MOODY'S
INVESTORS SERVICE

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New Issue

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Albuquerque, New Mexico

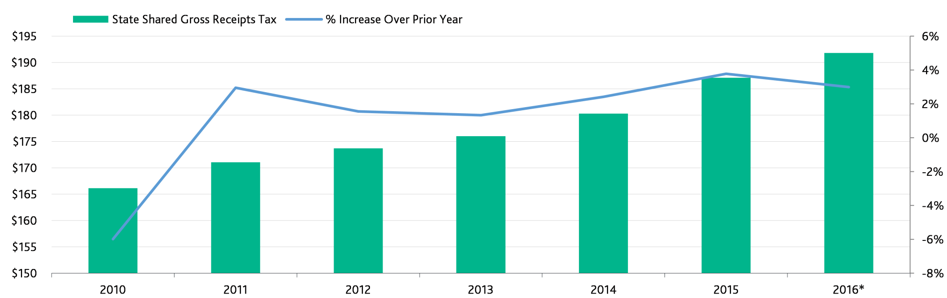
New Issue - Moody's Assigns Aa2 to Albuquerque's, NM $23.8M GRT Revenue Bonds, Series 2016; Outlook is Stable

Summary Rating Rationale

Moody's Investors Service has assigned a Aa2 rating to the City of Albuquerque's, NM $23.845 million Gross Receipts Tax/Lodger's Tax Improvement Revenue Bonds, Taxable Series 2016. Concurrently, Moody's has affirmed the Aa2 rating on the city's outstanding parity debt. The outlook remains stable.

The Aa2 rating reflects the city's sizeable economy serving as a regional economic hub, adequate legal provisions, ample maximum annual debt service coverage, and limited revenue volatility with few historic declines. The rating also considers the broad-based nature of the sales tax pledge.

Exhibit 1
Growing State-Shared Gross Receipts Tax Collections Helps Maintain Strong Coverage Levels



*Projected
Source: City of Albuquerque, NM

Credit Strengths

- » Sizeable economic base serving as economic hub of New Mexico
- » Strong maximum annual debt service coverage

Credit Challenges

» Tepid economic growth

» Lack of Debt Service Reserve

» Hold harmless distributions starting to phase out in fiscal 2016

Rating Outlook

The stable outlook reflects the city's slow but steady economic growth experienced in recent years, which is expected to continue through the near term. Pledged revenue growth over the long term will be impacted by the hold-harmless 15 year phase out (commencing in fiscal 2016), but it is expected to have little impact on overall coverage. Moody's also notes that the city's concentration in federal employment and procurement could be negatively impacted by federal spending reductions, which could erode economic stability and impact gross receipts tax collections. Future rating actions will assess the city's economic stability and SSGRT collection trends.

Factors that Could Lead to an Upgrade

» Significant increases in SSGRT collections, absent additional debt leveraging

» Improvement in the city's economic recovery; expansion and diversification of the economy

Factors that Could Lead to a Downgrade

» Material contractions in SSGRT collections; weakening of the city's economy

» Significant leveraging of the pledged revenue sources

Key Indicators [should there be dates here?]

Exhibit 2

Albuquerque (City of) NM					
Credit Background					
Pledged Revenues	1.225% SSGRT (Main)				
Legal Structure					
Additional Bonds Test	2.25 x MADS				
Open or Closed Lien	Open				
Debt Service Reserve Fund Requirement	None				
MADS Coverage					
Pro forma MADS Coverage (x)	8.69 x				
Projected Trend Analysis					
	2016	2017	2018	2019	2020
Estimated Debt Outstanding ($000)	244,435	234,910	223,240	211,570	199,300
Projected Revenues ($000)	191,825	197,434	204,660	212,159	218,766
Projected Annual Debt Service Coverage (x)	10.1x	9.4x	9.7x	10.0x	10.2x

Source: City of Albuquerque, NM; Moody's Investors Service

Detailed Rating Considerations

Tax Base and Nature of Pledge: Sizable Base and Broad Sales Tax on Regionally Important Economy

We believe the city's economic and property tax base will continue to experience modest near-term growth given the city's regional importance to the broader New Mexico economy. The City of Albuquerque is located in the north central portion of the state and is home to approximately 25% of the state's total population. The city's tax base growth has increased since the last recession to a modest 1.4% average annual rate between fiscal years 2011 and 2016. This average includes modest declines in fiscal 2011 and 2013 assessed values and management attributes the declines to a softening of commercial values. Expansion resumed in fiscal 2014 and fiscal 2016 with a 4.5% increase in the most recent year that increased taxable values to $12.8 billion, derived from an estimated large full value of $44.4 billion. Officials anticipate modest taxable value growth to continue into fiscal 2017 and fiscal 2018 as the number building permits rises. The city's tax base exhibits limited concentration with the top ten taxpayers contributing 3.2% to total assessed valuation for fiscal 2015. The city's top taxpayer PNM Electric, contributes 1.4% to total assessed valuation for the same time period.

The August 2015 Moody's Economy.com report for Albuquerque states that the area's economy faces headwinds, but job growth will remain steady and employment will reach its prerecession peak by mid-2016. The report also states that weaker demographics and migration trends will prevent the area from returning to previous growth rates, but the stable government presence could potentially provide the foundation for a more dynamic private sector.

Major employers in the Albuquerque MSA include the University of New Mexico, Kirtland Air Force Base, and Sandia National Laboratories. The institutional presence provided by these entities has historically been a stabilizing factor for the local economy. We note that potential federal spending cuts could erode the city's modest economic gains, slowing housing development and impacting gross receipts tax revenues. Healthcare and high-tech industries also have significant presence in the employment base. Favorably, the city's October 2015 unemployment rate of 5.8% was below the state (6.6%) but above the nation (4.8%) for the same time period. Resident wealth levels are modest with per capita income and median family income (from 2013 American Community Survey) approximating 94% and 93.% of national levels, respectively.

The 1.225% state-shared gross receipts tax (SSGRT) is considered a broad-based sale tax that is collected by the state and remitted to the city. The SSGRT is levied against all retail trade, professional, scientific and technical services, and accommodation and food service within the boundaries of the city. The current issuance is further secured by 50% of the lodger's tax collected within the city, which is more narrow in term of the nature of pledge.

Debt Service Coverage and Revenue Metrics: Limited Revenue Volatility and Ample MADS Coverage

We believe the SSGRT pledged revenue stream will continue to experience modest growth in line with historical trends. The revenue stream experienced average annual increases of 1.5% over the past ten years. Revenue volatility associated with the most recent economic recession drove declines of 5.5% and 6.0% in fiscal 2009 and fiscal 2010, respectively. Since the declines, collections have increased at an average of 2.4% annually to reach the city's prerecession peak of $187.1 million in fiscal 2015. Overall, the pledged revenue stream has experienced limited volatility, with noteworthy year-over-year increases attributable to rapid construction and employment gains in the mid 1990's.

Fiscal 2015 SSGRT collections alone provide a strong 8.69 times coverage of maximum annual debt service (MADS), or $21.5 million payable in fiscal 2021. Officials indicate fiscal 2016 SSGRT revenues are currently 6% above collections during the same period of the prior year, and expect an annual increase of 3% to $191.8 million. The increase in fiscal 2016 revenues would provide a modestly improved but still strong 8.92 times MADS coverage. Management reports plans to conservatively budget for fiscal 2017 SSGRT collection growth of approximately 3% over ending fiscal 2016 collections. Commencing in fiscal 2016, the hold harmless portion of the gross receipts tax is starting to be phased out over the next 15 years. SSGRT will decrease by approximately $1.2 million to $1.5 million annually over the next five years, accounting to a sizable $6.8 million cumulative reduction by 2020. Officials anticipate that the phase-out will mute favorable growth in the revenue stream moving forward, but do not anticipate year over year declines. Downward rating pressure is possible if the hold harmless revenue phase out drives annual reductions in total SSGRT collections.

Pledged revenues are derived primarily from retail trade, professional, scientific and technical services, and accommodation and food service. Several series of outstanding parity debt have additional pledged revenues including lodgers tax and hospitality tax receipts, but all debt has an equal lien on SSGRT revenues. We note that the lodger's tax (50%) additionally provides a nominal $5.7 million of available resources to pay debt service.

Debt and Legals: Below Average Principal Amortization; Adequate Legal Provisions

We believe the city's SSGRT debt profile will remain manageable given no current plans for additional debt leverage and healthy annual MADS coverage. Officials indicated no current plans for additional issuance, but indicate a four year cycle of approximately $50 million in authorization is possible in the future. We believe the legal provisions of the current sale are adequate with a strong additional bonds test (ABT) at 2.25 times maximum annual debt service (MADS), countered by a lack of a debt service reserve.

DEBT STRUCTURE

Inclusive of the current sales, amortization of $244.4 million of SSGRT secured principal is below average with 44.6% retired in ten years. All debt matures in fiscal 2039.

DEBT-RELATED DERIVATIVES

The city has no exposure to variable rate debt or interest rate swaps.

Management and Governance

New Mexico cities have an institutional framework score of “A,” or moderate. Cities receive the majority of their revenues through gross receipt and property taxes, which in combination are moderately predictable. Most cities are at the O&M property tax levy cap but have a moderate ability to raise revenues. Expenditures are moderately predictable and mainly consist of salaries and public safety. Cities have a moderate ability to reduce expenditures due to high fixed costs.

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.

Legal Security

The bonds constitute special limited obligations of the city, secured by an irrevocable and first lien upon the revenues of the 1.225% state shared gross receipts tax. The current issuances are further secured by 50% of the lodger's tax collected within the city.

Use of Proceeds

The majority, roughly $15.5 million of the proceeds will be used to finance the construction of a parking garage in downtown associated with a new entertainment district (private/public partnership). The remaining process will be used to fund various improvements to the city's convention center, civic plaza, and other downtown parking.

Obligor Profile

Albuquerque is the largest city in the State of New Mexico (GO rated Aaa stable), accounting for roughly one-quarter of the State's population. Located at the center of the State in Bernalillo County (Aaa stable) 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.

Methodology

The principal methodology used in this rating was US Public Finance Special Tax Methodology published in January 2014. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

Ratings

Exhibit 3

ALBUQUERQUE (CITY OF) NM

Issue	Rating
Gross Receipts Tax/Lodger's Tax Improvement Revenue Bonds, Taxable Series 2016	Aa2
Rating Type	Underlying LT
Sale Amount	$23,845,000
Expected Sale Date	01/20/2016

Rating Description	Special Tax: Sales

Source: Moody's Investors Service

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