required, in turn, to remit such amounts to the DTC Participants. See Appendix E – “BOOK-ENTRY ONLY SYSTEM.”

Redemption Prior to Maturity

Optional Redemption

The Series 2019A Bonds maturing on and after July 1, ____ are subject to redemption prior to maturity at the option of the City, in whole or in part, at any time on or after July 1, ____ at the redemption price of 100% of the principal amount of the Series 2019A Bonds to be redeemed, plus accrued interest, if any, to the date fixed for redemption.

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

Partial Redemption

If less than all of the Outstanding Series 2019A Bonds are to be redeemed, the Maturity Dates of the Series 2019A Bonds to be redeemed shall be selected by the City. If less than all Series 2019A Bonds of a given Maturity Date are redeemed, the Series 2019A Bonds of that Maturity Date to be redeemed shall be selected by lot in such manner as determined by the Fiscal Agent. However, the portion of any Series 2019A Bonds to be redeemed and the portion of any Series 2019A Bond not redeemed shall both

be in Authorized Denominations. If, as indicated in a certificate of an Authorized Officer delivered to the Fiscal Agent, the City has offered to purchase all Series 2019A Bonds then Outstanding and less than all of the Series 2019A Bonds have been tendered to the City for purchase, the Fiscal Agent, at the direction of an Authorized Officer, shall select for redemption all, or any part designated by the City, of the Series 2019A Bonds which have not been tendered.

In selecting Series 2019A Bonds for redemption, the Fiscal Agent shall treat each Series 2019A Bond as representing that number of Series 2019A Bonds which is obtained by dividing the principal amount of any Series 2019A Bond by the minimum Authorized Denomination. If it is determined that one or more, but not all, of the units of principal amount represented by any Series 2019A Bond is to be called for redemption, then, upon notice of intention to redeem such unit or units, the Owner of such Series 2019A Bond (except with respect to Series 2019A Bonds registered to a Depository or its nominee, in which case a notation as to the amount redeemed may be made on such Series 2019A Bonds) shall promptly surrender such Series 2019A Bond to the Fiscal Agent for (i) payment to such Owner of the redemption price of the unit or units of principal amount called for redemption, and (ii) delivery to such Owner of a new Series 2019A Bond of the same Maturity Date in the aggregate principal amount of the unredeemed balance, without charge therefor.

If the Owner of any such Series 2019A Bond fails to present that Series 2019A Bond to the Fiscal Agent for payment, that Series 2019A Bond nevertheless shall become due and payable on the date fixed for redemption to the extent of the unit or units of principal amount called for redemption and interest shall cease to accrue on that principal amount.

Notice

Notice of redemption of Series 2019A Bonds shall be given by the Fiscal Agent by sending a copy of such notice by registered or certified first class, postage prepaid mail not less than 30 days prior to the redemption date to all Depositories, to the Municipal Securities Rulemaking Board's EMMA System and to the Owner of each Series 2019A Bond, or portion thereof, to be redeemed at the address shown as of the close of business on the fifth day prior to the mailing of notice on the Bond Register. The City shall give the Fiscal Agent notice of the redemption date and the Maturity Date and the principal amounts of each maturity of Series 2019A Bonds to be called for redemption pursuant to the Bond Ordinance at least five Business Days prior to the date that the Fiscal Agent is required to give Owners notice of redemption. Series 2019A Bonds to be called for mandatory sinking fund redemption shall be called for redemption by the Fiscal Agent without the necessity of any notice to the Fiscal Agent from the City. Neither the City's failure to give such notice, the Fiscal Agent's failure to give such notice to any Depository (other than as the Owner of Series 2019A Bonds being redeemed), or the registered Owner of any Series 2019A Bonds to be redeemed, or any defect therein, nor the failure of the Depository to notify a Participant or any Participant or Indirect Participant to notify a Beneficial Owner of any such redemption, shall affect the validity of the proceedings for the redemption of any Series 2019A Bonds for which proper notice was given.

The official notice of redemption to Owners shall state:

- (1) the CUSIP numbers of the Series 2019A Bonds to be redeemed,
- (2) the redemption date,
- (3) the redemption price,
- (4) the Series 2019A Bonds to be redeemed,

(5) if less than all Outstanding Series 2019A Bonds are to be redeemed, the bond numbers and Maturity Dates of the Series 2019A Bonds to be redeemed and, in the case of a partial redemption of a Series 2019A Bond, the principal amount to be redeemed,

(6) that, subject to the provisions for optional redemption under the Bond Ordinance, if applicable, on the redemption date, the redemption price will become due and payable on each Series 2019A Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after that date,

(7) the place where such Series 2019A Bonds are to be surrendered for payment of the redemption price, the name of a contact person (if the book-entry system is in effect), and the phone number at the office of the Paying Agent, and

(8) if the redemption is an optional redemption pursuant to the Bond Ordinance, that the redemption is conditional, if applicable, stating the conditions set forth in the Bond Ordinance for optional redemptions.

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

Except as provided in the Bond Ordinance, notice having been given in the manner provided above, the Series 2019A Bonds or part thereof called for redemption shall become due and payable on the redemption date designated and the Series 2019A Bonds, or part thereof to be redeemed, for which the redemption price is on deposit with the Fiscal Agent, shall not be deemed to be Outstanding and shall cease to bear or accrue interest from and after such redemption date. Subject to the Bond Ordinance, upon presentation of a Series 2019A Bond to be redeemed at the office of the Fiscal Agent on or after the redemption date, or, so long as the book-entry system is used for determining beneficial ownership of the Series 2019A Bond being redeemed, upon satisfaction of the terms of any other arrangement between the Fiscal Agent and the Depository, the Fiscal Agent will pay such Series 2019A Bonds or portion thereof called for redemption.

SECURITY AND SOURCES OF PAYMENT

Special, Limited Obligations

The Series 2019A-B 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 2019A-B 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 2019A-B Bonds are special limited obligations of the City and are payable from the State-Shared Gross Receipts Tax Revenues, on parity with the lien of the State-Shared Gross Receipts Tax Obligations on State-Shared Gross Receipts Tax Revenues. The Series 2019A Bonds are also payable from the Pledged Lodgers' Tax Revenues.

The Series 2019A-B Bonds are also secured by any amounts which may be on deposit in the respective funds and accounts established under the Bond Ordinance.

State-Shared Gross Receipts Tax Revenues

Generally

The following section sets forth certain information relating to the State-Shared Gross Receipts Tax Revenues. It is important for prospective purchasers to analyze the historical State-Shared Gross Receipts Tax Revenues and factors which may impact future State-Shared Gross Receipts Tax Revenues. The City has assumed that the information obtained from sources other than the City is accurate without independently verifying it, but has no reason to believe that such information may be inaccurate. For certain information concerning the City generally, see Appendix A – “ECONOMIC, DEMOGRAPHIC, AND FINANCIAL INFORMATION, INCLUDING AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2018.” **The information in Appendix A is provided to prospective purchasers for purposes of analyzing the financial and overall status of the City, although the Series 2019A-B Bonds are payable from the State-Shared Gross Receipts Tax Revenues (and Pledged Lodgers’ Tax Revenues in the case of the Series 2019A Bonds) and otherwise as described under this caption.**

Imposition of Tax

The Gross Receipts and Compensating Tax Act (Sections 7-9-1 through 7-9-115 NMSA 1978, as amended), authorizes the State to impose the State gross receipts tax, (the “State Gross Receipts Tax”) which is currently levied by the State for the privilege of doing business in the State and is collected by the State Taxation and Revenue Department (the “Department”). The State Gross Receipts Tax is currently levied at 5.125% of taxable gross receipts. Of the 5.125 cents collected per dollar of taxable gross receipts reported for a particular municipality, 1.225 cents are remitted monthly to each municipality based on the prior month’s filings. The total gross receipts tax rate imposed (including State and local option gross receipts taxes) in the City effective on July 1, 2019 is 7.875%.

Taxed Activities

For the privilege of engaging in business in the State, the State Gross Receipts Tax is imposed upon any person engaging in business in the State. “Gross Receipts” is defined in the Gross Receipts and Compensating Tax Act as the total amount of money or the value of other consideration received from selling property in the State (including tangible personal property handled on consignment in the State), from leasing or licensing property employed in the State, from granting a right to use a franchise employed in the State, from selling services performed outside the State, the product of which is initially used in the State or from performing services in the State. The definition of gross receipts principally excludes cash discounts allowed and taken, governmental gross receipts tax, leased vehicle gross receipts tax, local option gross receipts tax and Indian nation sales taxes payable on transactions for the reporting period, any type of time-price differential, amounts received solely on behalf of another in a disclosed agency capacity and amounts received by a New Mexico florist from the sale of flowers under certain circumstances. Unlike most other states, the State taxes sales and services, including legal services, utilities and certain medical services. The tax rate for construction businesses is determined by the location of each construction project. The tax rate for utilities is determined by the location of the meter used to record the amount of service consumed by the customer or the location of the telephone set. For cellular service, it is the location of the customer’s place of primary use.

Effective July 1, 2019, remote (Internet) sellers with total taxable gross receipts of at least \$100,000 from sales, leases, and licenses of tangible personal property sourced to New Mexico customers in the previous calendar year are required under state laws to start collecting and paying State gross receipts tax on their New Mexico transactions. Effective July 1, 2021, the gross receipts tax sourcing rules will change from point of origin-based sourcing to destination-based sourcing for most categories of gross receipt, allowing for the imposition of local taxes on remote sellers. For services other than

professional services, gross receipts and deductions will be reported from the location where the service is performed. Professional services will continue to be reported from the seller's place of business. The City will receive \$6.1 million annually in both fiscal year 2020 and fiscal year 2021 from the State until the local increments are applied to remote sales.

Exemptions

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

Administration of the Tax

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

Remedies for Delinquent Taxes

The Revenue Division may assess State Gross Receipts Taxes to a taxpayer who has not paid the taxes due to the State. If any taxpayer to whom State Gross Receipts Taxes have been assessed or upon whom demand for payment has been made does not make payment thereof (or protest the assessment or demand for payment) within 30 days after the date of assessment or demand for payment, the taxpayer becomes a delinquent taxpayer. Such taxpayer remains delinquent until payment of all the taxes due, including interest and penalties, or until security is furnished for the payment thereof. The Revenue Division may, under certain circumstances, enter into an agreement with a delinquent taxpayer to permit monthly installment payments for a period of not more than 60 months. Interest is due on any delinquent tax from the first day following the day on which it is due at the rate of 15.0% per year, compiled on a daily basis, until paid, without regard to any installment agreement. However, if the State Gross Receipts Tax is paid within ten days after demand is made, no interest shall be imposed for the period after the date of demand.

The Revenue Division may levy upon all property or rights to property of a delinquent taxpayer and sell the same in order to collect the delinquent tax. The amount of delinquent State Gross Receipts

Taxes is also a lien in favor of the State upon all property and rights to property of the delinquent taxpayer, which lien may be foreclosed as provided by State statutes.

Historical Revenues

The State-Shared Gross Receipts Tax Revenues received by the City for the past five Fiscal Years are as follows:

Historical State-Shared Gross Receipts Tax Revenues

Fiscal Year	Revenues⁽¹⁾
2015	\$186,074,619
2016	190,154,484
2017	192,979,604
2018	200,859,670
2019	202,459,403

- (1) In the 2013 legislative session, legislation was adopted that began reductions in Fiscal Year 2016 of Make-Whole Distributions from the State to municipalities, including the City, related to tax deductions for food and medical expenses. The Make-Whole Distributions, under Section 7-1-6.46 NMSA 1978, were implemented when the deductions became law and were designed to make the municipalities financially whole as related to those deductions. This legislation will negatively impact the City's gross receipts tax revenues in the future. See. "CERTAIN INVESTMENT CONSIDERATIONS – State Legislative Modifications Related to State-Shared Gross Receipts Tax Revenues." The legislation also authorizes additional local option tax authority for municipalities if they choose to enact them. On March 5, 2018, the City Council approved an ordinance imposing a 0.375% gross receipts tax increase related to the reduction of Make-Whole Distributions from the State. After July 1, 2019, such 0375% increase remains in effect but was "de-earmarked." See "SECURITY AND SOURCES OF PAYMENT – State-Shared Gross Receipts Tax Revenues – Taxing Authority of Payments." **Such 0.375% increase does not generate State-Shared Gross Receipts Tax Revenues and is not pledged as security for the 2019A-B Bonds.**

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

Historical Taxable Gross Receipts

The table which follows provides information about the City's taxable gross receipts by sector since Fiscal Year 2009.

CITY OF ALBUQUERQUE
Taxable Gross Receipts by Sector and Total Gross Receipts⁽¹⁾
Fiscal Years 2009-2018 (\$000,000)

<u>Category⁽²⁾</u>											% Share of Total	
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2009</u>	<u>2018</u>
Accommodation and Food Services	\$1,206	\$1,204	\$1,267	\$1,309	\$1,310	\$1,341	\$1,431	\$1,519	\$1,530	\$1,606	9.3%	10.6%
Admin and Support	127	143	141	129	151	150	171	233	236	302	1	2
Agriculture	7	4	4	4	5	7	9	14	19	26	0.1	0.2
Arts Entertainment and Recreation	78	80	86	91	88	98	112	122	148	156	0.6	1
Construction	1,446	1,080	1,014	1,008	1,080	1,122	1,154	1,214	1,398	1,620	11.1	10.7
Educational Services	91	112	143	123	99	111	103	90	88	83	0.7	0.5
Finance and Insurance	126	108	104	107	115	120	119	123	140	309	1	2
Health Care	703	721	746	768	799	823	938	1,006	1,058	1,237	5.4	8.2
Information and Cultural Industries	375	509	596	777	759	767	797	771	791	797	2.9	5.3
Management of Companies	17	17	15	10	20	23	24	(15)	20	16	0.1	0.1
Manufacturing	264	218	262	283	289	333	350	335	334	305	2	2
Mining	0	(0)	1	1	1	5	8	7	8	5	0	0
Other Services	1,624	1,355	1,421	1,299	1,414	1,400	1,374	1,390	1,350	1,364	12.5	9
Professional Scientific and Technical Services	1,511	1,381	1,497	1,462	1,452	1,487	1,547	1,636	1,649	1,624	11.6	10.7
Public Administration	2	1	1	0	0	2	2	1	2	2	0	0
Real Estate & Leasing	186	177	194	232	249	276	310	384	350	314	1.4	2.1
Retail Trade	4,005	3,884	3,833	3,950	4,023	3,966	4,040	4,125	4,164	4,144	30.8	27.4
Transportation and Warehousing	99	104	107	119	114	110	115	102	107	120	0.8	0.8
Unclassified Establishments	97	67	47	39	51	93	138	106	122	85	0.7	0.6
Utilities	460	450	520	550	570	567	564	525	517	532	3.5	3.5
Wholesale Trade	<u>557</u>	<u>484</u>	<u>469</u>	<u>384</u>	<u>386</u>	<u>372</u>	<u>384</u>	<u>380</u>	<u>395</u>	<u>466</u>	<u>4.3</u>	<u>3.1</u>
Total Taxable Gross Receipts ⁽³⁾	12,983	12,107	12,474	12,656	12,993	13,195	13,689	14,066	14,430	15,113	100%	100%
Food - Hold harmless Distribution	1,019	977	1,014	1,049	1,060	1,098	1,129	1,115	1,156	1,371		
Medical - Hold harmless Distribution	<u>523</u>	<u>470</u>	<u>496</u>	<u>551</u>	<u>514</u>	<u>484</u>	<u>452</u>	<u>446</u>	<u>459</u>	<u>339</u>		
Total Taxable Gross Receipts base ⁽³⁾	14,524	13,548	13,977	14,245	14,550	14,756	15,271	15,627	16,045	16,823		
Total Gross Receipts	\$26,457	\$24,728	\$25,825	\$26,327	\$26,801	\$27,316	\$26,170	\$28,165	\$28,847	\$30,590		

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

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

(3) May not total due to rounding.

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

Taxing Authority and Payments

Prior to July 1, 2019, the City also imposed separate increments of local option gross receipts taxes for certain specific purposes, including infrastructure, capital outlays and mitigating the reduction of Make-Whole Distributions to the City. In the 2019 legislative session, legislation was adopted that “de-earmarked” certain specific sources and legislatively mandated uses of local option gross receipts taxes, including those sources and uses listed above, and repealed the related authorizing legislation for such increments. However, the increments approved by voters prior to July 1, 2019 remain “grandfathered” and are included in a general municipal gross receipts tax that can be dedicated for any municipal purpose. The maximum rate of the general municipal gross receipts tax is now limited to 2.5%. Accordingly, the prior approved increments previously disclosed by the City in connection with the issuance of prior State-Shared Gross Receipts Tax Obligations have been consolidated into the 1.5625% “Municipal GRT” rates shown in the following two tables. **The State-Shared Gross Receipts Tax Revenues pledged as security for the 2019A-B Bonds are not affected by such legislation.**

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

Fiscal Year 2020 Gross Receipts Tax Rate (as of July 1, 2019)

Type of Tax & Purpose	Percentage Imposed
Municipal GRT	1.5625%
Bernalillo County GRT	1.1875
State-Shared GRT	1.2250
State GRT	<u>3.9000</u>
Total	7.875%

Source: City of Albuquerque, Office of City Treasurer.

The following table describes the City’s taxing authority and the percentage it currently imposes to generate gross receipts tax revenues to the City.

Fiscal Year 2020 Taxing Authority and Gross Receipts Tax Imposed For the Benefit of the City of Albuquerque (as of July 1, 2019)

Type of Tax & Purpose	Total Taxing Authority	Percentage Imposed	Unused Authority
Municipal GRT	2.5000%	1.5625%	0.9375%
State-Shared GRT		<u>1.2250%</u>	
Total Distribution to the City		<u>2.7875%</u>	

Source: City of Albuquerque, Office of City Treasurer.

Lodgers’ Tax and Revenue

The Lodgers’ Tax described below does not secure the Series 2019B Bonds, but does secure and may therefore defray debt service on the Series 2019A Bonds and certain other State-Shared Gross Receipts Tax Obligations. See “State-Shared Gross Receipts Tax Obligations” herein.

Generally

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

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

Historical Pledged Lodgers' Tax Revenues

The gross taxable rent, and the Pledged Lodgers' Tax Revenues collected by the City, for the last five Fiscal Years are as follows:

CITY OF ALBUQUERQUE Historical Pledged Lodgers' Tax Revenues

Fiscal Year	Gross Taxable Rent⁽¹⁾	Pledged Lodgers' Tax Revenues
2015	\$237,347,900	\$11,867,395
2016	244,545,088	12,227,254
2017	234,514,040	12,177,552
2018	261,278,740	13,063,937
2019 ⁽²⁾	289,483,100	14,474,155

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

(2) Unaudited.

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

The following table sets forth estimated spending and future confirmed convention bookings in the City by number of individuals and room nights for Fiscal Years 2017-2021. While the numbers of future delegates and room nights are estimates based on historical convention history and therefore may be variable within a particular booking, cancellation of such confirmed future bookings is unlikely.

CONFIRMED CONVENTION CENTER BOOKINGS
Fiscal Years 2017-2021⁽¹⁾

Fiscal Year	Direct Spending	Attendance	Room Nights
2017	\$20,473,600	45,010	46,768
2018	21,699,079	39,432	43,695
2019	43,610,878	72,604	78,324
2020	32,080,055	59,769	57,176
2021	14,650,448	16,420	22,725

(1) Represents all Convention Center meetings/conventions and sporting events as of September 6, 2019.

Source: Visit Albuquerque.

Collection of the City's Lodgers' Tax

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

Surplus Pledged Lodgers' Tax Revenues

The Bond Ordinance continues a Surplus Lodgers' Tax Revenues Reserve Fund (the "Surplus Fund"). To the extent that Pledged Lodgers' Tax Revenues are not required to be deposited or used for the payment of Lodgers' Tax Obligations in any month, the amount not required for deposit or payment shall be deposited in the Surplus Fund and held in that fund and used, when practicable, to pay, redeem or defease Lodgers' Tax Obligations.

Additional Obligations Payable from State-Shared Gross Receipts Tax Revenues

The City may issue additional State-Shared Gross Receipts Tax Obligations (in addition to certain refunding obligations), on parity with the Series 2019A-B Bonds, subject to the following requirements:

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

(b) the State-Shared Gross Receipts Tax Revenues received by the City for either (i) the Fiscal Year or (ii) any twelve consecutive calendar months out of the eighteen calendar months immediately preceding the date of the issuance of such additional State-Shared Gross Receipts Tax Obligations shall have been sufficient to pay an amount representing two hundred and twenty-five percent (225%) of the combined maximum annual principal and interest payments (excluding any reserves

therefore) coming due in any subsequent Fiscal Year on: (y) the then Outstanding State-Shared Gross Receipts Tax Obligations, and (z) the State-Shared Gross Receipts Tax Obligations proposed to be issued.

The City is not permitted to issue bonds or incur obligations payable from the State-Shared Gross Receipts Tax Revenues having a lien thereon prior and superior to the lien of the Series 2019A-B Bonds and other Outstanding State-Shared Gross Receipts Tax Obligations on State-Shared Gross Receipts Tax Revenues. Obligations with a lien on State-Shared Gross Receipts Tax Revenues subordinate to the lien thereon of State-Shared Gross Receipts Tax Obligations may be issued without satisfying the requirements above.

Additional Lodgers' Tax Obligations

If the City is then current in the accumulations required to be made by any ordinance or resolution authorizing the issuance of Lodgers' Tax Obligations, the City is permitted without restriction to issue bonds or incur obligations payable from the Pledged Lodgers' Tax Revenues on parity with or subordinate to the lien thereon of the Series 2019A Bonds.

The City is not permitted to issue bonds or incur obligations payable from the Pledged Lodgers' Tax Revenues having a lien thereon prior and superior to the lien of the Series 2019A Bonds and other Outstanding Lodgers' Tax Obligations on Pledged Lodgers' Tax Revenues. Obligations with a lien on Pledged Lodgers' Tax Revenues subordinate to the lien thereon of Pledged Lodgers' Tax obligations may be issued without satisfying the requirement above.

OUTSTANDING PARITY OBLIGATIONS

State-Shared Gross Receipts Tax Obligations

The following obligations of the City payable from State-Shared Gross Receipts Tax Revenues and Pledged Lodgers' Tax Revenues (to the extent designated with footnote⁽¹⁾) were outstanding as of October 1, 2019.

Issue	Principal Amt. of Original Issue	Outstanding Principal Amount
Taxable Gross Receipts Tax/Lodgers' Tax Refunding Revenue Bonds, Series 2004B ⁽¹⁾	\$28,915,000	\$25,190,000
Gross Receipts Tax/Lodgers' Tax Refunding Revenue Bonds, Series 2009A ⁽¹⁾⁽²⁾	10,535,000	7,955,000
Gross Receipts Tax Refunding Revenue Bonds, Series 2009B ⁽²⁾	28,305,000	8,855,000
Gross Receipts Tax/Lodgers' Tax/Hospitality Fee Improvement and Refunding Revenue Bonds, Series 2011A ⁽¹⁾⁽³⁾	22,660,000	9,335,000
Gross Receipts Tax/Stadium Revenue Refunding Revenue Bonds, Taxable Series 2011B ⁽⁴⁾	11,650,000	6,090,000
Gross Receipts Tax Improvement Revenue Bonds, Series 2013	42,030,000	33,980,000
Gross Receipts Tax/Lodgers' Tax Refunding and Improvement Revenue Bonds, Series 2014A ⁽¹⁾	36,960,000	36,015,000
Gross Receipts Tax Improvement Revenue Bonds, Series 2015A	39,085,000	34,735,000
Gross Receipts Tax Improvement Revenue Bonds, Taxable Series 2015B	10,110,000	5,290,000
Gross Receipts Tax Revenue Bonds, Series 2015C	2,080,000	1,495,000
Gross Receipts Tax/Lodgers' Tax Improvement Revenue Bonds, Taxable Series 2016 ⁽¹⁾	24,000,000	23,050,000
Gross Receipts Tax Revenue Bonds, Series 2016B ⁽⁵⁾	8,430,000	7,810,000
Gross Receipts Tax Improvement Revenue Bonds, Series 2016C	17,750,000	<u>15,665,000</u>
Total		\$214,845,000

(1) These bonds are also secured by the Pledged Lodgers' Tax Revenues.

(2) To be refunded with proceeds of the Bonds. See "PLAN OF FINANCING – The Refunding Project."

(3) These bonds are also secured by the hospitality fees described below under "Hospitality Fee."

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

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

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

Hospitality Fee

The Hospitality Fee described below does not secure the Series 2019A-B Bonds, but does secure and may therefore defray debt service on certain State-Shared Gross Receipts Tax Obligations. See "State-Shared Gross Receipts Tax Obligations" herein.

The State Legislature passed the Hospitality Fee Act (Sections 3-38A-1 through 3-38A-12 NMSA 1978) which became effective in June 2003. Under the Act, the City has authority to impose, without a referendum, a hospitality fee of up to 1% of the gross rent proprietors receive from tourist accommodations within the City. On April 19, 2004, the City enacted its ordinance imposing the hospitality fee. The Hospitality Fee Act includes a section which repeals the Act effective July 1, 2028. As required by the Hospitality Fee Act, twenty-five percent of the fees collected are to be used for advertising to publicize and promote tourist-related attractions, facilities and events, twenty-five percent of the fees collected are to be used to extinguish debt incurred by a municipality for a metropolitan court facility, and the remaining fifty percent is to be used to equip and furnish the City's convention center. Hospitality fee revenues, in an amount equal to fifty percent (50%) of the revenues produced by the City's imposition of the fee, less certain administrative costs, are pledged to the payment of the City's outstanding Gross Receipts Tax/Lodgers' Tax/Hospitality Fee Improvement and Refunding Revenue Bonds, Series 2011A.

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

Historical Hospitality Fee Revenues

Fiscal Year	Hospitality Fee Revenues
2015	\$2,373,479
2016	2,445,451
2017	2,435,509
2018	2,612,720
2019 ⁽¹⁾	2,894,831

(1) Unaudited.

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

Stadium Lease Payments and Surcharge

The stadium lease payments and surcharge described below do not secure the Series 2019A-B Bonds, but do secure and may therefore defray debt service on certain State-Shared Gross Receipts Tax Obligations. See "State-Shared Gross Receipts Tax Obligations" herein.

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

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

The stadium lease revenues and surcharge revenues collected by the City for Fiscal Years 2015 to 2019 are as follows:

Historical Stadium Lease and Surcharge Revenues

Fiscal Year	Stadium Revenues
2015	\$1,795,720
2016	1,762,028
2017	1,739,056
2018	1,873,376
2019 ⁽¹⁾	2,095,321

(1) Unaudited.

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

ANNUAL DEBT SERVICE REQUIREMENTS AND COVERAGE

Annual Debt Service Requirements for the Series 2019A-B Bonds

The following schedules show the annual debt service requirements to be paid on the Series 2019A-B Bonds.

Series 2019A Bonds^{(1)*}

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest⁽¹⁾</u>	<u>Total Debt Service⁽¹⁾</u>
2020	\$1,270,000	\$832,295	\$2,201,295
2021	1,335,000	1,263,350	2,598,350
2022	1,365,000	1,209,950	2,574,950
2023	150,000	1,155,350	1,305,350
2024	1,640,000	1,147,850	2,787,850
2025	1,830,000	1,065,850	2,895,850
2026	110,000	974,350	1,084,350
2027	260,000	968,850	1,228,850
2028	430,000	955,850	1,385,850
2029	610,000	934,350	1,544,350
2030	810,000	903,850	1,713,850
2031	1,015,000	871,450	1,886,450
2032	1,240,000	830,850	2,070,850
2033	1,480,000	781,250	2,261,250
2034	1,725,000	736,850	2,461,850
2035	1,990,000	685,100	2,675,100
2036	2,390,000	625,400	3,015,400
2037	2,720,000	529,800	3,249,800
2038	<u>10,525,000</u>	<u>421,000</u>	<u>10,946,000</u>
TOTAL	\$32,895,000	\$16,893,595	\$49,788,595

(1) Interest has been calculated at an assumed rate of 4.25% solely for purposes of this Preliminary Official Statement.

Source: Municipal Advisor.

Series 2019B Bonds^{(1)*}

<u>Fiscal Year</u>	<u>Principal⁽¹⁾</u>	<u>Interest⁽¹⁾</u>	<u>Total Debt Service⁽¹⁾</u>
2020	\$4,035,000	\$276,608	\$4,311,608
2021	3,970,000	235,000	4,205,000
2022	<u>730,000</u>	<u>36,500</u>	<u>766,500</u>
Total	\$8,735,000	\$548,108	\$9,283,108

(1) Interest has been calculated at an assumed rate of 4.75% solely for purposes of this Preliminary Official Statement.

Source: Municipal Advisor.

* Preliminary, subject to change.

Estimated Total Combined Debt Service

The Series 2019A-B Bonds constitute outstanding State-Shared Gross Receipts Tax Obligations. The following table sets forth the estimated combined debt service for the outstanding State-Shared Gross Receipts Tax Obligations upon issuance of the Series 2019A-B Bonds.

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

Calendar Year	Series 2004B	Series 2009A ⁽¹⁾	Series 2009B ⁽¹⁾	Series 2011A	Series 2011B	Series 2013	Series 2014A	Series 2015A&B	Series 2015C	Series 2016	Series 2016B	Series 2016C	Proposed Series 2019B*	Proposed Series 2019A*	Combined Debt Service Requirements*
2019	\$1,818,733	\$1,485,669	\$4,362,400	\$1,410,313	\$1,023,398	\$2,998,513	\$1,570,763	\$4,426,958	\$230,074	\$1,113,435	\$813,890	\$1,421,800	--	--	\$22,675,946
2020	1,816,904	--	--	1,338,813	1,025,148	2,998,513	1,574,313	4,430,558	231,599	1,233,985	814,630	1,419,000	\$4,311,608	\$2,102,295	23,297,366
2021	1,818,996	--	--	1,258,188	1,022,248	2,996,113	1,572,563	4,428,708	227,889	1,360,635	815,025	1,420,600	4,205,200	2,598,350	23,724,315
2022	1,809,741	--	--	1,199,388	1,026,848	2,996,313	1,570,663	2,929,430	229,251	1,483,085	810,075	1,421,450	766,500	2,574,950	18,817,694
2023	1,864,678	--	--	1,196,388	1,023,448	2,999,700	1,573,613	2,933,450	230,525	2,826,335	809,895	1,418,250	--	1,305,350	18,181,632
2024	1,820,302	--	--	1,196,838	1,022,766	2,995,500	1,576,263	2,929,088	226,743	1,532,365	809,370	1,418,850	--	2,787,850	18,315,935
2025	1,891,735	--	--	1,196,388	1,019,516	2,998,750	1,576,063	2,928,588	227,896	1,573,135	813,500	1,419,100	--	2,895,850	18,540,521
2026	4,131,833	--	--	1,198,731	1,023,610	2,997,250	1,575,463	2,929,338	228,992	1,425,385	807,170	1,422,100	--	1,084,350	18,824,222
2027	4,220,896	--	--	1,198,631	--	2,996,000	1,574,463	2,931,088	--	1,481,235	815,610	1,422,600	--	1,228,850	17,869,373
2028	4,306,109	--	--	1,196,000	--	2,999,750	1,570,913	2,928,588	--	1,544,685	808,475	1,421,000	--	1,385,850	18,161,370
2029	4,396,918	--	--	--	--	2,998,000	1,571,850	2,928,538	--	1,599,460	811,110	1,417,800	--	1,544,350	17,268,026
2030	2,182,215	--	--	--	--	2,998,200	3,872,100	2,929,038	--	1,665,540	813,285	1,418,000	--	1,713,850	17,592,228
2031	403,866	--	--	--	--	2,999,988	5,747,275	2,929,638	--	1,722,260	--	1,421,400	--	1,886,450	17,110,877
2032	403,866	--	--	--	--	2,998,100	5,839,475	2,932,038	--	1,789,590	--	1,422,800	--	2,070,850	17,456,719
2033	403,866	--	--	--	--	2,998,100	5,935,075	2,931,038	--	1,856,815	--	1,422,200	--	2,261,250	17,808,344
2034	2,838,866	--	--	--	--	2,998,900	3,591,400	2,929,288	--	1,928,535	--	1,419,600	--	2,461,850	18,168,439
2035	268,967	--	--	--	--	1,759,500	6,253,800	2,932,038	--	2,004,150	--	--	--	2,675,100	15,893,555
2036	5,123,967	--	--	--	--	--	1,500,000	2,928,438	--	1,953,900	--	--	--	3,015,400	14,521,705
2037	--	--	--	--	--	--	6,687,200	2,930,438	--	2,060,455	--	--	--	3,249,800	14,927,893
2038	--	--	--	--	--	--	--	2,930,938	--	1,470,185	--	--	--	10,946,000	15,347,123
Total	\$41,522,458	\$10,759,838	\$13,925,850	\$12,389,678	\$8,186,982	\$49,727,190	\$56,733,255	\$63,097,214	\$1,832,969	\$35,606,440	\$9,742,035	\$22,726,550	\$9,283,108	\$49,788,595	\$364,503,283

(1) Net of Refunded Bonds. See “PLAN OF FINANCING – The Refunding Project.”

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

* Preliminary, subject to change.

Estimated Coverage Ratios

The State-Shared Gross Receipts Tax Revenues of the City attributable to the 1.225% levy for Fiscal Year 2019 were \$202,459,403 (unaudited). The maximum calendar year combined debt service requirements for the outstanding State-Shared Gross Receipts Tax Obligations of the City as shown in the preceding table are \$23,724,315* (occurring in calendar year 2021). The coverage ratio of the Fiscal Year 2019 State-Shared Gross Receipts Tax Revenues to such maximum calendar year combined debt service requirements is 8.53x*. The City can make no assurances that State-Shared Gross Receipts Tax Revenues in future years will maintain the Fiscal Year 2019 level. **Coverage ratios are understated because other sources of revenue such as Lodgers' Tax, hospitality fees, housing revenues and stadium revenues defray the debt service on certain State-Shared Gross Receipts Tax Obligations described under "OUTSTANDING PARITY OBLIGATIONS" above.**

The following table shows the estimated coverage ratios for calendar years 2019-2023 of the State-Shared Gross Receipts Tax Revenues for Fiscal Year 2019 (assuming the same amount is produced in each of those Fiscal Years) to the estimated calendar year combined debt service requirements of the Series 2019A-B Bonds and all other Outstanding State-Shared Gross Receipts Tax Obligations which will be outstanding after issuance of the Series 2019A-B Bonds. See "CERTAIN INVESTMENT CONSIDERATIONS – State Gross Receipts Tax Collections are Subject to Fluctuation."

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

Calendar Year	State-Shared Gross Receipts Tax Revenues for Fiscal Year 2019 ⁽¹⁾	Estimated Combined Debt Service Requirements for Series 2019A-B Bonds and Outstanding State-Shared Gross Receipts Tax Obligations* ⁽²⁾⁽³⁾	Estimated Coverage Ratios* ⁽¹⁾⁽²⁾
2019	\$202,459,403	\$22,675,946	8.93x
2020	202,459,403	23,297,366	8.69x
2021	202,459,403	23,724,315	8.53x
2022	202,459,403	18,817,694	10.76x
2023	202,459,403	18,181,632	11.14x

(1) See "SECURITY AND SOURCES OF PAYMENT – State-Shared Gross Receipts Tax Revenues." State-Shared Gross Receipts Tax Revenues do not reflect future reductions to the Make-Whole Distributions.

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

(3) Calendar Year.

CERTAIN INVESTMENT CONSIDERATIONS

The City expects that the State-Shared Gross Receipts Tax Revenues will at all times be sufficient to make all required payments of principal and interest on the outstanding State-Shared Gross Receipts Tax Obligations, including the Series 2019A-B Bonds. A number of factors, however, could adversely affect the City's ability to make timely payments on the Series 2019A-B Bonds from the State-Shared Gross Receipts Tax 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 2019A-B Bonds prior to purchasing any Series 2019A-B Bonds. The Series 2019A-B Bonds may not be suitable investments for all persons,

* Preliminary, subject to change.

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

State Gross Receipts Tax Collections are Subject to Fluctuation

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

The State-Shared Gross Receipts Tax Revenues are based on the total gross receipts of the City. Various circumstances and developments, most of which are beyond the control of the City, may have an adverse effect on the future level of State-Shared Gross Receipts Tax Revenues. Such circumstances may include, among others, adverse changes in national and local economic and financial conditions generally, reductions in the rates of employment and economic growth in the City, the State and the region, a decrease in rates of population growth and rates of residential and commercial development in the City, the State and the region and various other factors. For the Fiscal Year ended June 30, 2019, State-Shared Gross Receipts Tax Revenues were \$202,459,403 (unaudited), an increase from \$200,859,670 for Fiscal Year 2018.

State Legislative Modifications Related to State-Shared Gross Receipts Tax Revenues

Revisions to laws of the State affecting taxed activities and distributions of gross receipts tax revenues could be adopted in the future by the State Legislature. Proposals affecting taxed activities and distributions are frequently considered by the State Legislature. There is no assurance that any future revisions to State laws will not adversely affect activities now subject to the gross receipts tax or distribution of gross receipts tax revenues to the City. Notwithstanding the foregoing, the provisions of State law authorizing the issuance of revenue bonds (including gross receipts tax bonds such as the Series 2019A-B Bonds) include a provision stating that any law which authorizes the pledge of revenues to the payment of revenue bonds, or which affects the pledged revenue "shall not be repealed or amended or otherwise directly or indirectly modified in such a manner as to impair adversely any such outstanding revenue bonds."

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

In the 2012 legislation session, the State Legislature amended the State Gross Receipts and Compensating Tax Act as related to certain manufacturing and construction gross receipts. Specifically, the amendment expanded the gross receipts tax deductions for sales of tangible property to manufacturers to include property consumed in the process of manufacturing, excluding tools and equipment.

Additionally, the definition of “construction services” was expanded thereby increasing the scope of the deduction for sale of construction services to persons engaged in the construction business. The full year impact of both the manufacturing and construction deductions in Fiscal Year 2018 was a reduction in total Gross Receipts Tax revenues of approximately \$2 million and approximately the same reduction occurred in 2019. See “Appendix A – ECONOMIC, DEMOGRAPHIC AND FINANCIAL INFORMATION INCLUDING AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2018.”

In the 2013 New Mexico legislative session, legislation was adopted that begins reductions in Make-Whole Distributions starting in Fiscal Year 2016 related to tax deductions for food and medical expenses. The Make-Whole Distributions, under Section 7-1-6.46 NMSA 1978, were implemented when the deductions became law and were designed to make the municipalities financially whole as related to those deductions. Historically, the Make-Whole Distributions represent approximately 10% of the City’s gross receipts tax distributions from the State. The Make-Whole Distributions will be reduced incrementally over a 15-year period.

The legislation will result in annual reductions and ultimately the elimination of the Make-Whole Distributions to the City, which began on July 1, 2015, as follows:

Fiscal year ending June 30	% of Total Make-Whole Distribution*
2016	94%
2017	55
2018	82
2019	76
2020	70
2021	63
2022	56
2023	49
2024	42
2025	35
2026	28
2027	21
2028	14
2029	7
2030	--

* Based on percentage of total deductions from gross receipts claimed for sale of food at retail food stores and services provided by health care practitioners.

This legislation is projected to negatively impact the City’s projected gross receipts tax growth rate by 0.7% over the life of the reductions. The negative impact on State-Shared Gross Receipts Tax Revenues is projected to be approximately \$11.7 million in Fiscal Year 2020.

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

Bankruptcy and Foreclosure

The ability of the State to collect gross receipts taxes owed from an owner or operator of a business may be adversely affected by the filing of a bankruptcy proceeding by the owner. The ability to collect delinquent gross receipts taxes using foreclosure and sale for non-payment of taxes may be forestalled or delayed by bankruptcy, reorganization, insolvency or other similar proceedings affecting the owner or operator of a business. The Federal bankruptcy laws provide for an automatic stay of foreclosure and sale proceedings, thereby delaying such proceedings, perhaps for an extended period. Delays in the exercise of remedies could result in gross receipts tax collections that may be insufficient to pay debt service on Series 2019A-B Bonds when due.

City Cannot Increase Distribution of Taxes

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

City's Annual Audit

Pursuant to certain of its prior continuing disclosure undertakings, the City was required to file its annual audited financial statements for each Fiscal Year ended June 30 no later than 180 days after the end of each Fiscal Year (currently a 270-day deadline). Additionally, pursuant to State law, the City is required to provide an audit to the State Auditor by December 1 annually.

Cybersecurity

The City operates a large and complex information technology infrastructure to support internal and external operations. As is the case with any such environment, the threat of cybersecurity incidents is a constant one. These incidents may arise from multiple sources, including unintentional events or actions, intentional insider threat, and deliberate malicious attacks or actions from outside entities. The effect of these threats may include unauthorized access to City systems, data or resources, inappropriate exposure or use of City information, disruption of City services, and damage to City systems.

The City continuously assesses its vulnerability to intentional and unintentional data and cybersecurity breaches. Specifically, the City has adopted a four pronged approach consisting of (1) Education, (2) Protection, (3) Prevention and Mitigation and (4) Vigilance. Education measures include annual employee testing on cybersecurity topics, monthly phishing training with follow-up education for test failures and implementing data collection and retention reviews to ensure City staff obtain and store only data that provides value. Protection measures include data and communication encryption, regular access reviews for sensitive data and processes and use of sensitive data change reports. Prevention and mitigation measures include heightened intrusion prevention and detection strategies coupled with increased URL screening and filtering. Finally, vigilance measures include the development of up-to-date internal processes for suspicious activities and events, annual external review of cybersecurity posture, monthly external penetration tests, collaboration with federal enforcement entities and annual review of industry, local, state and federal cybersecurity requirements.

Additional Bonds

The City may issue additional State-Shared Gross Receipts Tax Obligations and Lodgers' Tax Obligations without bondholder consent, upon meeting coverage or other financial tests. See "SECURITY AND SOURCES OF PAYMENT – Additional Obligations Payable from State-Shared Gross Receipts Tax Revenues" and " – Additional Lodgers' Tax Obligations." The issuance of such additional obligations may have an adverse effect on the ability of the City to pay debt service on the Series 2019A-B Bonds. If State-Shared Gross Receipts Tax Revenues and Pledged Lodgers' Tax Revenues are insufficient to pay debt service on the respective Series 2019A-B Bonds and the outstanding State-Shared Gross Receipts Tax Obligations and the outstanding Lodgers' Tax Obligations in any year, debt service will be paid on a proportionate basis.

Secondary Market

Although the Underwriters expect to maintain a secondary market in the Series 2019A-B Bonds, at this time no guarantee can be made that a secondary market for the Series 2019A-B Bonds will be maintained by the Underwriters or others. Owners of Series 2019A-B Bonds should be prepared to hold their Series 2019A-B Bonds to maturity or prior redemption.

Bond Rating

There is no assurance that the rating assigned to the Series 2019A-B 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 2019A-B Bonds. See the information herein under the caption "RATING."

Potential Limitation of Tax Exemption of Interest on Series 2019A-B Bonds

From time to time, the President of the United States, the United States Congress and/or state legislatures have proposed and could propose in the future, legislation that, if enacted, could cause interest on the Series 2019A-B Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. Clarifications of the Internal Revenue Code of 1986, as amended, or court decisions may also cause interest on the Series 2019A-B Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation. The introduction or enactment of any such legislative proposals or any clarification of the Internal Revenue Code of 1986, as amended, or court decisions may also affect the market price for, or marketability of, the Series 2019A-B Bonds. Prospective purchasers of the Series 2019A-B Bonds should consult their own tax advisors regarding any such pending or proposed federal or state tax legislation, regulations or litigation, as to which Special Tax Counsel expresses no opinion.

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

be material and could impact the availability of State-Shared Gross Receipts Tax Revenues or Pledged Lodgers' Tax Revenues to pay debt service on the Series 2019A-B Bonds.

LITIGATION

There is no action, suit, proceeding, inquiry, investigation or controversy of any nature pending, or to the City's knowledge threatened, involving the City (i) in any way questioning (A) the authority of any officer of the City to exercise the duties and responsibilities of his or her office or (B) the existence, powers or authority of the City material to the Series 2019A-B Bonds or the security for the Series 2019A-B 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 2019A-B Bonds; (iii) in any way contesting or affecting (A) the issuance, sale, execution or delivery of the Series 2019A-B Bonds or (B) the validity or enforceability of the Series 2019A-B Bonds, any of the documents relating to the Series 2019A-B Bonds or any action contemplated by or pursuant to any of the foregoing; (iv) which, except as and to the extent disclosed below may result, either individually or in the aggregate, in final judgments against the City materially adversely affecting its financial condition; or (v) asserting that the Preliminary Official Statement or the Official Statement contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. On the Closing Date, the City will deliver a no-litigation certificate as to the foregoing.

New Mexico Tort Claims Act Limitations

The New Mexico Tort Claims Act limits liability to (i) \$200,000 for damage to or destruction of property arising out of a single occurrence, (ii) \$300,000 for all past and future medical and medically-related expenses arising out of a single occurrence, (iii) \$400,000 to any person for any number of claims arising out of a single occurrence for all damages other than property damage and medical and medically-related expenses, as permitted under the New Mexico Tort Claims Act, and (iv) \$750,000 for all claims other than medical or medically-related expenses arising out of a single occurrence. Both the Tort Claims Act and associated City Ordinance make provision for pro-rata payment of claims in the event the Fund would be exhausted by payment of all claims allowed during a particular fiscal year. (See §2-8-2-9.) The statutory cap on damages recoverable under the Tort Claims Act has not been adjusted for many years, and it is reasonable to expect that the legislature may amend the statute to increase the cap on damages at some point in the coming years. Apart from claims brought under the State's Tort Claims Act, the City has experienced losses associated with civil rights claims that are not subject to the statutory damages cap.

Risk Management

The City is exposed to various risks of loss related to torts and civil rights claims (including law enforcement and employment related exposures); theft, damage and destruction of its property and workers compensation losses. The City Council enabled the Risk Management Division and created the Risk Management Fund to finance these risks through a combination of self-insurance and commercial coverage.

The Risk Management Fund tracks claims by Department and assesses charges to each Department based on historical claims experience and the need to establish a reserve for unanticipated catastrophic losses. That reserve was \$90.3 million at June 30, 2019, and is included in the unrestricted net position of the Risk Management Fund. The claims liabilities reported in the Risk Management Fund are based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial

statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic factors. The estimate of the claims liability also includes amounts for incremental claim adjustments expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate.

In the fiscal year ended June 30, 2013, the City conducted a review of both its philosophy for reserving funds and the tools used to analyze the reported claims liability. As a result of this review, and based on information pertaining to existing claims, the City determined that a higher reserve liability was needed. Beginning in fiscal year 2015, the City began funding a “Risk Recovery” plan through an allocation to the respective departments. The original goal was to recover \$36.3 million over ten years. In Fiscal Years 2015, 2016, 2017, 2018 and 2019, \$10.9 million was collected under the plan. The budget for Fiscal Year 2020 provided \$1.7 million toward the recovery. It should be noted that these allocation amounts are subject to annual appropriations by the City Council.

Finally, the City has reserve amounts created by the City’s policy to reserve one-twelfth of the General Fund budgeted amount. See Note IV.O to the Audited Financial Statements for Fiscal Year 2018, attached hereto as Appendix A.

TAX MATTERS

In the opinion of the Orrick, Herrington & Sutcliffe LLP, Special Tax Counsel (“Special Tax Counsel”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2019A-B Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”). Special Tax Counsel is of the further opinion that interest on the Series 2019A-B Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Special Tax 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 2019A-B Bonds is exempt from all taxation by the State of New Mexico or any political subdivision thereof. A complete copy of the proposed form of opinion of Special Tax Counsel is set forth in Appendix C hereto.

To the extent the issue price of any maturity of the Series 2019A-B Bonds is less than the amount to be paid at maturity of such Series 2019A-B Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2019A-B Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Series 2019A-B Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Series 2019A-B Bonds is the first price at which a substantial amount of such maturity of the Series 2019A-B Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2019A-B Bonds accrues daily over the term to maturity of such Series 2019A-B Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2019A-B Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2019A-B Bonds. Beneficial Owners of the Series 2019A-B Bonds

should consult their own tax advisors with respect to the tax consequences of ownership of Series 2019A-B Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series 2019A-B Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2019A-B Bonds is sold to the public.

Series 2019A-B Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2019A-B Bonds. The City has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2019A-B Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2019A-B Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2019A-B Bonds. The opinion of Special Tax Counsel assumes the accuracy of these representations and compliance with these covenants. Special Tax Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Special Tax Counsel’s attention after the date of issuance of the Series 2019A-B Bonds may adversely affect the value of, or the tax status of interest on, the Series 2019A-B Bonds. Accordingly, the opinion of Special Tax Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Special Tax Counsel is of the opinion that interest on the Series 2019A-B Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Series 2019A-B Bonds may otherwise affect a Beneficial Owner’s federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner’s other items of income or deduction. Special Tax Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2019A-B Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislature proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Series 2019A-B Bonds. Prospective purchasers of the Series 2019A-B Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Special Tax Counsel is expected to express no opinion.

The opinion of Special Tax Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Special Tax Counsel’s judgment as to the proper treatment of the Series 2019A-B Bonds for federal income tax purposes. It is not binding on the Internal

Revenue Service (“IRS”) or the courts. Furthermore, Special Tax Counsel cannot give and has not given any opinion or assurance about the future activities of the City or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The City has covenanted, however, to comply with the requirements of the Code.

Special Tax Counsel’s engagement with respect to the Series 2019A-B Bonds ends with the issuance of the Series 2019A-B Bonds, and, unless separately engaged, Special Tax Counsel is not obligated to defend the City or the Beneficial Owners regarding the tax-exempt status of the Series 2019A-B Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the City and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the City legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2019A-B Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2019A-B Bonds, and may cause the City or the Beneficial Owners to incur significant expense.

CONTINUING DISCLOSURE UNDERTAKING

In connection with its issuance of the Series 2019A-B Bonds, the City will execute a Continuing Disclosure Undertaking, a form of which is attached as Appendix D hereto, under which it will agree for the benefit of the owners of Series 2019A-B Bonds (i) to provide audited annual financial statements of the City when available after the end of each Fiscal Year, including Fiscal Year 2019, and to provide certain annual financial information and operating data relating to the City within 270 days of the end of each Fiscal Year, and (ii) to provide timely notice of certain enumerated events.

The City has timely filed Annual Financial Information as required under its continuing disclosure undertakings, including audited financials for Fiscal Years 2014, 2015, 2016, 2017 and 2018 in a timely manner. However, in the past few years the City did not provide notice to the market of the adjustments in ratings calibrations used by Moody’s Investors Services and Fitch Ratings. These rating modifications resulted in upgrades to certain outstanding City obligations. The City also did not provide notice to the market of the downgrade of Assured Guaranty Municipal Corp. which insured certain outstanding obligations of the City. Further, the City did not provide notice until March 8, 2018 of a downgrade on January 17, 2018 by Moody’s Investors Service of National Public Finance Guarantee Corporation (formerly MBIA Insurance Corporation), which insured one series of the City’s airport subordinate lien bonds. The City intends to maintain compliance with its continuing disclosure undertakings in future years through the collective oversight and effort of current City finance staff and private consultants. The City believes it is in material compliance with its outstanding continuing disclosure obligations.

LEGAL MATTERS

In connection with the issuance and sale of the Series 2019A-B Bonds, Modrall, Sperling, Roehl, Harris & Sisk, P.A., Albuquerque, New Mexico, as Bond Counsel, and Orrick, Herrington & Sutcliffe LLP, Austin, Texas, as Special Tax Counsel, expect to deliver the respective opinions attached in Appendix C hereto. Certain legal matters relating to the Series 2019A-B Bonds will be passed upon for the City by the office of the City Attorney and the City’s Disclosure Counsel, Sherman & Howard L.L.C., Albuquerque, New Mexico. Neither Disclosure Counsel nor Bond Counsel have participated in any independent verification of the information concerning the financial condition of the City contained in

this Official Statement. The Underwriters are being represented by McCall, Parkhurst & Horton, L.L.P., Dallas, Texas.

INDEPENDENT ACCOUNTANTS

Moss-Adams 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 Albuquerque – 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 and on the City website at <http://www.cabq.gov>. An excerpt from the 2018 audit is included in Appendix A to this Official Statement. Moss-Adams LLP has not been engaged to review this Official Statement or any information contained herein.

UNDERWRITING

The Underwriters listed on the cover of this Official Statement have agreed to purchase (i) the Series 2019A Bonds from the City pursuant to a Bond Purchase Agreement dated October 16, 2019 (the “Bond Purchase Agreement”), for \$_____ (being the par amount of the Series 2019A Bonds plus a [net] original issue premium of \$_____ and less an Underwriters’ discount of \$_____).

The Underwriters listed on the cover of this Official Statement have agreed to purchase (i) the Series 2019B Bonds from the City pursuant to the Bond Purchase Agreement, for \$_____ (being the par amount of the Series 2019B Bonds plus a [net] original issue premium of \$_____ and less an Underwriters’ discount of \$_____).

The Bond Purchase Agreement provides that the Underwriters will purchase all of the Series 2019A-B Bonds if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in the Bond Purchase Agreement, including the approval of certain legal matters by counsel and certain other conditions. The prices at which the Series 2019A-B Bonds are offered to the public (and the yield resulting therefrom) may vary from the initial public offering prices appearing on the inside cover page of this Official Statement. In addition, the Underwriters may allow commissions or discounts from such initial offering prices to dealers and others.

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

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

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

short position in such securities and instruments. Such investment and securities activities may involve securities and investments of the City.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Products Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

Wells Fargo Bank, National Association, acting through its Municipal Products Group (“WFBNA”), one of the Underwriters of the Series 2019A-B Bonds, has entered into an agreement (the “WFA Distribution Agreement”) with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name “Wells Fargo Advisors”) (“WFA”), for the distribution of certain municipal securities offerings, including the Series 2019A-B Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Series 2019A-B Bonds with WFA. WFBNA has also entered into an agreement (the “WFSLLC Distribution Agreement”) with its affiliate Wells Fargo Securities, LLC (“WFSLLC”), for the distribution of municipal securities offerings, including the Series 2019A-B Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC’s expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

RATING

S&P Global Ratings (“S&P”) has assigned the Series 2019A-B Bonds a rating of “AAA”. Such rating reflects only the views of the rating agency, and the City makes no representation as to the appropriateness of such rating. An explanation of the significance of the rating may only be obtained from the rating agency. The City has furnished to the rating agency certain information and materials relating to the Series 2019A-B 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 2019A-B 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 the rating agency if, in its judgment, circumstances so warrant. Any downward change in or withdrawal of the rating may have an adverse effect on the marketability and/or market price of the Series 2019A-B Bonds.

ADDITIONAL INFORMATION

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

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or owners of any of the Series 2019A-B Bonds.

APPROVAL BY THE CITY

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

CITY OF ALBUQUERQUE, NEW MEXICO

By: _____
Mayor

APPENDIX A

ECONOMIC, DEMOGRAPHIC AND FINANCIAL INFORMATION, INCLUDING AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2018

ECONOMIC AND DEMOGRAPHIC INFORMATION

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

The City and Metropolitan Area

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

CITY OF ALBUQUERQUE Area in Square Miles

	<u>Square Miles</u>
December 31, 1885	0.36
December 31, 1940	11.15
December 31, 1950	48.81
December 31, 1960	61.94
December 31, 1970	82.72
December 31, 1980	100.31
December 31, 1990	137.46
December 31, 2000	181.70
December 31, 2018	189.18

Source: City of Albuquerque Planning Department

Population

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

POPULATION

Year	City	Bernalillo County	Albuquerque MSA	State
1960	201,189	262,199	292,500 ⁽¹⁾	951,023
1970	244,501	315,774	353,800 ⁽¹⁾	1,017,055
1980	332,920	420,262	485,500 ⁽¹⁾	1,303,303
1990	384,736	480,577	589,131	1,515,069
2000 ⁽²⁾	448,607	556,678	729,649	1,819,046
2005 ⁽³⁾	497,543	606,502	797,146	1,912,884
2010 ⁽⁴⁾	546,191	662,487	887,064	2,059,180
2011 ⁽³⁾	552,095	670,278	897,983	2,080,395
2012 ⁽³⁾	555,106	673,697	902,017	2,087,549
2013 ⁽³⁾	557,619	676,497	905,150	2,092,792
2014 ⁽³⁾	557,702	676,229	904,852	2,090,342
2015 ⁽³⁾	558,325	676,678	906,548	2,090,211
2016 ⁽³⁾	559,626	678,165	909,833	2,092,789
2017 ⁽³⁾	560,111	678,686	912,897	2,093,395
2018 ⁽³⁾	560,218	678,701	915,927	2,095,428

- (1) Because Valencia County was split into two counties in 1981, official data is not available prior to that year for the Albuquerque MSA. Figures shown represent estimates by the University of New Mexico Bureau of Business and Economic Research.
- (2) April of 2000 is the month and year of the Census. It is reported as the benchmark; all other years are as of July of the year. The Census in 2000 expanded the Albuquerque MSA to include Torrance County, population of 16,911.
- (3) U.S. Dept. of Commerce, Bureau of the Census, Population Division.
- (4) 2010 decennial census U.S. Dept. of Commerce, Bureau of the Census.

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

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

Age Distribution

The following table sets forth a comparative age distribution profile for the City, the State and the United States as of January 1, 2019.

POPULATION BY AGE GROUP

<u>Age</u>	<u>City</u>	<u>State</u>	<u>United States</u>
0-17	22.22%	23.25%	22.49%
18-24	8.99	9.65	9.56
25-34	14.71	13.21	13.48
35-44	13.56	11.99	12.61
45-54	12.05	11.51	12.69
55-64	12.43	12.93	12.92
65-74	9.54	10.55	9.66
75 and Older	6.50	6.91	6.58

Source: Claritas, © 2019 by Environics Analytics (EA).

Employment

General

Employment in the Albuquerque area in the period from Fiscal Year 2008 to Fiscal Year 2017 declined at an average of 0.2% a year. From Fiscal Year 2008 to Fiscal Year 2012 approximately 27,700 jobs were lost. In the following five fiscal years (2013 through 2017) the economy added just over 19,000 jobs. While Albuquerque is now recovering from the recession, the recovery has been slower than the nation as a whole. Employment in the nation reached its pre-recession peak in June 2014, while Albuquerque is still about 2,000 jobs short of its pre-recession peak in Fiscal Year 2008. Albuquerque is expected to finally surpass the Fiscal Year 2008 pre-recession peak of 382,000 jobs in Fiscal Year 2020, at approximately 387,000 jobs.

The information on non-agricultural employment for the State and the Albuquerque MSA reported in the following table represents estimates by the New Mexico Department of Workforce Solutions and U.S. Bureau of Labor statistics. More detailed information on non-agricultural employment can be found below under “Historical Employment by Sector” in the table entitled “Estimated Non-Agricultural Industry Employment - Albuquerque MSA Calendar Years 2009-2019”.

NON-AGRICULTURAL EMPLOYMENT
(000s)

Fiscal Year	<u>ALBUQUERQUE MSA</u>		<u>NEW MEXICO</u>		<u>UNITED STATES</u>	
	Employment	% Chg.	Employment	% Chg.	Employment	% Chg.
2010	375.7	(3.4)%	805.4	(3.2)%	130,173	(3.1)%
2011	373.2	(0.6)	802.5	(0.4)	131,002	0.6
2012	370.2	(0.8)	801.6	0.1	133,093	1.6
2013	373.2	0.8	808.7	0.9	135,212	1.6
2014	375.3	0.6	813.3	0.6	137,563	1.7
2015	378.5	0.9	824.3	1.3	140,430	2.1
2016	383.0	1.2	827.2	0.4	143,134	1.9
2017	389.5	1.7	834.1	0.8	145,433	1.6
2018	392.8	0.8	841.0	0.8	150,062	3.2
2019	397.0	1.1	855.7	1.7	152,242	1.5

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

CIVILIAN EMPLOYMENT/UNEMPLOYMENT RATES

Fiscal Year	Civilian Labor Force	Number Employed	<u>Unemployment Rates</u>		
			Albuquerque MSA	New Mexico	United States
2010	413,684	380,616	8.0%	8.1%	9.8%
2011	423,100	390,421	7.7	7.7	9.3
2012	419,028	387,812	7.4	7.4	8.5
2013	417,158	388,285	6.9	6.9	7.8
2014	414,365	386,289	6.8	6.9	6.8
2015	415,144	388,916	6.3	6.5	5.7
2016	418,630	393,173	6.1	6.6	5.0
2017	425,362	399,443	5.7	6.2	4.7
2018	434,841	413,577	4.9	5.2	4.2
2019	437,606	417,204	4.7	4.9	3.7

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

The following table lists the major employers in the Albuquerque area and their estimated number of full-time and part-time employees for 2018.

MAJOR EMPLOYERS IN THE ALBUQUERQUE AREA⁽¹⁾
By Number of Employees – 2018

Organization	Employees	Description
Albuquerque Public Schools	14,810	Public School District
Kirtland Air Force Base (Civilian)	10,125	Defense
Sandia National Labs	9,852	Research Development
Presbyterian	7,310	Healthcare
UNM Hospital	6,021	Healthcare
City of Albuquerque	5,500	Government
State of New Mexico	4,950	Government
University of New Mexico	4,210	Education
Lovelace Health Systems	4,000	Hospital/Medical Services
Bernalillo County	2,648	Government
Rio Rancho Public Schools	2,000	Education
Central New Mexico Community College	2,000	Education

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

Source: Albuquerque Economic Development, as of February 2019.

Historical Employment by Sector

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

ESTIMATED NON-AGRICULTURAL INDUSTRY EMPLOYMENT - ALBUQUERQUE MSA
CALENDAR YEARS 2009-2019
(number of employees in thousands)⁽¹⁾

Industry	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019⁽²⁾	2017 to 2018	Annual Average Growth 2009-2018	Sector Share 2018	
														ABQ	U.S.
Total Nonagricultural	379.9	373.6	372.4	370.9	374.8	377.1	380.8	386.6	389.2	392.8	393.9	0.9%	3.4%	100.0%	100.0%
Natural Resources/Mining/Construction	24.0	21.5	20.2	19.2	19.9	20.3	20.5	21.5	23.0	23.9	23.8	3.9%	-0.4%	6.1%	5.4%
Manufacturing	18.2	17.6	17.7	17.8	17.3	16.5	16.5	16.1	15.7	16.0	15.8	1.9%	-12.1%	4.1%	8.5%
Trade Transportation and Utilities	63.7	62.3	62.0	62.2	62.7	63.3	63.9	64.0	63.2	63.7	62.6	0.8%	0.0%	16.2%	18.6%
• Wholesale Trade	12.3	12.0	11.7	11.8	11.7	11.9	11.9	11.9	11.6	11.7	11.5	0.9%	-4.9%	3.0%	3.9%
• Retail Trade	41.7	40.8	40.8	40.7	41.2	41.6	42.0	41.9	41.4	41.6	40.6	0.5%	-0.2%	10.6%	10.6%
• Transportation, Warehousing and Utilities	9.7	9.5	9.5	9.6	9.8	9.8	10.00	10.2	10.1	10.4	10.5	3.0%	7.2%	2.6%	4.0%
Information	9.1	8.8	8.5	8.4	8.1	7.9	8.1	7.7	7.4	7.0	6.7	-5.4%	-23.1%	1.8%	1.9%
Financial Activities	18.3	18.0	17.6	17.7	17.9	17.8	18.0	18.3	18.6	18.7	18.4	0.5%	2.2%	4.8%	5.7%
Professional & Business Services	60.9	58.2	57.9	56.3	57.2	57.2	57.2	58.5	60.4	61.1	62.2	1.2%	0.3%	15.6%	14.1%
Educational and Health Services	53.7	54.8	55.6	56.5	57.8	59.5	62.0	64.1	64.3	65.0	66.8	1.1%	21.0%	16.5%	15.9%
Leisure and Hospitality	37.3	37.1	37.6	38.7	39.7	41.0	41.9	42.7	43.2	44.0	45.5	1.9%	18.0%	11.2%	11.0%
Other Services	12.0	11.9	11.8	11.9	11.7	11.8	11.6	11.9	11.9	12.1	12.1	1.7%	0.8%	3.1%	3.9%
Government	82.8	83.5	83.5	82.3	82.6	81.9	81.0	82.1	81.5	81.3	80.1	-0.2%	-1.8%	20.7%	15.1%
• Federal Government	15.2	15.9	15.7	15.2	14.6	14.2	14.2	14.4	14.4	14.2	14.4	-1.4%	-6.6%	3.6%	1.9%
• State Government	25.9	26.1	26.5	26.7	27.3	27.4	26.7	27.6	27.2	26.9	24.8	-1.1%	3.9%	6.8%	3.5%
• Local Government	41.7	41.5	41.3	40.4	40.7	40.2	40.1	40.1	39.9	40.2	41.0	0.8%	-3.6%	10.2%	9.7%

(1) Data are not seasonally adjusted and are subject to change.

(2) Averaged figures through June 30, 2019. Figures may not equal total due to rounding.

Sources: New Mexico Department of Workforce Solutions, Current Employment Statistics web page; and U.S. Bureau of Labor Statistics, Current Employment Statistics web page.

Major Industries

The following narrative discusses the trends in each major sector of the Albuquerque economy. The latest information available to the City is for Fiscal Year 2019 (ending June 30, 2019) unless otherwise noted. The City makes no projections or representations, nor shall the provision of such information create any implication that there has been no change in the described employment sectors of the City or that any historical trends set forth herein will continue.

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

In general, the Albuquerque economy has not recovered as quickly from the recession as the United States as a whole or the majority of other states or metropolitan areas. However, Fiscal Year 2018 marks Albuquerque sixth year of consecutive job growth; for Fiscal Year 2019 Albuquerque is less than 2,000 jobs below the pre-recession high and may exceed pre-recession levels by Fiscal Year 2020.

The unemployment rates in both Albuquerque and the State remained below the United States unemployment rate from Fiscal Years 2000 to 2013. In Fiscal Years 2014 through 2017 the rate in Albuquerque exceeded the U.S. rate. At the end of Fiscal Year 2018 Albuquerque's unemployment was 4.2%; New Mexico and United States unemployment rates were 4.9% and 4%, respectively. In Fiscal Year 2019, early estimates indicate that Albuquerque employment grew by a little over 4,000 jobs, or about 1.1% over Fiscal Year 2018; Fiscal Year 2019 growth is currently trending at 1.3%, and appearing more diffused than in the past, with nearly every sector experiencing some gains.

Trade, Transportation and Utilities. This sector is composed of retail trade, wholesale trade, transportation and utilities and constitutes approximately 16% of Albuquerque MSA employment. As a whole, employment in this sector decreased by an annual average decline of 0.8% from Fiscal Year 2008 to Fiscal Year 2019; however, the sector began to see modest gains in Fiscal Years 2018 and 2019. Retail trade is the largest employment sector in this grouping with 11.1% of total employment and a trend in employment that is similar to the entire group. Retail trade is an important sector for the City and makes up approximately 24% of gross receipts tax revenues.

Educational and Health Services. Albuquerque is a major regional medical center. Presbyterian Healthcare Services is one of the largest employers in the area. This is the fastest growing category in the Albuquerque MSA economy. From Fiscal Year 2008 to Fiscal Year 2019, the average annual growth was 2.8%. The sector now makes up 16.5% of non-agricultural employment. Much of this growth initially was due to a change in Medicare policy that allows payment for home healthcare. Although the educational sector is small in comparison to the health services sector, the educational sector has also grown steadily at 2.6% since 2008.

Leisure and Hospitality. This sector includes eating and drinking establishments as well as hotels and other tourist-related facilities. Employment for the sector showed average annual growth of 1.1% from Fiscal Year 2008 to Fiscal Year 2019 with Arts and Entertainment growing at a more robust rate of 2.8% and Accommodations and Food Services just under 1.0%. Continued modest growth is expected in both subsectors, assisted by activity at a new Netflix production hub as well as operations by other film production companies. The sector currently comprises 11.2% of total non-agricultural employment.

Lodging accounts for approximately 10% of the total gross receipts tax revenues of this sector. Lodgers' tax revenues in Fiscal Year 2009 showed a decline of 11.2%, with an additional 2% decline in Fiscal Year 2010. Lodgers' tax revenues have increased at an average annual rate of about 4% from Fiscal Year 2015 through Fiscal Year 2019, having exceeded the pre-recession peak in Fiscal Year 2016.

Professional and Business Services. This sector includes temporary employment agencies, back-office operations, Sandia National Labs ("Sandia") and other scientific and research facilities. This sector had peak employment in Fiscal Year 2008 of 65,275 jobs, decreasing to 56,800 jobs in Fiscal Year 2012 and growing to 57,758 by Fiscal Year 2017. Much of the decrease between 2008 and 2012 was due to declines in engineering and architectural services as construction slowed dramatically. The sector now accounts for 15.6% of non-agricultural employment in the Albuquerque MSA.

The budget for Sandia National Labs remained about \$2.2 billion for Fiscal Years 2008 to 2010, and increased to approximately \$2.7 billion in the federal Fiscal Year 2014. The operating budget was reported to be \$3.5 billion in 2018. Job expansion at Sandia National Laboratories is expected to keep growth in this sector robust. In May 2019, the Lab announced plans to hire an additional 1,900 employees. The Sandia Science and Technology Park houses research facilities and/or manufacturing that benefit from the expertise available from Sandia.

Manufacturing. Manufacturing employment has declined substantially, with a loss of 7,000 from Fiscal Year 2008 to Fiscal Year 2018. While Fiscal Years 2018 and 2019 experienced some modest gains, increasing 0.8% and 2.6%, respectively, the outlook for this sector continues to be negative, with limited growth potential as manufacturers such as Flagship Food Group, Vitality Works and Amfabsteel, Inc. make plans to expand in the coming years.

Information. This sector includes businesses in publishing, broadcasting, telecommunications and internet service establishments. The sector had an average annual decline in employment of 2.4% from Fiscal Year 2008 to Fiscal Year 2019, in part due to closures of call centers for MCI, Comcast and QWEST (now Century Link). Currently this sector makes up 1.8% of non-agricultural employment. The film industry is included in this sector and there has been increasing activity in this sector in recent years in large part due to the State's film tax credits program. Further, Senate Bill 2 from the 2019 Legislative Session amended the Film Production Tax Credit Act to pay off the film credit backlog up to set amounts totaling as much as \$281 million. In addition to movies and television shows being filmed in Albuquerque, the sound studio, Albuquerque Studios, was recently built and NBC Universal is opening a television and film studio expected to support more than 330 full-time jobs.

Government. From Fiscal Year 2008 to 2017 government employment (comprised of federal, state and local employees) has increased by 2,130 jobs; however, the sector has subsequently remained stagnant. "Government," as defined by the U.S. Department of Labor for purposes of reporting non-agricultural employment, does not include military employment, which represents approximately 4,860 jobs in the Albuquerque MSA. In addition, "government" does not include employment at Sandia which is operated by a private contractor, although funded by the federal government (primarily the Department of Energy), and its approximately 8,900 jobs are counted in the Professional and Business Services sector discussed above. Some of the largest employers in the Albuquerque MSA are in the government sector, including Albuquerque Public Schools, the University of New Mexico, Kirtland Air Force Base and the City.

Federal government employment in Albuquerque decreased by approximately 1.3% from the high of 15,771 jobs in 2011 to 2019. State government employment increased 1%, or about 1,744 jobs for the same period; the majority of these jobs are at the University of New Mexico and the University of New Mexico Hospital. Local government employment from Fiscal Year 2011 to Fiscal Year 2019 lost

approximately 1,134 jobs after a rapid increase of 2,560 jobs in Fiscal Years 2007 to 2009. Local government includes tribal casinos in this sector, some of which have evolved into destination resorts. Several of these resorts are operated by private companies and employment is therefore included in the private sector. The largest portion of employment in the local government sector is the Albuquerque Public Schools.

Military. Federal military employment is not specifically categorized as a non-agricultural employment sector within the City. However, military employment is an important part of the Albuquerque economy. Kirtland Air Force Base is a major military installation and home to over 150 different operations. Kirtland Air Force Base has approximately 6,000 civilian employees. Military employment declined more or less steadily from the 1990's to 2015; however, from 2018 through 2019, employment increased just slightly by 0.8% or just under 200 jobs.

Financial Activities. This sector includes finance, insurance, credit intermediation and real estate. Currently, the Financial Activities sector comprises 4.8% of the non-agricultural employment in the City. Employment in this sector experienced 2.8% average annual decline from Fiscal Year 2006 to Fiscal Year 2012, primarily from the slowdown in the real estate market and the problems and consolidation of the financial sector in general. However, with growth beginning 2013, the sector has made up for nearly all the losses, growing 2.7% and gaining about 1,883 jobs.

Construction. Construction employment in the Albuquerque MSA is generally cyclical. There can be large increases in employment due to large road projects, commercial expansions or strong residential construction, and, conversely, large decreases upon completion of such projects. Fiscal Year 2007 had employment of 31,000, a new maximum for this sector. Employment fell steadily from then and lost over 9,000 jobs through 2017. In 2018 the sector finally began to reverse the trend, gaining 2,000 through 2019, although still significantly below the pre-recession high.

Between Fiscal Years 2003 through 2005, construction of single-family housing units peaked in the City with an annual average of 5,000 single-family housing permits. Single family permits began declining in 2006 and fell to only 436 permits in Fiscal Year 2009. Single family permits have generally increased since 2009 and reached 1,331 in Fiscal Year 2018, dropping back below 1,000 in 2019. Permit values for Multi-family units and Commercial properties both increased in 2019, with total permit values up 2.1% in 2019. Additions and alterations showed strong growth with Fiscal Year 2017 being one of the highest totals in the past twenty years largely due to public projects. The Construction sector is expected to continue to see modest growth in the near term.

BUILDING PERMITS ISSUED IN THE CITY OF ALBUQUERQUE

	Single Family		Multi-Family		Commercial		Public		Additions & Alterations	Total Permits
Fiscal Year	Permits	\$ Value	Units	\$ Value	Permits	\$ Value	Permits	\$ Value	\$ Value	\$ Value
2010	876	\$140,369,408	168	\$14,763,081	34	\$26,197,123	8	\$18,076,792	\$209,624,603	\$409,031,007
2011	725	120,749,010	278	37,022,789	45	65,940,484	1	3,300,300	165,845,129	392,857,712
2012	846	153,465,589	350	32,509,563	36	46,257,090	4	31,907,654	165,883,476	430,023,373
2013	923	170,470,736	945	73,378,214	63	78,523,292	4	5,545,791	226,949,710	554,867,742
2014	841	163,980,975	898	81,296,532	152	103,214,914	7	16,859,014	198,430,162	563,781,597
2015	871	167,352,011	449	39,390,742	112	116,776,561	10	17,257,410	165,159,484	505,936,208
2016	915	184,770,209	567	43,676,768	88	119,913,663	13	27,886,373	230,591,376	606,838,389
2017	971	183,587,235	984	60,907,961	132	242,802,744	9	25,894,927	298,194,709	811,387,576
2018	1,331	255,446,287	148	13,335,366	105	68,312,826	12	8,325,621	195,051,789	532,146,267
2019	827	169,706,112	7	65,153,371	68	110,847,882	--	--	206,136,708	551,844,074
Growth 2018 to 2019	-37.9%	-33.6%	-95.3%	388.6%	-35.2%	62.3%	N/A	N/A	5.7%	2.1%

Below

Total Housing Units in the City of Albuquerque	Total Units	Single Family	Multi-Family	Mobile Homes & Others
As of 1990 Census	166,870	101,780	55,931	9,159
As of 2000 Census	198,714	126,643	63,285	8,786
As of 2010 Census	239,166	162,501	66,839	9,826
Estimated Units 2017	243,402	166,350	67,551	9,501

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

Income

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

PER CAPITA PERSONAL INCOME

Calendar Year	Albuquerque MSA	New Mexico	United States
2008	\$ 34,931	\$33,355	\$40,904
2009	34,349	32,737	39,284
2010	34,443	33,547	40,545
2011	35,656	35,048	42,727
2012	36,015	35,796	44,582
2013	35,465	35,204	44,826
2014	37,569	37,321	47,025
2015	38,988	38,397	48,940
2016	40,287	38,929	49,831
2017	40,856	39,811	51,640

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

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

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

2019 Effective Buying Income Group	Albuquerque MSA	New Mexico	United States
Under \$25,000	24.41%	27.62%	21.39%
\$25,000 - \$34,999	11.21%	11.83%	10.98%
\$35,000 - \$49,999	16.89%	17.05%	15.39%
\$50,000 - \$74,999	19.63%	18.67%	19.71%
\$75,000 - \$99,999	13.76%	12.71%	14.83%
Over \$100,000	14.10%	12.12%	17.70%
2015 Est. Median Household Income	\$42,553	\$40,554	\$45,448
2016 Est. Median Household Income	\$43,399	\$40,896	\$46,738
2017 Est. Median Household Income	\$45,201	\$42,632	\$48,043
2018 Est. Median Household Income	\$45,879	\$42,908	\$50,620
2019 Est. Median Household Income	\$47,601	\$43,963	\$52,468

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

**EXCERPT FROM THE COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE CITY OF ALBUQUERQUE - AUDITED GENERAL
PURPOSE FINANCIAL STATEMENTS - AS OF AND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Report of Independent Auditors

The Honorable Timothy M. Keller, Mayor
City Council Members
City of Albuquerque, New Mexico
Mr. Wayne Johnson, New Mexico State Auditor

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information, and the budgetary comparison for the general fund of the City of Albuquerque (the City) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Albuquerque Housing Authority, a component unit of the City, which represents 100% of the balances and activities reported for the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Albuquerque Housing Authority, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information, of the City as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Adoption of New Accounting Pronouncement

As discussed in Note IV.N to the financial statements, effective July 1, 2018, the City adopted Governmental Accounting Standards Board (GASB) *Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, resulting in retroactively adjusting the financial statements for all prior periods presented. Our opinion is not modified with respect to this matter.

Prior Period Correction of an Error

As discussed in Note IV.N to the financial statements, the City has recorded a correction of an error related to capital assets. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of pension contributions, schedule of proportionate share of net pension liability, schedule of other postemployment benefit contributions, schedule of proportionate share of net OPEB liability, and notes to required supplementary information related to OPEB activity, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is not a required part of the basic financial statements. The Financial Data Schedule, as required by the U.S. Department of Housing and Urban Development, *Guidelines for Public Housing Authorities and Independent Auditors under Uniform Financial Reporting Standards for Public Housing Authorities*, the combining and individual fund financial statements for all non-major funds, budgetary comparisons for major and non-major funds other than general, schedule of changes in assets and liabilities for the agency fund, and the additional schedules listed as combining financial statements and supplementary information and state compliance section (collectively, supplementary information) in the table of contents are presented for purpose of additional analysis and are not a required part of the financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2018 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Mess Adams LLP

Albuquerque, New Mexico
December 13, 2018

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CITY OF ALBUQUERQUE, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

This section of the City of Albuquerque's (City) Comprehensive Annual Financial Report (CAFR) presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

FINANCIAL HIGHLIGHTS

- The City standardized its asset lives for certain categories resulting in a prior period adjustment of \$14.2 million for governmental activities and \$108.0 million for business type activities. In addition, the City implemented GASBS 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The implementation required a restatement of beginning net position which reduced governmental activities net position by \$337.0 million and proprietary funds by \$70.5 million. Additional information can be found in Note N in the notes to the financial statements.
- The City's total net position increased by \$40.4 million during the year. The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$3.2 billion (net position). As of June 30, 2018, unrestricted net position totaled (\$860.2) million. Unrestricted net position was affected by the implementation of GASB No. 68 and GASB No. 75.
- As of June 30, 2018, the City's governmental funds reported combined ending fund balances of \$504.5 million. Of the total fund balance, \$22.7 million is fund balance available for spending at the government's discretion (sum of unassigned and assigned fund balance).
- As of June 30, 2018, fund balance of the general fund was \$54.6 million. At the close of the current fiscal year, unassigned fund balance of the general fund was \$6.3 million or 1.3% of the total general fund expenditures of \$479.5 million.
- Net position of the City's enterprise funds increased by \$84.1 million yielding a net position of \$720.9 million as of June 30, 2018. The City reported a cash overdraft in the Transit fund of \$75.0 million as opposed to recording an interfund loan between funds to report pooled cash. Additional information can be found in the Business-type activities section of the management discussion and analysis.
- The City's governmental activities long-term obligations increased by \$248.5 million during the current year. The key factors in this change were decreases in the pension obligation of \$103.0 million, an increase in accrued vacation, sick leave, and claims totaling \$9.9 million, an increase in other post-employment obligations of \$288.8 million, followed by an increase in long term debt of \$52.9 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government,

CITY OF ALBUQUERQUE, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

public safety, culture and recreation, public works, health and welfare, human services, housing, and highways and streets. The business-type activities of the City include an airport, apartments, a baseball stadium, refuse disposal services, golf courses, parking facilities, and a transit system.

In previous years, the Albuquerque Bernalillo County Water Utility Authority (Authority) was reported as a component unit of the City. The Authority provides water and sewer services to City residents. Beginning in fiscal year 2012, the Authority is reported as a stand-alone special purpose government. Accordingly, it is not included in this report. The Authority's Comprehensive Annual Financial Report as of and for the year ended June 30, 2018 is available by contacting the Albuquerque Bernalillo Water Utility Authority at the following address: Fifth floor, P.O. Box 568, Albuquerque, NM 87103.

As of July 1, 2014 the Albuquerque Housing Authority (AHA) became a separate public body authorized by 3-45-5 NMSA 1978 as amended in 2014. Under the intergovernmental agreement between the City and AHA, all assets, debts and current employees of AHA were transferred to the Albuquerque Housing Authority. The Albuquerque Housing Authority is reported as a component unit of the City. The Albuquerque Housing Authority's Comprehensive Annual Financial Report as of June 30, 2018 is available by contacting them at the following address: 1840 University Blvd. SE Albuquerque, NM 87106. The Authority reported AHA Rio Vista, LLC and AHA Rio Developer, LLC as a blended component units and Los Lobos Realty, LLC and Rio Housing Associates LLP as discrete component units. See note P for additional information.

Fund Financial Statements

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

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

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

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

- Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operations of the Albuquerque International Airport, Refuse Disposal, and Transit, which are considered major funds of the City. In addition the following nonmajor funds are reported: Apartments; Golf Course; Parking; and Stadium.
- Internal Service funds are used to report activities that provide supplies and services for certain City programs and

CITY OF ALBUQUERQUE, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

activities. These funds account for inventory warehousing and stock issues; workers' compensation, tort and other claims insurance coverage; vehicle maintenance and motor pool services; and communication services to City departments. In addition, an internal service fund accounts for the cost of providing health insurance coverage to City employees. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in combining statements reported as supplementary information.

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

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

Notes to the Financial Statements

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

Required Supplementary Information (RSI)

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

Combining Statements

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

CITY OF ALBUQUERQUE, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Statement of Net Position
(in millions)

	Governmental Activities		Business-type Activities		Total		Total Percent Change
	2018	2017 restated	2018	2017 restated	2018	2017 restated	
Assets:							
Current and other assets	\$ 711.4	\$ 672.7	\$ 302.4	\$ 208.4	\$ 1,013.8	\$ 881.1	
Capital assets	3,564.3	3,557.5	703.0	658.0	4,267.3	4,215.5	
Total assets	4,275.7	4,230.2	1,005.4	866.4	5,281.1	5,096.6	3.6 %
Deferred Outflows of Resources	129.1	197.9	21.1	31.5	150.2	229.4	-34.5 %
Liabilities:							
Long-term liabilities outstanding	1,560.6	1,649.3	175.9	207.5	1,736.5	1,856.8	
Other liabilities	185.0	196.3	111.0	52.2	296.0	248.5	
Total liabilities	1,745.6	1,845.6	286.9	259.7	2,032.5	2,105.3	-3.5 %
Deferred Inflows of Resources:							
Deferred inflows related to taxes	59.5	1.9	12.3	-	71.8	1.9	
Deferred inflow related to pension	76.3	13.4	6.4	1.4	82.7	14.8	
Total deferred inflows of resources	135.8	15.3	18.7	1.4	154.5	16.7	825.1 %
Net position:							
Net investment in capital assets	3,070.4	3,097.9	652.3	627.2	3,722.7	3,725.1	
Restricted	260.9	235.2	120.9	161.8	381.8	397.0	
Unrestricted	(807.9)	(765.9)	(52.3)	(152.2)	(860.2)	(918.1)	
Total net position	\$ 2,523.4	\$ 2,567.2	\$ 720.9	\$ 636.8	\$ 3,244.3	\$ 3,204.0	1.3 %

The City's assets exceeded liabilities by \$3.2 billion at the close of the year. The City's net position reflects a net investment in capital assets (i.e. land, buildings, infrastructure, and equipment less any related outstanding debt used to acquire these assets) of \$3.7 billion. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Although the City's investment in its capital assets is reported net of related debt, resources needed to pay this debt must come from other sources since capital assets cannot be liquidated for these liabilities. Restricted net position in the amount of \$381.8 million represents resources that are subject to external restrictions on how they may be used. Unrestricted net position was affected by the implementation of GASB Statement No. 68 and GASB Statement No. 75 which affected available balances creating negative unrestricted net position.

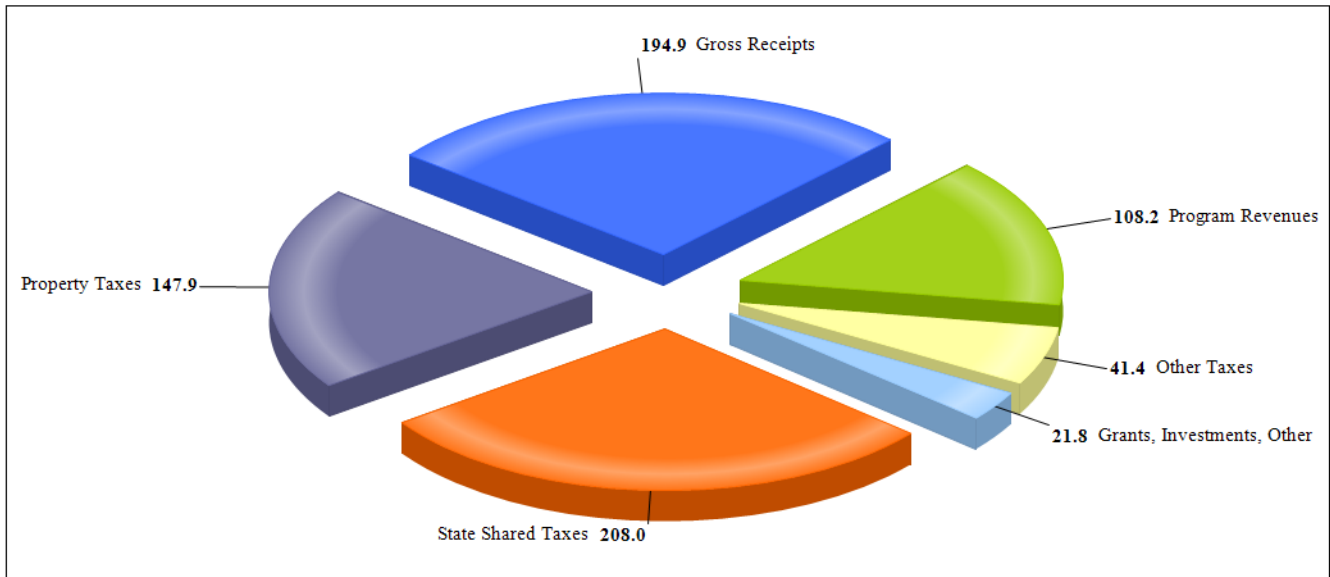
The City's net position increased by \$40.4 million during the current fiscal year. The increase in net position is explained in the governmental and business-type activities discussion.

CITY OF ALBUQUERQUE, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

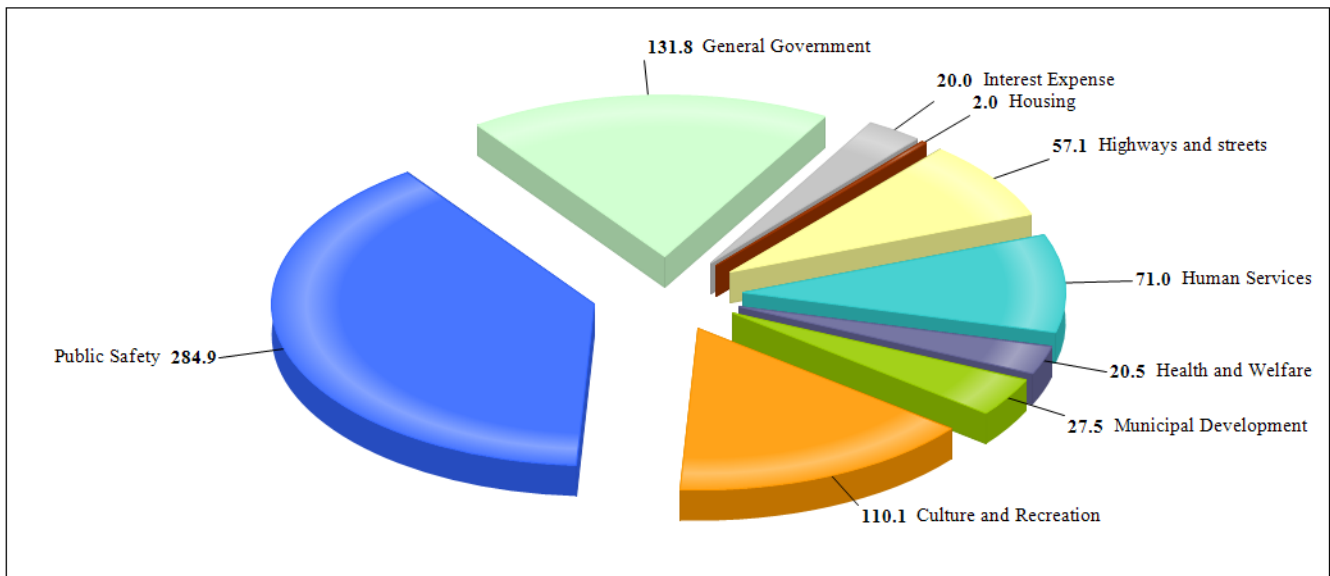
	Change in Net Position (in millions)						
	Governmental Activities		Business-type Activities		Total		Total Percent
	2018	2017 restated	2018	2017 restated	2018	2017 restated	Change
Revenues:							
Program revenues:							
Charges for services	\$ 69.6	\$ 74.5	\$ 166.3	\$ 159.8	\$ 235.9	\$ 234.3	0.7 %
Operating Grants and Contributions	31.6	31.7	-	-	31.6	31.7	(0.3)%
Capital Grants and Contributions	7.0	13.0	89.0	21.0	96.0	34.0	182.4 %
General revenues:							
Gross receipts taxes, local option	194.9	185.5	-	-	194.9	185.5	5.1 %
Property taxes	147.9	146.9	-	-	147.9	146.9	0.7 %
Other taxes	41.4	43.8	-	-	41.4	43.8	(5.5)%
Shared taxes and fees	208.0	201.2	-	-	208.0	201.2	3.4 %
Grants, investment income, and other	21.8	1.3	(0.3)	3.2	21.5	4.5	79.1 %
Total revenues	722.2	697.9	255.0	184.0	977.2	881.9	9.8 %
Expenses:							
General government	131.8	196.2	-	-	131.8	196.2	48.9 %
Public safety	284.9	242.4	-	-	284.9	242.4	(14.9)%
Culture and recreation	110.1	93.9	-	-	110.1	93.9	(17.3)%
Public works/municipal development	27.5	19.9	-	-	27.5	19.9	(38.2)%
Health and welfare	20.5	19.3	-	-	20.5	19.3	(6.2)%
Human services	71.0	59.5	-	-	71.0	59.5	(19.3)%
Highways and streets	57.1	42.0	-	-	57.1	42.0	(36.0)%
Housing	2.0	7.9	-	-	2.0	7.9	74.7 %
Interest and other charges	20.0	18.9	-	-	20.0	18.9	(5.8)%
Airport	-	-	63.1	56.8	63.1	56.8	(11.1)%
Refuse disposal	-	-	69.6	68.8	69.6	68.8	(1.2)%
Transit	-	-	62.4	62.0	62.4	62.0	(0.6)%
Nonmajor enterprise funds	-	-	16.9	16.6	16.9	16.6	1.8 %
Total expenses	724.9	700.0	212.0	204.2	936.9	904.2	3.6 %
Excess (deficiency) before transfers	(2.7)	(2.1)	43.0	(20.2)	40.3	(22.3)	- %
Transfers	(41.1)	(55.9)	41.1	55.9	-	-	- %
Increase (decrease) in net position	(43.8)	(58.0)	84.1	35.7	40.3	(22.3)	- %
Beginning net position July 1	2,567.2	2,948.0	636.8	563.6	3,204.0	3,511.6	(8.8)%
Prior period adjustment	-	(322.8)	-	37.5	-	(285.3)	(100.0)%
Ending net position June 30	\$ 2,523.4	\$ 2,567.2	\$ 720.9	\$ 636.8	\$ 3,244.3	\$ 3,204.0	3.3 %

CITY OF ALBUQUERQUE, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

Governmental Revenues by Source
in Millions



Governmental Expenditures by Function
in Millions



Governmental activities – Governmental activities decreased the City's net position by \$43.8 million. Governmental activities revenue increased by \$24.3 million, or 3.5% from \$697.9 million in fiscal year 2017 to \$722.2 million in fiscal year 2018. Key elements in the change of the City's governmental activities revenues and expenditures are as follows:

- Gross receipts tax revenue and state shared taxes and fees, which together account for approximately 56% of the

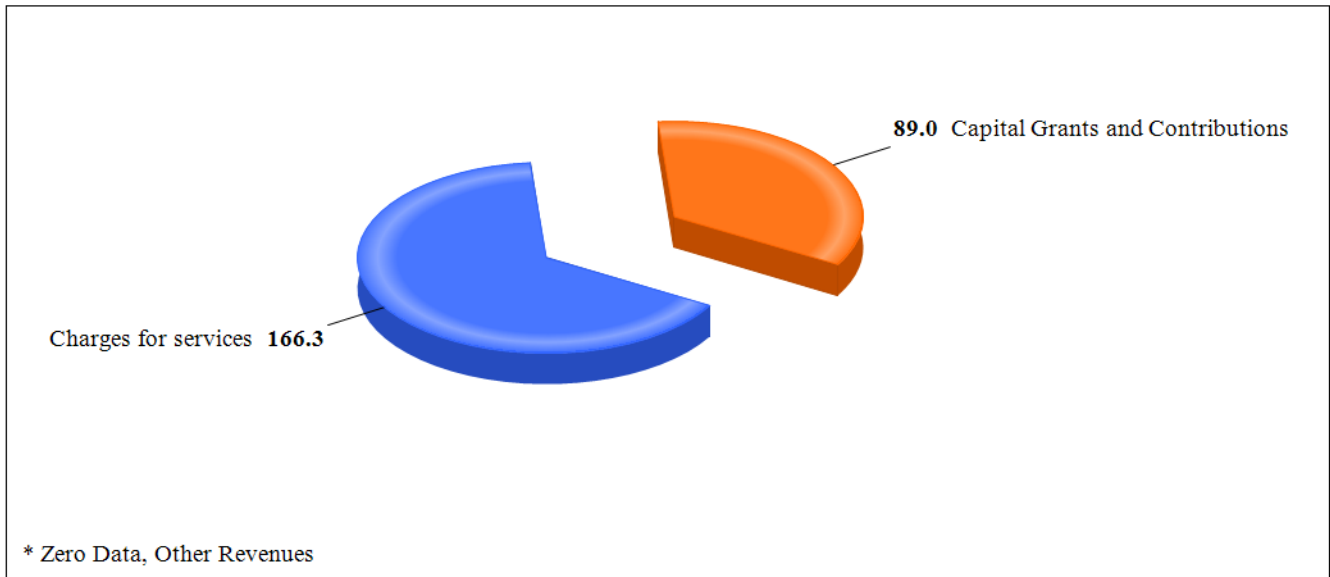
CITY OF ALBUQUERQUE, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

City's governmental activities revenue, increased by \$16.2 million, from \$386.7 million to \$402.9 million, or by 4.2% from prior year. The Gross receipts tax revenue grew by 5.1%. The budgeted projections are adjusted for one time distributions or hold backs and do not include accruals. As a result the percentages in the government wide will differ with projected increases in GRT. State Shared taxes showed an increase in revenues of \$6.8 million compared to fiscal year 2017. Additional economic and budgetary facts are discussed in the economic factors section of the management discussion and analysis.

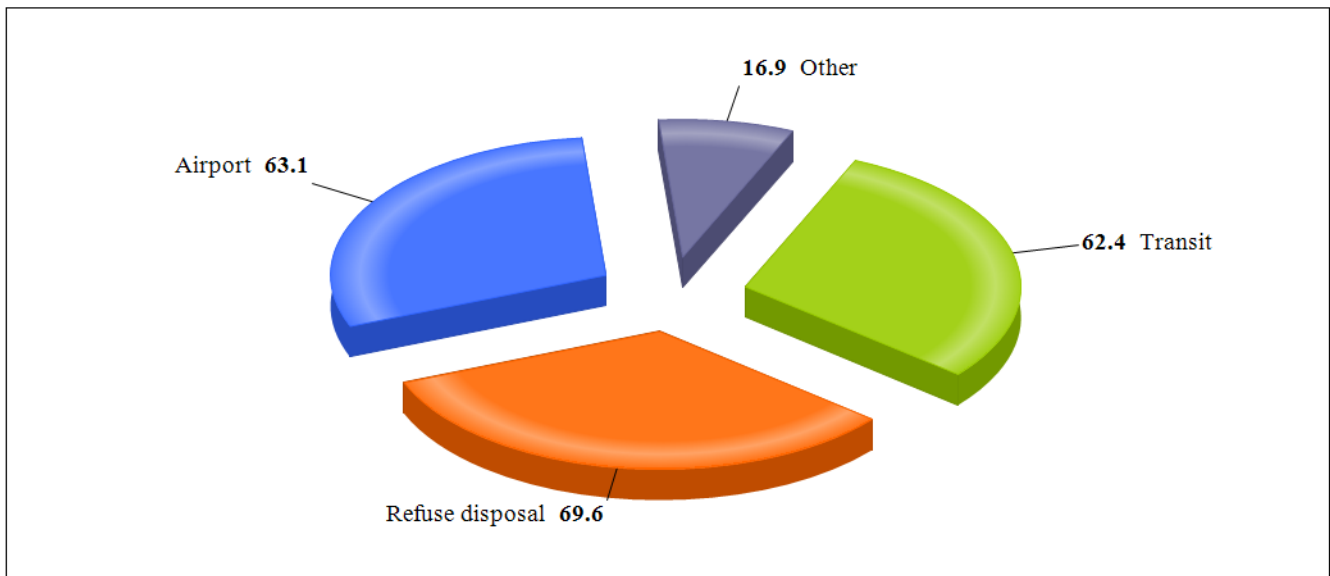
- Program revenues decreased by \$11.1 million compared to fiscal year 2017 from \$119.2 million in fiscal year 2017 to \$108.2 million in fiscal year 2018. Program revenue consisting of charges for services, operating grants, capital grants, and contributions account for approximately 15.0% of the City's governmental activities revenues. Charges for services decreased by \$4.9 million primarily due increases in general government charges. Capital grants and contributions decreased by \$6.1 million.
- Property taxes, which account for approximately 20.5% of the City's governmental activities revenues, increased by \$1.0 million from \$146.9 million in fiscal year 2017 to \$147.9 million. In fiscal year 2018 (tax year 2017) taxable assessed property valuations within the City increased \$441.3 million from \$12.81 billion to \$13.25 billion. This change reflects the County Assessor's reassessments and new additions to the tax base and adjustments for yield control. The City's direct property tax mill levy rate remained at 11.52 per \$1,000 assessed value in fiscal year 2018.
- Grants, investments, and other revenues increased by \$20.1 million from \$1.3 million in fiscal year 2017 to \$21.8 million in fiscal year 2018. Fiscal year 2017 was impacted by a transfer of assets from Governmental Funds to Proprietary Funds.
- Other taxes such as franchise, hospitality, lodgers', and payments in lieu of taxes decreased by \$2.4 million from \$43.8 million in fiscal year 2017 to \$41.4 million in fiscal year 2018, or by (5.5)%. The primary decrease was in franchise tax revenue of \$3.1 million. More detail comparison of other taxes can be found on Schedule 3 in the Statistical Section of this report.
- Governmental activities expenditures increased by \$24.9 million from \$700.0 million in fiscal year 2017 to \$724.9 million in fiscal year 2018. The City made some improvements to the allocation of pension contribution expense related to GASBS 68 and accurately allocated OPEB contribution expense related to GASB 75 to the programs. In addition, Public Safety expenditures increased \$7.7 million in fiscal year 2018.

CITY OF ALBUQUERQUE, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

Business-type Activities Revenues by Source
in Millions



Business-type Activities Expenses
in Millions



Business-type activities – Business-type activities increased the City’s net position by \$43.0 million in fiscal year 2018 before transfers of \$41.1 million. Business-type activities revenues increased \$71.0 million from \$184.0 million in fiscal year 2017 to \$255.0 million in fiscal year 2018, or by 38.6%. Key factors for the changes in the business type activities net position and revenues are explained below:

CITY OF ALBUQUERQUE, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

- The Airport Fund had an increase in net position of \$11.2 million in fiscal year 2018 compared to a \$9.2 million increase in 2017. The charges for services increased from \$53.8 million in fiscal year 2017 to \$58.5 million in fiscal year 2018. Passenger facilities charges (PFCs) increased by .47% from \$8.9 million in fiscal year 2017 to \$9.9 million in fiscal year 2018. Operating expenses increased from \$54.9 million in fiscal year 2017 to \$60.0 in fiscal year 2018, and capital contributions increased from \$1.9 million in fiscal year 2017 to \$5.2 million in fiscal year 2018. Depreciation expense increased in fiscal year 2018 by \$3.4 million with the adjustment to the capital assets depreciable lives.
- The Refuse Disposal Fund had an increase in net position of \$500.0 thousand in fiscal year 2018 compared to an increase of \$1.0 million in 2017. Charges for services remained constant while operating costs increased by \$600.0 thousand. The increase in operating costs can be explained by an increase in repair and maintenance and fuel of \$1.1 million and an increase in contractural services of \$1.5 million followed by a decrease in landfill closure costs of \$1.6 million.
- The Transit Fund had an increase in net position of \$73.6 million in fiscal year 2018. The primary reason is the recognition of the Federal Transit Authority Grant for the ART project. Charges for services dropped slightly from \$11.6 million in fiscal year 2017 to \$11.4 in fiscal year 2018. Operating expenses increased from \$58.9 million in 2017 to \$59.5 million in 2018 primarily due to slight increases in wages and repairs and maintenance and fuel. The Transit Fund reported a book overdraft of \$75 million as opposed to an interfund loan. This does not follow generally accepted accounting principles because City management felt that it was impractical to objectively determine which fund loaned the money since the expenditures were paid from the cash pool. The City believes that the reclassification difference between GAAP and the chosen method of presentation is not material. The City has subsequently received most of the federal funding for the Albuquerque Rapid Transit (ART) project and is expected to completely recover the amounts reported as a book overdraft in fiscal year 2019.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental funds – The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the City's financing requirements. In particular, assigned and unassigned fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$504.5 million, an increase of \$45.1 million in comparison with the prior year. Of the total balance at year-end, \$401.8 million is restricted fund balance which primarily consists of funds reserved for capital projects and improvements and \$18.6 million is nonspendable, which relates to permanent fund cash and cash equivalents.

Revenues of governmental funds overall totaled approximately \$722.8 million in the fiscal year ended June 30, 2018, which represents an increase of \$13.3 million from the previous year total of \$709.5 million. Intergovernmental revenues decreased by \$700.0 thousand which is made up of an \$8.2 million increase in the General Fund, an decrease in the Capital Acquisition Fund of \$4.0 million and a decrease in the nonmajor governmental funds of \$4.9 million. Miscellaneous revenues increased by \$1.9 million from \$12.9 million in fiscal year 2017 to \$14.8 million in fiscal year 2018. The City's governmental funds expenditures of \$763.7 million increased by \$49.5 million from the previous year's total of \$713.8 million. The primary cause of the increase is attributed to an increase in principal retirement expenditures of debt of \$70.2 million, an increase in public safety expenditures of \$9.1 million, followed by a decrease in capital outlay of \$21.8 million. The City aligned the process of debt payments with governmental standards in fiscal year 2017 which had a one-time effect on debt service expenditures.

General Fund – This is the City's chief operating fund. At the end of the current fiscal year, the total fund balance was \$54.6 million, of which \$6.3 million assigned and unassigned fund balance and \$48.3 million is committed for subsequent years' operations. The net change in fund balance for the current fiscal year was a decrease of \$2.5 million. The total revenues of \$518.6 million for the current fiscal year were \$12.9 million more than the previous fiscal year. The primary cause of the increase was due to increases in intergovernmental revenues of \$8.2 million, gross receipts taxes of \$5.5 million, property taxes of \$1.5 million, charges for services of \$.9 million, followed by decreases in franchise taxes of \$1.0 million, and license and permits of \$1.5 million. Total expenditures of \$479.5 million represent an increase of \$13.2 million from the previous year. Increases in expenditures were attributed to an increase in public safety of \$8.6 million, an increase in culture and recreation of \$3.1 million, and an increase in health and human services of \$2.2 million. Please refer to the general fund budgetary highlights for an analysis with respect to budgets.

CITY OF ALBUQUERQUE, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

General Obligation Bond Debt Service Fund – This fund is used to accumulate resources for the repayment of the City's GO Bonds. GO Bonds are backed by the full faith and credit of the City and may be used to finance any capital improvement approved by the voters. GO bonds may be redeemed by any regular City funding, but by policy, are generally redeemed by property taxes paid to the City. Fund balance in the City's General Obligation Bond Debt Service fund decreased by \$1.1 million and from \$64.3 million in fiscal year 2017 to \$63.2 million in fiscal year 2018. Property tax revenues dedicated to the repayment of GO Bonds increased by \$2.0 million from \$63.8 million in fiscal year 2017 to \$65.8 million in fiscal year 2018. The City's property tax rates have remained constant for well over a decade and not tax rate increase has been required to fund the GO Bond program of capital improvements.

Capital Acquisition Fund – This fund is used to accumulate resources for the acquisition of capital. Capital is defined as tangible property with a life beyond a one year budget cycle. Land, infrastructure, equipment, buildings as well as the services required to build or install these assets may be classified as capital. The Capital Acquisition Fund is primarily funded by bond proceeds, but recurring and non-recurring revenue may be used. Major capital improvements for the City are funded primarily with general obligation and enterprise fund revenue bonds. In many cases, these bond funds are matched with Federal and/or State contributions and private assessments. During fiscal year 2018, the Capital Acquisition Fund balance increased by \$33.1 million from \$210.9 million in fiscal year 2017 to \$243.9 million. The increase in fund balance is attributed to new bond proceeds and premiums of \$115.8 million and a decrease in capital outlay of 29.6 million.

Enterprise Funds – The City's enterprise funds provide the same type of information presented in the government-wide financial statements business-type activities, but in more detail. Unrestricted net position decreased due to the implementation of GASB Statement 68 in fiscal year 2015 and GASB 75 in fiscal year 2018. At the end of the fiscal year, the unrestricted net position (in millions) is as follows:

Airport Fund	\$ 6.1
Refuse Disposal Fund	(37.8)
Transit Fund	(18.0)
Nonmajor enterprise funds	(2.6)
Total	<u><u>\$ (52.3)</u></u>

Internal Service Funds – Internal Service Funds are used to account for certain governmental activities and had an unrestricted net position of \$(23.0) million in fiscal year 2018 as compared to unrestricted net position of \$(9.8) million in fiscal year 2017. Unrestricted net position decreased in all internal service funds due to the implementation of GASB 68 and GASB 75.

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

Budgetary Highlights – The original fiscal year 2018 Approved Operating Budget was \$956.7 million, after interfund eliminations. The General Fund portion was \$530.2 million with total reserves of \$48.3 million. Overall General Fund revenue was originally expected to grow at 3.0% (later revised to 1.7%) over the estimate for the previous year. Appropriations were expected to grow at 0.7% over the estimate for the previous year. There were no major changes in programs or services delivered to the public in fiscal year 2018.

The growth in General Fund appropriations was largely associated with increased funding for public safety. In the Police Department, \$5.7 million was added in expectation of graduating more cadets, reducing property crime, and tackling a backlog of DNA testing on sexual assault kits, among other activities. Other major increases included funding for 12 new positions and associated operating costs at the Albuquerque BioPark needed to open the new otter and penguin exhibits as well as to maintain zoological accreditation through the Association of Zoos and Aquariums; \$400 thousand for increased maintenance costs for Parks & Recreation; Approximately \$700 thousand in non-recurring funding for cultural events; \$280 thousand for continued efforts in the area of economic development and job creation; Continued funding in Animal Welfare for the Trap Neuter Release Program and Animal Behavior Specialists; and a new position in Senior Affairs to begin preparation of hosting the National Senior Games in 2019.

CITY OF ALBUQUERQUE, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – The City's capital assets of governmental and business-type activities as of June 30, 2018, total \$4.3 billion, net of accumulated depreciation. The increase in capital assets in the current fiscal year was \$51.7 million or 1.2%. Additional information pertaining to capital assets can be found in the notes to the financial statements in Note C.

Capital assets are summarized as follows (in millions):

	Governmental Activities		Business-type Activities		Total	
	2018	2017 restated	2018	2017 restated	2018	2017 restated
Land	\$ 322.9	\$ 321.6	\$ 57.5	\$ 57.5	\$ 380.4	\$ 379.1
Right of way	1,145.5	1,145.5	-	-	1,145.5	1,145.5
Other	1.2	2.5	16.5	17.2	17.7	19.7
Buildings	314.5	320.8	229.1	236.4	543.6	557.2
Runways	-	-	96.4	92.5	96.4	92.5
Improvements	391.7	358.6	104.9	103.9	496.6	462.5
Equipment	27.8	32.6	40.0	45.5	67.8	78.1
Infrastructure	1,342.4	1,352.3	119.9	9.3	1,462.3	1,361.6
Construction in progress	18.3	23.6	38.5	95.6	56.8	119.2
Total	<u>\$ 3,564.3</u>	<u>\$ 3,557.5</u>	<u>\$ 702.8</u>	<u>\$ 657.9</u>	<u>\$ 4,267.1</u>	<u>\$ 4,215.4</u>

Governmental activities - In fiscal year 2018, capital assets increased by \$6.8 million. The majority of the increase came from improvements other than buildings and runways of \$33.0 million. Construction in progress decreased by \$5.3 million and consists of expenditures made by the Capital Acquisition, Infrastructure Tax, Bio Park Tax and Impact Fees Construction Capital fund. In addition, the following was placed in service: \$4.8 million buildings, \$41.9 million in infrastructure, \$2.1 million land, and \$56.4 million in improvements. Machinery and equipment purchases totaled \$9.0 million. The City standardized its asset lives for certain asset categories which resulted in decreases to accumulated depreciation in the amount of \$14.2 million.

Business-type activities – In fiscal year 2018, business type activities increased capital assets by \$44.5 million. The Airport Fund placed into service \$14.5 million in infrastructure and runways and \$12.7 million in improvements. The Transit Fund placed into service \$112.5 million of ART infrastructure. The City standardized its asset lives for certain asset categories which resulted in decreases to accumulated depreciation in the amount of \$108.0 million.

Debt Administration – At the end of the current fiscal year, the City's governmental activities had a total of \$1.7 billion in long term obligations. Total bonded debt is \$741.5 million of which \$63.2 million is due or payable within the next fiscal year. Net pension liability decreased from \$627.9 million in fiscal year 2017 to \$524.8 million in fiscal year 2018. The City implemented GASBS No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions which increased debt by \$292.1 million. The remaining debt is for loans, accrued vacation and sick leave pay, and claims payable. During the fiscal year ended June 30, 2018, the City issued GO Bonds in the amount of \$91.2 million which includes \$6.97 million of short term GO Sponge Bonds. The GO Bonds were issued to finance projects relating to streets \$29.0 million, parks and recreation \$14.9 million, public safety \$14.0 million, energy conservation, public facilities, and system modernization \$11.5 million, senior, family, community centers, and community enhancement \$4.9 million, library bonds \$5.4 million, public transportation bonds \$4.5 million, affordable housing bonds \$3.4 million, storm sewer systems \$2.0 million, and zoo, biopark, museum, and cultural facility bonds \$1.6 million. In addition, the City issued \$25.11 million gross receipts tax improvement revenue bonds. The GRT bonds were issued to finance projects relating to the funding of energy conservation, public facilities, and system modernization bonds. The City's business-type activities had long-term obligations of \$191.3 million, of which \$15.5 million is due or payable within the next fiscal year. Additional information related to debt can be found in section G of the Notes to the Financial Statements.

The ratio of net general obligation bonded debt to taxable valuation and the amount of bonded debt per capita are useful indicators to management, citizens and investors of the City's debt position. The State's constitution provides for a legal debt limit of 4% of taxable valuation for general purpose only. The City currently may issue up to an additional \$119.1 million of general purpose obligation bonds and has \$440.6 million of general purpose obligation debt outstanding. Included in the general obligation bonds outstanding at June 30, 2018, are storm sewer bonds in the amount of \$29.6 million that are not

CITY OF ALBUQUERQUE, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

subject to the legal debt limit. The net general bonded debt per capita is \$670. The net general bonded debt per capita is \$670. The ratings on the City's uninsured general obligation bonds and gross receipts tax bonds for fiscal year 2018 are as follows:

Credit	Bond Ratings		
	Moody's	S & P	Fitch
General Obligation Bonds	Aa1	AAA	AA+
Gross Receipts Tax Revenue Bonds	Aa2	AAA	AA+
Airport Revenue Bonds	A1	A+	A+

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The overall health of the local economy greatly impacts the city's operating revenues. Most importantly, the City's gross receipts tax (GRT) is greatly impacted by the underlying growth in economic conditions. GRT represented 64% of the total General Fund revenues in FY/18.

The City's elected and appointed officials considered many factors when developing the FY/18 budget. Many of the City's revenues are influenced by the economy. The gross receipts tax revenue is highly influenced by local economic conditions. GRT revenues have increased in the past eight years. FY/17 grew at a rate of 1.4%, FY/18 growth was revised to a rate of 1.7% and FY/19 is expected to grow 17.2% due to the new hold harmless 3/8 cent tax, overall, although the underlying growth is estimated at 2.2%. The large overall growth in FY/19 is mostly due to a new gross receipts tax increment that was enacted, effective July 1, 2018. This new tax is expected to generate \$49.6 million annually, of which 60% must be spent on public safety. Additionally, the revenue estimate identifies \$2.3 million as the additional impact of deductions in the third year of the 15-year phase out of the food and medical hold harmless distribution.

The total General Fund recurring growth for FY/19 was estimated at 12.1%.

CITY OF ALBUQUERQUE, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

The following table presents the underlying assumptions used in the FY/19 budget process:

National Variables	2017	2018	2019
Real GDP growth	1.7 %	2.3 %	2.2 %
Federal funds rate	0.6 %	1.1 %	1.9 %
10 U.S. bonds	1.8 %	2.4 %	3.0 %
CPI U	1.9 %	2.5 %	2.5 %
Unemployment rate (U.S.)	4.9	4.7	4.6
Total non-farm employment	1.5	0.9	0.9
Manufacturing employment	(0.3)	0.5	1.3
Consumer sentiment index- University of Michigan	91.7	93.7	94.3
Exchange rates	1.2	1.2	1.1
Current trade account (billions of \$)	(434.8)	(379.5)	(418.1)
Change in output per hour	0.2 %	1.3 %	1.4 %
Natural gas-Henry Hub \$ per MCF	2.9	3.0	3.0
West TX intermediate (dollars per bbl)	47.4	52.1	60.5
Wage growth	2.7 %	2.9 %	2.9 %
Albuquerque Variables			
Employment Growth and Unemployment in Albuquerque MSA			
Total non-Ag ABQ	1.0 %	1.0 %	1.2 %
Private-non construction	0.9 %	1.1 %	1.3 %
Construction employment (growth)	5.6 %	2.7 %	2.9 %
Manufacturing (ABQ)	(4.3)%	(0.7)%	(0.4)%
Unemployment rate (Alb.)	6.1 %	6.1 %	5.7 %
Construction units permitted in City of Albuquerque			
Single-family permits	886.0	892.0	1,197.0
Multi-family permits	832.0	400.0	477.0
Total residential permits	1,718.0	1,292.0	1,674.0

Source Global Insight and FOR-UNM October 2017 Baseline Forecasts

On October 2, 2017, voters approved 11 separate ballot questions for a \$125 million general obligation bond package. In fiscal year 2018, 91.2 million of bonds were sold. Bond proceeds will be used for capital improvements on streets, storm drainage facilities, parks, seniors and community centers, energy conservation, libraries and other cultural facilities.

REQUEST FOR INFORMATION

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

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BASIC FINANCIAL STATEMENTS

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CITY OF ALBUQUERQUE, NEW MEXICO

STATEMENT OF NET POSITION

JUNE 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Albuquerque Housing Authority
ASSETS				
Current assets:				
Cash and investments	\$ 374,743,655	\$ 106,117,477	\$ 480,861,132	\$ 16,444,266
Cash held by others	319,874	596,352	916,226	-
Flexible spending account	508,635	-	508,635	-
Taxes receivable, net	91,675,209	-	91,675,209	-
Accounts receivable, net of allowance	4,894,712	10,370,404	15,265,116	212,222
Prepaid expenses	213,072	325,713	538,785	168,122
Inventories	1,992,845	4,475,712	6,468,557	115,566
Due from other governments	14,529,192	83,368,849	97,898,041	-
Internal balances	(874,799)	874,799	-	-
Total current assets	488,002,395	206,129,306	694,131,701	16,940,176
Noncurrent assets:				
Long-term notes receivable	19,720,055	1,517,582	21,237,637	4,000,000
Restricted assets:				
Cash and investments	200,731,654	91,305,269	292,036,923	-
Cash with fiscal agent	774,559	3,164,704	3,939,263	1,919,945
Land held for sale	2,287,306	-	2,287,306	-
Security deposits	-	170,833	170,833	121,028
Total restricted assets	203,793,519	94,640,806	298,434,325	2,040,973
Capital assets:				
Land and construction in progress	1,486,646,723	96,064,852	1,582,711,575	4,642,221
Capital assets-depreciable	3,756,842,701	1,413,296,679	5,170,139,380	78,538,553
Accumulated depreciation	(1,679,246,121)	(806,385,334)	(2,485,631,455)	(54,868,217)
Total capital assets	3,564,243,303	702,976,197	4,267,219,500	28,312,557
Total noncurrent assets	3,787,756,877	799,134,585	4,586,891,462	34,353,530
Total assets	4,275,759,272	1,005,263,891	5,281,023,163	51,293,706
DEFERRED OUTFLOWS OF RESOURCES				
Deferred gain/loss on refunding	3,047,041	530,946	3,577,987	-
Deferred outflow related to OPEB	6,569,735	1,405,434	7,975,169	54,209
Deferred outflow related to pension	119,468,634	19,239,822	138,708,456	2,299,275
Total deferred outflows of resources	\$ 129,085,410	\$ 21,176,202	\$ 150,261,612	\$ 2,353,484

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

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Albuquerque Housing Authority
LIABILITIES				
Current liabilities:				
Book overdraft	\$ -	\$ 74,967,798	\$ 74,967,798	\$ -
Accounts payable	28,712,737	9,343,944	38,056,681	2,342,672
Accrued employee compensation	17,860,790	1,500,795	19,361,585	46,129
Accrued vacation and sick leave	24,981,549	4,952,398	29,933,947	76,887
Customer deposits	3,279,815	1,009,553	4,289,368	250,221
Unearned revenue	11,738,330	4,337,370	16,075,700	3,630
Claims reserve	18,520,885	-	18,520,885	-
Other current liabilities	220,320	-	220,320	259,871
Capital lease and other payable	-	-	-	3,705,266
Payable from restricted assets:				
Contracts payable	1,414,671	3,725,926	5,140,597	-
Bonds and notes payable	64,952,155	10,495,000	75,447,155	-
Accrued interest	13,361,560	708,936	14,070,496	-
Total current liabilities	185,042,812	111,041,720	296,084,532	6,684,676
Non-current liabilities:				
Landfill closure costs	-	5,138,764	5,138,764	-
Bonds and notes payable	676,507,031	29,092,317	705,599,348	-
Accrued vacation and sick leave	8,421,136	1,660,878	10,082,014	95,502
Claims reserve	57,978,717	-	57,978,717	-
Net pension liability	524,793,199	78,435,007	603,228,206	4,417,682
Net OPEB liability	292,118,241	61,371,353	353,489,594	3,133,929
Capital lease and other payable	813,204	161,365	974,569	7,997,659
Total non-current liabilities	1,560,631,528	175,859,684	1,736,491,212	15,644,772
Total liabilities	1,745,674,340	286,901,404	2,032,575,744	22,329,448
DEFERRED INFLOWS OF RESOURCES				
Deferred inflow related to OPEB	59,511,591	12,259,768	71,771,359	709,854
Deferred inflow related to pension	76,328,604	6,423,819	82,752,423	271,911
Total deferred inflows of resources	135,840,195	18,683,587	154,523,782	981,765
NET POSITION				
Net investment in capital assets	3,070,389,572	652,282,698	3,722,672,270	12,715,581
Restricted for:				
Debt service	84,988,447	30,026,850	115,015,297	-
Construction	135,720,188	90,815,900	226,536,088	-
Housing and economic development	9,687,183	-	9,687,183	17,620,396
Federal and state funded programs	8,698,904	-	8,698,904	-
Open space and urban enhancement				
Expendable	3,214,933	-	3,214,933	-
Nonexpendable	18,507,981	-	18,507,981	-
Unrestricted	(807,877,061)	(52,270,346)	(860,147,407)	-
Total net position	\$ 2,523,330,147	\$ 720,855,102	\$ 3,244,185,249	\$ 30,335,977

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

CITY OF ALBUQUERQUE, NEW MEXICO

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental activities:			
General government	\$ 131,814,659	\$ 36,671,567	\$ 431,306
Public safety	284,864,612	7,936,033	6,755,294
Culture and recreation	110,091,970	10,246,908	1,962,621
Public works/municipal development	27,477,160	338,103	29,022
Health and welfare	20,554,999	5,768,825	-
Human services	71,027,243	8,267,848	17,037,882
Housing	2,035,223	-	(2,024,512)
Highways and streets	57,139,793	405,916	7,447,501
Interest and other charges	19,952,095	-	-
Total governmental activities	<u>724,957,754</u>	<u>69,635,200</u>	<u>31,639,114</u>
Business-type activities:			
Airport	63,113,140	68,419,209	-
Refuse disposal	69,592,007	71,995,219	-
Transit	62,419,788	11,428,933	-
Golf course	5,664,154	3,879,666	-
Apartments	3,493,953	4,191,812	-
Parking facilities	5,780,715	4,520,935	-
Stadium	1,859,386	1,873,377	-
Total business-type activities	<u>211,923,143</u>	<u>166,309,151</u>	<u>-</u>
Total primary government	<u>\$ 936,880,897</u>	<u>\$ 235,944,351</u>	<u>\$ 31,639,114</u>
Component unit:			
Albuquerque Housing Authority	34,950,024	3,091,097	31,401,888
Total component unit	<u>\$ 34,950,024</u>	<u>\$ 3,091,097</u>	<u>\$ 31,401,888</u>
General revenues:			
Taxes			
Property taxes			
Franchise taxes			
Hospitality taxes			
Lodgers' taxes			
Gross receipts taxes, local option			
Payment in lieu of taxes			
Shared taxes and fees			
Grants and contributions not restricted to specific programs			
Miscellaneous revenue			
Investment loss			
Transfers			
Total general revenues and transfers			
Change in net position			
Net position, July 1 (restated, see note IV.N)			
Net position, June 30			

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

Program Revenues, cont.	Net (Expenses) Revenue and Change in Net Position				
Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Unit	
\$ 900,769	\$ (93,811,017)	\$ -	\$ (93,811,017)	\$ -	
292,635	(269,880,650)	-	(269,880,650)	-	
2,050,686	(95,831,755)	-	(95,831,755)	-	
(626,535)	(27,736,570)	-	(27,736,570)	-	
-	(14,786,174)	-	(14,786,174)	-	
-	(45,721,513)	-	(45,721,513)	-	
1,869,891	(2,189,844)	-	(2,189,844)	-	
2,407,220	(46,879,156)	-	(46,879,156)	-	
-	(19,952,095)	-	(19,952,095)	-	
<u>6,894,666</u>	<u>(616,788,774)</u>	<u>-</u>	<u>(616,788,774)</u>	<u>-</u>	
5,151,522	-	10,457,591	10,457,591	-	
-	-	2,403,212	2,403,212	-	
83,810,897	-	32,820,042	32,820,042	-	
-	-	(1,784,488)	(1,784,488)	-	
-	-	697,859	697,859	-	
-	-	(1,259,780)	(1,259,780)	-	
-	-	13,991	13,991	-	
<u>88,962,419</u>	<u>-</u>	<u>43,348,427</u>	<u>43,348,427</u>	<u>-</u>	
<u>\$ 95,857,085</u>	<u>\$ (616,788,774)</u>	<u>\$ 43,348,427</u>	<u>\$ (573,440,347)</u>	<u>\$ -</u>	
6,437,693	-	-	-	5,980,654	
<u>\$ 6,437,693</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,980,654</u>	

\$ 147,913,704	\$ -	\$ 147,913,704	\$ -
25,730,210	-	25,730,210	-
2,614,477	-	2,614,477	-
13,072,384	-	13,072,384	-
194,878,183	-	194,878,183	-
13,812	-	13,812	-
207,985,257	-	207,985,257	-
281,013	-	281,013	-
22,012,786	1,058,104	23,070,890	-
(459,948)	(1,359,730)	(1,819,678)	257,565
<u>(41,078,326)</u>	<u>41,078,326</u>	<u>-</u>	<u>-</u>
<u>572,963,552</u>	<u>40,776,700</u>	<u>613,740,252</u>	<u>257,565</u>
(43,825,222)	84,125,127	40,299,905	6,238,219
<u>2,567,155,369</u>	<u>636,729,975</u>	<u>3,203,885,344</u>	<u>24,097,758</u>
<u>\$ 2,523,330,147</u>	<u>\$ 720,855,102</u>	<u>\$ 3,244,185,249</u>	<u>\$ 30,335,977</u>

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

CITY OF ALBUQUERQUE, NEW MEXICO

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2018

	<u>General Fund</u>	<u>GO Bond Debt Service Fund</u>
ASSETS		
Cash and investments	\$ 41,919,737	\$ 70,269,728
Cash held by others	-	-
Taxes receivable	75,026,986	3,568,483
Accounts receivable	2,704,886	-
Due from other government units	1,192,224	-
Due from other funds	1,429,191	-
Prepaid expenses	59,658	-
Restricted assets:		
Cash and investments	-	-
Cash with fiscal agent	-	-
Land held for sale	-	-
	<u> </u>	<u> </u>
Total assets	<u>\$ 122,332,682</u>	<u>\$ 73,838,211</u>
LIABILITIES		
Accounts payable	10,361,628	9,080
Contracts payable	-	-
Accrued employee compensation	17,272,358	-
Due to other funds	988,533	-
Unearned revenue	-	-
Customer deposits and other	3,308,322	-
Matured interest payable	-	7,940,503
Total liabilities	<u>31,930,841</u>	<u>7,949,583</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred revenue - taxes	35,764,635	2,661,013
Deferred revenue - special assessments	-	-
Total deferred inflows of resources	<u>35,764,635</u>	<u>2,661,013</u>
FUND BALANCES (DEFICITS)		
Nonspendable	61,811	-
Restricted	-	63,227,615
Committed	48,302,000	-
Assigned	-	-
Unassigned	6,273,395	-
Total fund balances (deficits)	<u>54,637,206</u>	<u>63,227,615</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 122,332,682</u>	<u>\$ 73,838,211</u>

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

Capital Acquisition Fund	Nonmajor Governmental Funds	Total
\$ 63,416,635	\$ 131,353,973	\$ 306,960,073
-	319,874	319,874
-	13,079,740	91,675,209
1,803,431	20,098,686	24,607,003
4,978,419	8,193,236	14,363,879
24,011	249,584	1,702,786
1,669	150,562	211,889
182,181,770	18,549,884	200,731,654
-	774,559	774,559
-	2,287,306	2,287,306
<u>\$ 252,405,935</u>	<u>\$ 195,057,404</u>	<u>\$ 643,634,232</u>
7,327,688	7,140,888	24,839,284
1,018,021	1,187,012	2,205,033
79,109	367,232	17,718,699
13,913	2,934,691	3,937,137
512	19,202,078	19,202,590
-	-	3,308,322
-	5,421,057	13,361,560
<u>8,439,243</u>	<u>36,252,958</u>	<u>84,572,625</u>
-	5,478,276	43,903,924
-	10,629,939	10,629,939
-	16,108,215	54,533,863
-	18,507,981	18,569,792
243,966,692	94,568,642	401,762,949
-	13,155,882	61,457,882
-	16,573,134	16,573,134
-	(109,408)	6,163,987
<u>243,966,692</u>	<u>142,696,231</u>	<u>504,527,744</u>
<u>\$ 252,405,935</u>	<u>\$ 195,057,404</u>	<u>\$ 643,634,232</u>

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

CITY OF ALBUQUERQUE, NEW MEXICO
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total fund balances governmental funds	\$ 504,527,744
Capital assets used in governmental activities (except for internal service funds) are not financial resources and, therefore, are not reported in the funds.	3,563,771,770
Long-term obligation applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditures when due. All liabilities, including the City's OPEB and pension obligations, are reported in the statement of net position. (Note II.A)	(1,577,461,595)
Internal service funds are used by the City to charge the cost of tort liability, workers compensation and employee health insurance to other individual funds. In additions, the cost of providing communications, fleet maintenance and supplies warehousing services are also charged. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	(22,517,990)
Deferred outflows of resources are not financial resources and, therefore, are not reported in the funds. Deferred outflows for the City are related to gain/loss on refunding, pension activity and OPEB.	127,041,676
Deferred inflows and unearned revenue result primarily from City taxes collected after year-end and amounts due on real estate contracts that are not available soon enough to pay for the current period's expenditures, and therefore, are reported as a deferred inflows and unearned revenue in the funds. Deferred inflows also contain amounts related to pension activity. (Note II.A)	(72,031,458)
Net position of governmental activities	<u>\$ 2,523,330,147</u>

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

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CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2018

	<u>General Fund</u>	<u>GO Bond Debt Service Fund</u>
REVENUES		
Taxes		
Gross receipts taxes, local option	\$ 134,476,528	\$ -
Property taxes	83,268,262	65,753,804
Lodgers' and hospitality taxes	-	-
Franchise taxes	26,412,289	-
Payment in lieu of taxes	13,812	-
Licenses and permits	11,544,317	-
Intergovernmental - federal	-	-
Intergovernmental - state	208,524,564	-
Charges for services	50,906,295	-
Fines and forfeitures	280,039	-
Investment earnings	(601,787)	(602,652)
Special assessments	-	-
Miscellaneous	3,759,636	-
Total revenues	<u>518,583,955</u>	<u>65,151,152</u>
EXPENDITURES		
Current:		
General government	68,464,693	-
Public safety	250,845,753	-
Culture and recreation	79,055,480	-
Public works	10,358,376	-
Highways and streets	18,662,125	-
Health	16,760,799	-
Human services	34,935,109	-
Housing	-	-
Debt service:		
Principal retirement	-	58,720,000
Interest	-	15,256,353
Fiscal agent and other fees	-	1,306,515
Capital outlay	411,846	-
Total expenditures	<u>479,494,181</u>	<u>75,282,868</u>
Excess (deficiency) of revenues over expenditures	<u>39,089,774</u>	<u>(10,131,716)</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	5,569,431	-
Transfers out	(47,192,554)	-
Premiums on bonds issued	-	9,035,943
Bonds and notes issued	-	-
Total other financing sources (uses)	<u>(41,623,123)</u>	<u>9,035,943</u>
Net change in fund balances	(2,533,349)	(1,095,773)
Fund balances, July 1	<u>57,170,555</u>	<u>64,323,388</u>
Fund balances, June 30	<u>\$ 54,637,206</u>	<u>\$ 63,227,615</u>

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

Capital Acquisition Fund	Nonmajor Governmental Funds	Total
\$ -	\$ 58,958,721	\$ 193,435,249
-	-	149,022,066
-	15,686,861	15,686,861
385,998	-	26,798,287
-	-	13,812
-	3,180,381	14,724,698
6,918,470	18,390,172	25,308,642
346,522	8,017,826	216,888,912
-	11,989,263	62,895,558
-	670,805	950,844
83,125	410,351	(710,963)
-	3,005,731	3,005,731
3,673,709	7,347,437	14,780,782
<u>11,407,824</u>	<u>127,657,548</u>	<u>722,800,479</u>
4,893,776	12,438,653	85,797,122
3,051,080	6,712,134	260,608,967
3,685,588	3,447,091	86,188,159
5,934,482	486,836	16,779,694
4,490,574	8,620,750	31,773,449
17,933	4,591,710	21,370,442
1,141,804	26,784,172	62,861,085
1,795,572	(1,379,333)	416,239
-	12,445,748	71,165,748
-	10,515,068	25,771,421
-	-	1,306,515
68,023,941	31,206,999	99,642,786
<u>93,034,750</u>	<u>115,869,828</u>	<u>763,681,627</u>
<u>(81,626,926)</u>	<u>11,787,720</u>	<u>(40,881,148)</u>
1,110,450	29,341,833	36,021,714
(2,266,065)	(25,893,422)	(75,352,041)
-	-	9,035,943
115,840,246	469,754	116,310,000
<u>114,684,631</u>	<u>3,918,165</u>	<u>86,015,616</u>
33,057,705	15,705,885	45,134,468
210,908,987	126,990,346	459,393,276
<u>\$ 243,966,692</u>	<u>\$ 142,696,231</u>	<u>\$ 504,527,744</u>

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

CITY OF ALBUQUERQUE, NEW MEXICO
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

Net change in fund balances - total governmental funds	\$ 45,134,468
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives and reported as depreciation in the current period. This is the amount by which additions to capital assets exceeded depreciation in the current period. (Note II.B)	6,779,006
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. (Note II.B)	(47,054,353)
Internal service funds are used by the City to change the cost of tort liability, workers compensation and employee health insurance to other individual funds. In addition, the cost of providing communications, fleet maintenance and supplies warehousing services are also charged. The net revenue (expense) of the internal service funds is reported with governmental activities.	(5,967,522)
Under the modified accrual basis of accounting used in governmental funds, revenue is recognized when available to provide financing resources for the current period. Likewise, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, revenues and expenses are reported regardless of when financial resources are available. This adjustment combines the new change of balances. (Note II.B)	(3,269,485)
The change in liability for compensated absences that is reported as an expense in the statement of activities does not require the use of current financial resources and therefore is not reported as expenditures in governmental funds.	(476,565)
The change in liability for the City's portion of OPEB and pension obligations, which are reported as expenditures in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (Note II.B)	<u>(38,970,771)</u>
Change in net position of governmental activities	<u><u>\$ (43,825,222)</u></u>

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

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2018

	Original	Final	Actual	Variance with Final Budget Over/Under
Revenues:				
Taxes:				
Gross receipts tax-local option	\$ 134,434,000	\$ 131,212,000	\$ 134,476,528	\$ 3,264,528
Current property tax	80,902,000	81,047,000	81,171,756	124,756
Delinquent property tax	2,750,000	2,550,000	2,096,506	(453,494)
Franchise taxes:				
Electric	9,796,000	9,253,000	9,085,687	(167,313)
Gas	3,769,000	3,693,000	3,545,328	(147,672)
Cable television	4,240,000	4,240,000	4,132,995	(107,005)
Telephone	1,633,000	1,523,000	1,425,192	(97,808)
Telecommunications	209,000	230,000	239,492	9,492
Water Authority	7,632,000	7,890,000	7,983,595	93,595
Payments in lieu of taxes	-	-	13,812	13,812
Total taxes	<u>245,365,000</u>	<u>241,638,000</u>	<u>244,170,891</u>	<u>2,532,891</u>
Licenses and permits:				
Building permits	4,495,000	4,517,000	3,308,520	(1,208,480)
Plan checking permits	2,227,000	487,000	1,376,542	889,542
Business registration fees	1,200,000	1,200,000	706,091	(493,909)
Plumbing/mechanical permits	994,000	483,000	1,008,341	525,341
Restaurant inspections	1,200,000	1,200,000	1,299,974	99,974
Electrical/refrigeration permits	1,192,000	880,000	913,771	33,771
Other licenses and permits	186,000	148,000	152,117	4,117
Right of way usage permits	235,000	300,000	405,916	105,916
Liquor licenses	215,000	215,000	296,025	81,025
Animal licenses	250,000	250,000	262,010	12,010
Food retailers inspections	226,000	226,000	216,011	(9,989)
Swimming pool inspections	125,000	125,000	132,450	7,450
Flood plan certification	151,000	-	-	-
Reroofing permits	140,000	90,000	55,354	(34,646)
Loading zone permits	12,000	12,000	8,807	(3,193)
Solicitation permits	5,000	5,000	9,095	4,095
Excavation permits	250,000	170,000	198,609	28,609
Barricading permits	835,000	1,235,000	1,194,684	(40,316)
Total licenses and permits	<u>13,938,000</u>	<u>11,543,000</u>	<u>11,544,317</u>	<u>1,317</u>
Intergovernmental:				
State shared:				
Gross receipts tax	201,751,000	197,433,000	202,214,666	4,781,666
Municipal road - gas tax	2,592,000	2,592,000	2,515,100	(76,900)
Motor vehicle license distribution	2,028,000	2,028,000	1,956,251	(71,749)
Municipal comp tax	2,017,000	1,396,000	1,556,747	160,747
Grants:				
Bernalillo County-shared operations	282,000	495,000	281,800	(213,200)
Total intergovernmental	<u>208,670,000</u>	<u>203,944,000</u>	<u>208,524,564</u>	<u>4,580,564</u>

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

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2018

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget Over/Under</u>
Revenues (continued):				
Charges for services:				
General government:				
Administrative charges to other funds	29,378,000	28,944,000	26,541,700	(2,402,300)
Legal services	2,495,000	2,495,000	2,205,287	(289,713)
Small business loan fees	25,000	2,000	1,700	(300)
Engineering fees	753,000	1,673,000	909,235	(763,765)
Engineering inspections	243,000	243,000	179,615	(63,385)
Shooting range fees	260,000	260,000	273,190	13,190
Records search fees	215,000	215,000	226,284	11,284
Filing of plats and subdivisions	378,000	209,000	233,740	24,740
Administrative fees	318,000	56,000	125,514	69,514
Photocopying	155,000	155,000	210,302	55,302
Hearing officer charges	30,000	30,000	22,648	(7,352)
Sign fees	80,000	24,000	24,400	400
Zoning plan check fees	175,000	277,000	245,555	(31,445)
Office services	23,000	23,000	25,226	2,226
Planning services	226,000	245,000	221,903	(23,097)
Land mediation charges	10,000	10,000	12,310	2,310
Sale of maps and publications	-	-	300	300
AGIS services	1,000	1,000	520	(480)
Public safety:				
Police services	4,333,000	4,283,000	5,669,228	1,386,228
Fire services	1,183,000	1,513,000	1,558,036	45,036
Culture and recreation:				
Zoo admissions	3,005,000	2,350,000	2,520,758	170,758
Cultural affairs	1,793,000	1,757,000	1,912,981	155,981
Albuquerque aquarium and gardens	1,991,000	1,600,000	1,762,648	162,648
Latch key program	862,000	902,000	861,349	(40,651)
Swimming pools	912,000	931,000	720,019	(210,981)
Sports programs	662,000	662,000	452,717	(209,283)
Other recreation charges	266,000	293,000	840,872	547,872
Museum charges	616,000	352,000	357,895	5,895
Other zoo charges	264,000	234,000	167,937	(66,063)
Community centers	89,000	105,000	109,134	4,134
Tournament/field rental	263,000	229,000	69,704	(159,296)
Outdoor recreation fees	8,000	21,000	23,864	2,864

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

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2018

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget Over/Under</u>
Revnues (continued):				
Charges for services:				
Highways and streets:				
Other street division charges/permits	70,000	45,000	52,920	7,920
Health:				
Animal control charges	1,355,000	1,355,000	792,723	(562,277)
Human services:				
Childcare services	741,000	676,000	640,641	(35,359)
Senior center memberships	255,000	255,000	271,691	16,691
Senior meal programs	160,000	174,000	185,435	11,435
Other	43,000	29,000	25,664	(3,336)
Senior dances	42,000	32,000	33,512	1,512
DSA Route #2	363,000	212,000	399,253	187,253
Senior coffee	14,000	14,000	17,885	3,885
Total charges for services	<u>54,055,000</u>	<u>52,886,000</u>	<u>50,906,295</u>	<u>(1,979,705)</u>
Fines and forfeits:				
Air quality penalties	295,000	295,000	280,039	(14,961)
Total fines and forfeits	<u>295,000</u>	<u>295,000</u>	<u>280,039</u>	<u>(14,961)</u>
Interest:				
Interest on investments	1,215,000	500,000	(601,787)	(1,101,787)
Total interest	<u>1,215,000</u>	<u>500,000</u>	<u>(601,787)</u>	<u>(1,101,787)</u>
Miscellaneous:				
Community center rentals	318,000	332,000	357,338	25,338
Jury duty and witness fees	2,000	2,000	812	(1,188)
Rental of City property	1,056,000	1,072,000	1,186,500	114,500
Other miscellaneous	884,000	714,000	1,259,284	545,284
Sales of real property	30,000	38,000	211,162	173,162
Collections from property damage	22,000	10,000	22,572	12,572
Contributions and donations	2,000	2,000	35,277	33,277
Liens and recoveries	361,000	848,000	686,691	(161,309)
Total miscellaneous	<u>2,675,000</u>	<u>3,018,000</u>	<u>3,759,636</u>	<u>741,636</u>
Total revenues	<u>526,213,000</u>	<u>513,824,000</u>	<u>518,583,955</u>	<u>4,759,955</u>

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

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2018

	Original	Final	Actual	Variance with Final Budget Over/Under
Expenses:				
Current:				
General government:				
Accounting	3,798,000	3,813,000	3,740,078	72,922
Administrative hearing office	393,000	398,000	314,743	83,257
Chief administrative officer	1,702,000	1,702,000	1,624,700	77,300
Citizen services	3,619,000	3,619,000	3,001,245	617,755
Citywide financial support	1,006,000	1,006,000	995,646	10,354
Urban design and development	1,970,000	1,999,000	1,637,027	361,973
Council services	3,884,000	3,973,000	3,886,648	86,352
DFAS - strategic support	405,000	405,000	462,840	(57,840)
Dues and memberships	473,000	473,000	481,935	(8,935)
Early retirement	6,500,000	6,500,000	6,065,206	434,794
Economic development	1,583,000	392,100	1,584,738	(1,192,638)
Economic development investment	211,000	875,000	220,919	654,081
ED - Convention center	1,974,000	1,974,000	1,888,981	85,019
International trade	154,000	154,000	184,525	(30,525)
Joint committee- intergov. legislation	158,000	158,000	158,000	-
Legal services	5,850,000	5,865,000	4,957,378	907,622
Mayor's office	916,000	922,000	847,601	74,399
Office of inspector general	345,000	345,000	332,527	12,473
Office of internal audit	850,000	850,000	627,500	222,500
Office of management and budget	1,113,000	1,131,000	1,018,777	112,223
Office of the city clerk	1,913,000	2,759,000	2,241,602	517,398
One stop shop	6,906,000	6,941,000	6,525,468	415,532
Open and ethical elections	529,000	529,000	529,000	-
Personnel services	2,473,000	2,477,000	2,447,974	29,026
Planning - strategic support	1,996,000	2,009,000	1,870,622	138,378
Purchasing	1,489,000	1,528,000	1,249,029	278,971
Real property	835,000	846,000	804,810	41,190
Treasury	1,022,000	1,025,000	986,032	38,968
Technology and innovation	10,446,000	10,490,000	9,160,960	1,329,040
B/C/J/Q Union Time	131,000	131,000	116,428	14,572
Total general government	64,644,000	65,289,100	59,962,939	5,326,161

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

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2018

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget Over/Under</u>
Expenses (continued):				
Current:				
Public safety:				
Police department:				
Data management for APD	842,000	842,000	668,367	173,633
Police oversight	860,000	860,000	732,949	127,051
Investigative services	32,824,000	33,079,000	30,408,089	2,670,911
Neighborhood policing	98,878,000	100,015,000	100,973,385	(958,385)
Off duty police overtime	1,800,000	1,800,000	2,840,219	(1,040,219)
PD - Administrative support	16,318,000	16,464,000	16,740,371	(276,371)
Prisoner transport	1,922,000	1,936,000	2,353,797	(417,797)
Professional standards	18,817,000	19,286,000	18,690,557	595,443
Fire department:				
AFD headquarters	2,422,000	2,433,000	2,432,442	558
Dispatch	5,116,000	5,173,000	5,172,832	168
Emergency response	61,779,000	62,836,000	62,839,758	(3,758)
Fire prevention	3,398,000	3,439,000	3,436,016	2,984
Logistics	1,421,000	1,428,500	1,427,075	1,425
Training	2,334,000	2,356,500	2,355,942	558
Total public safety	<u>248,731,000</u>	<u>251,948,000</u>	<u>251,071,799</u>	<u>876,201</u>
Culture and recreation:				
Aquatics	4,574,000	4,655,000	4,639,993	15,007
Balloon museum	1,158,000	1,160,000	1,157,383	2,617
Biopark	13,918,000	13,974,000	14,043,393	(69,393)
CIP Biopark	385,000	385,000	349,756	35,244
CIP library	67,000	68,000	67,643	357
CIP parks	620,000	2,827,000	1,829,118	997,882
Community events	3,355,000	3,405,000	3,339,124	65,876
Community recreation	8,255,000	8,278,000	7,343,650	934,350
Cultural services - strategic support	1,582,000	1,586,000	1,518,130	67,870
Explora	1,434,000	1,434,000	1,434,002	(2)
Library	12,147,000	12,201,000	12,012,395	188,605
Museum	3,372,000	3,384,000	3,405,188	(21,188)
Parks and recreation - strategic support	981,000	983,000	804,429	178,571
Parks management	17,999,000	18,184,000	18,106,780	77,220
Public arts and urban enhancement	301,000	302,000	316,243	(14,243)
Recreation	2,772,000	2,820,000	2,547,071	272,929
Open space management	4,082,000	4,136,000	3,925,073	210,927
Special events parking	19,000	19,000	19,000	-
Total culture and recreation	<u>77,021,000</u>	<u>79,801,000</u>	<u>76,858,371</u>	<u>2,942,629</u>

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

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2018

	Original	Final	Actual	Variance with Final Budget Over/Under
Expenses (continued):				
Current:				
Municipal development:				
Construction	1,475,000	1,481,000	1,248,223	232,777
Design recovered CIP	4,169,000	1,982,000	2,080,097	(98,097)
Design recovered storm drain	2,084,000	2,090,000	2,254,368	(164,368)
Storm drainage	2,606,000	2,614,000	2,854,421	(240,421)
MD - Strategic support	2,200,000	2,208,000	2,046,271	161,729
Street CIP	4,687,000	4,713,000	4,295,877	417,123
Street services	13,762,000	13,859,000	14,246,448	(387,448)
City Buildings	8,627,000	8,670,000	8,510,450	159,550
Total municipal development	<u>39,610,000</u>	<u>37,617,000</u>	<u>37,536,155</u>	<u>80,845</u>
Health:				
Animal care and control	11,031,000	11,106,000	10,613,156	492,844
Code enforcement	3,737,000	3,848,000	3,160,334	687,666
Consumer health protection	1,306,000	1,312,000	1,194,517	117,483
Environmental health	647,000	648,000	641,322	6,678
Strategic support	696,000	697,000	645,773	51,227
Urban biology	526,000	527,000	505,697	21,303
Total health	<u>17,943,000</u>	<u>18,138,000</u>	<u>16,760,799</u>	<u>1,377,201</u>
Human services:				
SA - Basic services	248,000	249,000	154,551	94,449
Affordable housing	2,334,000	2,784,000	2,636,982	147,018
Child care	5,585,000	5,624,000	5,284,412	339,588
Emergency shelter	1,633,000	1,783,000	1,761,545	21,455
Health & social services	3,526,000	3,550,000	3,392,030	157,970
Mental health services	2,910,000	3,247,000	2,564,226	682,774
Partner with public education	4,986,000	4,990,000	4,334,829	655,171
FC - Strategic support	1,208,000	1,211,000	1,281,780	(70,780)
Reduce youth gangs	1,271,000	1,271,000	1,249,916	21,084
Subst. abuse treatment & prevention	3,793,000	3,235,000	1,968,386	1,266,614
FC - Supportive services	3,518,000	3,650,000	3,178,479	471,521
Transitional housing	167,000	167,000	144,246	22,754
Well being- seniors	4,936,000	4,960,000	4,644,415	315,585
Grants repayment	-	2,330,000	2,339,312	(9,312)
Senior affairs - strategic support	2,181,000	2,182,000	2,369,009	(187,009)
Total human services	<u>38,296,000</u>	<u>41,233,000</u>	<u>37,304,118</u>	<u>3,928,882</u>
Total expenses	<u>486,245,000</u>	<u>494,026,100</u>	<u>479,494,181</u>	<u>14,531,919</u>

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

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2018

	Original	Final	Actual	Variance with Final Budget Over/Under
Excess of revenues over expenditures	<u>39,968,000</u>	<u>19,797,900</u>	<u>39,089,774</u>	<u>19,291,874</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	4,702,000	5,542,000	5,569,431	27,431
Transfers out	<u>(43,928,000)</u>	<u>(47,477,000)</u>	<u>(47,192,554)</u>	<u>284,446</u>
Total other financing sources (uses)	<u>(39,226,000)</u>	<u>(41,935,000)</u>	<u>(41,623,123)</u>	<u>311,877</u>
Net change in fund balance	742,000	(22,137,100)	(2,533,349)	19,603,751
Fund balance, July 1	<u>57,170,555</u>	<u>57,170,555</u>	<u>57,170,555</u>	<u>-</u>
Fund balance, June 30	<u>\$ 57,912,555</u>	<u>\$ 35,033,455</u>	<u>\$ 54,637,206</u>	<u>\$ 19,603,751</u>

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

CITY OF ALBUQUERQUE, NEW MEXICO

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

JUNE 30, 2018

	Airport Fund	Refuse Disposal Fund
ASSETS		
Current assets		
Cash and investments	\$ 61,999,422	\$ 36,439,165
Cash held by others	-	-
Flexible spending account	-	-
Accounts receivable, net of allowance	4,917,292	3,879,614
Prepaid expenses	11,066	-
Inventories	820,088	562,464
Due from other government units	974,689	-
Due from other funds	-	-
Total current assets	<u>68,722,557</u>	<u>40,881,243</u>
Noncurrent assets:		
Accounts receivable-developers, net	-	-
Restricted assets:		
Cash and investments	76,543,637	11,247,242
Cash with fiscal agent	3,164,704	-
Security deposits	-	-
Total restricted assets	<u>79,708,341</u>	<u>11,247,242</u>
Capital assets:		
Buildings	200,710,165	15,085,666
Runways	346,372,686	-
Infrastructure	-	11,269,994
Improvements	278,993,974	32,415,221
Machinery and equipment	24,608,675	73,818,544
Intangible assets	-	16,870
Total capital assets-depreciable	<u>850,685,500</u>	<u>132,606,295</u>
Less: accumulated depreciation	<u>529,955,254</u>	<u>86,664,062</u>
Capital assets-depreciable, net	320,730,246	45,942,233
Land	41,093,819	5,550,766
Construction in progress	34,004,817	3,594,895
Total capital assets	<u>395,828,882</u>	<u>55,087,894</u>
Total noncurrent assets	<u>475,537,223</u>	<u>66,335,136</u>
Total assets	<u>544,259,780</u>	<u>107,216,379</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred gain/loss on bond refunding	28,012	-
Deferred outflow related to OPEB	316,655	502,132
Deferred outflow related to pension	4,928,889	6,626,236
Total deferred outflows of resources	<u>\$ 5,273,556</u>	<u>\$ 7,128,368</u>

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

Business-type Activities - Enterprise Funds			Governmental Activities
Transit Fund	Nonmajor Enterprise Funds	Total	Internal Service Funds
\$ 2,829,933	\$ 4,848,957	\$ 106,117,477	\$ 67,783,583
-	596,352	596,352	-
-	-	-	508,635
735,274	838,224	10,370,404	7,525
304,184	10,463	325,713	1,183
3,093,160	-	4,475,712	1,992,845
82,394,160	-	83,368,849	165,551
1,462,944	-	1,462,944	1,380,069
90,819,655	6,293,996	206,717,451	71,839,391
-	1,517,582	1,517,582	-
85,259	3,429,131	91,305,269	-
-	-	3,164,704	-
-	170,833	170,833	-
85,259	3,599,964	94,640,806	-
85,171,383	94,566,397	395,533,611	1,231,765
-	-	346,372,686	-
112,559,255	-	123,829,249	-
7,070,874	-	318,480,069	46,466
108,265,591	4,821,384	211,514,194	1,169,357
-	17,550,000	17,566,870	21,000
313,067,103	116,937,781	1,413,296,679	2,468,588
123,629,999	66,136,019	806,385,334	2,280,899
189,437,104	50,801,762	606,911,345	187,689
5,746,040	5,108,043	57,498,668	283,842
966,472	-	38,566,184	-
196,149,616	55,909,805	702,976,197	471,531
196,234,875	61,027,351	797,617,003	471,531
287,054,530	67,321,347	1,005,852,036	72,310,922
-	502,934	530,946	-
507,986	78,661	1,405,434	88,945
6,678,769	1,005,928	19,239,822	1,954,789
\$ 7,186,755	\$ 1,587,523	\$ 21,176,202	\$ 2,043,734

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

CITY OF ALBUQUERQUE, NEW MEXICO

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

JUNE 30, 2018

	<u>Airport Fund</u>	<u>Refuse Disposal Fund</u>
LIABILITIES		
Current liabilities:		
Book overdraft	\$ -	\$ -
Accounts payable	1,727,470	3,572,373
Accrued employee compensation	329,563	528,511
Accrued vacation and sick leave	1,256,698	1,826,703
Customer deposits	931,337	55,869
Unearned revenue	3,210,880	-
Claims reserve	-	-
Accrued fuel cleanup costs	-	-
Due to other funds	57,349	104,433
Payable from restricted assets:		
Contracts payable	2,417,221	55,046
Bonds payable	9,315,000	-
Accrued interest	412,513	40,529
Total current liabilities	<u>19,658,031</u>	<u>6,183,464</u>
Noncurrent liabilities:		
Accrued landfill closure costs	-	5,138,764
Bonds payable	13,830,174	-
Claims reserve	-	-
Accrued vacation and sick leave	735,122	377,570
Net pension liability	20,163,705	26,610,663
Net OPEB liability	13,637,453	22,104,602
Tenant security deposits	-	-
Total noncurrent liabilities	<u>48,366,454</u>	<u>54,231,599</u>
Total liabilities	<u>68,024,485</u>	<u>60,415,063</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow related to OPEB	2,744,593	4,415,288
Deferred inflow related to pension	2,474,186	1,827,368
Total deferred inflows of resources	<u>5,218,779</u>	<u>6,242,656</u>
NET POSITION (DEFICIT)		
Invested in capital assets	384,377,241	59,288,181
Restricted for:		
Debt service	22,985,536	4,478,244
Construction in progress	62,839,869	21,681,268
Unrestricted	<u>6,087,426</u>	<u>(37,760,665)</u>
Total net position (deficit)	<u>\$ 476,290,072</u>	<u>\$ 47,687,028</u>

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

Business-type Activities - Enterprise Funds			Governmental Activities
Transit Fund	Nonmajor Enterprise Funds	Total	Internal Service Funds
\$ 74,967,798	\$ -	\$ 74,967,798	\$ -
3,493,683	550,418	9,343,944	3,083,091
565,615	77,106	1,500,795	142,090
1,632,779	236,218	4,952,398	504,779
-	22,347	1,009,553	-
1,065,540	60,950	4,337,370	-
-	-	-	18,520,885
-	-	-	220,320
108,967	317,396	588,145	20,515
1,253,659	-	3,725,926	-
-	1,180,000	10,495,000	-
-	255,894	708,936	-
<u>83,088,041</u>	<u>2,700,329</u>	<u>111,629,865</u>	<u>22,491,680</u>
-	-	5,138,764	-
-	15,262,143	29,092,317	-
-	-	-	57,978,717
486,736	61,450	1,660,878	25,341
27,322,598	4,338,041	78,435,007	8,314,111
22,245,081	3,384,217	61,371,353	6,280,690
-	161,365	161,365	-
<u>50,054,415</u>	<u>23,207,216</u>	<u>175,859,684</u>	<u>72,598,859</u>
<u>133,142,456</u>	<u>25,907,545</u>	<u>287,489,549</u>	<u>95,090,539</u>
4,430,161	669,726	12,259,768	551,875
<u>1,842,914</u>	<u>279,351</u>	<u>6,423,819</u>	<u>1,230,232</u>
<u>6,273,075</u>	<u>949,077</u>	<u>18,683,587</u>	<u>1,782,107</u>
169,149,614	39,467,662	652,282,698	471,531
-	2,563,070	30,026,850	-
3,704,048	2,590,715	90,815,900	-
<u>(18,027,908)</u>	<u>(2,569,199)</u>	<u>(52,270,346)</u>	<u>(22,989,521)</u>
<u>\$ 154,825,754</u>	<u>\$ 42,052,248</u>	<u>\$ 720,855,102</u>	<u>\$ (22,517,990)</u>

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

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2018

	<u>Airport Fund</u>	<u>Refuse Disposal Fund</u>
OPERATING REVENUES:		
Charges for services	\$ 58,497,409	\$ 71,995,219
OPERATING EXPENDITURES:		
Salaries and benefits	17,097,290	28,397,012
Professional services	412,719	582,768
Utilities	2,179,908	1,465,682
Supplies	1,358,755	3,093,602
Travel	50,520	10,614
Fuel, repairs and maintenance	2,227,814	9,218,185
Contractual services	5,661,156	8,521,349
Claims and judgements	-	-
Insurance premiums	723,435	2,937,861
Landfill closure costs	-	294,911
Other operating expenses	2,792,382	3,305,181
Depreciation	27,534,436	9,582,363
Total operating expenditures	<u>60,038,415</u>	<u>67,409,528</u>
Operating income (loss)	<u>(1,541,006)</u>	<u>4,585,691</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest on investments	442,706	133,585
Passenger facility charges	9,921,802	-
Gain (loss) on disposition of property	(124,620)	(94,332)
Interest expense	(1,524,078)	(3,464)
Fiscal agent and other fees	(185,119)	-
Other	(812,101)	(1,542,733)
Total non-operating revenues (expenses)	<u>7,718,590</u>	<u>(1,506,944)</u>
Income (loss) before special items	6,177,584	3,078,747
Capital contribution	5,151,522	-
Transfers in	-	-
Transfers out	<u>(150,000)</u>	<u>(2,580,891)</u>
Change in net position	11,179,106	497,856
Net position, July 1 (restated, see note IV.N)	<u>465,110,966</u>	<u>47,189,172</u>
Net position, June 30	<u>\$ 476,290,072</u>	<u>\$ 47,687,028</u>

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

Business-type Activities - Enterprise Funds			Governmental Activities Internal Service Funds
Transit Fund	Nonmajor Enterprise Funds	Total	
\$ 11,428,932	\$ 14,465,788	\$ 156,387,348	\$ 115,895,848
30,820,309	4,387,576	80,702,187	7,539,523
284,994	1,364,945	2,645,426	1,631,357
1,002,189	3,202,370	7,850,149	377,352
520,126	457,100	5,429,583	1,432,073
23,999	2,221	87,354	26,414
8,291,623	1,115,210	20,852,832	7,120,525
1,464,737	1,051,397	16,698,639	5,704,629
771	-	771	35,117,982
3,982,550	563,102	8,206,948	59,165,443
-	-	294,911	-
4,971,564	771,161	11,840,288	1,632,453
8,140,742	2,952,063	48,209,604	52,446
<u>59,503,604</u>	<u>15,867,145</u>	<u>202,818,692</u>	<u>119,800,197</u>
<u>(48,074,672)</u>	<u>(1,401,357)</u>	<u>(46,431,344)</u>	<u>(3,904,349)</u>
(1,914,425)	(21,597)	(1,359,731)	251,018
-	-	9,921,802	-
14,299	320	(204,333)	4,529
-	(604,472)	(2,132,014)	-
-	(6,500)	(191,619)	-
<u>(2,912,264)</u>	<u>(251,282)</u>	<u>(5,518,380)</u>	<u>(570,720)</u>
<u>(4,812,390)</u>	<u>(883,531)</u>	<u>515,725</u>	<u>(315,173)</u>
(52,887,062)	(2,284,888)	(45,915,619)	(4,219,522)
83,810,898	-	88,962,420	-
43,116,803	1,345,000	44,461,803	-
<u>(408,101)</u>	<u>(244,485)</u>	<u>(3,383,477)</u>	<u>(1,748,000)</u>
73,632,538	(1,184,373)	84,125,127	(5,967,522)
<u>81,193,216</u>	<u>43,236,621</u>	<u>636,729,975</u>	<u>(16,550,468)</u>
<u>\$ 154,825,754</u>	<u>\$ 42,052,248</u>	<u>\$ 720,855,102</u>	<u>\$ (22,517,990)</u>

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

CITY OF ALBUQUERQUE, NEW MEXICO

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2018

	<u>Airport Fund</u>	<u>Refuse Disposal Fund</u>
CASH FROM OPERATING ACTIVITIES:		
Received from customers	\$ 56,268,457	\$ 72,017,199
Received from other funds for goods and services	-	-
Payments to employees for services	(16,986,918)	(28,511,595)
Payments to supplies for goods and services	(11,692,950)	(21,754,409)
Payments to other funds for goods and services	(4,031,368)	(6,970,450)
Payments to claimants and beneficiaries	-	-
	<u>23,557,221</u>	<u>14,780,745</u>
Net cash provided (used) by operating activities		
CASH FROM NONCAPITAL FINANCING ACTIVITIES:		
Operating grants received	215,307	-
Proceeds from public surplus	347,976	581,842
Transfers from other funds	-	-
Transfers to other funds	(150,000)	(2,580,891)
Book overdraft	-	-
	<u>413,283</u>	<u>(1,999,049)</u>
Net cash provided (used) by noncapital financing activities		
CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal paid on bond maturities	(9,205,000)	-
Interest and other expenses paid on bond maturities	(1,202,911)	-
Acquisition and construction of capital assets	(45,123,416)	(6,164,612)
Capital grants received	4,396,149	-
Passenger facility charges	9,921,802	-
Proceeds from sale of property and equipment	3,456	19,383
	<u>(41,209,920)</u>	<u>(6,145,229)</u>
Net cash provided (used) by capital and related financing activities		
CASH FROM INVESTING ACTIVITIES:		
Interest received on investments	442,706	133,585
	<u>442,706</u>	<u>133,585</u>
Net cash provided (used) by investing activities		
Net increase (decrease) in cash and cash equivalents	(16,796,710)	6,770,052
Cash and cash equivalents, July 1	<u>158,504,475</u>	<u>40,916,355</u>
Cash and cash equivalents, June 30	<u>\$ 141,707,765</u>	<u>\$ 47,686,407</u>

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

Business-type Activities - Enterprise Funds			Governmental Activities
Transit Fund	Nonmajor Enterprise Funds	Total	Internal Service Funds
\$ 16,083,508	\$ 14,298,332	\$158,667,496	\$ 2,373,464
-	-	-	113,809,888
(30,722,874)	(4,368,554)	(80,589,941)	(7,548,004)
(26,822,133)	(7,024,344)	(67,293,836)	(74,922,857)
(36,331,158)	(1,191,599)	(48,524,575)	(2,282,407)
-	-	-	(30,544,460)
<u>(77,792,657)</u>	<u>1,713,835</u>	<u>(37,740,856)</u>	<u>885,624</u>
-	-	215,307	-
18,222	69,447	1,017,487	38,638
43,116,803	1,345,000	44,461,803	-
(408,101)	(244,485)	(3,383,477)	(1,748,000)
<u>74,967,798</u>	<u>-</u>	<u>74,967,798</u>	<u>-</u>
<u>117,694,722</u>	<u>1,169,962</u>	<u>117,278,918</u>	<u>(1,709,362)</u>
-	(1,145,000)	(10,350,000)	-
-	(538,925)	(1,741,836)	-
(42,158,368)	(25,519)	(93,471,915)	(58,108)
1,907,749	-	6,303,898	-
-	-	9,921,802	-
-	-	22,839	4,528
<u>(40,250,619)</u>	<u>(1,709,444)</u>	<u>(89,315,212)</u>	<u>(53,580)</u>
<u>(1,914,425)</u>	<u>(21,597)</u>	<u>(1,359,731)</u>	<u>251,018</u>
<u>(1,914,425)</u>	<u>(21,597)</u>	<u>(1,359,731)</u>	<u>251,018</u>
(2,262,979)	1,152,756	(11,136,881)	(626,300)
<u>5,178,171</u>	<u>7,892,517</u>	<u>212,491,518</u>	<u>68,409,882</u>
<u>\$ 2,915,192</u>	<u>\$ 9,045,273</u>	<u>\$201,354,637</u>	<u>\$ 67,783,582</u>

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

CITY OF ALBUQUERQUE, NEW MEXICO

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2018

	<u>Airport Fund</u>	<u>Refuse Disposal Fund</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (1,541,006)	\$ 4,585,691
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	27,534,436	9,582,363
Decrease (increase) in assets:		
Accounts receivable	(1,152,898)	32,454
Due from other funds	-	-
Flexible spending account	-	-
Inventories	34,655	(59,313)
Prepaid expenses	(8,906)	-
Increase (decrease) in liabilities:		
Accounts payable	518,919	394,682
Deposits	263,626	(10,470)
Accrued landfill and fuel cleanup costs	-	294,911
Due to other funds	13,602	19,968
Contracts payable	(875,898)	55,046
Claims reserve	-	-
Unearned revenue	(1,339,681)	-
Accrued employee compensation	<u>110,372</u>	<u>(114,587)</u>
Net cash provided (used) by operating activities:	<u>\$ 23,557,221</u>	<u>\$ 14,780,745</u>
SUPPLEMENTAL DATA:		
Increase (decrease) in fair value of investments	\$ (1,792,442)	\$ (559,667)

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

<u>Business-type Activities - Enterprise Funds</u>			Governmental Activities
<u>Transit Fund</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>	<u>Internal Service Funds</u>
\$ (48,074,672)	\$ (1,401,364)	\$(46,431,351)	\$ (3,904,348)
8,140,742	2,952,063	48,209,604	52,446
4,751,236	(161,028)	3,469,764	589,830
-	-	-	(302,320)
-	-	-	(34,613)
(256,070)	-	(280,728)	247,777
(301,727)	(202)	(310,835)	(1,131)
(16,386,156)	143,972	(15,328,583)	(384,799)
-	5,942	259,098	-
-	-	294,911	20,230
(26,920,444)	167,799	(26,719,075)	2,905
1,253,659	-	432,807	-
-	-	-	4,573,522
(96,660)	(12,369)	(1,448,710)	-
97,435	19,022	112,242	26,125
<u>\$ (77,792,657)</u>	<u>\$ 1,713,835</u>	<u>\$(37,740,856)</u>	<u>\$ 885,624</u>

\$ (996,750) \$ (72,287) \$ (3,421,146) \$ (86,951)

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

CITY OF ALBUQUERQUE, NEW MEXICO

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

JUNE 30, 2018

	Albuquerque Pooled OPEB Trust Fund	Agency Fund
ASSETS		
Cash and investments	\$ -	\$ 4,722,221
Cash and investments-restricted	-	280,117
Long term investments at fair value		
Mutual funds - fixed income	11,818,078	-
Mutual funds - equities	7,640,540	-
Interest receivable	555	-
Accounts receivable	429,340	29,435
Total assets	<u>19,888,513</u>	<u>5,031,773</u>
LIABILITIES		
Accounts payable	\$ -	\$ 2,537
Customer deposits	-	5,029,236
Total liabilities	<u>-</u>	<u>5,031,773</u>
NET POSITION		
Net position held in trust for OPEB benefits	<u>19,888,513</u>	
Total net position	<u>\$ 19,888,513</u>	

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

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF CHANGES IN PLAN NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2018

	Albuquerque Pooled OPEB Trust Fund
	<u>Trust Fund</u>
ADDITIONS	
Employer contributions	\$ 1,894,137
Investment income	
Gain (loss) on investments	1,073,493
Investment income	<u>395,381</u>
Total additions	<u>3,363,011</u>
DEDUCTIONS	
Contractual services	10,731
Insurance premiums	<u>480,338</u>
Total deductions	<u>491,069</u>
Change in net position	2,871,942
NET POSITION	
Beginning of year	<u>17,016,571</u>
End of year	<u><u>\$ 19,888,513</u></u>

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

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

I. Summary of Significant Accounting Policies

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

A. Reporting entity

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

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

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

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

The Albuquerque Bernalillo County Water Utility Authority (Authority), a stand-alone special-purpose government, is not reported as a component unit of the City. In fiscal year 2012, the Authority was reported as stand-alone special purpose government and not as a component unit of the City of Albuquerque. The Authority's Comprehensive Annual Financial Report for the year ended June 30, 2018, is available by contacting the Authority at the following address; Fifth floor, P.O. Box 1293, Albuquerque, NM 87103.

B. Government-wide and fund financial statements

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

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

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

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

I. Summary of Significant Accounting Policies

B. Government-wide and fund financial statements

and enterprise funds are aggregated and reported as nonmajor funds.

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

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

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

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

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

The City reports the following major governmental funds:

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

General Obligation Bond Debt Service Fund - This fund accounts for the monies set aside for the payment of principal and interest of general obligation bonds. The principal source of revenue is property taxes. As of fiscal year 2018, the General Obligation Bond Debt Service Fund no longer qualifies as a special revenue fund. The City determined that for consistency purposes, to continue to report the fund as a major governmental fund.

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

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

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

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

I. Summary of Significant Accounting Policies

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

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

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

The City reports the following fund types:

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

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

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

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

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

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

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

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

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

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

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

1. *Deposits and investments and investment derivatives*

A significant portion of the cash and investments of funds of the City is pooled for investment purposes under the provisions of City ordinance and investment policy. The policy states that the City shall invest cash balances over the anticipated amount

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

I. Summary of Significant Accounting Policies

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

1. Deposits and investments and investment derivatives

needed to meet operating requirements. Investments are recorded at fair value. The balance reported for each participating fund as "Cash, Investments, and Accrued Interest" represents the equity of that fund in the pooled cash, investments, and accrued interest. Interest earnings on pooled investments are allocated to the participating funds based on average daily balances.

The investment policy states that the City will not commit any funds invested in the pool to maturities longer than seven years from the date of purchase. Where applicable based on the investment type, funds are invested on the basis of a minimum of three bids and/or offers. Certificates of deposit are based on competitive rates for specified maturities. All investments are valued at quoted market.

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

Bank deposits - collateralized at 50% or greater of value by U.S. Treasury and Agency securities;

Repurchase agreements - secured by collateral, which is delivered to a third-party safekeeping institution, with a market value at least 102% of the value of the agreement.

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

Obligations of certain Federal agencies or instrumentalities

Municipal bonds - New Mexico issues.

Fixed-income mutual funds or exchange-traded funds (ETFs) - through a diversified investment company registered pursuant to the federal Investment Company Act of 1940, provided the investment company or manager has total assets under management of at least one hundred million dollars (\$100,000,000), and provided the instrument passively tracks the performance of major fixed income index.

Investment pools offered by the State Investment Council (SIC) - investment pools that are available for investment by the City.

The New Mexico Local Government Investment Pool (LGIP) - administered by the State Treasurer's Office

2. Receivables and payables

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

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

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

I. Summary of Significant Accounting Policies

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

2. *Receivables and payables*

receivables are shown net of an allowance for uncollectibles.

3. *Inventories and prepaid items*

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

4. *Land held for sale*

Land held for sale consists primarily of approximately 3,577 acres located throughout the State of New Mexico obtained by trade with the federal government in July 1982, as part of the Acquisition and Management of Open Space Permanent Fund. Upon sale of these properties, a portion of the gain, if any, as defined in an agreement, is payable to a third party. Other land was obtained through foreclosure proceedings required by special assessment bond ordinances. The land for sale is valued at the lower of cost or market value, based on appraisals or determined using the county assessor values recorded annually.

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

5. *Capital assets*

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

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

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

Infrastructure assets consist of the streets network: landscaped medians, roadways, right of ways, bridges, signals, beacons, trails, and trail bridges; and the storm network: easements, drainage pipes, lift stations, bridges, dams, detention basins right of ways, and arroyo easements right of ways. Streetlights managed by the local electric utility, sidewalks, traffic signs, dirt roads,

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

I. Summary of Significant Accounting Policies

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

5. Capital assets

and milling roads are not considered infrastructure.

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

In fiscal year 2018, the City reviewed the policies and procedures regarding the depreciation of fixed assets. Asset lives across categories and funds were standardized. As a result of this analysis, the City decreased the beginning balance of accumulated depreciation in governmental activities and business activities by \$14,181,752 and \$107,964,417, respectively.

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

Buildings	40 years
Runways	25 years
Infrastructure - storm	50 years
Infrastructure - streets	35 years
Improvements	25 years
Machinery and equipment	3-15 years

6. Other assets

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

7. Deferred outflows of resources and deferred inflows of resources

A deferred outflow of resources is a consumption of net position by the City that is applicable to a future reporting period and a deferred inflow of resources is an acquisition of net position by the City that is applicable to a future reporting period. Both deferred outflows and inflows are reported in the Statement of Net Position, but are not recognized in the fund financial statements as expenses or revenues until the period(s) to which they relate. Under the modified accrual basis of accounting, revenue and other financial resources are recognized in the period in which they become both measurable and available. Assets recorded in the fund financial statements for which the revenues are not available are reported as a deferred inflow of resources. For governmental funds, deferred inflows of resources are comprised of various taxes receivable amounts (property, gross receipts, lodgers', hospitality, gasoline, infrastructure) and special assessments. For proprietary funds, deferred outflows and inflows are the result of pension and OPEB activity and the implementation of GASB Statement 68 and 75. All revenues related to these deferred inflows of resources have been recognized as revenue in the government-wide statements. Deferred outflows of resources also consists of deferred gains or losses on refunded debt. These costs are amortized over the remaining maturity period of the related bond issues under a method that approximates the level interest rate method.

8. Risk management

Risk management activities are reported in the City's Risk management fund, an internal service fund. Liabilities for workers' compensation, tort and other claims as of June 30, 2018, are accrued using managements estimates of probable outcome of claims filed against the City, as well as an estimate of claims incurred but not reported. The long-term portion of the liability is discounted at 1.75% over the estimated payment period. Revenues consist primarily of charges to other funds, the amounts of

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

I. Summary of Significant Accounting Policies

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

8. *Risk management*

which approximate the cost of claims and other risk management costs arising from the activities of those funds.

9. *Compensated absences*

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

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

10. *Unearned revenue*

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

11. *Special assessments*

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

12. *Long-term obligations*

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

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

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

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

I. Summary of Significant Accounting Policies

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

13. Net position

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

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

Restricted net position – Restricted net position results from constraints placed on the use of net position when externally imposed by creditors, grantors, laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Net position is restricted for debt service, construction, housing and economic development, federal and state funded programs, and open space and urban enhancement. The non-expendable portion relates to the principal of the permanent funds that are to be retained intact. The expendable portion includes fund balances related to the investment earnings available to carry out the goals of the permanent funds. The government-wide statement of net position reports \$381,660,386 of restricted net position.

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

14. Fund balance

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

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

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

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

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

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

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
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I. Summary of Significant Accounting Policies

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

14. Fund balance

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

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

Fund Balance Category	General Fund	GO Bond Debt Service Fund	Capital Acquisition Fund	Nonmajor Governmental Funds	Total
Nonspendable:					
Prepaid Expenditures	\$ 61,811	\$ -	\$ -	\$ -	\$ 61,811
Permanent Fund Principal Investment	-	-	-	18,507,981	18,507,981
Total nonspendable fund balances	61,811	-	-	18,507,981	18,569,792
Restricted for:					
General Government	-	-	26,186,524	8,518,300	34,704,824
Public Safety - Fire	-	-	-	690,528	690,528
Public Safety - Police	-	-	18,319,669	-	18,319,669
Culture and Recreation	-	-	38,602,571	-	38,602,571
Municipal Development Public Works	-	-	50,805,565	2,624,406	53,429,971
Highway and Streets	-	-	72,545,775	56,840,732	129,386,507
Health	-	-	412,153	3,548,906	3,961,059
Human Services	-	-	37,094,435	2,416	37,096,851
Housing	-	-	-	1,421,949	1,421,949
Debt Service	-	63,227,615	-	20,921,405	84,149,020
Total restricted fund balances	-	63,227,615	243,966,692	94,568,642	401,762,949
Committed to:					
Capital Projects	-	-	-	1,012,461	1,012,461
Culture and Recreation	-	-	-	846,860	846,860
Housing	-	-	-	7,995,304	7,995,304
Public Safety - Police	-	-	-	668,519	668,519
General Government	48,302,000	-	-	1,793,311	50,095,311
Debt Service	-	-	-	839,427	839,427
Total committed fund balances	48,302,000	-	-	13,155,882	61,457,882
Assigned to:					
Capital Projects	-	-	-	771,819	771,819
Culture and Recreation	-	-	-	15,801,315	15,801,315
Total assigned fund balances	-	-	-	16,573,134	16,573,134
Unassigned:	6,273,395	-	-	(109,408)	6,163,987
Total Fund Balances:	\$ 54,637,206	\$ 63,227,615	\$ 243,966,692	\$ 142,696,231	\$ 504,527,744

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I. Summary of Significant Accounting Policies

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

15. Pensions

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

16. Postemployment benefits other than pensions (OPEB)

OPEB RHCA - For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Mexico Retiree Health Care Authority (NMRHCA) and additions to and deductions from NMRHCA's fiduciary net position have been determined on the same basis as they are reported by NMRHCA. For this purpose, NMRHCA recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

OPEB Life Insurance - For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Albuquerque Pooled Trust and additions to and deductions from the fiduciary net position have been determined on the same basis as they are reported by the Trust. For this purpose, the Trust recognizes benefit payments in the form of direct payments for premiums and taxes (explicit subsidy) and or indirect payments to retirees in the form of higher premiums for active employees (implicit subsidy). Investments are reported at fair value.

17. Statement of cash flows

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

18. Estimated amounts reported in financial statements

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

19. Bond premiums/issuance costs

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

20. Interfund transactions

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

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I. Summary of Significant Accounting Policies

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

20. *Interfund transactions*

in the determination of the results of operations in the governmental, proprietary, and fiduciary funds.

21. *New accounting pronouncements*

The following GASB's were implemented in fiscal year 2018 if they were applicable to the City of Albuquerque:

- *GASB Statement No. 75, Accounting and Reporting for Postemployment Benefits Other than Pensions*
- *GASB Statement No. 85, Omnibus 2017*
- *GASB Statement No. 86, Certain Debt Extinguishment Issues*
- *GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period*

The following GASB pronouncements have been issued, but are not yet effective at June 30, 2018:

- *GASB Statement No. 83, Certain Asset Retirement Obligations*
- *GASB Statement No. 84, Fiduciary Activities*
- *GASB Statement No. 87, Leases*
- *GASB Statement No. 88, Certain Disclosures Related to Debt*
- *GASB Statement No. 90, Majority Equity Interests*

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

22. *Reclassifications*

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

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

II. Reconciliation of government-wide and fund financial statements

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

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

General obligation bonds	\$ (440,576,000)
Gross receipts tax revenue bonds	(249,975,000)
Special assessments bonds	(17,170,679)
Fire fund loan	(1,026,570)
Unamortized bond premiums/discounts	(32,710,937)
Arbitrage payable	(813,204)
Accrued vacation and sick leave	(32,872,566)
Net pension liability	(516,479,088)
Net OPEB liability	(285,837,551)
Net adjustment to governmental fund balance to arrive at net position of governmental activities	<u><u>\$ (1,577,461,595)</u></u>

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

Special assessments	\$ 10,629,939
Developer loans	7,494,266
Property taxes	5,961,045
Lodgers' taxes	15,619
Hospitality taxes	3,124
Gross receipts tax	37,564,128
Gasoline taxes	358,510
Deferred inflows related to pension activity	(75,812,080)
Deferred inflows related to OPEB	(58,246,009)
Net adjustment to governmental fund balance to arrive at net position of governmental activities	<u><u>\$ (72,031,458)</u></u>

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

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NOTES TO THE FINANCIAL STATEMENTS
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II. Reconciliation of government-wide and fund financial statements

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

Deferred outflows related to pension activity	\$ 117,567,397
Deferred outflows related to refunding activity	3,047,041
Deferred outflows related to OPEB activity	<u>6,427,238</u>
Net adjustment to governmental fund balance to arrive at net position of governmental activities	<u>\$ 127,041,676</u>

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

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

Capital additions	\$ 99,642,786
Dedicated infrastructure	8,954,912
Depreciation expense	(100,882,691)
Net gain (loss) on disposition of capital assets	<u>(936,001)</u>
Net adjustment to change in governmental fund balances to arrive at change in net position of governmental activities	<u>\$ 6,779,006</u>

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

Debt issued or incurred:	
General obligation bonds	\$ (116,310,000)
Bond premium	(9,035,943)
Arbitrage costs	(12,001)
Amortization:	
Bond discount	(290,252)
Bond premium	7,428,095
Principal repayments:	
General obligation bonds	58,720,000
Gross receipts tax revenue bonds	10,665,000
Fire Fund loan	63,680
Special assessment district bonds	<u>1,717,068</u>
Net adjustment to change in governmental fund balance to arrive at change in net position of governmental activities	<u>\$ (47,054,353)</u>

Under the modified accrual basis of accounting used in the governmental funds, revenue is recognized when available to

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II. Reconciliation of government-wide and fund financial statements

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

provide financing resources for the current period. Likewise, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, which is presented on the accrual basis, revenues and expenses are reported regardless of when financial resources are available. The details of the difference are as follows:

Gross receipts taxes	\$ 1,442,935
NM shared taxes and fees	(257,508)
Franchise taxes	(1,068,078)
Property taxes	(1,108,362)
Collections on rehabilitation and developer loans	389,156
Special assessments	<u>(2,667,628)</u>
Net adjustment to change in governmental fund balance to arrive at change in net position of governmental activities	<u>\$ (3,269,485)</u>

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

Change in net pension liability	\$ (34,321,579)
Change in net OPEB liability	<u>(4,649,192)</u>
Net adjustment to change in governmental fund balance to arrive at change in net position of governmental activities	<u>\$ (38,970,771)</u>

III. Stewardship, compliance and accountability

A. Budgetary information

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

The Mayor has the authority to change individual program appropriations by the lesser of five percent of the original

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
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III. Stewardship, compliance and accountability

A. Budgetary information

appropriation or \$100,000, provided that the total amount of appropriations for the fund, as approved by the City Council, does not change. Approved appropriations lapse at the end of the fiscal year except for life-to-date funds and for certain non-recurring items that may be re-appropriated without further approval by the Council, subject to sufficient reversions in the respective program. An annual budget, which is not legally adopted, for the City of Albuquerque Housing Authority is prepared in accordance with the Department of Housing and Urban Development regulations on an accrual basis and includes both operating and debt service activities as a single budget. The Special Assessments Debt Service Fund spending is controlled primarily through bond indenture provisions and, accordingly, no annual budget is presented in the accompanying financial statements.

B. Deficit fund equity

As of June 30, 2018, the following funds had fund balance/net position deficits:

<u>Nonmajor governmental funds</u>	
Culture and Recreation Projects	(40,432)
Heart Ordinance	(98)
Impact Fees	(85,857)
<u>Internal Service Funds</u>	
Communications	(2,060,251)
Fleet Management	(3,144,096)
Risk Management	(20,408,781)

The deficit in the Culture and Recreation Project Fund is a result transferring the majority of the Fund Balance into the General Fund following a prior year audit finding and the review of the purpose of the fund. It was determined that revenue and expenditures from special events were being put into the fund in addition to donations and contributions. The remaining balance was agreed upon by the Budget Office and the department, but resulted in a shortfall in the fund balance. The department is developing a plan to reduce expenditures or identify if the amount of fund balance transferred to the General Fund was accurate. In fiscal year 2019, projects will be reconciled and closed to eliminate the life-to-date revenues and expenditures showing in the schedule of revenues, expenditures, and changes in fund balance that relate to special events.

The deficit in the HEART Ordinance Fund and the Impact Fee Fund is a result of the GASB 31 (mark to market) adjustment.

The deficit in the Fleet Management Fund, Communications Fund and a portion of the Risk Fund is a result of the implementation of GASB Statement No 68 *Recognition of Pension Liabilities*, effective June 30, 2014 and the implementation of GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective June 30, 2018. The implementation and recognition of the City's proportionate share of OPEB Liabilities resulted in a reinstatement of beginning fund balance for fiscal year 2017. Additional information can be found in GASB 75 Footnotes.

The deficit in the Communications Fund was also due to increased payments to a vendor following the signing of a negotiated agreement and increased cellular phone usage.

In fiscal year 2013, the City conducted a review of both its philosophy for reserving of funds and tools used to analyze thereported claims liability. As a result of this review, and based on information pertaining to existing claims, the City determined that a higher claims liability was needed. In fiscal year 2015, the City instituted a "Risk Recovery" plan through an allocation to the respective departments. The original goal was to recover \$36,300,000 over ten years. In fiscal years 2015, 2016, 2017 and 2018, \$8,800,000 was collected under the plan. Additional information can be found in Note IV. O.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
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IV. Detailed notes on all funds

A. Cash and investments

Cash and investments at June 30, 2018 consist of the following:

	(In thousands of dollars)				
	City of Albuquerque				
	Governmental Activities	Business-type Activities	Fiduciary Funds	Total	Component Unit
Investments:					
U.S. Treasury securities	\$ 83,348	\$ 23,508	\$ 11,818	\$ 118,674	\$ -
Money market funds	3,544	1,618	-	5,162	-
Equity mutual funds	106,517	30,043	7,641	144,201	-
Bond ETFs	69,379	19,568	-	88,947	-
Agency securities	135,489	38,215	-	173,704	-
Municipal bonds	2,104	593	-	2,697	6,771
Total investments	<u>400,381</u>	<u>113,545</u>	<u>19,459</u>	<u>533,385</u>	<u>6,771</u>
Cash and cash equivalents:					
Bank deposits	175,725	9,303	5,002	190,030	11,593
NM Finance Authority	-	3,165	-	3,165	-
Accrued interest	465	373	-	838	-
Total cash and cash equivalents	<u>176,190</u>	<u>12,841</u>	<u>5,002</u>	<u>194,033</u>	<u>11,593</u>
Total investments, cash and cash equivalents	<u>\$ 576,571</u>	<u>\$ 126,386</u>	<u>\$ 24,461</u>	<u>\$ 727,418</u>	<u>\$ 18,364</u>
Financial statement presentation:					
Cash and investments	\$ 374,744	\$ 106,117	\$ 4,722	\$ 485,583	\$ 16,444
Cash held by others	320	596	-	916	-
Book overdraft	-	(74,968)	-	(74,968)	-
Restricted:					
Cash and investments	200,732	91,305	19,459	311,496	-
Cash with fiscal agent	775	3,165	280	4,220	-
Security deposits	-	171	-	171	-
Total cash and investments	<u>\$ 576,571</u>	<u>\$ 126,386</u>	<u>\$ 24,461</u>	<u>\$ 727,418</u>	<u>\$ 16,444</u>

The Transit Fund reported a book overdraft of \$74,967,798 as opposed to an interfund loan. This does not follow generally accepted accounting principles because City management felt that it was impractical to objectively determine which fund loaned the money since the expenditures were paid from the cash pool. The City believes that the reclassification difference between GAAP and the chosen method of presentation is not material. The City has subsequently received most of the federal funding for the Albuquerque Rapid Transit (ART) project and is expected to completely recover the amounts reported as a book overdraft in fiscal year 2019.

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

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
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IV. Detailed notes on all funds

A. Cash and investments

The following is a summary of the fair value hierarchy of investments of the City as of June 30, 2018:

Investments by Fair Value Level	Total	Fair Value Measurement Using (In thousands of dollars)		
		Level 1 Quoted Prices in Active Markets for Identical Assets	Level 2 Significant Other Observable Inputs	Level 3 Significant Unobservable Inputs
U.S. Treasury securities	\$ 118,674	\$ 118,674	\$ -	\$ -
Money market funds	5,162	5,162	-	-
Equity mutual funds	144,201	144,201	-	-
Bond ETFs	88,947	88,947	-	-
Agency securities	173,704	173,704	-	-
Municipal bonds	2,697	2,697	-	-
Total	<u>\$ 533,385</u>	<u>\$ 533,385</u>	<u>\$ -</u>	<u>\$ -</u>

Investments classified in Level 1 of the fair value hierarchy, valued at \$532,766,377 include bonds, funds, stocks and other assets that have a regular "mark to market" mechanism for setting a fair market value. These assets are considered to have readily observable prices and therefore a reliable fair market value.

Custodial credit risk – Deposits - Custodial credit risk is the risk that in the event of a bank failure, the City's funds may not be returned to it. The City is required to obtain from each bank that is a depository for public funds pledged collateral in an aggregate amount equal to one half of the public money in each account (Section 6-10-17 NMSA 1978). Although per NMSA 6-10-17 only 50% of the deposited amount requires collateralization, currently the City requires 100% collateralization of its deposits as an added layer of risk protection. Per the City's Investment Policy Statement (IPS), the Investment Oversight Committee retains the authority to require a collateral level higher than the 50% threshold at its discretion. Currently the City requires 100% collateralization of its deposits. Although the City's depositories hold U.S. Agency collateral as security, incidental custodial credit risk exists with respect to valuation in the remote prospect of collateral liquidation due to bank failure. No security is required for the deposit of public money that is insured by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2018, none of the City's bank balances were not exposed to a custodial credit risk.

Custodial credit risk – Investments - Custodial credit risk with respect to investments is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that all security transactions, including collateral for repurchase agreements, entered into by the City shall be conducted on a delivery-versus-payment basis. The investment policy further requires that all collateral securities held by a third party custodian, designated by the City Treasurer, shall be held in the City's name and evidenced by a safekeeping receipt or Federal Reserve book-entry reporting. As of June 30, 2018, Wells Fargo Institutional Retirement & Trust served as custodian of all City securities positions, held in a segregated custodial account in the name of the City of Albuquerque.

Credit risk - Credit risk is the risk that in the event an issuer or other counterparty to an investment does not fulfill its obligations, the City will not be able to recover the value of its principal. As a home rule city, the City's general investment policy is to apply the tenants of the Uniform Prudent Investor Act (UPIA), which raises the level of care to which the City is to be held accountable, from that of "a businessman of ordinary prudence" (Prudent Man standard) to that of the UPIA, an expert standard incorporated into New Mexico statute in 2005: The UPIA recognizes Modern Portfolio Theory and analyzes individual investments as components of a diversified portfolio, thereby providing the ability to reduce overall portfolio risk

CITY OF ALBUQUERQUE, NEW MEXICO
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JUNE 30, 2018

IV. Detailed notes on all funds

A. Cash and investments

while enhancing portfolio returns. The City's Investment Committee annually reviews its asset allocation strategies and guidelines for the percentage of its total portfolio that may be invested various asset classes and investment types. As part of the City's allocation evaluation, these guidelines are reviewed periodically as part of its strategic asset allocation approach. The City's investment policy describes permitted investments as those allowed for municipalities with a population in excess of 65,000 per Section 10-10-10 of the Statutes of the State of New Mexico. Among permitted investments, the investment policy requires that 1) repurchase agreements have a collateralized value of 102% of the par value of the agreement, and 2) deposits with local banks be fully insured by the FDIC and by collateral for amounts greater than the FDIC limit. Investments in direct obligations of the U.S. Treasury are permitted as are securities of the U.S. Government agencies denoted in Section 6-10-10 F (2) of the State Statutes. Finally, fixed income mutual funds and exchange traded funds (ETFs) are permitted so long as they passively track to a broad, nationally recognized index. At June 30, 2018, the City's internal investment pool held investments in U.S. Treasury obligations, U.S. Government agency notes, municipal securities issued by New Mexico governmental entities, and short-term, high-grade corporate and municipal index mutual funds and ETFs

Concentration of credit risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City's investment policy states the City will develop diversification strategies to avoid incurring concentration risk. Both the City's Liquidity and Core segments have diversification requirements, including asset class limits, issuer limits, and duration ceilings. At June 30, 2018, the City's core segment is invested in debt securities issued by four Government Sponsored Entities (GSEs): the Federal Home Loan Bank, the Federal National Mortgage Association, the Federal Farm Credit Bank and the Federal Home Loan Mortgage Corporation, as well as an A-AAA rated, 1-5 year maturity corporate bond mutual fund, an A-AAA rated, 1-5 year maturity municipal bond exchange-traded fund (ETF), a 1-5 year Treasury Inflation Protected Securities (TIPS) ETF, a 1-5 year high-yield corporate bond ETF, United States Treasury securities and local government obligations. These investments comprise 37% (GSEs collectively), 35%, 10%, 6%, 20%, and 1% respectively, of the core segment. Although mutual funds and ETFs do not have credit ratings, the average credit quality both of the City's mutual fund and its ETF holdings is A. Portfolio maturities shall be staggered to avoid undue concentration of assets in a specific maturity range. At June 30, 2018, core segment bond maturities are allocated as follows: 0-12 months – 21%; 1-2 years – 10%; 2-5 years – 69%.

Summarized information concerning the City's portfolio investments is as follows:

City Portfolio Investments	Amount (in thousands)	Weighted Average Days to Maturity	Weighted Average Days to Call	Standard & Poor's Rating	Moody's Rating
Federal Home Loan Bank	\$ 34,624	354	N/A	AA+	Aaa
Federal National Mortgage Association	71,268	506	N/A	AA+	Aaa
Federal Farm Credit Bank	24,240	1,087	N/A	AA+	Aaa
Federal Home Loan Mortgage	43,572	876	N/A	AA+	Aaa
Money market funds	5,162	60	N/A	AAAm	Aaa-mf
Equity mutual funds	144,201	1,066	N/A	A-	A3
Municipal bond ETFs	46,921	1,124	N/A	AA	AA
U.S. Treasury securities	118,674	817	N/A	AA+	Aaa
Municipal bonds	2,697	321	N/A	AA-	Aa2
Treasury inflation protected ETFs	27,227	960	N/A	AA+	Aaa
High yield corporate bond ETFs	14,799	1,263	N/A	B+	B1
Total	\$ 533,385	837		AA+	Aaa

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

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
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IV. Detailed notes on all funds

A. Cash and investments

average maturity of the investments in the internal investment pool's core segment at June 30, 2018, was 33 days.

Pledged collateral by bank - The City is required to obtain from each bank that is a depository for public funds pledged collateral in an aggregate amount equal to one half of the public money in each account (Section 6-10-17 NMSA 1978). No security is required for the deposit of public money that is insured by the Federal Deposit Insurance Corporation (FDIC). The FDIC provides insurance of \$250,000 per depositor, per insured bank. The bank balances do not include outstanding items of \$7,160,000 and an unreconciled amount of \$1,020,000. The pledged collateral by bank (in thousands) at June 30, 2018, was as follows:

	US Bank	Bank of Oklahoma	Bank of Albuquerque	Wells Fargo Bank	NM Bank & Trust
Total amount on deposit	\$ 135	\$ 775	\$ 958	\$ 190,417	\$ 922
Less FDIC coverage	(250)	(250)	(250)	(250)	(250)
Total uninsured public	-	525	708	190,167	672
50% collateral requirement	-	-	354	95,084	336
Pledged securities, fair value	33	-	1,229	212,999	441
Pledged in excess of (less than) requirement	\$ 33	\$ -	\$ 875	\$ 117,915	\$ 105

B. Receivables

Taxes receivable at June 30, 2018, are from the following sources:

Gross receipts tax	\$ 75,254,196
Property tax	8,066,997
Lodgers' tax	1,329,421
Hospitality tax	265,886
Other taxes	6,758,709
Total	<u>\$ 91,675,209</u>

The property taxes above include a receivable of \$4,498,514 in the General Fund and \$3,568,483 in the General Obligation Debt Service Fund.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied each year on July 1 on the taxable valuation of property located in the City as of the preceding January 1. The Bernalillo County Assessor and the State of New Mexico Department of Taxation and Revenue determine the taxable valuations for the various classes of property at one-third of assessed valuation. Property in the City for the fiscal year 2018 tax levy had a taxable value of \$13,230,978,827. The State Constitution limits the rate of taxes for operating purposes for all taxing jurisdictions to 20 mills (\$20 per \$1000 assessed valuation), of which the City's portion, by state regulation, is limited to 7.650 mills for operations and 12.0 mills for each debt service obligation. The general obligation bond debt service levy for tax year 2017 (fiscal year 2018) is 4.976 mills and the operational levy is 6.241 mills on residential property and 6.544 mills on commercial property. Taxes are payable in two equal installments on November 10 and April 10 and become delinquent after 30 days.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

IV. Detailed notes on all funds

B. Receivables

Due from other governments

Due from other governments totaled \$97,898,041, representing \$72,663,864 million in federal and state grant receivables and \$25,234,177 from other governmental agencies.

Accounts receivable and allowance for uncollectible accounts

Included in the Statement of Net Position are balances of receivables which are reported net of allowances for uncollectible accounts. The amounts of these receivables and allowances as of June 30, 2018 are as follows:

	Total Receivables	Allowance for Uncollectible Accounts	Net Receivables
Accounts and notes receivable:			
Governmental activities:			
Major funds:			
General fund	\$ 25,429,915	\$ 22,725,029	\$ 2,704,886
Capital acquisition fund	1,803,431	-	1,803,431
Nonmajor funds:			
Governmental funds	415,041	36,409	378,632
Internal service funds	7,525	-	7,525
Total governmental activities	<u>\$ 27,655,912</u>	<u>\$ 22,761,438</u>	<u>\$ 4,894,474</u>
Business-type activities:			
Major funds:			
Airport	\$ 5,304,409	\$ 387,117	\$ 4,917,292
Refuse disposal	5,906,529	2,026,915	3,879,614
Transit	735,274	-	735,274
Nonmajor enterprise funds	1,525,298	687,074	838,224
Total business-type activities	<u>\$ 13,471,510</u>	<u>\$ 3,101,106</u>	<u>\$ 10,370,404</u>
Accounts and notes receivable-noncurrent			
Governmental activities:			
Major funds:			
Special assessments	\$ 12,248,064	\$ 60,208	\$ 12,187,856
Nonmajor funds:			
Rehabilitation loans	6,327,568	2,600,612	3,726,956
Developer loans	3,805,242	-	3,805,242
Total governmental activities	<u>\$ 22,380,874</u>	<u>\$ 2,660,820</u>	<u>\$ 19,720,054</u>
Business-type activities:			
Accounts receivable-developers:			
Nonmajor funds:			
Developer loans	<u>\$ 2,674,501</u>	<u>\$ 1,156,919</u>	<u>\$ 1,517,582</u>

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

IV. Detailed notes on all funds

C. Capital assets

Capital asset activity for the year ended June 30, 2018, was as follows:

	Balance July 1, 2017 restated	Additions	Deductions	Balance June 30, 2018
<u>Governmental activities</u>				
Land and construction in progress:				
Land	\$ 321,568,762	\$ 2,192,747	\$ 894,471	\$ 322,867,038
Construction in progress	23,624,824	14,783,057	20,109,222	18,298,659
Right of way	1,145,481,026	-	-	1,145,481,026
	<u>1,490,674,612</u>	<u>16,975,804</u>	<u>21,003,693</u>	<u>1,486,646,723</u>
Capital assets-depreciable:				
Buildings	468,480,464	4,849,814	-	473,330,278
Infrastructure	2,249,395,180	41,927,083	-	2,291,322,263
Improvements	749,350,798	56,402,699	-	805,753,497
Machinery and equipment	175,174,476	9,049,941	5,811,368	178,413,049
Intangible	7,742,548	281,066	-	8,023,614
	<u>3,650,143,466</u>	<u>112,510,603</u>	<u>5,811,368</u>	<u>3,756,842,701</u>
Less accumulated depreciation:				
Buildings	147,659,999	11,199,744	-	158,859,743
Infrastructure	897,115,762	51,760,576	-	948,876,338
Improvements	390,732,874	23,315,837	-	414,048,711
Machinery and equipment	142,622,208	13,805,842	5,769,833	150,658,217
Intangible	5,228,596	1,574,516	-	6,803,112
	<u>1,583,359,439</u>	<u>101,656,515</u>	<u>5,769,833</u>	<u>1,679,246,121</u>
Capital assets-depreciable, net	<u>2,066,784,027</u>	<u>10,854,088</u>	<u>41,535</u>	<u>2,077,596,580</u>
Total capital assets, net	<u>\$ 3,557,458,639</u>	<u>\$ 27,829,892</u>	<u>\$ 21,045,228</u>	<u>\$ 3,564,243,303</u>

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

IV. Detailed notes on all funds

C. Capital assets

	Balance July 1, 2017 restated	Additions	Deductions	Balance June 30, 2018
<u>Business-type activities</u>				
Land and construction in progress:				
Land	\$ 57,482,318	\$ 16,350	\$ -	\$ 57,498,668
Construction in progress	95,561,957	18,174,789	75,170,562	38,566,184
	<u>153,044,275</u>	<u>18,191,139</u>	<u>75,170,562</u>	<u>96,064,852</u>
Capital assets-depreciable:				
Buildings	394,265,192	1,268,419	-	395,533,611
Runways	331,855,847	14,516,839	-	346,372,686
Infrastructure	11,269,994	112,559,255	-	123,829,249
Improvements	305,779,037	12,701,032	-	318,480,069
Machinery and equipment	205,559,591	9,415,899	3,461,296	211,514,194
Intangible	17,566,870	-	-	17,566,870
	<u>1,266,296,531</u>	<u>150,461,444</u>	<u>3,461,296</u>	<u>1,413,296,679</u>
Less accumulated depreciation:				
Buildings	157,825,222	8,604,516	-	166,429,738
Runways	239,334,020	10,657,340	-	249,991,360
Infrastructure	1,932,910	1,886,135	-	3,819,045
Improvements	201,851,197	11,749,412	-	213,600,609
Machinery and equipment	160,025,228	14,691,827	3,242,343	171,474,712
Intangible	366,183	703,687	-	1,069,870
	<u>761,334,760</u>	<u>48,292,917</u>	<u>3,242,343</u>	<u>806,385,334</u>
Capital assets-depreciable, net	<u>504,961,771</u>	<u>102,168,527</u>	<u>218,953</u>	<u>606,911,345</u>
Total capital assets, net	<u>\$ 658,006,046</u>	<u>\$ 120,359,666</u>	<u>\$ 75,389,515</u>	<u>\$ 702,976,197</u>

The City standardized its asset lives across certain categories in fiscal year 2018; this resulted in decreases to the beginning balance of accumulated depreciation of governmental activities and business-type activities totaling \$14,181,752 and \$107,964,417, respectively.

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

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

IV. Detailed notes on all funds

C. Capital assets

Governmental activities:

General government	\$ 6,350,895
Public safety:	
Corrections	-
Fire protection	3,256,142
Police protection	6,657,060
Culture and recreation	22,378,324
Public works:	
Municipal development	575,448
Storm	17,564,798
Highways and streets:	
Street maintenance	38,631,596
Traffic engineering	405,433
Health	652,460
Human services	4,410,537
Internal service funds	52,446
Total depreciation expense	<u>100,935,139</u>
Transfers-in from business-type activities	721,376
Total additions to accumulated depreciation	<u><u>101,656,515</u></u>

Business-type activities

Major funds:	
Airport	\$ 27,534,436
Refuse Disposal	9,582,363
Transit	8,140,742
Nonmajor funds	2,952,063
Total depreciation expense	<u>48,209,604</u>
Transfers-in from governmental activities	81,337
Cost adjustments	1,976
Total additions to accumulated depreciation	<u><u>\$ 48,292,917</u></u>

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
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IV. Detailed notes on all funds

C. Capital assets

Discretely Presented Component Unit

Capital asset activity for Albuquerque Housing Authority for the year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Land and construction in progress:				
Land	\$ 4,309,192	\$ 333,029	\$ -	\$ 4,642,221
Construction in progress	1,433,608	-	1,433,608	-
Total land and construction in progress:	<u>5,742,800</u>	<u>333,029</u>	<u>1,433,608</u>	<u>4,642,221</u>
Capital assets-depreciable:				
Buildings	61,573,518	15,130,952	46,160	76,658,310
Machinery and equipment	1,663,001	604,866	387,624	1,880,243
Total capital assets-depreciable:	63,236,519	15,735,818	433,784	78,538,553
Less accumulated depreciation:				
Buildings	52,269,184	1,129,386	221,404	53,177,166
Machinery and equipment	1,662,970	34,929	6,848	1,691,051
Total accumulated depreciation	<u>53,932,154</u>	<u>1,164,315</u>	<u>228,252</u>	<u>54,868,217</u>
Capital assets-depreciable, net	<u>9,304,365</u>	<u>14,571,503</u>	<u>205,532</u>	<u>23,670,336</u>
Total capital assets, net	<u>\$ 15,047,165</u>	<u>\$ 14,904,532</u>	<u>\$ 1,639,140</u>	<u>\$ 28,312,557</u>

D. Interfund receivables, payables, and transfers

The interfund receivable and payable accounts have primarily been recorded when funds overdraw their share of pooled cash or for payroll related liabilities recorded at year-end. The composition of interfund balances as of June 30, 2018, consists of the following:

	Due from other funds	Due to other funds
General Fund	\$ 1,429,191	\$ 988,533
Capital Acquisition Fund	24,011	13,913
Nonmajor governmental funds	249,584	2,934,693
Transit Fund	1,462,944	108,967
Airport Fund	-	57,348
Refuse Fund	-	104,433
Nonmajor enterprise funds	-	317,397
Internal service funds	1,380,069	20,515
Total	<u>\$ 4,545,799</u>	<u>\$ 4,545,799</u>

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

IV. Detailed notes on all funds

D. Interfund receivables, payables, and transfers

Interfund transfers for the year ended June 30, 2018 were as follows:

From	To	Total
General Fund	Capital Acquisition Fund	\$ 785,000
General Fund	Transit Fund	25,256,000
General Fund	Nonmajor Governmental Fund	19,806,554
General Fund	Nonmajor Proprietary Funds	1,345,000
Capital Acquisition Fund	Transit Fund	1,855,065
Capital Acquisition Fund	General Fund	411,000
Aviation Fund	General Fund	150,000
Refuse Disposal Fund	General Fund	2,580,891
Transit Fund	General Fund	408,101
Nonmajor Governmental Funds	General Fund	1,578,000
Nonmajor Governmental Funds	Capital Acquisition Fund	325,450
Nonmajor Governmental Funds	Nonmajor Governmental Funds	7,984,234
Nonmajor Governmental Funds	Transit Fund	16,005,738
Nonmajor Proprietary Funds	General Fund	191,438
Nonmajor Proprietary Funds	Nonmajor Governmental Funds	53,046
Internal Service Funds	General Fund	250,000
Internal Service Funds	Nonmajor Governmental Funds	1,498,000
Total transfers		<u>\$ 80,483,517</u>

Transfers are summarized as follows:

	Transfers in	Transfers out	Total
Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Funds	\$ 36,021,714	\$ (75,352,040)	\$ (39,330,326)
Statement of Revenues, Expenses, and Changes in Net Position - All Proprietary Funds			
Enterprise Funds	44,461,803	(3,383,477)	41,078,326
Internal Service Funds	-	(1,748,000)	(1,748,000)
Total transfers	<u>\$ 80,483,517</u>	<u>\$ (80,483,517)</u>	<u>\$ -</u>

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

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

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

E. Leases

The City has various lease commitments for real property. The lease commitments are for one to ten years, with most leases being for five years. About half of the leases have renewal options; the others do not. Lease expenses of \$1,257,582 were

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

IV. Detailed notes on all funds

E. Leases

incurred for the year ended June 30, 2018. Lease commitments for future years are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
FY 2019	\$ 1,211,789
FY 2020	806,032
FY 2021	681,749
FY 2022	697,051
FY 2023	163,045
FY 2024-2028	200,059
FY 2029-2033	200,055
FY 2034-2038	38,348
Total	<u>\$ 3,998,128</u>

F. Restricted assets

Restricted assets arise principally from legal restrictions on expenditures of proceeds from general obligations bonds or sales tax revenue bonds in the governmental activities, or on expenditures of proceeds from revenue bonds of the enterprise funds. Restricted assets also include cash with fiscal agent held for debt service and the investments restricted for use held in the City's permanent funds. The amount of restricted assets reported in the statement of net position at June 30, 2018 is \$298,478,913 of which \$203,793,518 is in governmental activities and \$94,640,806 is in business-type activities.

Governmental activities:

Capital Acquisition Fund	\$ 182,181,770
Nonmajor governmental	21,611,749
Total	<u>\$ 203,793,519</u>

Business-type activities:

Airport Fund	\$ 79,708,341
Refuse Disposal Fund	11,247,242
Transit Fund	85,259
Nonmajor enterprise funds	3,599,964
Total	<u>\$ 94,640,806</u>

G. Long-term obligations

Governmental activities:

Long-term obligations - Bonded obligations of the City consist of various issues of general obligation, revenue, and special assessment bonds. Also included in long-term obligations are notes payable, claims and judgments, net pension liability, deferred credits, other post-employment benefits, and accrued vacation and sick leave. The City has complied with all revenue bond ordinances and bond covenants requirements for maintaining specific reserves for future debt service as of June 30, 2018.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

IV. Detailed notes on all funds

G. Long-term obligations

The changes in the long-term obligations of the governmental activities for the year ended June 30, 2018, are as follows:

	July 1, 2017	Additions	Deductions	June 30, 2018	Payable in one year
General obligation bonds	\$ 408,096,000	\$ 91,200,000	\$ 58,720,000	\$ 440,576,000	\$ 51,355,000
Gross receipts tax revenue bonds	235,530,000	25,110,000	10,665,000	249,975,000	11,815,000
Fire fund loan	1,090,250	-	63,680	1,026,570	65,087
Special assessment bonds	18,887,747	-	1,717,068	17,170,679	1,717,068
Accrued vacation and sick leave	32,915,644	23,530,869	23,043,828	33,402,685	24,981,549
Claims reserve	71,926,080	5,386,687	813,165	76,499,602	18,520,885
Net pension liability	627,933,852	-	103,140,653	524,793,199	-
Net OPEB liability	3,339,812	288,778,429	-	292,118,241	-
Arbitrage liability	801,203	12,001	-	813,204	-
Unamortized:					
Premium (discount)	31,103,089	9,035,943	7,428,095	32,710,937	-
	<u>1,431,623,677</u>	<u>443,053,929</u>	<u>205,591,489</u>	<u>1,669,086,117</u>	<u>108,454,589</u>
Current portion of long-term debt	<u>(108,211,939)</u>	<u>-</u>	<u>242,650</u>	<u>(108,454,589)</u>	<u>-</u>
Total	<u>\$ 1,323,411,738</u>	<u>\$ 443,053,929</u>	<u>\$ 205,834,139</u>	<u>\$ 1,560,631,528</u>	<u>\$ 108,454,589</u>

Total interest cost incurred for governmental activities for the year ended June 30, 2018, was \$25,771,420 all of which was charged to expense.

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

The Constitution of the State of New Mexico limits the amount of general-purpose general obligation bonds that may be issued by a municipality to four percent of the taxable valuation of property located within the City. At June 30, 2018, based on the most recent assessed taxable valuation of \$13,251,118,037 the City may issue an additional \$119,084,721 of general-purpose general obligation bonds. Included in the general obligation bonds outstanding at June 30, 2018, are Storm Sewer bonds in the amount of \$29,616,000 that are not subject to the legal debt limit.

On April 11, 2018, the City issued \$84,225,000 of General Obligation Bonds, Series 2018A with an average coupon rate of 4.55%. The proceeds of these bonds were deposited into the Capital Acquisition Fund to be used to finance certain City projects relating to public safety; senior, family, community center and community enhancement projects; parks and recreation; energy conservation, public facilities and system modernization; libraries; streets; and public transportation. The bonds require annual principal payments and semi-annual interest payments through July 1, 2031. On June 29, 2018, the City issued \$6,975,000 of Short-Term General Obligation Bonds, Series 2018B. These bonds bear interest at the daily rate on the date of issuance by the State Treasurer of New Mexico. The interest rate in effect for Series 2017B was 2.135%.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

IV. Detailed notes on all funds

G. Long-term obligations

General obligation bonds outstanding at June 30, 2018, are as follows:

Issue	Face Value of Bonds	Amount Outstanding	Interest Rate	Final Maturity	Call Provisions
June 24, 2009 A General Purpose	\$ 54,970,000	\$ 6,090,000	2.00/4.00%	July 1, 2018	Non-callable
Feb. 24, 2011 A General Purpose	135,000,000	64,200,000	3.00/4.375%	July 1, 2023	100% beg. July 1, 2020
May 22, 2012 A General Purpose	61,760,000	37,645,000	2.00/5.00%	July 1, 2024	100% beg. July 1, 2020
May 22, 2012 B Storm Sewer	8,035,000	8,035,000	3.00/4.00%	July 1, 2025	100% beg. July 1, 2020
May 8, 2013 A General Purpose	70,040,000	49,425,000	2.50/4.00%	July 1, 2026	100% beg. July 1, 2021
May 8, 2013 B Storm Sewer	4,980,000	4,980,000	2.80%	July 1, 2026	100% beg. July 1, 2021
May 28, 2014 A General Purpose	57,060,000	42,645,000	2.25/5.00%	July 1, 2026	100% beg. July 1, 2022
May 28, 2014 B Storm Sewer	5,375,000	5,375,000	3.50/3.75%	July 1, 2027	100% beg. July 1, 2022
June 10, 2015 A General Purpose	37,970,000	31,405,000	2.75/5.00%	July 1, 2027	100% beg. July 1, 2023
June 10, 2015 B Storm Sewer	4,726,000	4,726,000	3.00/3.50%	July 1, 2028	100% beg. July 1, 2023
Mar. 24, 2016 A General Purpose	71,523,000	65,500,000	2.5/5.00%	July 1, 2028	100% beg. July 1, 2025
March 24, 2016 B Storm Sewer	6,500,000	6,500,000	3.00%	July 1, 2029	100% beg. July 1, 2025
April 11, 2017A General Purpose	22,850,000	22,850,000	3.00/5.00%	July 1, 2030	100% beg. July 1, 2026
April 11, 2018A General Purpose	84,225,000	84,225,000	3.00/5.00%	July 1, 2031	100% beg. July 1, 2027
Total long-term outstanding	625,014,000	433,601,000			
June 29, 2018B General Purpose	\$ 6,975,000	\$ 6,975,000	2.13%	July 2, 2018	Non-callable
Total G.O. bonds	\$ 631,989,000	\$ 440,576,000			

Gross Receipts Tax Revenue Bonds of the City are secured by a pledge of up to 1.225% of State Shared Gross Receipts Tax revenues. Additionally, the City can pledge up to 50% of the Lodgers' and Hospitality Tax revenues for payment of these bonds and notes. Net revenue for the year was \$200,859,670 for State Shared Gross Receipts and \$15,686,860 for Lodgers' and Hospitality Tax. Total debt service expenditures for the year were \$20,614,707.

On September 8, 2017, the City issued \$25,110,000 of Energy Savings/Municipal Infrastructure Gross Receipts Tax Revenue Bonds, Series 2017. The Series 2017 bonds were issued for the purpose of funding a portion of the City's solar projects. The bonds have an average coupon rate of 4.06% which will be partially offset by a federal subsidy resulting in an effective borrowing rate of 1.323%.

Gross receipts tax revenue bonds outstanding at June 30, 2018, are as follows:

Issue	Face Value of Bonds	Amount	Interest Rate	Final Maturity	Call Provisions
October 6, 2004 B Refunding	\$ 28,915,000	\$ 25,965,000	2.39/4.90%	July 1, 2036	100% beg. Oct. 6, 2004
July 22, 2009 A Refunding	10,535,000	9,465,000	3.00/5.00%	July 1, 2025	100% beg. July 1, 2019
July 22, 2009 B Refunding	28,305,000	16,100,000	3.00/5.00%	July 1, 2022	100% beg. July 1, 2019
September 1, 2011 A Refunding	22,600,000	12,085,000	2.00/4.00%	July 1, 2028	100% beg. July 1, 2021
April 9, 2013 Improvement	42,030,000	36,935,000	1.50/5.00%	July 1, 2035	100% beg. July 1, 2023
June 10, 2014 A Refunding	36,960,000	36,440,000	2.00/4.00%	July 1, 2037	100% beg. July 1, 2024
May 27, 2015 A Improvement	39,085,000	37,505,000	2.00/5.00%	July 1, 2038	100% beg. July 1, 2025
May 27, 2015 B Improvement	10,110,000	7,770,000	0.55/2.95%	July 1, 2023	Non-callable
December 8, 2015 C State Shared	2,080,000	1,890,000	1.75%	July 1, 2026	100% beg. July 1, 2020
February 16, 2016 Improvement	24,000,000	23,550,000	3.00/3.90%	July 1, 2038	100% beg. July 1, 2026
September 8, 2016C Improvement	17,750,000	17,160,000	2.00/5.00%	July 1, 2014	100% beg. July 1, 2026
July 11, 2017 NCREB	25,110,000	25,110,000	2.00/5.00%	July 1, 2014	100% beg. July 1, 2027
	<u>\$ 287,480,000</u>	<u>\$ 249,975,000</u>			

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

IV. Detailed notes on all funds

G. Long-term obligations

Fire Fund Loan - On January 28, 2011, the City closed on a loan with New Mexico Finance Authority (NMFA) for \$1,441,625 with an average interest rate of 3.417%. The proceeds were used to design, construct, equip, and furnish Fire Station #7. The terms of the loan require annual principal payments and semi-annual interest payments beginning November 1, 2011, and maturing May 1, 2031. As part of the agreement, the City also entered into an intercept agreement with NMFA whereby the principal and interest payment required will be from annual distributions in the amount of \$ 101,043 made to the City's Fire Fund by the State Treasurer pursuant to Section 59A-53-7, NMSA 1978. The funds are remitted directly to NMFA and held by NMFA until the November/May due dates. The balance due at June 30, 2018 is \$1,026,570.

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

On October 30, 2012, the City executed a loan agreement with Banc of America Public Capital Corp for Special Assessment District No. 228. The tax-exempt loan payable for \$22,743,479 has a coupon rate of 3.0% and matures on January 1, 2028. The proceeds are used to finance the construction of streets, sewer lines, and water lines. The balance outstanding at June 30, 2018 is \$17,170,679.

Business-type activities:

Long-term obligations - The changes in the business-type activities obligations for the year ended June 30, 2018, are as follows:

	July 1, 2017	Additions	Deductions	June 30, 2018	Payable in one year
Revenue bonds	\$ 49,910,000	\$ -	\$ 10,350,000	\$ 39,560,000	\$ 10,495,000
Accrued vacation and sick leave	6,738,063	4,864,642	4,989,429	6,613,276	4,952,398
Landfill closure costs	4,843,853	294,911	-	5,138,764	-
Net pension liability	90,049,699	-	11,614,692	78,435,007	-
Net OPEB liability	757,376	60,613,977	-	61,371,353	-
Security deposits	157,223	4,142	-	161,365	-
Unamortized:					
Premium (discount)	106,997	-	79,680	27,317	-
	152,563,211	65,777,672	27,033,801	191,307,082	15,447,398
Current portion	(15,453,096)	-	(5,698)	(15,447,398)	-
Business-type activity long-term obligations	<u>\$ 137,110,115</u>	<u>\$ 65,777,672</u>	<u>\$ 27,028,103</u>	<u>\$ 175,859,684</u>	<u>\$ 15,447,398</u>

Total interest cost incurred for business-type activities for the year ended June 30, 2018 was \$2,132,014, all of which was charged to expense. The city implemented GASB No. 89 *Accounting for Interest Cost Incurred before the End of a Construction Period* in the current fiscal year. Therefore, interest expense includes \$716,110 which was previously capitalized in the construction in progress account.

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G. Long-term obligations

Airport Revenue Bonds are secured by pledges of net revenues of the airport. Airport Revenue Bonds outstanding at June 30, 2018, are as follows:

Issue	Face Value of Bonds	Amount	Interest Rate	Final Maturity	Call Provisions
March 23, 2004 A, Refunding	\$ 20,610,000	\$ 1,790,000	1.63% to 5.11%	July 1, 2018	100% beg. July 1, 2005
March 11, 2008 A, Refunding	13,640,000	2,300,000	3.00% to 5.00%	July 1, 2018	Non-callable
May 14, 2008 C, Refunding	5,170,000	1,465,000	3.50% to 4.38%	July 1, 2020	100% beg. July 1, 2018
November 12, 2009 A, Refunding	26,080,000	6,110,000	3.00% to 4.50%	July 1, 2019	Non-callable
April 8, 2014 A, Refunding	15,375,000	11,445,000	2.60%	July 1, 2024	Non-callable
Total outstanding	80,875,000	23,110,000			
Unamortized:					
Premium (discount)		35,174			
Net outstanding		<u>\$ 23,145,174</u>			

Apartments Revenue Bonds - On April 21, 2016, the City issued \$8,430,000 Gross Receipts Tax Refunding Revenue Bonds (Beach, Bluewater and Manzano Vista Projects) Series 2016B to partially refund the Series 2008B Bonds. This debt constitutes a limited obligation of the City and is payable solely from the resources of the Apartments. Respective revenues derived from them are pledged for the repayment of these bonds. The Series 2016B Gross Receipts Tax Refunding Revenue Bonds mature on July 1, 2030, and bear a 2.3% coupon interest rate. The Series 2016B bonds are subject to optional redemption generally at par (unless long-term interest rates are in effect). The Apartments debt in the amount of \$8,885,000 is outstanding for the year ended June 30, 2018.

Stadium Loans are secured by pledges of net revenues of the Albuquerque baseball stadium. Revenue in fiscal year 2018 totaled \$1.9 million. The annual debt service payment including interest for fiscal year 2018 was \$1.0 million. On September 1, 2011, the City issued Gross Receipts Tax/Stadium Revenues Refunding Revenue Bonds, Taxable Series 2011B in the amount of \$11,650,000. The bonds have an average coupon rate of 3.23% and require annual principal payments and semi-annual interest payments through July 1, 2026. The Stadium debt in the amount of \$7,565,000 is outstanding at June 30, 2018.

Summary of annual debt service requirements - The annual debt service requirements on bonds outstanding at June 30, 2018 are as follows:

Year ending June 30,	Governmental activities		Business-type activities	
	Principal	Interest	Principal	Interest
2019	\$ 64,952,155	\$ 26,640,610	\$ 10,495,000	\$ 1,118,975
2020	59,543,717	25,182,306	6,675,000	780,087
2021	60,320,484	20,527,525	3,550,000	605,705
2022	60,887,488	19,830,010	3,080,000	508,508
2023	56,654,699	17,287,142	3,100,000	419,488
2024-2028	226,229,199	55,973,598	10,335,000	885,486
2029-2033	109,910,507	23,504,197	2,325,000	81,133
2034-2038	66,010,000	7,634,095	-	-
2039-2043	4,240,000	80,561	-	-
Total	<u>\$ 708,748,249</u>	<u>\$ 196,660,044</u>	<u>\$ 39,560,000</u>	<u>\$ 4,399,382</u>

Arbitrage - Section 148 of the Internal Revenue Code generally provides that bonds issued by a municipality will be "arbitrage

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bonds", if any portion of the proceeds of the bonds are reasonably expected to be invested in obligations with a yield that is "materially higher" than the yield on the bonds. While municipalities are entitled to earn a certain amount of positive arbitrage during the period the bonds are outstanding, Section 148(f) generally requires that these earnings be paid to the Internal Revenue Service (IRS) at least every five years. As of June 30, 2017, the City has set aside \$813,204 in arbitrage interest due the IRS in connection with future filings and payments to the IRS. This amount is included in other liabilities in the Statement of Net Position. For fiscal year 2018, no payment is due to the IRS.

Discretely presented component unit

	Outstanding			Amount due within one year	
	July 1, 2017	Additions	Deductions	June 30, 2018	
Loans and notes payable	\$ 3,500,000	\$ -	\$ 3,500,000	\$ -	\$ -
HUD payable	142,623	-	15,847	126,776	21,129
Accrued vacation and sick leave	171,702	687	-	172,389	76,887
Capital lease	4,000,000	4,048,076	-	8,048,076	156,064
Net OPEB liability	239,763	2,894,166	-	3,133,929	-
Net pension liability	4,764,231	-	346,549	4,417,682	-
	<u>\$ 12,818,319</u>	<u>\$ 6,942,929</u>	<u>\$ 3,862,396</u>	<u>\$ 15,898,852</u>	<u>\$ 254,080</u>

H. Refunded bonds

The City has refunded various bond issues by issuing refunding bonds, the proceeds of which have been placed in escrow and used to purchase securities of the United States Government and related agencies at various interest rates and maturities sufficient to meet all debt service requirements of the refunded debt. These assets are administered by trustees and are restricted to use for retirement of the refunded debt. The liability for the refunded bonds and the related securities and escrow accounts are not included in the accompanying general purpose financial statements as the City satisfied its obligation for payment of the refunded debt upon completion of the refunding transactions. Refunded debt outstanding at June 30, 2018, is as follows:

Gross Receipts Tax Revenue Bonds	\$ 36,325,000
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I. Conduit bonds

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

Industrial Revenue Bonds - As of June 30, 2018, there were ten series of Industrial Revenue Bonds outstanding. The aggregate principal amount payable could not be determined; however, the original amount issued totaled \$271,485,000. Bonds issued by Sun Healthcare Group for \$65,000,000 and Emcore Corporation for \$55,000,000 are pending close out.

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IV. Detailed notes on all funds

J. Segment information

Significant financial data of major enterprise funds are reported in the statements for enterprise funds in the basic financial statements section. Significant financial data of nonmajor enterprise funds as of and for the year ended June 30, 2018, is as follows:

(in thousands of dollars)

CONDENSED STATEMENT OF NET POSITION	Golf Course Fund	Apartments Fund	Parking Facilities Fund	Stadium Fund	Total
Assets					
Current assets	\$ 669	\$ 3,738	\$ 1,317	\$ 571	\$ 6,295
Restricted assets	90	1,835	2,544	648	5,117
Capital assets	3,942	10,385	26,918	14,665	55,910
Total assets	<u>\$ 4,701</u>	<u>\$ 15,958</u>	<u>\$ 30,779</u>	<u>\$ 15,884</u>	<u>\$ 67,322</u>
Deferred outflows of resources					
Deferred gain/loss on bond refunding	\$ -	\$ 469	\$ -	\$ 34	\$ 503
Deferred outflow related to OPEB	42	-	34	3	79
Deferred outflow related to pension	531	-	443	32	1,006
Total deferred outflows of resources	<u>\$ 573</u>	<u>\$ 469</u>	<u>\$ 477</u>	<u>\$ 69</u>	<u>\$ 1,588</u>
Liabilities					
Current liabilities	532	924	235	1,010	2,701
Liabilities payable from restricted assets	-	161	-	-	161
Bonds, notes payable, and other long-term liabilities	-	8,430	-	6,832	15,262
Other liabilities	4,035	-	3,495	252	7,782
Total liabilities	<u>4,567</u>	<u>9,515</u>	<u>3,730</u>	<u>8,094</u>	<u>25,906</u>
Deferred Inflows of Resources					
Deferred inflow related to OPEB	353	-	294	22	669
Deferred inflow related to pension	146	-	125	8	279
Total deferred inflows of resources	<u>499</u>	<u>-</u>	<u>419</u>	<u>30</u>	<u>948</u>
Net Position (Deficit)					
Invested in capital assets	3,942	1,500	26,918	7,108	39,468
Restricted for					
Debt service	47	1,556	7	953	2,563
Construction in progress	44	-	2,547	-	2,591
Unrestricted	(3,827)	3,855	(2,365)	(232)	(2,569)
Total net position	<u>\$ 206</u>	<u>\$ 6,911</u>	<u>\$ 27,107</u>	<u>\$ 7,829</u>	<u>\$ 42,053</u>

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J. Segment information

CONDENSED STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN NET POSITION (in
thousands)

	Golf Course Fund	Apartments Fund	Parking Facilities Fund	Stadium Fund	Total
Operating revenues	\$ 3,880	\$ 4,192	\$ 4,521	\$ 1,873	\$ 14,466
Depreciation	(246)	(540)	(1,537)	(629)	(2,952)
Other operating expenses	(5,254)	(2,648)	(4,097)	(917)	(12,916)
Operating income (loss)	(1,620)	1,004	(1,113)	327	(1,402)
Nonoperating revenues (expenses):					
Interest on investments	4	(12)	1	(14)	(21)
Interest expense	-	(299)	-	(306)	(605)
Other	(114)	(7)	(128)	(9)	(258)
Transfers in	1,146	-	-	199	1,345
Transfers out	(76)	(53)	(116)	-	(245)
Change in net position	(660)	633	(1,356)	197	(1,186)
Beginning net position	1,054	6,278	31,320	4,677	43,329
Ending net position	\$ 394	\$ 6,911	\$ 29,964	\$ 4,874	\$ 42,143

CONDENSED STATEMENT OF CASH FLOWS (in
thousands)

	Golf Course Fund	Apartments Fund	Parking Facilities Fund	Stadium Fund	Total
Net cash provided (used) by:					
Operating activities	\$ (1,321)	\$ 1,706	\$ 546	\$ 783	\$ 1,714
Noncapital financing activities	1,121	(53)	(97)	199	1,170
Capital and related financing activities	-	(695)	-	(1,015)	(1,710)
Investing activities	3	(12)	1	(13)	(21)
Net increase (decrease)	(197)	946	450	(46)	1,153
Beginning cash and cash equivalents	921	4,610	1,667	695	7,893
Ending cash and cash equivalents	\$ 724	\$ 5,556	\$ 2,117	\$ 649	\$ 9,046

The Golf Course Fund charges a greens fee for the use of the City's golf courses. The Apartments Fund charges rental on housing for persons who meet eligibility requirements based on the level of income earned. The Stadium Fund provides a stadium that is being used by an AAA class baseball team. The Parking Fund charges fees for the use of City parking facilities.

K. Defined benefit pension plan

General Information about the Pension Plan

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

Benefits provided - The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. Effective July 1, 2013, new legislation enabled two benefit tiers under each

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K. Defined benefit pension plan

General Information about the Pension Plan

PERA coverage plan. The coverage plans include Municipal General, Municipal Police and Municipal Fire Plans. Members are eligible to retire when they meet the age and service credit requirement for the plan they participate in. Plan members are required to contribute between 7.75%-18.15% of their gross salary, depending on the specific plan type. The City is required to contribute between 7.40%-21.65% of the gross covered salary, depending on the specific plan type.

Contributions - The following are the plans covered by the City and the contribution requirements (in thousands of dollars) for the year ended June 30, 2018:

Group Covered	Employee		Employer	
	Percent	Amount	Percent	Amount
General, Management, and Bus Drivers	14.16 %	\$ 23,899	9.55 %	\$ 15,699
Temporary Employees	7.74 %	85	7.40 %	85
J-Series 20 Year	18.15 %	576	17.05 %	205
Police	17.78 %	9,960	18.90 %	11,408
Fire	17.70 %	7,261	21.65 %	8,881
		<u>\$ 41,781</u>		<u>\$ 36,278</u>

The contribution requirements of plan members and the City are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. In accordance with Chapter 10, Article 11, Section 5 NMSA 1978, the City has elected to make a percentage of the employees' contributions. The percentage of the employees' contributions paid by the City varies according to the specific plan type. The City's required contributions to PERA for the years ending June 30, 2018, 2017, and 2016 were \$36,278,146, \$35,376,597, and \$33,311,341, respectively. The City's total contributions to PERA, including the employer required contributions and the portion the City pays for the employees for the years ending June 30, 2018, 2017, and 2016 were \$64,913,483, \$63,864,670, and \$60,217,368, respectively.

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

As of June 30, 2018, The City of Albuquerque reported a net pension liability of \$603,228,206 its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016.

The City of Albuquerque's proportion of the net pension liability was based on the City's share of contributions to the pension plan by type for fiscal year 2018. As June 30, 2018, the City of Albuquerque's proportional share was 18.82% of the Municipal General Division, 28.06% of the Municipal Police Division, and 32.99% of the Municipal Fire Division.

For the year ended June 30, 2018, the City recognized its proportional share of the pension contribution expense of \$69,711,525. The proportional share of the pension contribution expense by plan type is as follows:

<u>Plan Type</u>	<u>Pension Contribution Expense</u>
Municipal General	\$ 29,925,572
Municipal Police	\$ 18,356,314
Municipal Fire	\$ 21,429,639

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K. Defined benefit pension plan

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

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
City of Albuquerque - Overall		
Differences between expected and actual experience	\$ 25,792,403	\$ (66,008,131)
Change in assumptions	28,662,053	(7,480,883)
Net difference between projected and actual earnings on pension plan investments	40,856,144	-
Changes in proportion and differences between City contributions and proportionate share of contributions	7,305,896	(9,263,407)
City contributions subsequent to the measurement date	36,091,959	-
Total	<u>\$ 138,708,455</u>	<u>\$ (82,752,421)</u>

	Deferred outflows of resources	Deferred inflows of resources
General Municipal		
Differences between expected and actual experience	\$ 10,159,991	\$ (13,243,116)
Change in assumptions	11,923,842	(2,671,952)
Net difference between projected and actual earnings on pension plan investments	21,213,974	-
Changes in proportion and differences between City contributions and proportionate share of contributions	2,838,695	(4,646,714)
City contributions subsequent to the measurement date	16,014,707	-
Total	<u>\$ 62,151,209</u>	<u>\$ (20,561,782)</u>

	Deferred outflows of resources	Deferred inflows of resources
General Police Division		
Differences between expected and actual experience	\$ 9,469,749	\$ (29,131,919)
Change in assumptions	9,276,648	(3,625,633)
Net difference between projected and actual earnings on pension plan investments	12,557,132	-
Changes in proportion and differences between City contributions and proportionate share of contributions	1,846,086	(3,285,714)
City contributions subsequent to the measurement date	11,198,828	-
Total	<u>\$ 44,348,443</u>	<u>\$ (36,043,266)</u>

	Deferred outflows of resources	Deferred inflows of resources
General Fire Division		
Differences between expected and actual experience	\$ 6,162,663	\$ (23,633,096)
Change in assumptions	7,461,563	(1,183,298)
Net difference between projected and actual earnings on pension plan investments	7,085,038	-
Changes in proportion and differences between City contributions and proportionate share of contributions	2,621,115	(1,330,979)
City contributions subsequent to the measurement date	8,878,424	-
Total	<u>\$ 32,208,803</u>	<u>\$ (26,147,373)</u>

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K. Defined benefit pension plan

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

The amount of contributions related to fiscal year 2018 have been reported as deferred outflows of resources related to pensions and will be recognized as a reduction of the net pension liability in fiscal year 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended June 30:	City Overall	General Municipal Division	General Police Division	General Fire Division
2019	\$ 4,989,500	\$ 5,971,503	\$ (1,411,202)	\$ 429,199
2020	\$ 31,417,463	\$ 21,651,973	\$ 6,498,968	\$ 3,266,522
2021	\$ (4,630,377)	\$ 4,150,913	\$ (4,309,878)	\$ (4,471,412)
2022	\$ (11,912,511)	\$ (6,199,669)	\$ (3,671,539)	\$ (2,041,303)

Actuarial assumptions - The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods including the measurement:

Actuarial Methods	
Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Pay
Amortization period	Solved for based on statutory rates
Asset valuation method	4 year smoothed market value
Actuarial Assumptions	
Investment rate of return	7.51% annual rate, net of investment expense
Payroll Growth	2.75% annual rate for 9 years, then 3.25% annual rate
Projected salary increases	2.75% to 14.00% annual rate
Inflation assumption	2.25% annual rate first 9 years, 2.75% all other years

The long-term expected rate of return on pension plan investments was determined using statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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K. Defined benefit pension plan

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

ALL FUNDS - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	43.5 %	7.39 %
Risk Reduction and Mitigation	21.5 %	1.79 %
Credit Oriented Fixed Income	15.0 %	5.77 %
Real Assets	20.0 %	7.35 %
Total	100.0 %	

Discount rate - The rate is 7.25% for the first 9 years (select period) and 7.75% for all other years (ultimate). The equivalent blended rate is 7.51% and will be used to measure the total pension liability. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASB 67. Therefore, the 7.51% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City of Albuquerque's proportionate share of the net pension liability to changes in the discount rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.51 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percent lower (6.51 percent) or 1-percent higher (8.51 percent) than the current rate:

Plan	1% Decrease (6.51%)	Current Discount Rate (7.51%)	1% Increase (8.51%)
City of Albuquerque, Overall	\$ 906,867,068	\$ 603,225,178	\$ 352,208,619
Municipal General	\$ 405,262,029	\$ 258,568,366	\$ 136,572,187
Municipal Police	\$ 248,647,418	\$ 155,918,916	\$ 79,821,460
Municipal Fire	\$ 252,957,621	\$ 188,737,896	\$ 135,814,972

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued PERA Financial Report. As of June 30, 2018, there was a \$4,517,301 PERA contributions payable of which \$3,061,213 was for pay period June 23, 2017 and \$1,456,088 was for the accrual through June 30, 2018.

L. Post-employment benefits

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

Postemployment Life Insurance Benefits

Plan Description - The City's Life Insurance Benefit Plan (Plan) is a cost sharing multiple-employer plan administered as a formal trust by the City of Albuquerque. The Plan includes coverage for all City employees. The Plan also includes coverage for the employees of the Albuquerque Bernalillo County Water Authority (a separate legal entity, formerly a component unit of

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IV. Detailed notes on all funds

L. Post-employment benefits

the City). The Albuquerque Pooled OPEB Trust Plan issues a separate report that can be obtained from the Accounting Division at P.O. Box 1293, Room 8010, 8th Floor, Albuquerque, NM 87103. The Water Utility Authority and the City have different benefit rules. Insurance benefits are authorized by the City's Merit System Ordinance and Personnel Rules and Regulations. Upon retirement with the City, an employee will continue to be covered by the City's plan at no cost to the employee. Coverage will be one-half of the coverage reflected on the most recent annual life insurance adjustment report immediately prior to retirement up to a maximum of \$25,000. Effective July 1, 2008 the minimum amount of coverage per retiree is \$12,500. The number of retired employees covered under the life insurance benefit was 4,846 at June 30, 2018, and the amount of life insurance coverage for these retired employees was \$108,964,850.

Funding Policy - In fiscal year 2014, the City of Albuquerque and the Water Utility Authority created a City of Albuquerque Pooled OPEB Trust Fund. Prior to July 1, 2013, the City had been contributing only the amount required to pay retiree life insurance premiums each year. The City contributes 100% or more of the actuarially determined contributions each year.

Contributions - Contributions are expected to match or exceed the actuarial annual required contribution (ARC). Monthly invoices for retiree life insurance premiums are paid out of the trust. When expected benefit claims exceed retiree premiums, the City is allowed to treat the implicit subsidy as a contribution. The City's total contributions to the trust for the year ending June 30, 2018 were \$4,062,731 which included \$2,238,878 of employer contributions and \$1,823,853 implicit subsidy contributions (reported in insurance expense). Included in the trust assets is an accrual that is not included in the contributions used to calculate the net OPEB liability in the amount of \$28,461.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources - As of June 30, 2018, the City reported a net OPEB Liability of \$38,544,574 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the OPEB liability was determined by an actuarial valuation as of July 1, 2017 rolled forward to June 30, 2018. As of June 30, 2018, the City's proportionate share of the OPEB liability was 95%.

For year ended June 30, 2018, the City recognized pension contribution expense of \$3,110,289.

As of June 30, 2018, the City reported deferred outflows of resources and deferred inflow of resources related to OPEB Life Insurance from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 344,896	\$ -
Change in assumptions	1,773,352	-
Net difference between projected and actual earnings on OPEB plan investments	-	(90,616)
Total	<u>\$ 2,118,248</u>	<u>\$ (90,616)</u>

The amount of contributions related to fiscal year 2018 have been recorded as a reduction of the OPEB liability. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Fiscal Year Ended June 30:	Amount
2019	514,972
2020	514,972
2021	514,972
2022	482,716

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Sensitivity of the City of Albuquerque's proportionate share of the net OPEB liability to changes in the discount rate - The following presents the City's proportionate share of the net OPEB liability calculated using the discount rate of 5 percent, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percent lower (4.0 percent) or 1-percent higher (6.0 percent) than the current rate:

	1% Decrease (4.0%)	Current Discount Rate (5.0%)	1% Increase (6.0%)
City's proportionate share of the net OPEB liability	\$ 48,181,125	\$ 38,544,574	\$ 30,837,292

OPEB plan fiduciary net position - Detailed information about the trust plan's fiduciary net position is available in the separately issued OPEB Financial Report. Payables to the OPEB Plan. As of June 30, 2018, there was a \$429,340 contributions payable to the trust.

Actuarial assumptions - The total OPEB liability in the June 30, 2018 valuation was determined using the following actuarial assumptions applied to all periods including the measurement:

<u>Actuarial Methods</u>	
Actuarial valuation date	July 1, 2017
Actuarial cost method	Entry Age Normal
Asset valuation method	Cost, level % of pay
	Market value of assets
<u>Actuarial Assumptions</u>	
Long term rate of return	5% as of June 30, 2017 net of investment expenses and including inflation
Discount rate	5%
Projected salary increases	4.25% per year
Inflation assumption	2.75% per year

The long-term expected rate of return on OPEB plan investments was determined using statistical analysis in which best estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table.

Discount rate - The expected long-term rate of return on trust assets was used. Based on the level of funding to date and the expected future contributions established in the funding policy, trust assets are expected to be sufficient in all future years to provide the expected benefit payments.

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	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
ALL FUNDS - Asset Class		
US Equity - Broad Market (U.S. Total Stock Market Index)	60.00 %	6.00 %
US Fixed Income (U.S. Aggregate Bond Market)	40.00 %	3.00 %
	100.00 %	

Retiree Health Care Act Contributions

Plan Description - The City contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Benefits Provided - RHCA is a multiple employer cost sharing defined benefit healthcare plan that provides eligible retirees, their spouses, dependents and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be contributions to RHCA and by co-payments or out-of-pocket payments of eligible retirees.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Retiree Health Care Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years. The City does not have data pertaining to the City of Albuquerque retired and active employees as of June 30, 2018.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. Information related to the number of plan members can be found in the publicly available report. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Funding Policy - The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers are January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to

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be appropriate by the board.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees who are members of an enhanced retirement plan (state police and adult correctional officer coverage plan 1; municipal police member coverage plans 3, 4 and 5; municipal fire member coverage plan 3, 4 and 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act [10-12B-1 NMSA 1978]), during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary, and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources - As of June 30, 2018, the City reported a net OPEB Liability for Retiree Health Care of \$314,945,020 for its proportionate share of the net OPEB liability. This amount excludes the amount attributable to Albuquerque Metropolitan Arroyo Flood Control Authority (AMAFCA) and Mid-Region Council of Governments of New Mexico (MRCOG) \$7,909,946. RHCA included these two entities in the City's Liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the OPEB liability was determined by an actuarial valuation as of June 30, 2016. As of June 30, 2018, the City's proportionate share of the OPEB liability was 6.95%. AMAFCA and MRCOG represent .17% of the reported percentage by RHCA.

For year ended June 30, 2018, the City recognized pension contribution expense of \$12,835,677. As of June 30, 2018, the City reported deferred outflows of resources and deferred inflow of resources related to OPEB Life Insurance from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (12,085,920)
Change in assumptions	-	(55,064,125)
Net difference between projected and actual earnings on OPEB plan investments	-	(4,530,701)
City contributions subsequent to the measurement date	5,856,915	-
Total	<u>\$ 5,856,915</u>	<u>\$ (71,680,746)</u>

The amount of contributions related to fiscal year 2018 have been recorded as a deferred outflow of resources related to the RHCA OPEB liability. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Fiscal Year Ended June 30:	-
2019	(15,252,141)
2020	(15,252,141)
2021	(15,252,141)
2022	(15,252,141)
2023	(10,730,099)

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Actuarial assumptions - The total OPEB liability in the June 30, 2017 valuation was determined using the following actuarial assumptions applied to all periods including the measurement:

Actuarial Methods	
Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry Age Normal
Amortization method	Market value of assets

Actuarial Assumptions	
Investment rate of return	7.25 annual rate, net of investment
Discount rate	3.81%
Projected salary increases	3.50%
Mortality rate	RP-2000 Combined Healthy Mortality
Healthcare cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs 7.5% graded down to 4.5% over 12 years for Medicare medical plan costs

The long-term expected rate of return on OPEB plan investments was determined using a building block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses as a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investments expenses, used in the derivation of the long-term expected investment rate of return assumptions.

ALL FUNDS - Asset Class	Target Allocation		Long-Term Expected Real Rate of Return	
U.S. core fixed income	20.00	%	4.10	%
U.S. equity - large cap	20.00	%	9.10	%
Non U.S. - emerging markets	15.00	%	12.20	%
Non U.S. - developed equities	12.00	%	9.80	%
Private equity	10.00	%	13.80	%
Credit and structured finance	10.00	%	7.30	%
Real Estate	5.00	%	6.90	%
Absolute Return	5.00	%	6.10	%
U.S. equity - small cap	3.00		9.10	
	100.00	%		

Discount rate - The discount rate used to measure the total OPEB liability is 3.81% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the

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actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Funds fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2028. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus 3.81% is the blended discount rate.

Sensitivity of the City of Albuquerque's proportionate share of the net OPEB liability to changes in the discount rate. The following represents the City's proportionate share of the net OPEB liability calculated using the discount rate of 3.81 percent, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percent lower (2.81 percent) or 1-percent higher (4.81 percent) than the current rate:

	1% Decrease (2.815%)	Current Discount Rate (3.81%)	1% Increase (4.81%)
City's proportionate share of the net OPEB liability	\$ 382,332,084	\$ 314,945,019	\$ 262,527,956

OPEB plan fiduciary net position. Detailed information about RHCA's fiduciary net position is available in their separately issued OPEB Financial Report. Payables to the OPEB Plan. As of June 30, 2018, there was a \$532.193 RHCA contributions payable of which \$339,322 was for pay period June 23, 2018 and a \$192,871 accrual through June 30, 2018.

M. Landfill closure and post-closure care costs

Federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post-closure care costs in the Refuse Disposal Fund as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$5,138,764 reported as accrued landfill closure costs from restricted assets at June 30, 2018, represents the cumulative amount reported to date based on the use of 32.2% of the estimated capacity of the Cerro Colorado Landfill.

The City will recognize the remaining estimated cost of closure and post-closure care of \$10,799,644 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2018. The City expects to close the landfill in the year 2075. Actual cost may be higher due to inflation, change in technology, or change in regulations. The City has set aside \$5,138,764 for future post-closure costs. This amount is reported as a restricted asset on the balance sheet. The City expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate, or additional post-closure care requirements are determined (due to change in technology or applicable laws or regulations, for example); these costs may need to be covered by charges to future landfill users or from future tax revenue.

Annually the City files a financial assurance report for closure and post-closure costs with the New Mexico Department of Environmental Quality as required by 20.9.5.16 NMAC. CDM Smith, an engineering and consulting firm, provides the Solid Waste Department with an Airspace Depletion Analysis report and the analytical data from the report is used to determine the estimated Landfill closure and post-closure care costs.

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N. Restatement of previously reported net position and prior period adjustment

The City implemented GASB Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, in the fiscal year ending June 30, 2018. The implementation of the statement required the City to record a beginning net OPEB liability. The total restatement for governmental and business-type activities attributed to the implementation of GASB 75 is (\$336,970,807) and (\$70,505,946), respectively. The Housing Authority (AHA) also recorded a prior period adjustment for GASB 75 in the amount of (\$2,633,784).

In fiscal year 2018, the city concluded that in prior years it had made errors in estimating the asset lives for certain categories; the impact on the prior year excess revenues over expenditures could not be determined. However, the overall impact totaled \$14,181,752 and \$107,964,417 for governmental and business-type activities, respectively, in the period between fiscal years 2014 and 2017.

As a result, net position for the governmental, business-type activities and AHA changed as follows:

	June 30, 2017, as previously reported	Restatement of Net Position	July 1, 2017 as restated
Governmental net position	\$ 2,899,338,246	\$ (315,632,409)	\$ 2,583,705,837
Non-major governmental funds			
Internal service funds included in governmental net position:			
Communications Fund	73,208	(1,342,310)	(1,269,102)
Employee Insurance Fund	2,735,991	(839,569)	1,896,422
Fleet Management Fund	(965,768)	(1,854,686)	(2,820,454)
Risk management Fund	(13,166,159)	(2,725,621)	(15,891,780)
Supplies Inventory Management Fund	1,928,906	(394,460)	1,534,446
Total governmental activities	<u>\$ 2,889,944,424</u>	<u>\$ (322,789,055)</u>	<u>\$ 2,567,155,369</u>
Business-type net position			
Major enterprise funds net position:			
Airport Fund	366,505,723	98,605,243	465,110,966
Refuse Disposal Fund	76,389,029	(29,199,857)	47,189,172
Transit Fund	109,168,751	(27,975,535)	81,193,216
Non-major enterprise funds net position:			
Golf Course Fund	3,097,808	(2,231,512)	866,296
Apartments Fund	6,278,175	-	6,278,175
Parking Facilities Fund	33,028,843	(4,566,202)	28,462,641
Stadium Fund	4,803,175	2,826,334	7,629,509
Total business-type activities	<u>599,271,504</u>	<u>37,458,471</u>	<u>636,729,975</u>
Albuquerque Housing Authority	<u>\$ 26,731,542</u>	<u>\$ (2,633,784)</u>	<u>\$ 24,097,758</u>

O. Risk management

The City is exposed to various risks of loss related to torts and civil rights claims (including law enforcement and employment related exposures); theft, damage and destruction of its real and personal assets; workers compensation losses; errors and omissions of City officers and officials; and natural disasters. The City uses the Risk Management Fund to account for and finance its uninsured risks of loss. Under this program, the Risk Management Fund provides coverage for up to a maximum of \$2,000,000 for public safety employees and \$1,500,000 for all other employees for each workers' compensation incident, \$1,050,000 for each tort liability claim, and \$50,000 for each City real and contents damage claim. Losses in other categories

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O. Risk management

and catastrophic losses in the mentioned categories are the subject of insurance and/or actuarially reviewed retentions. Whenever a risk exposure is insured, the City continues to benefit from case coverage on claims that were incurred during the insured claim year.

The Risk Management Fund tracks claims on a program by program basis and assesses charges to each program based on historical claims experience and the need to establish a reserve for unanticipated catastrophic losses. The claims liabilities reported in the Risk Management Fund are based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic factors. The estimate of the claims liability also includes amounts for incremental claim adjustments expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate.

In the fiscal year ended June, 30 2013, the City conducted a review of both its philosophy for reserving funds and the tools used to analyze the reported claims liability. As a result of this review, and based on information pertaining to existing claims, the City determined that a higher claims liability was needed. Beginning in fiscal year 2015, the City instituted a "Risk Recovery" plan through an allocation to the respective departments. The original goal was to recover \$36,300,000 over ten years. In fiscal years 2015, 2016, 2017 and 2018, \$8,800,000 million was collected under the plan. Since the initiation of the Recovery Plan the City's claim experience has benefited from decreased frequency and severity of new claims. The fund's net position was negatively affected by the implementation of GASB 68 and GASB 75 by \$5,280,000 million. The amount of money needed to achieve the goal of the Recovery Plan now stands at \$15,130,000 million. It is projected that if the current trend for claims development continues and the Recovery Plan is funded annually over the next 7 years at the rate of \$2,144,000 million, the goal will be reached. It should be noted that these contributions to the Risk Recovery Plan are subject to annual appropriations by the City Council. The Recovery Plan does not include the impacts of GASB 68 and GASB 75.

The amounts and change in the Fund's claims liability in fiscal year 2018 and 2017 were:

	2018	2017
Claims liability at July 1	\$ 71,926,080	\$ 92,444,541
Current year claims and change in estimates	35,704,707	8,128,372
Claims liquidated	(31,131,185)	(28,646,833)
Claims liability at June 30	<u>76,499,602</u>	<u>71,926,080</u>
The components of the claims liability at June 30 are:		
Current portion	18,520,885	24,840,000
Noncurrent portion	57,978,717	47,086,080
Total claims liability	<u>\$ 76,499,602</u>	<u>\$ 71,926,080</u>

P. Albuquerque Housing Authority – Component Unit

The Authority reports the following blended component units:

AHA Rio Vista, LLC – Created on September 14, 2016, AHA Rio Vista, LLC was organized as a New Mexico single member limited liability company for the purpose of ownership and management of real estate for affordable housing and to engage in

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P. Albuquerque Housing Authority – Component Unit

activities of providing affordable housing to community members.

AHA Rio Developer, LLC – Created on September 28, 2016, AHA Rio Developer, LLC was organized as a single member limited liability company for the purpose of development and improvement of real estate for affordable housing.

The Authority reports the following discrete component units:

Los Lobos Realty LLC – Created on October 3, 2016, Los Lobos Realty LLC was organized as a New Mexico limited liability company to serve as the general partner of Rio Housing Associates LLLP in connection with the acquisition, development and ownership and operation of an affordable housing development known as Rio Vista Apartments. AHA Rio Vista LLC, a blended component unit of the Authority, is a 51% member of Los Lobos Realty LLC. The financial data for Los Lobos Realty LLC is insignificant and therefore the financial statements for Los Lobos Realty LLC are not presented in the accompanying financial statements.

Rio Housing Associates LLLP – Created on November 10, 2016, Rio Housing Associates LLLP was organized as a New Mexico limited liability limited partnership to acquire and rehabilitate Rio Vista Apartments. Rio Vista Apartments is a 75 unit apartment complex located in Albuquerque, New Mexico that qualify as low income housing units. The acquisition and rehabilitation will be completed as part of a low income tax credit partnership. Los Lobos Realty LLC is the general partner and owns a 0.01% interest in the partnership. Rio Housing Associates LLLP is presented as a discrete component unit in the accompanying financial statements. Rio Housing Associates LLLP follows all applicable FASB standards. Since it does not follow governmental accounting, for presentation purposes, certain transactions may be reflected differently in these financial statements than in its separately issued financial statements in order for it to conform to the presentation of the accompanying financial statements.

Q. Commitments and contingencies

Encumbrances for purchase orders, contracts, and other commitments for expenditures are recorded in memorandum accounts of the City's governmental funds. Encumbrances lapse for budgetary purposes at the end of each fiscal year and the subsequent year's appropriations provide authority to complete these transactions. For the General Fund and other operating funds, large non-recurring encumbrances are re-appropriated to the following fiscal year so that the commitment does not cause expenses to exceed appropriations.

Outstanding encumbrances as of June 30, 2018 are reported in the table below.

Government activities:

Major Funds:	
General Fund	\$ 3,291,121
Capital Acquisition Fund	41,457,595
Nonmajor government funds	<u>7,186,283</u>
Total governmental activities	<u>\$ 51,934,999</u>

In addition, the business-type funds have uncompleted construction and other commitments for construction, improvements and replacements or from operating revenues:

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Q. Commitments and contingencies

Business-type activities:

Major Funds:

Airport Fund	\$ 62,839,869
Refuse Disposal Fund	21,681,268
Transit Fund	3,704,048
Nonmajor business-type funds	<u>2,590,715</u>

Total business-type activities	<u><u>\$ 90,815,900</u></u>
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In the normal course of business, the City is subject to certain contingent liabilities and unasserted claims. These contingencies are evaluated in light of their probability of being asserted and the estimatability of the claims. Those claims that are probable and estimable have been accrued in the accompanying financial statements. Claims that are possible and/or not estimable are disclosed herein. Remote claims are monitored until such time as they are resolved, disclosed, or accrued. Except as discussed in the following paragraphs, it is the opinion of City management that the ultimate resolution of other litigation will not have a material effect on the financial position of the City.

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

The City has received a number of Federal and State grants for specific purposes. These grants are subject to audit and may result in requests for reimbursements to granting agencies for expenditures disallowed under the terms of the grants. Based on prior experience, City management believes that such discrepancies, if any, will not be material.

R. Budget violations

The City's spending was in compliance with appropriated budget at all fund levels. The City produces quarterly expenditure reports and provides the information to City Departments in an effort to stay in compliance with budgetary amounts.

S. Service concession arrangements

During fiscal year 2017, the City of Albuquerque entered into a development agreement with One Central Operating Associates, LLC (developer), under which the City would manage, collect, and retain revenues for the parking facility for a term of three hundred (300) months. The City paid the developer a lump sum of \$17,500,000 and was required to operate and maintain the parking facility in accordance with the executed contract. The operating agreement includes an irrevocable option to purchase the parking facility from the developer commencing with the 120th month after the signing of the Certificate of Occupancy. The City entered into this agreement to enhance the development of the downtown area and increase parking revenue. The City recognizes an intangible asset in the amount of \$17,500,000 pursuant to the development agreement.

T. Tax abatements

There are currently 10 tax abatement agreements enacted by the City of Albuquerque. The City has chosen to disclose information about some of its tax abatement agreements individually based on an established quantitative threshold of 5 percent of the total dollar amount of taxes abated during the year. All others are aggregated. Each agreement was negotiated under the State of New Mexico Statutes Article 32 Industrial Revenue Bonds and the City of Albuquerque Code of Ordinances § 3-2-15 INDUSTRIAL REVENUE BOND PROJECTS allowing the City of Albuquerque to abate property taxes and other State Taxes such as compensating and investment tax credit (ITC) for a variety of economic development purposes. It was determined in all

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T. Tax abatements

cases that the firms were not in direct competition with other firms and they generated gross receipts taxes through the hiring employees that offset the estimated loss in property tax revenue and other City expenses.

The abatement for real property is based on the total value of the property tax which is determined and reported by the County Assessor. Taxable Value is 1/3 of this amount, and the tax rate for the City and other Governmental Agencies is reported. Personal Property tax abatement (equipment purchased with IRB) is reported by the recipient. Payment in Lieu of taxes is reported only for the firms that do not have fully depreciated equipment.

Information relevant to the disclosure of the abatements for the fiscal year ended June 30, 2018 is:

<u>Tax Abatement Program - Industrial Revenue Bonds</u>	Property Taxes Abated	Payment in Lieu of Taxes
General Mills	\$ 157,503	\$ 26,242
Hotel Andaluz	59,327	6,178
Hotel Parq	40,717	5,936
Karsten	23,005	-
Ktech	44,314	-
Sun Healthcare	52,365	-
Emcore	55,921	-
Other IRB's under 5% of the total	43,997	-
Total	<u>\$ 477,149</u>	<u>\$ 38,356</u>

The City of Albuquerque is subject to tax abatements entered in by other governmental entities. Each agreement was negotiated under the authority of state statute NMSA §7-37-6 Industrial Revenue Bonds and NMSA 7-38. The types of abated taxes reported to the City by other entities includes Real Property tax, Personal Property Tax, and Gross Receipts and Compensating tax. Two entities reported abatements to the City of Albuquerque. The City has chosen to summarize the abatements reported by reporting entity and by type of tax abated.

Information relevant to the disclosure of the abatements entered by other governmental entities for fiscal year ended June 30, 2018 is:

<u>Abating Agency</u>	Real & Personal Property Taxes Abated	Gross Receipts Taxes Abated
Bernalillo County	<u>\$ 589,149</u>	<u>\$ 12,872</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ALBUQUERQUE, NEW MEXICO
SCHEDULE OF PENSION CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) OF NEW MEXICO
LAST 10 FISCAL YEARS*

	Fiscal Year			
	2018	2017	2016	2015
GENERAL MUNICIPAL PLAN				
Contractually required contribution	\$ 16,014,707	\$ 15,782,439	\$ 15,116,693	\$ 15,235,019
Contribution in relation to the contractually required contribution	<u>(16,014,707)</u>	<u>(15,782,439)</u>	<u>(15,116,693)</u>	<u>(15,235,019)</u>
Covered payroll	\$ 166,669,191	\$ 164,738,621	\$ 157,569,964	\$ 166,682,259
Contributions as a percentage of covered payroll	9.6 %	9.6 %	9.6 %	9.1 %
POLICE PLAN				
Contractually required contribution	\$ 11,198,828	\$ 10,932,018	\$ 10,397,810	\$ 10,753,611
Contribution in relation to the contractually required contribution	<u>(11,198,828)</u>	<u>(10,932,018)</u>	<u>(10,397,810)</u>	<u>(10,753,611)</u>
Covered payroll	\$ 58,889,322	\$ 57,730,969	\$ 55,252,643	\$ 68,877,124
Contributions as a percentage of covered payroll	19.0 %	18.9 %	18.8 %	15.6 %
FIRE PLAN				
Contractually required contribution	\$ 8,878,424	\$ 8,654,583	\$ 8,269,385	\$ 7,909,259
Contribution in relation to the contractually required contribution	<u>(8,878,424)</u>	<u>(8,654,583)</u>	<u>(8,269,385)</u>	<u>(7,909,259)</u>
Covered payroll	\$ 41,021,289	\$ 39,998,588	\$ 38,022,557	\$ 43,510,526
Contributions as a percentage of covered payroll	21.6 %	21.6 %	21.7 %	18.2 %

Contribution amounts are reported by PERA. Amounts reported by PERA and the City will differ because of timing differences.

Fiscal Year is as of and for the year ended June 30, 2018

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

CITY OF ALBUQUERQUE, NEW MEXICO
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) OF NEW MEXICO
LAST 10 FISCAL YEARS*

	Fiscal Year			
	2017	2016	2015	2014
GENERAL MUNICIPAL PLAN				
Proportion of the net pension liability (asset)	18.0 %	18.0 %	18.0 %	18.0 %
Proportionate share of the net pension liability (asset)	258,568,366	295,304,139	188,570,318	143,197,639
Covered payroll	164,738,621	157,569,964	166,682,259	151,191,059
Proportionate share of the net pension liability (asset)	157.0 %	187.4 %	113.1 %	94.7 %
POLICE PLAN				
Proportion of the net pension liability (asset)	28.1 %	27.7 %	29.0 %	28.9 %
Proportionate share of the net pension liability (asset)	155,918,916	204,088,874	139,610,198	94,045,917
Covered payroll	57,730,969	55,252,643	68,877,124	55,812,821
Proportionate share of the net pension liability (asset)	270.1 %	369.4 %	202.7 %	168.5 %
FIRE PLAN				
Proportion of the net pension liability (asset)	33.0 %	32.8 %	32.1 %	33.1 %
Proportionate share of the net pension liability (asset)	188,737,896	218,590,539	165,523,236	138,010,181
Covered employee payroll	39,998,588	38,012,557	43,510,526	37,118,229
Proportionate share of the net pension liability (asset)	472.0 %	575.0 %	380.0 %	371.8 %
Plan fiduciary net position as a percentage of the total pension liability **	73.7 %	69.2 %	77.0 %	81.3 %

* Amounts presented for each fiscal year were determined as of fiscal year ended June 30, 2017. A Full 10-year schedule will be displayed as it becomes available.

** This percentage will be the same for all plans

CITY OF ALBUQUERQUE, NEW MEXICO
SCHEDULE OF OTHER POST EMPLOYMENT BENEFIT CONTRIBUTIONS
LAST 10 FISCAL YEARS*

	Fiscal Year 2018
OPEB LIFE INSURANCE	
Actuarially determined contribution	\$ 3,248,403
Employer Contribution in relation to the actuarially required contribution	(2,238,878)
Implicit subsidy in relation to the actuarially required contribution	<u>(1,823,853)</u>
Covered payroll	\$266,579,802
Contributions as a percentage of covered payroll	1.0 %
RETIREE HEALTH CARE AUTHORITY	
Contractually required contribution	\$ 5,967,047
Contribution in relation to the contractually required contribution	<u>(5,967,047)</u>
Covered payroll	\$266,579,802
Contributions as a percentage of covered payroll	2.0 %
* A Full 10-year schedule will be displayed as it becomes available.	

CITY OF ALBUQUERQUE, NEW MEXICO
SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY
LAST 10 FISCAL YEARS*

	Fiscal Year 2018
OPEB LIFE INSURANCE	
Proportion of the net OPEB liability (asset)	95.0 %
Proportionate share of the net OPEB liability (asset)	38,544,574
Covered payroll	266,579,802
Proportionate share of the net OPEB liability (asset) as a percentage of covered payroll	14.5 %
Plan fiduciary net position as a percentage of the total OPEB liability **	32.0 %
RETIREE HEALTH CARE AUTHORITY	
Proportion of the net opeb liability (asset)	7.0 %
Proportionate share of the net OPEB liability (asset)	314,945,019
Covered payroll	262,468,178
Proportionate share of the net OPEB liability (asset) as a percentage of covered payroll	120.0 %
Plan fiduciary net position as a percentage of the total pension liability **	11.0 %

* OPEB life insurance has a measurement date of June 30, 2018 presented as of June 30, 2018.

RHCA has a measurement date of June 30, 2017 as of and presented for June 30, 2018.

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

CITY OF ALBUQUERQUE, NEW MEXICO
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION RELATED TO OPEB ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2018

OPEB Life Insurance

Change of benefit terms: There were no major changes to the benefit terms which impact the measurements provided in the Albuquerque Pooled OPEB Trust Plan.

Change in assumptions: No benefit changes occurred. The results as of June 30, 2018 were developed by a one-year roll forward of the results from July 1, 2017 valuation. The actuarial assumptions are contained in the Albuquerque Pooled OPEB Trust GASB 75 report supporting documentation section.

RHCA Insurance

Change of benefit terms: There were no major changes to the benefit terms which impact the measurements provided in the Retiree Health Care Fund.

Change in assumptions: The PERA salary scale, inflation and payroll assumptions were updated to reflect assumptions used in the PERA June 30, 2016 pension valuation. Assumptions including the following were updated: Per capita costs, future trend for health costs and medical election assumptions. The actuarial assumptions are contained in section 3 of the RHCA GASB 74 Actuarial Report.

CITY OF ALBUQUERQUE, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL OBLIGATION BOND DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Variance with
	Original Budget	Final Budget	Actual	Final Budget- Over/Under
REVENUES:				
Taxes	\$ 65,776,000	\$ 65,776,000	\$ 65,753,804	\$ (22,196)
Investment earnings	904,000	904,000	(602,652)	(1,506,652)
Total revenues	<u>66,680,000</u>	<u>66,680,000</u>	<u>65,151,152</u>	<u>(1,528,848)</u>
EXPENDITURES:				
Debt service:				
Principal retirement	58,720,000	58,720,000	58,720,000	-
Interest	14,862,000	15,257,000	15,256,353	647
Fiscal agent fees and other fees	500,000	1,306,000	1,306,517	(517)
Total expenditures	<u>74,082,000</u>	<u>75,283,000</u>	<u>75,282,870</u>	<u>130</u>
Excess (Deficiency) of Revenues Over (Under)				
Expenses	<u>(7,402,000)</u>	<u>(8,603,000)</u>	<u>(10,131,718)</u>	<u>(1,528,718)</u>
OTHER FINANCING SOURCES (USES):				
Premiums on bonds issued	4,599,000	5,800,000	9,035,943	3,235,943
Total other financing sources (uses):	<u>4,599,000</u>	<u>5,800,000</u>	<u>9,035,943</u>	<u>3,235,943</u>
Net change in fund balance	(2,803,000)	(2,803,000)	(1,095,775)	1,707,225
Fund balance, July 1	<u>64,323,388</u>	<u>64,323,388</u>	<u>64,323,388</u>	<u>-</u>
Fund balance, June 30	<u>\$ 61,520,388</u>	<u>\$ 61,520,388</u>	<u>\$ 63,227,613</u>	<u>\$ 1,707,225</u>

CITY OF ALBUQUERQUE, NEW MEXICO
SCHEDULE OF EXPENDITURES COMPARED TO APPROPRIATIONS BY PURPOSE
BUDGET AND ACTUAL - CAPITAL ACQUISITION FUND
YEAR ENDED JUNE 30, 2018

	Final Budget	Prior Years' Actual	Project Budget Remaining July 1, 2017	Current Year Actual	Project Budget Remaining June 30, 2018
<u>Capital Acquisition Fund</u>					
Capital Outlay and Other:					
Family & Community services	\$ 169,688,654	\$ 111,427,037	\$ 58,261,617	\$ 7,898,804	\$ 50,362,813
Convention Center	25,797,943	25,286,250	511,693	135,872	375,821
Environmental improvements	4,598,644	4,180,376	418,268	4,674	413,594
Facilities and Equipment	165,074,510	128,213,211	36,861,299	15,172,950	21,688,349
Libraries	52,081,804	34,696,611	17,385,193	5,036,258	12,348,935
Miscellaneous capital projects	70,251,681	50,802,520	19,449,161	2,985,348	16,463,813
Museum	23,262,235	17,022,133	6,240,102	2,110,802	4,129,300
Parks and recreation	238,641,299	191,711,173	46,930,126	22,903,122	24,027,004
Public Safety	148,114,211	122,761,989	25,352,222	5,368,454	19,983,768
Rio Grande Zoo	26,358,069	24,701,796	1,656,273	939,545	716,728
Storm Sewer	71,207,071	36,661,872	34,545,199	4,871,286	29,673,913
Street improvements	456,790,292	353,815,493	102,974,799	25,635,026	77,339,773
Transit	23,867,090	31,383,386	(7,516,296)	2,238,674	(9,754,970)
Total capital acquisition fund	<u>\$ 1,475,733,503</u>	<u>\$ 1,132,663,847</u>	<u>\$ 343,069,656</u>	<u>\$ 95,300,815</u>	<u>\$ 247,768,841</u>

CITY OF ALBUQUERQUE, NEW MEXICO

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN PROJECT FUND BALANCES BY PURPOSE CAPITAL ACQUISITION FUND YEAR ENDED JUNE 30, 2018

	Family & Community Services	Convention Center	Environmental Improvements	Facilities & Equipment
REVENUES:				
Taxes:				
Franchise taxes	\$ -	\$ -	\$ -	\$ -
Total taxes	-	-	-	-
Intergovernmental:				
Grants:				
Federal Aviation Administration	-	-	-	-
State Highway Department	-	-	-	-
State Agency of Aging	1,830,939	-	-	-
State Dept of Finance & Administration	-	-	-	200,000
State Department of Finance CIP	38,952	-	-	-
State Community Schools	-	-	-	-
Total intergovernmental	1,869,891	-	-	200,000
Interest on investments	337,105	4,762	-	(1,762,556)
Miscellaneous:				
Sales of real property	-	-	-	-
Contributions in aid of construction/Other Contrib	(9,167)	-	-	29,022
Other revenue (expenditure)	4,194	-	-	148,057
Total miscellaneous	(4,973)	-	-	177,079
Total revenues	2,202,023	4,762	-	(1,385,477)
EXPENDITURES				
Capital Outlay	7,898,804	135,872	4,674	14,193,326
Total expenditures	7,898,804	135,872	4,674	14,193,326
Excess (deficiency) of revenues over expenditures	(5,696,781)	(131,110)	(4,674)	(15,578,803)
OTHER FINANCING SOURCES (USES)				
Transfers in from other funds	2,211,963	75,000	-	(1,543,000)
Transfers out to other funds	-	-	-	(979,624)
Internal transfers in	-	-	-	-
Internal transfers out	-	-	-	-
Proceeds of notes payable and bonds issued	8,300,000	-	200,000	35,895,246
Total other financing sources (uses)	10,511,963	75,000	200,000	33,372,622
Net change in fund balances	4,815,182	(56,110)	195,326	17,793,819
Fund balances, July 1	32,279,252	433,988	216,826	26,431,044
Fund balances, June 30	\$ 37,094,434	\$ 377,878	\$ 412,152	\$ 44,224,863

CITY OF ALBUQUERQUE, NEW MEXICO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN PROJECT FUND BALANCES BY PURPOSE
CAPITAL ACQUISITION FUND
YEAR ENDED JUNE 30, 2018

<u>Libraries</u>	<u>Miscellaneous Capital Projects</u>	<u>Museum</u>	<u>Parks & Recreation</u>	<u>Public Safety</u>	<u>Rio Grande Zoo</u>
\$ -	\$ 385,998	\$ -	\$ -	\$ -	\$ -
-	385,998	-	-	-	-
-	-	-	-	-	-
-	-	-	281,013	-	-
-	-	-	-	-	-
413,981	40,070	636,786	878,669	441,100	264,720
-	-	-	-	-	-
-	-	-	(180,169)	-	-
413,981	40,070	636,786	979,513	441,100	264,720
48,959	480,289	15,369	88,779	44,932	13,559
-	-	-	-	-	-
-	921,791	-	10,077	-	-
1,464,140	-	-	180,366	252,607	-
1,464,140	921,791	-	190,443	252,607	-
1,927,080	1,828,148	652,155	1,258,735	738,639	278,279
5,036,258	2,985,348	2,110,802	22,492,122	5,368,454	939,545
5,036,258	2,985,348	2,110,802	22,492,122	5,368,454	939,545
(3,109,178)	(1,157,200)	(1,458,647)	(21,233,387)	(4,629,815)	(661,266)
150,000	(583,507)	21,000	778,994	-	-
-	-	-	(411,000)	-	-
-	-	-	-	(4,096)	-
-	-	-	-	4,096	-
5,425,000	-	-	14,947,000	14,000,000	1,575,000
5,575,000	(583,507)	21,000	15,314,994	14,000,000	1,575,000
2,465,822	(1,740,707)	(1,437,647)	(5,918,393)	9,370,185	913,734
8,811,025	27,927,227	3,930,234	28,538,562	8,949,483	1,299,239
\$ 11,276,847	\$ 26,186,520	\$ 2,492,587	\$ 22,620,169	\$ 18,319,668	\$ 2,212,973

CITY OF ALBUQUERQUE, NEW MEXICO

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN PROJECT FUND BALANCES BY PURPOSE CAPITAL ACQUISITION FUND YEAR ENDED JUNE 30, 2018

	Storm Sewer	Street Improvements	Transit	Total
REVENUES:				
Taxes:				
Franchise taxes	\$ -	\$ -	\$ -	\$ 385,998
Total taxes	-	-	-	385,998
Intergovernmental:				
Grants:				
Federal Aviation Administration	-	96,914	-	96,914
State Highway Department	-	2,322,017	-	2,603,030
State Agency of Aging	-	-	-	1,830,939
State Dept of Finance & Administration	-	-	-	2,875,326
State Department of Finance CIP	-	-	-	38,952
State Community Schools	-	-	-	(180,169)
Total intergovernmental	-	2,418,931	-	7,264,992
Interest on investments	206,278	573,727	31,922	83,125
Miscellaneous:				
Sales of real property	-	364,618	-	364,618
Contributions in aid of construction/Other Contrib	253,433	7,696	-	1,212,852
Other revenue (expenditure)	13,875	33,000	-	2,096,239
Total miscellaneous	267,308	405,314	-	3,673,709
Total revenues	473,586	3,397,972	31,922	11,407,824
EXPENDITURES				
Capital Outlay	4,871,286	25,635,026	1,363,233	93,034,750
Total expenditures	4,871,286	25,635,026	1,363,233	93,034,750
Excess (deficiency) of revenues over expenditures	(4,397,700)	(22,237,054)	(1,331,311)	(81,626,926)
OTHER FINANCING SOURCES (USES)				
Transfers in from other funds	-	-	-	1,110,450
Transfers out to other funds	-	-	(875,441)	(2,266,065)
Internal transfers in	-	-	-	(4,096)
Internal transfers out	-	-	-	4,096
Proceeds of notes payable and bonds issued	2,000,000	28,998,000	4,500,000	115,840,246
Total other financing sources (uses)	2,000,000	28,998,000	3,624,559	114,684,631
Net change in fund balances	(2,397,700)	6,760,946	2,293,248	33,057,705
Fund balances, July 1	20,088,094	48,094,435	3,909,578	210,908,987
Fund balances, June 30	\$ 17,690,394	\$ 54,855,381	\$ 6,202,826	\$ 243,966,692

APPENDIX B

DESCRIPTION OF SELECTED PROVISIONS OF THE BOND ORDINANCE

The following is a summary and excerpts, supplementing the information in the body of the Official Statement, of certain provisions of the Bond Ordinance which authorized the issuance of the Series 2019 Bonds. The summary and excerpts do not purport to be complete and reference is made to the Bond Ordinance for a full and complete statement of such provisions. See “ADDITIONAL INFORMATION.”

Selected Definitions

As used in the Bond Ordinance, the following terms have the meanings specified, unless the context clearly requires otherwise:

ACT. Sections 3-31-1 to 3-31-12, 3-38-13 to 3-38-24 and 6-14-8 to 6-14-12 NMSA 1978, as amended, the City Charter, the Home Rule Powers and all enactments of the Council, including the Bond Ordinance, relating to the issuance of the Series 2019 Bonds.

AUTHORIZED DENOMINATIONS. Denominations of \$5,000 and integral multiples thereof.

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

BOND COUNSEL. An attorney at law or a firm of attorneys designated by the City of nationally recognized standing in matters pertaining to the issuance of bonds issued by states and their political subdivisions.

BOND INSURANCE POLICY. A municipal bond insurance policy issued by a Credit Source insuring the payment when due of the principal of and interest on Tax Obligations.

BOND ORDINANCE. The ordinance, being City Twenty-Third Council Bill No. F/S O-19-77, as amended or supplemented from time to time.

BOND REGISTER. The books maintained by the Registrar for the registration, transfer and exchange of the Series 2019 Bonds.

BUSINESS DAY. Any day other than (i) a Saturday or Sunday, or (ii) any day in which the offices of the City or the offices of banks located in the State are authorized or required to remain closed.

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

CITY CHARTER. The Charter of the City adopted pursuant to the laws of the State at a special election on June 29, 1971 and amended thereafter from time to time.

CLOSING DATE. The date of the original issue, sale and delivery to the Investment Bankers or their designee of the Series 2019 Bonds.

CODE. The Internal Revenue Code of 1986, as amended from time to time. Each reference to a section of the Code in the Bond Ordinance shall be deemed to include the final and temporary United States Treasury regulations thereunder, as the same may be in effect from time to time, to the extent the same are applicable, unless the context clearly requires otherwise.

COMPLETION DATE. The date of completion of the construction, acquisition and installation of the Improvement Project or, as to that portion of the Improvement Project to be funded by the Series 2019A Bonds and as certified pursuant to the Bond Ordinance.

CONTINUING DISCLOSURE UNDERTAKING. The undertaking of the City for the benefit of Owners and beneficial owners pursuant to which the City will agree that, while the Series 2019 Bonds are Outstanding, the City will annually provide certain financial information and operating data and will provide notice of certain material events in accordance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended.

COUNCIL. The governing body in which is vested the legislative power of the City.

COUNSEL. An attorney at law (who may be counsel to the City).

CREDIT FACILITY. A letter of credit, line of credit, Bond Insurance Policy or Reserve Fund Insurance Policy, guaranty or similar agreement provided by a Credit Source whose senior unsecured debt is rated no lower than the current rating on the applicable Obligations and in any event no lower than “AAA” by Moody’s, S&P and Fitch to the extent each such rating agency is then rating such Obligations to provide support to pay the purchase price of, or the payment when due of the principal of and interest on, such Obligations.

CREDIT SOURCE. Any bank, insurance company or other financial institution which provides a Credit Facility for a series of Obligations.

DEBT SERVICE REQUIREMENTS. With respect to Tax Obligations, as applicable, and for any given period, the sum of: (1) the amount required to pay the interest, or to make reimbursements for payments of interest, becoming due on the Tax Obligations during that period, plus (2) the amount required to pay the principal or accreted value, or to make reimbursements for the payment of principal or accreted value, becoming due on Tax Obligations during that period, whether at maturity, an accretion term date or upon mandatory sinking fund redemption dates, plus (3) the periodic payments required to be made by the City pursuant to a qualified exchange agreement minus (4) the periodic payments to be received by the City pursuant to a qualified exchange agreement. No payments required for any Tax Obligations which may be tendered or otherwise presented for payment at the option or demand of the owners or holders of the Tax Obligations, or which may occur because of the exercise of an option by the City, or which may otherwise become due by reason of any other circumstance or contingency, including acceleration or exchange termination payments, which constitute other than regularly scheduled payments of principal, accreted value, interest or other regularly scheduled payments on the Tax Obligations shall be included in any computation of Debt Service Requirements for that period.

Unless, at the time of computation of Debt Service Requirements, payments on the Tax Obligations are owed to, or the Tax Obligations are owned or held by, the provider of a Credit Facility pursuant to the provisions of that Credit Facility, the computation of interest for the purposes of this definition shall be made without considering the interest rate payable pursuant to a Credit Facility.

In any computation of Debt Service Requirements relating to the issuance of additional Senior Tax Obligations, there shall be deducted from that computation of Debt Service Requirements amounts and investments which are irrevocably committed to make designated payments on the Tax Obligations during the applicable period, including, without limitation money on deposit in any debt service account, amounts on deposit in an escrow account irrevocably committed to make designated payments on the Tax Obligations, during the applicable period and earnings on such investments which are payable during the applicable period.

For the purpose of the definition of Debt Service Requirements, the accreted value of capital appreciation bonds becoming due shall be included in the calculation of accrued and unpaid and accruing interest and principal only from and after the date which is one year prior to the date on which the accreted value becomes payable. In addition, the definition of Debt Service Requirements shall include any Expense Component.

DEFEASANCE OBLIGATIONS. The following obligations which are not redeemable at the option of the City:

- (1) Government Obligations; and
- (2) if permitted by law, obligations described in Section 103(a) of the Code, (a) provisions for the payment of the principal of, premium, if any, and interest on which (i) shall have been made by the irrevocable deposit with a bank or trust company acting as a trustee, escrow agent or holder of such obligations, securities described in clause (1) of this definition, the maturing principal of and interest on which, when due and payable, without further investment or reinvestment thereof, will provide sufficient money to pay when due the principal of, premium, if any, and interest on such obligations, and (ii) which securities described in clause (1) of this definition are not available to satisfy any other claim, including any claim of such trustee or escrow agent or of any person claiming through such trustee or escrow agent or to whom such trustee or escrow agent may be obligated, including claims in the event of insolvency of such trustee or escrow agent or proceedings arising out of such insolvency or (b) rated in its highest rating category (without regard to any refinement or gradation thereof by numerical modifier or otherwise) by S&P, Moody's or Fitch.

DEPOSITORY. The following registered securities depository: The Depository Trust Company, 570 Washington Boulevard, Jersey City, New Jersey 07310, <http://www.dtcc.com>; or in accordance with then-current guidelines of the Securities and Exchange Commission, to such other addresses and/or such other securities depositories, or no such depositories, as an Authorized Officer may designate in a certificate of the City.

ELECTRONIC MEANS. Telephone, telecopy, telegraph, facsimile transmission or any other similar means of electronic communication. Any communication by telephone as an Electronic Means shall promptly be confirmed in writing, which may be by one of the other means of electronic communication listed in this definition.

EMMA. The Municipal Securities Rulemaking Board's Electronic Municipal Market Access System located on its website at emma.msrb.org.

EVENT OF DEFAULT. Any of the events set forth in the Bond Ordinance.

EXPENSES. The reasonable and necessary fees, costs and expenses incurred by the City in connection with the issuance of the Series 2019 Bonds and any transaction or event contemplated by the Series 2019 Bonds and the Bond Ordinance including, without limitation: (i) costs of advertising and

publication of legislation relating to the Series 2019 Bonds; (ii) costs of printing certificates for the Series 2019 Bonds and any disclosure documents; (iii) legal fees and expenses; (iv) fees and expenses of any (a) fiscal service providers, (b) underwriter (including underwriter's discount), (c) financial advisor, (d) Independent Accountant, (e) escrow agent, and (f) Qualified Counterparty; (v) the initial premium payable to any Insurer with respect to the Series 2019 Bonds; (vi) disclosure matters pertaining or allocable to, the Series 2019 Bonds; and (vii) all reasonable and necessary fees and administrative costs of the City relating to the foregoing.

FISCAL AGENT. Collectively, the Paying Agent and Registrar.

FISCAL YEAR. The twelve month period beginning on the first day of July of each year and ending on the last day of June of the next succeeding year, or any other twelve month period, which the City or other appropriate authority may establish as the fiscal year for the City.

FITCH. Fitch Ratings, its successors and their assigns, and, if such corporation is dissolved or liquidated or no longer performs the function of a securities rating agency, any other nationally recognized securities rating agency designated by the City.

GOVERNMENT OBLIGATIONS. Direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America or certificates or receipts established by the United States Government or its agencies or instrumentalities representing direct ownership of future interests or principal payments on direct obligations of, or obligations fully guaranteed by, the United States of America or any of its agencies or instrumentalities the obligations of which are backed by the full faith and credit of the United States, which obligations are held by a custodian in safekeeping on behalf of the holders of such receipts, and rated or assessed in its highest Rating Category by S&P, if then rating the Series 2019 Bonds, Moody's, if then rating the Series 2019 Bonds, and Fitch, if then rating the Series 2019 Bonds.

GROSS RECEIPTS TAX INCOME FUND. The "City of Albuquerque Gross Receipts Tax Income Fund" continued in Section 15 of the Bond Ordinance.

HOME RULE POWERS. The authority of the City to exercise legislative powers given pursuant to the City Charter adopted by the City pursuant to Article X, Section 6 of the State Constitution.

IMPROVEMENT PROJECT. Studying, designing, developing, constructing, reconstructing, rehabilitating, renovating, modernizing, signing, enhancing and otherwise improving tourist-related facilities and attractions.

INDEPENDENT ACCOUNTANT. Any certified public accountant, registered accountant, or firm of accountants duly licensed to practice and practicing as such under the laws of the State, appointed and paid by the City who (a) is, in fact, independent and not under the domination of the City, (b) does not have any substantial interest, direct or indirect, with the City, and (c) is not connected with the City as an officer or employee of the City, but who may be regularly retained to make annual or similar audits of the books or records of the City.

INSURED BANK. Any federally or state-chartered savings and loan association or federally or state-chartered commercial bank, the deposits of which are insured by the Federal Deposit Insurance Corporation and which has, or is the lead bank of a parent holding company which has, combined capital, surplus and undivided profits of not less than \$10,000,000.

INSURED OBLIGATIONS. Any Obligations insured by a Bond Insurance Policy or payable with the proceeds of another Credit Facility.

INSURER. Any insurer or insurers issuing a Bond Insurance Policy or Surety Bond, or both, for Obligations.

INTEREST PAYMENT DATE. January 1 and July 1 of each year (or if such day is not a Business Day, then the next succeeding Business Day), commencing on the date specified in the Sale Certificate.

INVESTMENT BANKERS. Robert W. Baird & Co. Incorporated, or its successor.

LODGERS' TAX. The occupancy tax imposed by City Ordinance Enactment No. 68-1984 on revenues on lodging within the City in an amount (at the time of adoption of the Bond Ordinance) equal to five percent (5%) of the gross taxable rent paid for lodging (not including State or local gross receipts tax) collected by the City from persons furnishing such lodging.

LODGERS' TAX ACT. Sections 3-38-13 to 3-38-24 NMSA 1978, as amended.

LODGERS' TAX OBLIGATIONS. Outstanding bonds and other obligations of the City secured by Pledged Lodgers' Tax Revenues, which as of the date of adoption of this Bond Ordinance are the Series 2004B Bonds, the Series 2009A Bonds, the Series 2011A Bonds, the Series 2014A Bonds, the Series 2016 Bonds and obligations relating thereto, including obligations of the City to the provider of any Credit Facility relating to Lodgers' Tax Obligations.

LODGERS' TAX REVENUE FUND. The "City of Albuquerque Lodgers' Tax Revenue Fund" continued in Section 15 of the Bond Ordinance.

LODGERS' TAX REVENUES. The revenues received by the City pursuant to the Lodgers' Tax Act from the Lodgers' Tax.

MATURITY DATE. The date or dates on which the Series 2019 Bonds mature.

MOODY'S. Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if such corporation is dissolved or liquidated or no longer performs the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the City.

NMSA. New Mexico Statutes Annotated, 1978 Compilation, as amended and supplemented.

OFFICIAL STATEMENT. The final disclosure document relating to the sale of the Series 2019 Bonds (including the cover page and all summary statements, appendices and other materials included or incorporated by reference or attached thereto), as amended or supplemented.

OUTSTANDING. When used in reference to Tax Obligations, on any particular date, the aggregate of all Tax Obligations issued and delivered under the applicable City ordinance or resolution authorizing the issuance of the Tax Obligations, except:

(1) those canceled at or prior to such date or delivered to or acquired by the City at or prior to such date for cancellation;

(2) those which have been paid or are deemed to be paid in accordance with the City ordinance or resolution authorizing the issuance of the applicable Tax Obligations, or otherwise relating thereto, provided that the payment of Insured Tax Obligations with the proceeds of a Bond Insurance Policy shall not result in those Insured Tax Obligations ceasing to be Outstanding;

(3) in the case of Variable Rate Tax Obligations, any Tax Obligations deemed tendered but not yet presented for payment; and

(4) those in lieu of or in exchange or substitution for which other Tax Obligations shall have been delivered, unless proof satisfactory to the City and the Paying Agent for the applicable Tax Obligations is presented that any Tax Obligations for which new Tax Obligations were issued or exchanged are held by a bona fide holder or in due course.

OWNER. The registered owner of a Series 2019 Bond as shown, from time to time, on the registration books for the Series 2019 Bonds maintained by the relevant registrar for the City.

PARITY LODGERS' TAX OBLIGATIONS. The Series 2004B Bonds, the Series 2009A Bonds, the Series 2011A Bonds, the Series 2014A Bonds, the Series 2016 Bonds and any other Lodgers' Tax Obligations issued or incurred after the adoption of this Bond Ordinance payable from the Pledged Lodgers' Tax Revenues, with a first (but not an exclusive first) lien on the Pledged Lodgers' Tax Revenues on a parity with the lien on the Pledged Lodgers' Tax Revenues of the Series 2019A Bonds and prior to the lien on the Pledged Lodgers' Tax Revenues of Subordinate Lodgers' Tax Obligations.

PAYING AGENT. The City Treasurer or other agent for the City for the payment of the Series 2019 Bonds and any co-paying agent or successor paying agent which is a trust company, national or state banking association or financial institution appointed by resolution of the Council or by an Authorized Officer from time to time.

PAYMENT OBLIGATIONS. All obligations of the City to pay the Credit Source the principal amount of, interest on, and fees, costs, expenses and other amounts related to drawings, term loans and other advances and obligations held by that Credit Source, pursuant to that Credit Facility.

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

PERSON. Any individual, corporation, partnership (in which case each partner shall be deemed a Person), joint venture, association, joint stock company, limited liability company, trust, unincorporated organization, or government or any agency or political subdivision of a government.

PLEDGED LODGERS' TAX REVENUES. Fifty percent (50%) of the Lodgers' Tax Revenues received by the City, after deduction of the administrative costs pertaining to the Lodgers' Tax to the extent required by the Lodgers' Tax Act, provided that the City is not pledging, and the term "Pledged Lodgers' Tax Revenues" does not include, any of the Lodgers' Tax Revenues in excess of fifty percent (50%) thereof.

PLEDGED REVENUES. In the case of the Series 2019A Bonds, the Pledged Lodgers' Tax Revenues and the State-Shared Gross Receipts Tax Revenues, and in the case of the Series 2019B Bonds, the State-Shared Gross Receipts Tax Revenues.

PRINCIPAL PAYMENT DATE. July 1 of each year (or if such day is not a Business Day, then the next succeeding Business Day), commencing on the date specified in the Sale Certificate.

QUALIFIED COUNTERPARTY. Any Person entering into a Qualified Exchange Agreement with the City, its successors and assigns, or any substitute Qualified Counterparty, appointed or consented to from time to time by an Authorized Officer.

QUALIFIED EXCHANGE AGREEMENT. Any financial arrangement between the City and a Qualified Counterparty which satisfies the requirements of Section 6-18-8.1 NMSA 1978, as amended, at the time the agreement is entered into.

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

RECORD DATE. The fifteenth day of the month immediately preceding each Interest Payment Date.

REDEMPTION DATE. On or about November 13, 2019 or such other subsequent date determined by the City on which the Refunded Bonds shall be redeemed.

REFUNDED BONDS. The Outstanding Series 2009 Bonds.

REFUNDED BONDS ORDINANCE. With respect to the Series 2009A Bonds and Series 2009B Bonds, City Bill No. F/S O-09-82, Enactment No. O-2009-018.

REFUNDING PROJECT. The redemption on the Redemption Date of the Series 2009A Bonds with proceeds of the Series 2019A Bonds and of the Series 2009B Bonds with proceeds of the Series 2019B Bonds and, to the extent necessary, other money of the City legally available for the purpose.

REGISTRAR. The Treasurer or other agent for the City for the transfer and exchange of the Series 2019 Bonds and any co-registrar or successor registrar which is a trust company, national or state banking association or financial institution appointed by resolution of the Council or by an Authorized Officer from time to time.

RELATED DOCUMENTS. The Bond Purchase Agreement, the Continuing Disclosure Undertaking, and any other documents relating to the Series 2019 Bonds identified and approved in the Bond Ordinance.

S&P. S&P Global Ratings, its successors and their assigns, and, if such corporation is dissolved or liquidated or no longer performs the functions of a securities rating agency, any other nationally recognized securities agency designated by the City.

SALE CERTIFICATE. One or more certificates executed by the Chief Financial Officer, Director of the Department of Finance and Administrative Services or the City Treasurer dated on or before the date of delivery of the Series 2019 Bonds, setting forth the following final terms of the Series 2019 Bonds: (i) the interest and principal payment dates; (ii) the principal amounts, denominations and maturity amortization; (iii) the sale prices; (iv) the interest rate or rates; (v) the interest payment periods; (vi) the redemption and tender provisions; (vii) the creation of any capitalized interest fund or a debt service reserve account, including the size and funding of such fund(s); (viii) the amount of underwriting discount, if any; and (ix) the final terms of agreements, if any, with agents or service providers required for the purchase, sale, issuance and delivery of the Series 2019 Bonds, all subject to the parameters and conditions contained in this Bond Ordinance.

SENIOR TAX OBLIGATIONS. The Series 2004B Bonds, the Series 2009A Bonds, the Series 2009B Bonds, the Series 2011A Bonds, the Series 2011B Bonds, the Series 2013 Bonds, the Series 2014A Bonds, the Series 2015A Bonds, the Series 2015B Bonds, the Series 2015C Bonds, the Series 2016 Bonds, the Series 2016B Bonds, the Series 2016C Bonds and any other Tax Obligations issued or incurred after the adoption of this Bond Ordinance payable from the State-Shared Gross Receipts Tax Revenues, with a lien on the State-Shared Gross Receipts Tax Revenues on a parity with the lien on the State-Shared Gross Receipts Tax Revenues of the Series 2019 Bonds.

SERIES 2004B BONDS. The “City of Albuquerque, New Mexico Taxable Gross Receipts Tax/Lodgers’ Tax Refunding Revenue Bonds, Series 2004B.”

SERIES 2009 BONDS. The Series 2009A Bonds and the Series 2009B Bonds.

SERIES 2009A BONDS. The “City of Albuquerque, New Mexico Gross Receipts Tax/Lodgers’ Tax Refunding Revenue Bonds, Series 2009A.”

SERIES 2009B BONDS. The “City of Albuquerque, New Mexico Gross Receipts Tax Refunding Revenue Bonds, Series 2009B.”

SERIES 2011 BONDS. The Series 2011A Bonds and the Series 2011B Bonds.

SERIES 2011A BONDS. The “City of Albuquerque, New Mexico Gross Receipts Tax/Lodgers’ Tax/Hospitality Fee Improvement and Refunding Revenue Bonds, Series 2011A.”

SERIES 2011B BONDS. The “City of Albuquerque, New Mexico Gross Receipts Tax/Stadium Revenues Refunding Revenue Bonds, Taxable Series 2011B.”

SERIES 2013 BONDS. The “City of Albuquerque, New Mexico Gross Receipts Tax Revenue Bonds, Series 2013.”

SERIES 2014A BONDS. The “City of Albuquerque, New Mexico Gross Receipts Tax/Lodgers’ Tax Refunding and Improvement Revenue Bonds, Series 2014A.”

SERIES 2015A BONDS. The “City of Albuquerque, New Mexico Gross Receipts Tax Improvement Revenue Bonds, Series 2015A.”

SERIES 2015B BONDS. The “City of Albuquerque, New Mexico Gross Receipts Tax Improvement Revenue Bonds, Taxable Series 2015B.”

SERIES 2015C BONDS. The “City of Albuquerque, New Mexico Gross Receipts Tax Improvement Revenue Bonds, Series 2015C.”

SERIES 2016 BONDS. The “City of Albuquerque, New Mexico Gross Receipts Tax/Lodgers’ Tax Improvement Revenue Bonds, Taxable Series 2016.”

SERIES 2016B BONDS. The “City of Albuquerque, New Mexico Gross Receipts Tax Revenue Bonds (Beach, Bluewater and Manzano Vista Projects), Series 2016B.”

SERIES 2016C BONDS. The “City of Albuquerque, New Mexico Gross Receipts Tax Improvement Revenue Bonds, Series 2016C.”

SERIES 2019 BONDS OR BONDS. The Series 2019A Bonds and the Series 2019B Bonds.

SERIES 2019A BONDS. The “City of Albuquerque, New Mexico Gross Receipts Tax/Lodgers’ Tax Refunding and Improvement Revenue Bonds, Series 2019A.”

SERIES 2019B BONDS. The “City of Albuquerque, New Mexico Gross Receipts Tax Refunding Revenue Bonds, Series 2019B.”

SERIES 2019A ACQUISITION/CONSTRUCTION FUND. The “City of Albuquerque, New Mexico Gross Receipts Tax/Lodgers’ Tax Refunding and Improvement Revenue Bonds, Series 2019A Acquisition/Construction Fund” created in Section 15.

SERIES 2019A DEBT SERVICE FUND. The “City of Albuquerque, New Mexico Gross Receipts Tax/Lodgers’ Tax Refunding and Improvement Revenue Bonds, Series 2019A Debt Service Fund” created in Section 15.

SERIES 2019B DEBT SERVICE FUND. The “City of Albuquerque, New Mexico Gross Receipts Tax Refunding Revenue Bonds, Series 2019B Debt Service Fund” created in Section 15.

SPECIAL RECORD DATE. A date established for payment of overdue interest on Series 2019 Bonds by the Paying Agent pursuant to the Bond Ordinance.

STATE. The State of New Mexico.

STATE-SHARED GROSS RECEIPTS TAX REVENUES. The revenues from the State gross receipts tax derived pursuant to Section 7-9-4 NMSA 1978, imposed on persons engaging in business in the State, which revenues are remitted monthly by the Revenue Division of the Taxation and Revenue Department of the State to the City as authorized by Sections 7-1-6.1 and 7-1-6.4 NMSA 1978, and which remittances as of the date of adoption of this Bond Ordinance are equal to one and two hundred twenty-five thousandths percent (1.225%) of the taxable gross receipts reported to the City for the month for which such remittance is made; provided that if a greater amount of such gross receipts tax revenues are hereafter provided to be remitted to the City under applicable law, such additional amounts shall be included as revenues pledged pursuant to the Bond Ordinance; and provided further that the amount of revenues pledged pursuant to the Bond Ordinance shall never be less than the greater of: (i) 1.225% of the taxable gross receipts remitted to the City as set forth above, or (ii) the maximum amount at any time provided hereinafter to be remitted to the City under applicable law; and provided further, the City intends that Section 3-31-6(C) NMSA 1978 applies expressly to the amount of revenues pledged pursuant to the Bond Ordinance. State-Shared Gross Receipts Tax Revenues also includes (i) the portion of the gross receipts tax distribution to the City to be made pursuant to Section 7-1-6.46 NMSA 1978, which represents the amount of State-Shared Gross Receipts Tax Revenues set forth in the sentence above that would have been remitted to the City but for the deductions provided by Sections 7-9-92 and 7-9-93 NMSA 1978 and (ii) any similar distributions made to the City in lieu of State-Shared Gross Receipts Tax Revenues, but State-Shared Gross Receipts Tax Revenues do not include any similar distributions in lieu of any municipal local option gross receipts tax revenues.

SUBORDINATE LODGERS’ TAX OBLIGATIONS. Any Lodgers’ Tax Obligations hereafter issued or incurred payable from the Lodgers’ Tax Revenues and issued with a lien thereon junior and inferior to the lien thereon of the Parity Lodgers’ Tax Obligations.

SUBORDINATE TAX OBLIGATIONS. All Tax Obligations now outstanding or hereafter issued or incurred with a lien on the State-Shared Gross Receipts Tax Revenues subordinate to the lien of the Senior Tax Obligations on the State-Shared Gross Receipts Tax Revenues.

SURETY BOND. Any policy of insurance or surety bond with respect to a series of Tax Obligations guaranteeing certain payments into a debt service reserve account or similar account with respect to that series of Tax Obligations, purchased to satisfy, in whole or in part, the reserve requirement for that series or to replace any money on deposit in a debt service reserve account or similar account.

SURPLUS FUND. The City of Albuquerque Surplus Lodgers' Tax Revenues Reserve Fund continued in Section 15 of the Bond Ordinance.

TAX OBLIGATIONS. Senior Tax Obligations, Lodgers' Tax Obligations and any other bonds, notes or other instruments which evidence a borrowing payable from and secured by (i) the State-Shared Gross Receipts Tax Revenues, or (ii) the Pledged Lodgers' Tax Revenues, now Outstanding or hereafter issued or incurred.

VARIABLE INTEREST RATE. An interest rate which varies or fluctuates from time to time. Except for any historical period for which the actual rate or rates are determinable, and unless otherwise stated in the Bond Ordinance, interest shall be calculated for Variable Interest Rate Tax Obligations at the maximum interest rate then permitted on such Tax Obligations by the City ordinance authorizing the issuance of such Tax Obligations.

VARIABLE RATE OBLIGATIONS. Tax Obligations, including reimbursement obligations pursuant to a Credit Facility, the interest rate on which is subject to change from time to time.

Flow of Pledged Revenues

Funds

The following special and separate funds are created or continued by the Bond Ordinance: (i) continues the Gross Receipts Tax Income Fund previously established and maintained by the City; (ii) continues the Lodgers' Tax Revenue Fund previously established and maintained by the City; (iii) creates the Series 2019A Debt Service Fund and Series 2019B Debt Service Fund to be maintained by the City; (iv) creates the Series 2019A Acquisition/Construction Fund to be maintained by the City; and (v) continues the City of Albuquerque Surplus Lodgers' Tax Revenues Reserve Fund.

Deposit and Priorities for Use of Pledged Revenues

So long as any Series 2019 Bonds are Outstanding, the Pledged Lodgers' Tax Revenues shall, immediately upon receipt thereof by the City, be set aside and deposited into the Lodgers' Tax Revenue Fund. All money deposited into the Lodgers' Tax Revenue Fund shall be held separate and apart from the City's general fund and applied only in accordance with the provisions of the Bond Ordinance, the Sale Certificate and any other City ordinance authorizing the issuance of Lodgers' Tax Obligations.

So long as any Series 2019 Bonds are Outstanding, the State-Shared Gross Receipts Tax Revenues shall, immediately upon receipt thereof by the City, be set aside and deposited into the Gross Receipts Tax Income Fund. All money deposited into the Gross Receipts Tax Income Fund shall be held separate and apart from the City's general fund and applied only in accordance with the provisions of the

Bond Ordinance, the Sale Certificate and any other City ordinance authorizing the issuance of Tax Obligations.

Debt Service Funds.

(1) As a first charge on the Pledged Lodgers' Tax Revenues, the amounts necessary to pay the Debt Service Requirements on Parity Lodgers' Tax Obligations at the time Outstanding or to fund any debt service reserve account as required by the terms of the Bond Ordinance or any ordinance or resolution authorizing the issuance of such Parity Lodgers' Tax Obligations shall be withdrawn from the Lodgers' Tax Revenue Fund and shall be concurrently credited to the Series 2019A Debt Service Fund or any relevant debt service account, with the same priority and, if insufficient to pay all of the enumerated Debt Service Requirements, pro rated in proportion to the amounts of such Debt Service Requirements

(a) Prior to each interest payment date, that amount necessary to pay the next maturing installment of interest on each series of Parity Lodgers' Tax Obligations then Outstanding.

(b) Prior to each principal payment date, that amount necessary to pay the next regularly scheduled installment of principal, whether at maturity or a mandatory sinking fund redemption date, of each series of Parity Lodgers' Tax Obligations then Outstanding.

(c) Prior to their respective due dates, the amounts necessary to pay or reimburse the Credit Source for payments of Debt Service Requirements (but not tender price) on Parity Lodgers' Tax Obligations made by that facility provider. The tender price of a series of Parity Lodgers' Tax Obligations and any interest payment owed to any Credit Source which exceeds the amount of interest which would be payable at the maximum bond interest rate on that series, shall not be reimbursed from the Lodgers' Tax Revenue Fund with the priority set forth in the subsection below entitled "Other Tax Obligations."

(2) As a first charge on the State-Shared Gross Receipts Tax Revenues, the amounts necessary to pay the Debt Service Requirements on Senior Tax Obligations at the time Outstanding shall be withdrawn from the Gross Receipts Tax Income Fund and shall be concurrently credited to the Series 2019A Debt Service Fund (only if amounts described in paragraph (1) herein are insufficient to pay the Debt Service Requirements for the Series 2019A Bonds) and the Series 2019B Debt Service Fund or any relevant debt service account, with the same priority and, if insufficient to pay all of the enumerated Debt Service Requirements, pro rated in proportion to the amounts of such Debt Service Requirements (monthly, in the case of the Series 2019 Bonds, in accordance with the Bond Ordinance):

(a) Prior to each interest payment date, that amount necessary to pay or reimburse the next maturing installment of interest on each series of Senior Tax Obligations then Outstanding.

(b) Prior to each principal payment date, that amount necessary to pay the next regularly scheduled installment of principal, whether at maturity or a mandatory sinking fund redemption date, of each series of Senior Tax Obligations then Outstanding.

(c) Prior to their respective due dates, the amounts necessary to pay or reimburse the provider of a Credit Facility for payments of Debt Service Requirements (but not tender price) on Senior Tax Obligations made by that Credit Source. The tender price of a series of Senior Tax Obligations and any interest payment owed to any Credit Source which exceeds the amount of interest which would be payable at the maximum bond interest rate on that series, shall not be reimbursed from

the Gross Receipts Tax Income Fund with the priority set forth in this Section 18.(B) but shall be reimbursed with the priority set forth in the subsection below entitled “Other Tax Obligations.”

(3) The City may pay the Debt Service Requirements on the Series 2019 Bonds and, unless otherwise required under the ordinance or resolution under which they were issued, any other Tax Obligations that are Senior Tax Obligations and Parity Lodgers’ Tax Obligations from Pledged Revenues as described above and in this paragraph in such order, in whole or in part, as to the use of State-Shared Gross Receipts Tax Revenues and Pledged Lodgers’ Tax Revenues as the City may from time to time determine in its sole discretion.

Other Tax Obligations. To the extent not required to be deposited or paid pursuant to above: (i) State-Shared Gross Receipts Tax Revenues available in the Gross Receipts Tax Income Fund shall be used, as necessary, to pay (x) payment obligations owed by the City to the Credit Source for Senior Tax Obligations, including the tender price of and certain interest payments on, Senior Tax Obligations paid by that Credit Source; and (y) fees, expenses and interest owed by the City to any other provider of fiscal services for a series of Senior Tax Obligations; and (ii) Pledged Lodgers’ Tax Revenues available in the Lodgers’ Tax Revenue Fund shall be used, as necessary, to pay (x) payment obligations owed by the City to the Credit Source for Parity Lodgers’ Tax Obligations, including the tender price of and certain interest payments on, Parity Lodgers’ Tax Obligations paid by that Credit Source; and (y) fees, expenses and interest owed by the City to any other provider of fiscal services for a series of Parity Lodgers’ Tax Obligations. Amounts from the Gross Receipts Tax Income Fund or the Lodgers’ Tax Revenue Fund to be used to pay interest pursuant to this provision shall be deposited by the City into a separate account maintained by the City on or before the due date thereof.

Debt Service Reserve Requirements. To the extent not required to be deposited or paid pursuant to above, State-Shared Gross Receipts Tax Revenues available in the Gross Receipts Tax Income Fund shall be used, as necessary, to pay any debt service reserve account as required by the terms of any ordinance or resolution authorizing the issuance of Senior Tax Obligations.

Subordinate Tax Obligations. To the extent not required to be deposited or paid pursuant to above, (i) State-Shared Gross Receipts Tax Revenues available in the Gross Receipts Tax Income Fund shall be used, as necessary, to pay Debt Service Requirements on Subordinate Gross Receipts Tax Obligations as the same accrue; and (ii) Pledged Lodgers’ Tax Revenues available in the Lodgers’ Tax Revenue Fund shall be used, as necessary, to pay Debt Service Requirements on Subordinate Lodgers’ Tax Obligations as the same accrue.

Use of Surplus Pledged Lodgers’ Tax Revenues. To the extent not required in any month to be deposited or paid pursuant to above or any ordinance or resolution authorizing the issuance of any Parity Lodgers’ Tax Obligations, any Pledged Lodgers’ Tax Revenues remaining in the Lodgers’ Tax Revenue Fund shall be transferred from the Lodgers’ Tax Revenue Fund to the Surplus Fund and held therein until such time as it is practicable to use such funds to pay, redeem or defease Lodgers’ Tax Obligations and then shall be so used, subject to any limitations imposed by the Code.

Use of Surplus State-Shared Gross Receipts Tax Revenues. To the extent not required in any month to be deposited or paid pursuant to above or any ordinance or resolution authorizing the issuance of any Tax Obligations, any State-Shared Gross Receipts Tax Revenues remaining in the Gross Receipts Tax Income Fund may be transferred from the Gross Receipts Tax Income Fund and applied to any other lawful purpose or purposes; as determined by the City, subject to any limitations imposed by the Code.

General Administration of Funds

Use of Amounts and Termination of Deposits in Debt Service Fund.

(1) Except as provided in (2) below, the money credited to the Series 2019A Debt Service Fund shall be used by the City only to pay, or to reimburse a Credit Source for the payment of, the Debt Service Requirements of the Series 2019A Bonds and the money credited to the Series 2019B Debt Service Fund shall be used by the City only to pay, or to reimburse a Credit Source for the payment of, the Debt Service Requirements of the Series 2019B Bonds. Money on deposit in the Series 2019A Debt Service Fund and the Series 2019B Debt Service Fund shall be transferred to the Paying Agent on or before each relevant payment date.

(2) No payment needs to be made into the Series 2019A Debt Service Fund or the Series 2019B Debt Service Fund or any debt service reserve fund for the Series 2019A Bonds or Series 2019B Bonds, respectively, if no Debt Service Requirements on the Series 2019A Bonds or Series 2019B Bonds are then past due and the amounts on deposit in the Series 2019A Debt Service Fund or Series 2019B Debt Service Fund, as applicable, for the payment of such Series 2019 Bonds are at least equal to all Debt Service Requirements on such Series 2019 Bonds to their Maturity Dates or mandatory redemption dates, or to any date for which the City has exercised or has obligated itself to exercise its option to redeem such Series 2019 Bonds prior to their Maturity Dates or redemption dates. In such event, money in the Series 2019A Debt Service Fund or Series 2019B Debt Service Fund shall be used for the payment of the Debt Service Requirements or such optional redemption payments, if applicable, when due, on the respective Series 2019 Bonds. Any money in those accounts in excess of the amounts required by the preceding sentence may be used as provided in the Bond Ordinance.

Credit or deficiency. In making the determinations of the amounts to be transferred from the Gross Receipts Tax Income Fund and Lodgers' Tax Revenue Fund as provided above, the City may take into account any amount then on deposit in any fund or escrow relating to the respective Series 2019 Bonds which is available and required to be used for the designated payment. If any deposit made to a fund for the payment of any Series 2019 Bonds is less than the amount required to be deposited, the City shall pay or credit to that fund from Pledged Revenues in the Gross Receipts Tax Income Fund or the Lodgers' Tax Revenue Fund, as applicable to the respective Series 2019 Bonds, the first money available to pay that deficiency using the priorities set forth above and in this section.

Transfer of Money. Each payment of principal and interest coming due on the Series 2019 Bonds shall be transferred from the applicable fund to the Paying Agent.

Variable Interest Rate. In making the computations required by above and this section, interest on Variable Interest Rate Tax Obligations which cannot be computed exactly shall be computed at the maximum interest rate permitted for those Tax Obligations unless otherwise required by the City ordinance authorizing the issuance of such Tax Obligations.

Investment of Money. Any money in any fund created or continued in the Bond Ordinance shall be invested in Permitted Investments. The investments purchased using money in any such fund shall be deemed at all times to be part of that fund. The interest accruing in the funds and any profit realized therefrom shall be credited to the fund in which the relevant investments are deemed to be held. Any loss resulting from such investment shall be charged to the applicable fund. The City Treasurer shall present for redemption or sale on the prevailing market any obligations purchased as an investment of money in the applicable fund whenever it shall be necessary to do so in order to provide money to meet any payment or transfer from such fund. Neither the City Treasurer nor any other officer

of the City shall be liable or responsible for any loss resulting from any such investment made in accordance with the Bond Ordinance.

Deposits of Funds. The money and investments deposited in the funds created or continued in the Bond Ordinance shall be maintained and kept in one or more Insured Banks. Each payment shall be made into and credited to the proper fund at the designated time, except that when the designated time is not a Business Day, then such payment shall be made on the next succeeding Business Day. Nothing herein shall prevent the establishment of one or more such funds in insured banks for all of the accounts designated in the Bond Ordinance.

Deposits of Pledged Revenues for Series 2019 Bonds.

(1) The City shall make substantially equal monthly deposits into each of the Series 2019A Debt Service Fund and the Series 2019B Debt Service Fund as required in order to pay the amount of interest on the Series 2019A Bonds and Series 2019B Bonds, which will become due on the Interest Payment Date next following the date of deposit. The monthly deposits required in the preceding sentence shall begin in the calendar month subsequent to the Closing Date.

(2) Deposits to the Series 2019A Debt Service Fund and the Series 2019B Debt Service Fund for the next installments of principal becoming due on the Series 2019A Bonds and Series 2019B Bonds shall be made in substantially equal monthly deposits commencing in the first month which is less than 13 months prior to the month in which that installment of principal is due.

Deposits for the payment of principal of and interest on the other Senior Tax Obligations or Parity Lodgers' Tax Obligations required by the Bond Ordinance may be made more or less frequently than monthly.

Valuation. The "value" of Permitted Investments shall be determined at least every six months as follows:

(1) if the price of the investment is not set as described in paragraph (4) below, as to investments the bid and asked prices of which are published on a regular basis in The Wall Street Journal (or, if not there, then in The New York Times): the average of the bid and asked prices for such investments published on or more recently prior to such time of determination;

(2) as to investments the bid and asked prices of which are not published on a regular basis in The Wall Street Journal or The New York Times: the average bid price at such time of determination for such investments by any two nationally recognized government securities dealers (selected by the City in its absolute discretion) at the time making a market in such investments or the bid price published by a nationally recognized pricing service;

(3) as to certificates of deposit and bankers acceptances: the face amount thereof, plus accrued interest;

(4) as to investments pursuant to which a financial institution is obligated to purchase the investment from the City at a fixed price through maturity of the investment: the price set forth in such agreement, provided that such institution, or the guarantor of such institution or agreement, shall be rated in one of the top two Rating Categories by S&P, Moody's and Fitch if then rating the Series 2019 Bonds, or by another national rating agency; and

(5) as to any investment not specified above: the cost of the Permitted Investments (including any amount paid as accrued interest) or the principal amount thereof, whichever is less; except that Permitted Investments purchased at a premium may initially be valued at the cost thereof, but in each year after such purchase shall be valued at a lesser amount determined by ratably amortizing the premium over the remaining term.

No loss or profit on Permitted Investments shall be deemed to take place as a result of fluctuations in the market quotations prior to the sale or maturity thereof.

Selected Protective Covenants

Records. The City shall keep proper books of record and account, separate and apart from all other records and accounts, showing complete and correct entries of all transactions relating to the Pledged Revenues.

Duty to Impose Tax. If State law or the City Charter or any City ordinance or part thereof, which affects the Pledged Revenues, shall ever be held to be invalid or unenforceable, the City shall immediately take any action which is legally available to the City necessary to produce sufficient Pledged Revenues to comply with the obligations of the City under the Bond Ordinance.

Impairment of Contract. In accordance with Section 3-31-6(C) NMSA 1978, no law, ordinance or resolution of the City which affects the Pledged Revenues or the Series 2019 Bonds shall be repealed or otherwise directly or indirectly modified in such a manner as to impair Outstanding Series 2019 Bonds or obligations of the City under the Bond Ordinance or any Related Documents, unless the Series 2019 Bonds or obligations have been discharged in full or provision has been fully made therefor.

Collection of Lodgers' Tax. The City shall take whatever action is necessary to collect the Lodgers' Tax and to enforce collection thereof by all persons furnishing lodgings to which such tax is applicable.

Administrative Costs Upon the occurrence and continuance of an Event of Default, the City shall not, except to the extent required by law to do so, deduct administrative costs from the Lodgers' Tax in determining Pledged Lodgers' Tax Revenues.

Bonds Not Presented for Payment

If any Series 2019 Bonds are not presented for payment when the principal becomes due either at maturity or at the date fixed for redemption thereof or otherwise, or if any check or draft mailed to an Owner in connection with a payment of interest on any Series 2019 Bonds is not cashed by an Owner, and an amount sufficient to pay those Series 2019 Bonds or interest is held by the Paying Agent for the benefit of the Owners, the Paying Agent shall segregate and hold such money in trust without liability for interest on that money to the Owners, for the benefit of the Owners of the applicable Series 2019 Bonds, who shall, except as provided in the following paragraph, then be restricted to only the amounts segregated for the satisfaction of any claim relating to that payment on such Series 2019 Bonds.

Any money which the Paying Agent segregates and holds in trust for the payment of the principal of, premium or interest on Series 2019 Bonds which remains unclaimed for three years after such payment has become due shall be paid to the City. After the payment of such unclaimed money to the City, the Owners shall look only to the City for the payment of those Series 2019 Bonds.

Defeasance

If, when all Series 2019 Bonds become due and payable in accordance with their terms or otherwise as provided in the Bond Ordinance and the entire amount of the principal of, premium, if any, and interest due and payable on all of the Series 2019 Bonds is paid or if provisions are made for the payment thereof when due and payable, and all other sums payable under the Bond Ordinance are paid, then all covenants, agreements and other obligations of the City to the Owners of the Series 2019 Bonds shall cease, terminate and become void and be discharged and satisfied. However, the covenants of the Bond Ordinance relating to the rebate requirements of Section 148(f) of the Code shall survive until all applicable requirements have been satisfied.

When all principal, interest and prior redemption premium, if any, in connection with any Series 2019 Bond have been duly paid or provided for, the pledge and lien of the Bond Ordinance, and all obligations under the Bond Ordinance (except as provided for in Section 33 of the Bond Ordinance), shall be discharged with respect to that Series 2019 Bond and that Series 2019 Bond shall no longer be deemed to be Outstanding within the meaning of the Bond Ordinance. There shall be deemed to be such due payment or to be adequate provisions for the prompt and complete payment of a Series 2019 Bond when the City has placed in escrow and in trust with a commercial bank or trust company located within or without the State and exercising trust powers, an amount sufficient (including the known minimum yield from Defeasance Obligations in which such amount may be initially invested) to meet all requirements of principal, interest and prior redemption premium, if any, on that Series 2019 Bond as the same become due to its final maturity or upon the designated prior redemption date. The Defeasance Obligations shall become due prior to the respective times at which the proceeds thereof shall be needed, in accordance with a schedule established and agreed upon between the City and such bank or trust company at the time of the creation of the escrow, or the Defeasance Obligations shall be subject to redemption at the option of the owners thereof to assure such availability as so needed to meet such schedule.

If any Series 2019 Bonds are deemed to be paid and discharged pursuant to the Bond Ordinance, within 15 days after the date of defeasance, the City shall irrevocably direct the Fiscal Agent to give written notice to each Owner of Series 2019 Bonds deemed paid and discharged at the address shown on the Bond Register on the date on which those Series 2019 Bonds are deemed paid and discharged. The notice shall state, to the extent applicable, the same information required by the Bond Ordinance for the redemption of Series 2019 Bonds and shall describe the Defeasance Obligations.

Registration, Transfer, Exchange and Ownership of Bonds

Registration, Transfer and Exchange. The City shall cause books for the registration, transfer and exchange of the Series 2019 Bonds to be kept at the principal office of the Registrar. Upon surrender for transfer or exchange of any Series 2019 Bonds at the principal office of the Registrar duly endorsed by the Owner or his attorney duly authorized in writing, or accompanied by a written instrument or instruments of transfer or exchange in form satisfactory to such Registrar and properly executed, the City shall execute and the Registrar shall authenticate and deliver in the name of the transferee or Owner a new Series 2019 Bond or Bonds of the same series and Maturity Date, interest rate and same aggregate principal amount in Authorized Denominations.

Owner of Bonds. The person in whose name any Series 2019 Bond is registered shall be deemed and regarded as its absolute Owner for all purposes, except as may otherwise be provided with respect to the payment of interest on Series 2019 Bonds under the Bond Ordinance. Payment of the principal on any Series 2019 Bonds shall be made only to or upon the order of its Owner or his legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability on Series 2019 Bonds to the extent of the amount paid.

Replacement of Bonds. If any Series 2019 Bond is lost, stolen, destroyed or mutilated, the Registrar shall, upon receipt of that Series 2019 Bond if mutilated, and evidence, information or indemnity which the Registrar may reasonably require, authenticate and deliver a replacement Series 2019 Bond or Bonds of the same aggregate principal amount, series and Maturity Date and interest rate, bearing a number or numbers not then outstanding. If any lost, stolen, destroyed or mutilated Series 2019 Bond has matured or been called for redemption, the Registrar may direct the Paying Agent to pay that Series 2019 Bond in lieu of replacement.

Charges. Exchanges and transfers of Series 2019 Bonds shall be made without charge to the Owners or any transferee except that the Registrar may make a charge sufficient to reimburse the Registrar for any tax, fee or other governmental charge required to be paid with respect to that transfer or exchange.

Bonds Called for Redemption. The Fiscal Agent shall not be required to transfer or exchange (i) any Series 2019A Bonds during the five-day period preceding the mailing of notice calling Series 2019A Bonds of such series for redemption and (ii) any Series 2019A Bonds called for redemption.

Unauthenticated Bonds; Bonds Called for Redemption. The officers of the City are authorized to deliver to the Registrar fully registered but unauthenticated Series 2019 Bonds in such quantities as may be convenient to be held in custody by the Registrar pending the use thereof as provided in the Bond Ordinance.

Events of Default

Each of the following events shall constitute an “Event of Default” as used under the Bond Ordinance:

Nonpayment of Principal. Failure to pay the principal of any Series 2019 Bonds when the same becomes due and payable, either at maturity, or by proceedings for prior redemption, or otherwise.

Nonpayment of Interest. Failure to pay any installment of interest on any Series 2019 Bonds on the due date thereof.

Incapable to Perform. The City shall for any reason be rendered incapable of performing its obligations under the Bond Ordinance.

Other Default. Default by the City in the due and punctual performance of its covenants or conditions, agreements and provisions contained in the Series 2019 Bonds or in the Bond Ordinance on its part to be performed, and the continuance of such default (other than a default set forth above) for 60 days after written notice specifying such default and requiring the same to be remedied has been given to the City by the Owners of 25% in aggregate principal amount of the Series 2019 Bonds then Outstanding or the Series 2019 Bonds Outstanding.

Remedies on Events of Default

Upon the happening and during the continuance of any Event of Default, the Owners of not less than 25% in aggregate principal amount of the Series 2019 Bonds then Outstanding affected by the Event of Default, including but not limited to a trustee or trustees therefor, may proceed against the City to:

(1) protect and enforce the rights of the Owners by mandamus or other suit, action or special proceedings in equity or at law, in any court of competent jurisdiction, either for the appointment of a receiver or for the specific performance of any covenant or agreement contained in the Bond Ordinance or for the enforcement of any proper legal or equitable remedy as those Owners may deem necessary or desirable to protect and enforce their respective rights;

(2) enjoin any act or thing which may be unlawful or in violation of any right of any Owner;

(3) require the Council to act as if it were the trustee of an express trust; and

(4) any combination of those remedies.

All proceedings shall be instituted and maintained for the equal benefit of all Owners of the Series 2019 Bonds then Outstanding. The failure of an Owner to exercise any right granted by section shall not relieve the City of any obligation to perform any duty. Each right or privilege of any such Owner (or trustee or receiver therefor) is in addition and cumulative to any other right or privilege and the exercise of any right or privilege by or on behalf of any Owner shall not be deemed a waiver of any other right or privilege of such Owner.

No remedy in the Bond Ordinance is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative, and shall be in addition to every other remedy given under the Bond Ordinance or now or hereafter existing at law or in equity or by statute.

All rights, remedies and powers provided by the Bond Ordinance may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law and all the provisions relating to an Event of Default or the exercise of remedies upon the occurrence of an Event of Default are intended to be subject to all applicable provisions of law which may be controlling and to be limited to the extent necessary so that they shall not render the Bond Ordinance invalid or unenforceable under the provisions of any applicable law.

Amendment of Bond Ordinance

Limitations Upon Amendments. Prior to any Series 2019 Bonds being issued, the Bond Ordinance may be amended by ordinance or resolution of the Council without the consent of Owners. After Series 2019 Bonds have been issued, the Bond Ordinance may be amended by ordinance or resolution of the Council without the consent of Owners:

(1) To cure any ambiguity, or to cure, correct or supplement any defect or inconsistent provision contained in the Bond Ordinance;

(2) To grant to the Owners any additional rights, remedies, powers or authority that may lawfully be granted to them;

(3) To obtain or maintain a rating or shadow rating on any Series 2019 Bonds from any rating agency which amendment, in the judgment of Bond Counsel, does not materially adversely affect the Owners;

(4) To achieve compliance with federal securities or tax laws; and

(5) To make any other changes in the Bond Ordinance which, in the opinion of Bond Counsel, is not materially adverse to the Owners.

Additional Amendments. Except as provided above, the Bond Ordinance may only be amended or supplemented by ordinance adopted by the Council without receipt by the City of any additional consideration, but with the written consent of the Owners of a majority of the principal amount of the Outstanding Series 2019 Bonds which are affected by the amendment or supplement (not including Bonds which are then owned by or for the account of the City). However, no such ordinance shall have the effect of permitting:

- (1) An extension of the maturity of any Series 2019 Bonds; or
- (2) A reduction in the principal amount of, premium, if any, or interest rate on any Series 2019 Bonds; or
- (3) The creation or continuance of a lien on or a pledge of the Pledged Revenues ranking prior to the lien or pledge of Obligations on the respective Pledged Revenues; or
- (4) A reduction of the principal amount of Series 2019 Bonds required for consent to such amendment or supplement.

APPENDIX C

FORMS OF OPINION OF BOND COUNSEL AND SPECIAL TAX COUNSEL

FORM OF OPINION OF BOND COUNSEL

November __, 2019

City of Albuquerque, New Mexico
One Civic Plaza NW
Albuquerque, New Mexico 87102

Ladies and Gentlemen:

We have acted as bond counsel to the City of Albuquerque, New Mexico (the “City”), in connection with its issuance of the (i) \$37,000,000 City of Albuquerque, New Mexico, Gross Receipts Tax/Lodgers’ Tax Refunding and Improvement Revenue Bonds, Series 2019A (“Series 2019A Bonds”), and (ii) \$10,000,000 City of Albuquerque, New Mexico Gross Receipts Tax Refunding Revenue Bonds, Series 2019B (“Series 2019B Bonds” and, collectively, with the Series 2019A Bonds, the “Series 2019 Bonds”), pursuant to City Ordinance Twenty-Third Council Bill No. F/S O-19-77 adopted on October 7, 2019, and Sale Certificate dated October __, 2019 (collectively, the “Bond Legislation”). Capitalized terms not otherwise defined herein shall have the meanings ascribed to them by the Bond Legislation.

We have examined the City’s certified proceedings, the City Charter and such other documents and such law of the State of New Mexico (the “State”) and of the United States of America as we have deemed necessary to render this opinion letter. As to the questions of fact material to our opinion, we have relied upon the City’s certified proceedings and other representations and certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Based upon such examination, it is our opinion as bond counsel that:

1. The Series 2019 Bonds are valid and binding, special, limited obligations of the City enforceable in accordance with their terms and the provisions of the Bond Legislation.
2. The Bond Legislation has been duly authorized, executed and delivered by the City and the provisions of the Bond Legislation are valid, binding and enforceable on the City.
3. The Series 2019A Bonds are payable as to principal, interest and any prior redemption premium, solely from, and are secured by a pledge (but not an exclusive pledge) of the Pledged Lodgers’ Tax Revenues and the State-Shared Gross Receipts Tax Revenues, and, to the extent stated in the Bond Legislation, certain of the funds and accounts created or continued in the Bond Legislation. The Series 2019B Bonds are payable as to principal, interest and any prior redemption premium, solely from, and are secured by a pledge (but not an exclusive pledge) of the State-Shared Gross Receipts Tax Revenues, and, to the extent stated in the Bond Legislation, certain of the funds and accounts created or continued in the Bond Legislation. The owners of the Series 2019 Bonds have no right to have taxes levied by the City for the payment of principal of or interest on the Series 2019 Bonds and the Series 2019 Bonds do not represent or constitute a debt or a pledge of, or a charge against, the general credit of the City.

4. The Bond Legislation creates the lien on the Pledged Revenues that it purports to create.

We express no opinion regarding the federal tax treatment of the Series 2019 Bonds or regarding any other tax consequences related to the ownership of, receipt of interest on or disposition of the Series 2019 Bonds. In giving the above opinions, we have relied on the opinion of Orrick, Herrington & Sutcliffe LLP dated the same date as the date of this opinion, as to the excludability of interest on the Series 2019 Bonds from gross income for federal income tax purposes.

The rights of the owners of the Series 2019 Bonds and the enforceability of the Series 2019 Bonds and the Bond Legislation are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

The foregoing opinions represent our legal judgment based upon a review of existing legal authorities as of the date of issuance and delivery of the Series 2019 Bonds that we deem relevant to render such opinions and are not a guarantee of result. We express no opinion with respect to any pending legislation.

As bond counsel, we are passing upon only those matters set forth in this opinion and are not passing upon the accuracy or completeness of any statement made in connection with any sale of the Series 2019 Bonds or upon any tax consequences arising from the receipt or accrual of interest on, or the ownership of, the Series 2019 Bonds.

The opinions are given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Respectfully submitted,

FORM OF OPINION OF SPECIAL TAX COUNSEL

November __, 2019

City of Albuquerque, New Mexico
One Civic Plaza NW
Albuquerque, New Mexico 87102

Ladies and Gentlemen:

We have served as special tax counsel to the City of Albuquerque, New Mexico (the “Issuer”) in connection with its issuance of City of Albuquerque, New Mexico Gross Receipts Tax/Lodgers’ Tax Refunding and Improvement Revenue Bonds, Series 2019A (the “Series 2019A Bonds”) in the aggregate principal amount of \$[____], and City of Albuquerque, New Mexico Gross Receipts Tax Refunding Revenue Bonds, Series 2019B (the “Series 2019B Bonds” and, together with the Series 2019A Bonds, the “Bonds”), in the aggregate principal amount of \$[_____]. The Bonds mature, bear interest and may be transferred and exchanged as set out in the ordinance adopted by the Issuer authorizing the Bonds (the “Bond Ordinance”).

We have served as special tax counsel for the sole purpose of rendering an opinion with respect to the exclusion of interest on the Bonds from gross income under federal income tax law and the exemption of interest on the Bonds from New Mexico state income taxes. In such capacity we have examined the federal income tax law, the income tax law of the State of New Mexico and a transcript of certain certified proceedings pertaining to the issuance of the Bonds. The transcript contains certified copies of certain proceedings of the Issuer; certain certifications and representations and other material facts within the knowledge and control of the Issuer, upon which we rely; and certain other customary documents and instruments authorizing and relating to the issuance of the Bonds.

Based on our examination as described above and in reliance on the legal opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A., Albuquerque, New Mexico, as Bond Counsel, dated the date hereof, that the Bonds have been authorized and issued in accordance with the Constitution and laws of the State of New Mexico and are valid and legally binding obligations of the Issuer, we are of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”) and that interest on the Bonds is exempt from New Mexico state income tax. Interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

The opinion set forth in the first sentence of the immediately preceding paragraph is subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer has covenanted in the Bond Ordinance and the Tax Certificate executed by the Issuer on the date hereof, to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. The Code and the existing regulations, rulings and court decisions thereunder, upon which the foregoing opinion is based, are subject to change, which could prospectively or retroactively result in the inclusion of the interest on the Bonds in gross income of the owners thereof for federal income tax purposes.

Our opinion is based on existing law, which is subject to change. Such opinion is further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinion to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinion is not a guarantee of result and is not binding on the Internal Revenue Service; rather, such opinion represents our legal judgment as of the date hereof based upon our review of existing law that we deem relevant to such opinion and in reliance upon the representations and covenants referenced above.

Orrick, Herrington & Sutcliffe LLP

APPENDIX D

FORM OF CONTINUING DISCLOSURE UNDERTAKING

\$ _____
**CITY OF ALBUQUERQUE,
NEW MEXICO**
Gross Receipts Tax/Lodgers' Tax
Refunding and Improvement Revenue Bonds
Series 2019A

\$ _____
**CITY OF ALBUQUERQUE,
NEW MEXICO**
Gross Receipts Tax
Refunding Revenue Bonds
Series 2019B

CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Disclosure Undertaking") is executed and delivered by the CITY OF ALBUQUERQUE, NEW MEXICO (the "City") in connection with the issuance of the City's Gross Receipts Tax/Lodgers' Tax Refunding and Improvement Revenue Bonds, Series 2019A and the City's Gross Receipts Tax Refunding Revenue Bonds, Series 2019B (collectively, the "Series 2019 Bonds"). The Series 2019 Bonds are being issued pursuant to City Ordinance Council Bill No. F/S O-19-77 (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 Section 3 hereof, of the type set forth in the Official Statement, including but not limited to, the type of financial information and operating data with respect to the City set forth in "SECURITY AND SOURCES OF PAYMENT" in the Official Statement and Appendix A to the Official Statement.

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

"EMMA" means the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System located on its website at emma.msrb.org.

"Events" means any of the events listed in Section 4(a) of this Disclosure Undertaking.

"Financial Obligation" shall mean a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of (i) or (ii). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board in compliance with Rule 15c2-12.

“Fiscal Year” means the Fiscal Year of the City, ending June 30.

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

“Rule 15c2-12” shall mean Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” means the Securities and Exchange Commission.

SECTION 3. Provision of Annual Information.

(a) Annually while the Series 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 March 31st 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 Issued (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
7. modifications to the rights of the security holders, if material;

8. bond calls, if material , or tender offers;
9. defeasances;
10. release, substitution or sale of property securing repayment of the securities, if material;
11. rating changes;
12. bankruptcy, insolvency, receivership or a similar event with respect to the City or an obligated person¹;
13. the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. appointment of a successor or additional trustee, or a change of name of a trustee, if material.
15. incurrence of a Financial Obligation of the obligated person, if material, or an agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and
16. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of an obligated person, 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

¹ For the purposes of the event identified in subparagraph (b)(5)(i)(C)(12) of Rule 15c2-12, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and official or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

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 Participating Underwriters 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 November __, 2019.

CITY OF ALBUQUERQUE, NEW MEXICO

By:_____

Title:_____

APPENDIX E

BOOK-ENTRY ONLY SYSTEM

Introduction

Unless otherwise noted, the information contained under the caption “General” below has been provided by DTC. The City makes no representations as to the accuracy or the completeness of such information. The Beneficial Owners of the Series 2019A-B 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 2019A-B 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 2019A-B 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 2019A-B BONDS; (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNERS OF SERIES 2019A-B 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 2019A-B Bonds. The Series 2019A-B 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 2019A-B Bond certificate will be issued for the Series 2019A-B Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.8 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship

with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s rating of AA+. The DTC Rules applicable to Direct Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com 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 2019A-B Bonds under the DTC system must be made by or through Direct or Indirect Participants, which will receive a credit for the Series 2019A-B Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2019A-B 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 2019A-B 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 2019A-B Bonds, except in the event that use of the book-entry system for the Series 2019A-B Bonds is discontinued.

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

The information in this Appendix concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City does not take any responsibility for the accuracy thereof.